





**GARANTI**  
for you

ANNUAL  
**2014**  
REPORT

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# INTRODUCTION

Ability to “communicate” is among the key requirements with respect to all operations whether it be production or sales or service. The most critical aspect of communication is, however, not eloquence but active and emphatic listening. Listening to the customers grants amazing advantages for customer-centric product development, while also giving the businesses a valuable chance to see themselves from the eyes of the customers.

Regarding permanent and continuous customer satisfaction as a key component of sustainable economic performance, Garanti places its customers in the focal point of all of its processes. Believing that customer satisfaction can be achieved through a good experience offered to customers at every point of contact, Garanti has thus been asking its customers “Would you like anything else?” for 69 years, and works to satisfy all needs of customers in all their experiences. Garanti “listens” to its customers’ responses so as to give them the best service experience and to guarantee their continuous satisfaction. This customer-centric innovative business model is erected on competent human resource, process efficiency and cutting-edge technology.

The customer is an indispensable asset for Garanti. This is how Garanti defines its customers: “Our customers make up the focal point of all our activities and efforts. We always aim to achieve a customer satisfaction beyond expectations.”

The “human” is, undoubtedly, in the focus of Garanti that targets to create value for all of its stakeholders. Based on its core value that “The most important element for us is the human factor”, Garanti describes human resources as follows: “Our quality is incited and guaranteed by all our employees. Quality is embraced as the primary goal by each one of our employees. We believe in the ‘drive’ that makes them creative and productive.”

Starting from these values, Garanti describes sustainability as “a commitment to build a strong and successful business for the future, while minimizing negative environmental and social impacts, and sharing long-term values with its customers, staff, shareholders and the communities it operates in”.

Garanti, which addresses customers of any age, from any segment with the services and products offered, develops programs for segment-specific needs for children, youngsters and retirees. The Bank furnishes service to a broad population ranging from women entrepreneurs to SMEs and employees

from any profession, listens to them and designs innovative services and products tailored to their needs. On top of all these, Garanti takes place right in the heart of life through value-adding projects that it carries out and/or sponsors.

Garanti positions its customers right in the center of its 2014 Annual Report, as well. While exposing the “Garanti” as seen by its customers, the Bank also tells about the things done for the customers. When they say “For me, Garanti is...”, Garanti customers reveal what Garanti means to them. In return, Garanti talks about how it works for its customers citing the services furnished, products developed and innovative solutions designed...

Do you want to know why? Because for Garanti, its customers make up the key reason of its existence. All customers are entitled to receive quality service, and all Garanti employees are obligated to ensure customer satisfaction and to get the customers think “Garanti thinks, creates and delivers for me. I feel safe with Garanti”.

To deliver these statements and to ensure sustainability, Garanti adopts a customer-centric approach to handling the feedback received from various channels and takes steps to proactively introduce solutions for issues that give rise to dissatisfaction.

Garanti constantly conducts analyses to identify the areas where customer requests and complaints concentrate, and the reasons leading to them. With the ISO 10002:2004 Complaint Management System certificate renewed every year, Garanti boasts being the first Turkish bank to certify its Complaint Handling System at international standards.

“GarantiyeSor (AskGaranti)”, the Social Media Customer Satisfaction Team of Garanti, contacts an average of 4,500 customers via the social media on a monthly basis, and offers service around the clock, responding to user questions and comments within two hours maximum.

As a result of all these factors, more than 19,000 Garanti employees confidently join in the statement “Garanti for you”...

(CONVENIENCE TRANSLATION OF  
INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S  
ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH)

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**ANNUAL ACTIVITY REPORT  
COMPLIANCE OPINION**

Mersis No: 0291001097600016  
Ticari Sicil No: 304099

To the General Assembly of Türkiye Garanti Bankası A.Ş.:

We have audited the accuracy and compliance of the financial information in the accompanying annual activity report of Türkiye Garanti Bankası A.Ş. ("the Bank") and its consolidated subsidiaries as of 31 December 2014 with the audited financial statements. The Board of Directors of the Bank is responsible for the annual activity report. As independent auditors, our responsibility is to express an opinion on the audited annual activity report based on the compliance of financial information provided in the annual activity report with the audited financial statements included in the independent auditor's report dated 3 February 2015.

Our audit was performed in accordance with the accounting standards and principles and procedures of preparing and issuing annual activity reports as set out by the Banking Act No: 5411, Independent Auditing Standards which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and the Article 397 of the Turkish Commercial Code No. 6102 ("TCC"). Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the annual activity report is free from material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial information provided in the accompanying annual activity report presents fairly, in all material respects, the financial position of Türkiye Garanti Bankası A.Ş as of 31 December 2014 in accordance with the prevailing accounting principles and standards set out as per the Article 40 of the Banking Act No: 5411 and TTC. The financial information provided in the annual activity report is in compliance with the audited financial statements and explanatory notes, and also includes the summary Management report and our audit opinion on these financial statements.

**OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with paragraph three of the Article 402 of the TCC, nothing significant has come to our attention that may cause us to believe that the Bank may not continue its activities for the foreseeable future in accordance with Independent Auditing Standard 570 "Going Concern".

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.  
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



**HASAN KILIÇ,**  
Partner

İstanbul, 5 March 2015

# AGENDA OF THE ORDINARY GENERAL SHAREHOLDERS' MEETING

1 - Opening, formation and authorization of the Board of Presidency for signing the minutes of the Ordinary General Meeting of Shareholders,

2 - Reading and discussion of the Board of Directors' Annual Activity Report,

3 - Reading and discussion of the Independent Auditors' Reports,

4 - Reading, discussion and ratification of the Financial Statements,

5 - Release of the Board Members,

6 - Submission for approval of the appointment of the Board Member for the remaining term of office of the Board Membership position vacated during the year,

7 - Election of the Board Members whose terms of office have been expired and informing the shareholders regarding the external duties conducted by the Board Members and the grounds thereof in accordance with the Corporate Governance Principle no. 4.4.7 promulgated by Capital Markets Board of Turkey,

8 - Determination of profit usage and the amount of profit to be distributed according to the Board of Directors' proposal,

9 - Determination of the remuneration of the Board Members,

10 - Election of the Independent Auditor in accordance with Article 399 of Turkish Commercial Code,

11 - Informing the shareholders about remuneration principles of the Board Members and directors having the administrative responsibility in accordance with the Corporate Governance Principle no. 4.6.2 promulgated by Capital Markets Board of Turkey,

12 - Informing the shareholders with regard to charitable donations realized in 2014, and determination of an upper limit for the charitable donations to be made in 2015 in accordance with the banking legislation and Capital Markets Board regulations,

13 - Authorization of the Board Members to conduct business with the Bank in accordance with Articles 395 and 396 of the Turkish Commercial Code, without prejudice to the provisions of the Banking Law,

14 - Informing the shareholders regarding significant transactions executed in 2014 which may cause conflict of interest in accordance with the Corporate Governance Principle no. 1.3.6 promulgated by Capital Markets Board of Turkey.

FOR ME, GARANTI IS.....



THE ONE THAT  
MAKES ME FEEL  
SPECIAL

EVERYWHERE



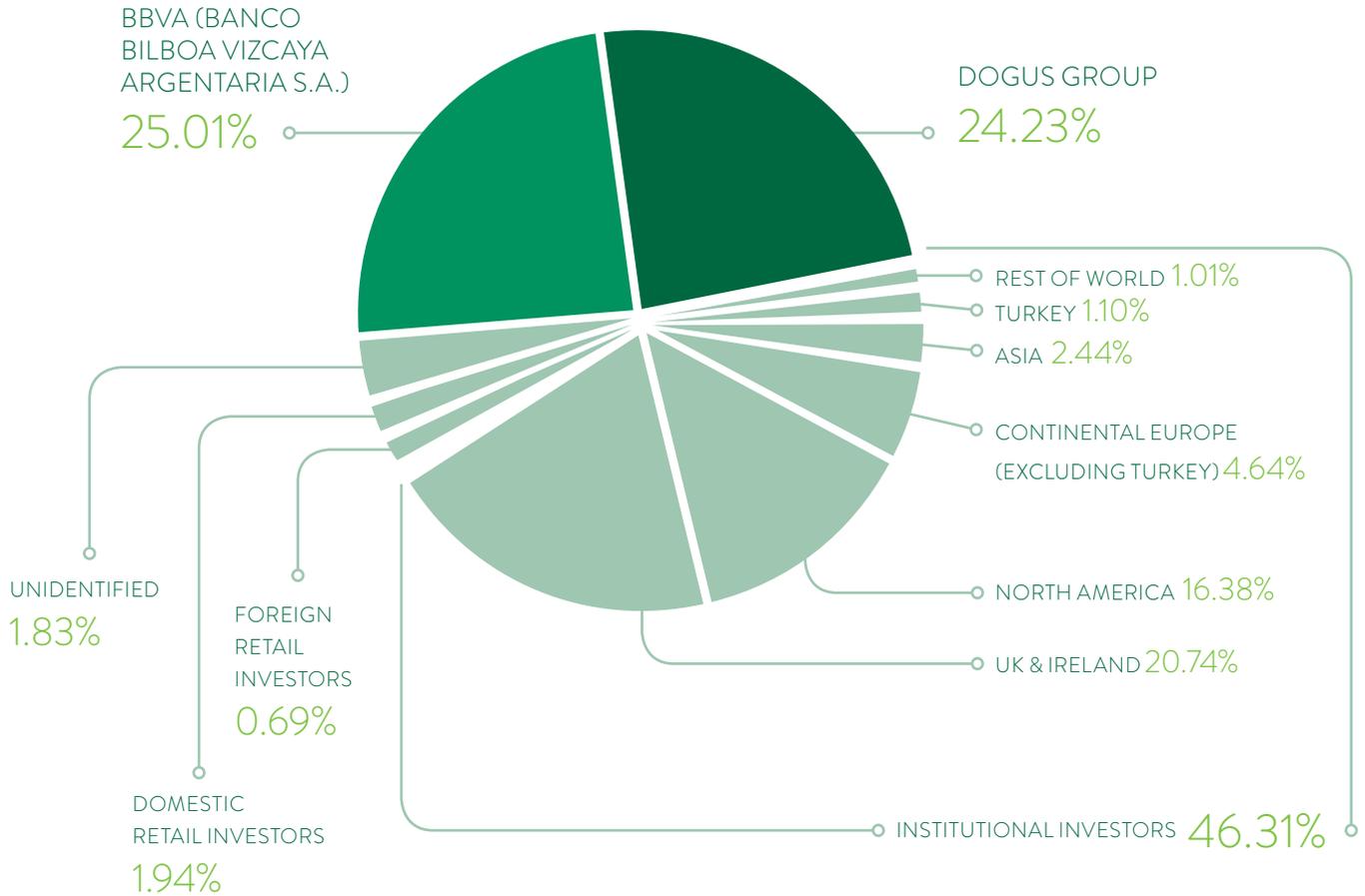
HIGH-QUALITY  
SERVICE







# OWNERSHIP STRUCTURE



Per disclosure on November 19, 2014; Doğuş Group and BBVA have entered into a Share Purchase Agreement dated November 19, 2014 with respect to sale of shares of T. Garanti Bankası A.Ş. ("Garanti") representing 14.89% of the share capital with an aggregate nominal value of TL 625,380,000.00. Following the completion of the share transfers, Doğuş Group's and BBVA's stake in Garanti will be respectively 10% and 39.9% of the share capital. The transfer of title for the shares sold from Doğuş Group to BBVA will be finalized once the transaction is approved by the relevant authorities in and outside of Turkey including the Banking Regulatory and Supervisory Authority, the Capital Markets Board and the Competition Board.

You can reach the announcement from the Investor Relations website:  
[www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com)

There are no privileged shares among Garanti Bank shares.

#### 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: Institutional shareholder and foreign individual shareholder composition data based on IPREO Shareholder ID Analysis dated January 2015; the actual free float ratio and the share of local individual shareholders are all based on Central Agency Registry Agency data.

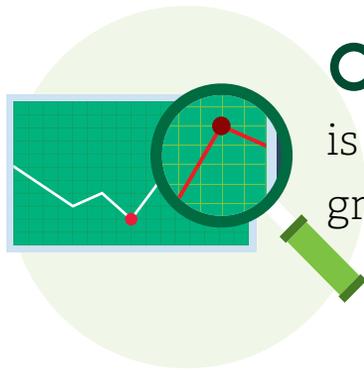


## OUR VISION

is to be the best bank in Europe.

## OUR MISSION

is to continuously and noticeably increase the value we create for our customers, shareholders, employees, the society and the environment by utilizing our influence, agility and organizational efficiency.



## OUR STRATEGY

is to maintain long-term sustainable growth by continuously creating value.

# MAIN PILLARS OF OUR STRATEGY

## FOCUS ON CUSTOMERS

- » High quality service via innovative products
- » Unrivalled competence, experience and implementation capability
- » Exceptional business processes throughout the Bank
- » Customer Satisfaction Constitution

## FOCUS ON THE CONTINUITY OF TECHNOLOGICAL INNOVATION

- » The best and the fastest technological equipment that is constantly upgraded and integrated with business segments
- » The most up-to-date IT infrastructure

## FOCUS ON COMPETENT HUMAN RESOURCES

- » Continuous improvement in competency and efficiency of human resources
- » Management policy based on performance and internal promotion through internal recruitment

## FOCUS ON OPERATIONAL EFFICIENCY

- » Focus on improving productivity
- » Focus on cost/income synergies

## FOCUS ON DISCIPLINED GROWTH

- » Sustainable and profitable balance sheet growth focused on real banking
- » Strong asset quality
- » Effective use of capital

## FOCUS ON STRONG DELIVERY CHANNELS

- » Extensive and efficient branch network
- » Excellent customer experience via omnichannel strategy

## FOCUS ON SUSTAINABLE BANKING

- » Commitment to corporate governance, ethics and corporate values
- » Minimizing environmental and social impacts of the Bank's activities, products and services
- » Playing an active role in establishing high standards for social development and environmental protection with an approach toward creating value for the society and the environment

## FOCUS ON RISK MANAGEMENT & AUDIT

- » Measurement of risk using globally accepted standards
- » Portfolio-wide risk management that associates risk with return and leads to optimal allocation of economic capital
- » Proactive audit systems

# OUR CORE VALUES

## “OUR CUSTOMERS ...”

- » Are the cause of all our operations and efforts.
- » We always strive to satisfy our customers above and beyond their expectations.
- » We are always honest, courteous, helpful, solution-oriented and pleasant with our customers.

## “GARANTI BANK & ITS EMPLOYEES HAVE HIGH MORAL VALUES ”

- » We conscientiously follow rules and regulations without exception.
- » Having a good conscience is of paramount importance for both the organization and the individuals which form it.

## “THE MOST IMPORTANT ELEMENT FOR US IS THE HUMAN FACTOR ”

- » We value individuals, attach strong importance to the human mind and invest continuously in human resources.
- » Our quality is driven and ensured by our employees.
- » Every team member is driven primarily by a quest for quality.
- » We understand the importance of delegating responsibilities.
- » We encourage our employees to take initiative.
- » We believe in the energy for “desire” that makes our employees creative and productive.
- » We believe that every employee of our Bank is a “leader in his/her field” and that they are the one who knows best what they are doing.

## CONTINUOUS PROGRESS

- » We sustain the quality of our services by constantly improving ourselves rather than maintaining the status quo.
- » Investing in our people and technology to achieve continuous progress is an inseparable element of our policy.
- » Our primary duty is to sustain a high level of quality while constantly improving the quality of our products and services.
- » Our approach to improving quality is proactive; we strive to identify the needs and expectations of our customers and address them even before they are voiced by our customers.

## OUR ENVIRONMENTAL & SOCIAL RESPONSIBILITIES

- » We undertake every effort to be beneficial to the society, the environment and humankind.
- » We believe that the environmental and social values set out by Garanti Bank for all of its stakeholders will be taken as a model not only in the banking sector but also in the entire national economy while providing significant contributions to Turkey's development.

## TEAMWORK

- » We believe in effective teamwork and open lines of communication. We do not compromise these principles.
- » We are opposed to strict layers of hierarchy.
- » Everybody at Garanti Bank from the CEO to the lowest ranking personnel and all of the organizations which we cooperate with coalesce into a unified power to realize the vision.
- » The effective teamwork of the Bank is strengthened by collaboration, mutual trust and respect.

# SUSTAINABILITY

## SUSTAINABILITY POLICY STATEMENT

### PURPOSE AND SCOPE

To strengthen its vision to be the best bank in Europe, and its mission of increasing the value it creates for customers, shareholders, employees, the society and the environment by utilizing its influence, agility and organizational efficiency, Garanti Bank acknowledges the importance of conducting its business activities in a responsible manner, and aims through this Policy Statement to ascertain the guiding principles for its Sustainability strategy and efforts. The principles support Garanti Bank in effectively defining and addressing material Sustainability risks and opportunities facing the Bank in Turkey.

This Policy Statement, covering the Bank's business activities in Turkey, has been developed in line with the corporate regulations and legislations, and is entered into effect by a prior approval of the Board of Directors.

### OVERALL SUSTAINABILITY VISION

Sustainability issues are gaining importance within the Turkish society, and are increasingly impacting the banking sector. Garanti Bank strongly believes that operating sustainably is a key driver to the long-term success of the Bank, and aims to be the leader in introducing and implementing sustainable banking to Turkey.

Building on the Bank's core values, Garanti Bank defines Sustainability as a commitment to build a strong and successful business for the future, while minimizing negative environmental and social impacts, and sharing long-term values with its customers, staff, shareholders and the communities it operates in.

Garanti Bank 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. The Bank also recognizes the importance of an effective organizational structure and strong corporate governance to maintain ongoing development and successfully deliver its sustainability objectives.

Furthermore, Garanti Bank 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 a sustainability leader in Turkey.

### SUSTAINABILITY PRINCIPLES

Garanti Bank focuses on improving the basics of banking by integrating sustainability into its operations. The below principles, highlight the measures Garanti Bank will be taking to achieve this aim:

#### 1 - FOCUSING ON CUSTOMERS THROUGH SUSTAINABLE FINANCE

- » Introduce new practices to Turkey that go beyond common practices and compliance to relevant national laws and regulations;
- » Enhance E&S risk processes across the Bank and its subsidiaries to minimize the negative impact of lending and investment activities;
- » Educate customers on Sustainability and become a trusted advisor in supporting and facilitating customers to minimize their own footprint;
- » Develop products and services that help catalyze the transition towards a more sustainable economy, increase financial inclusion and commit to ethical marketing and selling.

#### 2 - FOCUSING ON MANAGING ENVIRONMENTAL IMPACT OF OPERATIONS

- » Measure and monitor the Bank's environmental footprint, and implement measures to increase resource and energy efficiencies;
- » Set targets to reduce emissions and resource usage in targeted areas and increase cost-effectiveness;
- » Work closely with suppliers to benefit from the latest environmentally friendly solutions and expand sustainability across the supply chain.

#### 3 - FOCUSING ON COMMUNITIES

- » Invest in communities through direct contributions and development of mutually beneficial partnerships;
- » Build on Garanti Bank's current philanthropy and sponsoring activities to further increase the wellbeing and lifestyle of Turkish communities.

**4 - FOCUSING ON STAKEHOLDERS**

- » Liaise and engage with different stakeholders at the national and international levels to follow the latest developments and include their views into decision-making processes;
- » Play an active role in increasing financial education and sustainability awareness within Turkish society;
- » Report transparently on issues material for the Bank and its major stakeholders.

**5 - FOCUSING ON HUMAN RESOURCES**

- » Monitor employee satisfaction and ensure a fair remuneration and benefits scheme at all seniority levels;
- » Continuously educate employees and proactively engage them to develop and implement sustainable initiatives in their day-to-day activities, both at and outside work.

**6 - FOCUSING ON CORPORATE SUSTAINABILITY**

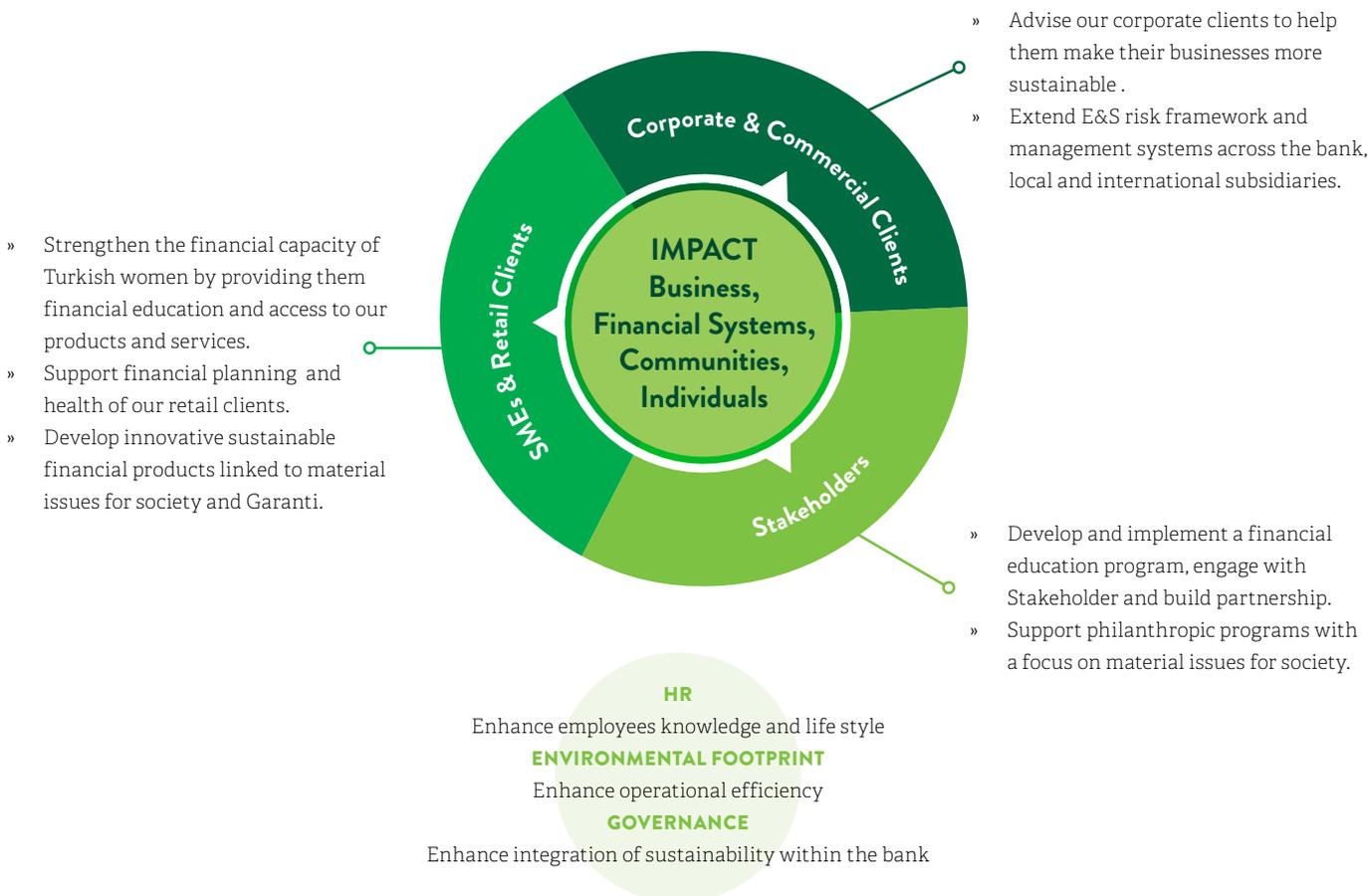
**GOVERNANCE**

- » Adopt an effective governance structure to develop, implement and monitor sustainability actions within the Bank;
- » Integrate sustainable banking into Garanti Bank's operations in line with the bank identity and culture.

**RESPONSIBILITY FOR THIS FRAMEWORK**

The Board of Directors is authorized and responsible to approve the Sustainability Policy. The monitoring, amendment, improvement, implementation and enforcement of the Policy is under direct responsibility of the Sustainability Committee. All changes and amendments should be subsequently approved by the Board of Directors, then published internally and made public through the Bank's website.

**SUSTAINABILITY STRATEGY**



# MILESTONES IN GARANTI'S HISTORY

## 1946

- Founded in Ankara.

## 1983

- Joined Doğuş Group, a conglomerate operating in finance, industrial and services sectors.

## 1990

- Went public; its shares began trading on the ISE.

## 1993

- First Turkish company to issue shares in international markets.

## 1995

- First bank to work during lunch time.
- Introduced the first Cash Management Account in Turkey (E.L.M.A.).

## 1996

- First private bank to launch "Business Owner Package" dedicated to support SMEs.
- First bank in Turkey to establish a dedicated Cash Management Department.

## 1997

- Became the first multi-branch private bank in Turkey to offer real-time online services.
- The first Turkish bank to offer internet and telephone banking together.
- Offered Turkey's first Direct Debit System.

## 2000

- Introduced Bonus Card, Turkey's first chip-based and multibranded credit card.
- Introduced Shop&Miles, Turkey's first credit card that earns miles while shopping.

## 2001

- Merged with Ottoman Bank, another banking subsidiary of Doğuş Group.

## 2002

- Established Turkey's first interbank card platform with Bonus Card.

## 2003

- Offered Turkey's first Online Direct Debit System.

## 1999

- The first bank to offer "Virtual P.O.S." system.
- Launched Turkey's first e-trade website (eticaret.garanti.com.tr)
- First bank in the world to issue trade payment rights securitization.

## 2005

- First bank in the world to offer SMS-based money transfer via CepBank.
- First Turkish company to receive the Investors in People (IIP) achievement certificate for the quality of its human resources practices.
- Turkey's first cardless bill payment and money deposit transactions through ATM.
- General Electric and Doğuş Group became equal strategic partners in Garanti Bank.

## 2007

- Partnership agreement with one of the prominent insurance companies in Europe, Eureko B.V. (the Netherlands) to transfer 80% of shares in Garanti Insurance and 15% of shares in Garanti Pension.
- Launched "Garanti Discount", Turkey's first web-based supplier financing system.
- Launched Turkey's first Direct Debit System with risk sharing model.
- Introduced PayPass featured Bonus Trink credit cards in the form of watch and key fob - both firsts in Europe and sticker-a first in the world.
- Introduced Environmentally Friendly Bonus Card, a first in Turkey and Europe with its features as an ecologic product such as its plastic, communication materials and donation characteristics.
- First bank in Turkey to offer web-based transactions on TurkDex (The Turkish Derivatives Exchange) via online banking.

## 2006

- Introduced world's first flexible credit card, FlexiCard, enabling customization of all parameters including financial and visual.
- Introduced Bonus Trink, the PayPass featured credit card with contactless chip technology.
- Initiated Turkey's first bill payment service via P.O.S. machines.
- Offered "5 minute loan" service whereby the applicant receives the evaluation in 5 minutes.
- First bank in Turkey to create "paperless banking" operating environment and first bank in the world with ID scanning facilities in branches.
- The first Turkish private bank to offer "Woman Entrepreneurs Support Package".
- The only bank in Turkey with exclusive rights to issue American Express Centurion Line Cards and to accept merchants to its network.

## 2008

- Bought back founder share certificates, an important move toward improved corporate governance.
- Launched Turkey's first Inventory Finance System.
- Established Turkey's first mortgage call center, 444 EVİM.
- Launched Loan via P.O.S., commercial installment loan offered through P.O.S. system, a first in the world and in Turkey.
- Performed Turkey's first cardless remittance via ATMs, where both parties are non-bank customers and want to transfer money.
- Founded the Teachers Academy Foundation (ÖRAV), with the aim of fostering consistent personal and professional development of teachers.

## 2009

- Turkey's first bank to offer "e-government" payments.
- Introduced Money Card, Turkey's first credit card which is multi-branded and also offers brand-specific loyalty benefits.
- Launched Turkey's first last minute EFT service.
- Offered Western Union transactions via Internet branch as a first in the world.
- Developed Turkey's first Gold Financing System.
- Launched DCC (Dynamic Currency Conversion) P.O.S. enabling foreign card holders to pay in their own currencies.
- Started calculating its greenhouse gas emissions.

## 2010

- Established the Sustainability Committee. Submitted its greenhouse gas emissions and climate change strategy to the Carbon Disclosure Project (CDP).
- Introduced another first in Turkey by performing Western Union transactions through ATMs as well as Internet Banking.
- Launched the world's first NFC (Near Field Communication) payment enabled SIM card "Bonuslu Avea".
- Joined Global Banking Alliance For Women, the largest network of banks offering service to small and medium-sized business owner women, as the first and only member from Turkey.

## 2012

- Set up its Environmental Management System and Environmental Policy.
- Signed up to the United Nations Global Compact.
- Became the first bank in Turkey to become a member of the Turkish Business Council for Sustainable Development (TBCSD).
- Introduced Garanti Link which offers special campaigns to social media users as a first in Turkey.
- Introduced Net Account as a first in Turkey which offers a variety of returns based on income, saving capability and habits, and with regard to opening dates and regular payment amounts.
- Established sector's first Auto Loan Support Line; 444OTOM.
- Became the first bank in Turkey to apply Call Steering, apprehending the request expressed by the customer and directing them to the related task point.
- Launched world's first banking application for Windows 8.
- In partnership with Shell, introduced Shell Partner Card as a first in Turkey to combine cash and fuel management in a single card.
- Introduced Turkey's first contactless SME specific credit card, Easy Card.
- Introduced Takas Kart (Barter Card) that enables the automation of cash flow between dairy industries, milk cooperatives, and milk producers through merging the means of exchange with technology on a plastic card.
- First Bank in the world to offer web-based solution to the working capital needs of car dealers for the purchase of second hand cars via Exchange Finance.

## 2011

- Banco Bilbao Vizcaya Argentaria (BBVA) and Doğuş Group became equal strategic partners in Garanti Bank, through BBVA's acquisition of shares from GE Capital Corporation and Doğuş Holding A.Ş.
- Sold its 20% shareholding in Eureko Insurance to Eureko B.V. by exercising its put option.
- Joined UNEP FI (The United Nations Environment Programme Finance Initiative).
- SALT was established to provide long-lasting support to culture and experimental thinking in Turkey.
- Entered the Carbon Disclosure Project (CDP) Global 500 Report 2011, a global reporting system on climate change.
- Became the first private enterprise to issue the longest tenor Eurobond in Turkey.
- Provided Turkey's first TL-denominated long-term project finance facility.
- Introduced Cep-T Paracard in collaboration with Turkcell and MasterCard, Turkey's first prepaid card enabling SIM-based secure service that can be used with mobile handset devices.

## 2013

- Provider of the highest-amount loan with the longest maturity in the world under the DPR (Diversified Payment Rights) securitization program.
- Issuer of the longest-maturity in Turkey under the Medium Term Note Program, and the first Turkish issuer of notes denominated in euro, Czech koruna, Romanian leu, Swiss franc and Australian dollar.
- Launched, in collaboration with Turkcell, contactless payment by mobile phones for Mastercard and Visa users, a first in the world.
- Established a long-term loyalty program aimed at real estate agents with the program "Garanti Mortgage Secures Retirement for Real Estate Agents", a first in Turkey.
- Became the first bank to launch a website dedicated to providing information on urban transformation at [www.kentseldonusumcevaplari.com](http://www.kentseldonusumcevaplari.com).
- Successfully led and finalized the financing of the first big-ticket electricity generation privatization.
- Began receiving general-purpose loan applications with the secure form made available on Facebook, a first in the world.
- Became the first Turkish bank to enable money transfers via Facebook and Twitter. This represents the launch of social platform-compatible version of CepBank.
- Took digital transaction banking one step further and introduced iGaranti, a service embedded into the lives of people, which signifies a first in the mobile world.
- Became the first Turkish bank to have a presence on all of the leading platforms with the Mobile Phone Branch.
- Became the first Turkish bank to set up new branches with a Disabled-Friendly Banking approach.
- Boasts being the first Turkish bank to be assigned an A level for its Sustainability Report by GRI (Global Reporting Initiative).

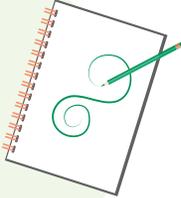
## 2014

- The first Turkish issuer of notes denominated in Japanese Yen under the Medium Term Note program.
- Qualified for the Borsa Istanbul Sustainability Index with its sustainability approach and performance based on environmental, governance and social criteria.
- The first Turkish bank to release its Sustainability Report covering a period of 18 months until the end of 2013 in accordance with the "comprehensive" option according to the GRI's new G4 Sustainability Reporting Guidelines.
- The first Turkish bank to receive a Green Office Diploma from WWF Turkey upon successful completion of the WWF Green Office Programme at its Head Office building.
- Named "CDP 2014 Turkey Climate Disclosure Leader" by getting the highest score among the 42 companies evaluated in the CDP's "Turkey Carbon Disclosure Leadership Index".
- The first Turkish bank to sign the Women's Empowerment Principles launched by the United Nations.
- Received limited assurance for GHG emissions for the first time in the fifth submission of its GHG emissions and climate change strategy to the CDP.
- The first in the world in the use of banking products/services on social media with the application forms received via Facebook, "Sigortam Garanti'de" (Insurance at Garanti), "Emekli Maaşım Garanti'de" (Pension at Garanti) and "Garanti ile NET Birikimler" (Net Savings with Garanti).
- The first bank in Turkey offering payment services via [garanti.com.tr](http://garanti.com.tr) using Garanti Bank cards for Bill Payments, Government/Tax Payments and GSM top-ups.
- The first bank in Turkey that enables loan applications received via any channel to be finalized on the Internet Banking.
- iGaranti Glass application became the world's first financial application developed for Google Glass.
- Integrated the Beacon technology, which offers a unique shopping experience by communicating with nearby devices, into banking via iGaranti.
- Launched a groundbreaking initiative with the Voice Control feature developed by iGaranti, which allows users to transfer money to the accounts of people in their social networks by voice, as well as browsing within the application.

# GARANTI'S COMPETITIVE ADVANTAGES

## DYNAMIC HUMAN RESOURCES CAPABLE OF MAKING A DIFFERENCE

- » HR policies targeted at employee satisfaction
- » Awarded talent programs
- » ~16,500 employee suggestion & ideas collected
- » 86% of employees are university graduates
- » 44 hours/employee training per annum
- » 138,000 hours of trainings are delivered through technological methods



## INNOVATIVE CUSTOMER-ORIENTED PRODUCTS AND SERVICES

- » Differentiating with innovative, flexible and custom-tailored solutions
- » Blending customer needs and tendencies with evolving trends
- » Conducting market research and listening to customers
- » Encouraging employees to share their suggestion and innovative ideas



## EXCEPTIONAL DATA WAREHOUSING AND MANAGEMENT REPORTING (MR)

- » Centralized MR, enabling management to take timely actions
- » Proactive business support in the decision-making process
- » One of the best practices in Turkish market in terms of data consistency, reliability and report generation efficiency
- » Reports generating significant inputs for Asset Liability Management process



## STATE-OF-THE-ART TECHNOLOGY

- » Business-integrated IT
- » Fully in-house developed custom-fit IT solutions
- » Uninterrupted transaction capability and infrastructure security
- » Dynamic and advanced technology enabling quick customer service time
- » Reputation as "innovator"
- » Continuous investment in technology since 90s



## BEST CUSTOMER RELATIONSHIP MANAGEMENT SOLUTIONS

- » Systems enabling profitability & propensity analysis and product development
- » Sophisticated segmentation systems
- » Multi-channel CRM tools offering effective & timely solutions
- » Operational efficiency, sales effectiveness and digitalization
- » Making a difference in customer experience with smart business processes



## STRONG BRAND AND REPUTATION



- » Customer centricity measured periodically via Customer Centricity Index based on quantitative parameters
- » Consistent communication and corporate responsibility projects continuously contribute to brand perception.
- » Emotional connection differentiates Garanti brand from others.
- » Customers define Garanti: "Make them feel special, offering fast service, trustworthy, innovative, leader in technology, warm and populer, contributing to the economy."

## SINGLE POINT OF CONTACT FOR ALL FINANCIAL NEEDS



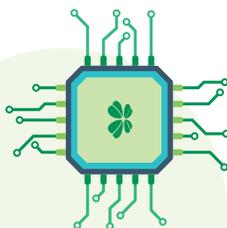
- » International banking operations in the Netherlands, Russia and Romania since 1990s
- » Leader in bancassurance
- » **17%** of all pension participants in Turkey choose Garanti.
- » With TL **17.4** billion business volume maintains its leading position in factoring
- » Leader in number of leasing contracts
- » Turkey's first asset management company
- » Strong presence in capital markets with **~7.3%** brokerage market share

## EXTENSIVE BRANCH NETWORK

- » **100%** Geographical Coverage
- » Presence in **81** cities
- » Tripled branch network since 2002
- » **#1** in branch openings since 2002 (>670 net new additions)
- » Highest per branch efficiency by loans, customer deposits and ordinary banking income



## CENTRALIZED OPERATIONS



- » First bank to set up centralized operations in Turkey
- » **99%** centralization ratio
- » Warehousing all data electronically
- » First bank in Turkey to create "paperless banking" operating environment
- » First bank in the world to implement ID scanning facilities in branches
- » Alleviating branches' operational workloads through effective use of technology
- » Best in class operational efficiencies and superior employee productivity

## OMNI-CHANNEL CONVENIENCE WITH SEAMLESS EXPERIENCE ACROSS ALL CHANNELS

- » **85%** of all financial transactions occur via digital channels
- » Leading position in internet & mobile banking
- » First bank to provide applications in all major operating platforms
- » **4,152** ATMs facilitating **>200** transactions
- » Leading financial call center with more than **68** million customer contacts per year
- » Offering personalized financial management services



# GARANTI WITH NUMBERS

	2010	2011	2012	2013	2014
 <b>BRANCHES</b>	863	918	936	1,001	1,005
 <b>NUMBER OF EMPLOYEES</b>	16,675	16,775	17,285	18,738	19,036
 <b>ATMs</b>	3,003	3,268	3,508	4,003	4,152
 <b>POS*</b>	405,154	458,851	501,919	534,148	541,012
 <b>TOTAL CUSTOMERS</b>	9,774,724	10,701,803	11,724,760	12,400,077	13,075,181
 <b>MOBILE BANKING CUSTOMERS**</b>	-	148,070	439,634	842,191	1,547,579
 <b>INTERNET BANKING CUSTOMERS**</b>	1,669,703	2,068,184	2,367,473	2,655,303	3,264,206
 <b>CREDIT CARDS</b>	8,004,359	8,544,466	9,088,470	9,302,545	9,379,003
<b>DEBIT CARDS</b>	6,174,141	6,507,784	7,014,706	7,350,311	8,020,023

\* Includes shared and virtual POS.

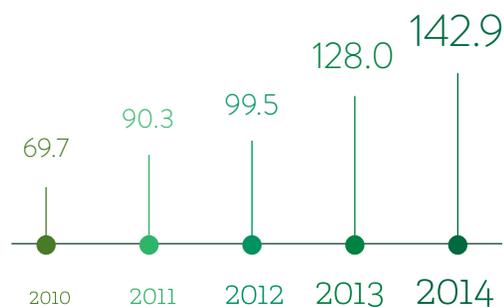
\*\* Active customers only -- min. 1 login or call per quarter.

**ASSETS**

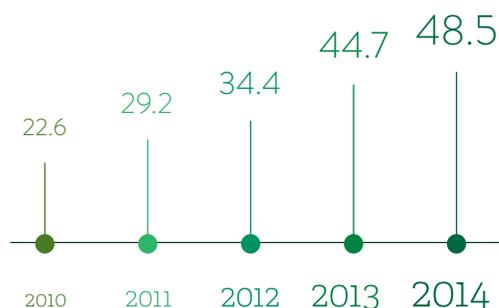
(TL Billion)

**PERFORMING CASH LOANS**

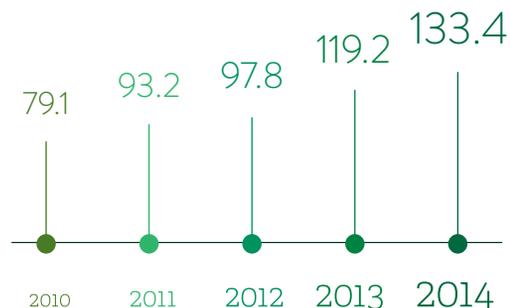
(TL Billion)

**CONSUMER LOANS**

(TL Billion)

**DEPOSITS**

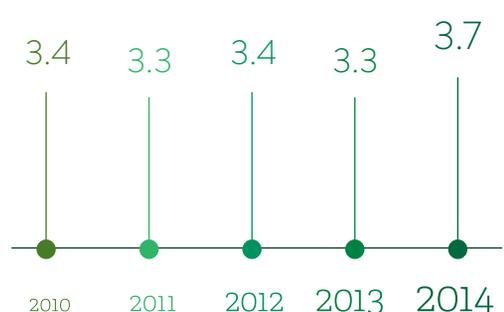
(TL Billion)

**SHAREHOLDERS' EQUITY**

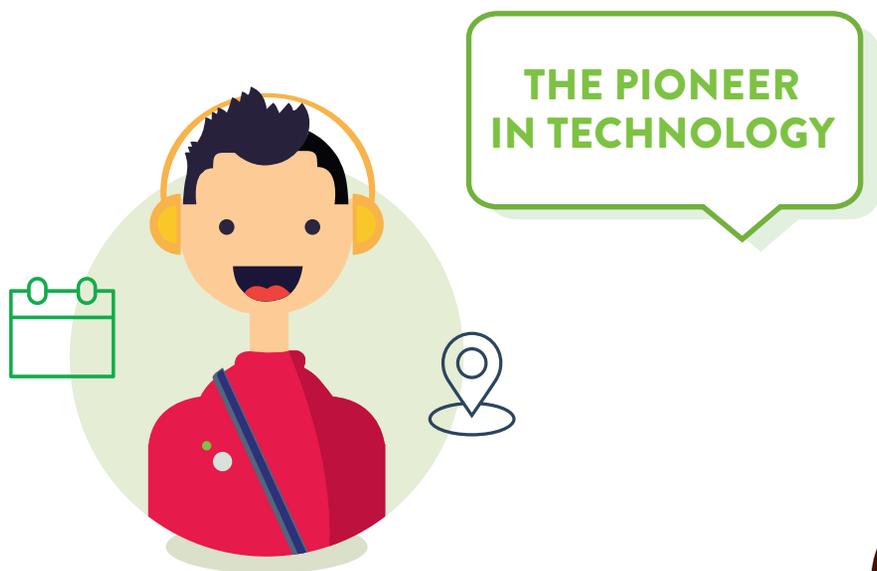
(TL Billion)

**NET INCOME**

(TL Billion)



# FOR ME, GARANTI IS.....



# 2014 OVERVIEW AND 2015 OUTLOOK



# 2014 MACROECONOMIC OVERVIEW

## DEVELOPMENTS IN TURKEY IN 2014

### MODERATE GROWTH DRIVEN BY EXTERNAL DEMAND

In 2014, domestic demand weakened due to macroprudential measures adopted at the onset of the year, coupled with the CBRT's significant rate hike in an attempt to restrain the upward pressure on exchange rates, while exports gained momentum and the contribution of external demand became more pronounced as a result of contracting demand for imports.

After making a feeble start to 2014, the global economy, led by the US economy, managed to grow only moderately. The key highlight of 2014 was the major differences between the growth rates of countries, rather than the pace of growth of the global economy. The fragility of the global economy mainly stemmed from the weak performance of major economies like the Euro zone and Japan, despite the strong recovery in the US. The differentiation between the economic performances of developed countries affected the outlook of monetary policies in those economies, in turn leading to increased volatility in the financial markets, primarily in exchange rates, and causing pricings to be made in line with these expectations.

Growth in the US was accompanied by increased employment, which pushed unemployment rate down to its lowest post-crisis rate of **5.6%** by year-end 2014, while bringing the **12-month** average rise in nonfarm employment to its highest in the post-crisis period. The strong employment and growth data allowed the US Federal Reserve (Fed) to successfully sustain its tapering strategy, which was initially signaled in June 2013, and to discontinue quantitative easing as of October 2014. While the US economy continued to get closer to its potential growth rate following the termination of bond buying, the question and speculations about the timing of the Fed's interest rate increase were among the primary factors that fluctuated the markets.

As the economic situation in the US seemed good enough to bring the Fed closer to increase interest rates, the situation was relatively more negative in other developed economies including the Euro zone and Japan. Even though Eurozone GDP growth rate accelerated slightly in the last quarter, the whole year growth rate was realized as **0.9%** in 2014. Combined with the low growth rate, the inflation in the Euro zone that became negative by **0.2%** as of December 2014 compelled an effective

intervention from the European Central Bank (ECB). Contrary to the Fed that stood closer to increasing the interest rates, the ECB, striving to fight weak growth and low inflation, decreased its policy rate to **0.05%** and the interest paid on bank reserves to negative **20** basis points in its September meeting. In the same meeting, the ECB also passed a decision to expand its balance sheet by approximately EUR **1** trillion, through long-term low-cost funding for banks (TLTRO – Targeted Long-Term Refinancing Operations) and asset purchases. The fact that the decline in oil prices will prolong the deflation process to some extent created an anticipation that the ECB might expand its asset purchasing program by including government bonds. While the differentiation in the outlooks of monetary policies caused global appreciation of the US dollar, the value gained on the dollar index was **13%** at year-end 2014 compared to year-end 2013.

On the emerging economies front, on the other hand, 2014 was characterized by deceleration. According to the latest World Economic Outlook published by the IMF, growth in emerging countries slipped down to **4.4%** in 2014 from **4.7%** in 2013. It can be suggested that the growth in China, which slowed down from **7.8%** to **7.4%** in the same **12-month** period, was a major contributor to this downturn.

### MARKED IMPROVEMENT IN CURRENT ACCOUNT DEFICIT

Exposed to a double shock at the onset of 2014 with the Fed's tapering and political uncertainties, the Turkish economy performed moderately owing to its flexible structure. Despite the repressive effects upon domestic demand that resulted from increasing interest rates that followed the CBRT's January rate hike in an attempt to restrain the depreciation of TL and macroprudential measures adopted, a moderate growth performance was captured in the first three quarters of 2014. The annual consumer loan growth rate fell well below the average of former years, to about **15%**, the CBRT benchmark. With reduced contribution of domestic demand, the rate of growth was **2.8%** in the first three quarters of the year, whereas growth was almost entirely driven by external demand. While the moderate course of domestic demand curbed imports, the **12-month** current deficit exhibited a meaningful improvement thanks



to the positive export performance, and declined from USD 64.7 billion (ratio to national income: 7.9%) at year-end 2013 to USD 45.8 billion (ratio to national income is likely to be 5.7%) at year-end 2014. Despite decelerated growth, sensitivity to external shocks was limited by diminished domestic demand and reduced current account deficit in advance of a period that was expected to be fluctuating on the global arena. Hence, annual exchange rate adjusted loan growth rate slowed down markedly along with the weakened domestic demand, and stood at 15.7%.

Approximately 50% plummet in oil prices as compared with year-end 2013 was a positive shock that closely concerned Turkey and became the crucial point in the last quarter of 2014. Significantly affecting the risk perception toward Turkey, this situation will inevitably positively impact inflation and current account deficit, two key issues of Turkey. It is calculated that a USD 10 decline in oil prices per barrel will reduce energy imports by USD 4 billion, and a 10% decline will decrease inflation approximately by half percentage point. On the other hand, it may be unfavorable for Turkey if Russia, a key trading partner of Turkey, is negatively impacted by the fall in oil prices and if the Russian economy suffers a possible remarkable contraction, as warned by the Central Bank of Russia, in the event that oil prices stabilize below USD 60 per barrel. This situation can be expected to have a direct negative effect on Turkey through exports and tourism.

Looking from the perspective of emerging countries that rely on external financing such as Turkey, strengthened US dollar and US dollar funding rates expected to adopt an upward trend can be anticipated to be reflected on emerging countries in the form of depreciated currencies and higher domestic interest rates. However, permanence of decreased oil prices and the ECB's quantitative easing may render Turkey more resilient against the Fed shock.

### RIGID INFLATION

The inflation remained high throughout the year as a result of secondary exchange rate pass-through effects that were introduced by the failure to secure a significant improvement in exchange rates, as a result of the expectations that the Fed got close to hike rates, as well as the high food prices driven by drought and geopolitical reasons. But in December, annual inflation improved beyond projections with the positive surprise realized food inflation, and stood at 8.2% at the end of the year. Annual food inflation was registered as 12.9% at year-end, its highest ratio since 2003. On another front, slumped oil prices, through their impact on fuel oil prices, contributed 0.8 points towards decreasing annual inflation, and annual energy inflation was recorded as -1% in 2014. Core inflation, excluding food and energy,

however, remained high throughout the year and finished 2014 at 8.7%. Inflation developments indicated that secondary effects of prices created rigidity, particularly on the service prices inflation.

### VOLATILE INTEREST RATES

Turkish lira and market interests showed some recovery upon the restart of capital inflows to emerging economies and decreased risk premiums, once the global markets, as of the second quarter of 2014, shook off the distress created by the Fed's termination of bond buying. Anticipating a decrease in inflation, which had risen to 9.5% by mid-year with the effect of sharp TL depreciation, the CBRT loosened its monetary policy and decreased the policy rate by an aggregate of 175 basis points in the May-July period. After August, although the CBRT kept the interest rate corridor unchanged, it maintained its tightening stance by leading the overnight interbank rate to be closer to the upper band of the interest rate corridor (11.25%) through liquidity adjustment with a view to mitigating the effect of selling pressure on TL due to Russia-originated developments particularly toward the end of the year.

The developments in the world economy and the CBRT's actions were the determinants on market interest rates. After rising to as high as 11% at the end of March 2014, the two-year benchmark bond rate was 8.0% at the end of the year, owing to the positive differentiation created by the oil price movements in the last quarter of the year, in particular. On the other hand, TL depreciated by 15% on average throughout the year against the EUR-USD currency basket.

### POSITIVE BUDGET AND DEBT STOCK DATA

As for the central government budget, the realization of the budget in 2014 turned out to be more positive than the targets in the Medium Term Plan (MTP). The budget deficit in 2014 was TL 22.7 billion, remaining below the MTP target of TL 24.7 billion, while the primary surplus was TL 27.2 billion, which was above the MTP target of TL 25.8 billion. The ratio of the budget deficit to the projected GDP in 2014 was 1.3%, which showed a marginal increase over its end-2013 value of 1.2% and remained below the MTP target of 1.4%. The ratio of the primary surplus to the GDP was down from 2.0% to 1.6% during the same period (MTP target: 1.5%).

On the other hand, the ratio of public debt stock to the GDP maintained its downtrend throughout 2014 due to increased maturities, low interest rates and slowdown in the depreciation of the TL, and was 34.1% as of September 2014. As such, the government very likely reached its public debt stock projection for 2014, which was 34.0%.

# LETTER FROM THE CHAIRMAN



Dear Stakeholders,

2014 was a quite active year for the global economy. Despite the economic performance of the US, which is getting stronger, the challenges facing the European economy still continue. The growth dynamics have been losing momentum in emerging market economies which were the driving forces of the global growth in the post-global financial crisis period. Geopolitical risks have become among the most important items in the global economic agenda. The rapid decline in the oil prices has been affecting the economies to varying degrees. However, this is a positive development for the global economy in a period when a stronger overall recovery is needed.

The external financing conditions, especially related with the economic recovery process in the US, affected all economies in 2014, which was also a rebalancing year for our economy. Turkish economy is estimated to have left behind 2014 with a growth rate of around **3%** despite the developments in the external financing conditions and geopolitical risks. I believe that, as an oil importing economy, the improvement in our main macroeconomic indicators will continue going forward thanks to the decline in oil prices.

We left behind a year in which the impact of the market conditions was felt on growth and profitability of our banking sector. Loan growth lost momentum and declined to a more sustainable **18%** level compared to **32%** in the previous year. Even though the factors such as the financing conditions and the slowdown in loan growth put some pressure on the sector's profitability, our banking sector maintained its strong asset quality thanks to its adaptation capacity and experience in challenging periods.

Garanti Bank sustained its strong performance in 2014 with successful balance sheet management, sound and high quality asset structure, comfortable liquidity level and strong capital base. While preserving its strong deposit base, Garanti enhanced its credibility before the international markets with its successful external funding transactions. Garanti continued to support the Turkish economy via channelling funds from both domestic and external sources; its credit volume exceeded TL **170** billion.

Garanti Bank has always strived to contribute to the economy at the maximum level, while preserving its strong standing within the sector. Garanti, which operates with a sustainable growth perspective, continued its customer oriented and innovation focused product and service provision approach by closely following the technological developments.

In addition to its operational and financial performance, Garanti Bank also continued and scaled up its activities based on its principle of "giving back to society" in 2014. We will continue to do our best in line with our sensitivity, motivation and responsibility to contribute to education, environment, culture, arts and sports to help move our society - in which we live and to which we owe much - a further step forward.

Garanti Bank will continue its successful operations going forward with its new ownership structure shaped recently with the BBVA, one of the important players of the international banking system. Taking this opportunity, I would like to thank first and foremost my colleagues as well as our esteemed clients, shareholders, and all other stakeholders for their continuous support and confidence.

Sincerely,

**Ferit F. Şahenk**

Chairman of the Board of Directors

# LETTER FROM THE CEO



Dear Stakeholders,

2014 has been a year of slower-than-anticipated economic recovery for Europe and emerging countries, and of uncertainties for the global economy. Although exposed to a double shock at the onset of 2014 with the US Federal Reserve's tapering and domestic political uncertainties, the Turkish economy outperformed expectations owing to its flexible structure. The Central Bank of the Republic of Turkey's sharp interest rate hike in January made in an attempt to restrain loss of value in Turkish Lira and the macro-prudential measures adopted were restrictive on domestic demand; still, a moderate growth performance was captured during the year, driven by external demand. While moderate domestic demand curbed imports, current account deficit showed a meaningful improvement thanks to export performance. Inflation remained above expectations throughout the year as a result of the pressure on exchange rate due to the expectedly imminent interest rate increase by the Fed, and the high food prices resulting from drought. Nevertheless, the significant decline in oil prices in the last quarter of the year positively affected inflation and current account deficit.

Macro-prudential measures and regulations implemented to take consumption and current account deficit under control manifested their effects on loan growth and profitability of the Turkish banking sector throughout the year.

The credit expansion of the sector slowed down from **32%** in 2013 to **18%**, anchoring at a healthy and sustainable level in the long term. The composition of growth changed along with the deceleration in loan growth. The most pronounced loss of pace occurred in consumer loans and credit cards, in parallel with the measures introduced. The key driver of growth in 2014 was TL business banking loans that went up by **27%**. The impact of the slowdown in economy and of the regulations was most evident in increasing non-performing loans in credit cards. Although total NPL ratio increased partially to **2.75%**, the sector maintained its solid asset quality. Funding costs that were higher than last year, decelerated loan growth and regulatory arrangements put pressure on the sector's profitability, and led to a contraction of approximately **20** points in the net interest margin.

At Garanti, with our sustainable growth focus and our customers placed at the heart of our products and services, we targeted to offer a banking experience embedded into our

customers' lives throughout this challenging period. We kept listening to our customers through our branch network present in every city of Turkey and our easily accessible digital banking channels, and offering solutions for their financial needs. We sustained our solid performance through 2014 on the back of successful balance sheet management, sound asset quality, comfortable liquidity and a strong capital base.

In loans, we have attained our targets in keeping with our projections thanks to the disciplined growth strategies pursued. We have achieved **16%** expansion on a consolidated basis in Turkish lira loans that we had set as our particular focal point. In foreign currency loans, the expansion fell short of our projection due to postponement of certain investments planned for 2014 to later years because of global and local developments; overall, our total loans amounted to TL **143** billion. While our lending broadened, we preserved our stronger than sector asset quality. Our NPL ratio stood at **2.41%** according to nonconsolidated financial results comparable to those of the sector.

With respect to our credit expansion, our high performance in TL business banking loans gained the foreground, which grew by **28%** on an annual basis. Although our growth in consumer loans slowed down in line with the sector, we retained our leadership. In mortgage loans, we increased our market share and preserved our leader position despite decreased housing sales and intense competition. As we took **11.2%** share from the general purpose loans market, we reinforced our leadership in auto loans by reaching a solid share of **21.9%**. While we sustained our leading position in project finance loans in 2014, we took part as the lead arranger in the financing of major infrastructure and energy projects that will support Turkey's growth.

On the funding side, we attained a growth in customer deposits that matched our credit expansion. Based on the confidence our customers hold in us, our TL demand deposits outgrew the sector. As we preserved our solid deposit base, we continued to successfully tap overseas funding resources. Thanks to the high credibility Garanti enjoys in the global markets, we have renewed our syndicated loans attracting a record level of demand. We have executed securitization

transactions in the total amount of USD **1,050,000,000** and two Eurobond transactions worth EUR **500** million and USD **750** million, respectively. Securing a **6-year** loan of TL **218** million and a **5-year** loan of TL **69** million from the European Investment Bank (EIB) for refinancing the SMEs, we remained unique, being the only bank out of Turkey to borrow in Turkish Lira from the EIB. Furthermore, we created overseas funds worth USD **1.26** billion in 2014 under the Medium Term Note (MTN) borrowing program, which allows bond issuances in different currencies and maturities. In addition to our issuances in various currencies besides US dollar and Euro under the MTN program, we have been the one and only bank out of Turkey to make an issuance in Japanese yen under the MTN in the reporting period.

With respect to profitability, in 2014, we have felt the implications of more limited credit expansion and regulatory arrangements. Yet, we were able to increase our net interest margin over year-end 2013 thanks to our efficient and timely balance sheet management.

Through these rough times, we continued to make effective use of our capital at Garanti Bank in line with our dynamic business model that puts sustainable growth and profitability in its focus. We preserved our strong position in terms of capital structure with our capital adequacy ratio of **14%**. The ratio of our common equity tier I capital to total shareholders' equity at **93%** remained to be the highest in the sector. Thus, we have once again demonstrated the quality of our shareholders' equity and our adherence to sustainable growth strategy.

At the same time, we kept enriching the economic value we created in 2014 with the added value we contributed to the environment and the community through both sustainable products and services offered and voluntary initiatives we are involved in. The new Sustainability Policy and Strategy that sets the framework of our efforts in this vein was approved by the Board of Directors and launched.

One of our key focuses for improving our environmental performance in 2014 was the fight against climate change. ISO14001 certified Environmental Management System that now covers **605** points of service and the Green Office Diploma we have been granted by WWF Turkey served as further encouragement to expand our efforts across our entire value chain. We participated in the Climate Summit held in New York in September 2014 and pledged to fight against climate change in six different areas that cover our suppliers and customers as well. For its efforts in this field, Garanti was named "CDP 2014 Turkey Climate Disclosure Leader" by the CDP, to which the Bank made its fifth submission on its GHG emissions and climate change strategy.

The strong financing support given to renewable energy investments endorsed our adherence to our Environmental and Social Lending Policies and our support to transition to low-carbon economy. Total financing made available to wind energy investments amounted to USD **2** billion by the end of 2014. While our new product aimed at SMEs for unlicensed solar energy investments leveraged our support to renewable energy to a whole new level, these approaches adopted in our lending operations earned us the Sustainability Award for Environmental and Social Performance from the European Bank for Reconstruction and Development (EBRD).

Garanti Anatolian Meetings, which serve as a platform for our continued guidance to the SMEs and for sharing suggested solutions on the basis of sectors and provinces, went on in 2014. In **97** meetings organized in **67** provinces to date including the seven cities visited in 2014, we got together with more than **30,000** SMEs.

Loans provided to women entrepreneurs, who we consider as a special customer segment in our SME Banking platform, amounted to TL **2.1** billion as at year-end 2014.

The Women Entrepreneurs Executive School, the free-of-charge training program launched in 2012 in collaboration with Boğaziçi University Lifelong Learning Center (BÜYEM) for taking our support beyond lending, produced new graduates. Organized in the cities of Adana, Diyarbakır, Eskişehir and Kayseri throughout the year, the project will continue also in 2015.

Co-organized with the Women Entrepreneurs Association of Turkey (KAGİDER), the Women Entrepreneurs Gatherings went on in five cities in 2014, namely İstanbul, Sivas, Diyarbakır, Niğde and Aydın. Turkey's Women Entrepreneurs Competition we have initiated in cooperation with the Economist magazine and KAGİDER, on the other hand, was held for the eighth time. Becoming the first Turkish bank to sign the Women's Empowerment Principles launched by the United Nations, we have broadened the scope of our support to women in 2014.

The Young Entrepreneurs Gatherings co-organized with The Union of Chambers and Commodity Exchanges of Turkey (TOBB) continued in 2014. On the other hand, we have supported the Entrepreneurship Foundation established in April 2014 to help university students in our country discover the entrepreneurial spirit, and we have become the sponsor of the BUBA (BUMED Business Angels) platform led by BUMED (Boğaziçi University Alumni Association).

"Disabled-Friendly Banking" initiatives launched in 2011, whereby our services are adapted for access by individuals with disabilities, remained a significant component of our sustainable banking vision. Furthermore, we have introduced the project "İşe Katıl Hayata Atıl" (Join the Workforce Join Life) in 2014 under the

patronage of the Ministry of Family and Social Policies. Through this initiative intended for increasing the employment of people with disabilities, we are aiming to help people with disabilities become independent individuals who take responsibility of their own lives.

Our efforts to support the social life of individuals with disabilities include our continued support to the Wheelchair Basketball Leagues. Within this scope, we extended support to the "Dr. Trawinski International Wheelchair Basketball Tournament", at the end of which The Turkish Men's National Wheelchair Team claimed the championship title.

As always, we kept our women on our minds and we sponsored the Garanti Wheelchair Basketball 1st National Women's Championship that took place in Gaziantep from 25 to 27 June 2014. Having been the scene to the contention of four teams of women athletes, the tournament was organized for the first time in Turkey and drew great attention.

In the thirteenth year of our support to basketball, the Turkish National Women's Basketball Team dubbed the Pixies of Basketball made us proud by claiming the fourth spot in the FIBA World Championship for Women organized in Turkey from 27 September to 5 October 2014.

In 2014, we have once again lived the thrill of sponsoring "Garanti Jazz Green" that has been leading the growing popularity of jazz music in Turkey for 17 years. The support Garanti extends to culture and art continued with 19 exhibitions showcased at SALT Ulus, SALT Galata and SALT Beyoğlu and attracted 377,496 art lovers.

Our open communication and cooperation with our stakeholders in recent years has been key in keeping our sustainable banking vision dynamic and constantly improving it. In a bid to perpetuate this improvement, we have authored another first in terms of transparency in the Turkish banking sector and published the Sustainability Report according to the GRI's new G4 Guidelines. All these efforts laid the groundwork of our inclusion in the Borsa İstanbul Sustainability Index in 2014.

In 2014, Garanti qualified to be included in the Borsa İstanbul Corporate Governance Index with a score of 9.14 awarded by JCR Eurasia Rating based on the agency's corporate governance rating that indicated distinctive compliance with the CMB Corporate Governance Principles. I am happy to share these developments that endorse the stakeholder communication built on the principles of accuracy, transparency, equitability, accountability and responsibility, as well as the human-oriented systems developed, advanced risk management concept, and the value we give to the society.

Dear Stakeholders,

As it already signaled, the Fed might begin increasing the interest rates in 2015, in case of sustained strong recovery in the US during the year, and this poses a threat over the risk perception toward emerging countries including Turkey. However, we believe that a continued globally weak growth performance may push the Fed to opt for a more prudent and gradual increase of interest rates. Stabilization of the decreased oil prices at a level that will not turn into a global crisis, especially to one in Russia, would be a positive development for the Turkish economy in the coming year.

With a relatively positive point of view, we are projecting that the Turkish economy will gain momentum compared to 2014 and grow over 3.5% in 2015. In addition to the contribution of public investments, we are anticipating the growth composition to change in favor of domestic demand. We are expecting the year-end inflation rate to remain well below the 2014 figure due to the reduced exchange rate effect and normalized food prices, backed also by the declined oil prices. The ratio of current account deficit to national income, on the other hand, might fall below 5% as a result of lower oil prices.

In the banking sector, we are envisaging partially higher growth rates in lending and funding departments in line with the acceleration of economic growth in 2015. In the loans composition, TL commercial loans will gain the foreground once again. In the year ahead, we will continue to feel the effects of regulatory arrangements upon growth and profitability. Yet, we believe that the measures adopted by the economy administration will enable the balance sheet management to be established upon a progressively healthier and more sustainable structure.

At Garanti, we will keep working toward creating constantly increasing value in our fields of activity for our customers, our stakeholders, our country and the national economy. When designing our strategies, our goal is to lead innovation, duly respond to needs, address all segments, and maintain sustainable growth.

Our wish, as always, is to earn the appreciation of all our stakeholders.

Sincerely,



**Ergun Özen**  
President & CEO

# 2015 OUTLOOK

Gross domestic product growth rate, which slowed down in 2014 due the uncertainties regarding global monetary policies and macro-prudential measures, is anticipated to recover in 2015 with revived domestic demand. Decline in oil prices starting after the second half of 2014, the decreasing currency pass-through effect, and normalizing food prices are expected to push inflation down from **8.2%** in 2014 to **6.1%** in 2015. It is envisaged that the anticipated improvement in inflation outlook and in current account deficit with the effect of lower oil prices will create room for the Central Bank of the Republic of Turkey (CBRT) to loosen its monetary policy in the first half of 2015.

Banking sector loan growth is expected to gain some momentum with the revival in domestic demand, yet to remain at moderate levels of **15-20%** in 2015. While there will be limited rise in the retail lending growth compared to previous year, business banking loans will continue to be the key driver of expansion. Deposit growth, on the other hand, is anticipated to remain slightly below the loan growth. The banking sector will continue to tap alternative financing resources at favorable conditions for the sake of supporting the funding base.

Lending growth at Garanti is anticipated to float at moderate levels similar to those of the previous year, yet, it is expected to gain pace on an annual basis both on TL and FC sides. Projected to be the driving engine of growth also in 2015, business banking loans are envisaged to increase by **24%** on an annual basis. The growth in retail loans, on the other hand, is expected to remain slightly below the **15%** expansion anticipated in total TL lending in parallel with the selective and margin-focused growth target. In 2014, as a result of the regulatory requirements introduced, credit card receivables witnessed contraction for the sector and also for Garanti parallel to the sector trend. In 2015, growth in credit card receivables is expected to accelerate; however, it will possibly stand at **10%**, below the total loan growth, with the continued impact of the said regulations. FC lending is forecasted to revive in 2015, on the back of investment loans to be extended to anticipated projects, and to rise by **8%** in USD terms on an annual basis.

Garanti is anticipated to maintain its solid asset quality in 2015. The NPL ratio is expected to increase slightly above the 2014 ratio and to register **2.7%**. New additions to non-performing loans will likely come from unsecured consumer loans with the effects of the ongoing regulatory impacts, but solid collection performance should ease this regulatory pressure. In 2015, **20%** rise is expected in new additions to

non-performing loans and **40%** improvement is anticipated in collections on an annual basis.

Comfortable liquidity level will be preserved in 2015. Having the highest share in the funding base, deposits are expected to contribute more to the base. The growth rate of customer deposits is anticipated to remain at **13%**, somewhat below the credit expansion rate. In order to reach a broader deposit base, targeted campaigns will be launched. These targets will include gaining market share in low-penetrated locations, focusing on retail customers acquisition and increasing small-ticket sustainable deposits, growing cross-selling opportunities and increasing demand deposit acquisition. Targets also entail supporting the deposit base with longer-term alternative funding sources and continued diversification of funding sources. In this context, funding sources such as bond issuances, securitization and syndication loans in domestic and international markets will remain in use. Garanti will continue to opportunistically utilize repos and interbank money market borrowings and also foreign funding. Furthermore, unlike 2014, the Bank targets to issue covered bond in 2015, provided that favorable market conditions materialize.

On the net interest margin side, slight expansion compared to 2014 is anticipated backed by the strategic loan pricing and active management of funding costs, despite the pressure that will result from lower income from CPI linkers. Fee regulation, which came into effect in November 2014 and will mainly manifest its effects in 2015, is expected to be a major drag on 2015 profitability. Cap on consumer loan origination fees, in particular, and regulations on payment systems and account maintenance fees will likely result in a "flat-to-slightly down" growth in net fees and commissions income. Potential growth areas anticipated to support the net fees, and commissions base for Garanti include insurance fees with an ongoing contribution of the highest growth rate captured in pensions; money transfer fees backed by leadership in interbank money transfers & digital banking; and non-cash loan fees with the help of expanded business banking loans.

Garanti aims to achieve improved employee satisfaction and loyalty based on its vision of creating long-term value, and also enhanced customer satisfaction and experience through investments and renovations in digital channels. In this context, the Bank planned some concrete steps for 2015, which include adjustments to employee remuneration; premium arrangements, social benefits and various fringe benefits aimed at motivating employees; and maintenance, repair and

improvement of digital platforms. It is foreseen that 15-20 new branches will be opened and 250 new employees will be added to the Bank's workforce during 2015. Certain legal requirement related expenses are also expected to pressure operating costs. As a result of all these factors, a 13% rise is projected in operating expenses in 2015.

#### EXPECTATIONS REGARDING THE GROUP IN 2015

Along with its international subsidiaries operating in Romania, the Netherlands and Russia, and its leading financial subsidiaries offering services in life insurance and pension, leasing, factoring, brokerage and asset management in Turkey, Garanti operates as an integrated financial services group. While it is intended to sustain the powerful synergies created among the subsidiaries, the subsidiaries are expected to maintain their current shares within the Group's net income, despite the rise in profitability.

In 2015, the Group will continue to observe the risks resulting from the relevant economic and political conjuncture and tightened regulations in geographies where its international subsidiaries pursue banking operations, and will sustain its cautious progress. In 2015, the Group will take the opportunity to preserve its solid asset quality and to achieve a stronger balance sheet structure that will boost and sustain its profit generation capability.

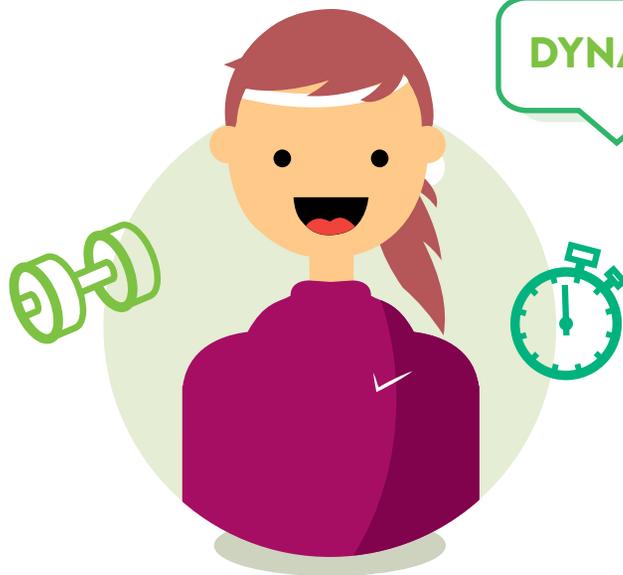
With respect to its operations in Turkey, the Group ended the year 2014 as the market leader in the Private Pension System (PPS) in terms of the number of participants, parallel to its targets set in the prior year, climbed one step higher in total funds under management, again in line with its target, and finished the year as the most profitable company in the sector. The Group anticipates positive results in 2015 on the back of continued acceleration in private pension sales, and reflection of that increase on total funds under management. In the life insurance department, solid premium generation is expected to continue and to maintain its contribution to profitability in 2015. The Group also envisages continued outperformance of the sector's average in leasing, which should reflect on 2015 results, as well. With respect to factoring, positive contributions are anticipated from the process and technology developments finalized during 2014, and targets include outgrowing the sector and focusing on business areas promising high profitability.

In 2015, the Group intends to pursue its profitable growth strategy that generates capital amid a relatively milder domestic macro-economic environment. The share of loans in assets will increase and strong collection performance will help preserve the sound asset quality. The Group aims to improve its cumulative net interest margin on the back of an active assets

and liabilities management. Although net fees and commissions income will be temporarily restrained due to the regulations, the Group will concentrate on reshaping its business model to put potential growth areas in its focus, while also targeting growth in its diversified commissions. In this frame, the Group will work towards actively managing the pressure effect. In 2015, the Group will speed up its investments in a bid to create long-term value; yet, it will continue to closely monitor its costs and keep the operating expenses under control. Standing out with its robust capitalization, the Group will preserve this quality and move forward in 2015.

In 2015, it is projected that uncertainties will prevail on a global scale, but the outlook of the Turkish economy will be more optimistic as compared to 2014 given the moderate recovery in growth, the anticipated remarkable decline in inflation outlook and loose monetary policy stance. All these combined are expected to pave the way for more positive circumstances for the banking sector. Also in this period, Garanti aims to sign its name under new success stories on the back of its differentiated dynamic business model and its strategies targeted at sustainable profitability.

# FOR ME, GARANTI IS.....



SOLUTION - ORIENTED



# GARANTI IN 2014



# ASSESSMENT OF FINANCIAL POSITION, PROFITABILITY AND DEBT PAYMENT CAPABILITY

In 2014, increased uncertainties with respect to world economies and the divergence in global monetary policies had significant impact on markets around the globe and on national economies. In particular, continued tides in the normalization process of the US Federal Reserve's (Fed) monetary policy led to a fluctuation in capital inflows to emerging countries. Looking at Turkey, the economic outlook and the course of domestic markets were impacted by these global occurrences. After hiking to as high as **11.6%** in March, benchmark bond rates somewhat calmed down. Adopting a volatile course in parallel with global and national developments later in the year, interest rates declined in the second quarter of the year, climbing back to **10%** in the third quarter and taking a downturn once again in the fourth quarter. The marked depreciation of the Turkish lira and record-high food prices negatively affected the inflation outlook and projections. While the Central Bank of the Republic of Turkey (CBRT) maintained its tight monetary policy in view of global uncertainties and negative inflation outlook, the macro-prudential measures that were introduced propped the CBRT's stance. In light of all these, the country's growth was more moderate as compared with the prior year, whereas the driver of growth was exports. The credit expansion of the banking sector remained at more modest levels as compared to the previous years. While current account deficit was positively influenced by the disciplined growth of 2014, it was also bettered by the commodity prices that fell in the last period of the year. In 2014 that was characterized by uncertainty and volatility, fiscal discipline continued to be the key strength of the Turkish economy, as the impact of geopolitical risks and political developments remained restricted.

In 2014, the Turkish banking sector was still repressed by the regulations, in addition to the volatility resulting from global and macroeconomic uncertainties, coupled with geopolitical and political developments. In a year of rough market conditions, Garanti once again proved its ability to perform strongly under any market condition. The primary contributors to this performance included the comfortable liquidity level, focus on disciplined and selective growth, emphasis placed on risk-return balance, successful margin management, capability to generate the highest customer-driven revenues, and robust capitalization.

Garanti sustained its leadership in branch efficiencies in 2014, while continuing with investments in delivery channels, aiming to offer an embedded banking experience to customers that give the priority to easy and instant access to its banking services from all channels. At the end of 2014, Garanti was serving more than **13.1** million customers through a robust distribution network covering **1,005** branches, **4,152** ATMs, Turkey's largest financial Call Center, and state-of-the-art mobile and internet banking platforms. Possessing a massive payment systems infrastructure consisting of over **17** million debit and credit cards, and **541,000** POS terminals, Garanti manages Turkey's largest merchant network via its innovative products and services.

Garanti Bank's total assets increased by **12%** year-over-year in 2014, and reached TL **247** billion. As Garanti focused on customer-driven asset growth, the share of lending to total assets was registered as **57%**.

In 2014, Garanti displayed a disciplined and moderate expansion in its lending. TL loans were the key driver behind the credit expansion of Garanti, which broadened its cash loans approximately by **12%**. While TL loans increased by **16%** on an annual basis, this growth figure went above the budget target set at the start of the year. Garanti maintained its focus on consumer loans within TL loans, which create high yields as well as cross-sell opportunities. More moderate as compared to the previous year, growth rate was **12%** for mortgage loans and **16%** for general purpose loans. The Bank further solidified its leading position in total consumer loans, mortgage loans and auto loans. Furthermore, TL business banking loans, which strongly expanded by an annual **28%**, made increased contribution to growth in 2014. On the FC lending side, the targeted growth did not materialize due to the postponement of some investments that were expected to be launched during the year to future years as a result of certain global and local developments. However, we are anticipating positive support to the FC credit expansion in the form of project finance and investment loans from these investments, which are intended to be rolled out in the coming years.

In a year when uncertainties and volatility remained high, the asset quality of the banking sector sustained a repressive effect from certain regulatory requirements introduced

particularly in relation to consumer loans and credit cards, on top of relatively moderate credit growth rate. Remaining adhered to its projections that also took into account these anticipated effects at the onset of 2014, Garanti preserved its solid asset quality. At **3.0%**, the NPL ratio continued to stay below the sector's average figure. Total coverage ratio of Garanti anchored at the highly secure level of **140%**.

Also in 2014, Garanti was set apart with its liquid balance sheet composition. Deposits continued to make up the largest portion of the funding structure of Garanti that dynamically manages its funding structure. The expansion in deposit base, at **12%**, was aligned with the credit expansion in 2014. Garanti, consciously avoiding pricing competition and prioritizing effective cost management, chose to base the expansion in deposit base on sustainable banking relationships. Demand deposits grew by **18%** on an annual basis and increased their share to total deposits to **24%**. Garanti kept diversifying its funding structure by actively tapping alternative funding sources, with the aim of managing asset-liability duration gap and optimizing funding costs. Named among the most reliable financial institutions by international investment banks, Garanti attracted record demand for the renewal of its syndication loans, and executed a securitization transaction of USD **1,050** billion and two Eurobond transactions worth EUR **500** million and USD **750** million in 2014. Maintaining its banking relationships with the European Investment Bank (EIB), Garanti retained its title as the one and only bank out of Turkey to borrow in Turkish lira from the EIB. In addition to those, the Bank continued to create overseas funding under the Medium Term Note (MTN) borrowing program, which it had set up in 2013 and which allows bond issues in different maturities and currencies. In the aggregate, Garanti created new overseas funds worth USD **1,260** billion during the reporting period. Besides issues in different currencies in addition to USD and EUR under the MTN program, Garanti was the only Turkish bank making an issue in JPY.

In 2014, Garanti kept taking successful steps, placing sustainable growth and profitability in its focus. The Bank pursued operations by further strengthening its solid capitalization on the back of internal funds created. The Bank kept its capital ratios, which are Basel III compliant, at strong levels in spite of the significant depreciation in Turkish lira, the dividend payout during the reporting period and the negative effects originating from regulatory requirements. Aligned with the projections at **14%**, the capital adequacy ratio continued to remain well above the minimum regulatory ratio of **8%** and of the recommended ratio of **12%**. The effective capital management at Garanti Bank will keep supporting the long-

term growth strategy. At Garanti, Common Equity Tier 1 capital accounts for **93%** of total shareholders' equity. With a Common Equity Tier 1 ratio of **13%** at year-end 2014, Garanti boasts the highest Common Equity Tier 1 ratio in the sector.

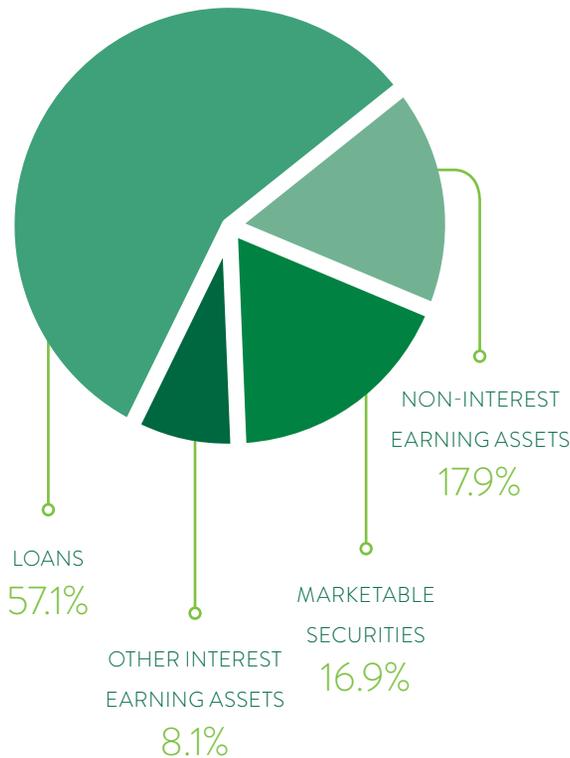
Garanti's recurring strong performance comes not as a result of ad-hoc steps, but of a long-lived and well-planned journey. The differentiating business model of Garanti underpins the continuity of its successful performance. Garanti cemented its solid stance by attaining more than **12%** rise in core banking revenues even in a year characterized by economic uncertainties and volatilities, coupled with the more powerfully felt effects of the regulations that restrain banking revenues. The core banking revenues were driven by net fees and commissions income that registered an annual rise of **12%** as budgeted, as well as the net interest margin that exceeded the projections. The priority placed on efficient cost management also continued to add value to the Bank's results. Despite the high pressure put by the unforeseeable regulatory effects, operating costs went up by less than **12%** year-to-year, going scarcely above the targeted figure. Garanti registered a return on average equity (RoAE) of **14.8%** and a return on average assets (RoAA) of **1.6%**.

In the period ahead, Garanti will preserve its position as the primary bank that international banks and investors choose to work with thanks to its liquid balance sheet structure, pristine asset quality and robust capitalization.

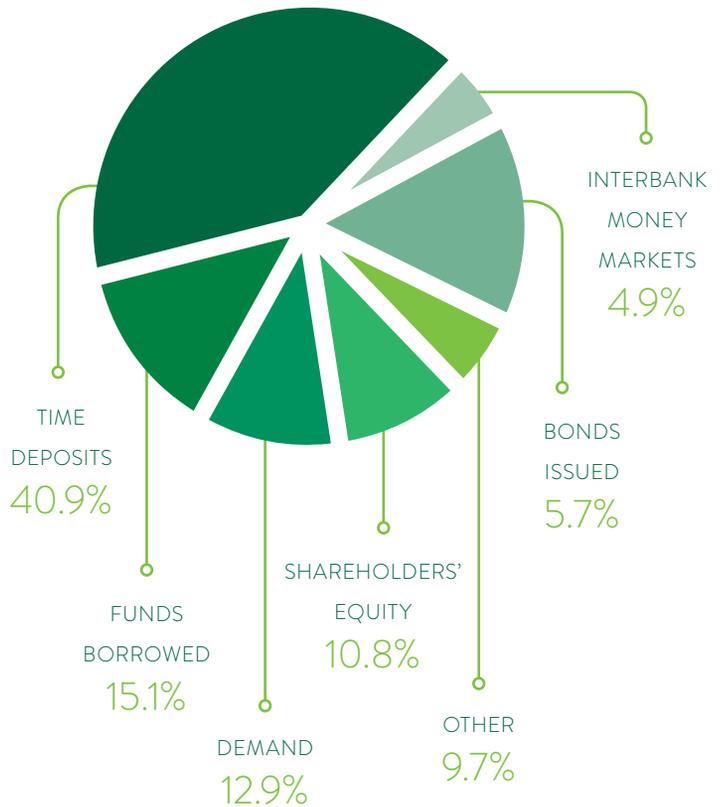
# KEY FINANCIAL INDICATORS AND RATIOS

Garanti, with its long-term sustainable growth strategy aimed at continuous value creation reached a consolidated asset level of TL 247.1 billion in 2014. Garanti's liquid balance sheet, sound asset quality, and strong capitalization are the reflections of its differentiated business model.

## COMPOSITION OF ASSETS



## COMPOSITION OF LIABILITIES



Strategically managed asset mix

Increasing share of customer driven assets

Disciplined and selective growth while preserving sound asset quality

Dynamically shaped marketable securities portfolio under volatile market conditions

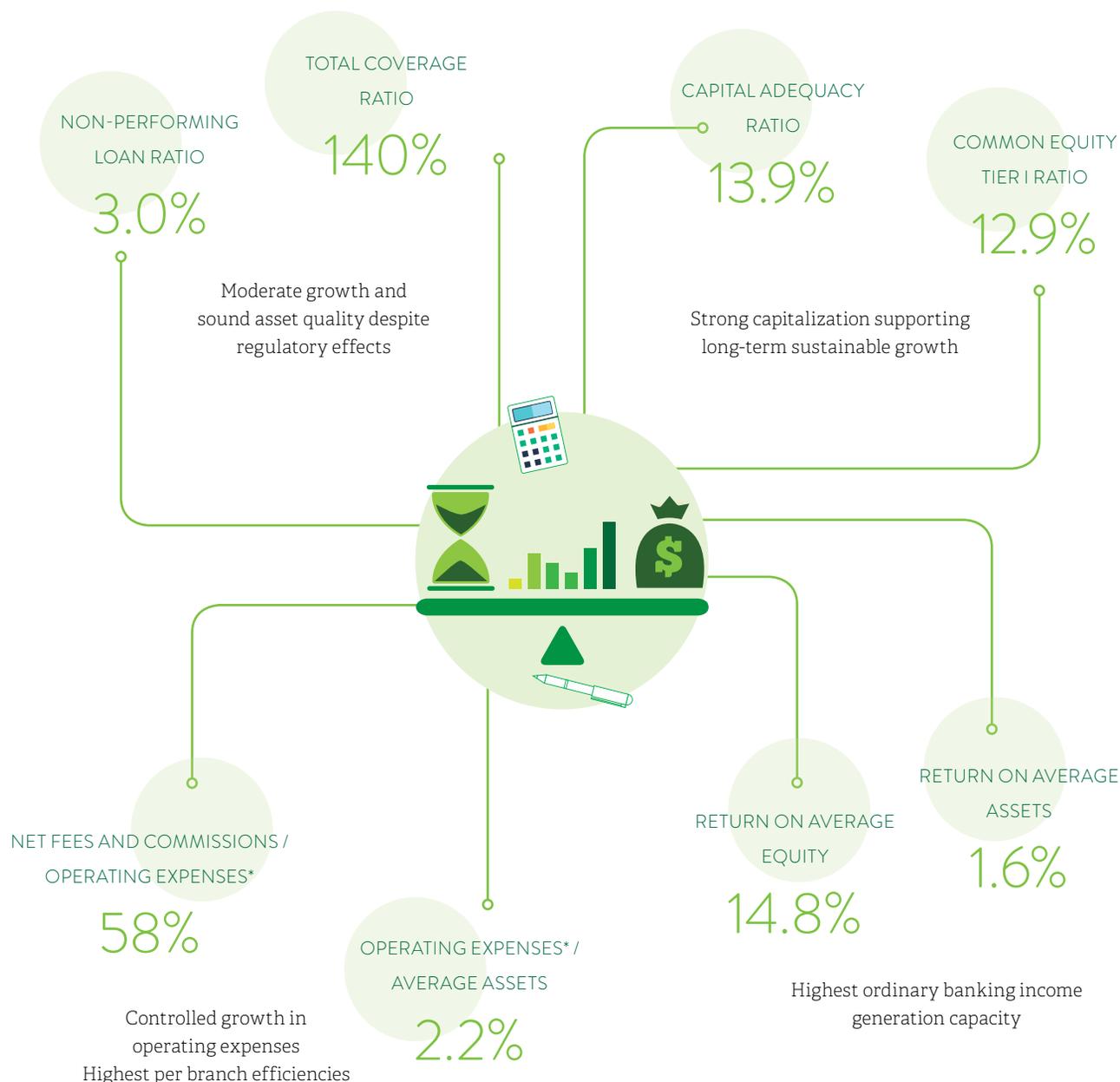
Comfortable liquidity level reinforced with effectively managed funding structure

Increasing contribution from deposits supported with long-term alternative funding sources

Capital strength supports long-term sustainable growth

Source: Based on BRSA consolidated financials. Accruals are excluded.

Garanti, with its increasing customer focus in the asset-mix, prioritized risk-return balance, well-diversified and actively managed funding structure, strengthened capital base, and high sustainable income generation capacity, preserved its leading position in 2014.

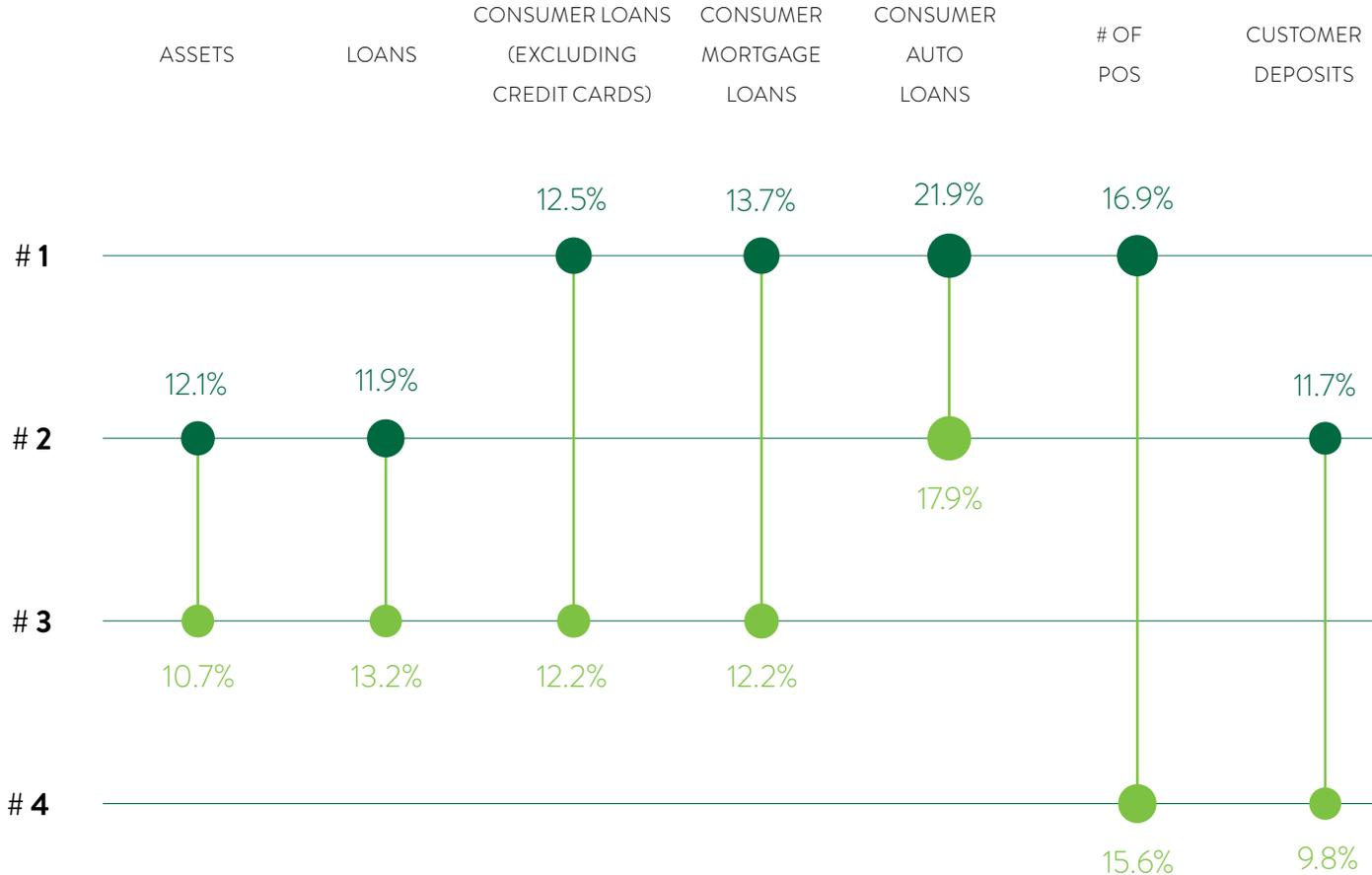


\*Excluding nonrecurring items, on a comparable basis.

# GARANTI'S POSITION IN THE SECTOR

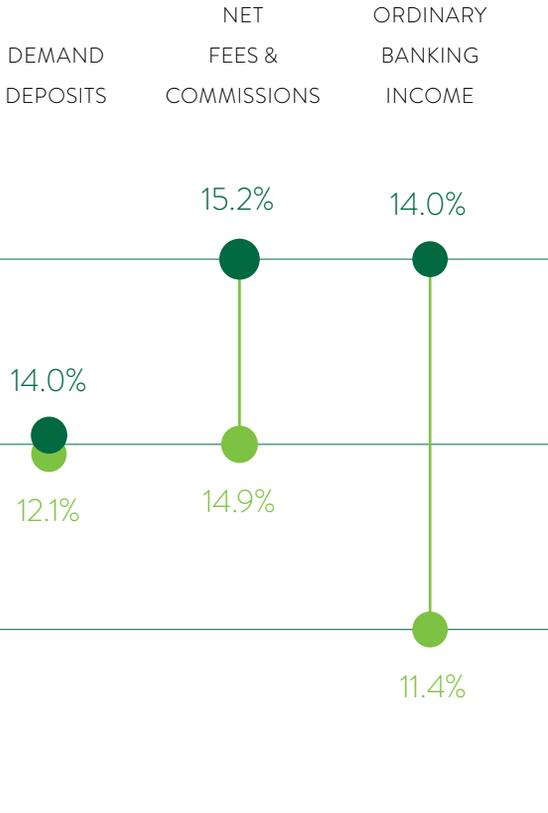
Garanti commands a leading position in all the areas it operates through the customer driven, sustainable and profitable growth strategy pursued since the day of its establishment...

● 2006  
● 2014



With visionary investments forming the grounds of its innovative business model,  
**HEALTHY MARKET SHARE GAINS IN KEY PRODUCTS**

Uninterrupted support to the economy via sustainable and healthy growth strategy  
**LEADER IN CONSUMER LOANS  
LEADER IN MORTGAGES  
LEADER IN AUTO LOANS**



**TURKEY'S 2<sup>ND</sup> LARGEST PRIVATE BANK**

with increasingly customer driven assets

**STRONG PERFORMANCE**

Ordinary banking income supported with the successful business model

**LEADING POSITION IN PAYMENT SYSTEMS**

>540 K POS terminals  
 #1 in the number of credit card customer market share  
 14.3%

**11 BANKS IN TURKEY'S LARGEST CREDIT CARD PLATFORM**

**CUSTOMER DRIVEN, EXPANDING AND WIDE DEPOSIT BASE**

Superior service variety resulting in a high level of Demand deposits / Total deposits **24%**

1 Rankings are among private banks.  
 Source: BRSA monthly data, BRSA weekly data, Interbank Card Center data. Unconsolidated financials are used in market share calculations for fair comparison with sector.

# GARANTI BANK SHARE

Garanti works to continuously and noticeably increase the value it creates for its stakeholders.

Based on its transparent communication strategy with stakeholders, Garanti organized live webcasts/teleconferences bringing its senior management together with the investment community in 2014, and made presentations on its financial results four times a year, as well as on its operating plan that described its future projections. The podcasts of these teleconferences were posted on the Investor Relations website.

Focusing on the needs of its stakeholders and particularly of the investment community, Garanti introduced its Investor Relations (IR) website and iPad application, prepared both in Turkish and English, to all investors around the globe which give easy access to all information they need.

During 2014, Garanti Investor Relations participated in **29** national and international investor conferences held in **10** cities in Asia, USA and Europe with the participation of the senior management team, in addition to one-on-one meetings with **822** international investment funds, and held due diligence meetings with four credit rating agencies.

Garanti Bank initially offered its shares to public in 1990 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 are traded on the International Order Book (IOB) service for international shares. 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. Having qualified in 2014 to join OTCQX® ADR 30 Index launched by OTC Markets Group Inc. in cooperation with Bank of New York Mellon, Garanti has established itself among the top **30** Depository Receipts traded on the OTCQX marketplace, selected based on their market capitalization, turnover and liquidity.

Garanti Bank has a market capitalization of TL **39.6** billion (USD **17.0** billion) as of the end of 2014 and is the most valuable company in Turkey. With an actual free float ratio of **49.95%** and TL **19.8** billion floating market capitalization, Garanti also has the highest free float in BIST 100.

Garanti's Depository Receipts program reached a size of **172** million shares as of 2014 year-end.

Garanti Bank share (GARAN), the most traded stock with an average daily turnover of TL **665** million, increased its BIST 100

## GARAN SYMBOLS & CODES

### ISTANBUL

**BIST:** GARAN  
**SEDOL:** BO3MYP5  
**ISIN:** TRAGARAN91N1  
**CUSIP:** M4752S106



### NEW YORK

**OTCQX:** TKGBY

**SEDOL:** 2599818  
**ISIN:** US9001487019  
**CUSIP:** 900148701



### LONDON

**LSE:** TGBD



turnover market share to **21%** in 2014 from **15%** in 2013. GARAN is also the most traded stock by foreign investors with a total foreign transactions turnover of USD **33.7** billion in 2014.

GARAN plays a significant role in the indices of Borsa Istanbul, as well as Morgan Stanley Capital International (MSCI) indices that are used as international benchmarks by foreign institutional investors, and has the highest weight among Turkish stocks as of December 31, 2014. Having a weight of **11.3%** in BIST 100 and **13.5%** in BIST 30 indices, GARAN constitutes **11.8%** and **1.4%** of MSCI Turkey and MSCI EMEA (Europe, Middle East, Africa) indices, respectively.

During 2014, Garanti Bank supported the rating process carried out by EIRIS, the international independent research company that Borsa Istanbul collaborated for the launch of the Sustainability Index with coordinated efforts of its Sustainability Team and Investor Relations Department. Evaluated on its approach to sustainability according to a number of criteria including the environment, biodiversity, climate change, human rights, structure of the board of directors, anti-bribery, occupational health and safety, Garanti earned a spot among the **15** companies in BIST 30 that qualified for the Borsa Istanbul Sustainability Index on November 4, 2014.

Garanti Investor Relations also managed the corporate governance rating process with JCR Eurasia Rating in 2014, as a result of which Garanti was assigned an overall corporate governance score of **9.14** for its superior compliance with Capital Markets Board's Corporate Governance Principles as specified in the report published on December 11, 2014. Garanti qualified to be included in the Borsa Istanbul Corporate Governance Index for receiving a Corporate Governance Principles compliance rating that is above the threshold score of **7**.

Garanti works to constantly increase the value it creates for its stakeholders and the share of foreign investors in Garanti's actual free float is **97%** with a composition that is spread to around **40** countries.

The institutional shareholder structure of Garanti by region is **45%** UK and Ireland, **35%** North America, **10%** Europe, **5%** Asia and **3%** Turkey. Garanti has more than **46** thousand individual shareholders that are registered in Turkey.

**TOTAL CUMULATIVE SHAREHOLDER RETURN IN 10 YEARS**

TL 100 invested in Garanti Bank share (GARAN) 10 years ago increased to TL 732 at the end of 2014; whereas TL 100 invested in Borsa Istanbul BIST100 Index reached only TL 343. During the same period, USD 100 invested in Garanti Bank share increased to USD 427 as of 2014 year-end ; whereas USD 100 invested in Borsa Istanbul BIST100 Index reached only USD 200.



US DOLLAR	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Garanti	100	203	187	512	164	414	499	312	533	340	427
BIST 100 Index	100	161	151	259	96	192	232	147	238	173	200
BIST Banks Index	100	197	178	319	113	247	288	161	282	177	211
TL	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Garanti	100	201	194	439	184	456	567	436	701	534	732
BIST 100 Index	100	159	157	222	108	212	264	205	313	272	343
BIST Banks Index	100	195	185	273	127	272	327	225	370	278	362

**KEY INDICATORS ON GARANTI BANK SHARES**

TL 39.6 BILLION

Market capitalization constitutes 7% of BIST 100

The most valuable company in Turkey

TL 19.8 BILLION

Highest floating market capitalization

in BIST 100

TL 665 MILLION

The most traded stock of BIST 100

21% market share in average daily turnover

\$ 33.7 BILLION

Total foreign transactions in 2014

The most traded stock by foreigners

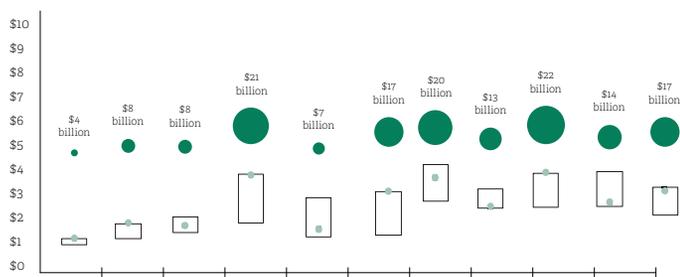
11.3%

Highest weight in BIST 100

0.76

Earnings per share (TL)

**10 YEAR STOCK PERFORMANCE AND MARKET CAPITALIZATION**



US DOLLAR	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
High*	0,96	1,92	2,36	5,08	3,59	3,93	5,67	4,09	5,12	5,20	4,20
Low*	0,56	0,97	1,32	1,96	1,06	1,17	3,32	2,89	2,95	2,99	2,47
Close ●	0,96	1,94	1,81	5,03	1,58	3,96	4,83	3,03	5,16	3,28	4,06
TL	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
High*	1,30	2,59	3,33	5,92	5,49	5,87	8,76	7,77	9,15	11,11	9,80
Low*	0,76	1,31	1,87	2,29	1,62	1,74	5,13	5,49	5,26	6,38	5,77
Close ●	1,31	2,61	2,56	5,86	2,41	5,91	7,47	5,76	9,21	7,01	9,46

● Market Capitalization (US Dollar)

\* Based on Closing Price

Stock prices are adjusted for dividend distributions and capital increases. (Source Thomson Reuters)

Note: Geographical distribution of institutional shareholders is based on IPREO Shareholder Analysis Report dated January 2015; the

actual free float ratio, the share of foreign investors and the number of local individual shareholders are all based on Central Registry

Agency data\*

**EQUITY ANALYSTS' RATINGS**

Garanti Bank shares are widely covered by analysts of leading domestic and international investment banks and brokerage houses. In 2014, 31 institutions have regularly issued research reports on Garanti. As of the end of 2014, 3 analysts had "BUY", 22 analysts had "HOLD" and 6 analysts had "SELL" recommendation on Garanti stock.

# 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 assessed by Fitch Ratings, Moody's and JCR Eurasia Ratings represent investment grade.** Garanti Bank is entitled to be included in the Borsa Istanbul (BIST) Corporate Governance Index by achieving an overall corporate governance score of 9.14 assigned by JCR Eurasia Ratings for its superior compliance with Capital Markets Board Corporate Governance Principles.

## CREDIT RATINGS

### FITCH RATINGS\* (Outlook: Stable)

Long Term FC	BBB-
Long Term LC	BBB-

### MOODY'S (Outlook: Negative)

Long Term FC Deposits	Baa3
Long Term LC Deposits	Baa3

### STANDARD & POOR'S (Outlook: Negative)

Long Term FC	BB+
Long Term LC	BB+

### JCR EURASIA RATINGS (Outlook: Stable)

Long Term International FC	BBB
Long Term International LC	BBB+

Below you may find more information on Garanti Bank's ratings and their definitions and all the rating actions taken in 2014.

## FITCH RATINGS

**June 24, 2014:** Downgraded Viability Rating to "bbb-" from "bbb", Long Term FC and LC Issuer Default Ratings (IDRs) to "BBB-" from "BBB", National Long Term Rating to "AA+(tur)" from "AAA(tur)". Affirmed Short Term FC and LC IDRs at "F3" with a Stable outlook.

**July 22, 2014:** Affirmed credit ratings and outlooks.

**December 1, 2014:** Affirmed Viability Grade "bbb-", Long Term FC and LC ratings and outlooks, Short Term FC and LC ratings and outlooks, National Long Term rating and outlook, and Support Rating have been placed on Rating Watch Positive (RWP). Fitch Ratings has explained that such decision was taken following an announcement made by Banco Bilbao Vizcaya Argentaria S.A. (BBVA; A-/ Stable) on 19 November 2014 regarding the increase of its stake in Garanti Bank to 39.9% from the current 25%. Fitch stated that the revision of the SRFS reflects a reassessment of the Turkish sovereign's ability to provide support to the banks in foreign currency (FC).

NATIONAL LONG TERM CREDIT RATINGS	AA+(TUR)	Denotes expectations of very low default risk relative to other issuers or obligations in the same country, and it is the second highest rating assigned by the agency. The default risk inherent differs only slightly from that of the country's highest rated issuers or obligations.
LONG TERM FC	BBB-	Good credit quality, indicates that expectations of credit risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.
LONG TERM LC	BBB-	Good credit quality, indicates that expectations of credit risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

## MOODY'S

**March 18, 2014:** Affirmed the D+ Financial Strength Rate with stable outlook. All other ratings and outlooks were placed on review for downgrade.

**June 9, 2014:** Downgraded Long Term LC rating to "Baa3" from "Baa2", Short Term LC rating to "P-3" from "P-2", while affirming Long Term FC rating and Short Term LC ratings at "Baa3" and "P-3", respectively. Assigned Negative outlook to deposit ratings, in line with sovereign bond rating. Downgraded National Scale Rating (NSR) Long Term Deposit to "Aa3.tr" from "Aa2.tr", while affirming NSR Short Term rating and Financial Strength Rate at "TR-1" and "D+", respectively.

**September 24, 2014:** Affirmed credit ratings and outlooks.

NATIONAL LONG TERM RATING	Aa3.tr	Demonstrate the strongest creditworthiness relative to other domestic issuers.
LONG TERM FC DEPOSIT	Baa3	Obligations are subject to moderate credit risk. They are considered medium grade and as such may possess certain speculative characteristics.
LONG TERM LC DEPOSIT	Baa3	Obligations are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.

## CORPORATE GOVERNANCE RATING

### JCR EURASIA RATINGS (Outlook: Stable)

Overall Compliance Score	9,14
Corporate Governance Principles Convergence Level	AAA(Trk) Distinctive
Notch Degree	aa Superior

SECTIONS	WEIGHT	SCORE
Shareholders	25%	9.07
Disclosure and Transparency	25%	9.25
Stakeholders	15%	9.05
Board of Directors	35%	9.15

\*Ratings Watch Positive (RWA) since December 1, 2014

You may find detailed information about Garanti's credit ratings in the consolidated financial statements 6.1.1 and unconsolidated financial statements 6.1, you may follow Garanti Investor Relations web site [www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com), for recent information.

## STANDARD & POOR'S

**February 11, 2014:** Assigned Negative outlook following downgrade of Turkey's sovereign rating from Stable to Negative.

**March 5, 2014:** Downgraded Stand-alone Credit Profile (SACP) rating to "bb" from "bbb-".

**June 27, 2014:** Affirmed credit ratings and outlooks.

LONG TERM FC	BB+	An obligor is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments.
LONG TERM LC	BB+	An obligor is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments.

## JCR EURASIA RATINGS

**April 28, 2014:** Upgraded Long Term International FC and LC ratings to "BBB" from "BBB-", Short Term International LC rating to "A-2" from "A-3"; while affirming their outlook at Stable. Affirmed Long Term National rating at "AAA(Trk)", Short Term National rating at "A-1+(Trk)", Short Term International FC at "A-3", Sponsor Support at "1", Stand Alone rating at "A".

NATIONAL LONG TERM CREDIT RATING	AAA(Trk)	The highest level of capacity of the obligor to honor its financial commitment on the obligation
LONG TERM INTERNATIONAL FC	BBB	An adequate level of capacity to honor the financial commitment on the obligation. However, this capacity is more likely to diminish in the future than in the cases of the higher rating categories.
LONG TERM INTERNATIONAL LC	BBB+	An adequate level of capacity to honor the financial commitment on the obligation. However, this capacity is more likely to diminish in the future than in the cases of the higher rating categories.

## JCR EURASIA RATINGS CORPORATE GOVERNANCE RATING:

The CMB pursued a significant change regarding the methodology of calculation of compliance rating scores in the beginning of 2014. Based on the recent CMB legislation, the new scoring methodology consists of two stages in which companies are allocated a base and a full score. In the new system, companies are first assigned a base score with a maximum of 85 points determining their compliance with the rules and practices outlined in the Code. In the second stage, an additional 15 points may be awarded depending on the efficient implementation and value creation achieved through practices exceeding those specified in the principles. Practices not stated in the Code but determined by JCR Eurasia Rating as best governance practices are also taken into account in the assignment of additional points. The Code consists of four main sections; Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors, and these main sections' coefficients, which were determined by the CMB, are 25%, 25%, 15% and 35%, respectively.

Garanti is entitled to be included in the Borsa Istanbul (BIST) Corporate Governance Index with an overall corporate governance score of 9.14 assigned by JCR ER on December 11, 2014 for its superior compliance with Capital Markets Board Corporate Governance Principles.

# PROFIT DISTRIBUTION

Our Bank ended its 69<sup>th</sup> fiscal year with a profit of TL 3,200,247,803.42. We propose our esteemed profit 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 be authorized to initiate on April 27, 2015 the distribution of gross cash dividend and conduct the operations regarding the issue.

Sincerely,

**BOARD OF DIRECTORS**

## 2014 DISTRIBUTION OF THE PROFIT TABLE - (TURKISH LIRA)

NET PROFIT	3,200,247,803.42
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>210,000,000.00</b>
C - 5% Extraordinary Reserve Fund	149,512,390.17
<b>D - Second Dividend to Ordinary Shareholders</b>	<b>357,000,000.00</b>
2 <sup>nd</sup> Legal Reserve Fund (TCC 519/2)	35,700,000.00
The other funds have to be kept in the Bank	31,945,654.29
D - Extraordinary Reserve Fund	2,416,089,758.96

## INFORMATION ON 2014 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(*)	-	567,000,000.00	-	0.13500	13.50000
NET	-	481,950,000.00	-	0.11475	11.47500

(\*) Tax withholding in the rate of 15% shall not be deducted from the cash dividend payments made to full taxpayer institutions and limited taxpayer institutions that generate income in Turkey via offices or permanent representatives.

# AWARDS

## GARANTI - EUROPEAN RISING STAR

Garanti Bank became the first Turkish institution to be rewarded with the **"2013 European Rising Star Award"** by MTN-i, an international data platform covering US\$ 3.5 trillion in the global MTN market. The award endorses Garanti's effective management of relations with global investors and its robust capitalization.



## BEST EMERGING MARKET MTN ISSUER

Garanti Bank was recognized by Global Capital as the **"Best Emerging Market MTN Issuer"** for its successful borrowings from international debt capital markets.

## TURKEY'S BEST TRADE FINANCE BANK

Global Finance, one of the world's premier finance magazines, named Garanti Bank the **"Best Trade Finance Bank in Turkey"** for the fourth consecutive year.

## BEST BANK FOR SUSTAINABILITY IN TURKEY

Garanti Bank was honored with the **"Best Bank for Sustainability in Turkey"** award for the second time by World Finance.

Garanti was given the **"Best Bank for Sustainability"** award by the Turkish Green Building Council, ÇEDBİK.

Garanti was recognized as **"CDP 2014 Turkey Climate Disclosure Leader"** by getting the highest score among the 42 companies evaluated in the CDP's **"Turkey Carbon Disclosure Leadership Index"**.

In 2014, Garanti qualified for the **Green Office Diploma** from WWF Turkey upon successful completion of the initial year of the WWF Green Office Programme for its Head Office building.

Garanti received the **"Global Green Award"** from the Association Otherways Management & Consulting. Established 18 years ago in France, the organization has ties with approximately 7,000 companies in 70 countries and bases its evaluation on various criteria such as customer satisfaction, leadership, continuous education, ISO 9001, and ISO 14001.



## EXCELLENT QUALITY IN STRAIGHT THROUGH PROCESSING

Garanti Bank received **"Quality Awards"** from JP Morgan Chase Bank, Wells Fargo, Deutsche Bank and Commerzbank for achieving high Straight Through Processing (STP) volumes. Garanti also received the **"STP Excellence Award"** for the eleventh time from Deutsche Bank for EUR and USD payments.

## BEST PROJECT FINANCE HOUSE IN EUROPE, MIDDLE EAST AND AFRICA

Garanti Bank was recognized as the **"Best Project Finance House"** both in the EMEA and CEE regions by EMEA Finance, a leading finance magazine.

## MOST INNOVATIVE PROJECT FINANCE HOUSE OF THE YEAR

Garanti Bank was honored with the **"Most Innovative Project Finance House in Turkey"** award by Acquisition International Magazine for the innovative solutions provided to customers.



## TWO MAJOR AWARDS FOR CASH MANAGEMENT AND TRANSACTION BANKING

Cash Management and Transaction Banking was honored by Global Finance Magazine with the **"Most Innovative New Solution"** award for its second-hand car stock financing system, an example of custom-tailored solutions offered to customers. In addition, it was voted the **"Best Domestic Cash Management Bank"** by customers for the third time in the survey organized by Euromoney.

### GARANTI MASTERS #1 IN PRIVATE BANKING CATEGORY

Garanti Masters received the **"Highly Commended"** award in the category of Private Banking in Turkey at the 2014 Global Private Banking Awards co-organized by The Banker and Professional Wealth Management magazines published by the Financial Times, a highly esteemed publication group in the world. This award is granted in exceptional cases where the jury determines the winner by a close call and wishes to underline that the titleholder offers high quality in service.



### INTERNATIONAL RECOGNITION FOR CUSTOMER SATISFACTION

Garanti Customer Satisfaction Department was awarded **"Bronze"** in the Best Customer Service Department of the Year category for its efforts to constantly increase the value offered to customers at the internationally renowned Stevie Awards that honor superior performances in business.

### GARANTIYESOR - BEST TEAM IN CUSTOMER SERVICE

GarantiyeSor (Ask Garanti) Team, Garanti's customer service team on social media, received the **"Bronze Stevie"** in the category of "Best Team in Customer Service" at the Stevie Awards, one of the most prestigious recognition programs in the sector. GarantiyeSor Team also took the **"Silver"** Award at W3 Awards, which is an online poll.

### THREE AWARDS FOR THE CALL CENTER FROM THE CONTACT CENTER WORLD

Garanti Bank Call Center received three awards in the Contact Center World Competition, the most prestigious contact center organization worldwide, which was held in Lisbon

this year. In the event where the leading companies in Europe, Middle East and Africa competed, Garanti Call Center crowned its performance with the **"Gold Award"** in the Best Contact Center category, the main award category, and received **"Gold"** and **"Silver"** in the "Best Direct Response Campaign" and the "Best Sales Campaign" categories, respectively.



### THE CALL CENTER THAT BEST USES TECHNOLOGY

Bringing together the top performers in the call center sector, Garanti Call Center ranked **"1st"** in the "Best Use of Technology" category for its voice technology projects at the 9<sup>th</sup> Turkey Call Center 2014 Awards organized by IMI.

### 3 AWARDS TO THE CALL CENTER FROM STEVIE AWARDS

At the Stevie Awards 2014, Garanti Call Center received three **"Bronze Stevie Awards"** in the categories of "Innovation in Customer Service", "Best Use of Technology in Customer Service" and "IVR or Web Service Solution".

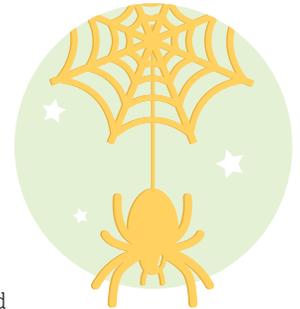
### MOST INNOVATIVE SOLUTION AWARD TO GARANTI CONSUMER FINANCE

In 2014, Garanti Consumer Finance was granted the **"Most Innovative Solution"** award by Global Finance, one of the world's leading business and finance magazines, for its Used Car Floorplan product, an unprecedented initiative in the automotive industry that lends to authorized auto dealers directly, independent from the distributors.

### GOLDEN SPIDERS GO TO GARANTI

At the Golden Spider Awards, the one and only freestanding recognition program in Turkey, www.garanti.com.tr received the **"1st prize"** in the "Banking and Finance" category.

In addition, Garanti's Miles&Smiles e-magazine received the **"1st prize"** in the "Events, Culture and Arts" category.



### BONUS - THE LOVEMARK IN CREDIT CARDS ONCE AGAIN

Bonus was recognized as the **Lovemark** in Credit Cards for the seventh time in Turkey's Lovemarks 2014 survey carried out by MediaCat in collaboration with IPSOS across 12 cities representative of Turkey.

### iGARANTI INUNDATED WITH AWARDS

iGaranti clinched three top ranks and claimed **"Golden Smarties"** in the categories of "Mobile Application", "Product/Service Launch" and "Innovation" at the Smarties EMEA & UK 2014 Awards held by the Mobile Marketing Association.



iGaranti Online Campaign was awarded in the **"Innovation of the Year"** category at the Digital Communication Awards 2014.

iGaranti Online Campaign received **"Silver"** at the digital world's prestigious W3 Awards given out by International Academy of the Visual Arts (IAVA) in New York.

iGaranti received the **"Best Mobile Banking Experience"** award at SmartCard & Payment Awards 2014.

iGaranti received the highest score in global benchmark per Forrester's "2014 Global Mobile Banking Functionality Benchmark Scores". iGaranti was also included as a case study in Forrester's report in 2014.

### TWO AWARDS TO GARANTI MOBILE BANKING

Garanti, with the Most Targeted Mobile Ad application, outperformed the campaigns carried out to date by ten times and received the **"Bronze Mixx"** award in the "Experimental and Innovative Campaign" category at the Mixx Awards Turkey. In addition, the advertising received **"Silver"** in the "Best Mobile Payment" category at the Mobile Excellence Awards.



### THE BEST IN THE USE OF SOCIAL MEDIA IN CENTRAL AND EASTERN EUROPE

Garanti Bank became the first Turkish bank to be given the **"Best Bank in Social Media in Central and Eastern Europe"** award by Global Finance, one of the world's most eminent business and finance magazines.

### GARANTI IS THE MOST POPULAR FINANCIAL INSTITUTION IN EUROPE ON SOCIAL MEDIA

Garanti enjoys an ever-increasing number of followers on social platforms and is the **most popular financial institution in Europe** on social media with a total of **3.6 million** followers for all of its Facebook accounts and with **513,000** followers on Twitter.

### GARANTI GETS CREDIT FOR ITS EXPERIMENTAL AND INNOVATIVE COMMERCIALS

Garanti's Experimental Banking campaign was honored with three **"Crystal Apple"** awards in the categories of "Best Film in the Banking Industry," "Best Digital Campaign," and "Best Online Video", along with the **"Judges' Special Award"** in the film category in the 26<sup>th</sup> Crystal Apple Turkey Advertising Awards Competition. The campaign is also awarded a **"Silver Apple"** in the "Viral Project Service" category and a **"Bronze Apple"** in the "Most Creative Social Media Communication Service" category.

### GARANTI FACTORING AMONG THE BEST

At the 46<sup>th</sup> Annual Meeting of the Factors Chain International (FCI), the world's largest factor network, Garanti Factoring ranked fifth among a total of **268** FCI members from **75** countries in the "Export Factor of the Year" category. Rising from the **20<sup>th</sup>** to the **5<sup>th</sup>** position, Garanti Factoring once again proved its track record in providing high quality service at international standards.



### OUTSTANDING ACHIEVEMENT AWARD TO GARANTI FLEET

Garanti Fleet was honored with the **"Outstanding Achievement"** award at the Interactive Media Awards for its online sales platform designed for the second-hand sales of cars with expired lease terms.

### GARANTI SECURITIES IS THE BEST IN TURKEY

Garanti Securities was named the **"Best Investment Bank in Turkey"** by the International Finance Magazine in 2014.

### GARANTI MORTGAGE WEBSITE IS THE BEST IN CLASS

Turkey's first mortgage loan website backed by a bank, [www.garantimortgage.com](http://www.garantimortgage.com), was awarded a **"Webby Honoree"** in the Financial Services and Banking category at the Webby Awards 2014, which is known as the Oscars of the Internet world. The website also claimed the **"Gold Winner"** award at the Horizon Interactive Awards, one of the most prestigious recognition programs in the business world.

### GARANTI PENSION CROWDED WITH AWARDS

Garanti Pension received the **"Silver Stevie"** in the "Marketing Campaign of the Year in Insurance" category at the Stevie Awards.

Hobby Clubs, the customer loyalty program of Garanti Pension, was honored with the **United Nations Award**, as well as awards in "Public Relations" and "Financial Services" categories at the Golden World Awards organized by IPRA (International Public Relations Associations), thus growing its collection of **14** awards with **3** new ones.

Turkey's most preferred private pension company, Garanti Pension was granted the **first prize** in the "Training and Development Management" category at the Turkey's most important human resources recognition program held by PERYÖN (People Management Association of Turkey). The PERYÖN People Management Award Program is intended to support the organizations through their people management endeavor, to provide them with world-class guidance, and to reward top performers.

### GARANTI PENSION ANNUAL REPORT INUNDATED WITH AWARDS

Garanti Pension 2013 Annual Report was selected the best annual report in two separate categories at the LACP Vision Awards organized by the League of American Communications Professionals (LACP). The report claimed the **"Platinum Award"**, the top prize in the insurance sector in EMEA region, and the **"Best Annual Report Cover Platinum"**, while ranking **56<sup>th</sup>** and **21<sup>st</sup>** in all categories overall in the world and in the EMEA region, respectively.

The Annual Report also won the **"Gold Award"** in the insurance category in the Non-Traditional Annual Report segment at the ARC (Annual Report Competition) Awards, organized by MerComm, a US-based awards organization that defines the standards of excellence in communication and is internationally recognized as the Oscars of annual reports.

### TWO AWARDS FOR GARANTI'S INVESTOR RELATIONS WEBSITE

Garanti Investor Relations website, [www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com), was honored with the **"Platinum Award"**, scoring **99** over **100** in the **"Investor Relations Website"** category at the Spotlight Awards organized by LACP (League of American Communications Professionals).

The Investor Relations website also took the **9<sup>th</sup>** spot in the **"Top 40 Communication Materials"** within the frame of LACP Spotlight Awards.

Furthermore, Garanti Investor Relations website was awarded with the **"Silver Galaxy"** in the "Corporate Websites" category distributed by Mercomm, and the **"Gold Stevie"** for being selected the **"Best Investor Relations Website"** at the Stevie Awards. The list of awards granted to the website also included the **"Bronze"** prize at the Mercury Awards.



### GARANTI IS EVERYWHERE WITH ITS ANNUAL REPORT

Garanti 2013 Annual Report with the theme "Garanti is Everywhere" received **"Silver"** at the Spotlight Awards by scoring **97** out of **100** for its successful and creative conveyance of clear messages to its audience. The report was also listed within the **"Top 40 Communication Materials"**.

2013 Annual Report was also honored with the **"Gold Vision"** award and **"Achievement Award - Europe/Middle East/Africa"** at the Vision Annual Reports Competition held by LACP (League of American Communications Professionals), and took place in the **"Top 80 Annual Reports EMEA"** listing.

In addition, 2013 Annual Report received MerComm's **"Silver Arc"** and **"Bronze Galaxy"** award in the categories of Infographics and Banks-Europe, respectively. The Report also won the **"Honorary Award"** in the "Unconventional Annual Reports" category. One other award on the list was the **"Bronze Stevie"** in the "International Business" category at the Stevie Awards.



# FOR ME, GARANTI IS.....

INNOVATIVE



RELIABLE



A FRIENDLY  
BANK



2014  
ACTIVITIES AND  
PROJECTIONS



# RETAIL BANKING

Operating in the retail banking segment for **27** years and having successfully differentiated itself from the competition, Garanti facilitates life for its millions of customers with its technology, rich product range, and efficient and dynamic process management.

Garanti serves its **11.8** million retail customers, **2.3** million of whom are salary-account holders, with a retail sales and relationship management team of **2,400** people.

## ACTIVITIES IN 2014

### CONSUMER LOANS

Garanti increased its share in the consumer loans market (excluding consumer credit cards) to **12.5%** in 2014 and continued to be the biggest private bank lender to consumers.

Having disbursed general purpose loans (GPLs) worth TL **11.8** billion to consumers, Garanti reached **11.04%** market share in GPLs. The Bank focused on GPL applications received by non-bank channels, whose share within total applications increased to **61%**.

Garanti had a successful year in mortgage loans, preserving its leadership with a total disbursement of TL **4.4** billion.

### RETAIL DEPOSITS AND SAVING

With the goal of ensuring broad-based deposit acquisition and capturing stable deposit customers, Garanti, in 2014, grew its market share in TL savings accounts below TL **1** million by **42** bps to **10.59%**. Using the advantage of being the primary bank of its customers, Garanti defied tough competitive conditions, and successfully attracted the cash flows of its customers, achieving a **10.8%** expansion in TL deposit products.

Having presented a new concept to the savings world with the NET Saving Account product, Garanti introduced the NET Saving Account to its **199** thousand customers.

On the Gold Banking side, in addition to "Gold Collection Days" hosted at the branches, Garanti expanded gold collection channels in 2014 by adopting more than **100** jewellery stores as "Gold Service Points".

Garanti, which has reached the No. **1** spot in terms of the number of Private Pension System participants, boasts over **1** million customers who save up, including deposit-based savings products.

### SEGMENT BANKING

Placing special emphasis on sustainability in new customer acquisition, Garanti won **1.5** million new retail customers in 2014. The Bank continued to grow the number of its retail salary customers, which is pivotal in the primary bank relationship.

225k BECAME  
CAR OWNERS



GENERAL  
PURPOSE LOANS  
GREW BY 5 TIMES  
IN 5 YEARS

270k BECAME HOMEOWNERS

Garanti renewed the "Retirement Banking" program with an eye on the expectations and needs of the relative segment, and the number of retirees who receive their pensions through Garanti grew by **28%**.

## PROJECTIONS FOR 2015

In 2015, Garanti, giving priority to customer satisfaction, will focus on gaining insight into its customers' needs and expectations, and fulfilling them, while establishing in-depth relationships with customers on the back of enhanced quality of its services.

As a marketing strategy, Garanti will aim to "be wherever its customers are". The Bank will concentrate on omni-channel strategy, providing seamless experience in branches and at non-branch channels (Internet and mobile banking ATMs, call center etc.) so that customers will be able to perform any transaction at any time in an uninterrupted manner through these channels. Savings accounts, consumer loans and investment products will be the key focal points in this strategy.

Garanti targets to increase its number of its deposit holders and expand its base and increase, while aiming to execute the entire GPL process end-to-end from application to disbursement via different channels.

By using its strong muscle in innovation for investment products, Garanti will concentrate on managing these products through smart, unique methods. The Bank's aim will be to offer alternatives and flexibility to its customers with a given amount of savings, along with personalized platforms combining deposit and non-deposit products to invest in, so as to maximize yield to the highest extent possible.

Just as it did in 2014 so too in 2015, Garanti will keep focusing on saving and encouraging its customers of various profiles to save through different products.

Another key area will be winning new customers from different segments, particularly in "Kids Banking", as well as in retiree and youth segments.

In addition, Garanti will channel a growing number of its customers to use multiple products by further improving its day-to-day banking products and regular payment services such as rentals, tuition, utility bills and salaries.

# PRIVATE BANKING

The volatility that infected the markets in the past years have once again demonstrated the importance of keeping the risk under control in wealth management. Amid such an environment, the products to be launched and the investment recommendations to be issued must be designed with utmost care; hence, such periods further highlight the significance of expertise in private banking.

Along these lines, Garanti Masters Private Banking optimized the risk versus return balance of its corporate advisory so as to minimize the impact of current and potential risks in the markets upon its clients, and was differentiated from the competition by presenting its recommendations accordingly also in 2014.

Today, assets worth about TL 9,4 billion are being managed by Garanti Masters for more than 6,500 clients, all of whom are individual investors. Having set its top priority in the services rendered to clients as satisfaction of its clients' financial expectations, Garanti undertakes detailed financial planning for its clientele to respond to their expectations, and systematically measures their risk perception to identify their risk profiles and to present the corresponding product range. Thus, Garanti Masters Private Banking optimizes the yield for its clients, by enabling investment decisions aligned with their respective risk perceptions and yield expectations.

Garanti Masters offers service to its clients with a specialized team in 12 Private Banking branches. Servicing a limited number of clients, each customer relationship manager monitors corporate advisory and strategies on the basis of clients while keeping a careful eye on the changing market environment, uncompromising quality and integrity of services.

## ACTIVITIES IN 2014

### GROWTH IN ASSETS UNDER MANAGEMENT

Garanti Masters Private Banking increased the average assets under management to TL 9.4 billion, up by 10% as compared with 2013.

### INVESTMENT PRODUCTS

In 2014, Garanti Masters intermediated the sales of: Structured Deposits and Corporate Bonds worth more than TL 1 billion.



## SECTOR'S BROADEST PRODUCT RANGE

### LOANS

256 typically high-ticket jumbo loans were extended.

### PROJECTIONS FOR 2015

Private banking was the answer to the search and demand for alternative yields by clients with a given net worth amid the low-interest environment that prevailed particularly in recent years. With its innovative products and services combined with cutting-edge technology, highly qualified human resource and successful portfolio performance, Garanti Masters aims to sustain its leader position in the private banking segment in 2015.

Placing great emphasis on not only the volume of assets under management but also on the scope and quality of the services furnished, Garanti Masters targets to keep on with its activities while uncompromising quality. 2015 will see continued efforts to introduce products and services that are currently unavailable in the local market.

# HOUSING FINANCE

Garanti Bank continues to stand by its customers through every step of the home purchasing process in order to keep producing new happy mortgage stories. Garanti remains the leader of the sector since 2007 on the back of its rich product range, continuously improved and accelerated customer-friendly housing loan processes, specialized and certified employees, a dedicated website offering various calculation tools and all necessary information, 444 EVIM call center team that responds 24/7 to customers' questions about housing loans, and reliable and accurate appraisal reports.

Also in 2014 that saw the housing loan sector keep expanding, Garanti outgrew the sector and captured **13.42%** share in the market despite intense competition. The consumer housing loans portfolio enlarged **13.4%** to top TL **15.6** billion.

## ACTIVITIES IN 2014

Garanti kept offering the best service to its customers on the back of Mortgage Expertise Certificate Training courses organized since 2007. **397** participants obtained their certificates in **25** Mortgage Expert Training courses held during 2014.

Continuing to create distinction with its expertise rather than competitive pricing, Garanti was financing more than **241,000** housing loan customers as at the end of 2014.

Offering customized products, Garanti continued to introduce special products that differ from the usual ones available on the market. In 2014, disbursement of products other than fixed monthly installments went above **32%**.

The campaign "Garanti Mortgage Secures Retirement for Real Estate Agents", with a rapidly growing number of participants in its second year after launch, kept strengthening communication in the real estate agents channel. Having doubled the number of property developers that it works with thanks to the hard work of our branches and Field Sales Representatives, Garanti considerably increased its efficiency in this channel. Sales activities were carried on actively through "local campaigns" in cities presenting a high housing loan potential, in addition to the campaigns designed for customer segments and firms.

The number of applications received through Garanti websites, [www.garantimortgage.com](http://www.garantimortgage.com) and [www.garanti.com.tr](http://www.garanti.com.tr), grew by **14%**. The ratio of customers receiving loans through 444 EVIM went up by **17%** within total disbursements. The sales teams played an active role in branch sales on the back of **51,290**

TOTAL HOUSING LOANS WORTH

TL **15.6** BILLION



MORE THAN  
**59,000** PEOPLE  
BECAME HOMEOWNERS  
WITH EXTENDED LOANS

BROADEST  
PRODUCT RANGE  
IN TURKEY WITH  
**26** PRODUCTS

visits they paid, mainly to real estate agents and property developers.

Garanti reviewed approximately **650** housing projects, and strove to increase its performance in development financing activities, driven by new collaborations with construction firms and a focus on EGYO (Emlak Konut REIC) and Urban Transformation projects. Having intermediated the interest-backed borrowing demands of real and legal persons within the frame of urban transformation in 2014, Garanti will continue to work toward improving its performance in disbursements backed by urban transformation in 2015. To this end, the Bank introduced the Urban Transformation line at 444 0332.

The first phase of the project for automated production of mortgage contracts by the system has been completed. This step allows rapid production of the documents without requiring any manual interference.

With a non-performing loan ratio of **0.41%** in the mortgage loans sector as of end 2014, Garanti is **8** points below the average sector ratio, taking place at the top of the banks with the lowest NPL ratio.

## PROJECTIONS FOR 2015

"The Mortgage Expert Garanti" will keep making a difference with its expertise and speed amid market conditions characterized by volatilities and intense competition. It will maintain its leadership in the sector by achieving increased efficiency across distribution channels and by contacting all customers that interact with Garanti through any channel.

# CONSUMER FINANCE

The Consumer Finance Department was set up in 2013 to single-handedly manage dealer finance and auto finance aimed at customers in any segment. The Department aims to present auto loan customers with easy and user-friendly processes, while offering product, system and process solutions that are aligned with dealers' needs.

The key factors that led to the organization of the Consumer Finance Department are given below:

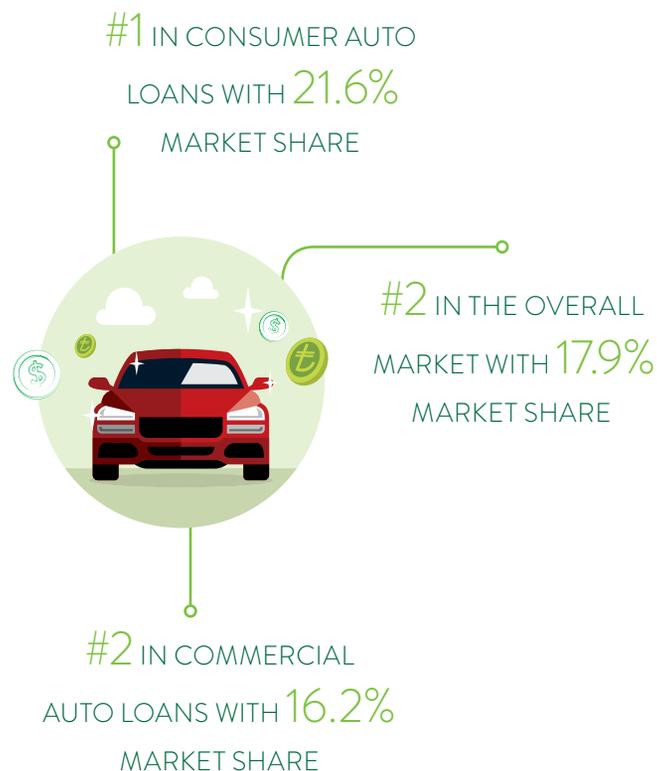
- » Provide the advantage of centralized management of auto loans,
- » Set up dedicated teams for the coordination of dealer credit products, auto loans, and lending processes and product management in their respective fields,
- » Receive auto loan applications through non-branch channel management (444OTOM and One Stop Shop System-OSS), and communicate the outcome of the application rapidly,
- » Determine product prices according to market conditions,
- » Execute brand-based agreements for dealer credit products,
- » Analyze product system and process infrastructure; develop and implement solutions to facilitate sales,
- » Carry out segmentation for dealers and create product and price packages specific to groups,
- » Handle distributor relationship/campaign management and win new brands for the Bank's credit portfolio.

## ACTIVITIES IN 2014

In consumer auto loans, Garanti Bank's share in the interbank market went up by **3.3** points and reached **21.6%** in 2014. Its share in total auto loans in the interbank market, on the other hand, was up by **1.4** points and arrived at **17.9%**.

Consumer Finance continues to extend the One Stop Shop (OSS) system. The number of dealers using the system increased by **35%** in 2014.

In the reporting period, dealers having the Used Car Floorplan product grew by a remarkable **70%**.



## PROJECTIONS FOR 2015

The goals of the Consumer Finance Department include the following:

- » Be the financing leader in the automotive sector,
- » Devise faster and easier auto loan processes,
- » Grow in the commercial auto loans segment by offering solutions catering to customer needs,
- » Launch products that address the dealers' stock finance needs,
- » Market auto loans and dealer finance products in an integrated structure in line with the financing needs of dealers.

# SME BANKING

Having reorganized the head office and branches for the SMEs, Garanti continues to act as the "Guarantee of SMEs" and the "Future Guarantee of Tradesmen" with its pioneering and innovative initiatives. The customers Garanti serves under SME Banking covers businesses with a turnover of up to TL 8 million and their shareholders. Garanti makes a difference with its dynamic organization specifically tailored for SMEs. As well as offering a broad range of products fulfilling the needs of SMEs, tradesmen and new business owners operating in various sectors, Garanti carries SMEs to the future with its innovative approach. Garanti, a solution partner for SMEs that facilitates their access to financial requirements and information, provides affordable support to its customers on the back of a wide product range.

## ACTIVITIES IN 2014

In 2014, Garanti SME Banking increased its share in the sector and worked towards satisfying the diverse needs of SMEs. Within this scope, the Bank had a productive year acquiring new customers in all segments.

- » The banking volume and deposit base reached TL **46.6** billion and TL **20.1** billion, respectively.
- » New installment commercial loan support worth TL **6.2** billion was extended to SMEs.
- » Total lending to women entrepreneurs to date reached at TL **2.1** billion.
- » Credit support worth TL **173** million was provided to **6,000** new entrepreneurs under the "Start-up Package".
- » Credit exposure to agriculture sector has reached to **1.3** billion TL, in 2014; **60%** of this amount has been extended to agricultural enterprises in the SME segment.
- » As 2014 was the year of family farming, Garanti provided training support to **132** family enterprises in Manisa, Alaşehir on **11** different subjects in cooperation with BUYEM and FAO.

Note: Unless specified as official SME definition, all numeric information herein is given according to the SME definition of Garanti Bank. Official definition of Small and Medium Sized Enterprises (SME): Enterprises employing less than 250 people annually and not exceeding TL 40 million either in annual net sales proceeds or financial balance sheet.

## PROJECTIONS FOR 2015

- » In 2015, Garanti will keep contributing to the economy through financing the SMEs, the driving engine of the

TL **46.6** BILLION  
BANKING VOLUME

TL **20.1** BILLION TOTAL  
DEPOSITS VOLUME

**21%** RISE IN TOTAL  
TL CASH LOANS



Turkish economy. Garanti will continue to focus on stable growth on the basis of its open and powerful communication principle and its customer-centric approach that is always given the forefront.

Being the Bank of SMEs, Garanti has the following goals:

- » Support the digital transformation of SMEs so as to help them use IT technologies efficiently,
- » Improve information and advisory services so as to provide SMEs with easier access to information, as well as provide tools to improve SMEs marketing skills,
- » Design solutions for the needs of SMEs in various areas by establishing partnerships and collaborations with powerful brands and institutions,
- » Offer diverse financing options to new entrepreneurs in need of fast and simple access to financial resources, and act as their solution partner on the basis of strong collaborations,
- » Endeavor to advance SMEs specifically in provinces that do not receive adequate financing support from banks,
- » Carry out "agricultural banking focused on sector/product/region",
- » Allow the product suppliers and firms taking place in the agricultural value chain to work with models that fit the relative cycles of sub-sectors in line with the demands and requirements that differ regionally,
- » Facilitate access of women entrepreneurs to financing, execute free-of-charge educational collaborations to ensure sustainability, and encourage them to realize their full potentials,
- » Cooperate with national and international financial institutions to give the SMEs access to affordable financing,
- » Help SME customers use digital delivery channels efficiently to handle their transactions more quickly and easily, as well as ensuring one-on-one service provision to each SME customer from our points of service.

# COMMERCIAL BANKING

Continuing to be the main bank of its customers, Garanti offers distinctive service to **48,746** customers with its expert sales team of **715** people in **228** branches, **17** of which are commercial branches.

Effective risk management, expertise in relationship banking, and customized solution insight for the needs of customers from diverse sectors are the pillars of Garanti's sustained performance in commercial banking.

Its approach to banking, which is erected on a win-win relationship with its customers, makes Garanti Commercial banking the first address in the sector.

## ACTIVITIES IN 2014

Garanti Commercial Banking continued to extend sound and sustainable support to its customers optimally and effectively in the highly competitive environment of 2014.

## 2014 IN NUMBERS

Garanti Commercial Banking reached:

- » A banking volume of TL **91** billion,
- » A lending volume of TL **68** billion,
- » An expansion of **21.4%** in profits,
- » An increase of **22.3%** in profits per customer,
- » A total customer base of **48,746** people.

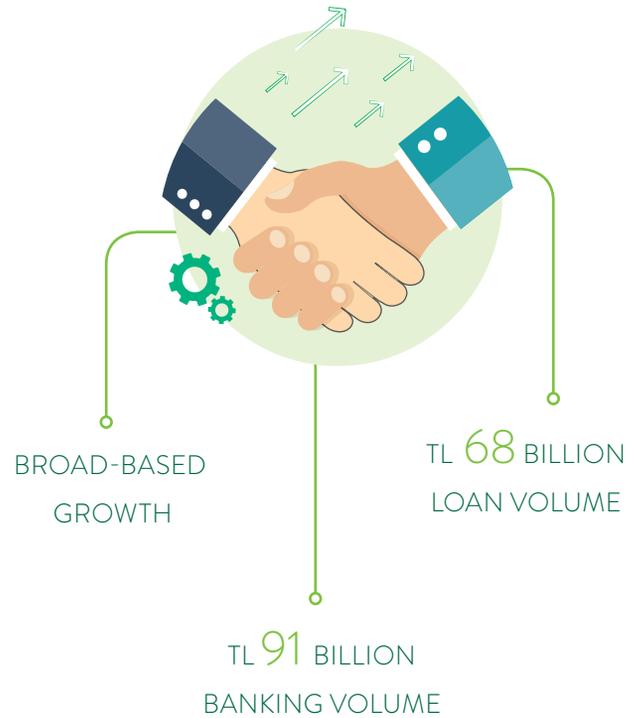
## PROJECTIONS FOR 2015

Commercial Banking aims to remain as the main bank of its customers in 2015.

Garanti Commercial Banking will increase product penetration by expanding its customer base and its new service model entailing intense attention and concentration will be particularly perceptible by customers in the medium-scale segment.

2015 will see Commercial Banking keep playing an active market-leading role in big-ticket financing activities such as privatizations, and acquisitions and mergers.

Backed by its technological infrastructure, qualified human resource and capital support of Garanti Bank, Garanti Commercial Banking will continue to be the strong and stable business partner of commercial companies in every environment.



# CORPORATE BANKING

Having led the Turkish banking sector by defining Corporate Banking as a separate business line back in the early 1990s, Garanti has been preserving its pioneering and leading position for more than two decades. As being the primary “business partner” of major Turkish conglomerates and multinational corporations operating in Turkey, Garanti Corporate Banking offers efficient and rapid solutions for the customers in this segment with its innovative and creative business approach, while occupying a crucial position within Garanti’s vision of long term and sustainable value-creation.

Through its four exclusive corporate branches, three in Istanbul and one in Ankara, and its proficient team, Garanti Corporate Banking offers prominent solutions in project finance, treasury and cash management fields, alongside the retail and SME banking services, payment system products and investment banking facilities. Garanti also provides leasing, factoring and insurance solutions through its integrated subsidiaries.

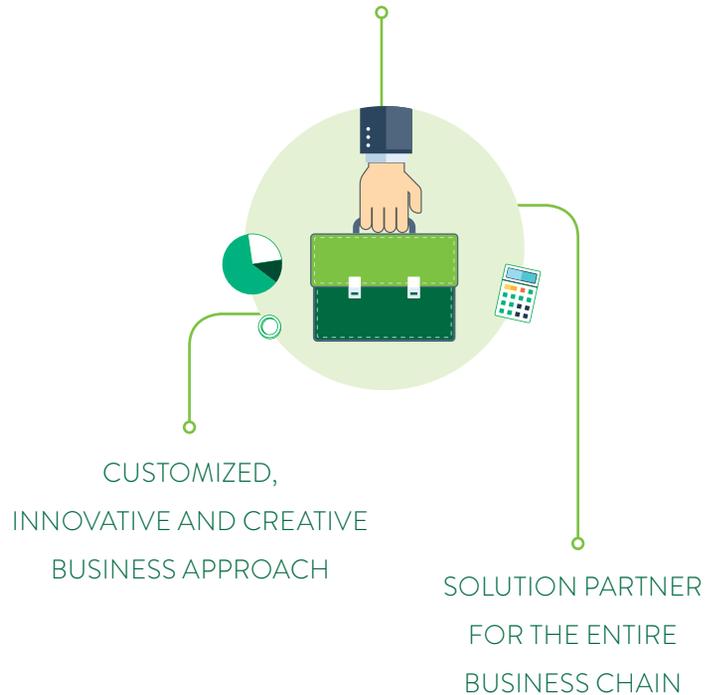
## ACTIVITIES IN 2014

Having built its primary strategy on the notion of establishing long-standing cooperations with its clients and further deepening existing ones, corporate banking business line successfully maintained its leadership position in the sector by fulfilling its customers’ needs through its dynamic team and custom-made solutions.

## PROJECTIONS FOR 2015

Corporate banking, reinforcing its vast experience, competitive edge and corporate competencies with its customer-oriented and innovative business perspective, will continue to be the primary solution partner of its customers in 2015. By undertaking projects which will contribute to the economic growth of Turkey, Garanti will continue to convert its potential in the corporate banking field into performance, and differentiate itself in the sector.

CONSTANT SUPPORT TO  
ECONOMIC DEVELOPMENT



# PAYMENT SYSTEMS / DEBIT AND CREDIT CARDS

With more than **17** million cards in the total number of debit and credit cards and approximately **6** million credit card customers, Garanti maintained and further strengthened its value offer “the most popular, the most used and the most bonus points-earner”.

In payment systems and credit cards, Garanti finished 2014 by cementing its leadership in a number of areas:

- » Leader in the number of credit card customers with **5.9** million
- » Leader in the number of plastic credit cards with **8.5** million
- » Leader in credit cards retail volume with **19.4%** market share
- » Leader in cash transaction volume with **22.3%** market share
- » Leader in the number of POS terminals with **16.9%** market share
- » Leader in e-commerce volume with approximately TL **9.5** billion

Retaining its leadership on the basis of market share, Garanti remained the market's pioneer bank that places emphasis on customer depth and management.

## ACTIVITIES IN 2014

With over **1,250,000** followers on Facebook, Bonus became the most popular and most followed banking product also in Europe. It has become the third most followed brand in Turkey, not only in credit cards but in the entire financial services category.

Through numerous personalized campaigns based on portfolio segmentation that reveals customers' spending habits and potentials, the portfolio was enlarged and the customers' needs were fulfilled based on one-to-one communication.

Upon resolving customer issues and ensuring customer satisfaction, approximately **2** million cards were recovered for the card portfolio.

Expansions secured in the products of Cash Advance, Credit Repayable in Installments, Postpone the Payment to the Next Account Statement, Divide the Charge into Installments and Postpone the Charge to the Next Account Statement, and the new channels of utilization such as Internet Banking branch served to sustained leadership in market share in cash market and also contributed significantly to overall profitability.

Credit cards with American Express brand continued to increase their penetration in the Turkish market.

The number of American Express cards went up by **9%** year-to-year and topped **1,100,000**.

SECTOR'S  
LEADER

8.5 MILLION PLASTIC  
CREDIT CARDS

TL **77** BILLION  
CREDIT CARD RETAIL VOLUME

MORE THAN **540** THOUSAND POS TERMINALS



Cards bearing the American Express logo are now welcome at more than **1,000,000** points of İşbank, DenizBank, VakıfBank and Türk Ekonomi Bankası (TEB), as well as over **540,000** points of sale belonging to Garanti.

## BONUS CARD PLATFORM

The Bonus Card Platform, the largest card platform in Turkey, allows the customers of 10 other banks to use the Bonus brand. The platform covers DenizBank, TEB, Garanti Bank SA, Şekerbank, ING Bank, Türkiye Finans Katılım Bankası (TFKB), Burgan Bank, ABank, Tekstilbank and Fibabanka.

The Bonus Card Platform closed 2014 as the leader with a market share of **28.8%** in terms of turnover.

## PROJECTIONS FOR 2015

Working toward the goal of “A Garanti Card in Every Pocket”, Garanti Bank aims to achieve its target of creating a “cashless society in Turkey” by 2023 by expanding the market and by adding new links to the chain of leaderships it has sustained in 2014. In 2015, Garanti has the following targets;

- » Introduce new features addressing the needs of different segments to become the main card used by customers,
- » Offer new solutions that will highlight customer transparency and ease,
- » Retain market leadership in cash products through solutions addressing customer needs,
- » Sustain and further accelerate the growth trend in commercial credit cards.

# PROJECT FINANCE

In 2014, within the framework of its financing policies, Garanti continued to provide financing for projects, privatizations and acquisitions that support Turkey's sustainable development, and secured funding of USD **3.0** billion. Acting as the mandated lead arranger in all of these transactions, Garanti kept standing by its corporate and commercial customers with the customer-centric, innovative and flexible solutions offered.

## ACTIVITIES IN 2014

In 2014, Garanti retained its leading position in project and acquisition finance portfolio.

### ENERGY

With approximately USD **10** billion total funds allocated to the energy sector so far, Garanti maintained its title as the leading financier of the Turkish energy sector in 2014.

Garanti - as the sole Turkish bank - participated with a ticket of USD **450** million to the project finance facility provided for Socar Refinery Project, which was a landmark financing in terms of tenor and amount provided to the Turkish real sector so far.

Being the biggest supporter of wind energy that is prominent for Turkey's need for sustainable energy, Garanti provided USD **500** million financing to projects with a total capacity of above **400** MW in 2014. The total capacity financed by Garanti reached **1,700** MW and the total loan portfolio reached USD **2.0** billion.

In 2014, Garanti maintained its leading position in the wind market with **35%** market share (based on operational projects).

In 2014, Garanti used its extensive know-how to develop a new financing product for the unlicensed solar market that will be key tool to develop Garanti's foothold in the renewable energy market further.

Garanti had the lead role in the USD **3.0** billion financing package for Kemerköy-Yeniköy Thermal Power Plant, the largest acquisition transaction in 2014 in Europe and the largest privatization of Electricity Generation Company (EÜAŞ). Hence, Garanti contributed significantly to the liberalization of the Turkish electricity market.

### ACQUISITION FINANCE

In the majority share acquisition of Yörsan Group, Garanti provided a loan of USD **80** million for the acquisition and capital expenditure purposes.

**\$ 3.0** BILLION  
FINANCING FOR  
PROJECTS IN 2014

TOTAL EXPOSURE OF  
**\$ 13.6** BILLION



A long-term financing has been provided for the UN Ro-Ro acquisition by a consortium of banks, in which Garanti took part as the mandated lead arranger and secured EUR **205** million funding.

Garanti contributed USD **100** million financing to Ojer Telekomünikasyon as part of the refinancing package of the facility utilized during the acquisition of Türk Telekom.

### TRANSPORTATION & INFRASTRUCTURE

Garanti is quite active in infrastructure projects developed under the PPP (Public Private Partnership) scheme. Garanti participated (respectively) with USD **384** million and USD **75** million, to the project finance facilities provided for 3<sup>rd</sup> Bosphorus Bridge Project and Orhangazi-Bursa Section of Gebze-İzmir Project. The club loans provided for these projects were USD **2,318** million and USD **600** million, respectively.

Garanti participated with USD **200** million in USD **600** million bridge financing for the privatization of Galataport.

In these transactions, Garanti was a mandated lead arranger and acted as facility agent.

### PROJECTIONS FOR 2015

The key projects in the energy industry in the next 5-years will include the privatization of EÜAŞ generation assets and natural gas distribution company (İGDAŞ) along with new greenfield power plants, with a special focus on renewable energy projects.. On the transportation and infrastructure side, volumes are expected to increase as a result of expanded usage of the PPP models. We expect that, in addition to airport, port and motorway projects, integrated healthcare complex investments to be developed with the Build-Lease-Transfer sub-model will have an important place. Considering the pipeline, an aggregate financing need of USD **75** billion is envisaged for the next **5**-year period.

In 2015, Garanti aims to play a pioneering role in structuring projects that are vital for Turkey, employing its expert team and the right financing solutions.

# CASH MANAGEMENT AND TRANSACTION BANKING

Owing to its long-lasting experience, expertise and cutting-edge technology, Cash Management and Transaction Banking continues to distinguish itself with its customer-centric approach and ability to sustain customer-driven revenues.

Having been the first bank to recognize and invest in the field of Cash Management by establishing a separate department in 1996, Garanti keeps on introducing the firsts in the sector.

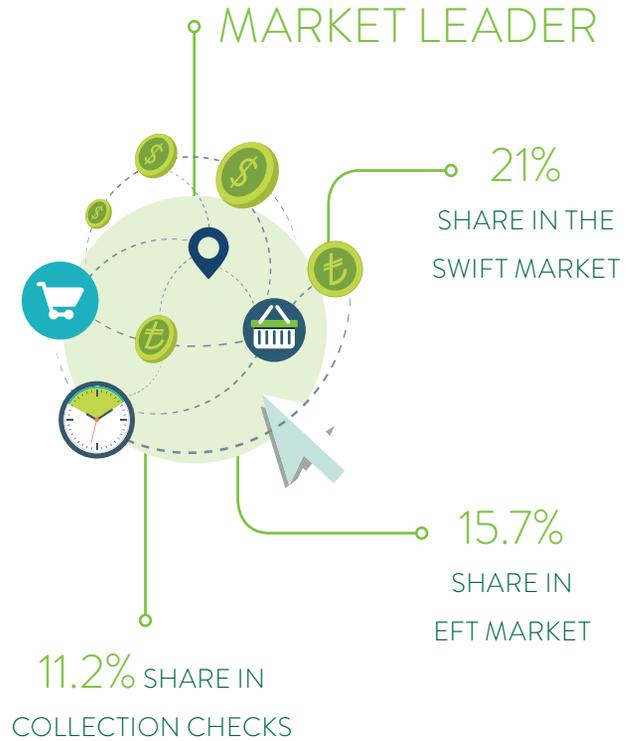
Thanks to its solid technology, Garanti became the pioneer bank to offer new products and services such as the first direct debit system in Turkey in 1997, followed by the first tax integration and the first supplier financing system.

Parallel to the new banking era that started in 2008, which put core banking services in the forefront, Garanti added Transaction Banking to its Cash Management functions.

Garanti offers payment and collection methods tailored to the needs and business models of its customers, and delivers new solutions for the entire supply chain with its dynamic structure and innovative perspective.

## ACTIVITIES IN 2014

In 2014, Garanti Cash Management and Transaction Banking continued to offer the solutions its customers needed in collection and payment processes. Garanti Cash Management and Transaction Banking sustained its undisputed leadership in the sector with a **15.7%** market share in EFT transactions, followed by its closest competitor that took **10.7%** share, while retaining its leading position with **21%** share in the Swift market and **11.2%** share in collection checks. Being the first to implement the Direct Debit System (DDS) in Turkey, Garanti offered this solution to approximately **95,000** dealers through projects it has carried out, broken down as **41,000** B2B (business to business) and **54,000** B2C (business to customer) transactions. In 2014, Garanti preserved its long-standing leadership in all areas and products in which it operates, including the Cash Collection service that covers more than **500,000** trips to **2,350** destinations per year.



## PROJECTIONS FOR 2015

In 2015, Garanti Cash Management and Transaction Banking will continue to integrate new technological advancements into its banking activities, and thus make life easier for its customers through electronic solutions. Cash Management and Transaction Banking will review all developments in the field of IT, and continue to develop new financial solutions and high added-value services in keeping with the innovative approach of Garanti.

# BRANCHLESS BANKING / DIGITAL CHANNELS

Garanti Digital Channels enables customers to execute any banking transaction at any time, anywhere, with over **4,000** Paramatik ATMs, award-winning Call Center, its Internet Banking that has been the sector's leader since 1997, Mobile Banking that is **#1** with **31%** market share in financial transactions and its mobile banking platforms.

Aiming to offer its customers an uninterrupted experience using the most easily accessible channel, Digital Channels remains the leader of digital banking. The Bank pursues its activities with the goals of gaining an insight into customer expectations and needs; employing measurement effectively in product and service development; monitoring technological innovations and trends closely and digitalizing its banking transactions and financial services; and becoming part of the lives of its customers by positioning financial services as a living service rather than considering banking platforms exclusively as transactional tools.

www.garanti.com.tr, the most frequently visited banking website in Turkey, services over **7** million visitors per month. Garanti keeps leading the sector with respective market shares of **23%** and **31%** in the internet banking financial transactions volume and mobile banking financial transactions volume. Alo Garanti, with over **4** million calls per month, and the extensive Paramatik ATM network, with **5.2** million users per month, offer 24/7 support to customers instantly.

## ACTIVITIES IN 2014

While **66%** of all transactions were executed through digital channels in 2014, this ratio reached **85%** in 2014.

### INTERNET BANKING

Featuring more than **400** transactions and having Over **2.7** million active customers, Internet Banking has been instrumental in the execution of more than **10** million financial transactions on a monthly basis during 2014.

### MOBILE FINANCIAL SERVICES

The number of active customers reached **1,500,000**. The number of mobile banking customers expanded by **84%** in the twelve months to end-2014. With more than **4** million downloads to date and accessible from all mobile platforms, Garanti's applications are available in the Application Store section on garanti.com.tr.

### GARANTI PARAMATIK

Facilitating more than **200** different transactions in addition to cash withdrawals, the Paramatik network has gone over **4,000**

**31%** MARKET SHARE IN  
MOBILE FINANCIAL  
TRANSACTIONS VOLUME

DIGITAL CHANNELS USED  
FOR **85%** OF CUSTOMER  
FINANCIAL TRANSACTIONS



ATMs in 2014. The ratio of cash deposits to cash withdrawals from Paramatik ATMs was **108%**. While **274** million transactions per year were carried out from Paramatik ATMs, transactions executed using the cardless menu by users who do not have an account with Garanti numbered more than **13** million.

### ALO GARANTI

Alo Garanti, with **4.2** million inbound calls, continued to introduce novelties using the speech technologies. Following the 2013 launch of the Call Steering system, an unprecedented initiative in the Turkish financial services sector, 2014 marked the inception of the Speech Transactions era. Allowing completion of a number of transactions by speaking, including balance inquiries, change of account statement week, credit card debit inquiries, -credit card term transactions, etc., Speech Transaction functionalities allow self-service handling of transactions just by speaking.

### iGARANTI

Providing guidance and offers depending on the user's current time, place and situation, iGaranti was launched in 2013 targeting youngsters and young professionals. iGaranti reached **400,000** downloads and **~ 250,000** customers in 2014. As of July, iGaranti users began effecting money transfer and FX selling and buying by voice with natural speech, as well as browsing within the application.

## PROJECTIONS FOR 2015

Having espoused the omni-channel strategy in 2013-2014, Garanti now formulates both the channel experience and the inter-channel flow based on this strategy.

The priority target of Garanti Digital Channels for 2015 is to further develop this structure on every possible platform. Given the fact that they are carried by the users at all times, mobile devices take place at the heart of this whole experience. Having developed its applications on wearable devices in 2014, Garanti Digital Channels continues to follow-up and implement all new technologies, putting mobile in its focus.

Priorities for Garanti Digital Channels include digitization of all products and services by offering interactive services, being instrumental in saving time for customers, and becoming part of their lives.

# SOCIAL PLATFORMS MANAGEMENT

With the target of managing brand awareness and corporate reputation under the leadership of the Social Platforms Management unit set up in 2012, Garanti is active in **10** different social media platforms with more than **40** social media accounts.

Aiming to give direct application opportunity to innovative products and services that address the needs of its customers and followers, Garanti continues to lead the sector, being the most followed financial institution on social media in Turkey and in Europe.

- » “GarantiyeSor” (Ask Garanti), Garanti’s Social Media Customer Satisfaction Team, contacts an average of **4,500** customers every month, receiving their comments and responding to their queries 24/7.
- » Through services like Garanti Link, a first in Europe, Garanti reached the social IDs of approximately **250.000** people in total together with its other applications.
- » Aiming to transform its Facebook platform into a digital channel, Garanti collects leads for its product and services through application forms made available on Garanti Facebook page without directing the customers to a different medium.

## ACTIVITIES IN 2014

Garanti authored many firsts and achievements on social platforms also in 2014:

- » Garanti remains the financial institution with most followers in Turkey and in Europe with a total of **3.6** million followers on Facebook.
- » Garanti continues to be the most followed bank in Turkey with **513,000** followers on Twitter.
- » GarantiyeSor team responds to user inquiries and comments on social media within maximum two hours. Contacting **4,500** followers on average every month, GarantiyeSor team was honored with Bronze Stevie in the “Best Team in Customer Service” category at the Stevie Awards, one of the most prestigious recognition programs in the sector.
- » In addition to “CepBank” and Garanti General Purpose Loan applications on Facebook, Garanti collects leads on Facebook for pensioners via the “Emekli Maaşım Garanti’de” App for insurance via “Sigortam Garanti’de” App and for savings via “Garanti ile NET Birikimler” App that were launched in 2014.

WORLD’S FIRST LOAN APPLICATION FACILITY ON FACEBOOK



FIRST IN EUROPE: CAMPAIGNS SPECIFIC TO SOCIAL MEDIA WITH GARANTI LINK

- » Garanti linked the social media and banking profiles of almost **250.000** customers via services like Garanti Link application, a first in Europe, and offers opportunities that address their specific needs and interest areas.
- » Garanti efficiently uses social media to enhance Garanti mobile application’s downloads including iGaranti and Cep Şubesi, given the constantly increasing use of mobile devices for social media platforms.
- » To promote its products, services, sponsorships and events, and to increase engagement, Garanti organizes creative and fun contests on Twitter, Foursquare, Instagram, Vine and Snapchat platforms.
- » Through the Women Entrepreneurs Platform created on Facebook, Garanti presents women entrepreneurs with the facility to get information about the Bank, to access useful and important information that will help them build on their businesses, and to apply for the “Women Entrepreneurs Competition”.

## PROJECTIONS FOR 2015

In 2015, Garanti will sustain its leadership on social networks. While using social media channels in a creative and pioneering fashion, the Bank will not only increase product sales via these channels but also continue to effectively manage customer satisfaction.

Communication activities will continue by presenting products, services and offers directed at consumer and customer needs and expectations, along with innovatively designed creative competitions and campaigns, while increasing efficiency on other social networks besides Facebook and Twitter.

# CALL CENTER

Garanti Bank Call Center has started out with the objective of giving its customers a unique experience at every point of contact on the back of its good quality, consistent and customer-centric service. In this manner, The Call Center continues to pioneer the sector with its innovative and solution-oriented approach enabled by its qualified and dynamic team and strong technological infrastructure.

In 2014, Garanti Bank Call Center created added value beyond its targets owing to its service approach that makes a difference, its financial products portfolio positioned in line with the Bank's strategies, and its qualified human resource of **1,109** people. In addition, the Call Center maintains its leading position in the sector, successfully handling **15.2%** of all the calls in the sector with an average response time of **33** seconds.

## ACTIVITIES IN 2014

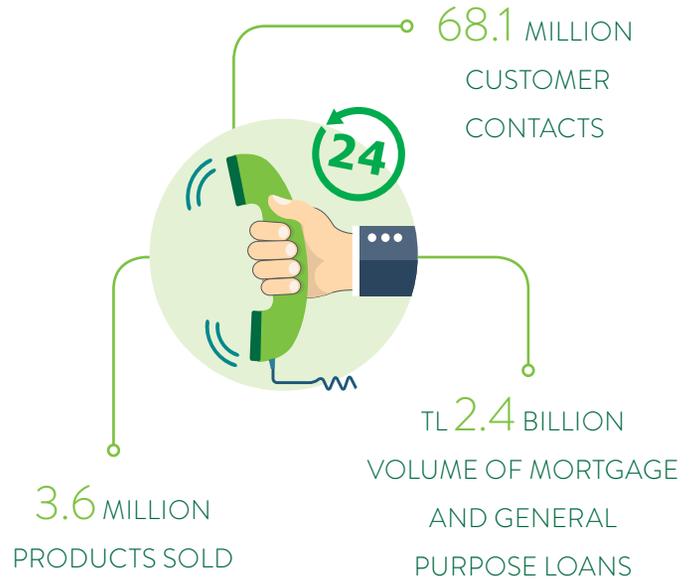
The Garanti Bank Call Center, Turkey's largest financial call center with the number of customer contacts that rose to **68.1** million in 2014, keeps making a difference with a call response performance at a rate of **97.81%** which is the key service performance indicator in this field.

With the Call Steering system, Garanti Bank Call Center provided its customers with the facility to directly reach the requested service by uttering a single remark, for which they used to have to listen to the menu and press numbers. Garanti Call Center was not only the first to implement Call Steering in the financial services sector, but it also represented a very successful example of a different concept and service model for all financial call centers with **94%** Correct Routing Rate and **85%** Customer Satisfaction.

Through the smart steering and self-service options built on the Call Steering system, the system secured a **3.6%** efficiency increase year-over-year in labor management and call response performance.

Further enhancement was achieved in sales efficiency by making the right product offers to the right customers thanks to the advanced dynamic offer mechanisms launched in 2014.

Succeeding in outdoing the previous year's sales figures every year, Garanti Bank Call Center broke new record by selling **3.6** million products in 2014. Another important development in the sales front was the increased share of high added-value products within the sales composition as compared with the previous years.



Garanti Bank Call Center took significant shares and responsibility in the marketing and sales of general purpose, mortgage and car loans through the dedicated phone lines at 444 0 335, 444 EVIM and 444 OTOM as it did in previous years. The Call Center was once again the leader of the loan sales with a disbursement volume of TL **2.4** billion.

Besides controlling a major share in total cards sold by the Bank, Garanti Bank Call Center continued to assume responsibility for central management of retention efforts for all credit cards in 2014, and has been instrumental in the retention of more than **1.19** million credit cards.

Garanti Bank Call Center, taking on an active role in the sales of Money in Installment, Net Savings Account, Skip Payment and Post Purchase Installment, continues to build on the significant role it has assumed in the sales of the Bank's products through strategic products added every year to its existing product range.

## PROJECTIONS FOR 2015

In 2014, Garanti Bank Call Center has established itself as an important profit center thanks to the added value it has contributed to Garanti. In 2015, with its goal of further increasing the value it creates, The Call Center will continue to enrich its service and product range with novelties that will offer powerful customer experiences, all the while keeping customer satisfaction and service quality in its focus, its unchanging top priority under any circumstance.

# CUSTOMER SATISFACTION DEPARTMENT

Garanti Bank carries out its customer-centric activities, embodied at the heart of its operations, through the Customer Satisfaction Department set up in 2001.

The Customer Satisfaction Department, which aims to maximize customer loyalty by fostering the culture of "Unconditional Customer Satisfaction" throughout the Bank, works to make sure that comments received through various channels are handled with a customer-focused approach and that solutions to issues causing dissatisfaction are put into life proactively.

The Customer Satisfaction Department serves Garanti Bank customers through various channels, including telephone, e-mail, social media, corporate website and branches, and offers solution support regarding the issues concerning Garanti Bank conveyed by Twitter and Facebook users.

The Customer Satisfaction Department conducts analyses to identify those areas where customer demands and complaints are concentrated and the reasons therefor, and regularly shares the resulting reports with the Senior Management and relevant lines of business. Root cause analyses of the situations that give rise to customer dissatisfaction are carried out, and determinations, insights and recommendations in relation to complaints are communicated to related units, while important matters are raised at periodic meetings.

The ISO 10002:2004 Complaint Management System certificate, awarded to the Customer Satisfaction Department by the British Standards Institution (BSI) in 2006 and renewed every year makes Garanti Bank the first Turkish bank to have its Complaint Management System certified at international standards.

## ACTIVITIES IN 2014

### CUSTOMER-CENTRIC ACTIVITIES

In line with the importance attached to customers and in accordance with regulatory changes, the Customer Satisfaction Department introduced a number of customer-centric projects in 2014. Efforts were carried on to further improve existing approaches, and to devise and implement new ones.

Post-service customer satisfaction measurements were started to be conducted for the services offered by the Department.

Systems were developed that allow customers to instantly monitor/follow up the outcomes of the messages conveyed.



MULTI-CHANNEL APPROACH

QUICK RESPONSE TO CUSTOMERS

INSTANT FOLLOW-UP SYSTEM FOR CUSTOMERS

New implementations were put to life which allow quick finalization of notifications communicated to the Customer Care Line through various channels, and these criteria were incorporated within quality evaluations.

## PROJECTIONS FOR 2015

The Customer Satisfaction Department will continue and further increase its customer-centered practices to handle and resolve customer complaints in 2015.

The Department will keep developing projects aimed at offering a better customer experience based on the motto "Customers are our most important asset". The primary targets the Customer Satisfaction Department set for 2015 include the following:

- » Enhance its position as the "insight center" within the Bank by maintaining complaint analyses, efficient reporting and inter-departmental collaboration,
- » Build on the benefit derived from customer satisfaction measurement in relation to the service rendered by the department and constantly improve the service quality,
- » Continue to work towards ensuring that the Bank-wide Complaint Management strategy, standards and procedures are duly implemented across the organization,
- » Keep taking part in activities for incorporating positive and negative customer feedback in employee performance assessment,
- » Support employee development to make sure that the customer-centric approach is reflected in all activities,
- » Ensure a better customer experience through the realization of customer-centric developments designed during the project, process and analyses efforts, and through efficient operational and service-level management,
- » Add value to the Bank in general by reducing customer attrition and strengthening its role in customer recovery and retention efforts.

# TREASURY

## TREASURY MARKETING & FINANCIAL SOLUTIONS DEPARTMENT

In 2014, Treasury Marketing increased the number of customers served directly and upgraded its service quality. The Department continued to lead the sector particularly in “commodity” risks management in a year of increased customer demand for the management of balance sheet risks.

In the year ahead, Garanti aims to stand out with new products that respond to customers’ needs, as well as with high quality of service and pricing in an environment where competition is expected to get tougher.

## ASSET AND LIABILITY MANAGEMENT DEPARTMENT (ALM)

Detailed information on the 2014 activities of the Asset and Liability Management Department is presented under the heading “Assessment of Financial Position, Profitability and Debt Payment Capability” of the present report.

2015 is likely to be an active year both for developed and emerging markets, as well as for the Turkish market. The timing and the pace of the US Fed’s interest rate hike will be on close watch by the markets. The loose monetary policy practices planned by the ECB (The European Central Bank) and the BoJ (Bank of Japan) will somewhat counter the effect of the Fed’s exit from loose policies upon emerging markets. Downward trend of the energy and the commodity prices will affect the developed and emerging markets in different directions depending on being either a net energy exporting or importing country.

Accordingly, Turkey is expected to have lower inflation and improved current account deficit. In line with these expectations, an overall downtrend is projected in TL interest rates. The key risks in this basic scenario include geopolitical developments, unanticipated rise in US inflation and the more-than-expected contractions in Turkey’s export markets. While the shorter terms of the yield curve might follow a more active course driven by the increased volatility of FX/TL, the longer terms might seem pegged with the prudent steps that Fed will take without impairing the fragile growth, and the expansionary steps ECB and BoJ will take to support growth and to prevent disinflation and/or deflation.

In 2015, through effective FTP assessment, investment and hedging strategies, the ALM will take steps to maximize the balance sheet net interest margin and to minimize the profit/loss volatility, hence maximizing the risk-adjusted return on profit. In this context, the ALM will also be considering heavy use of on- and off-balance sheet products.

19.3% SHARE  
IN INTERBANK  
FX MARKET



## TREASURY DEPARTMENT

In 2014, Garanti Treasury captured significant increases in volume and market share in its major fields of activity, and was also able to top the budgeted targets in terms of profitability. Increasing its market share in FX trading with clients from 13.9% to 14.4%, Garanti brought its 16% market share of the previous year in the interbank FX market to the level of 19.3% in 2014.

Commanding a solid 48% share in the local interbank FX market, Garanti increased its share in the bonds market from 6.8% to 9.7% in 2014.

Garanti Treasury enjoyed the advantage of entering 2014 with a securities portfolio, whose composition was shrunk in terms of TL fixed-rate assets in favor of floating-rate assets. Attempting to expand its TL bonds portfolio at times of higher interest rates during the year, Garanti Treasury achieved a considerable growth in its Eurobond portfolio during the same timeframe, and strove to capitalize on the yield/cost margin that was relatively higher in FX portfolios.

2015 is expected to be a year of difficulty in finding the balance between forces that drive the markets in opposite directions due to the growth profile and possible interest rate increases in the US versus the stagnation experienced in the rest of the world. Garanti Treasury, which will try to tap the opportunities arising in the financial markets, will keep working to be the primary choice of its clients in all markets in the year ahead.

## DERIVATIVES DEPARTMENT

In 2014 while proactive risk management and compliance with the legislation maintained its importance, Garanti kept breaking new ground through the methods adopted in hedging strategies.

Garanti continued to grow by monitoring the risk/yield balance, funding quality, and efficient collateral management principles, in an environment where national and international regulations change.

Important considerations in 2015 will include compliance with regulatory changes outside Turkey such as Basel III, Dodd-Frank, EMIR and FATCA, centralization of risk and collateral management in OTC products, and compliance with regulatory changes regarding capital market activities.

# INTERNATIONAL BANKING

The broad correspondent network and its debt capital markets experience, confirms Garanti's leading position in securing sustainable foreign funding and offering innovative solutions to its clients.

## ACTIVITIES IN 2014

### CORRESPONDENT BANKING

The correspondent banking team, responsible for relationship management with international banks successfully manages a broad correspondence network of approximately **3,250** banks in **160** countries. The foundation stones of this success are; strong relationship management, sustainable ancillary business generated to correspondents, and customer satisfaction, ensured by the distinctive approach of service quality in international operations.

In 2014, Garanti continued its success in securing foreign funding from correspondent banks. Along with its efficient relationship management, Garanti remained as the main relationship bank in Turkey for international correspondents with its ability in adjusting to changing market conditions and adopting new products.

### STRUCTURED FINANCE

Garanti continued its activities to obtain and diversify its sustainable and long term funding sources; as well as expand and develop its investor base.

In April, with **5,5** year maturity USD **750** million Eurobond was issued with **4.75%** coupon.

In April, GMTN program was updated and USD **1** billion equivalent MTNs have been issued in the rest of the year.

In April, a **21** year maturity USD **550** million DPR transaction was executed together with related treasury transactions.

In May, syndicated loan of EUR **1.1** billion was renewed for 1 year with an all-in cost of Libor/Euribor **+0.90%**.

In May, a **5** year maturity USD **500** million DPR transaction was executed together with related treasury transactions.

In July, a TL **218** million **6** year maturity loan agreement signed with EIB to finance SMEs.

In July, with **5** year maturity EUR **500** million Eurobond was issued with **3.375%** coupon.

In November, syndicated loan of USD **1.3** billion was renewed for **1** year with an all-in cost of Libor/Euribor **+0.90%**.

SECURED OVER  
**\$6.2** BILLION  
NEW FUNDS

BROAD CORRESPONDENCE NETWORK  
**3,250** BANKS



In December, a TL **69** million **5** year maturity loan agreement and a framework agreement in the amount of EUR **150** million was signed with EIB to finance SMEs.

In 2014 over USD **6.2** billion of new funds were secured.

### TRADE FINANCE

Differentiating itself with its expert staff and leading role, Garanti is adding on to its trade finance products that serve to client needs.

In 2014, Garanti concluded new long term import finance deals with foreign banks for the funding of energy projects and investment good imports. The Bank entered into new cooperation with export credit agencies and correspondent banks and provided specialized solutions to its clients through far eastern export credit agencies. Garanti participated into the direct lending program of UK Export Finance as the only bank from Turkey and obtained the opportunity to offer an alternative funding source for its clients' imports from UK.

Garanti, the first member bank to Swift's Trade Services Utility from Turkey and being ready to realize transactions under BPO (bank payment obligation), started to offer a new alternative to its clients in open account finance area.

The Bank increased its support to export market diversification of clients by cooperation with correspondent banks. Garanti, being its clients' consultant bank in the area of foreign trade and legislation, arranged seminars in order to share its experience and information with its clients.

### PROJECTIONS FOR 2015

Garanti targets to pursue its success in obtaining international borrowing with diversified products with different tenors, to increase its activities in debt capital markets by reaching the new investor base with new instruments and to expand its correspondent banking network. Garanti aims to provide specialized solutions for its clients' funding needs through correspondent banks, export credit agencies and enter into new cooperation in this area.

# INVESTMENT BANKING

Garanti Investment Banking (Investment Banking) operates with **23** investment centers, two corporate investment branches, one investment banking branch and **12** trading rooms under the solid roof of Garanti. It provides branches and customers with special services for investment products such as mutual funds, structured deposits, stocks, derivatives and corporate bonds.

## ACTIVITIES IN 2014

### MUTUAL FUNDS, STRUCTURED DEPOSITS

In 2014, Garanti kept offering innovative structured deposits to investors, which were devised in view of the market conditions based on various asset classes ranging from parity to oil, from stock exchange to inflation. Garanti differentiated itself particularly with its Deposit Plus Masters product that offers the opportunity to capitalize on potential uptrends, while providing protection against downturn in deposit rates. Garanti captured a total of USD **440** million structured deposits volume in 2014.

Under the project co-conducted with BBVA within the frame of the overseas operations of Investment Banking, Garanti set up two UCITS funds on BBVA's SICAV platform incorporated in Luxembourg. Investing in Turkish equities and fixed-income securities to meet foreign investors' demand for Turkey, the funds are actively managed by Garanti Asset Management.

### STOCK AND DERIVATIVES MARKETS

Despite volatilities in markets in 2014, Garanti continued to be a leading institution with respective market shares of **7.3%** and **7%** in stock and derivatives markets.

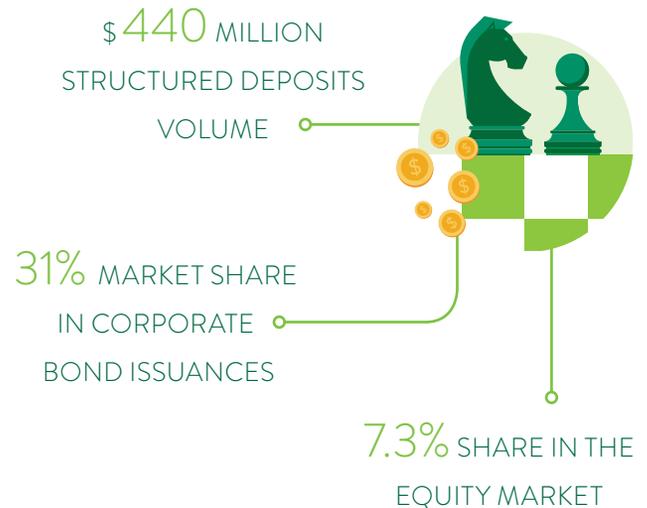
Based on the authorization received in October 2013, Garanti issued **46** warrants in total, **14** of them in May 2014.

### CORPORATE BONDS AND BANK BILLS

In 2014, Investment Banking remained a leader in terms of corporate bond issues, with a market share of **31%**, and undertook **28** issues. Additionally, having realized public offerings of **18** bank bills and **6** bank bonds at a par value of TL **6.7** billion in 2014, it offered different products to investors by issuing short and long-term, discounted bonds and bills.

## PROJECTIONS FOR 2015

In 2015, Investment Banking aims to further diversify its product portfolio, reinforce customer loyalty and win



new customers on the back of its expert team and robust technological infrastructure.

Investment Banking will continue to preserve its volume on stock, derivatives and mutual funds markets, along with its customer structure, and will keep broadening its product range by adding various instruments in line with the market conditions.

Garanti intends to add three new funds to its mutual funds portfolio. To be named SMART Funds and managed by Garanti Asset Management, these funds will invest in financial assets traded on domestic and foreign markets based on a diversified investment strategy. Designed to fulfill investor expectations that differ on risk perception and level, the funds are aimed at producing a yield above the deposit rate benchmark.

In 2015, Investment Banking plans to introduce the new customer financial planning module and portfolio monitoring module to investors. Modules will allow individual customers to formulate their portfolios in line with their risk appetite and to monitor yields online at portfolio and each product level.

With the project in partnership with BBVA, Garanti targets to increase its brand awareness abroad and the number of its foreign investors.

Through the Forex project that went live in 2014, Garanti will service its customers through Garanti Securities and grow its trading volume.

Garanti aims to sustain its leadership in the corporate bonds market by continuing to offer comprehensive and efficient consultancy services to corporations intending to issue bonds. Garanti targets to maintain warrant issues at an increasing momentum and to be one of the permanent players in this market.

# INSURANCE AND PRIVATE PENSION

Catering to all financial needs of its customers under a single roof, Garanti continues to grow by building on its expertise in bancassurance, and to present insurance and pension products to its clients via all channels. Drawing on its collaboration with Eureka Insurance and Garanti Pension and Life, Garanti strictly retains its leadership among private banks in bancassurance.

## ACTIVITIES IN 2014

In 2014, the insurance industry kept growing using the extensive delivery channel power of banks, and reached broad audiences. While banks took **79.6%** share of total premium production in life insurance, banks' production share in non-life insurance was **14.3%**.

Garanti, in 2014, remained the leader and guided the sector with respective market shares of **12.0%** and **12.9%** in life and non-life insurance.

Driven by **25%** state contribution, interest in Private Pension grew and the sector gained momentum during the reporting period. Garanti successfully capitalized on the rapid growth of the sector, and reached its customers through all channels, increasing the number of its participants to **871** thousand and total funds under management to TL **5.6** billion. Remaining the leader in the number of participants with **17.2%** market share, Garanti captured **16.1%** market share in total funds.

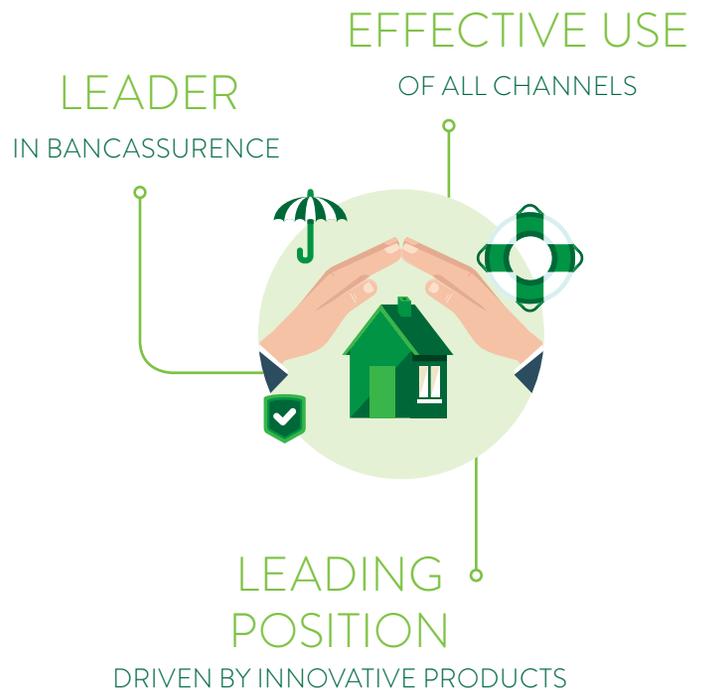
In 2014, Garanti increased the depth and breadth of its expertise in bancassurance. Numerous innovative implementations were introduced to enhance customer satisfaction. Emphasis was placed on improving the sales processes of life insurance and steps were taken to facilitate things for sales teams.

Garanti invested in digital channels and enriched its range of products delivered through them. In this frame, compulsory earthquake insurance began to be sold via Internet Banking.

Innovative products and sales processes were designed for digital channels and for the needs of digital customers. Work continued on products that offer customizable coverage.

Within the scope of product development, research was conducted to understand the clients' evolving needs and to increase the use of products.

On the basis of successful collaborations established, new projects were developed to reach clients through new and different channels.



Training programs were organized to build on the technical capabilities of sales teams, and licensing and system development were undertaken.

## PROJECTIONS FOR 2015

In 2015, bancassurance will preserve its importance for the banks and for insurance companies. Garanti will reach more people with its insurance and pension products, and author implementations that create value for its clients. In the year ahead, Garanti will continue to provide one-stop, easy and quick fulfillment of customers' demands for all their financial needs.

While integration of products and services into digital channels will continue, investments will be made particularly in mobile channels and development will be undertaken to allow clients to make use of insurance services any time.

Furthermore, work will continue to digitalize the entire process from the product purchase to claims notification.

Efforts will be spent to complete the product sales via all channels in an effort to offer the insurance products to broader audiences and to increase the number of policyholders.

On the private pension front, Garanti will continue in 2015 to introduce innovative initiatives on the back of the solid synergy established with Garanti Pension and Life.

# ABACUS

As the first bank to set up centralized operations in Turkey, Garanti ensures superior quality, timely and error-free execution of operational transactions of its millions of customers through ABACUS.

Branches and customers are provided with year-round non-stop cash service at **5,552** points. Garanti channels **99%** of all operational transactions of branches to ABACUS made up of a dynamic team of **1,044** experts. ABACUS handles the following tasks for Garanti Bank and its customers:

- » All foreign trade transactions,
- » Issuance of domestic and international letters of guarantee,
- » SWIFT transactions,
- » All operations regarding the utilization of commercial loans and system entry of related collaterals,
- » Verification of documents submitted with housing/auto/general-purpose loan applications,
- » All domestic payments including EFT, tax and Social Security Institution (SGK) premium collections,
- » Bulk salary payments/bulk internal and interbank (EFT) money transfers,
- » Physical and electronic archiving processes,
- » Confiscation processes and query letters received from governmental offices,
- » Management of correspondence with the Arbitration Committee for Consumer Problems,
- » Data entry of hard copy credit card applications/forms,
- » POS application and installation follow-up,
- » After-sale support services for credit cards,
- » Check and promissory note transactions,
- » Investment account opening and account transfer operations,
- » Cash support services including cash collection and delivery.

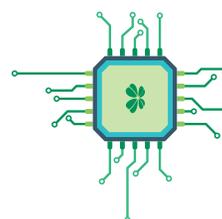
In addition, ABACUS offers consultancy service by closely monitoring all changes in legislation with a potential impact upon the activities of Garanti Bank.

## ACTIVITIES IN 2014

In another intense and productive year, ABACUS successfully brought the projects in progress to completion and kept offering service at high standards with projects and processes initiated based on an innovative approach. ABACUS contributed significantly to the alleviation of branches' operational workloads and to achievement of their targets through effective use of technology.

The Bank's loss resulting from operational errors was a mere USD **8,500** within a total transaction volume of approximately USD **787** billion handled by ABACUS in 2014.

\$ **787** BILLION  
TRANSACTION  
VOLUME



YEAR-ROUND  
NON-STOP CASH  
SERVICE AT  
**5,552** POINTS

**99%** CENTRALIZATION

## RATIO IN OPERATIONAL TRANSACTIONS

Highlights of 2014 activities aimed at continued high quality service delivery and reduced risks are presented below:

- » Commencement of centralized handling of correspondence with the Arbitration Committee for Consumer Problems,
- » Verification of documents associated with Retail/SME Overdraft Accounts or multi-purpose loan applications through ABACUS,

Ensuring cost saving and customer satisfaction by using different channels for delivery of Overdraft Account statements sent quarterly to approximately **100,000** customers in a year, instead of sending all of them via notary public offices.

## KEY ABACUS INDICATORS 2014

Number of annual transactions	: <b>46,3</b> million
Transaction volume (USD)	: <b>787</b> billion
Average number of monthly transactions	: <b>3,9</b> million

## PROJECTIONS FOR 2015

Committed to identifying improvement areas and further upgrading service quality, ABACUS will continue to work toward enhancing internal customer satisfaction and alleviating the workload of branches in 2015.

ABACUS will collaborate with Garanti Technology to minimize the manual steps in processes and to further mitigate operational risks by improving control points and maximizing automation to the extent possible. Handling transactions in an error-free and timely manner by making use of all technological facilities will remain the primary goal of ABACUS's activities. Within this frame, the following are among the targets for 2015:

- » Receiving notices served by the Ministry of Justice via the Registered E-Mail (KEP) system,
- » Making the necessary revisions to the system for recording and monitoring valuable papers circulated through the Bank by branches and the Communication Department,
- » Handling the MARS creation procedures for legal entities through ABACUS,
- » Integrating cash delivery services with the RFID technology and enhancing the quality of service monitoring provided to customers.

# HUMAN RESOURCES

THE FIRST IIP  
GOLD-ACCREDITED  
COMPANY IN TURKEY



## PEOPLE COME FIRST FOR US

Turkey's first company with Gold accreditation from the Investors In People (IIP), Garanti regards its human resource as its most valuable asset, and upgrades its practices beyond world standards. Continuing to constantly invest in employees, Garanti places much importance on sustainable growth.

In parallel with the employer brand management efforts launched for ensuring consistent communication with potential and existing employees and for supporting its image as the preferred employer, Garanti focuses on carrying out more efficient internal communication activities, enhancing the quality of services developed in various fields, and making these services available to the entire workforce.

## ACTIVITIES IN 2014

Within the scope of employer brand management activities, İYİ (Work Life Relation), which was set up to enhance employee satisfaction and ensure a richer working experience, increased the number of its events and services such as İYİ Talks, İYİ Treats, İYİ Fun and İYİ Mini Courses to allow more employees to benefit from these initiatives. The average number of annual events and services per employee offered to employees went up from **10** to **13** in 2014. Employee satisfaction and internal customer satisfaction surveys have been completed with high participation rates. Improvement efforts continued with contribution from all HR units for manager/subordinate relationship, coaching, rewarding and practices based on employee segmentation in line with the survey results.

Maintaining focus on continuous development, 360-degree feedback continued to improve the quality of communication between managers and their subordinates and to propagate a culture of giving feedback.

In line with the internal promotion strategy, **90%** of vacant positions were filled through internal recruitment in 2014. Specialized career counselors carried out planning and advisory activities by;

- » Planning medium-term workforce by using task-based candidate pools,
- » Offering one-to-one career advice to **7,500** employees,
- » Communicating with employees across **600** branches and responding to HR-related queries using the instant messaging portal,
- » Announcing vacant positions to all employees via the "Career Opportunities" section posted on the intranet.

During 2014, **74** people joined Garanti under the Management Trainee Program and **1,292** others were recruited for entry-level positions. **1,000** university students were given the chance to do internship at our branches, regional offices and Head Office business units. Garanti changed over to an integrated, online recruitment process that covers an online test, video and online interview. In addition, internship programs were revised and relaunched under the name "Garantili Gelecek" (Future with Garanti).

At Garanti, employees receive **12** salaries and two premiums per year. All employees are covered by private health and life insurance. Health expenses incurred by employees or their dependents are covered by the pension fund. Head Office employees have dining hall and transportation services, whereas branch and regional office employees are provided meal tickets. In addition, fringe benefits are offered depending on position, location or title. Garanti also provides foreign language compensation upon the appropriate certification received from recognized institutions. The Bank's annual leave practice is governed by the Labor Law numbered 4857.

In 2014, Garanti devised and issued its Declaration of Human Rights, and also signed the UN's Women's Empowerment Principles developed through a partnership of the UN Global Compact and UN Women, becoming the first bank in Turkey to adopt these principles.

## PROJECTIONS FOR 2015

In 2015, Garanti Human Resources will concentrate on processes supporting managers' communications with their subordinates for employee satisfaction purposes, while continuing to invest in İYİ services and projects designed for enhancing the efficiency of internal communication. Accordingly, efforts will be ongoing to increase the efficiency of communication on the new intranet and social networking channels that went live in 2014.

Within the focus on a further simplified approach to sales management and customer satisfaction, the existing Leadership Model is planned to be revised to add a new perspective to the business and people management approach of all managers in the middle and top levels. Later, this new model will be integrated into all HR and Training & Development practices.

With a view to securing a safer, more hygienic and more ergonomic working environment, office renovation efforts of Occupational Health and Safety and İYİ teams will go on.

# LEARNING AND DEVELOPMENT

In a bid to create the best human resource in the financial services sector and to ensure continuous development, Garanti provides regular training programs on an ongoing basis so as to fortify the expertise of its people.

Employee expertise is backed with five main faculties: "Loans", "Leadership", "General Banking", "Investment" and "Sales". While this structure helps them build on their existing competencies, additional support is also offered for their development in various interest areas.

Need analysis are performed with one-to-one interviews, workshops or inventories for all units. Units are expected to gain internationally recognized expertise and to become global leaders of the sector. Along these lines, there are training options diversified according to each job family. In addition to those, employees also participate in programs related with Garanti's service culture and leadership concept for their development. Garanti Leadership Academy, in particular, offers long-lived and varied opportunities for getting equipped for the future. Furthermore, coaching, best practice sharing, project work and experiential learning have long been in use.

The training programs are designed with world-class standards and innovative methods. Speed and accessibility are provided by various platforms including live broadcasts, simulations, videos, e-library and mobile learning under the heading "Garanti Learning Technologies" and they are accessible anywhere, any time through mobile devices.

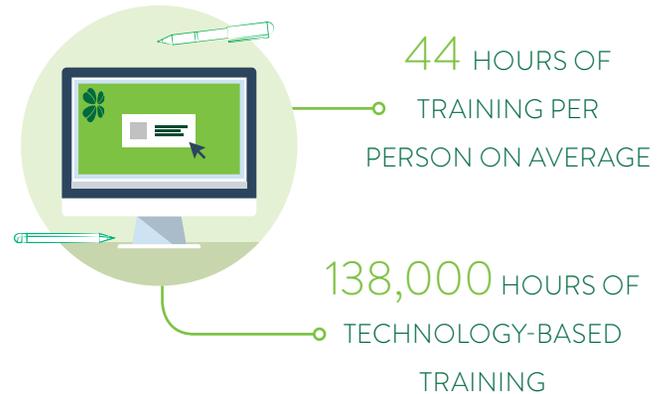
Determination of business partners is a key performance indicator in all these activities. Distinctive and current information is captured and disseminated to employees via business partners such as the designers in each faculty, full-time internal trainers, ICF-certified professional/full-time coach, reputable training companies, universities, and business schools abroad. Moreover, cooperation is established with the academic world so as to familiarize the universities with the business world.

## ACTIVITIES IN 2014

This year, Garanti Bank delivered a total of **775,000** hours of training with an average of **44** hours per employee.

Classroom training sessions totaled **8,400**, while hours of technology-based training reached **138,000**.

Garanti continued its specialization training programs in credit risk management and marketing/sales aimed at building



on the expertise of its employees and helping them contribute their expertise to business results. Strategic leadership project has been and will be ongoing in 2015.

Training sessions based on multidisciplinary sharing concept have been held in the areas of science, art and design to support innovative thinking skills of bank managers. Also, reverse mentoring sessions about the digital world, its tools and dynamics were carried out, which matched young talents at the Bank with the managers.

In addition, a learning & development experience survey was conducted to understand and measure the experiences the employees had during their learning&development processes. Based on the survey results, the strengths were identified and steps were taken to maintain them.

## PROJECTIONS FOR 2015

Garanti will continue to support employee development while trends will be watched closely, as well as the financial and regulatory developments in Turkey and in the world. Learning and development models will be redesigned for improving employees' leadership skills based on the leadership model that will be designed in 2015.

2015 will also see continued efforts for enhancing the employees' experiences during the learning & development-related processes. Along with this work emotional mapping for a given target employee group will be designed, which will then be used to revise all training programs and processes.

The training contents will be digitalized compatible with the growing number of mobile devices across the Bank, regarding "Learning at Garanti" approach. This will result in an environment that offers a higher learning experience thanks to a self-regulated learning which based on knowledge management and backed with technology, where employees assume responsibility for self-development.

# SUSTAINABLE BANKING AND GARANTI

Building on the Bank's core values, Garanti Bank defines Sustainability as a commitment to build a strong and successful business for the future, while minimizing negative environmental and social impacts, and sharing long-term values with its customers, staff, shareholders and the communities it operates in.

To strengthen its vision to be the best bank in Europe, and its mission of increasing the value it creates for its stakeholders, Garanti approved its new Sustainability Strategy and Policy, underlining the emphasis it places on conducting its business activities in a responsible manner, in April 2014.

## I. SUSTAINABLE FINANCE AND OUR CUSTOMERS

Garanti evaluates all loan requests in terms of its Environmental and Social Loan Policies, without applying any limits. Greenfield projects with an investment value above a certain threshold, which are compliant with its policies and sectoral principles, are subjected to the Environmental and Social Impact Assessment Process, and Garanti engages in a careful cooperation with its clients regarding the management of potential risks.

Having the objective of spreading this approach across all of its stakeholders, Garanti continued to cooperate with its integrated subsidiaries during 2014. Besides Garanti Asset Management which devised its Environmental, Social, Governance Risk Management framework and Responsible Investment Policy, Garanti Factoring formulated its Environmental and Social Loan Policies in 2014.

In addition to the environmental and social risk management embedded into its lending processes, Garanti aims to support sustainable development through its numerous products and services in various business lines from SME banking to retail banking and project finance. With **35%** share in the financing of total installed wind capacity in Turkey, Garanti continues to support the transition to low-carbon economy with its new product designed for unlicensed solar energy projects below 1 MW.

In 2014, Garanti earned the Sustainability Award for Environmental and Social Performance from the European Bank for Reconstruction and Development (EBRD) for its extensive system that incorporates sustainability requirements into its lending activities.

In addition to sustainable products and services, Garanti Bank aims to increase the accessibility of its banking services on the back of initiatives geared towards people with disabilities. To this end, Garanti started the renovation of its branches and Paramatik ATM network in 2012, and gave training to its employees, with the aim of making life easier for its customers with disabilities.

Organizing gatherings such as Anatolian Meetings and KOBILGI SME Informative Meetings in order to inform the SMEs, the backbone of the economy, Garanti considers it as an important responsibility to back women entrepreneurs for the social and economic advancement of Turkey. Besides allocating funds to women entrepreneurs, the Bank supports them through activities that encourage entrepreneurship and through training programs.

The Women Entrepreneurs Executive School training program, which was launched in 2012 in collaboration with Boğaziçi University Lifelong Learning Center, continued in the cities of Adana, Eskişehir, Diyarbakır and Kayseri in 2014. Under the program, **370** entrepreneurs in these four cities successfully completed the program and earned Certificates.

Women Entrepreneurs Meetings, a co-organization of Garanti Bank and the Women Entrepreneurs Association of Turkey (in Turkish: KAGIDER), continued to inform women entrepreneurs in fundamental topics. In 2014, meetings were held in five cities across Turkey with the participation of almost **1,100** women. Garanti Bank, for the purpose of supporting and encouraging women entrepreneurship, organized Turkey's Woman Entrepreneur Competition in cooperation with the Economist magazine and KAGIDER for the eighth time.

In an effort to help develop the entrepreneurship ecosystem in Turkey and to give the Turkish economy new businesses and establishments, Garanti is engaged in a strategic partnership with BUBA (BUMED Business Angels) established by BUMED (Boğaziçi University Alumni Association). Having adopted an understanding that regards entrepreneurship as a continuous process, BUBA targets to lead up entrepreneurs that are not yet ready by way of trainings, seminars and various programs.

In addition to those, Garanti, in cooperation with TOBB (The Union of Chambers and Commodity Exchanges of Turkey), organizes "Young Entrepreneurs Meetings" that bring prominent



role models from the industry together with young entrepreneurs.

Garanti is also the main sponsor of the Entrepreneurship Foundation of Turkey, which is set up in 2014 to let university students discover the entrepreneurial spirit.

With its Fellow Program, the Entrepreneurship Foundation makes university students part of a large network, giving them the chance to be introduced to inspiring entrepreneurs and learn from their experiences. Within the scope of the program, 40 students designated for the first year will join a network and take part in conferences every two months, where they will get the chance to get together with role models.

## II. ENVIRONMENTAL IMPACT OF OUR OPERATIONS

In 2014, Garanti increased the number of points of service under the ISO14001 certified Environmental Management System to 605, translating into 70% coverage of its employees.

The Environmental Management System that Garanti is intent on expanding across all of its service points encompasses the indirect environmental and social impact resulting from the Bank's suppliers and loans, in addition to environmental impact arising from facility operations.

Garanti received limited assurance for GHG emissions for the first time in the fifth submission of its GHG emissions and climate change strategy to the CDP. In addition, it was named "CDP 2014 Turkey Climate Disclosure Leader" by getting the highest score among the 42 companies evaluated in the CDP's "Turkey Carbon Disclosure Leadership Index".

Garanti qualified for the Green Office Diploma from WWF Turkey upon successful completion of the initial year of the WWF Green Office Programme for its Head Office building.

In recognition of all these initiatives, Garanti was given the "Best Bank for Sustainability" award by ÇEDBİK, the Turkish Green Building Council.

## III. CREATING VALUE FOR COMMUNITIES

In its initiatives that create value for the society, Garanti identified its main areas of focus as education, supporting the participation of people with disabilities in social and economic life, culture and cultural heritage, and environment.

## EDUCATION

The Teachers Academy Foundation (ÖRAV) was established by Garanti Bank in 2008 with the objective of contributing to the personal and professional development of teachers, who can help raise the new generations aware of their personal and societal responsibilities, who research, are inquisitive, think analytically, and exhibit self-confidence.

ÖRAV is the first and the only non-profit organization focusing on this area, and with its first project launched in May 2009, it has reached 92,932 teachers in 80 provinces by the end of 2014.

In parallel to the Öğretmenin Sınırı Yok (No Limits in Teaching) project, which is currently continuing with the name "Learning and Leading Teacher", the Foundation has contributed to the personal and professional development of 99,692 teachers and 80 provinces

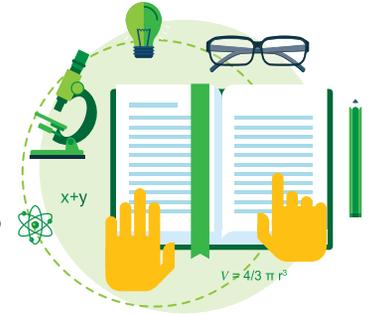
through projects such "Result Oriented Communications", "The Chemistry of Teaching" and "Program for the Development of Education Executives". In addition to these projects, the Foundation is running eKampüs, a complementary and permanent education platform. The number of active users at eCampus is 79.615.

Since 2012, Garanti Bank has been providing support to the UNICEF initiative "Şimdi Okullu Olduk" (We Are Students Now) for the development and execution of school development plans to bring primary schools into alignment with the Primary Schools Standards.

Through the support it has extended to Tohum Turkey Autism Early Diagnosis and Education Foundation in 2014, Garanti Bank has been instrumental in the bringing the education portal up-to-date, which the Foundation developed for use by autistic children and their families. The update is expected to attract an increased number of users and broadened use for the portal that currently has 12,543 members.

Since 2010, Garanti has been supporting the Genç Hayat Foundation and the Color Wheel project carried out at Teacher Training High-Schools. The project has reached 22 high schools and 3,150 students.

Garanti Bank has been a supporter of Toplum Gönüllüleri Vakfı (TOG-Community Volunteers Foundation), an initiative of change and transformation seeking to turn youthful



energy into a positive benefit for the society, ever since its establishment. Organized in clubs, societies or groups in their universities, young Community Volunteers execute sustainable social responsibility projects according to the needs identified in their communities.

#### SUPPORT THE PARTICIPATION OF PEOPLE WITH DISABILITIES IN ECONOMIC AND SOCIAL LIFE

In a bid to support the participation of people with disabilities in social life, Garanti began sponsoring women's, men's and juniors National Wheelchair Basketball Teams, as well as Wheelchair Basketball Leagues from April 2013.

October 2014 marked the introduction of the project "İşe Katıl Hayata Atıl" (Join the Workforce Join Life) under the patronage of the Ministry of Family and Social Policies and with the support of Garanti, which is aimed at increasing the employment of people with disabilities.

Under the project, people with disabilities are provided with support in various matters such as job selection according to their characteristics, abilities and preference, and adjustment to the working environment and social life, based on the "aided employment" model that is implemented for the first time in Turkey. The objective is to place **300** people with disabilities in five cities in appropriate jobs following their education and training led by **60** professional business coaches.



#### SUPPORT TO CULTURE AND CULTURAL HERITAGE

Garanti reorganized the cultural institutions operating under its organization as an autonomous institution under the name SALT in 2011.

From 2011 until year-end 2014, Salt Beyoğlu, Salt Galata and Salt Ulus hosted **51** exhibitions, **44** events in conjunction with the exhibitions, and **137** guided exhibition tours and workshops for students, as well as publishing **14** comprehensive publications. The number of people who visited Salt Beyoğlu, Salt Galata and Salt Ulus totaled **1.129.111** during the same period.

In addition to Salt, Garanti has been co-organizing Turkey's first children's film festival, the "Mini Bank Children's Movie Festival", with TURSAK (the Turkish Foundation of Cinema



and Audio-Visual Culture) since 2004. The festival gave approximately **78.000** children in thirteen cities, including those with very limited access to cinema such as Kars, Ordu, Mardin, Konya, Aksaray, Mersin, Adana, Erzurum and Rize, the opportunity to get familiar with the art of cinema.

Since 2005, Garanti has been sponsoring the education program of Istanbul Modern, the one and only modern art museum in Turkey. The program is intended to play a central role in fostering creative and inquisitive individuals who are familiar with, and actively participate in, the arts, and to supplement classroom education. The number of children and youngsters given education under the Garanti-sponsored Istanbul Modern education programs exceeded **541.684** by the end of 2014.

The corporate sponsor of the SAHA Association that aims to contribute towards the presence and visibility of contemporary art from Turkey, Garanti intends to improve the education and production infrastructure of artists, curators, art historians and critics, and to enhance their interactions with international networks.

#### ENVIRONMENT

Garanti has been the main sponsor of WWF-Turkey for **22** years with the slogan Garanti for Nature. WWF is the world's leading conservation organization with **2,000** conservation projects funded and managed, and **4,000** employees worldwide.

#### IV. STAKEHOLDERS

Having published its second comprehensive Sustainability Report in 2014, Garanti became the first Turkish bank to release its Sustainability Report in accordance with the "comprehensive" option according to the GRI's new G4 guidelines.

Working in close cooperation with its stakeholders in order to ensure that the sustainability concept is internalized, Garanti extended support to the Sustainable Finance Forum co-organized for the second time in 2014 by the Business Council for Sustainable Development in Turkey, UNEP-FI, and UN Global Compact Turkey Office.

In 2014, Garanti signed the Women's Empowerment Principles, the result of a collaboration between the UN Global Compact and UN Women.



## V. HUMAN RESOURCES

The first "IIP Gold Accredited" company in Turkey, Garanti has adopted it as a corporate goal to maintain a contemporary working environment fully respectful of human rights. Having published a declaration that spells out all of its pledges in relation to human rights along the entire value chain in 2014, Garanti also supported Garanti Moscow for devising its own Declaration of Human Rights.



With a view to increasing employee awareness about sustainability, Garanti implements an internal communication strategy and training program that cover various components including informative emails, videos, and exhibitions.

The employees design and execute numerous projects under the roof of Volunteer Clovers Club, and ensure voluntary participation of all managers in these projects by organizing activities during the Future Meetings. In November 2014, two schools in Beldibi, Antalya were repaired and given a makeover with the voluntary participation of employees in an effort to contribute to the education and social development of the children. In addition, Volunteer Clovers gave support to the distribution of food and clothing items given away in Soma in cooperation with the Food Banking and Basic Needs Association (Gıda Bankacılığı ve Temel İhtiyaç Derneği - GBtider). Under the ongoing Our Book Box project, Volunteer Clovers donated books to more than 18 schools in different cities across Turkey.

Coordinated by the Team, Sustainability Representatives, which numbered more than 1,080 in 2014, are in charge of gathering data and facilitating respective units' implementation of decisions taken by the Sustainability Committee.

In 2014, Garanti set up 7 working groups based on the Bank's Sustainability Policy, in addition to the Sustainability Committee.

## PROJECTIONS FOR 2015

Garanti has disclosed its long-term vision and goals in the Sustainability Policy and Strategy, and its sustainability performance and short-term goals in its Sustainability Report, which can be accessed from the corporate website.

Furthermore, Garanti has announced its goals for action against climate change based on its pledges in 6 different areas along the entire value chain within the frame of the UN Climate Summit held in 2014.

In 2015, Garanti is aiming to keep supporting events and training programs that bring together the banking industry and the real sector, urging them to collaborate in sustainability matters.

## VI. CORPORATE SUSTAINABILITY GOVERNANCE

Operating under the Board of Directors and aiming to monitor and steer the Bank's progress in the area of sustainability, the Sustainability Committee is headed by a Board member.

Reporting regularly to the Sustainability Committee, the Sustainability Team coordinates efforts undertaken under the main heading of sustainability at Garanti Bank.



# SPONSORSHIPS

Garanti Bank extends long-lived support to projects that reflect its corporate culture based on a corporate social responsibility concept molded within the frame of sustainability. Through its sponsorships in various fields that address different segments of the society from sports to education and arts, Garanti creates broad-based value for the social life.

## BASKETBALL

Having Garanti as its main sponsor for **13 years**, **12 GIANT MEN**, the Turkish National Men's Basketball Team, competed in the quarterfinals against Lithuania at the FIBA Basketball World Cup in Spain.

Dubbed the **PIXIES OF THE COURT**, the Turkish National Women's Basketball Team also has been enjoying our unbroken support since 2005. The team made us proud by claiming the **4<sup>th</sup>** spot in the FIBA World Championship for Women hosted by Turkey, in which event our Bank was the presenting partner.

Both sponsored by Garanti, **U20 NATIONAL MEN'S BASKETBALL TEAM** and **U18 NATIONAL MEN'S BASKETBALL TEAM** claimed the European Champion title in tournaments held in Greece and Konya, respectively. With Garanti as its main sponsor behind it, the **NATIONAL MEN'S WHEELCHAIR BASKETBALL TEAM** took the **3<sup>rd</sup>** place in the World Wheelchair Basketball Championship, the top competition organized in this field.

Since 2002, Garanti has been supporting the **12 GIANT MEN BASKETBALL SCHOOLS** (12 DABO), which were initiated in collaboration with the Turkish Basketball Federation. Within this project Garanti, is in an effort to inculcate basketball culture among young children and help to create a basketball community with the aim of gaining basketball fans influencing the children and their parents, in Anatolia. To date, a total of **55,000** students had basketball training in **75** centers and in the Turkish Republic of Northern Cyprus.



## FREEDIVE

World record holder freediver and national athlete **ŞAHİKA ERCÜMEN**, who was sponsored by Garanti in 2014, broke the world record at her both attempts off the coast of Kaş, performing a **91-meter** dive in variable weight apnea without fins and a **72-meter** dive in the free immersion apnea disciplines.



## FOOTBALL

Having joined among the main sponsors of the **NATIONAL FOOTBALL TEAMS** in 2008, Garanti keeps supporting sport on the green pitch, as well.



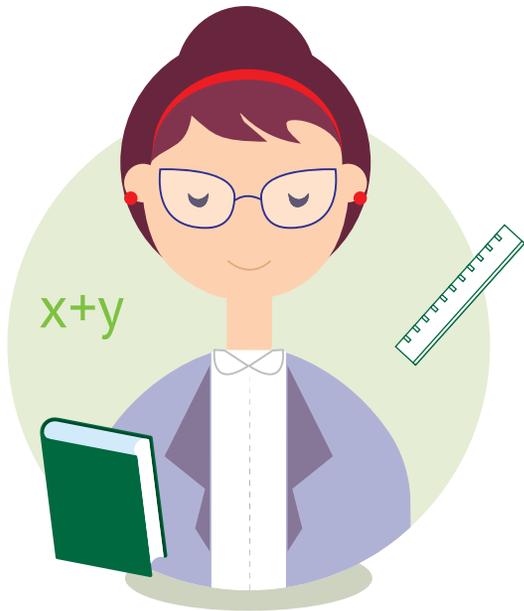
## JAZZ

Garanti, the main sponsor of the Istanbul Jazz Festival organized by IKSIV (Istanbul Foundation for Culture and Arts) for **17** years, aims to be instrumental in bringing the jazz music to larger audiences. One of the leading sponsors of jazz in Turkey, Garanti extends support also in this field under the brand "**GARANTI JAZZ GREEN**".



# FOR ME, GARANTI IS.....

TRANSPARENT



PRODUCTIVE



A CONTRIBUTOR  
TO THE  
ECONOMY



# GARANTI'S INTEGRATED SUBSIDIARIES



# GARANTIBANK INTERNATIONAL N.V.

Established in Amsterdam in 1990 as a wholly-owned subsidiary of Garanti Bank, GarantiBank International N.V. (GBI) operates through its head office in the Netherlands, its branch in Germany and representative offices in Turkey, Switzerland and Ukraine. GBI is supervised by De Nederlandsche Bank and De Autoriteit Financiële Markten under Dutch and European Union laws and regulations.

As a 'global boutique bank', GBI offers innovative and country-specific financial solutions to its customers worldwide in the areas of trade and commodity finance, private banking and structured finance.

GBI, the 13<sup>th</sup> largest Dutch bank, was ranked as #2 for its return on equity and #3 for its capital adequacy, as per "The Banker" magazine's 2013 rankings.

## ACTIVITIES IN 2014

GBI posted a net profit of EUR 45.8 million in 2014, without compromising its high asset quality. GBI also maintained its solid capital structure, and registered a Capital Adequacy Ratio of 17.45% at year-end, 16.70% of which is Tier-I capital.

In July, GBI signed the agreement in Amsterdam to secure a one-year syndicated loan of EUR 275 million with the involvement of 22 banks from 10 countries.

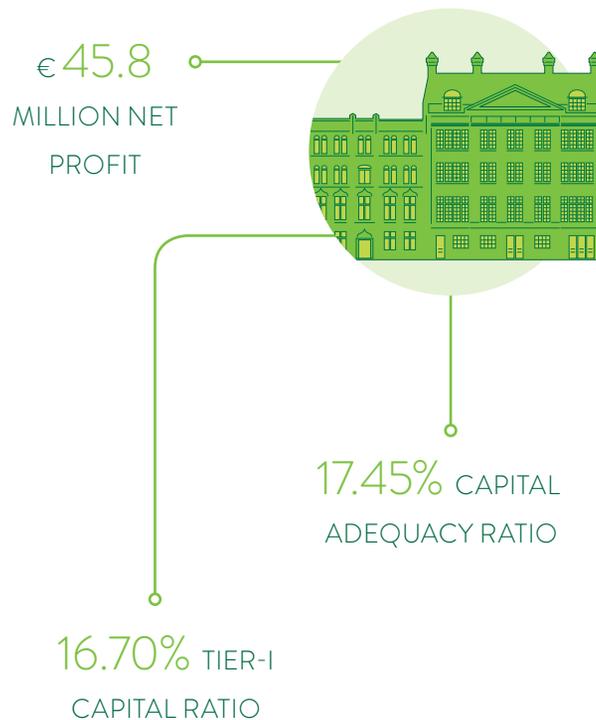
While delivering successful results in 2014, GBI was able to transform itself into a new organization thanks to its ongoing dynamism and agility. In many divisions of GBI, the functions of a number of departments as well as workflows were redesigned and new units or processes were formed to further improve efficiency. In the reorganization process, also a new department, "Corporate Finance" was established within GBI's Structured Finance division.

## PROJECTIONS FOR 2015

Reorganization in GBI in 2014 was not only fuelled by efficiency requirements but also driven by its expanding business model: GBI's strategy in 2015 is geared towards increasing its EEA (European Economic Area) asset origination and wholesale funding. The bank will also aim to further strengthen its position in its niche markets. GBI's business lines will further focus on cross-selling and increasing the collaboration with each other.

The reorganization will help GBI overcome challenges and meet its targets in the coming years.

Note: Financial data are based on Dutch GAAP standards.



# GARANTIBANK MOSCOW

Active in Russia since 1996, GarantiBank Moscow (GBM) is one of the **76** banks backed by foreign capital operating in this country. Holding a full-scope banking license that authorizes all kinds of banking activities, GBM operates through one branch and with **85** employees.

GBM pursues operations amid intense competition created by domestic and foreign banks in a dissimilar geography, offering service to a customer portfolio that is well above its scale, and enjoys a balance sheet of high asset quality, operational efficiency and sustainable profitability.

The customer base of GBM is mostly populated by Russian firms with large asset sizes and business volumes, which take place among major industrial and financial groups, and covers the largest public and privately-held banks and banks backed by Western capital in their bank portfolios. Although GBM is among the smaller-scale banks in the sector where close to **800** banks are active, it represents a rare example as it has credit relationships with the customer profile described above.

With corporate and commercial banking as its main lines of business, GBM serves a customer base that consists of Russian firms from various sectors and major Turkish firms doing business in the Russian market. Starting from 2011 Spanish firms have also become an important segment of GBM business. Having more than **500** active commercial customers, GBM has credit relationships with over **75** firms.

## ACTIVITIES IN 2014

The accelerated geopolitical tension starting in March 2014 added further negative pressure to the already alarming macroeconomic indicators. It resulted in increased worries on the growing levels of NPLs in the sector, higher risk aversion and an even more conservative approach to business.

The Bank is maintaining relations with the key Russian counterparts although the aggressive growth targets in lending set a year ago had to be revised. In synergy with BBVA representative office, multinational companies operating in Russia became a special focus of GBM in addition to already established relations with Spanish companies. Although GBM is a small scaled bank with a limited product range, it is seeking opportunities for establishing new relations; benefiting from its expertise of working in the Russian market and experience of



managing crisis periods as well as from the strong positions and capacities of the group.

Sanctions restricted access of major Russian entities to international capital markets. Together with falling oil prices, sanctions resulted in higher risk premiums for hard currency funding and depreciation of the currency. Central Bank of Russia responded by introducing FX liquidity facilities, switching to free floating XR regime earlier than planned and significantly increasing interest rates. GBM follows these developments carefully and utilizes the arising opportunities while avoiding excess risk.

In 2014, GBM continued to carry in its portfolio both the Russian government bonds and the private sector bonds denominated in ruble, US dollar and euro, issued by the most credible companies. In replacing the maturing securities, GBM has adopted a conservative strategy by optimizing credit risk, yield and maturities on the back of increased uncertainty. Portfolio investments continued according to the cautious strategy set; with shorter maturity, high credit quality and local currency denominated securities.

In spite of the constraints and limited business development opportunities in the negative political and economic environment GBM booked a pre-tax profit of USD **7.5** million in 2014.

## PROJECTIONS FOR 2015

GBM's targets for 2015 are set in line with the overall conservative approach. The Bank will maintain the major lines of business while concentrating more on noncredit business opportunities.

# GARANTI ROMANIA

During its 17 years of history in Romania, Garanti Bank, defying the volatile market conditions, successfully maintained its competitive edge through being a reliable business partner and offering optimal products and services to its clients.

In addition to Garanti Bank SA, Garanti Romania Group covers two financial institutions: Garanti Leasing (Motoractive IFN SA) and Garanti Consumer Finance (Ralfi IFN SA).

## ACTIVITIES IN 2014

In 2014, Garanti Bank SA outperformed the sector averages in all its business lines, and remained one of the fastest growing and strongest banks in the market.

In 2014, Garanti Bank SA increased its net revenues by 26.4% year over year, reaching EUR 120,3 million. The Bank captured 2.12% market share\* in assets and 12<sup>th</sup> place\* in the sector by asset size. While the bank's total lending expanded by 19.9% to EUR 215.36 million, total deposits grew by 66.1% to EUR 362,32 million.

In an era when technology advances rapidly and customers avoid time-consuming transactions, the bank launched a number of products and services that steered the competition in the Romanian banking industry. Key highlights of the year included; Garanti Online that received the best consumer Internet bank in Romania award for the second time from the Global Finance magazine, the broadest smart ATM network in Romania, iLoanU which is the first real-time online loan application, and Bonus Economus that offers flexible options for saving up.

Targeting the best Romanian businesses and offering services in investment finance that suits their needs, corporate banking continued as one of the strongest business lines of the bank. GarantiBank Romania kept growing also on the SME banking side, on the back of loans received from the European Investment Bank (EIB) that are channeled to support small and medium enterprises and the projects of government agencies, as well as from the IFC, a member of the World Bank Group, which were used to back SMEs, including businesses owned by women entrepreneurs. Retail banking and payment systems expanded in line with the bank's strategies.

Garanti Bank SA issued corporate bonds worth RON 300 million on the Bucharest Stock Exchange, attracting an oversubscription that endorsed the intense interest from the investors.

84 BRANCHES AND  
OVER 300 ATMS

26.4% INCREASE  
IN NET REVENUES



12<sup>TH</sup> LARGEST BANK

IN ROMANIA BY ASSET SIZE

Aiming to expand its service network in heavily populated big cities, the bank kept opening new branches and reached 84 branches countrywide in 2014.

Taking place among the first banks to use social media to connect with its customers, Garanti Bank SA was the 4<sup>th</sup> bank with the highest number of Facebook followers and also the most talked-about and commented-on bank in 2014.

\*Based on Central Bank Romania's latest available official data as of June 2014

## GARANTI LEASING ROMANIA

Based on a consistent performance, Garanti Leasing Romania grew by 10% year-on-year and provided financing amounting to EUR 102 million to its customers in 2014. This growth was backed by loans granted by the Black Sea Trade and Development Bank (BSTDB), The European Fund for Southeast Europe (EFSE) and International Finance Corporation (IFC).

## GARANTI CONSUMER FINANCE ROMANIA

Garanti Consumer Finance Romania attained a growth in line with the targets set in 2014 and increased its profit by 14.7% year-on-year.

## PROJECTIONS FOR 2015

In 2015, all the companies making up Garanti Romania Group will stay one step ahead of the competition and pursue new opportunities, in a bid to continue their organic and sustainable growth.

In the year coming, Garanti Romania Group will focus on sustainable development of its businesses without compromising its prudent risk evaluation approach, and aim to make a difference in the market through new products and services designed to cater to customer needs.

# GARANTI PENSION AND LIFE

Garanti Pension steers the private pension and life insurance sectors with its creative products, customer-oriented service approach, and superiority in bancassurance.

Garanti Pension services **871\*\*** thousand pension participants and over **1.8** million insurance policyholders with its **906** employees.

Closing yet another year with successful results, Garanti Pension was the most profitable\* company in the sector with a net profit figure of TL **171** million, increased by **23%** compared with the previous year. The company reached TL **5.6\*\*** billion in total fund volume, TL **945\*\*** million in net annual contributions, and TL **319** million in life insurance premium production.

## ACTIVITIES IN 2014

The expansion in private pension maintained its acceleration fuelled by a number of major regulatory changes introduced in 2013, including **25%** state contribution, reductions in deductions paid by participants, and implementation of withholding tax only on returns in case of early drop-out from the system. In the meantime, the number of participants in the sector increased by **22%\*\***. State contribution fund size of the sector reached TL **3\*\*** billion. Drawing its strength from its efficiency in bancassurance, technological infrastructure and product diversity, Garanti Pension continued to grow in the sector in 2014.

Having captured the sector's leadership in the number of participants in 2013, Garanti Pension stayed ahead after becoming the first company to have reached **800** thousand participants in 2014. During the reporting period, Garanti Pension continued to grow also in life insurance that represents its other core business line.

While the life insurance sector contracted by **4%** year-on-year in 2014, Garanti Pension was able to grow by **7%** and to increase its market share by **98** basis points.

Garanti Pension took **16.1%\*\*** share in the market with a total fund volume of TL **5.6\*\*** billion. The sector's leader with **871\*\*** thousand participants, Garanti Pension took **17.2%\*\*** share of the market.

On the back of a premium production worth TL **319** million in life insurance, the Company raised its market share to **9.9%**.

MOST PROFITABLE COMPANY  
OF THE SECTOR\*



**98** BASIS POINTS INCREASE  
IN LIFE INSURANCE  
MARKET SHARE

SECTOR'S LEADER WITH  
**871\*\*** THOUSAND  
PARTICIPANTS

## PROJECTIONS FOR 2015

Garanti Pension, targeting to sustain its financial achievements, will continue to shape the sector with its innovative implementations in 2015, and focus on achieving growth across Turkey.

In 2015, Garanti Pension will keep employee and customer-centricity at the core of its strategies, and continue to invest in new projects and initiatives, in its technological infrastructure and strong distribution channels.

Intending to keep leading the sector also in the coming year, Garanti Pension aims to preserve its leadership in the number of participants, while attaining rapid growth in fund volume to acquire additional market share.

\*IAT (Insurance Association of Turkey) figures, September 30, 2014

\*\*PMC (Pension Monitoring Center) figures, December 26, 2014

# GARANTI SECURITIES

Garanti Securities adds to Garanti's strength with its strong performance in corporate finance and brokerage services enabled by its experienced team, robust infrastructure and long-standing relationships. Garanti Securities reaches a considerable number of retail investors in capital markets using the extensive distribution network developed through its agency relationship with Garanti. With BIST transaction volume of above **7%** in 2014, Garanti Securities aims to reach more investors by expanding its product range.

## CORPORATE FINANCE

Named the Best Investment Bank in 2014 by Global Finance, total size of corporate finance transactions advised to date reached USD **46** billion. Doğuş Holding, advised by Garanti Securities, won the operating rights of Salıpazarı Port in Istanbul for a **30**-year period with a USD **702** million bid in the privatization tender.

In 2014, Garanti Securities acted as sell-side advisor in Doğuş Group's sale of **49%** shares held indirectly in LeasePlan Turkey to LeasePlan Corporation N.V. for a consideration of EUR **31** million

Also, Garanti Securities intermediated mandatory calls and exercise of a sellout right by Allianz SE and Doğan Holding, while advising the issuance of a total of **51** bonds and bills with an aggregate value of TL **9.1** billion.

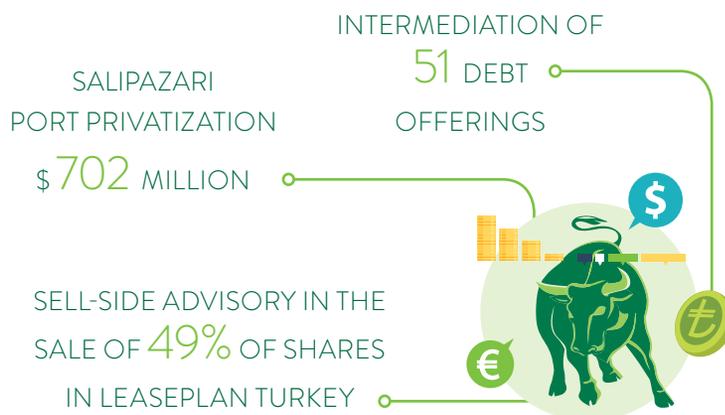
Garanti Securities is poised to continue its strong performance in 2015 and be a leading advisor in major transactions.

## RESEARCH

In 2014, Garanti Securities' experienced Research Department (Research) continued to guide investors amid tough market conditions with informative and advisory reports.

Research provides periodical, sectoral and thematic reports covering investment recommendations about securities, economy, FX, commodities and fixed-yield securities, while also extending support to corporates' public offerings, M&A projects and asset sales.

The model portfolio consisting of equities, that Research has rated as "Outperform", has outperformed BIST 100 index since 2009 by **17%**. Foreign currency recommendations initiated in July 2013 brought a **34%** yield.



Having expanded its team, Research has been closely watching FX and commodity markets and enlarging its product range with new reports. Regular visits to BIST listed companies, organizing meetings with them for domestic and foreign corporate clients, ensures keeping a pulse on markets and the economy. The team intends to carry on with similar services in 2015, simultaneously further extending interactions with BBVA Research teams and client portfolio.

## INTERNATIONAL INSTITUTIONAL SALES

International Institutional Sales Department (IIS) provides brokerage services in equity and derivatives markets to foreign brokerage houses and funds investing in Turkey. IIS also provides brokerage services to local investors in foreign markets.

Having acquired new customers in the UK, Eastern Europe, Gulf countries and the Far East in 2014, IIS organized an investors conference in London in April, where foreign institutional investors were brought together with BIST listed companies.

IIS aims to increase its business volume and market share further in 2015, while continuing to collaborate with Corporate Finance Department for initial and secondary public offerings.

## TREASURY

Treasury Division (Treasury) began offering leveraged FX transactions in second half of 2014, and allowed investors to invest in precious metals and **44** currency pairs. With an average monthly growth rate of **300%**, customer trading volume reached USD **8.8** billion.

Treasury aims to accelerate trading volumes in this service offered via electronic platforms with the addition of overseas exchanges, commodities and derivative instruments.

In 2015, services offered will be expanded with Options, Security Lending and Equity and Index Derivatives, thus fortifying the pioneering and leading market position.

# GARANTI ASSET MANAGEMENT

Being Turkey's first asset management company, Garanti Asset Management (GPY) has been operating in the sector for **18** years with the intent of being a leader with its comprehensive research activities and robust risk management, as well as, consistent asset management performance.

Aiming to attain maximum efficiency in management of customer assets, and to reach customers' investment targets, GPY's key success depends on its investment philosophy that relies on concrete knowledge, combined with efficiency and a professional service approach, and fulfillment of ever changing customer demands in fluctuating market conditions.

GPY differentiates itself in the sector through its efficient business discipline and approach to risk management. With a professional team of **63** persons, **18** of whom make up the investment team, GPY provides services in management of:

- » Mutual Funds
- » Pension Funds
- » Alternative Investment Products
- » Discretionary Portfolio

Aiming to surpass benchmarks, while outperforming competition, GPY monitors the competition very closely.

## ACTIVITIES IN 2014

GPY performed strongly in 2014 and reached an asset volume of TL **10.4** billion at the end of the year.

### MUTUAL FUNDS

At the end of 2014, Mutual Funds sector reached an asset volume of TL **35.5** billion, while the volume of Mutual Funds managed by GPY was TL **3.8** billion, corresponding to **10.8%** market share.

- » With its flexible structure that allows for multi asset allocation in volatile markets, the Flexi Fund stood out with successful yields,
- » Providing a good alternative to sovereign bond funds by investing in Corporate Bonds, the Corporate Bond Fund was preferred by investors seeking low volatility and satisfactory yields.

### PENSION FUNDS

GPY outperformed the sector in 2014 and reached an asset size

PENSION FUNDS VOLUME

TL **6.1** BILLION

MUTUAL FUNDS

VOLUME

TL **3.8** BILLION

ASSET SIZE

TL **10.4** BILLION



of TL **6.1** billion and a market share of **16.1%**. Funds' 2014 returns; being mainly on the **1<sup>st</sup>** quartile among similar funds, also outperformed peers in most of the fund types.

## RESPONSIBLE INVESTMENT PRACTICES

After becoming a signatory of the United Nations Principles for Responsible Investment (in 2011, GPY established its Responsible Investment Policy and Responsible Investment Committee. The Committee is the highest authority for integrating Environmental, Social and Corporate Governance factors into the processes of establishing an "investment scope" for securities' and evaluating credit risks inherent in corporate bonds. GPY annually reports its performance in Responsible Investment practices to the UN. Reports are accessible on the website [www.unpri.org](http://www.unpri.org).

## PROJECTIONS FOR 2015

The introduction of Takasbank (Istanbul Custody and Settlement Bank Inc.) Fund Distribution Platform on January 2015, will intensify competition as investors will be able to access all mutual funds through a single channel through their banks. With the new CMB Law, funds now after will be established by Asset Management Companies, all funds will be set up under an Umbrella Fund, they will be allowed to invest in deposits and have different share groups. Having obtained the necessary permissions from CMB, GPY is ready for the new era.

In 2015, new funds which will invest in multiple assets, and in various geographies in volatile markets will be launched. The Sukuk Fund, planned to be launched will present an alternative for investors seeking potential returns.

In accordance with the growth potential of the Private Pension system, GPY has the goal of increasing the number of Pension Companies served.

In Discretionary Portfolio Management business, GPY aims to outgrow the market, thus to gain additional market share while increasing its contribution to its profitability.

# GARANTI LEASING

Carrying out the leasing transactions of a broad customer base covering corporate customers, commercial customers, and small and medium-sized enterprises, Garanti Leasing has been active in the sector since 1990.

Being the only Turkish leasing company rated both by Standards & Poor's (S&P) and Fitch Ratings, Garanti Leasing maintains a performance above the sector average with its quality services that create distinction in the eyes of its customers. Garanti Leasing, a well-known player in the international markets, is set apart from its competitors with its qualified human resources, solid technical infrastructure, high funding capability and diversity of borrowing resources on the international markets.

## ACTIVITIES IN 2014

Garanti Leasing successfully pursued its activities as one of the biggest leasing companies in the sector without compromising profitability. Based on data for the period of 01.01.2014-31.12.2014 released by Association of Financial Institutions Garanti Leasing reached:

- » a transaction volume of USD **943** million,
- » **3,171** contracts and **15.6%** market share in the number of contracts.

In 2014, Garanti Leasing placed more focus on alternative delivery channels, thereby achieving increased productivity and customer satisfaction, and kept offering different and innovative solutions in customer relationship management. The company designed sector-specific leasing packages in order to respond to needs that vary according to sectors in machinery and equipment financing. Launched for the purpose of secondhand sales of equipment, leasingdepo.com application remained the one and only sales platform geared towards this goal in the sector, and was actively used, attracting an ever-increasing number of visitors and applications.

## LEADING POSITION IN NUMBER OF CONTRACTS



## PROJECTIONS FOR 2015

In the year ahead, Garanti Leasing will continue to further strengthen its asset quality through its dynamic and specialized human resource, strong delivery channels, extensive branch network, and superior technology. In order to reach the targeted sectors and broad customer base, the company will utilize its service and delivery capabilities, build on vendor relations and concentrate on machinery, construction machinery, textile, tourism, metalworking, real estate, yachts and healthcare equipment that are expected to capture larger shares in the sector.

# GARANTI FLEET

Garanti Fleet offers long-term fleet rental service for the passenger cars of all makes and models sold in Turkey to companies of any size from SMEs to corporate businesses, as well as to individual customers.

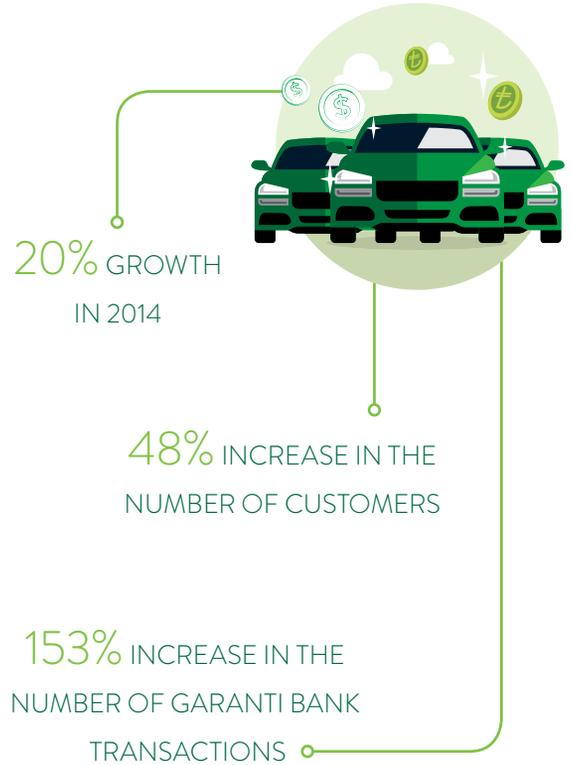
Providing extensive, rapid and reliable fleet management services across Turkey drawing on the strength of Garanti brand and its robust financial structure, Garanti Fleet achieves full compliance with the maintenance and repair standards established by the automotive industry. Garanti Fleet proactively plans every detail from the tires to be used to the service points where maintenance and repair services will be received, thus ensuring unbroken high quality service throughout the rental cycle. Having adopted the mission of contributing permanent value to its customers, Garanti Fleet aims at unconditional and sustainable customer satisfaction.

Set apart from its competition with its customer-centric service approach and its expert human resource, Garanti Fleet holds a unique position in the sector thanks to its advanced risk management systems and technology.

## ACTIVITIES IN 2014

With the goal of always rendering better and faster service to its customers, Garanti Fleet continued with its innovation projects in 2014.

- » In March 2014, the company established Garanti Filo Sigorta Aracılık Hizmetleri A.Ş., which holds insurance brokerage authorization for managing insurance operations.
- » Garanti Fleet received the Outstanding Achievement Award at Interactive Media Awards for garantifiloikinci.el.com, the online sales platform developed for the second-hand sale of cars with expired lease terms.
- » In keeping with the importance attached to driving safety, Garanti Fleet initiated a collaboration with a specialist professional institution and began offering "Advanced Driving Techniques Training" in addition to the "Safe and Defensive Driving Techniques Training" to the users of the cars leased by the company. The training courses are planned to be continued in 2015.



- » In 2014, Garanti Fleet leased **4,000** new cars. Having expanded its car pool by **20%** in line with its sustainable growth strategy, Garanti Fleet has been providing service to **2,250** customers with **12,000** cars and a team of **70** persons as of year-end 2014. Based on its 2014 activities, Garanti Fleet reached total assets worth TL **550** million.

## PROJECTIONS FOR 2015

In 2015, Garanti Fleet will;

- » Continue to invest in its technology and competent human resource,
- » Reach a car pool of **14,500** cars and **2,800** customers,
- » Keep organizing special offer campaigns with car brands,
- » Continue to grow on the SME line of business based on its profitable growth strategy.

# GARANTI FACTORING

Having commenced its operations in 1990, Garanti Factoring has been serving its customers under the roof of Garanti since 2002. Garanti Factoring, which went public in 1993, is traded on Borsa Istanbul National Market with a free-float rate of **8.4%**.

Through **21** branches in **14** cities, the company keeps supporting the real economy with a particular focus on the SMEs, offering guarantee, collection and funding services, either collectively or individually, for its customers' receivables arising from domestic sales and export transactions. Being a member of the International Factors Group (IFG) and Factors Chain International (FCI), the company also furnishes guarantee via its extensive correspondent network for the overseas receivables of its exporter customers.

## ACTIVITIES IN 2014

At the end of 2014, Garanti Factoring increased its total assets by **45%** year-on-year, and carried out **37,564** factoring transactions in total with **8,467** customers, thus sustaining its support to the real economy. Posting TL **20.5** million in net profit for the period, the Company increased its shareholders' equity to TL **140** million, up by **17%**.

With bond issuances worth TL **1.064** million in nominal terms during 2014, Garanti Factoring diversified its funding resources and offered lower-cost financing to its customers.

The company ranked number **1**. in the sector with market shares of **11.3%** in total assets and **11.9%** in factoring receivables.

Generating TL **10.7** million on domestic transactions, TL **1.2** million on import transactions and TL **5.5** million on export transactions, Garanti Factoring's total business volume reached TL **17.4** million in 2014.

The customer base of the product launched in 2013 under the name "Receivable Guarantee" continued to widen. Transaction volume in correspondent guaranteed transactions reached USD **810** million. Different from those of prior years, Garanti Factoring raised funds via three correspondents aimed at export financing.

As a result of the third audit conducted in 2014 to endorse the ongoing conformity of its activities to Corporate Governance Principles, the company's Corporate Governance Rating was raised to **8.90**, making it the factoring company with the highest rating on the BIST Corporate Governance Index.

#1 IN THE FACTORING SECTOR WITH

TL **17.4** BILLION OF  
TRANSACTION VOLUME AND  
TL **2.9** BILLION OF  
TOTAL ASSETS



HIGHEST CORPORATE  
GOVERNANCE RATING OF  
**8.9** IN THE  
FACTORING SECTOR

NO. **5** IN THE WORLD PER FACTORS CHAIN  
INTERNATIONAL'S (FCI) "EXPORT FACTOR  
OF THE YEAR" RANKINGS

## PROJECTIONS FOR 2015

In 2015, Garanti Factoring will continue to broaden its customer base and to launch new products. Currently in the process of reorganizing its website to be used as an application channel for facilitating more effective new customer acquisition, Garanti Factoring is also aiming to increase the volume of factoring transactions with guarantee services through upgrades and developments taken on in relation to the supplier financing system. Garanti Factoring will continue with efforts for increasing its coverage with respect to export transactions; to this end, the company is working on new products in this field.

# GARANTI PAYMENT SYSTEMS

Remaining the sector's leader in its 15<sup>th</sup> year owing to successful integration of products with technology ever since its establishment, Garanti Payment Systems (GÖSAŞ) offers high quality service to customers with diverse needs.

Turkey's first and only payment systems establishment, GÖSAŞ boasts the broadest card portfolio in the market.

The main brands of personal cards include Bonus, Miles&Smiles credit card, American Express, while secondary lines cover Çevreci Bonus (Environmentally Friendly Bonus), Aynalı Bonus (Reflected Bonus), Şeffaf Bonus (Transparent Bonus), and Taraftar Kartları (Football Clubs Affinity Cards). Money Bonus, Bonus Genç, Flexi, Bonus Flexi, Bonus American Express and Altın Bonus are sub-category card products under the Bonus Card. The Business Cards Portfolio encompasses nine different products, while Paracard is the debit card brand.

Responsible for a number of groundbreaking initiatives in Turkey and the world, GÖSAŞ:

- » Possesses Turkey's only network of member merchants accepting VISA, MasterCard, JCB, American Express®, CUP, Diners and Discover cards,
- » Offers various payment solutions such as e-commerce and e-retail services via [www.garantialisveris.com](http://www.garantialisveris.com), together with dial-up POS, ADSL POS, Mobile POS, Virtual POS and CashRegister POS to member merchants in addition to the POS-matic, Kolay Vezne (Easy Teller), Ödeme Noktası (Payment Point), and Card Application Point services,
- » Conducts pioneering activities in the areas of customer loyalty, profitability and risk measurement, guided by the principles of Customer Relations Management (CRM).

## ACTIVITIES IN 2014

- » Miles&Smiles credit card relaunch activities highlighted product features and benefits of highly advantageous plane ticket acquisition offered to customers.
- » Bonus Genç communication activities targeting 18-26 age group continued with intense campus events and campaigns addressing the youth segment.
- » Restaurant-specific privileges were assigned to Bonus American Express, Miles&Smiles American Express and Easy Card credit cards, which resulted in increased use of American Express cards.
- » Miles&Smiles Business American Express was offered to existing and new customers, which offers up to two times more miles.

## SECTOR'S LEADER

TL 77 BILLION  
CREDIT CARD  
RETAIL VOLUME

8.5 MILLION  
PLASTIC  
CREDIT CARDS

MORE THAN  
540 THOUSAND POS TERMINALS



- » American Express Corporate Card was launched for corporate customers to be used for representation and travel expenses.
- » Market was outgrown in terms of number of member merchants. One out of every three new business places was acquired as a Garanti member merchant.
- » Through comprehensive payment system solutions made available to Retail Store Chains, innovative implementations such as self-checkout and smart pinpad became sector norms.
- » In line with the support given to contactless payment system solutions, credit cards and mass transportation cards were merged in intercity public transportation in seven cities.
- » Solutions were developed that facilitated transition of member merchants from mobile POS to cash register POS, in order to support the usage of Garanti application on all cash register POS brands. Groundbreaking initiatives were put into effect in CashRegister POS solutions offered to business places, thus maintaining the bank's pioneering role.
- » A strategic partnership agreement was signed for acceptance of Union Pay cards at member merchants of banks other than Garanti.

## PROJECTIONS FOR 2015

Plans to expand the market and to promote card usage include:

- » Continued expansion in retail credit cards, ensuring profitability and growth while fulfilling diverse needs of customers through new solutions and cash products,
- » Achieving growth through new market penetration in member merchants, acquisition of broad-based customers, management of local campaigns, and expansion of the use of installments,
- » Focusing on highly active and profitable customer portfolio in commercial credit cards to secure an accelerating growth trend.

# GARANTI MORTGAGE

Having started its operations in October 2007 as the first mortgage company in Turkey with **26** employees, Garanti Konut Finansmanı Danışmanlık Hizmetleri A.Ş. (Garanti Mortgage) keeps performing successfully with a team of **98** experts.

Remaining the market's leader on its **7<sup>th</sup>** anniversary, Garanti Mortgage;

- » Offers the broadest range of mortgage products in Turkey,
- » Provides mortgage services delivered by specialist portfolio managers who have completed the "Mortgage Expertise Certificate Program",
- » Renders efficient service employing various channels including real estate agents, property developers, call center, Internet and mobile banking, in addition to branches,
- » Analyzes customers and the areas served to organize tailor-made campaigns for professional groups and areas that offer a safe growth potential,
- » Constantly improves processes and performances of companies collaborated with to ensure objectivity, accuracy and speed of appraisal reports.

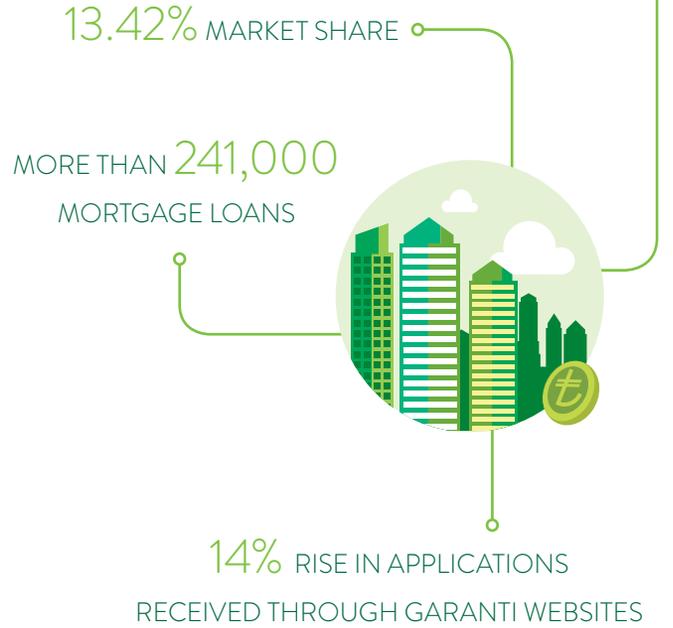
## ACTIVITIES IN 2014

Garanti Mortgage renovated its intranet to offer better service to customers. The innovative applications on the intranet have been instrumental in creating modules that will allow instant fulfillment of customer demands, produce customized repayment schedules, and bring Garanti Bank ahead of competition. In addition, special applications for the 444 EVİM call center were intended to achieve increase in the number of loans disbursed via the call center, which resulted in **17%** rise in the ratio of customers receiving loans through this channel within total loan disbursements. On another front, the total number of mortgage applications received through digital channels, [www.garantimortgage.com](http://www.garantimortgage.com) and [www.garanti.com.tr](http://www.garanti.com.tr), increased by **14%**.

In 2014, Garanti Mortgage completed the first phase of a project for automated production of mortgage contracts by the system. This allowed rapid production of documents and alleviated the workload on the sales staff.

Garanti Mortgage added local campaigns to those designed for various sectors and professional groups, and financed more than **241,000** mortgage loans in the aggregate as of 2014.

## LEADER IN HOUSING LOANS



Involved in **200** active housing projects, Garanti Mortgage continued to make loans available to customers for off-plan sales in housing construction projects, thanks to its collaboration with developers. Moreover, the company mediated the interest-backed loan utilization demands of real and legal persons within the frame of urban transformation during 2014. Efforts for increasing the lending performance to support urban transformation will also be ongoing in 2015.

## PROJECTIONS FOR 2015

Predicting an intense competitive environment in 2015, Garanti Mortgage aims to increase efficiency across all of its distribution channels, to offer the repayment plans that best fit its customers' budget with its broad product range, and to speed up the process through automation of the documents entailed in the mortgage process.

"Garanti, the Mortgage Expert" will sustain its leadership of the sector amid fierce competition on the back of existing services and practices that make a difference, as well as those that will be developed in the year ahead.

# GARANTI TECHNOLOGY

A provider of services in information technology and the author of many FIRSTs since 1981, Garanti Technology contributes a critical competitive edge to Garanti Bank and its subsidiaries with its innovative and creative products, services, applications and consultancy services. Garanti Technology continues to lead the sector as a fully-functional "IT Center", with its investments in state-of-the-art technology, uninterrupted processing capability, infrastructure security, cost efficiency and energy saving, under the guidance of corporate governance and international quality standards.

## ACTIVITIES IN 2014

During 2014, Garanti Technology continued to invest in technological infrastructure and carried out projects integrating all technological innovations and enhancements with business processes. Having achieved a perfect harmony between technology and banking, the Garanti family improved its processes and enhanced operational efficiency thanks to this technology, and authored numerous novelties that meet the needs of its customers. Garanti Technology brought **3,987** IT projects to completion in 2014.

In line with Garanti's customer relationship management and technology vision, card applications accepted in the paper environment have been transferred to the mobile environment with the use of tablet PCs. The move resulted in increased efficiency, as the use of tablets secured **60%** rise in the number of applications, and instant provision of credit line data reduced the number of declined applications.

On the part of IT security, biometric systems have been set up for granting users access to the system in order to increase in-house efficiency and to mitigate the vulnerability arising from the use of passwords. Approximately **20,000** palm vein readers give secure access to banking and office applications to users, without requiring password input.

During the same timeframe, ISO27001 Information Security Management certification has been obtained for the IT security monitoring processes. A result of heavy investments in labor and technology, the certification is the first one granted to a bank in Turkey in this field. Within the scope of related activities, IT security training was given to the entire staff to raise awareness of the topic.



## THE LEADING INFORMATION TECHNOLOGY CENTER

## PROJECTIONS FOR 2015

In 2015, Garanti Technology will keep molding the future financial services world by shaping the financial products and services in view of the current needs of its customers. Having employed all the facilities technology has to offer to establish an ecosystem where financial products and services can be easily and securely used any time anywhere and to successfully operate it, Garanti Technology will modify Garanti Bank's way of doing business, starting with the sales teams, and will transport the business life to the mobile world. The company will keep working to enable its customers carry out their transactions on the digital channels not only by using a keyboard, but also using audio and visual means.

Having realized major breakthroughs in the fields of data warehouse usage and business intelligence, Garanti will complete infrastructure investments in Big Data. Besides using this technology for ensuring efficiency in customer relationship management and banking transactions, the company will also employ it in IT Operations and IT Security Management, thus taking place among worldwide pioneers.

# ORGANIZATION AND PROCESS DEVELOPMENT

In order to implement the strategies of Garanti Bank in the most effective manner, the Organization and Process Development Department administers and works on projects aimed at designing the necessary organizational structure, developing the required process infrastructure, planning capacity in an effective manner, increasing efficiency across the Bank and ensuring customer satisfaction. The Department plays a major role in making a difference for customers through rapid adaptation to a constantly changing business environment, while focusing on customer expectations. During 2014, the Department focused on utilizing the digitalized sales channels so as to fulfill customer needs, while also concentrating on customer satisfaction and compliance with regulatory requirements.

## ACTIVITIES IN 2014

### PROCESS DEVELOPMENT

An initiative offering a combination of several banking products along with the general purpose loan obtained by retail and SME customers was introduced. An application went live, which allows customers to take out a general purpose loan via Internet Banking without having to pay a visit to the branch. Process efficiency was secured through revised protocol and definition processes regarding salary paying institutions. Customer ownership was organized for Registered Electronic Mail (REM), and flows were created through which REMs received by the Bank will be directed to relevant teams; system work was completed for receiving customers' salary payment receipts through REM. Processes and a new system infrastructure went live, which ensure efficient management of written customer complaints (Arbitration Committee for Consumer Problems). Custody processes were redesigned in line with the regulatory changes. Upon migration of commercial loan collaterals and contracts to the module, a structure went live, which improves the documentation system and allows transaction approvals to be granted within the flow upon the module. Improvements were made on Branch/Mobile Sales processes for Life Insurance provided in conjunction with loans.

### ORGANIZATIONAL EFFICIENCY

Regional Loans Coordination and Special Cases Collection Departments were incorporated in the organization structure in order to strengthen loan allocation, follow-up and collection mechanisms. A Customer Relations Coordination Team was set up under the Customer Satisfaction Department in order to support customer complaint and request handling for retail products and services. Regional Customer Representative post

8% EXPANSION  
IN BRANCH  
SALES FORCE



87% INCREASE IN CUSTOMER  
COMPLAINTS HANDLING EFFICIENCY

was created to support the management of periodic crowd intensity at branch lobbies while maximizing customer service quality. Agricultural Banking Customer Manager post was designed to provide services to customers on-site in order to reinforce Agricultural Banking activities. A Loans Portfolio Team was set up under the Credit Analytics Department to optimize the Bank's loans portfolio management.

## PROJECTIONS FOR 2015

### CUSTOMER FOCUS

Process work targeting to furnish service to more customers using digital channels and offering a broader product range, without requiring a branch visit from customers. Projects that will enhance customer service quality utilizing mobile technologies in branch lobby management. Improvements to dealer finance and to car loan processes sold via the dealer channel. Improvements to the private school payments infrastructure and processes. Revisions to existing processes to ensure more productive management of branch phone call flows.

### EFFICIENCY

Redesign commercial loan processes. Prevent overdue loans by setting up an early warning system and effective tracking structure. Work on collection processes for overdue loans for SME and Commercial customers. New designs and system revisions in Cash Management products in line with the advancing e-Government applications and legislation. Revisions to member merchant processes. Optimize physical cash transportation processes through use of new technologies.

### ORGANIZATIONAL EFFICIENCY

Review the sales processes and sales organization so as to support the Bank's growth strategy and its focus on customer satisfaction. Expand the optimization work for determining norm staff based on analytical-modeling launched with a focus on efficient and productive workforce management, and work on universal banker approach within a flexible structure.

### COMPLIANCE

Revision of investment product processes within the frame of new legal regulations. Redesign work flows and organizational structure in line with the Bank's general custody responsibilities that were altered by revised regulations. Ongoing work on fees/commissions and documentation in line with revised regulations.

# PRODUCT DEVELOPMENT AND INNOVATION MANAGEMENT

With the vision of always remaining innovative in our rapidly changing world, Garanti Bank keeps responding to customer needs with new products and services. Based on a customer-centric approach, Garanti blends the needs and suggestions of business units with the Bank's strategy, and develops innovative solutions.

In new product design, customer needs and agility are more important than ever before. Garanti adopts new methods of business conduct, and aims to present customers with benefits faster by synthesizing market research and sector trends.

## ACTIVITIES IN 2014

11 marketing research studies the Product Development and Innovation Management conducted in 2014 can be grouped under two main headings:

### BRAND, SPONSORSHIP AND COMMUNICATION SURVEYS

- » Brand Image Tracking Research
- » Advertising Tracking Research
- » Basketball Sponsorships Research
- » Jazz Festival Sponsorship Research
- » Digital Communication Research
- » Experimental Banking Communication Research
- » Loan Products Communication Research

### CUSTOMER NEEDS AND EXPERIENCES SURVEYS

- » Bank Customers Profiling Research
- » SME Customers Digital Needs Survey
- » Personal Accident Insurance Research
- » IGaranti Voice Control User Experience Survey

The Bank Customers Profiling Research created personas that represent banking customers based on their financial attitudes, behaviors and demographics.

Using big data in addition to market research to gain an insight into customers' financial behaviors, location-based analyses were performed in cooperation with MIT Media Lab, which looked into the financial positions and spending attitudes of customers based on credit card usage.

Also network analyses were employed in modeling the financial well beings of SMEs. MIT Media Lab will make an academic publication of this study.

An Innovation Climate Survey was conducted to identify those factors inherent in our corporate culture, which either

SOLUTIONS FOR  
DIVERSE NEEDS  
THROUGH  
578 PRODUCTS

2060  
INNOVATIVE IDEAS FROM  
OUR EMPLOYEES



facilitate or complicate innovation. The Innovation Climate Questionnaire used in this study was developed internally upon a literature review.

Employee opinions make up a major input of product and service improvements, as well as of new product and service design at Garanti Bank. The "Önersen" platform whereby employees convey their suggestions about any topic they like has been instrumental in collecting nearly 1950 suggestions in 2014. "Atölye", the project-based idea platform on the other hand, reached 7 projects.

## PROJECTIONS FOR 2015

As digitalization penetrates our lives, customer expectations also evolve. As a matter of fact, the key competitive area in the banking industry is "instant access from anywhere". Product and service development will rely on this notion in 2015.

In the year ahead, focal points will include value-added services that cater to customers' diverse needs, in addition to banking services.

In an effort to bring small savings and gold back for the economy, which is an important issue for the national economy, short- and long-term saving will be encouraged, which will be driven through launching new products and features that support saving.

Continued support will be given to trade finance through special financing and repayment solutions for businesses engaged in sectors that present different needs according to their fields of activity.

A key change at Garanti Bank in the coming years will be employment of lean methods and rapid execution of service and product development processes. This way, innovation will serve as an approach that shapes business conduct, instead of being a person- or unit-based concept.

# WE ARE INNOVATORS

Garanti Bank aims to create a swift, smooth and effective financial environment that will contribute benefits for its customers through new products and services designed around customer needs in view of the future dynamics and the advancements in technology and in the sector.

## WE CONTINUE TO ACT AS THE SOLUTION PARTNER OF THE SMEs

- » “Unlicensed Solar Energy Loan” was introduced for the financing of unlicensed solar energy investments of all real or legal persons wishing to generate their own electricity without damaging natural resources, or aiming to derive revenues by selling the surplus electricity generated at favorable terms.
- » EstablishYourBusiness application was launched in 2014, whereby entrepreneurs can find out about the expense items and average cost of company incorporation within the frame of the consultancy service that helps them identify the type of company (joint stock, limited liability, etc.) that best fits them and their planned structure.
- » A new project was put into life to speed up the digitalization process of the SMEs and to make their life easier in the new era. In this frame, the Digital Transformation Ambassadors team was formed of Garanti Customer Relationship Managers that serve the SMEs. Digital Transformation Ambassadors attended training programs at the “Future is Digital - SME Summit” organized in collaboration with Google, Microsoft and Turkcell.
- » Bringing together the entrepreneurs in search of financing with angel investors in search of enterprises with high-growth potential, Boğaziçi University Alumni Association’s Business Angels (BUMED Business Angels) started activities in strategic partnership with Garanti.
- » Under the product named “Speed” (Hiz) developed by Garanti Factoring with a particular focus on fulfilling the needs of SME customers, **6,650** transactions with a total worth of TL **115** million were executed. Urgent cash needs of customers are attempted to be fulfilled within **30** minutes via this product.



NEW 23

TOTAL 578  
PRODUCTS AND SERVICES



## WE STAND BY THE FARMERS

- » Garanti, being the first bank to extend loans on the basis of Electronic Warehouse Receipt created before the Central Registry Agency (in Turkish: MKK) in return for the produce placed by farmers, merchants and industrialists in licensed warehouses owned by TMO-TOBB Lidaş (Licensed Warehousing Co.), undertook a pioneering role in the implementation that is considered as a big step toward resolving the collateralization issue in the agricultural industry.
- » The UN declared 2014 as the International Year of Family Farming. In this frame, Garanti and the Food and Agriculture Organization of the United Nations (FAO) collaborated in various activities and projects to emphasize the importance and necessity of modern family businesses. At the Field Days Fair, FAO specialists launched small workshops to family farmers in Integrated Crop and Pest Management, and made presentations on various farming topics.
- » Within the scope of the International Year of Family Farming activities, the project “Supporting Family Farmers for Agricultural and Rural Development” went live, a collaborative initiative of Garanti, FAO and Boğaziçi University Lifelong Learning Center (in Turkish: BUYEM). Family farmers received three-hour training sessions in **11** topics they needed. Under the project, approximately **132** farmers were given training, who are engaged in the production, storage and packaging of raisins for export in Alaşehir, Manisa. Similar training programs will be organized in different regions in the year ahead.



- » Garanti introduced the “Farmers Should Never Have to Ask Twice” workshop and event in Incirliova/Aydın, Saruhanlı/Manisa, and Çumra/Konya. The program was intended to ensure accurate analysis of the needs of farmers and agribusinesses and introduction of the best-suited financial products. Spending nearly ten days in each location, the teams paid visits to villages, farmers and suppliers, using questionnaires to determine the problems they encountered in relation to agricultural production and access to financing.
- » Garanti developed a powerful cooperation with the German Agricultural Society (Deutsche Landwirtschafts-Gesellschaft - DLG) Fair Organization that introduced a new approach to the Field Days and the Pioneering Farmer Initiative (in Turkish: Önder Çiftçi Projesi). Co-organized annually by DLG and the Pioneering Farmer Initiative, “Field Days” and “Agriculture and Technology Days” exhibitions host numerous national and international players from the sector. The main sponsor of the event for five years, Garanti endeavors to introduce the latest production techniques and technologies to the producers every year at the Field Days Fair that brings all segments of the agricultural industry together.

## WE ARE SUPPORTING WOMEN ENTREPRENEURS

- » Within the scope of the “Program for Financing and Consultation Support for Women’s Entrepreneurship” launched by the European Bank for Reconstruction and Development (EBRD) in cooperation with the Delegation of the European Union to Turkey, the Ministry of Labor and Social Security of the Republic of Turkey, and the Turkish Employment Agency, Garanti signed a letter of goodwill. Thus, Garanti joined in the loan package of EUR 300 million intended to be given as credit to businesses run by women.
- » With a view to bringing a solution to the collateralization issue women entrepreneurs face in taking out loans, Garanti executed the “Protocol for Surety Support in regard to Credit Facility for Garanti-Customer Women Entrepreneurs” with the Credit Guarantee Fund (in Turkish: KGF). The protocol applies to women entrepreneurs under 40 who have been active for less than a year, those under 50 who have been active over a year, and those within the said age limits holding at least 51% of company shares.
- » Under the “Women Entrepreneurs Executive School” launched in 2012 as a cooperative initiative of Garanti and



- Boğaziçi University Lifelong Education Center (BUYEM), approximately 1,300 women entrepreneurs from ten cities had the chance to receive free-of-charge training to date.
- » In an effort to make the “Growing My Business Training” Garanti held in Istanbul in 2007 available also to women in Anatolia and being instrumental in supporting their personal development, the Bank holds “Women Entrepreneurs Get-togethers” in five cities every year since 2008 in collaboration with the Women Entrepreneurs Association of Turkey (in Turkish: KAGIDER).
- » Since 2007, Garanti co-organizes the “Turkey’s Woman Entrepreneur Competition” with the KAGIDER and the Ekonomist magazine to encourage woman entrepreneurship, to put the spotlight on success stories and to support them.

## WE PUT DIGITAL CHANNELS AT THE HEART OF CUSTOMER EXPERIENCE

- » General Purpose Loan is made available also through Internet Banking. Customers can quickly take out a loan by digitally completing processes such as application, document confirmation and loan issuance procedures.
- » Customers can now execute “postpone transaction”, “skip spending post purchase installment”, “skip payment” and “split transaction into installments” transactions using the Internet Banking, for which they previously had to text or call the contact center. In this way, customers can view their credit card debt during the relevant account statement period and make post purchase installments, if so they wish, and thus manage their payments.
- » Customers can easily see the payments forgotten or scheduled transactions (credit card payment, bill payment etc.) on the Internet Banking, and complete their payments with a single click. In addition, they can repeat money transfers with a single click on the “redo” button.
- » Garanti has become **the first bank in Turkey** enabling payments via its website without logging in. Customers can quickly access the payments page under [garanti.com.tr](http://garanti.com.tr) without logging into Internet Banking. The field allows “Bill Payments”, “Tax Payments” and “Traffic Fine Payments”.
- » To be used for identification purposes or for verification of customer information, T.R. identification numbers lodged with GSM operators and the “mobile phone number



matchup check” have been integrated and put into use in the ATM channel. This feature allows verification of ID number and phone number in money transfers without bank account.

- » Customers are able to perform overseas transfers for import transactions without paying a branch visit. Easily executing the import related payment against Goods and Outright Payment transactions via Internet Banking, customers can get the Customs Letter created in relation to their transactions from any branch.
- » Cash Management transactions that can be performed via the Corporate Internet Banking are now available for use by SME customers, as well. Using the Cash Management transactions, customers can perform Salary Payments, Direct Collection and Exchange Financing transactions.
- » With the Corporate Mobile Banking launched, corporate users are now able to easily access their accounts and cards, make their payments, and provide confirmations.
- » In addition, with the introduction of the notification feature, corporate users receive a notification for pending confirmations, while personal users are proactively notified about their bills that are due or money received in their accounts.
- » Mobile Banking users can withdraw money with the QR code without using a card.

#### iGARANTI

- » iGaranti Glass is the **world's first** financial application and the **68<sup>th</sup>** application on Glassware worldwide. With this app, iGaranti users can receive notifications about their credit cards and accounts, and access market data, limit indicators, smart offers and coupons via Google Glass. iGaranti carries on with its investments in wearable technology with Sony Smartwatch 2 and Samsung Gear 2, and continues to present its users with distinctive experiences.
- » Thanks to the iBeacon technology, customers using iGaranti available on Android and iOS platforms receive the discount coupons on their mobiles as soon as they step into covered stores. Thus, consumers can take advantage of the opportunities by reaching the right discount information at the right place and at the right time.

#### ALO GARANTI

- » Transaction sets have been put into use, which allow users wishing to perform transactions via Alo Garanti to bypass customer agents; the relevant transaction can be executed on a self-serve basis, following a completely speech-based flow. Enabling the completion of a number

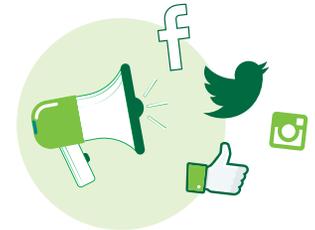


of transactions by talking, including balance inquiry, account statement week change, credit card balance inquiry, transactions during the account statement period, etc., the application synthesizes the users' natural speaking patterns and the system instructions, thus providing easy finalization of the transactions.

- » The Interactive Voice Notification (IVN), an in-house development designed to provide information about the Bank's products and services, inform the customers about various campaigns, and let them instantly take part in such campaigns if so they wish, facilitates quick realization of campaigns and informative notifications, as well as establishing a two-way communication with the target audience.
- » An infrastructure went live, which checks the products owned by customers who are connected to customer agents upon calling Alo Garanti and enables automatic proposal of additional products and services the customers might be interested in.
- » Customers who missed a call from the Bank can call 444 0 333 Alo Garanti and inquire the reason for the call that they have missed.

#### WE ARE PRESENT ON SOCIAL PLATFORMS

- » Developing new projects to enable potential and existing customers to perform their banking transactions also via social platforms, Garanti introduced “Emekli Maaşım Garanti’de” (Pension at Garanti), “Sigortam Garanti’de” (Insurance at Garanti) and “Garanti ile NET Birikimler” (Net Savings with Garanti) application forms on Facebook in 2014, in addition to its “CepBank” and “Garanti Destek Kredisi” (Garanti General Purpose Loan) apps already available on this platform. With these application forms, Garanti has become **the first bank in Turkey** to collect its customers' applications for their needs through Facebook.
- » The Social Platforms Management moves ahead with the target of being active on all social media platforms in keeping with Garanti's principle of “being wherever the customers are”. Authoring **a first** among financial institutions operating in Turkey, Garanti organizes campaigns and competitions with special offers to clients on alternative platforms such as Foursquare, Snapchat, Instagram and Vine.
- » Garanti initiated complaint handling also on Ekşi Sözlük, an online, collaborative hypertext dictionary covering



comments by the member writers. With this move, Garanti can now receive all user and customer complaints, suggestions and requests online via Ekşi Sözlük, and offer products, services and solutions specific to them.

- » As mobile devices have become the primary channel in the use of social media platforms, mobile applications such as iGaranti and Mobile Banking are promoted on social media, which also allow application downloads.

### WE SUPPORT INVESTMENT

- » Under the project the Investment Banking conducted with BBVA within the frame of its overseas activities, Garanti, in March 2014, set up two UCITS funds on BBVA's SICAV platform incorporated in Luxembourg. Actively managed by Garanti Asset Management, the funds invest in Turkish equity and fixed-income securities markets with the purpose of satisfying the foreign investor demand for Turkey.



### WE STAND BY THE RETIREES

- » Garanti Pension launched its new sales model project, "Customer is Mine", which has been designed around a customer-centric vision. Having remodeled all sales processes, the project targets to give similar sales experiences to customers all over Turkey. Also supported with the tablet application available to the sales teams, the sales model guarantees a customer voyage aligned with the targeted biomaps.
- » Adopting a brand new business model in compensation processes, Garanti Pension set important goals with respect to the improvement of service quality and processes with the new service model that allows transition from process ownership to customer ownership. Designed with the objective of cutting the time from the date of claim notification until compensation payment by half, the model was also backed by communication processes that place customer in the center.
- » Garanti Pension introduced the Treatment Support Insurance product. Providing cover for the policyholder in case of partial or total disability or death resulting from illness or accident, the insurance also pays the policyholder a specified daily compensation for each day spent at the



hospital in case in-patient treatment is required due to the accident or illness.

- » Garanti Pension added Twitter to its social media accounts and became **the sector's leader** by reaching **13,500** followers in eight months.

### WE STAND BY OUR CUSTOMERS AS MORTGAGE EXPERTS

- » Garanti Mortgage, with its "Mortgagenet" intranet remade in 2014, added new modules to the existing ones for use by branches and call centers. The "Tracking System" provides closer system follow-up of all processes from customer application to loan allocation, while "Competition Module" provides a comparison of our products by the system so as to offer the most advantageous one to our customer. "Find Branch" system, on the other hand, guides the customers who make an application via 444 EVIM call center to the right branch.
- » 444 0 332 Urban Transformation Contact Center went live, which offers information on the phone to customers seeking information about urban transformation



### WE RESPOND FASTER TO CUSTOMER FEEDBACK

- » Garanti introduced new implementations for faster finalization of the customer feedback conveyed to the Customer Care Line via different channels.

### WE ARE AUTHORIZING FIRSTS IN CASH MANAGEMENT AND TRANSACTION BANKING

- » Garanti integrated IMEI payment service available on Internet Banking with the e-Government IMEI registration, and thus has become **the first bank** enabling payments easily through the e-Government website.
- » Garanti began receiving REM (Registered Electronic Mail) and e-Invoice referrals via Internet Banking and Garanti branches, and has been **the first bank** to launch these two implementations.
- » In line with its goal of providing the customers with the fastest and easiest access to collection and payment services, Garanti has become **the first bank** to offer note payment capability via Internet Banking and Paramatik ATMs for its customers.



**FOR ME, GARANTI IS.....**

**RESPECTFUL**

**CREATIVE**



**STRONG IN  
CITIZENSHIP**



# CORPORATE GOVERNANCE



# SUMMARY OF THE BOARD OF DIRECTORS' ANNUAL REPORT

In 2014, increased uncertainties with respect to world economies and the divergence in global monetary policies had significant impact on markets around the globe and on national economies. In particular, continued tides in the normalization process of the US Federal Reserve's (Fed) monetary policy led to a fluctuation in capital inflows to emerging countries. Looking at Turkey, the economic outlook and the course of domestic markets were impacted by these global occurrences. After hiking to as high as **11.6%** in March, benchmark bond rates somewhat calmed down. Adopting a volatile course in parallel with global and national developments later in the year, interest rates declined in the second quarter of the year, climbing back to **10%** in the third quarter and taking a downturn once again in the fourth quarter. The marked depreciation of the Turkish lira and record-high food prices negatively affected the inflation outlook and projections. While the Central Bank of the Republic of Turkey (CBRT) maintained its tight monetary policy in view of global uncertainties and negative inflation outlook, the macro-prudential measures that were introduced propped the CBRT's stance. In light of all these, the country's growth was more moderate as compared with the prior year, whereas the driver of growth was exports. The credit expansion of the banking sector remained at more modest levels as compared to the previous years. While current account deficit was positively influenced by the disciplined growth of 2014, it was also bettered by the commodity prices that fell in the last period of the year. In 2014 that was characterized by uncertainty and volatility, fiscal discipline continued to be the key strength of the Turkish economy, as the impact of geopolitical risks and political developments remained restricted.

In 2014, the Turkish banking sector was still repressed by the regulations, in addition to the volatility resulting from global and macroeconomic uncertainties, coupled with geopolitical and political developments. In a year of rough market conditions, Garanti once again proved its ability to perform strongly under any market condition. The primary contributors to this performance included the comfortable liquidity level, focus on disciplined and selective growth, emphasis placed on risk-return balance, successful margin management, capability to generate the highest customer-driven revenues, and robust capitalization.

Garanti sustained its leadership in branch efficiencies in 2014, while continuing with investments in delivery channels,

aiming to offer an embedded banking experience to customers that give the priority to easy and instant access to its banking services from all channels. At the end of 2014, Garanti was serving more than **13.1** million customers through a robust distribution network covering **1,005** branches, **4,152** ATMs, Turkey's largest financial Call Center, and state-of-the-art mobile and internet banking platforms. Possessing a massive payment systems infrastructure consisting of over **17** million debit and credit cards, and **541,000** POS terminals, Garanti manages Turkey's largest merchant network via its innovative products and services.

Garanti Bank's total assets increased by **12%** year-over-year in 2014, and reached TL **247** billion. As Garanti focused on customer-driven asset growth, the share of lending to total assets was registered as **57%**.

In 2014, Garanti displayed a disciplined and moderate expansion in its lending. TL loans were the key driver behind the credit expansion of Garanti, which broadened its cash loans approximately by **12%**. While TL loans increased by **16%** on an annual basis, this growth figure went above the budget target set at the start of the year. Garanti maintained its focus on consumer loans within TL loans, which create high yields as well as cross-sell opportunities. More moderate as compared to the previous year, growth rate was **12%** for mortgage loans and **16%** for general purpose loans. The Bank further solidified its leading position in total consumer loans, mortgage loans and auto loans. Furthermore, TL business banking loans, which strongly expanded by an annual **28%**, made increased contribution to growth in 2014. On the FC lending side, the targeted growth did not materialize due to the postponement of some investments that were expected to be launched during the year to future years as a result of certain global and local developments. However, we are anticipating positive support to the FC credit expansion in the form of project finance and investment loans from these investments, which are intended to be rolled out in the coming years.

In a year when uncertainties and volatility remained high, the asset quality of the banking sector sustained a repressive effect from certain regulatory requirements introduced particularly in relation to consumer loans and credit cards, on top of relatively moderate credit growth rate. Remaining adhered to its projections that also took into account these anticipated effects at the onset of 2014, Garanti preserved its

solid asset quality. At **3.0%**, the NPL ratio continued to stay below the sector's average figure. Total coverage ratio of Garanti anchored at the highly secure level of **140%**.

Also in 2014, Garanti was set apart with its liquid balance sheet composition. Deposits continued to make up the largest portion of the funding structure of Garanti that dynamically manages its funding structure. The expansion in deposit base, at **12%**, was aligned with the credit expansion in 2014. Garanti, consciously avoiding pricing competition and prioritizing effective cost management, chose to base the expansion in deposit base on sustainable banking relationships. Demand deposits grew by **18%** on an annual basis and increased their share to total deposits to **24%**. Garanti kept diversifying its funding structure by actively tapping alternative funding sources, with the aim of managing asset-liability duration gap and optimizing funding costs. Named among the most reliable financial institutions by international investment banks, Garanti attracted record demand for the renewal of its syndication loans, and executed a securitization transaction of USD **1,050** billion and two Eurobond transactions worth EUR **500** million and USD **750** million in 2014. Maintaining its banking relationships with the European Investment Bank (EIB), Garanti retained its title as the one and only bank out of Turkey to borrow in Turkish lira from the EIB. In addition to those, the Bank continued to create overseas funding under the Medium Term Note (MTN) borrowing program, which it had set up in 2013 and which allows bond issues in different maturities and currencies. In the aggregate, Garanti created new overseas funds worth USD **1,260** billion during the reporting period. Besides issues in different currencies in addition to USD and EUR under the MTN program, Garanti was the only Turkish bank making an issue in JPY.

In 2014, Garanti kept taking successful steps, placing sustainable growth and profitability in its focus. The Bank pursued operations by further strengthening its solid capitalization on the back of internal funds created. The Bank kept its capital ratios, which are Basel III compliant, at strong levels in spite of the significant depreciation in Turkish lira, the dividend payout during the reporting period and the negative effects originating from regulatory requirements. Aligned with the projections at **14%**, the capital adequacy ratio continued to remain well above the minimum regulatory ratio of **8%** and of the recommended ratio of **12%**. The effective capital management at Garanti Bank will keep supporting the long-term growth strategy. At Garanti, Common Equity Tier 1 capital accounts for **93%** of total shareholders' equity. With a Common Equity Tier 1 ratio of **13%** at year-end 2014, Garanti boasts the highest Common Equity Tier 1 ratio in the sector.

Garanti's recurring strong performance comes not as a result of ad-hoc steps, but of a long-lived and well-planned journey. The differentiating business model of Garanti underpins the continuity of its successful performance. Garanti cemented its solid stance by attaining more than **12%** rise in core banking revenues even in a year characterized by economic uncertainties and volatilities, coupled with the more powerfully felt effects of the regulations that restrain banking revenues. The core banking revenues were driven by net fees and commissions income that registered an annual rise of **12%** as budgeted, as well as the net interest margin that exceeded the projections. The priority placed on efficient cost management also continued to add value to the Bank's results. Despite the high pressure put by the unforeseeable regulatory effects, operating costs went up by less than **12%** year-to-year, going scarcely above the targeted figure. Garanti registered a return on average equity (RoAE) of **14.8%** and a return on average assets (RoAA) of **1.6%**.

Garanti does not restrict its activities with banking services only, but aims to contribute a constantly increasing real value to the society, and to introduce sustainable initiatives. In 2014, the new Sustainability Policy and Strategy, which sets the framework of Garanti's efforts in this vein, has been approved by the Board of Directors and launched.

A key focus of Garanti for improving its environmental performance in 2014 was the fight against climate change. ISO14001 certified Environmental Management System that now covers **605** points of service and the Green Office Diploma granted by WWF Turkey served as further encouragement to expand the Bank's efforts across the entire value chain. In the Climate Summit held in New York in September 2014, the Bank pledged to fight against climate change in six different areas that cover suppliers and customers, as well. For its efforts in this field, Garanti was named "CDP 2014 Turkey Climate Disclosure Leader" by the CDP, to which the Bank made its fifth submission on its GHG emissions and climate change strategy.

The strong financing support given to renewable energy investments endorsed Garanti's adherence to its Environmental and Social Lending Policies and its support to transition to low-carbon economy. Total financing made available to wind energy investments amounted to USD **2** billion by the end of 2014. While the new product aimed at SMEs for unlicensed solar energy investments leveraged the Bank's support to renewable energy to a whole new level, these approaches adopted in its lending operations earned Garanti the Sustainability Award for Environmental and Social Performance from the European Bank for Reconstruction and Development (EBRD).

In 2014, Garanti continued to provide guidance to SMEs and carried on with its initiatives targeting women entrepreneurs. A new class graduated from the free-of-charge training project, "Women Entrepreneurs Executive School" that was initiated in 2012 in collaboration with Boğaziçi University Lifelong Learning Center (in Turkish: BUYEM). Furthermore, Garanti endeavored to create as many platforms as possible to get together with young entrepreneurs, consider their ideas, and exchange information. The Young Entrepreneurs Gatherings co-organized with The Union of Chambers and Commodity Exchanges of Turkey (in Turkish: TOBB) continued in 2014. The Bank took place among the first sponsors of the Entrepreneurship Foundation established in April 2014 to help university students discover the entrepreneurial spirit and to help flourish entrepreneurship culture. Garanti has also become the sponsor of the BUBA (BUMED Business Angels) platform led by BUMED (Boğaziçi University Alumni Association).

"Disabled-Friendly Banking" initiatives launched in 2011, which place individuals with disabilities into the focal point and aim to adapt the Bank's services for their access, continued solidly. The Bank introduced the project "Join the Workforce Join Life", which is directed towards the employment of people with disabilities and which adds value to the society, under the patronage of the Ministry of Family and Social Policies in 2014. Through this initiative, Garanti aims to help people with disabilities become independent individuals who take responsibility of their own lives, and to be instrumental in letting their colleagues regard them as "fellow employees" and individuals "who can perform their duties".

Garanti delighted in reaching **377,496** art lovers with **19** exhibitions showcased at SALT Ulus, SALT Galata and SALT Beyoğlu in 2014. The Bank sustained its support to various concert venues and events by its continued sponsorship of "Garanti Jazz Green" that it has been supporting for **17** years with the vision of popularizing jazz music among larger audiences in Turkey.

In the **13<sup>th</sup>** year of its support to basketball, Garanti sponsored the U20 National Men's Basketball Team and U18 National Men's Basketball Team, based on its faith in the importance of having basketball taken up by youngsters and propagating the sport within all age groups. The Bank also continued to sponsor the Wheelchair Basketball Leagues. In addition to those, world record holder freediver and national athlete Şahika Ercümen, who was sponsored by Garanti in 2014, undertook record breaking attempts off the coast of Kaş. Ercümen broke the world record at her both attempts,

performing a **91-meter** dive in variable weight apnea without fins and a **72-meter** dive in the free immersion apnea disciplines.

Also in the period ahead, Garanti will be making its decisions with an eye on the needs of future generations, and will fulfill its share of the responsibility for a sustainable future. Garanti Bank will press ahead with its vision of being the best bank in Europe, while remaining adhered to the outlines of its existing strategy.

Sincerely,

**BOARD OF DIRECTORS**

# BOARD OF DIRECTORS



**FERİT F. ŞAHENK**  
CHAIRMAN

Ferit F. Şahenk is the Chairman of Doğuř Group and also the Chairman of Garanti Bank. Formerly, he served as the founder and Vice President of Garanti Securities, CEO of Doğuř Holding and Chairman of Doğuř Otomotiv. Mr. Şahenk is a Board Member of the Foreign Economic Relations Board (DEİK) of Turkey. Following his term as the Chairman of the Turkish-American Business Council of DEİK, he is currently chairing the Turkish-German Business Council; serving as Deputy Chairman of Turkish-United Arab Emirates Business Council and Executive Board Member of Turkish-Greek Business Council of DEİK. Mr. Şahenk is an active member of the World Economic Forum and the Alliance of Civilizations Initiative. He serves on the Regional Executive Board of Massachusetts Institute of Technology (MIT) Sloan School of Management for Europe, Middle East, South Asia and Africa; Advisory Board of the Middle East Centre of London School of Economics; and Executive Board of Endeavor Turkey. Mr. Şahenk holds a Bachelor's degree in Marketing and Human Resources from Boston College. He has been serving as Chairman of Garanti Bank since April 18, 2001. Ferit F. Şahenk holds Chairman of the Board and Vice Chairman responsibilities in various other affiliates of Doğuř Holding.



**SÜLEYMAN SÖZEN**  
VICE 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 Undersecretariat of Treasury. Since 1981, he has held various positions in the private sector, mainly in financial institutions. Mr. Sözen holds a Certified Public Accountant license. Having served on the Board of Directors of Garanti Bank since 1997, Mr. Sözen was appointed as Vice Chairman on July 08, 2003. He serves also in subsidiaries of Garanti as the Chairman of the Board of Garanti Bank International N.V. and GarantiBank Moscow. Mr. Sözen holds Chairman of the Board and Vice Chairman responsibilities in various other affiliates of Doğuř Holding.



**AHMET KAMİL ESİRTGEN PH.D**  
BOARD MEMBER

After graduating from Istanbul University Faculty of Economics, Ahmet Kamil Esirtgen earned his MBA from Stanford Graduate School of Business and his Ph.D. from Istanbul University School of Business Administration. He worked at various private sector companies after concluding his academic career in 1975. In 1987, he joined Doğuř Group as Finance Group President. He currently serves as an Executive and a Board Member in Doğuř Group, as well as other private sector companies. He has been serving as Board Member of Garanti Bank since March 19, 1992.



**ERGUN ÖZEN**  
BOARD MEMBER,  
PRESIDENT & CEO

Ergun Özen earned a BA in Economics from New York State University and is a graduate of the Advanced Management Program at Harvard Business School. He joined Garanti in 1992, where he has been serving as President, CEO and Board Member since April 1, 2000. He is also a Board Member of Garanti Securities, Garanti Pension and Life, Garanti Factoring, Garanti Leasing, Garanti Payment Systems, Garanti Technology, Garanti Bank SA (Romania) and GarantiBank Moscow. In addition, Mr. Özen also serves as Board Member in The Banks Association of Turkey, The Turkish Industrialists' and Businessmen's Association (TUSIAD), The Istanbul Foundation for Culture and Arts (IKSV) and Turkish Education Association. He has been serving as Board Member of Garanti Bank since May 14, 2003.



**ANGEL CANO FERNÁNDEZ**  
BOARD MEMBER

Angel Cano Fernández has a degree in Economics and Business from Oviedo University. He joined Argentaria in 1991, as an Assistant Controller, mainly responsible for the development of all the accounting functions. In 1998, he was appointed Controller and Member of the Executive Committee. Between 2001 and 2003, Mr. Cano held the position of Chief Financial Officer of BBVA. In 2005, Mr. Cano takes the lead of Technology of the BBVA Group and becomes Head of Human Resources and Information Technology and in 2006, he became responsible of the Global Transformation of the BBVA Group. Since 2009, he is the President & COO of BBVA. He has been serving as Board Member of Garanti Bank since March 22, 2011.



**CÜNEYT SEZGİN PH.D.**  
INDEPENDENT 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. He served in executive positions at several private banks. In year 2001, Dr. Sezgin joined Garanti Bank. He is a Board and Audit Committee Member, also Board Member at Garanti Bank SA (Romania), Garanti Pension and Life, Garanti Securities and Corporate Volunteer Association-Turkey. Dr. Sezgin has been serving as Board Member of Garanti Bank since June 30, 2004, and since April 30, 2013, as Independent Board Member of Garanti Bank, his new title in accordance with the requirements of the relevant new regulation of Capital Markets Board of Turkey.



**JAIME SAENZ DE TEJADA PULIDO**  
BOARD MEMBER

Jaime Saenz de Tejada Pulido holds undergraduate degrees from Universidad Pontificia Comillas (ICADE) in Economics and Business as well as in Law from the same university. He has worked at various private sector corporations. Mr. Saenz de Tejada joined BBVA in 1998 and is currently the CFO at BBVA. He has been serving as Board Member of Garanti Bank since October 2, 2014.



**MANUEL  
CASTRO ALADRO**  
BOARD MEMBER

After graduating from Universidad Pontificia Comillas (ICADE) in Economics and Business, Castro Aladro received an MBA from University of Chicago Graduate School of Business. After working as an executive at various private companies and banks, he joined BBVA in 1992. Between 2003 and 2009 he was the Head of Business Development and Innovation. He is currently the Head of Global Risk Management and a member of the Executive Committee of BBVA. He has been serving as Board Member of Garanti Bank since March 22, 2011.



**SEMA YURDUM**  
INDEPENDENT  
BOARD MEMBER

Sema Yurdum graduated from Boğaziçi University, Faculty of Administrative Sciences in 1979 and completed Advanced Management Program in Harvard Business School for senior managers in 2000. After working in a private sector company 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. Ms. Yurdum has been engaged in senior consultancy services for companies since 2006. She has been serving as Independent Board Member of Garanti Bank since April 30, 2013.



**MANUEL GALATAS  
SANCHEZ-HARGUINDEY**  
INDEPENDENT BOARD  
MEMBER

Manuel Galatas Sanchez-Harguindey has a degree in Business Administration and International Finance from Georgetown University. After working as an executive at various private financial entities, he joined Argentaria (today BBVA) in 1994. Before joining Garanti, he was based in Hong Kong as the General Manager in charge of all BBVA Branches and Representative Offices in Asia/Pacific. He is now both Board Member and Audit Committee Member of Garanti Bank Turkey and General Manager of BBVA Turkey based in Garanti Bank Headquarters in Istanbul. He is also a Board Member at Garanti Bank SA (Romania), GarantiBank Moscow, Garanti Bank International N.V., Garanti Securities, Garanti Pension and Life, Garanti Factoring, Garanti Leasing, Garanti Payment Systems and Garanti Fleet Management. He has been serving as Board Member of Garanti Bank since May 5, 2011, and since April 30, 2013, as Independent Board Member of Garanti Bank, his new title in accordance with the requirements of the relevant new regulation of Capital Markets Board of Turkey.

# SENIOR MANAGEMENT



**ERGUN ÖZEN**  
PRESIDENT & CEO

Ergun Özen earned a BA in Economics from New York State University and is a graduate of the Advanced Management Program at Harvard Business School. He joined Garanti in 1992, where he has been serving as President, CEO and Board Member since April 1, 2000. He is also a Board Member of Garanti Securities, Garanti Pension and Life, Garanti Factoring, Garanti Leasing, Garanti Payment Systems, Garanti Technology, Garanti Bank SA (Romania) and GarantiBank Moscow. In addition, Mr.Özen also serves as Board Member in The Banks Association of Turkey, The Turkish Industrialists' and Businessmen's Association (TUSIAD), The Istanbul Foundation for Culture and Arts (IKSV) and Turkish Education Association.



**İBRAHİM AYDINLI**  
EXECUTIVE VICE PRESIDENT  
GENERAL ACCOUNTING,  
ECONOMIC RESEARCH AND  
CUSTOMER SATISFACTION

İbrahim Aydınli received his undergraduate degree from Middle East Technical University in the field of Economics and his graduate degree in Technology Management from University of Illinois. He worked for Republic of Turkey Prime Ministry Undersecretariat of Treasury and Banking Regulation and Supervision Agency (BRSA) between 1994 and 2009. Starting his career as a Sworn Bank Auditor, Mr.Aydınli was Head of Department at BRSA before joining Garanti Bank as a Financial Coordinator. On June 6, 2013, Mr.Aydınli was appointed as an Executive Vice President. With 20 years of experience in banking and business administration, Mr.Aydınli's areas of responsibility are General Accounting, Customer Satisfaction and Economic Research.



**ERHAN ADALI**  
EXECUTIVE VICE PRESIDENT  
LOANS

Erhan Adalı graduated from Istanbul University Department of Political Science Public Administration. He joined Garanti as an Assistant Internal Auditor in 1989. He served as Branch Manager, Regional Manager and SME Banking Coordinator and he was the CEO of Garanti Pension and Life during 2005-2012. Adalı was appointed to his current position on August 3, 2012. He is also a Board Member of Garanti Leasing and Garanti Pension and Life. With 24 years of experience in banking and business administration, Mr.Adalı's areas of responsibility are Commercial and Corporate Loans, Consumer and SME Loans Evaluation, Credit Analytics and Regional Loans Coordination.



**DİDEM  
DİNÇER BAŞER**  
EXECUTIVE VICE PRESIDENT  
DIGITAL CHANNELS &  
SOCIAL PLATFORMS

Didem Başer graduated from Boğaziçi University Department of Civil Engineering and earned her graduate degree from the University of California, Berkeley College of Engineering. She started her career in 1995. Before joining Garanti Bank, she worked in a global management consulting firm for 7 years and was lastly acting as an Associate Partner. Başer joined Garanti Bank in 2005 and worked as a Coordinator in Retail Banking for the first 7 years. Ms.Başer was appointed to her current position on March 20, 2012. With 19 years of experience in banking and business administration, Başer's areas of responsibility are Digital Channels and Social Platforms Management.



**RECEP BAŞTUĞ**  
**EXECUTIVE VICE PRESIDENT**  
**COMMERCIAL BANKING**

Recep Baştuğ graduated from Çukurova University Faculty of Economics. In 1989, he joined Garanti Internal Audit Board. He worked as Corporate Branch Manager between the years 1995-1999 and as Commercial Regional Manager between the years 1999-2004. After serving as Coordinator in Commercial Banking since 2004, he was appointed as an Executive Vice President on January 1, 2013. With 24 years of experience in banking and business administration, Mr.Baştuğ's areas of responsibility are Commercial Banking İstanbul and Ankara Marketing, Commercial Banking Anatolian Marketing and Consumer Finance.



**EBRU DİLDAR EDİN**  
**EXECUTIVE VICE PRESIDENT**  
**PROJECT FINANCE**

Ebru Dildar Edin graduated from Boğaziçi University Department of Civil Engineering. In 1993, she has started her career in the banking sector at a private bank. She joined the Corporate Banking division at Garanti Bank in 1997. In 1999, she took part in the establishment of Garanti Bank's Project Finance Department. After leading the department for six years as Senior Vice President, she became Project and Acquisition Finance Coordinator in 2006. She was appointed to her current position on November 25, 2009, and became a Member to the Sustainability Committee in 2010. In addition to her current responsibilities, Edin also coordinates the Sustainability Team, which was created in 2012 to implement the decisions of the Sustainability Committee. With 20 years of experience in banking and business administration, Ms.Edin's area of responsibility is Project Finance.



**AYDIN DÜREN**  
**EXECUTIVE VICE PRESIDENT**  
**LEGAL SERVICES AND**  
**COLLECTION**

Aydın Düren graduated from Faculty of Law at İstanbul University and earned his graduate degree from International Law at 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 İstanbul, Mr.Düren joined Garanti Bank on February 1, 2009 as Executive Vice President. Mr.Düren is a Board Member of Garanti Payment Systems, Teachers Academy Foundation, Garanti Mortgage and Vice President of Garanti Bank Pension Fund Foundation. With 20 years of experience in banking and business administration, Mr.Düren's areas of responsibility are Legal, Consumer Loans and Credit Cards Collection and Commercial Products Collection.



**ALİ FUAT ERBİL**  
**EXECUTIVE VICE PRESIDENT**  
**FINANCIAL INSTITUTIONS**  
**AND CORPORATE BANKING**

Ali Fuat Erbil graduated from the Middle East Technical University Department of Computer Engineering. He earned his MBA from Bilkent University and his Ph.D in Banking and Finance from İstanbul Technical University. After working as an executive at various private companies and banks, he joined Garanti as the Distribution Channels Unit Manager in 1997. On April 30, 1999, Mr.Erbil was appointed as an Executive Vice President. Today, he is also a Board Member of Garanti Technology and Garanti Securities. With 22 years of experience in banking and business administration, Mr.Erbil's areas of responsibility are Financial Institutions, Corporate Banking Coordination and Cash Management and Transaction Banking.

Note: Executive Presidents are listed in alphabetical order by last name.



**HÜSNÜ EREL**  
**EXECUTIVE VICE PRESIDENT**  
**TECHNOLOGY OPERATIONS**  
**MANAGEMENT & CENTRAL**  
**MARKETING**

Hüsnü Erel graduated from Istanbul Technical University Department of Electronics and Communications Engineering. He served as an executive at various private companies and banks. In 1994, he joined Garanti Technology as General Manager and was appointed to his current position on June 16, 1997. Mr.Erel is a Board Member of Garanti Payment Systems and Garanti Technology. With 39 years of experience in banking and business administration, Mr.Erel's areas of responsibility are Customer Relationship Management and Marketing, Organization and Process Development, Product Development and Innovation Management, as well as, Abacus Operations Center and Garanti Bank Technology Center.



**GÖKHAN ERÜN**  
**EXECUTIVE VICE PRESIDENT**  
**HUMAN RESOURCES**  
**& LEARNING AND**  
**DEVELOPMENT, TREASURY &**  
**INVESTMENT BANKING**

Gökhan Erün earned his undergraduate degree from Istanbul Technical University Department of Electronics and Communications and his graduate degree from the Business Administration Department of Yeditepe University. In 1994, he joined Garanti Bank's Treasury Department, and between the years 1999-2004, he served as the Senior Vice President of the Commercial Marketing and Sales Unit. In 2004, he became the CEO of Garanti Pension and Life and on September 1, 2005, he was appointed as an Executive Vice President at Garanti. Mr.Erün is the Vice Chairman of the Board of Directors at Garanti Pension and Life, Garanti Mortgage and Garanti Securities and Board Member of Garanti Bank SA (Romania). In addition, Mr.Erün is the Chairman of the Board of Directors at Garanti Custody Services. With 20 years of experience in banking and business administration, Erün's areas of responsibility are Human Resources, Learning and Development, Treasury, Investment Banking Brokerage Services, Investment Banking Product Management and Insurance and Pension Coordination.



**ONUR GENÇ**  
**EXECUTIVE VICE PRESIDENT**  
**RETAIL BANKING**

Onur Genç graduated from Boğaziçi University Department of Electrical and Electronics Engineering and earned his graduate degree from Business Administration at Carnegie Mellon University. Starting his career in 1996 in the US and lastly acting as the Director and Turkey Country Manager of a global management consultancy, Mr.Genç joined Garanti on March 20, 2012 as an Executive Vice President responsible for Retail and Private Banking. As of May 2012, Mr.Genç also assumed CEO responsibilities of Garanti Payment Systems. Onur Genç is a Board Member of Garanti Bank SA (Romania), Garanti Technology, Garanti Pension and Life, Garanti Payment Systems and Chairman of Garanti Mortgage. With 15 years of experience in banking and business administration, Genç's areas of responsibility are Retail Banking Marketing, Mass Retail Banking Marketing, Call Center, Private Banking Marketing and Garanti Payment Systems.



**TURGAY GÖNENSİN**  
**EXECUTIVE VICE PRESIDENT**  
**DOMESTIC & OVERSEAS**  
**SUBSIDIARIES COORDINATION**

Turgay Gönensin graduated from Boğaziçi University Department of Business Administration. In 1987, he joined Garanti Bank, where he worked at various departments. He served as the CEO of Garanti Bank International between 1997 and 2000 and CEO of Ottoman Bank between 2000 and 2001. Mr.Gönensin was appointed as Executive Vice President on December 15, 2001. He is also the Chairman of Garanti Fleet Management, Vice Chairman of the Board of Garanti Leasing and Garanti Factoring, a Board Member of Garanti Technology and Garanti Bank SA (Romania) and a Member of Credit Committee of Garanti Bank International N.V. With 29 years of experience in banking and business administration, Mr.Gönensin's area of responsibility is Domestic and Overseas Subsidiaries Coordination.



**NAFİZ KARADERE**  
EXECUTIVE VICE PRESIDENT  
SME BANKING

Nafiz Karadere graduated from the Faculty of Political Sciences Department of International Relations at Ankara University. He worked as a senior executive at various private banks and was appointed to his current position on May 1, 1999. Karadere is a Board Member of Garanti Bank SA (Romania), Garanti Payment Systems, Garanti Mortgage, Garanti Pension and Life, Garanti Technology and Garanti Bank Pension Fund Foundation and Member of the Board of Trustees and Vice Chairman at Teachers Academy Foundation. He is also the Vice Chairman of World Wildlife Foundation-Turkey and Chairman of SALT. With 32 years of experience in banking and business administration, Mr. Karadere's areas of responsibility are SME Banking Marketing and Corporate Brand Management and Marketing Communications.



**ADNAN MEMİŞ**  
EXECUTIVE VICE PRESIDENT  
SUPPORT SERVICES

Adnan Memiş earned his undergraduate degree from Istanbul University Faculty of Economics and his graduate degree from the Managerial Economics Institute of the same university. He joined Garanti Internal Audit Board as an Assistant Inspector in 1978, served as the Manager of Loans Department and then was appointed to his current position on June 3, 1991. Memiş is currently the President of the Financial Restructuring Working Group of the Banks Association of Turkey and a Board Member of Garanti Bank Pension Fund Foundation and Darüşşafaka Society Higher Advisory Board. He is also the Group Leader of Denizyıldızları (Starfish) Project. With 36 years of experience in banking and business administration, Mr. Memiş's areas of responsibility are Constructions and Special Cases Collection.



**MURAT MERGİN**  
EXECUTIVE VICE PRESIDENT  
FINANCIAL AND STRATEGIC  
PLANNING

Murat Mergin graduated from the City University of New York Departments of Economics and Finance. He assumed executive responsibilities at various private banks before joining Garanti in 1994. Mr. Mergin was appointed to his current position on January 1, 2002. With 20 years of experience in banking and business administration, Mr. Mergin's areas of responsibility are Financial Planning and Analysis, Consolidation and International Accounting, Strategic Planning and Investor Relations.



**AYDIN ŞENEL**  
EXECUTIVE VICE PRESIDENT  
PURCHASING & TAX  
MANAGEMENT

Aydın Şenel is a graduate of Marmara University Faculty of Commercial Sciences. Between the years 1981 and 1984, he worked as Auditor, Human Resources Group Manager, Credit Cards Manager, Financial Analysis Coordination Manager and Financial Monitoring Manager at Garanti Bank. In 1999, Şenel was appointed as Head of General Accounting and then on March 2, 2006, Mr. Şenel was appointed to his current position. He is the Chairman of the Board of Directors at Garanti Bank Pension Fund Foundation, Member of the Board of Trustees at Teachers Academy Foundation, Board Member of Garanti Factoring and Garanti Leasing Member of Audit Committee. With 33 years of experience in banking and business administration, Mr. Şenel's areas of responsibility are Purchasing and Premises and Tax Operations Management.

Note: Executive Presidents are listed in alphabetical order by last name.

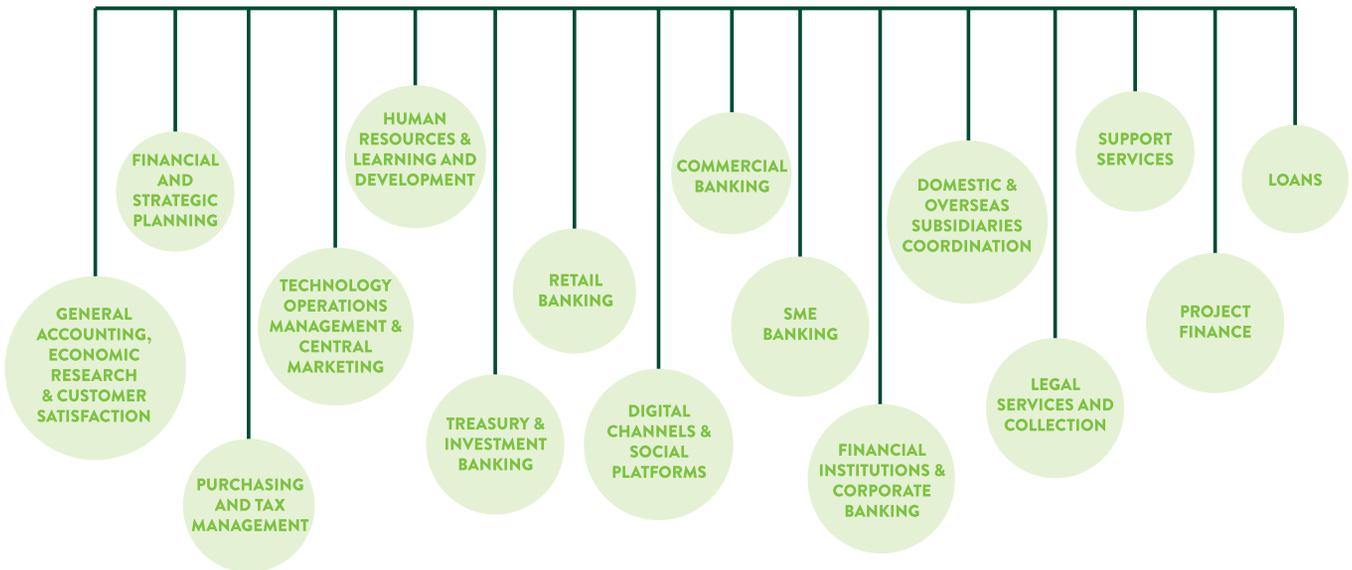
# GARANTI BANK ORGANIZATION CHART

## BOARD OF DIRECTORS

## AUDIT COMMITTEE



## CEO



# ORGANIZATIONAL CHANGES

- » Pursuant to Articles 4, 5 and 7 of the Regulation on Internal Systems of Banks numbered 28337 and dated 28 June 2012, a position was set up with the title "Head of Audit and Internal Control". The position will report to the Board of Directors and will be responsible for monitoring and steering the activities of the units reporting to it, increasing their efficiency, and coordinating them within the scope of the strategies and policies set by the Board of Directors. Osman Bahri Turgut, Director of Board of Auditors, has been appointed to this position. The Internal Audit Department, Internal Control Unit and Anti-Fraud Monitoring Department were subordinated to this newly created position.
- » In order to increase the efficiency of the collection process for the Bank's receivables from Corporate/Commercial/SME customers, a new position was established with the name Special Cases Collections Department, which will report to the Executive Vice President for Support Services, and the existing Commercial Products Risk Monitoring Department was reorganized.
- » Commercial Products Risk Monitoring Department, which formerly reported to the Executive Vice President for Support Services, has been subordinated to the Executive Vice President for Legal Services and Retail Risk Monitoring. The position of Executive Vice President for Legal Services and Retail Risk Monitoring has been renamed Legal Services and Collection.
- » The Regional Loans Coordination Department was established, which will report to the Executive Vice President for Loans. The Department will ensure standardization and coordination of the activities, loan evaluation approaches, and implementation of lending policies and procedures of Regional Loans Departments.
- » A "Agricultural Banking Customer Manager" role was designed and introduced for strengthening the activities focused on Agricultural Banking. This position will be able to offer on-site service and will support financial access for our existing and potential customers engaged in agriculture and livestock breeding and for enterprises and organizations within the agriculture/livestock breeding ecosystem.
- » A "Regional Customer Representative" role was created to help manage the periodic customer crowd at branch lobbies while maximizing customer service quality. The individuals working in this position will be assigned to different branches and will offer services similar to those of the Retail Banking Customer Manager/Customer Representative positions.

## ORGANIZATIONAL STRUCTURE OF UNITS

- » A "Consumer Relations Coordination Team" was established under the Customer Satisfaction Department, which will lend support to the handling of complaints and requests in relation to retail products and services.
- » A "Loans Portfolio Management Team" was established under the Credit Analytics Department to ensure optimum management of the Bank's loans portfolio.

# COMMITTEES AND COMMITTEE MEETINGS ATTENDANCE

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 the Credit, Remuneration, Corporate Governance, Audit and various risk management committees. The committees organized under the Board of Directors are Credit, Audit, Corporate Governance and Remuneration committees. In addition, the following committees have been established at the Bank within the frame of risk management activities: Liquidity Risk Management, Credit Risk, Market Risk and Operational Risk committees. In addition to those, there are committees whose members are composed of the Board of Directors members (Assets & Liabilities Committee, Sustainability Committee, Anti-Fraud Committee, Basel Steering Committee, and Coordination and Supervision Committee) and/or the Bank's executives (Disciplinary Committee, Credit Procedures Committee, Cost Management Committee, Personnel Committee, AML Compliance Committee and Training Strategy 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. The Committee then submits the remaining proposals that are outside of its authorized limits, but it deems appropriate, to the Board of Directors for finalization.

In 2014, the Committee held 43 meetings with the required quorum.

### COMMITTEE MEMBERS

**Ergun Özen** (President and CEO, Board Member), **Süleyman Sözen** (Vice Chairman), **Ahmet Kamil Esirtgen, Ph.D.** (Board Member), **Jaime Saenz De Tejada Pulido<sup>1</sup>** (Board Member), **Manuel Castro Aladro** (Board Member)

The individuals named below may attend meetings in order to communicate opinions, although they are not members of the Credit Committee.

**Erhan Adalı** (EVP), **Ali Fuat Erbil** (EVP), **Recep Baştuğ** (EVP) **Ebru Dildar Edin** (EVP), **Yeşim Şimşek** (Coordinator), **Mustafa Tiftikçioğlu** (Coordinator), **Emre Hatem** (SVP), **Fulya Göyenç** (SVP), **Çiğdem Yılmaz** (SVP)

## AUDIT COMMITTEE

The Committee is currently composed of two non-executive Board members.

### COMMITTEE MEMBERS

**M. Cüneyt Sezgin, Ph.D.** (Independent Board Member), **Manuel Pedro Galatas Sanchez-Harguindey** (Independent Board Member)

### COMMITTEE ACTIVITIES

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 control, risk management and internal audit 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 and regularly monitoring their activities;
- » Ensuring that the internal audit functions of consolidated entities are performed in a consolidated and coordinated manner.

In this context, the duties and authorities of the Audit Committee are defined as follows:

- » Monitoring compliance with regulations regarding internal control, internal audit and risk management and with internal policies and procedures approved by the Board of Directors, and advising the Board of Directors on measures that are deemed necessary;
- » Monitoring the internal audit unit's fulfillment of its obligations under internal policies;
- » Verifying that the internal audit system covers existing and planned activities of Garanti Bank, as well as risks arising from these activities, and reviewing the Bank's internal audit regulations that will go into force upon the approval of the Board of Directors;
- » Advising the Board of Directors on the election and dismissal of the managers of internal systems units reporting to the Audit Committee;
- » Monitoring whether the auditors perform their duties in an independent and unbiased way;
- » Reviewing internal audit plans;
- » Following up the measures taken by senior management and affiliated units about issues identified by auditors and independent auditors;
- » Confirming that methods, tools and procedures are in place to identify, measure, monitor and control Garanti Bank's risk exposure;
- » Reviewing and evaluating the independent audit firm's conclusions in relation to the compliance of Garanti Bank's accounting practices with applicable legislation;
- » Confirming that the rating firms, independent audit firms and valuation firms with which Garanti Bank is going to sign contracts (including their managers and employees) are able to act independently in their activities in relation to the Bank and that adequate resources have been set aside for these purposes;
- » Evaluating the risk involved in the support service to be outsourced by Garanti Bank and monitoring the adequacy of the services rendered by the support service provider;
- » Supervising that the financial reports of Garanti Bank are accurate, contain all the required information and are drawn up in accordance with applicable legislation, and ensuring that any identified errors and irregularities are corrected.

In 2014, the Audit Committee held 15 meetings, which were attended by all committee members.

## CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee was established in February 2013 to fulfill the functions of the Nomination Committee in accordance with the Regulation on the Banks' Corporate Governance Principles published by the Banking Regulation and Supervision Agency (BRSA) and the defunct Corporate Governance Communiqué on Determination and Implementation of Corporate Governance Principles published by the Capital Markets Board of Turkey (CMB). The 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.

The Committee held 3 meetings in 2014 with the full participation of members.

### COMMITTEE MEMBERS

**M. Cüneyt Sezgin, Ph. D.** (Independent Board Member), **Manuel Pedro Galatas Sanchez-Harguindoy** (Independent Board Member), **Sema Yurdum**<sup>2</sup> (Independent Board Member) **Aydın Şenel**<sup>3</sup> (EVP), **Handan Saygın**<sup>3</sup> (SVP, Committee Attendant)

### COMMITTEE ACTIVITIES

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 of 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 the temporarily elected members

serve until the immediately following General Assembly Meeting to be held to re-establish the minimum number of independent Board members, 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 suitable 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.

## 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 Remuneration Committee directly reports to the Board of Directors. Ferit Şahenk and Ignacio Deschamps Gonzalez have been elected as the members of the Committee.

The Committee held **1** meeting in 2014.

### COMMITTEE MEMBERS

**Ferit Şahenk** (Garanti Bank, Chairman of the Board of Directors), **Ignacio Deschamps Gonzalez** (BBVA, COO of Mexico Business Unit)

### COMMITTEE ACTIVITIES

The Committee is responsible for:

- » 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, as well as 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.

## LIQUIDITY RISK MANAGEMENT COMMITTEE

### COMMITTEE MEMBERS

**Ergun Özen** (President and CEO, Board Member), **M. Cüneyt Sezgin, Ph.D.** (Independent Board Member), **Gökhan Erün** (EVP) **İbrahim Aydın** (EVP), **Ebru Ogan Knottnerus** (SVP) **Metin Kılıç** (SVP)

### COMMITTEE ACTIVITIES

The Liquidity Risk Management Committee is responsible for:

- » Determining and monitoring limit for the high quality liquid assets/total assets ratio,
- » Periodically monitoring the liquidity risk reports, and determining and following up the crisis levels in connection with selected early-warning indicators;
- » Determining the stress level of Garanti Bank;
- » In case of a liquidity crisis, monitoring internal and external factors that might affect the Bank's liquidity;
- » Ensuring the execution of the action plan parallel to the contingency funding plan;
- » Determining the measures concerning the Bank's customer confidence, cost of funding and key liquidity increasing strategies,
- » Ensuring internal communication and coordination to make sure that the Liquidity Risk Management Committee decisions are implemented.

The Committee meets at least once a year except crisis periods. The Committee held **2** meetings in 2014.

## CREDIT RISK COMMITTEE

### COMMITTEE MEMBERS

M. Cüneyt Sezgin, Ph.D. (Independent Board Member), Erhan Adalı (EVP), Mustafa Tiftikçioğlu (Coordinator), Serhan Pak (SVP), Faruk Ergin (SVP), Ebru Ogan Knottnerus (SVP), Özlem Öner Ernart (Manager)

\* Depending on the meeting agenda, attendance of relevant departments in the meetings is ensured, particularly of those named below.

Vahan Üçkardeş (SVP), Atilla Sütgöl<sup>4</sup> (SVP), Eyüp Yıldırım<sup>5</sup> (SVP)

### COMMITTEE ACTIVITIES

The Credit Risk Committee is responsible for:

- » Providing coordination between the Bank's risk management department, loans and monitoring units, and exchanging opinions with them;
- » Reviewing market developments and the performance of the loans portfolio and risks accordingly;
- » Evaluating the results produced by the scorecard and rating models in place at the Bank, along with the loss given default and exposure at default parameters in case of default; determining the models that need to be revised/improved within the frame of these models and parameters and adopting the necessary decisions during the establishment of these models;
- » Overseeing the compliance of the models with the Bank's practices, and with national and international regulations, monitoring the performance of the models developed;
- » Supervising the use of model outputs across the Bank, their incorporation within the Bank's processes, and their utilization in necessary capital computations.

In 2014, the Committee held 4 meetings with the required quorum.

## MARKET RISK COMMITTEE

### COMMITTEE MEMBERS

M. Cüneyt Sezgin, Ph.D. (Independent Board Member), Gökhan Erün (EVP), Barış Karaayvaz (SVP), Ebru Ogan Knottnerus (SVP), Metin Kılıç (SVP), Semra Orguner Kuran (Manager), Tolga Ülgür (Supervisor)

### COMMITTEE ACTIVITIES

The Market Risk Committee is responsible for:

- » Ensuring information flow on changes in the positions exposed to market risk;
- » Assessing potential risks that will result from a new position prior to any major change in the positions held; discussing market projections;
- » Reviewing the scenarios created to identify the Bank's risk exposure;
- » Monitoring the market risk arising from trading activities, the interest rate risk arising from maturity mismatch, the liquidity risk, and risk limits and limit utilizations of the trading portfolio;
- » Reviewing the models and assumptions employed in measuring the market risk, as well as limit implementations; evaluating their relevance, and ensuring that necessary adjustments are made.

In 2014, the Committee held 5 meetings with the required quorum.

## OPERATIONAL RISK COMMITTEE

### COMMITTEE MEMBERS

**Osman Bahri Turgut**<sup>6</sup> (Head of Audit And Internal Control),  
**Emre Özbek**<sup>7</sup> (Director of Board of Auditors),  
**Ebru Ogan Knottnerus** (SVP), **Korcan Demircioğlu**<sup>8</sup> (SVP),  
**Barış Gülcan**<sup>9</sup> (SVP)

### COMMITTEE ACTIVITIES

The Operational Risk Committee is responsible for:

- » Making the operational risk definition and classifications of the Bank;
- » Ensuring the establishment of operational risk management tools across the Bank;
- » Coordinating the propagation of the necessary corporate culture to ensure that operational risks are managed by risk owners;
- » Carrying out work to set up and improve a database that will enable measurement of operational risks using the advanced method.

The Committee meets as and when necessitated by the current agenda. In 2014, the Committee held 5 meetings with the required quorum.

## ASSETS AND LIABILITIES COMMITTEE

The Assets and Liabilities Committee is charged with managing the assets and liabilities of the Bank, and its objective is to assess interest rate risk, exchange rate risk, liquidity risk 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 practices.

The Committee is chaired by the Chief Executive Officer and holds weekly meetings.

In 2014, the Committee held 51 meetings with the required quorum.

### COMMITTEE MEMBERS

**Ergun Özen** (President and CEO, Board Member), **M. Cüneyt Sezgin**, Ph.D. (Independent Board Member), **Manuel Pedro**, **Galatas Sanchez-Harguindey** (Independent Board Member), **Hüsnü Erel** (EVP), **Turgay Gönensin** (EVP), **Nafiz Karadere** (EVP), **Ali Fuat Erbil** (EVP), **Aydın Şenel** (EVP), **Onur Genç** (EVP), **Didem Başer** (EVP), **Erhan Adalı** (EVP), **Gökhan Erün** (EVP), **Ebru Dildar Edin** (EVP), **Murat Mergin** (EVP), **İbrahim Aydın** (EVP), **Recep Baştuğ** (EVP), **Alpaslan Özbey** (Garanti Payment Systems Executive Vice President), **Esra Kıvrak** (Coordinator), **Burak Ali Göçer** (Coordinator), **Yeşim Şimşek** (Coordinator), **Aydın Güler** (Coordinator), **Mahmut Akten** (Coordinator), **Metin Kılıç** (SVP), **Nihan Ziya** (SVP), **Handan Saygın** (SVP), **Ebru Ogan Knottnerus** (SVP), **Batuhan Tufan** (SVP), **Fulya Göyenc** (SVP), **Burak Yıldırım** (SVP)

Note: The Senior Vice President for Corporate Banking Coordination attends the Committee once a month. Corporate Branch Managers and Regional Managers alternate in attending the committee meetings.

## SUSTAINABILITY COMMITTEE

A Sustainability Team has been set up under the Sustainability Committee to carry out the sustainability activities of Garanti Bank.

### COMMITTEE MEMBERS

**M. Cüneyt Sezgin, Ph.D.** (Independent Board Member),  
**Adnan Memiş (EVP), Erhan Adalı (EVP), Ebru Dildar Edin (EVP),**  
**Nafiz Karadere (EVP), Murat Mergin (EVP), Osman Tüzün**  
(Coordinator)

### COMMITTEE ACTIVITIES

The Committee is responsible for:

- » Deciding the strategic direction and action plans within the frame of the Bank's sustainability activities; making assessments in this scope for the formation of the Bank's sustainability policy and strategy,
- » Coordinating the integration of sustainability policy and strategy into the Bank's operations, products, services and decision-making mechanisms,
- » Keeping all policies and processes formulated in line with sustainability activities abreast with international developments,
- » Ensuring conformity of all decisions made and all projects carried out within the frame of the sustainability structure created within the Bank with other policies and related regulations of the Bank,
- » Supervising the efficiency of efforts related to sustainability;
- » Providing information to the Board of Directors on the Committee's activities when needed.

In 2014, the Committee met **4** times with the required quorum.

## ANTI-FRAUD MONITORING COMMITTEE

The Committee is chaired by a non-executive Board member. Committee members are Senior Vice Presidents and Executive Vice Presidents of Technology and Operation Services, Branchless Banking and Retail Loans, and EVP for Retail Banking, as well as Assistant General Manager for Finance and Risk Management of Garanti Payment Systems (GÖSAŞ), Senior Vice President for Anti-Fraud Monitoring Department, Director of Internal Audit Department, Senior Vice President of Internal Control Unit, Senior Vice President of Information and Data Security, Senior Vice President of Customer Satisfaction and the related Legal Counselor.

### COMMITTEE MEMBERS

**M. Cüneyt Sezgin, Ph.D.** (Independent Board Member), **Hüsnü Erel (EVP), Onur Genç (EVP), Didem Başer (EVP), Erhan Adalı (EVP), Alpaslan Özbey** (Garanti Payment Systems Executive Vice President), **Osman Bahri Turgut<sup>6</sup>** (Head of Audit and Internal Control), **Emre Özbek<sup>7</sup>** (Director of Board of Auditors), **Korcan Demircioğlu<sup>8</sup> (SVP), Faruk Ergin (SVP), Deniz Güven (SVP), Barış Gülcan<sup>9</sup> (SVP), Vedat Cenik (SVP), Şeyda Boran Zeytinci (SVP), Aydın Küçükkarakaş** (Garanti Technology SVP)

### COMMITTEE ACTIVITIES

The Anti-Fraud Monitoring Committee is responsible for:

- » Providing feedback and suggestions regarding the strategies and precautionary actions performed by the Anti-Fraud Monitoring Department in order to prevent external fraud attempts and incidents;
- » Providing feedback on the strategies and precautionary actions that are implemented or planned to be implemented in order to prevent fraud attempts and incidents, and to minimize resulting financial and non-financial losses;
- » Assessing the impact of new products and processes to be launched at Garanti Bank on fraud risk, and providing suggestions when necessary;
- » Communicating all decisions regarding strategies and precautionary actions carried out by the Anti-Fraud Monitoring Department to the business lines in a timely manner;
- » Establishing a corporate culture and awareness of fraud throughout Garanti Bank.

In 2014, the Committee held **1** meeting with the required quorum.

## BASEL STEERING COMMITTEE

### COMMITTEE MEMBERS

M. Cüneyt Sezgin, Ph.D. (Independent Board Member), Hüsnü Erel (EVP), Erhan Adalı (EVP), İbrahim Aydınlı (EVP), Ali Fuat Erbil (EVP), Gökhan Erün (EVP)

### COMMITTEE ACTIVITIES

The Basel Steering Committee is responsible for:

- » Determining the Basel 2 roadmap,
- » Conducting the GAP analyses,
- » Carrying out the human resource planning and forming the task forces; monitoring the activities of these task forces,
- » Planning and monitoring the work regarding Basel 2.5 and 3.

In addition, the Committee ensures coordination of the team performing these activities.

The Committee meets when necessitated by the current agenda. In 2014, the Committee held one meeting with the required quorum.

## COORDINATION AND SUPERVISION COMMITTEE

The Coordination and Supervision Committee is responsible for:

- » Ensuring coordination among the Bank's senior management, observing the developments in the responsibilities and projects undertaken.

The Committee holds regular weekly meetings. In 2014, the Committee met 43 times with the required quorum.

### COMMITTEE MEMBERS

Ergun Özen (President and CEO, Board Member), M. Cüneyt Sezgin, Ph.D. (Independent Board Member), Manuel Pedro Galatas Sanchez-Harguindey (Independent Board Member), H. Hüsnü Erel (EVP), Onur Genç (EVP), Gökhan Erün (EVP), Recep Baştuğ (EVP), F. Nafiz Karadere (EVP), A. Fuat Erbil (EVP), Didem Başer (EVP), İbrahim Aydınlı (EVP), Adnan Memiş (EVP), Erhan Adalı (EVP), Aydın Şenel (EVP), Turgay Gönensin (EVP), A. Aydın Düren (EVP), B. Ebru Edin (EVP), Murat Mergin (EVP)

## DISCIPLINARY COMMITTEE

### COMMITTEE ACTIVITIES

The Disciplinary Committee is responsible for:

- » Reviewing and deciding on the matters referred to it based on the relevant articles of the Garanti Bank Ethical Principles,
- » Examining, sua sponte, any acts and practices, if any, that are established to be contrary to the laws, banking customs, Garanti Bank Ethical Principles, 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 the Garanti Bank Ethical Principles, both in their behaviors and their practices, and undertaking the function of monitoring such adherence and acting as a safeguarded authority 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 steering the concerned subsidiaries and overseeing the measures taken.

As a rule, the Disciplinary Committee holds at least three meetings every year. The Committee holds additional meetings when deemed appropriate. In 2014, the Committee met 3 times.

### COMMITTEE MEMBERS

Gökhan Erün (EVP), A. Fuat Erbil (EVP), Adnan Memiş (EVP), Erhan Adalı (EVP), Onur Genç (EVP), F. Nafiz Karadere (EVP), A. Aydın Düren (EVP), Aydın Şenel (EVP), İbrahim Aydınlı (EVP), Osman Tüzün (Coordinator), Cem Bahadır Mutlu (Corporate Branch Manager), Eşref Akın<sup>10</sup> (Loan Region Manager)

**ADVISORS**

**Osman Bahri Turgut**<sup>6</sup> (Head of Audit and Internal Control),  
**Emre Özbek**<sup>7</sup> (Director of Board of Auditors), **Şevki Ögüt**<sup>11</sup>  
 (Assistant Director of Board of Auditors), **Barış Gülcan**<sup>9</sup> (SVP)

**BUSINESS LAW ADVISOR**

**Ali Aktan** (Assistant Legal Counsel)

**REPORTERS**

**Elvin Kurtuldu** (Manager), **Murat Özdemir** (Manager),  
**Osman Bahri Turgut**<sup>6</sup> (Head of Audit and Internal Control),  
**Emre Özbek**<sup>7</sup> (Director of Board of Auditors),  
**Ebru Ogan Knottnerus** (SVP), **Korcan Demircioğlu**<sup>8</sup> (SVP),  
**Barış Gülcan**<sup>9</sup> (SVP)

**CREDIT PROCEDURE COMMITTEE**

The Credit Procedure Committee holds meetings on a quarterly basis or at shorter intervals when deemed necessary, in order to ensure efficient execution of the lending process in compliance with applicable legislation. During the meetings, problems are discussed and the decisions taken are put into life. Other managers whose attendance is deemed necessary or useful according to the meeting agenda are invited to the Committee.

In 2014, the Committee held **3** meetings.

**COMMITTEE MEMBERS**

**Erhan Adalı** (EVP), **F. Nafiz Karadere** (EVP), **Recep Baştuğ** (EVP),  
**A. Fuat Erbil** (EVP), **Onur Genç** (EVP), **Adnan Memiş** (EVP),  
**A. Aydın Düren** (EVP), **Osman Bahri Turgut**<sup>6</sup> (Head of Audit and Internal Control), **Murat Atay** (General Manager of Garanti Mortgage), **Alpaslan Özbey** (Garanti Payment Systems Executive Vice President), **Yeşim Şimşek** (Coordinator),  
**Mustafa Tiftikçioğlu** (Coordinator), **Esra Kıvrak** (Coordinator),  
**Mahmut Akten** (Coordinator), **Çiğdem Yılmaz** (SVP),  
**Demet Yavuz** (SVP), **Pınar Denizaşan** (Garanti Payment Systems Head of Risk Management), **Faruk Ergin** (SVP),  
**Emre Özbek**<sup>7</sup> (Director of Director of Board of Auditors),  
**Barış Gülcan**<sup>8</sup> (SVP), **Serhan Pak** (SVP), **Vahan Üçkardeş** (SVP),  
**Atilla Sütgözü**<sup>2</sup> (SVP), **Eyüp Yıldırım**<sup>13</sup> (SVP), **Berna Avdan** (SVP),  
**İsmihan Okyay** (SVP), **Sedat Enes** (SVP), **İnci Soysal** (SVP),  
**Çağlar Kılıç** (SVP), **Fulya Göyenc** (SVP), **Kerem Toksöz** (SVP)

In addition, one of the Regional Loan Managers located in Istanbul attends one out of every **2** meetings.

**COST MANAGEMENT COMMITTEE**

The Committee is responsible for:

- » Sharing the progress in key performance indicators and the budget performance of budget centers that are followed-up in parallel with the expense budget at certain intervals with the senior management,
- » Sharing the actions that can be taken to prevent possible budget overruns,
- » Communicating the existing and possible action plans for potential saving areas,
- » Obtaining the Committee guidance/approval for identified improvement areas and aspects that require action.

The Committee keeps the Senior Management informed through regular monthly reports. The Cost Management Committee meets once in four months or at longer intervals depending on the need.

In 2014, the Committee held **2** meetings.

**COMMITTEE MEMBERS**

**Ergun Özen** (President and CEO, Board Member), **Murat Mergin** (EVP), **H. Hüsnü Erel** (EVP), **Aydın Şenel** (EVP), **Onur Genç** (EVP), **Gökhan Erün** (EVP), **Adnan Memiş** (EVP), **Aydın Güler** (Coordinator), **Kurtuluş Erdoğan** (SVP)

**PERSONNEL COMMITTEE**

The Personnel Committee has been set up to determine the Bank's HR policy, 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 meets as and when necessitated by the current agenda. In 2014, the Committee held **4** meetings.

**COMMITTEE MEMBERS**

**Ergun Özen** (President and CEO, Board Member), **H. Hüsnü Erel** (EVP), **Onur Genç** (EVP), **Recep Baştuğ** (EVP), **F. Nafiz Karadere** (EVP), **A. Fuat Erbil** (EVP), **Didem Başer** (EVP), **Adnan Memiş** (EVP), **Erhan Adalı** (EVP), **Gökhan Erün** (EVP), **İbrahim Aydın** (EVP), **Aydın Şenel** (EVP), **Turgay Gönensin** (EVP), **A. Aydın Düren** (EVP), **B. Ebru Edin** (EVP), **Osman Tüzün** (Coordinator), **Yeşim Şimşek** (Coordinator), **Esra Kıvrak** (Coordinator), **Burak Ali Göçer** (Coordinator), **Mustafa Tiftikçioğlu** (Coordinator), **Mahmut Akten**<sup>14</sup> (Coordinator), **Aydın Güler**<sup>15</sup> (Coordinator), **Elvin Kurtuldu** (Manager), **Murat Özdemir** (Manager)

\*Regional Managers and Regional Loan Managers alternate in attending the committee.

## AML COMPLIANCE COMMITTEE

The AML Compliance Committee is formed of the Compliance Officer and the directors or appointed representatives of the Internal Audit Department, Legal Department and Internal Control Unit. When necessary, attendance of representatives from other units is ensured. The Committee gives support to the Compliance Officers in all activities in relation to the legislation governing laundering proceeds of crime and financing of terrorism. The Committee also functions as an advisory board for ensuring and monitoring that the relevant basic functions are fulfilled. The Committee works towards establishing a corporate culture for preventing the laundering proceeds of crime and financing of terrorism. The Committee decides on elimination of customers that are considered to be unaligned with the Bank's policies, and monitors the finalization of the process.

The Committee meets regularly once in every two months. In 2014, the Committee held 6 meetings.

### COMMITTEE MEMBERS

**Emre Özbek**<sup>7</sup> (Director of Director of Board of Auditors), **Barış Gülcan**<sup>8</sup> (SVP), **Berna Avdan** (SVP), **İnci Soysal** (Compliance Officer), **Korcan Demircioğlu**<sup>9</sup> (SVP)

## TRAINING STRATEGIES COMMITTEE

The Training Strategies Committee holds meetings for sharing the current or future efforts undertaken for the Bank's performance, and moving forward upon obtaining the approval of Senior Management. The Committee seeks support for monitoring the reflection of the training provided upon business, and works to improve the Bank's performance by getting management support for extending training and performance across the organization.

The Committee meets at least two and at most three times a year (including the September meeting). The meetings are scheduled at the start of the year depending on the availability of Committee members and the markets. One meeting is held by end-November or early-December with the participation of member EVPs. The meetings held in the absence of member EVPs take place in April or May, or optionally in September.

In 2014, the Committee held 2 meetings.

### COMMITTEE MEMBERS

**A. Fuat Erbil** (EVP), **Recep Baştuğ** (EVP), **F. Nafiz Karadere** (EVP), **Onur Genç** (EVP), **Erhan Adalı** (EVP), **Gökhan Erün** (EVP), **Osman Tüzün** (Coordinator), **İlker Yavaş** (Coordinator), **Yeşim**

**Şimşek** (Coordinator), **Esra Kıvrak** (Coordinator), **Burak Ali Göçer** (Coordinator), **Mustafa Tiftikçioğlu** (Coordinator), **Serhan Pak** (SVP), **Faruk Ergin** (SVP), **Vahan Üçkardeş** (SVP), **Aylin Obalı** (SVP), **Berna Avdan** (SVP), **Utku Ergüder** (SVP), **Fulya Göyenc** (SVP), **Sinem Edige** (SVP), **Atilla Sütgöl**<sup>4</sup> (SVP), **Adnan Kesim**<sup>16</sup> (SVP), **Eyüp Yıldırım**<sup>13</sup> (SVP)

\* During the year in which committees meet, Regional/Regional Loan Managers who participate both in the Disciplinary Committee and the Personnel Committee, the concerned Manager and Supervisor from the Training Department, and various SVPs/EVPs depending on the developments during the year take part in the Training Strategy Committee.

Related explanations:

- 1 - On 03 October 2014, Jaime Saenz De Tejada Pulido has been appointed as a member of the Board of Directors.
- 2 - On 03 October 2014, Sema Yurdum has been appointed as a member of the Corporate Governance Committee.
- 3 - Investor Relations functions are performed by the Investor Relations Department and Tax Management Department-Shareholders/Subsidiaries Unit at Garanti Bank. As disclosed to the Public Disclosure Platform following the Corporate Governance Committee meeting held in January 2014, Aydın Şenel, the EVP for Tax Management and Purchasing who holds Capital Market Activities Advanced Level License and Corporate Governance Rating Specialist License attends the Corporate Governance Committee meetings as the 'Director of Investor Relations' and 'Member of Corporate Governance Committee', and Handan Saygın attends the Corporate Governance Committee meetings as the 'Senior Vice President of Investor Relations.
- 4 - On 01 October 2014, Atilla Sütgöl has been appointed as the Senior Vice President of Special Cases Collections.
- 5 - On 01 October 2014, Eyüp Yıldırım has been appointed as the Senior Vice President of Commercial Products Risk Monitoring.
- 6 - On 06 March 2014, Osman Bahri Turgut has been appointed as the Head of Audit and Internal Control.
- 7 - On 06 March 2014, Emre Özbek has been appointed as the Director of Board of Auditors.
- 8 - On 06 March 2014, Barış Gülcan has been appointed as the Senior Vice President of Internal Control Unit.
- 9 - On 01 July 2014, Korcan Demircioğlu has been appointed as the Senior Vice President of Anti-Fraud Monitoring.
- 10 - Serves as a member on the Committee since January 2014.
- 11 - Serves as a member on the Committee since July 2014.
- 12 - On 01 October 2014, Atilla Sütgöl has been appointed as the Senior Vice President of Special Cases Collections.
- 13 - On 01 October 2014, Eyüp Yıldırım has been appointed as the Senior Vice President of Commercial Products Risk Monitoring.
- 14 - Serves as a member on the Committee since January 2014.
- 15 - Serves as a member on the Committee since January 2014.
- 16 - On 22 September 2014, Adnan Kesim has been appointed as the Senior Vice President of Regional Loans Coordination.

Note: As used in the titles of committee participants, EVP stands for Executive Vice President and SVP for Senior Vice President.

# RISK MANAGEMENT

# RISK MANAGEMENT POLICIES



## RISK MANAGEMENT AND INTERNAL AUDIT ORGANIZATION

At Garanti Bank, risk management, internal audit and control activities are carried out in compliance with applicable legislation and independent of executive functions through an organization that reports directly to the Board of Directors.

The Board of Directors is ultimately responsible for establishing and ensuring the effective functioning of risk management, internal audit and control systems and for devising, implementing and maintaining risk management and internal audit strategies and policies that are compatible with Garanti Bank's capital and risk level.

In keeping with the importance given to corporate governance principles, the Audit Committee carries on with its activities in order to ensure performance of the audit and supervision functions of the Board of Directors. The Audit Committee receives information from the units set up under internal control, internal audit, risk management, anti-fraud and compliance systems, as well as from the independent auditor, with regard to performance of their activities. The Committee confirms that adequate methods are in place to identify, control and monitor Garanti Bank's risk exposure and regularly informs the Board of Directors of its activities and their results.

The Audit Committee also gives its opinion to the Board of Directors regarding activity results of the responsible departments, necessary actions and other issues it deems important for safe conduct of Garanti Bank's activities.

## ACTIVITIES OF THE INTERNAL AUDIT DEPARTMENT

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 mentioned 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.

Moreover, by way of inquiries and investigations covered among the activities of the Internal Audit Department, fraud, swindling

and counterfeiting activities are prevented or noticed, upon which necessary managerial actions are taken immediately.

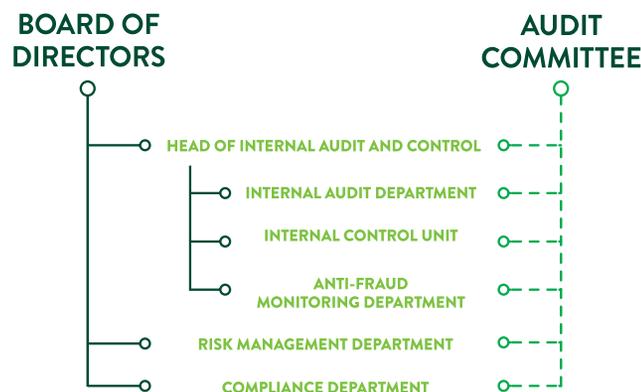
The Internal Audit Department performs its activities under the categories of on-site audits, centralized audits, inquiries/investigations, and IT audits, financial statement audits and risk management audits conducted by specialized teams. The Department has been organized so as to realize these activities in the most efficient manner.

- » On-site audits cover head office departments, consolidated subsidiaries and other associated companies, regional offices and branches of Garanti Bank. During these audits, prioritization is carried out in line with the risk-orientation principle, and focus is placed on processes rather than isolated errors.
- » Within the scope of centralized audits, deficiencies and errors in products, applications and processes are determined through remote monitoring techniques. Customer complaints are analyzed, whereby hitches in processes and applications are identified and coordination is ensured with related parties for necessary action.
- » Scenario supported analysis and reviews are conducted for establishing and preventing internal misconduct.
- » The specialized IT audit team audits the information systems of the Bank. Within this scope, IT processes, banking processes/applications, subsidiaries and overseas branches are included in the audit scope, and are audited within the frame of the annual audit plan produced based on annual periodic risk assessment activities.
- » Financial statement audits increase audit efficiency in consolidated subsidiaries, as well as in Garanti Bank.
- » Within the scope of risk management audits, process-based audits are conducted which take into consideration internal and legal regulations concerning the Bank's basic risk types.
- » Within the scope of investigation works, all acts of fraud and internal swindling are examined. Work is carried out in coordination with the Anti-Fraud Monitoring Department and the expert team, organized under the centralized audit, which works to establish internal misconduct through early warning signals.

The Internal Audit Department prepares the annual audit plans based on a risk-focused approach, and in accordance with the resources and priorities of the Department and with the goals and strategies of Garanti Bank. The scope and frequency of audits are determined according to the assessments based on risk weights and results of previous audits. The plans are prepared to ensure efficient use of existing resources and to maximize the benefit the Bank derives from the activities.

Pursuant to the Regulation on the Internal Systems of Banks and Internal Capital Adequacy Assessment Process issued by the Banking Regulation and Supervision Agency (BRSA), the Internal Capital Adequacy Assessment Process (ICAAP), which covers risk-based capital assessments, is audited within the framework of applicable legislation and internal guidelines.

In accordance with 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 the internal audit activities of consolidated entities in a consolidated and coordinated manner. Accordingly, the Bank's consolidated subsidiaries are audited by the Internal Audit Department in line with the annual audit plan that considers risk priorities. The audit encompasses the important processes of the above-mentioned subsidiaries and financial information provided by the concerned to the parent company. Moreover, the Internal Audit Department coordinates the activities for putting into life the group standards adopted within the frame of internal audit implementations at consolidated subsidiaries.



#### ACTIVITIES OF THE INTERNAL CONTROL UNIT

The Internal Control Unit ensures that a sound internal control environment is in place at the Bank. Accordingly, this unit performs the necessary coordination work in this regard, assuring that the Bank's activities are performed regularly, efficiently, effectively and in accordance with the management strategy and policies of the Bank and the applicable legislation

and regulations. In this context, infrastructures are set up to ensure functional separation of tasks, sharing of authorities and responsibilities, establishment of a sound reconciliation system, integration of self-control mechanisms and systemic controls into processes, and the identification and monitoring of risks the Bank is exposed to. Internal controllers reporting to the Internal Control Unit perform monitoring tasks using centralized and on-site control methods:

- » Within the scope of Centralized Control, retail loans and investment banking transactions of all branches are examined in a sampling methodology in addition to monitoring the compliance of all of the Bank's accounting and MIS records. Furthermore, in commercial loans of all branches that have been excluded from on-site control as a result of the risk assessment conducted, agreements, collaterals and the documentation are examined in a sampling methodology by the Central Control team in terms of their compliance with the Bank's procedures and the legislation.
- » In on-site controls, Head Office units and branches that have been selected upon a risk-based assessment and the Pension Fund undergo controls for the compliance of their transactions and documentation with internal regulations and applicable legislation. These activities also use tools such as risk reporting and self-assessment.
- » The IT Controls team, set up under 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 the control items so defined to control activities in accordance with the 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 Internal Control Unit is also assigned with the coordination of disaster recovery and business continuity management at Garanti Bank. Within this scope; in addition to the efforts on maintaining the existing Disaster Recovery and Business Continuity Plan, periodical tests are executed with relevant units in order that critical processes in the plan, required back-up systems and alternative working sites are kept ready for resuming activities in a projected period and quality.

#### ACTIVITIES OF THE ANTI-FRAUD MONITORING DEPARTMENT

The Anti-Fraud Monitoring Department adopts an "enterprise fraud prevention" approach and centrally monitors card, merchant, Internet and application fraud. Within the scope of

monitoring and controlling operational risks that Garanti Bank is exposed to, the Anti- Fraud Monitoring Department develops strategies to proactively monitor, detect, control and prevent acts of external fraud. The Department takes action rapidly and efficiently against constantly changing fraud trends thanks to its ever-growing experience and expertise, combines with its quick adaptation to new technologies. Through analyses of acts of fraud, the Department works to minimize the potential losses of the Bank and the customers that may arise due to acts of external fraud. The Department develops 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 information about the same within the Bank and with other banks. In addition to that, the Department carries out training and awareness programs in order to help Garanti Bank personnel understand the importance of the prevention of fraud risks and to establish this culture throughout the Bank. Within the scope of monitoring and prevention of fraud attempts and incidents, the Department follows up technological developments to increase the security of products and services provided via alternative delivery channels and card-based payment systems, and to detect and prevent credit card and consumer loan application frauds and attempts of account takeover. For this purpose, the Department develops strategies that are compliant with the Bank's policies and takes the most efficient and effective actions quickly.

#### ACTIVITIES OF 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. Organized to address two main fields of activity so as to achieve these goals under the names Compliance Controls Team and Compliance Officer Team, the Compliance Department is assigned with the following tasks:

In accordance with Article 18 of the Regulation on the Internal Systems of Banks and Internal Capital Adequacy Assessment Process issued by the BRSA, a Compliance Controls Team is set up under the Compliance Department to perform the compliance function with respect to applicable laws and corporate standards, against situations that might lead Garanti Bank to suffer financial losses, cancellation of authorization or loss of reputation. The Compliance Controls Team coordinates and supervises control mechanisms that are in place regarding the compliance of Garanti Bank's ongoing and future activities,

new transactions and products with laws, internal policies and rules, and banking practices. The Compliance Controls Team also monitors the need for revising the processes according to regulatory changes and notifies such changes to related employees. In addition, the Team forms its opinion on new products and transactions before they are implemented. Other key responsibilities of the compliance function include the monitoring of compliance risks arising from foreign legislation via assigned employees who are responsible for overseeing compliance with local regulations at consolidated subsidiaries and branches abroad and carrying out necessary work aimed at continuous improvement of the compliance culture and awareness within Garanti.

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 performing the duties and responsibilities outlined above, the Compliance Department cooperates with the Internal Audit Department, Internal Control Unit, Training Department and Legal Department, and works in coordination with relevant people accordingly.

#### RISK MANAGEMENT ACTIVITIES

Garanti Bank measures and monitors its risk exposure on consolidated and unconsolidated bases by using methods that comply with international standards, and in accordance with the applicable legislation. Advanced risk management software

is utilized in measuring and reporting operational risk, trading risk, credit risk and regulatory capital.

The Bank's risk management strategy, policies and implementation procedures are reviewed within the frame of the Bank's needs and the efforts carried out under the risk-based best practice guidelines issued by the BRSA. During the process, the Basel Steering Committee, which is set up to ensure the Bank's alignment with Basel guidelines and to monitor efforts undertaken to achieve compliance, actively continues to ensure internal coordination.

Risk management handles the preparation of the report on determining the Bank's risk appetite and internal capital adequacy assessment process by coordinating the concerned parties. In addition, stress test reports are submitted to the BRSA, which address how the potential negative effects on macroeconomic data in Turkey might alter the Bank's three-year budget plan and results within the frame of certain scenarios, as well as their impact upon key ratios including the capital adequacy ratio.

#### MARKET RISK

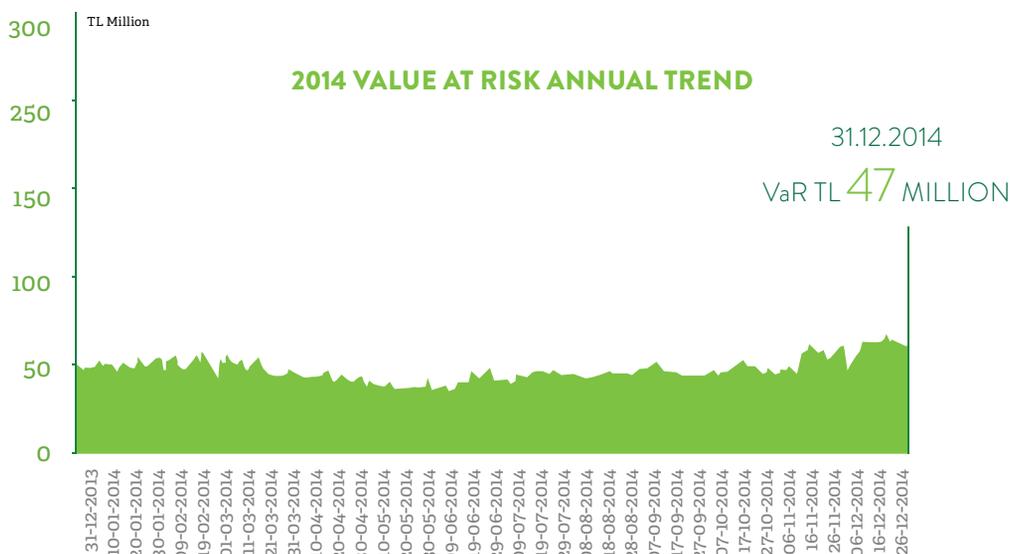
Market risk is measured in accordance with applicable regulations, Garanti Bank's policies and procedures, employing internationally accepted methodologies that are aligned with the Bank's structure, and they are evaluated within a continuously improving structure. Market risk is managed by measuring 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 VaR model. Value-at-Risk 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 certain confidence interval and a certain probability. VaR is calculated using historical simulation method and one-year historical data at 99% confidence interval. Regular backtesting is conducted to measure the reliability of the VaR model. The model is subjected to validation on an annual basis. VaR limits are determined in accordance with the capital allocation approved by the Board of Directors and dynamically updated depending on changes in the Bank's shareholders' equity. These limits are monitored and reported daily by the Risk Management Department. VaR stood at TL 47 million by the end of 2014 and its average value for 2014 was TL 44 million. There was no significant change in VaR when compared to 2013. While the expanded trading portfolio played a part in the rise in the VaR trend observed in September, VaR dropped down to the level of the annual average as a result of the changed balance of FX position and derivatives portfolio. VaR does not constitute an important risk for the Bank in view of the amount of Garanti Bank's shareholders' equity. 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.

#### INTEREST RATE RISK RESULTING FROM THE BANKING BOOK

Duration/gap and sensitivity analyses reports are prepared to determine Garanti Bank's exposure to interest rate risk arising from maturity mismatches in its balance sheet. The Assets and Liabilities Committee (ALCO) and the Asset-Liability Management Department use the duration/gap report for



managing balance sheet interest rate risk and for liquidity management.

To manage basis, funding and country credit spread risks, long-term funding sources such as bond issuance, syndication and securitization have been provided, in addition to using instruments such as interest rate swaps and credit default swaps (CDS).

Approval of the Assets and Liabilities Committee is required for hedging transactions that are related to Garanti Bank's balance sheet.

The interest rate risk resulting from the banking book is measured on an unconsolidated basis, using the standard shock method; the regulatory limit is observed, and the same are reported to the Banking Regulation and Supervision Agency (BRSA) on a monthly basis.

### LIQUIDITY RISK

Within the frame of the risk management policies approved by the Board of Directors, the Asset-Liability Management Department (ALMD), Liquidity Risk Management Committee (LRMC), and Assets and Liabilities Committee (ALCO) manage liquidity risk in order to take appropriate and timely measures in case of a liquidity squeeze arising from market conditions or Garanti Bank's balance sheet structure. As part of the contingency funding plan, Garanti Bank monitors liquidity risk within the context of early warning signals, stress levels defined according to possible liquidity risk scenario and severity of the risk, the cash need that will arise in possible scenarios, and action to be taken at each stress level in a corporate framework. Core-deposit and average lifetime analyses are performed for deposits, which are an important balance sheet item in terms of liquidity management. Liquidity risk is monitored on the basis of internal benchmark limits and care is paid to ensure compliance with the regulatory liquidity ratio requirements. Highly liquid assets and alternative funding sources are evaluated by cash flow projections in order to meet liquidity requirements at stress conditions. Concentrations in funding sources are tracked. Day-to-day liquidity management is performed by the Asset-Liability Management Department.

### CREDIT RISK

Credit risk management is a process for consistently evaluating and monitoring credit risk, and covers all credit portfolios. The internal risk rating model, which was developed for corporate and commercial loans portfolio, has been used in the loan granting process since 2003, and was incorporated into the relevant lending policies and procedures. This model was developed using statistical methods on historical data, in order

to rate customers using objective criteria. The internal risk rating model calculates the default probability for each client. Under the Circular on Internal Rating Reporting issued by the Banks Association of Turkey (in Turkish: TBB), ratings assigned to each client, risk classes of rated clients, and rating scales of rated clients are reported to the TBB Risk Unit.

Collection performances of non-performing loans in any portfolio are analyzed, and loss given default ratios are calculated in view of the time value of the money and costs incurred for making the collections, on the basis of segments in the case of commercial loans and of products and segments in the case of retail loans. Limit utilization ratios are examined for corporate, commercial and small enterprises portfolios prior to default, and conversion rates are calculated on the basis of each portfolio. These ratios are used to calculate expected loss-based provisions and internal capital requirement. Moreover, under the IAS 39 concerning provision calculation, the impaired portfolio across the Bank is identified and a collective provision calculation is performed. Concentrations are monitored across the portfolio with respect to internal risk ratings, sectors, regions, groups and clients. Risk adjusted return-based limits are determined on the basis of products for retail portfolios, and of sectors for corporate portfolios across the Bank. Models are used for the evaluation of specialized lendings according to supervisory slotting criteria and renewal studies are performing on models for construction loans and holdings. In the allocation processes of general-purpose, auto, mortgage, commercial mortgage, home equity, overdraft loans and commercial credit cards and credit card portfolio, which are evaluated under retail and SME lending processes, a union score is utilized, which is a combination of application, behavior and bureau scores. Within the context of treasury operations, necessary netting agreements are made and counterparty credit risks are monitored accordingly. Work is underway for software implementations that will allow the use of advanced measuring methods.

Qualitative and model design validation is carried out for rating models that are primarily used for capital calculation.

Work is carried out for achieving compliance with the communiqués, regulations and guidelines the BRSA issued in relation to credit risk.

### OPERATIONAL RISK

All operational risks at Garanti Bank are managed under the supervision of the Board of Directors and the Audit Committee, within the scope of risk identification, assessment, monitoring and control/mitigation.

The Audit Committee oversees and evaluates the results of the operational risk monitoring activities of the Internal

Audit Department and the Internal Control Unit. Garanti Bank carries out the necessary work in line with local and international regulations (Basel II) to measure operational risk in accordance with its scale, the internal control systems in place, and databases. At Garanti Bank, measuring and managing operational risks are monitored primarily in the frame of the risk matrix, which is created by grouping existing and potential operational risks at Garanti Bank, the business lines, cause-effect types and Basel II event types that those risks belong to. The audit status, impact and probability of each risk are evaluated within this matrix with a view to controlling the risks. The risk matrix is monitored, updated and used in their reviews by the Internal Control Unit and the Internal Audit Department. Garanti Bank's operational risk loss data are collected and evaluated in an internal loss database centrally and systematically and in compliance with Basel II standards.

Work is carried out for achieving compliance with the best practices guidelines the BRSA issued in relation to operational risk management.

#### REPUTATIONAL RISK

The Bank avoids all kinds of transactions and activities that would cause reputational risk in the eyes of legal authorities, customers and other market actors. The Bank pays utmost attention to be beneficial to the society, the natural environment and humanity. 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 preserve and improve the Bank's reputation before the customers, and to minimize the Bank's impact upon the environment. Efforts carried out to this end include monitoring the media, the press and social media platforms with respect to the Bank's reputation and managing potential impacts; ensuring sustainable awareness of compliance with laws and corporate standards, and development of processes that guarantee management of IT/information security and IT-related risks.

#### OTHER RISKS

Software development is ongoing, which is aimed at measuring the counterparty credit risk according to the internal model method. The Bank manages country and transfer risk, strategic risk, concentration and residual risks in alignment with the strategies, policies and implementation procedures devised.

### MANAGERS OF INTERNAL SYSTEMS UNITS AND THEIR NAMES, TERMS OF OFFICE, RESPONSIBILITIES, EDUCATIONAL BACKGROUND & PROFESSIONAL EXPERIENCE

#### EBRU OGAN KNOTTNERUS

Ebru Ogan Knottnerus graduated from the Business Administration Department of the Middle East Technical University. She worked as an executive at various privately-held companies and banks between 1991 and 2001. Having joined the Subsidiaries Risk Management Department of Garanti in 2001, Ogan has been serving as Garanti Bank's Risk Management Senior Vice President since 2003. The responsibilities of the Risk Management Senior Vice President are outlined below:

- » Ensure that risk management culture is recognized and risk management principles are widely embraced throughout Garanti Bank and its subsidiaries,
- » Set up an integrated risk management system, which measures market, credit and operational risks together, and which is in compliance with applicable legislation, and ensure that, by means of this system, Garanti Bank's capital is used in a way to maximize the Bank's value,
- » Determine risk management strategies and policies of Garanti Bank and present these to the Board of Directors.

#### OSMAN BAHRI TURGUT

Osman Bahri Turgut holds a degree in economics from Marmara University. He joined Garanti in 1990 and worked as an Assistant Auditor, Auditor, Branch Manager, Assistant Director of the Internal Audit Department, Commercial Loans Senior Vice President, Internal Control Unit Manager and Director of the Internal Audit Department. Serving as the Head of Internal Audit and Control since 6 March 2014, he has 24 years of experience in the banking sector.

Head of Internal Audit and Control is responsible for executing and coordinating the operations of the Internal Audit Department, Internal Control Unit and Anti-Fraud Monitoring Department within the scope of the strategies and policies set out by the Board of Directors.

#### İNCİ SOSYAL

İnci Soysal graduated from the Business Administration Department of the Middle East Technical University, the Faculty of Economics and Administrative Sciences. She joined Garanti Bank as an Assistant Internal Auditor in 2000 and was appointed as the Compliance Officer in 2010. Having 15 years of

experience in the banking sector, Ms. Soysal has the following responsibilities in the capacity of Compliance Senior Vice President, a position she has been holding since July 2012:

- » 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 efforts to achieve compliance with the regulations issued in relation to prevention of laundering proceeds of crime 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 line with the legislation and ensure effectiveness thereof; carry out activities in relation to the identification and notification of suspicious transactions; oversee the preparation of statistics on internal audits and trainings and inform MASAK, and fulfill the obligation of providing MASAK with information and documents in accordance 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 compliance risks that may arise from regulatory changes and for mitigation of those risks.

#### EMRE ÖZBEK

Emre Özbek got 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 and as the Senior Vice President of the Internal Control Unit in 2009. Mr. Özbek, also holding the certificates of CIA (Certified Internal Auditor) and CBRM (Certified Business Resilience Manager) and having 16 years of banking experience, has been serving as the Director of the Internal Audit Department since 6 March 2014. The responsibilities of the Director of the Internal Audit Department are outlined below:

- » Determine internal audit policies and procedures and implement these after obtaining the necessary approvals,
- » Monitor and guide the supervision, auditing, policies, programs, processes and practices of internal audit activities,
- » Verify that Department members possess the qualifications required by their authorities and responsibilities.

#### KORCAN DEMİRCİOĞLU, PH.D.

Korcan Demircioğlu got his bachelor's and master's degrees in economics from Boğaziçi 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 Senior Vice President of Anti-Fraud Monitoring Department since 1 July 2014, Mr. Demircioğlu has 14 years of experience in the banking sector. The responsibilities of the Anti-Fraud Monitoring Senior Vice President 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.

#### BARIŞ ERSİN GÜLCAN

Bariş Ersin Gülcan got his bachelor's degree in economics and his master's degree in HR Management from İstanbul 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 17-year experience in the banking sector, he functioned as Compliance Officer and Assistant Director of the Internal Audit Board. Mr. Gülcan, also holding the certificates of CIA (Certified Internal Auditor) since 2004 and CPA (Certified Public Accountant) since 2005, assumed the position of Senior Vice President of Internal Control Unit in March 2014. The responsibilities of the Internal Control Unit Senior Vice President 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 top management to define the principles and procedures governing the distribution of internal control tasks between operational employees and internal control employees 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.

Osman Bahri TURGUT has been appointed as the Head of Internal Audit and Control Department on 06 March 2014.

Emre ÖZBEK has been appointed as the Director of Internal Audit Department on 06 March 2014.

Korcan DEMİRCİOĞLU has been appointed as Senior Vice President of Anti-Fraud Monitoring Department on 01 July 2014.

Barış GÜLCAN has been appointed as Senior Vice President of Internal Control Unit on 06 March 2014.

## SUPPORT SERVICES PROVIDERS

Companies providing support services in accordance with the regulation on the provision of support services to banks and the authorization of support service providers are indicated below, together with the type of the service outsourced:

- » AGT Kurye Hizmetleri A.Ş.: Credit/debit card delivery.
- » Atos Bilişim Danışmanlık ve Müşteri Hizmet Sanayi ve Tic. A.Ş.: Card sales, business place verification, CPP calls (calls for informing customers whose cards are closed and renewed due to security concern), limit increase, address update and persuasion calls other calls via the Call Center
- » Austuria Card Turkey Kart Operasyonları A.Ş.: Card embossing and personalization services.
- » BGA Bilgi Güvenliği Eğitim ve Danışmanlık A.Ş.: Penetration test.
- » Brink's Güvenlik Hizmetleri A.Ş.: Cash delivery within the scope of Law No. 5188.
- » Callpex Çağrı Merkezi ve Müşteri Hizmetleri A.Ş.: Card sales, delivery, recovery and debt notification calls via the Call Center, data entrance and filing of the requests received by the customers and informing the customers regarding the evaluation results of requests.
- » CMC İletişim Bilgisayar Reklam ve Danışmanlık Hizmetleri San. Tic. A.Ş.: Card sales, instruction verification, delivery and recovery calls via the Call Center.
- » Collection Platform Yazılım ve Danışmanlık A.Ş.: Call center/ declaration of liability/ reminder calls
- » Crif Alacak Yönetim ve Danışmanlık Hizmetleri A.Ş.: Call center/ declaration of liability/ reminder calls
- » Der Pos Ödeme Sistemleri ve Pazarlama Tic. Ltd. Şti.: Merchant acquisition, demand collection, document delivery to the Bank.
- » Doksanaltı İnternet Danışmanlık Hizmetleri ve Tic. Ltd. Şti.: Online marketing of mortgage products.
- » Enkolay Bilgi Teknolojileri Pazarlama Reklam ve Ticaret A.Ş.: Online marketing of mortgage products.
- » Enuygun Com İnternet Bilgi Hizmetleri Teknoloji ve Tic. A.Ş.: Online marketing of mortgage products.
- » FU Gayrimenkul Danışmanlık A.Ş.: Pledge formalities at the land registry offices.
- » Garanti Hizmet Yönetimi A.Ş.: Carrying out the operational aspects of investment activities.
- » Garanti Konut Finansmanı Danışmanlık Hizmetleri A.Ş.: Marketing and consulting services in relation to mortgage products.
- » Garanti Ödeme Sistemleri A.Ş.: Marketing, promotion, product development and consulting services related to payment systems, primarily debit and credit cards, reminder, debt notification calls, help desk, informing customers about their account information, updating customer personal information, demand collection regarding credit/ debit card activation, deactivation, limit increase or decrease
- » Global Bilgi Pazarlama Danışma ve Çağrı Servisi Hizmetleri A.Ş.: Debt Notification Calls
- » Hangisi İnternet ve Bilgi Hizmetleri A.Ş.: Online marketing of mortgage products.
- » IBM Global Services İş ve Teknoloji Hizmetleri ve Tic. Ltd. Şti.: Disaster recovery center back-up service.
- » Ingenico Ödeme Sistem Çözümleri A.Ş.: POS software development and upgrading services.
- » Karbil Bilgisayar (Cordis): Cash register POS software development and upgrading services.
- » Kayragrup Pazarlama Danışmanlık ve Destek Hizmetleri Tic. Ltd. Şti.: Merchant acquisition and credit marketing at car dealers, demand collection, document delivery to the Bank.
- » Konut Kredisi Com Tr Danışmanlık Anonim Şti.: Online marketing of mortgage products.
- » Kurye Net Motorlu Kuryecilik ve Dağıtım Hizmetleri A.Ş.: Credit/debit card delivery.
- » Loomis Güvenlik Hizmetleri A.Ş.:Cash, document and gold delivery within the scope of Law No. 5188.
- » Matriks Bilgi Dağıtım Hizmetleri A.Ş.: Software/ software maintenance/ update services.
- » Sestek Ses ve İletişim Bilgisayar Tek. San. ve Tic. A.Ş.: Call Center/ credit card marketing/ forwarding credit card limit increase requests to the Bank.
- » Teknoser Bilgisayar Teknik Hizmetler Sanayi ve Dış Tic. A.Ş.: Information giving and demand obtaining calls for merchants via the Call Center.
- » Tempo Çağrı Merkezi Hizmetleri Tic. A.Ş.: Debt Notification Calls
- » Verifone Elektronik ve Danışmanlık Ltd. Şti.: POS software development and upgrading services.
- » Verkata LLC: Online marketing of mortgage products.
- » Vodatech Bilişim Proje Danışmanlık Sanayi Ve Dış Tic. A.Ş.: Card sales via Call Center
- » Win Bilgi İletişim Hizmetleri A.Ş.: Debt Notification Calls
- » YÖN İnsan Kaynakları Destek Hizmetleri Ltd. Şti.: Call center, executive assistantship and data entrance service.
- » Support services provided by 431 auto dealers for marketing of retail loans.

# IMPORTANT DEVELOPMENTS REGARDING 2014 OPERATIONS

## INFORMATION ON SHARE BUYBACKS BY THE BANK

In 2014, the Bank did not buy back its shares.

## INFORMATION ON PRIVATE AUDIT AND PUBLIC AUDIT CONDUCTED DURING THE REPORTING PERIOD

Pursuant to applicable legislation, routine audits are conducted by audit 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 in 2014 by the audit authorities as a result of such audit against the Bank is provided in the following sections.

## INFORMATION ABOUT LAWSUITS FILED AGAINST THE BANK, WHICH MAY AFFECT THE FINANCIAL STATUS AND OPERATIONS OF THE BANK, AND ABOUT THEIR POSSIBLE RESULTS

No lawsuit that may affect the financial status and operations of the Bank was filed against the Bank in 2014.

## INFORMATION ON ADMINISTRATIVE OR JUDICIAL SANCTIONS IMPOSED ON THE BANK AND/OR MEMBERS OF THE ADMINISTRATIVE BODY OF THE BANK DUE TO ANY PRACTICE THAT WAS CONTRARY TO THE LAWS AND REGULATIONS

During 2014, payments made for administrative fines imposed by regulatory and audit authorities against the Bank amounted to TL **866,982.21**.

Based on the report issued following the BRSA inspections, which concluded that the Bank has premium debt due to investment fund accounts that were opened without customers' instructions, order of payment regarding the premium debt of TL **21,767,306** within the period December 2007-December 2011 was sent to our Bank by Saving Deposit Insurance Fund in December 2013. The premium debt and the overdue interest thereupon were paid in January 2014, and a lawsuit was filed against this act. However, a deal was reached with the SDIF concerning the cancellation of the overdue interest that amounted to TL **15,603,108** and the said lawsuit was withdrawn in 2014.

As a result of the inspections held by the Tax Inspection Board Istanbul Large Taxpayers Office regarding the purchase and cancellation process of the founder share certificates by

our Bank in 2008 through the funds generated following the capital increase, payments made to the holders of the founder share certificates were considered as dividend payments and a Tax Audit Report was issued claiming that the Bank had caused under accrual of the income and corporate taxes. A settlement was agreed with the Revenue Administration for the tax assessment in the total amount of TL **211,510,761.15** (actual tax: TL **84,604,304.46** and fine: TL **126,906,456.69**), which was calculated based on the said report. As a result, TL **35** million in actual tax plus overdue interest thereupon were paid, and The judicial process regarding this issue has been finalized

## INFORMATION ABOUT REGULATORY CHANGES THAT MAY HAVE A MATERIAL EFFECT ON THE OPERATIONS OF THE BANK

Within the frame of achieving alignment with the European Union legislation, the new Turkish Code of Obligations and the new Turkish Code of Commerce, and with a view to providing more information to consumers and raising widespread awareness of consumer rights, there was a need to modify the Consumer Protection Law no 4077. Accordingly, the Consumer Protection Law no. 6502 was published in the Official Gazette dated 28 November 2013, and went into force on 28 May 2014. The said Law introduced numerous new rules for the banks. The highlights of these new rules are presented below:

- » In retail loan agreements and housing finance agreements, a pre-contract informative sheet on the terms and conditions of the loan agreement is to be prepared for submission to the borrower reasonably in advance of execution of the agreement;
- » In consumer loans, the consumer is to be granted the right of withdrawal from the consumer loan agreement without a cause and without penal clause within fourteen days;
- » In products and services presented to consumers, rules are introduced regarding fees, commissions and expenses to be charged to customers besides interest;
- » In fixed-term and open-ended loan agreements, various arrangements are introduced; accordingly, overdraft account agreements and credit card agreements that "enable deferring the payment for longer than three months or similarly allowing payment in installments in return for an interest or similar benefit" are accepted as "open-ended" consumer loan agreements,

- » In fixed term loan agreements, a fixed interest rate is to be set;
- » In insurance provided in conjunction with a loan, the insurance is to be made only upon explicit instruction from the customer;
- » In credit cards, an obligation is introduced to present the customers with a type of credit card that does not charge any fees under the name annual membership fee or any other name;
- » Within the frame of a system set up for remote marketing of financial services including all kinds of banking services, loans, insurance, private pension, investment and payment services, a "distance contract for financial services" is to be executed using any remote communication device between the bank and the customer;
- » In distance contracts for financial services, customers are to be granted the right of withdrawal without cause and without penal clause within fourteen days.

Sub-arrangements are awaited in various topics for the implementation of the said Law. One is the Regulation on Procedures and Principles for Fees to be Charged to Financial Consumers published by the BRSA in the Official Gazette dated 3 October 2014. The Regulation identified the services to be presented by banks to financial consumers, and set out the basic principles for fees, commissions and expenses that can be charged to financial consumers under these services, along with principles and procedures for their collection.

The Regulation on Measurement of Liquidity Coverage Ratio of Banks, which sets out the procedures and principles for banks to carry high quality liquid asset reserve sufficient to cover their net cash outflows over the next 30 days for the purpose of determining the minimum liquidity level on consolidated and unconsolidated basis, was published in the Official Gazette dated 21 March 2014. Accordingly, it is envisaged that the minimum total and foreign currency liquidity adequacy ratios to be implemented until 01 January 2019 will be determined by the BRSA upon getting the appropriate aspect of Central Bank of Republic of Turkey, and banks will be required to achieve compliance with the minimum ratios to be set as such from 01 January 2015. Within this scope, by its decision numbered 6143 and dated 26 December 2014, the BRSA resolved that, for deposit banks, consolidated and unconsolidated total liquidity adequacy ratios will be no less than sixty percent, and consolidated and unconsolidated foreign currency liquidity adequacy ratios will be no less than forty percent from 05 January 2015 until 31 December 2015, pursuant to Provisional Article 1 of the The Regulation on Measurement of Liquidity Coverage Ratio of Banks. In the absence of a new arrangement,

these ratios will be incremented by ten points every year from 01 January 2015 until 01 January 2019.

Pursuant to the BRSA decision no. 6143 and dated 26 December 2014, it has been resolved that zero percent will be applied as total and FC liquidity adequacy ratios pertaining to the first maturity bucket, as total and FC liquidity adequacy ratios pertaining to the second maturity bucket for deposit banks pursuant to Article 13, paragraph 2 of the Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks, and as stock liquidity adequacy ratio pursuant to Article 15/A. It has also been decided that the concerned banks will not report on these ratios to the BRSA.

The Regulation on the Evaluation Process of the Internal Systems of Banks and Internal Capital Adequacy, and the Regulation Amending the Regulation on Principles and Procedures of Audit Conducted by the Banking Regulation and Supervision Agency were published in the Official Gazette issue 29057 dated 11 July 2014, and risk-based best practices guides were published based on these regulations. With these arrangements, it is expected that banks' internal systems will function in alignment with these regulations and guides, and banks will submit the reports to be produced accordingly to the BRSA. Possible additional obligations for the banks might include capital calculation using internal methods for their risks that are not subject to any limitation in these arrangements, and setting the resulting capital amount as a buffer against the possibility that the foreseen risks might actualize.

The regulation published in the Official Gazette dated 13 May 2014 amended the Regulation on Bank Cards and Credit Cards and accordingly, installments cannot be used for purchase of products that do not entail any concrete merchandise or service such as gift cards, gift vouchers and the like. The same regulation removed the corporate credit cards from the scope of installment payment limitations imposed on expenditures incurred in telecom, food, dining, and fuel oil sectors as well as on the purchase of products that do not entail any concrete merchandise or service such as gift cards, gift vouchers and the like. The revision introduced on October 22nd restricted the number of installments to four in expenses incurred in relation to jewelry (the regulation dated 31 December 2013 had set out that no installments could be applied to expenses incurred for jewelry), and excluded corporate credit cards from this provision, as well.

The Communiqué no. 2014/5 on Maximum Interest Rates to be Applied to Credit Card Transactions ensured that the monthly maximum contractual interest rates to be applied to credit card transactions would be determined based on weighted average effective annual interest rates, which are

notified on a weekly basis by the banks to the CBRT and which include other costs applied to general purpose loans allocated in Turkish lira during the relevant week. Accordingly, "Monthly rate on general purpose loans" will be calculated by the most recent thirteen weeks' simple arithmetic mean of the monthly simple interest rate aggregated for the banking sector.

The monthly maximum contractual interest rates applicable to credit card transactions in Turkish lira will be as follows depending on the monthly interest rate on general purpose loan calculated according to the principles defined above. If the monthly interest rate on general purpose loan is:

- a) In **1.15** percent to **1.59** percent range, then it will be **2.02** percent,
- b) Bigger than **1.59%**, then it will be the ratio calculated by adding **43** basis points to the monthly interest rate on general purpose loans,
- c) Smaller than **1.15%**, then it will be the ratio calculated by adding **87** basis points to the monthly interest rate on general purpose loans.

The maximum monthly default rate applicable to credit card transactions in a foreign currency will be determined by adding **50** basis points to the monthly maximum contractual interest rate applicable to credit card transactions in a foreign currency. The maximum monthly default rate applicable to credit card transactions in Turkish lira will be determined by adding **50** basis points to the monthly maximum contractual interest rate applicable to credit card transactions in Turkish lira.

In order to ensure that the amount subject to credit risk can be calculated according to the internal ratings of a given bank besides using the Standard Approach for measurement of capital adequacy by banks, the Regulation on the Calculation of the Amount subject to Credit Risk Using Internal Ratings-Based Approaches was published on 06 September 2014. On the other hand, the changes in relation to the implementation of credit risk mitigation techniques in case of use of internal ratings-based (IRB) approaches were reflected in the Communiqué on Credit Risk Mitigation Techniques. In addition, the amendment to the Regulation Amending the Regulation on Banks' Shareholder Equities was made on the same date, since use of IRB approaches require some changes to equity items to be used in the calculation of the capital adequacy ratio.

The Communiqué on Calculation the Amount subject to Operational Risk With Advanced Measurement Approach was issued on 06 September 2014, which deals with the calculation of the amount subject to operational risk by using Advanced Measurement Approaches by banks.

Starting with the required reserves set up in November 2014, quarterly interest will be paid for required reserves set aside in Turkish lira by banks and finance companies subject to required reserve liability. According to the relevant rule, interest was paid equally to all banks and finance companies for the required reserves set aside in November and December 2014, which was **700** basis points below the CBRT weighted average funding cost. From 2015, the quarterly interest rate to be paid will be determined as follows: the sum of the deposits (excluding official deposits and banks' deposits) (D) and shareholders' equities (E) of banks divided by gross lending (L)  $100 \times ((D+E)/L)$ . Financial institutions having a ratio that is higher than the sector's average will be paid an interest that will be **500** basis points less than the CBRT weighted average funding cost, so long as they maintain such position. Other banks and financial institutions, on the other hand, will continue to receive an interest, which will be **700** basis points less than the CBRT weighted average funding cost, for their Turkish lira required reserves.

Effective from the liability chart dated 1 August 2014, the type of foreign currency that can be created with the CBRT for Turkish lira required reserve liabilities is restricted to US dollar only.

# AUDIT COMMITTEE'S ASSESSMENT OF THE OPERATIONS OF INTERNAL CONTROL, INTERNAL AUDIT & RISK MANAGEMENT SYSTEMS

## 2014 MACROECONOMIC OVERVIEW

After making a weak start to 2014, the global economy, led by the US economy, was able to grow, even if moderately. Growth varied significantly from one country to the other in 2014. Underlying the fragile global economy was the weak performance of major economies like the Euro zone and Japan, despite the strong recovery in the US and UK economies. The diversity between the economic performance of developed countries affected the outlook of monetary policies in those economies, and led to increased volatility in the financial markets, primarily in exchange rates, causing pricings to be made in line with these expectations.

The increased employment that accompanied the growth in the US pushed the post-crisis unemployment rate down to **5.6%** by year-end 2014. This recovery in the labor market brought the US Federal Reserve (FED) closer to exit strategy from the extremely loose monetary policy. Strong employment and growth data allowed the FED to discontinue its bond buying program as of October 2014. While the US economy inched closer to its growth potential, the expected interest rate increase by the FED was among the primary factors that jolted the markets.

Other major economies like the Euro Zone and Japan performed more negatively as compared with the US economy. While the Euro Zone exhibited a restricted growth in the third quarter versus the second quarter, the annual growth rate was **0.8%**. Having turned to negative values at **-0.2%** as of December 2014, the inflation in the zone caused the European Central Bank (ECB) to decrease the policy rate to **0.05%** and the interest on bank reserves to **-20** basis points in September, thus giving the banks the opportunity to provide long-term low-cost funding and to decide expanding its balance sheet on the back of asset purchases. The divergence in the monetary policy outlooks, on the other hand, caused the US dollar to appreciate globally.

The Turkish economy, on the other hand, performed better than projections because of its flexible structure, amid the Fed's tapering and the election process in the country in 2014. The national economy captured a moderate growth performance in the first three quarters of 2014 despite the restricted domestic

demand, a result of the elevated interest rates due to the interest rates sharply increased by the Central Bank of the Republic of Turkey (CBRT) in January in an attempt to limit the value loss in the exchange rates, coupled with the effects of the macro-prudential measures. The annual expansion in consumer loans declined to **15%** that was set as benchmark by the CBRT. With shrank contribution from domestic demand, the growth rate was **2.8%** in the first three quarters of the year, while growth was driven almost entirely by foreign demand. While the moderate course of internal demand restricted import, the positive export performance brought the current deficit down to USD **47.1** billion as of November. Despite decelerated growth, overall it was positive that external fragility was limited by diminished domestic demand and reduced current deficit in advance of a period that was expected to be fluctuating on the global arena.

Turkish lira and market rates showed some recovery as capital inflow to emerging economies restarted and risk premiums went down from the second quarter of 2014. The developments surrounding the inflation that hiked to **9.5%** by mid-year due to plummeted exchange rates failed to substantiate its projected decline. The inflation remained high throughout the year as a result of secondary exchange rate effects that were introduced by the absence of a significant improvement in exchange rates as a result of the expectedly imminent interest rate increase by the FED, as well as the high food prices driven by drought and geopolitical reasons. Hence, annual inflation was **9.15%** as of November. In December, on the other hand, it was **8.2%** with the effect of food inflation. Having dipped by nearly **50%** as compared with year-end 2013, oil prices considerably bettered the risk perception toward Turkey.

## ASSESSMENT OF GARANTI BANK'S ACTIVITIES AND RISK EXPOSURE IN 2014

The BRSA published best practices guides to help improve the relation between banks' risk profiles, risk management practices and risk mitigation systems with their capital levels. Garanti Bank carried out activities that observe compliance with the principles mentioned in these best practices guides in line with its

risk profile and scale. The Internal Capital Adequacy Assessment Process (ICAAP) Report was drawn up, and preparations were initiated for the Supervisory Review Process (SREP).

Backed by the rating and scoring systems coupled with the solid lending processes established, the Bank's non-performing loans ratio, at **2.4%**, continued to remain below the sector's average as at December 2014. Garanti Bank expanded its lending portfolios prudently and without compromising its loan quality. Loan allocation processes and rating/scoring models were regularly reviewed, ensuring management of current and potential risks through timely countermeasures. Companies were categorized and rated according to their segments and sectors, and company-specific risks were considered more efficiently and assigned ratings were updated. Systems were set up, which automatically reflect bad records received about a company on their ratings. It has been validated that the ratings that support lending decisions are projected in an objective, consistent, prudent and accurate manner by the system.

Volatility in markets increased in the first quarter of 2014 due to increased interest rates and the depreciated Turkish lira in January as a result of the Fed's tapering and political uncertainties. From the second quarter of 2014, Turkish currency and market rates recovered owing to higher interest in emerging economies in line with the Fed's policies. While the slumped oil prices in the last quarter of the year positively affected the current deficit, TL interest rates declined. In the same period, Turkish lira depreciated against the US dollar, which appreciated against all currencies with the expectation that the Fed would increase interest rates. In the process, the exchange rate risk remained low despite the rise in exchange rates, in connection with the net overall FC position kept low within regulatory limits. Stepping into 2014 with a larger floating rate securities portfolio, the Bank expanded its portfolio in the high-interest period, while managing the balance sheet margin by preserving the yield/cost balance by way of buying bonds for its Eurobond portfolio as well during the same period. Trading activities have been maintained within predefined limits.

The Bank placed emphasis also on managing the on- and off-balance sheet interest and funding spread to preserve its interest margin. In line with the expected interest rate increase by the Fed in 2014, hedging was provided for long-term, fixed-rate loans, bonds and floating rate borrowings that are sensitive to interest rate risk. Long-term funding risk was managed by selecting long-term funding sources such as bonds and securitization issues, and by using risk mitigation instruments. On the funding front, diverse resources were tapped with an eye on diversification, and deposits remained the main funding item. During 2014, deposit costs were managed by observing

the CBRT policies, alternative funding resources, liquidity conditions and market conditions. Having gone up by **29%** in the twelve months to year-end 2014, the Bank kept securing long-term financing resources through syndication loans as well as bond issues. The balance sheet interest rate risk was regularly monitored through duration gap analyses and managed within the regulatory limit.

In 2014, Garanti Bank determined its liquidity level in view of various factors including the current funding requirements, new investment opportunities, growth-driven loan demand, and potential liquidity squeezes. When setting its pricing strategy and the maturity profile of funding resources, the Bank considered the CBRT policies, and domestic and global indicators. In terms of liquidity risk management, stress test results and daily cash flows were monitored, and alignment was achieved with the legal liquidity ratios.

#### **2014 ACTIVITIES OF THE INTERNAL SYSTEMS GROUP**

The Risk Management Department continued to make the necessary internal coordination to ensure compliance with national and international regulations, and made revisions to data/software in relation to regulations. Within the frame of best practices guides published by the BRSA, ICAAP activities carried out in parallel with the budget process that covers the parent company and related units in subsidiaries were performed in a manner to encompass scenario analyses and stress tests. From the point of credit risk, risk concentration was monitored regularly on the basis of customers, risk groups, sectors and regions. Sectors deemed risky were watched more closely. Bank and market data were monitored regularly for risk monitoring and management purposes. The Bank's internal limits were observed besides regulatory limits, making an assessment of potential risks due to market conditions and of risks that may be faced in the worst case. For retail and corporate portfolios, risk and return were considered in conjunction, and new internal limits were set. On-site visits were paid to certain subsidiaries, and their risk management systems were reviewed.

As of 6 March 2014, Head of Internal Audit and Control began coordinating the activities of the Internal Audit Department, Internal Control Unit and Anti-Fraud Monitoring Department. The Internal Audit Department conducted on-site audits, centralized audits, IT audits and financial statement audits at the Head Office units, branches and consolidated subsidiaries. The Internal Control Unit continued on-site and central controls on branches' and head office departments' activities. Internal control and internal audit activities, supported by IT, maintained operational losses at low

levels. Moreover, the limit, double control and authorization implementations related to transactions carried out in branches and head office departments, and controls integrated into procedures contributed to the management of operational risks. Periodic efforts were spent for monitoring and correcting the ongoing findings from ongoing audits. Scenario studies for suspicion regarding possible internal fraud were revised, and relevant centralized and on-site audits were carried on. Web-based and on-site training programs on managing operational risks for branch managers and employees continued with an expanded scope. ICAAP Report, whose production was coordinated by the Risk Management Department, was audited by the Internal Audit Department with respect to the "accuracy of data, adequacy of system and processes, and whether data, system and processes allow accurate analysis", and the outcomes of the examination were documented in a report. Within the scope of the disaster recovery and business continuity management activities, the entire Bank staff received training for the purpose of increasing knowledge levels throughout the Bank. In addition, the Internal Control Unit coordinated activities aimed at developing action plans for possible disaster scenarios through practical tests and drills.

Compliance Department continued to work for the management of potential compliance risks the Bank may be exposed to, and for identifying and preventing these risks before implementation. The Department kept overseeing and coordinating the compliance of the Bank's current and planned activities, new transactions and products with the Banking Law and other applicable legislation, all internal policies and guidelines, and banking practices. In an effort to strengthen the Bank's consolidated compliance policy, compliance activities of the Bank's overseas branches and consolidated subsidiaries were overseen, and actions were taken to enhance compliance awareness and culture. Under the strategy of prevention of money laundering and countering the financing of terrorism, efforts were spent towards ensuring compliance with national and international regulations. The monitoring program has been instrumental in the effective performance of risk management, monitoring and control activities. In relation to preventing money laundering and financing of terrorism, classroom training sessions and branch visits were organized, which served to enhance the awareness and consciousness of the staff. In 2014, MASAK (the Financial Crimes Investigation Board) recognized, for the fourth time in a row, Garanti Bank's Compliance Department as the first among the banks of its scale in the fight against laundering proceeds of crime and financing of terrorism.

The Anti-Fraud Monitoring Department continued with its efforts to instantly monitor and identify card, Internet, member

merchant and application fraud, and prevent them through real time and rapid actions. Informative and training activities continued in relation to fraud incidents and emerging trends in an effort to raise awareness of the fight against external fraud throughout the Bank. Steps were taken to upgrade the software used against the complex and ever-changing fraud trends, and the requirements for new software were evaluated. Through existing and new warning parameters, external fraud losses of the Bank and the customers remained at minimum levels as in previous years.

Having held 15 meetings during 2014, the Audit Committee continued to review the effectiveness and adequacy of the Bank's internal systems, to verify that accounting and reporting systems function in accordance with applicable regulations, and to scrutinize the integrity of resulting information and internal audit plans. The Committee kept monitoring whether the internal audit system covered the Bank's existing and planned activities and the resulting risks. In this frame, the Audit Committee regularly supervised and assessed the activities of the internal systems during the year. The Audit Committee also kept making necessary preliminary evaluations with regard to the designation of the external auditor, valuation firm and support services providers by the Board of Directors. In this frame, the Committee continued to regularly monitor the activities of these establishments designated by the Board of Directors and with which contracts are signed, and to evaluate the outcomes of external audit.

Through the activities of risk committees, necessary coordination was provided for ensuring the information flow regarding the risks and for proactive management of anticipated risks. In addition, the Audit Committee monitored the actions taken by the senior management and the units affiliated to them in relation to the matters established in the internal audit reports. On the other hand, the Audit Committee continued to ensure consolidated and coordinated performance of the internal audit activities at consolidated subsidiaries. The Committee closely watched the effectiveness of the internal systems in place at Group Companies.

The Audit Committee presented regular reports to the Board of Directors regarding its activities during the reporting period, and their outcomes, within the scope of its duties and responsibilities assigned to it by the Board of Directors.

#### OUTLOOK FOR 2015

In 2015, it is projected that the global economic recovery, especially in Europe, Japan and China, might turn out to be weak despite the strong growth in the US; that monetary policies might differentiate around the globe, and capital flows

might be channeled accordingly. If the decline in oil prices becomes permanent, then there might be a distinction between oil exporting versus importing countries. While the weak global growth would allow interest rates to remain low for some more time, the FED might start increasing the interest rates by the middle of the next year, provided that the recovery in the US remains strong.

Monetary expansion steps to be taken by the ECB and BoJ might make a particular contribution in favor of those emerging economies that present a big need for external financing. These developments and the current levels of oil prices would contribute to moderately continued capital inflow into the Turkish economy. Having a direct positive impact upon the two critical aspects of the Turkish economy, e.g. current deficit and inflation, this situation is expected to restrict the depreciation of the Turkish lira against the FX basket. To such a backdrop, the Turkish economy would be able to perform better in 2015 as compared with the 2014 growth figure that was below 3%. Although the growth composition is anticipated to change in favor of domestic demand as opposed to the case in 2014, year-end inflation rate might loosen from 8% in 2014 toward 6% due to the reduced exchange rate effect and normalized food prices. The current deficit/GDP ratio, on the other hand, might edge closer to 4.5% from approximately 5.5% at year-end 2014, due to the decreased oil prices. Turkey's export-driven growth might be negatively impacted, if the current weak growth in Europe is prolonged and if geopolitical risks become more evident.

In 2015, the rate of expansion in lending volume of the banking industry is expected to be in parallel with its growth in 2014. In order to preserve the asset quality of credit expansion, it is key to accurately analyze the potential implications of legal regulations. In view of the changes made to non-core liabilities that would encourage longer maturities, and considering that access to low-cost, permanent funding resources will have an increased effect on profitability, it will be even more important for banks to secure long-term external funding in 2015. Furthermore, attracting deposits will likely prove to be more critical with the additional subsidy provided for core liabilities in order to strengthen balanced growth and domestic savings. Key policies of the year ahead will include continued broad-based expansion particularly on the deposits side in keeping with the sustainable and cost-effective funding strategy, and utilization of resources such as bond issues and syndicated loans within the frame of managing the interest rate risk arising from maturity mismatch in balance sheet management, as well as diversifying funding resources.

The roadmap for the implementation of Basel III requirements in Turkey has been clarified to a large extent

as various regulations issued by the BRSA for compliance with these requirements came into force by early 2014. These regulations included the Regulation on Equity of Banks, Regulation on Capital Conservation and Countercyclical Buffers, Regulation on the Measurement and Evaluation of Leverage Levels of Banks, Regulation on Measurement and Evaluation of Capital Adequacy of Banks and the Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks. On the other hand, the Regulation on the Internal Systems of Banks has been expanded in terms of ICAAP within the frame of the second pillar of Basel II, and was then enforced under the title Regulation on the Internal Systems of Banks and ICAAP. The ICAAP Report prepared within the frame of this Regulation is expected to serve as a key input of the reviews to be performed by the legal authority on the bank's corporate management, risk management and the liability to allocate additional capital, as well as for the decisions to be made. In order to help improve the relationship between banks' risk profiles, risk management practices and risk mitigation systems with their capital levels, guides have been published on various topics including Country Risk, Market Risk, Operational Risk, Counterparty Credit Risk, Interest Rate Risk, Stress Tests to be Used in Capital and Liquidity Planning, Credit Management and ICAAP Report. Draft Liquidity and Concentration Risk guides have been published and circulated for feedback from banks. Furthermore, communiqués on calculation of credit risk with internal rating based approach (IRB) and calculation of operational risk with advanced measurement approach (AMA) will come into force during 2015. Based on these communiqués, draft guides have been published and distributed for feedback from banks, which are concerned with application and validation processes for banks wishing to calculate capital adequacy using those internal approaches. The process of preliminary negotiations with the BRSA will begin by mid-2015 for banks wishing to calculate their credit risk using IRB and their operational risk using AMA, which will be executed individually. The year coming will be an important period calling for spadework for all parties including the Board of Directors, senior management and risk management for those banks that will file applications for IRB and AMA.

In 2015, the Audit Committee will continue with its supervisory function for the management of the Bank's risk exposure under potential and stress conditions, and for the protection of the risk culture and performance of the necessary control and audit activities in order to ensure that the Bank's risk management systems run in alignment with legal regulations and the Bank's structure. The Committee will keep informing the Board of Directors on the aspects mentioned above.

# RELATED PARTY RISKS

(Thousands of Turkish Lira (TL))

Transactions with the Bank's risk group; lendings and deposits and other related party transactions outstanding at period end and income and expenses from such transactions incurred during the period.

## 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	3,811,321	1,586,707	9,250	264,878	454,736	472,119
Balance at end of period	3,318,634	1,522,279	399,748	316,606	1,537,174	702,845
Interest and Commission Income	45,464	285	286	9	72,438	1,047

### 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	2,940,871	1,381,591	260,311	466,918	314,839	495,947
Balance at end of period	3,811,321	1,586,707	9,250	264,878	454,736	472,119
Interest and Commission Income	46,607	257	687	9	25,260	399

## DEPOSITS

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at beginning of period	651,174	511,151	304,643	101,958	330,572	205,931
Balance at end of period	681,112	651,174	535,204	304,643	349,385	330,572
Interest Expense	58,594	45,209	4,016	9,910	16,035	15,088

## DERIVATIVE TRANSACTIONS

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions for Trading:						
Balance at beginning of period	1,200,843	1,119,747	8,871,339	2,895,692	-	-
Balance at end of period	848,391	1,200,843	10,292,901	8,871,339	5,770	-
Total Profit/(Loss)	(132,802)	(85,747)	(102,479)	(49,308)	(56)	-
Transactions for Hedging:						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit/(Loss)	-	-	-	-	-	-

## THE BANK'S RISK GROUP

### 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.

### CONCENTRATION OF TRANSACTION VOLUMES AND BALANCES WITH RISK GROUP AND PRICING POLICY

The cash loans of the risk group amounting TL **2,543,637** thousands (31 December 2013: TL **1,660,748** thousands) compose **1.90%** (31 December 2013: **1.40%**) of the Bank's total cash loans and **1.16%** (31 December 2013: **0.84%**) of the Bank's total assets. The total loans and similar receivables amounting TL **5,255,556** thousands (31 December 2013: TL **4,275,308** thousands) compose **2.40%** (31 December 2013: TL **2.17%**) of the Bank's total assets. The non-cash loans of the risk group amounting TL **2,541,730** thousands (31 December 2013: TL **2,323,704** thousands) compose **6.92%** (31 December 2013: **7.01%**) of the Bank's total non-cash loans. The deposits of the risk group amounting TL **1,565,701** thousands (31 December 2013: TL **1,286,389** thousands) compose **1.30%** (31 December 2013: **1.21%**) of the Bank's total deposits.

The funds borrowed by the Bank from its risk group amounting TL **9,074,365** thousands (31 December 2013: TL **6,729,132** thousands) compose **28.07%** (31 December 2013: **22.83%**) 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 **88,494** thousands (31 December 2013: TL **70,805** thousands). A total rent income of TL **6,486** thousands (31 December 2013: TL **5,116** thousands) was recognized for the real estates rented to the related parties.

Operating expenses for TL **8,863** thousands (31 December 2013: TL **7,329** thousands) were incurred for the IT services rendered by the related parties. Banking services fees of TL **2,745** thousands (31 December 2013: TL **2,026** thousands) were recognized from the related parties.

Insurance brokerage fee of TL **93,413** thousands (31 December 2013: TL **78,493** thousands), shares brokerage fee of TL **70,413** thousands (31 December 2013: TL **68,250** thousands), leasing customer acquisition fee of TL **10,762** thousands (31

December 2013: TL **9,739** thousands) factoring customer acquisition fee of TL **3,131** thousands (31 December 2013: TL **3,853** thousands) and fleet business customer acquisition fee of TL **578** thousands (31 December 2013: TL **200** thousands) were recognized as income from the services rendered for the affiliates.

Operating expenses of TL **10,790** thousands (31 December 2013: TL **11,453** thousands) for advertisement and broadcasting services, of TL **32,534** thousands (31 December 2013: TL **23,648** thousands) for operational leasing services, and of TL **13,616** thousands (31 December 2013: TL **12,237** thousands) for travelling services rendered by the related parties were recognized as expense.

As of 31 December 2014, the net payment provided or to be provided to the key management of the Bank amounts to TL **78,212** thousands (31 December 2013: TL **68,918** thousands).

### OTHER MATTERS NOT REQUIRED TO BE DISCLOSED

None.

### TRANSACTIONS ACCOUNTED FOR UNDER EQUITY METHOD

Please refer to Note 5.1.8 investments in subsidiaries.

### 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 products of these entities to customers. Agency services for trading of securities on behalf of customers are rendered by the Bank's specialised branches (Investment Centers).

Purchase of equipments for the Bank's internal use are partly arranged through financial leasing.

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

## SECTION I - 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 related legislations. Garanti Bank pays maximum attention for implementing these principles. The Bank accordingly updates its annual reports and website, making them available to its stakeholders. The shareholders may access detailed information, get information about the latest developments and activities from Garanti's regularly updated Investor Relations website, and may address their questions to the Investor Relations Department.

As a result of its commitment to the corporate governance principles, information about the Bank's compliance with the principles that are set out but are not mandatory under the Corporate Governance Communiqué numbered II-17.1 is provided under the related headings of this report.

The Corporate Governance Committee was set up 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 in force at the time. The Committee is responsible for overseeing compliance with the corporate governance principles and for ensuring that relevant improvement efforts are carried out in the Bank. In 2014, the Committee held three meetings with full participation of its members. The Board of Directors considered that the activities performed by the Corporate Governance Committee in 2014 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 2014, achieved compliance with all of the mandatory principles set out in the Corporate Governance Communiqué no. II-17.1.

Evaluated by JCR Eurasia Ratings under four main headings within the frame of corporate governance rating, Garanti Bank received a score of **9.07** for the heading "Shareholders", **9.25** for "Public Disclosure and Transparency", 9.05 for "Stakeholders", and **9.15** for "Board of Directors, which on a weighted average

translated into an overall corporate governance score of **9.14**. For its distinctive compliance with the CMB Corporate Governance Principles, Garanti qualified to be included in the Borsa Istanbul Corporate Governance Index for earning a Corporate Governance compliance rating that is above the threshold score of **7**.

## SECTION II - SHAREHOLDERS

### 2.1. INVESTOR RELATIONS DIVISION

Pursuant to Article 11 of the CMB Corporate Governance Communiqué No: II-17.1 published in the Official Gazette numbered 28871 and dated 03.01.2014, the Investor Relations Division that establishes communication between companies and investors needs to be set up, and it must directly report either to the company's general manager or assistant general manager or to another equivalent director with administrative responsibility. The head of the Investor Relations Division must hold "Capital Market Activities Advanced Level License" and "Corporate Governance Rating Expertise License"; he/she must be employed as a full-time manager in the company and be appointed as the member of the corporate governance committee. Accordingly, the functions of the Investor Relations Division at Garanti Bank are fulfilled by the Investor Relations Department and Tax Operations Management Department - Shareholders and Subsidiaries Service. As disclosed on the Public Disclosure Platform following the Corporate Governance Committee meeting held in January 2014, Aydın Şenel, Executive Vice President responsible for Purchasing and Tax Management, who possesses "Capital Market Activities Advanced Level License" and "Corporate Governance Rating Expertise License", participates in Corporate Governance Committee meetings as the 'Head of the Investor Relations Division' and 'Member of the Corporate Governance Committee', and Handan Saygın participates in Corporate Governance Committee meetings as the Senior Vice President of Investor Relations Department.

The Investor Relations Department manages the relations with foreign institutional investors/shareholders, investment firms and rating agencies. The Investor Relations Department is mainly responsible for:

- » Managing relations between foreign/domestic institutional investors/shareholders and the company by consistently

- and proactively providing information, responding to written and verbal queries,
- » Participating in investor conferences organized in Turkey and abroad; organizing targeted road shows; making presentations about the corporate structure and financial statements,
  - » Managing relations between brokerage houses' banking sector analysts and the company by consistently and proactively providing information, responding to written and verbal queries,
  - » Within the scope of public disclosure obligations regarding the Depository Receipts trading in international markets, uploading corporate disclosures in English to the relevant platforms,
  - » Managing relations with the international rating agencies, responding to their written and verbal information requests,
  - » Managing all the publishing including printing and web-based processes of the Bank's annual and interim reports, coordinating the formation of the content in compliance with the related regulations,
  - » Managing and regularly updating the content of the Investor Relations website to cover all the issues emphasized within the Corporate Governance Principles.

In addition to satisfying its key responsibilities, the Investor Relations Department, in 2014, performed the following in keeping with its proactive, transparent and consistent communication strategy:

- » Took part in 29 national and international investor conferences held in 10 cities in Asia, USA and Europe with the participation of the administrative team, in addition to one-on-one meetings with 822 international investment funds,
- » Held due diligence meetings with four rating agencies,
- » Managed the corporate governance rating process conducted by JCR Eurasia Rating, and Garanti qualified for inclusion in the Borsa Istanbul Corporate Governance Index with a distinctive compliance score of 9.14 as stated in the report issued on 11 December 2014,
- » Lent support to the rating process carried out by EIRIS, the international independent research company that Borsa Istanbul collaborated for the launch of the Sustainability Index; Garanti has been one of the 15 BIST 30 companies included in the Borsa Istanbul Sustainability Index based on the rating of Garanti's approach to sustainability according to a number of criteria including the environment, biodiversity, climate change, human rights, structure of the board of directors, anti-bribery, occupational health and safety,

- » Focused on the needs of the entire investment community and launched the bilingual Investor Relations (IR) and iPad application developed in Turkish and English, which gives easy access to any information sought by investors anywhere in the world,
- » Conducted four live webcasts/teleconferences on the results of financial statements and posted the podcasts on its website,
- » Issued quarterly interim reports, sharing detailed information and data about Garanti,
- » Brought together the analysts of investment firms with the CEO and the Executive Vice President responsible for Strategic Planning, conducting the operational plan presentation meeting in webcast and teleconference format for the first time, and posted the podcast in Turkish and English on the websites,
- » Issued the "StockWatch Quarterly" newsletter four times a year, which provides brief information on the Turkish economy, the banking industry, the equity market and the position of Garanti in the sector, as well as on the Bank's operations, and published two "Corporate Profile" booklets, by mid-year and at year-end.

In addition, Garanti Bank operates a Subsidiaries and Shareholders Service under the Tax Operations Management Department to facilitate the follow-up of shareholder rights. The primary responsibilities of this Unit are as follows:

- » Manage correspondences between shareholders and the Bank in relation to shares and ensure that legal records of shares, which must be kept pursuant to applicable legislation, are kept updated and in a safe manner,
- » Prepare all necessary documents (as required by law) to be submitted to shareholders for their information and review prior to the General Shareholders' Meeting and ensure that the General Shareholders' Meeting takes place in accordance with the applicable legislation, articles of association, and other internal regulations of the Bank,
- » Oversee and monitor that the Bank complies with all liabilities and obligations, including Corporate Governance and Public Disclosure obligations, that emanate from Capital Market regulations,
- » Handle the capital increase formalities of the Bank, and facilitate the exercise of bonus and rights offerings that result from the capital increase,
- » Facilitate profit distribution procedures as per Article 45 of the Articles of Association in case the General Assembly decides to distribute dividends to shareholders.

## INVESTOR RELATIONS DEPARTMENT

NAME	TITLE	PHONE	E-MAIL
Handan Saygın	SVP	(212) 318 23 50	HandanSay@garanti.com.tr
Sinem Özönur	Manager	(212) 318 23 57	SinemOzo@garanti.com.tr
Hande Tunaboğlu	Manager	(212) 318 23 54	HandeT@garanti.com.tr
Ceyda Akinç	Supervisor	(212) 318 23 53	CeydaAk@garanti.com.tr
Nilüfer Candar	Supervisor	(212) 318 23 58	NiluferC@garanti.com.tr
Sinem Baykalöz	Associate	(212) 318 2359	SinemB@garanti.com.tr
Melis Öztürk	Associate	(212) 318 23 55	MelisOzt@garanti.com.tr
İrem Kahyaoğlu	Associate	(212) 318 23 60	IremKah@garanti.com.tr

Fax: (212) 216 59 02

## TAX OPERATIONS MANAGEMENT DEPARTMENT - SUBSIDIARIES AND SHAREHOLDERS SERVICE

NAME	TITLE	PHONE	E-MAIL
Ömer Çirkin	SVP	(212) 318 19 57	Omercir@garanti.com.tr
Tansel Kermooğlu	Manager	(212) 318 19 38	TanselKe@garanti.com.tr
Sevgi Demiröz	Supervisor	(212) 318 19 45	Sevgid@garanti.com.tr
Ülkü Sıngın Toprak	Supervisor	(212) 318 19 46	UlkuSi@garanti.com.tr

Fax: (212) 216 64 21

### 2.2. EXERCISE OF SHAREHOLDERS' RIGHT TO OBTAIN INFORMATION

The Subsidiaries and Shareholders Service respond to inquiries received from shareholders via phone or e-mail regarding the general shareholders' meetings, capital increases, dividend distributions, and share certificate procedures. In addition, during the current fiscal year, information requests by shareholders and third parties related to matters such as annual reports, the current status of share certificates they hold and the like are answered verbally and in writing.

The Investor Relations Department responds to questions received via phone and/or e-mail from existing and/or potential investors, bank analysts and rating agencies; in addition, the Department organizes one-on-one and/or group meetings and answers all questions about Garanti. Garanti has two investor relations websites, one in Turkish and the other in English.

The Investor Relations website in Turkish can be reached at:  
[www.garantiyatirimciiliskileri.com](http://www.garantiyatirimciiliskileri.com)

The Investor Relations website in English can be reached at:  
[www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com)

Garanti Investor Relations websites contain stock data, corporate information, periodically published financial

statements and annual reports, information about corporate governance, sustainability and projects that add value to the society. These websites also give access to Material Event Disclosures pertaining to developments regarding Garanti Bank, which are disclosed to the public via the Public Disclosure Platform. The websites also respond to all sorts of user needs with the Investor Kit that contains basic, practical information and the Download Center function that covers all documents.

Allowing the users to follow up events and add them to their personal calendars with the IR Calendar function, the websites also feature Investor Calculator and the Interactive Share Chart function that enables comparative analyses between Garanti share and indices, local and international banks in different currencies.

The new iPad application of Garanti Investor Relations, offering access to latest information to users anywhere any time, includes a rich library which consists of annual reports, sustainability reports, financial reports, corporate presentations and periodic publications that can also be read offline. The application also sends notifications when new content is added.

The appointment of a special auditor has not been set forth as an individual right in the Articles of Association of the Bank and so far, no request regarding the appointment of a special auditor has been submitted to Garanti. On the other hand, as also stated on Investor Relations website, 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 regarding the exercise of 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. If such a request is received, then the Bank takes maximum care for facilitating the exercise of such special audit right.

### 2.3. GENERAL SHAREHOLDERS' MEETINGS

During the fiscal year (01.01.2014- 31.12.2014), one Ordinary General Shareholders' Meeting was held. Meeting quorum in the Ordinary General Shareholders' Meeting was **77.88%**. General Shareholders' Meetings were held in accordance with the resolutions adopted by the Board of Directors.

Before these meetings, the meeting date, venue and agenda are announced to shareholders through the material event disclosure duly made via the Public Disclosure Platform in accordance with the general principles, as well as the announcements placed in the Turkish Trade Registry Gazette, e-General Meeting Electronic General Meeting System ([www.mkk.com.tr](http://www.mkk.com.tr)) and national newspapers. Balance sheets, income statements and annual reports are prepared prior to the General Shareholders' Meetings and made available for review by shareholders within the timeframe determined in the applicable legislation on the Investor Relations website, at all branches and at Head Office of Garanti Bank. At General Shareholders' Meetings, 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' Meetings are published in the Turkish Trade Registry Gazette and resolutions adopted are publicly disclosed via the Public Disclosure Platform.

Resolutions adopted in the General Shareholders' Meetings are carried out in accordance with the legal procedures within the specified time.

Pursuant to the provisions of the Regulation on Electronic General Meetings at Joint Stock Companies and the Communiqué on Electronic General Meeting System Applicable at General Assemblies of Joint Stock Companies, attendance to the General Shareholders' Meetings by electronic means is permissible.

Moreover, the minutes and the list of attendants of the General Shareholders' Meetings are available to shareholders on Investor Relations website and at the Subsidiaries and Shareholders Service.

Pursuant to applicable legislation, the minutes of the General Shareholders' Meetings are made available to shareholders on Investor Relations website, in the Trade Registry Gazette, on the Public Disclosure Platform ([www.kap.gov.tr](http://www.kap.gov.tr)), e-Company Information Portal ([www.mkk.com.tr](http://www.mkk.com.tr)), and e-General Meeting Electronic General Meeting System ([www.mkk.com.tr](http://www.mkk.com.tr)). No media members participated in the Ordinary General Shareholders' Meeting held in 2014. The Bank invites all stakeholders to General Shareholders' Meetings, who will be voiceless during such meetings.

At the 2013 Ordinary General Shareholders' Meeting held in 2014, one shareholder who attended the meeting by electronic means lodged a statement of opposition, commenting that a woman Board member had not been appointed as opposed to the CMB Corporate Governance Principles. The Chair of the General Shareholders' Meeting informed that there is a woman Board member among the members of the Board of Directors. One other shareholder proposed that Extraordinary Reserves be distributed to shareholders in their entirety or be capitalized and distributed as bonus shares to shareholders. In response, shareholders were informed that profit is distributed in the ratio stipulated by legal authorities and retained earnings are set aside under Extraordinary Reserves in accordance with the regulations. In addition, the same shareholder commented that the attendance fee paid to the Bank's Board members is insufficient and that it needs to be higher.

On another front, the total amount of contributions and donations made by the Bank in the reporting period is TL 17,186,001. Based on its approach 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.

Amounts and beneficiaries of the donations made in 2014 are as follows:

BORUSAN KOCABIYIK FOUNDATION	5,000,000
ÖĞRETMEN AKADEMİSİ VAKFI (TEACHERS ACADEMY FOUNDATION)	3,030,002
UNIVERSITIES AND EDUCATIONAL INSTITUTIONS	2,489,390
İSTANBUL KÜLTÜR VE SANAT VAKFI (İSTANBUL FOUNDATION FOR CULTURE AND ARTS)	1,889,389
OTHER FOUNDATIONS, SOCIETIES AND INSTITUTIONS	1,242,895
DOĞAL HAYATI KORUMA VAKFI (WORLD WILDLIFE FUND-TURKEY)	1,128,000
İSTANBUL MODERN SANAT VAKFI (İSTANBUL FOUNDATION FOR MODERN ARTS)	982,250
AYHAN ŞAHENK FOUNDATION	507,711
PRIME MINISTRY DISASTER & EMERGENCY MANAGEMENT PRESIDENCY - SOMA	500,000
TOPLUM GÖNÜLLÜLERİ VAKFI (COMMUNITY VOLUNTEERS FOUNDATION)	312,720
PUBLIC FOUNDATIONS	103,644
<b>TOTAL</b>	<b>17,186,001</b>

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.

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 the independent Board members.

## 2.4. VOTING RIGHTS AND MINORITY 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. Companies controlled by the majority shareholder of the Bank vote in the General Shareholders' Meetings.

Minority shares are not represented in the management. The Bank's Articles of Association does not set the minority rights to be less than one twentieth of the capital. On the other hand, as explained on Investor Relations website, 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 pays maximum attention for facilitating the exercise of minority rights.

## 2.5. DIVIDEND RIGHT

There are no privileges in dividend distribution. Details of dividend distribution are specified in articles 45, 46, and 47 of the Articles of Association. In the past, the Bank has added its profit to its capital base and distributed it to shareholders in the form of bonus shares. In accordance with Article 46 of the Articles of Association, Garanti Bank submits dividend proposals for approval at the General Shareholders' Meetings based on the decision of the Board of Directors. The proposals become effective if approved at the General Shareholders' Meeting and the resolutions are published via the Public Disclosure Platform on the same date. Following the resolution adopted regarding the dividend distribution, the distribution procedures were completed and notifications were made to the public authorities within legal time periods.

The dividend distribution policy of the Bank was presented to the information of the shareholders at the Ordinary General Shareholders' Meeting held in 2013, and was publicly disclosed on Investor Relations website.

The Bank's Dividend Distribution Policy is as follows:

"The details of our Bank's dividend distribution policy 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 25% 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

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 target 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."

## 2.6. TRANSFER OF SHARES

The Articles of Association of the Bank do not contain any provisions that restrict the transfer of shares. Shares are transferred in accordance with the Bank's Articles of Association and applicable legislation including the Banking Law.

## SECTION III - PUBLIC DISCLOSURE AND TRANSPARENCY

### 3.1. COMPANY WEBSITE AND ITS CONTENT

Garanti has two websites, one in Turkish and the other in English.

The Turkish website is accessible at:

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

The English website is accessible at:

[www.garantibank.com](http://www.garantibank.com)

Websites provide general information about the Bank and enable banking transactions through the Internet banking branch and mobile applications. In addition, the websites contain detailed information on products and services offered in banking, credit cards, investment, insurance, leasing, factoring, pension and e-commerce. Turkey's most visited financial website, [garanti.com.tr](http://garanti.com.tr) features special tabs dedicated to specific topics in relation to banking transactions through categorized content, and offers quick application option both for the Bank's customers and non-customers by means of easy-to-use forms in order to satisfy the users' needs. For example, providing the best-suited solutions application for users' saving needs, Garanti supports the SMEs through business start-up, incentive finding and guaranteed payment services.

The visitors of the website can easily compare the products under different categories and find the answer to any question in the "Help & Advice" section. While the site's search capabilities have been renewed to offer a filtering feature, [garanti.com.tr](http://garanti.com.tr)'s video content and the "send to a friend" and "share on social media" functions on every page have also been designed to

create a stimulating interactive environment. Garanti Internet Banking, on the other hand, facilitates fast and practical execution of more than 500 banking transactions by the Bank's personal and corporate customers. Our customers are able to access the products they need, instantly check their financial status, and view their incomes/expenses and cash flows.

All other information about Garanti Bank and stock in line with the needs of stakeholders, which need to be covered in websites pursuant to Corporate Governance Principles, is provided in detail both in Turkish and in English on Garanti Bank Investor Relations websites.

The investor relations website in Turkish is accessible at:

[www.garantiyatirimciiliskileri.com](http://www.garantiyatirimciiliskileri.com)

The investor relations website in English is accessible at:

[www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com)

The websites prepared in Turkish and English feature corporate information, latest shareholding and management structure, credit ratings, key financial indicators for the Turkish banking industry and for Garanti, the position of Garanti in the sector, detailed information about Garanti shares (listing information, quotation, lists of analysts, stock analysis tools (price, volume, index and comparative analysis)), periodic financial statements drawn up in accordance with international accounting standards and the BRSA regulations, reports and presentations prepared for investors, reports and presentations on macroeconomic developments, annual reports, quarterly interim reports and "StockWatch" bulletin, semi-annually published Corporate Profile bulletin, detailed information on corporate governance including Code of Ethics, Disclosure, Dividend Distribution, Human Resources, Donations and Contributions, and Compensation policies, material event disclosures, capital increases, dividend ratios, Garanti's initiatives in relation to sustainability and related reports, environmental policy, projects that add value to the society, and awards as well as, but not limited to, information that should be published on company websites as required by the Turkish Commercial Code and other applicable legislation, the regulations of the CMB regarding corporate governance principles, other related capital market legislation and other regulations in effect.

The shareholding structure currently posted on Investor Relations website will change upon approval by the government authorities of the Share Purchase Agreement executed on 19 November 2014 by and between the Bank's controlling shareholders, Doğu Group and BBVA. There will not be any

ultimate non-corporate shareholder holding more than 5% share in the new shareholding structure.

The corporate website is organized to give all stakeholders quick and easy access to information. The information published on the website is updated regularly. Also, historical information is stored in a systematic order to allow the users to make comparisons. Importance is given to efforts to improve the website and daily updates guarantee access to accurate and reliable information via the corporate website. The security of the website is assured by Garanti Bank.

The Investor Relations Department and Subsidiaries and Shareholders Service answer questions, comments and information requests of all stakeholders within the shortest time possible. Postal addresses, telephone and facsimile numbers and e-mail addresses of these departments are available to all stakeholders in the Turkish and English Investor Relations websites. The Investor Relations Department announces the international conferences and meetings it will participate in via the "Investor Relations Calendar" on its websites. In addition, the website also contains frequently asked questions and their answers under the Help and Advice section.

### 3.2. ANNUAL REPORT

Annual reports of the Bank contain the information required by the CMB's regulations concerning Corporate Governance Principles and other capital market legislation and regulations in effect.

## SECTION IV - STAKEHOLDERS

### 4.1. INFORMING STAKEHOLDERS

Stakeholders are kept informed regularly through meetings, material event disclosures sent to the Public Disclosure Platform, press releases, newspaper announcements, annual reports, news and disclosures on Investor Relations website, and internal announcements. Easy access to current information is ensured through the website which contains detailed information on matters that the stakeholders need to be informed about. Moreover, the Investor Relations Department holds comprehensive meetings with investors to share the latest developments, the competitive environment and market expectations, analyses and strategy, in an effort to establish plain, transparent, consistent and timely communication. Furthermore, the Department shares the operational plan covering projections for the coming period by organizing an "analyst day".

In order to ensure accurate and reliable flow of information, the Investor Relations Department prepares presentations

on quarterly financial statements; these presentations are shared with the investors through its website and by e-mail, and also announced during live webcasts/teleconferences. The Department regularly attends investor meetings organized by investment firms, where it communicates recent information about Garanti and the sector. The Department also responds to questions and inquiries by phone or e-mail on a daily basis. Also, all units of the Bank efficiently respond to customers' any information requests and demands about Garanti's services and products.

Created for the purpose of informing the employees, the corporate portal covers all relevant procedures, announcements and notices; this information can be accessed instantly and efficiently using different means. In addition, at Visionary Meetings held at the beginning of every year, Garanti CEO shares the past year's assessment and the next year's targets with the employees.

Communication channels including a notice line, fax and e-mail are made available to stakeholders so that they can convey any transaction that contradicts with the legislation or that is unethical to the Audit Committee via the Internal Audit Department.

### 4.2. STAKEHOLDER PARTICIPATION IN MANAGEMENT

Garanti Bank, taking all stakeholders into consideration, aims to improve product and service quality and to achieve internal and external customer satisfaction. To this end, the Bank designs all of its systems to allow continuous improvement. The stakeholders can participate in management through specially designed systems and meetings.

In addition to responding to customer inquiries, the "Customer Care Line" set up under the Customer Satisfaction Department receives customers' suggestions and handles their complaints. Garanti provides its customers with the means to communicate their demands, complaints, and ideas and suggestions about management any time through the Garanti website or the Call Center at 444 0 338. The experienced Customer Satisfaction and Social Platforms teams offer service 24/7 also through social media from the Garanti Facebook page and Twitter GarantiyeSor (Ask Garanti) account to give support and respond to questions in the fastest manner. 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 compensation mechanisms by customers who have incurred any loss.

At Garanti Bank, employee suggestions regarding products, services and processes are taken into account, and efficiency of internal operations is increased.

Employee comments are used as input for constant improvement, which are communicated by means of “Önersen” (You Suggest) and “Atölye” (Workshop), platforms whereby employees share their ideas and suggestions. Introduced in 2007, the suggestion platform “Önersen” collected 1,936 suggestions in 2014, reaching a total of approximately 16,200 suggestions. “Atölye”, a project-based innovation platform active since 2010, has been instrumental in seeking opinions from the employees under seven projects in total.

#### 4.3. HUMAN RESOURCES POLICY

The pillar of Garanti's approach to human resources is investing in human capital. Recognizing that human capital is the driving force behind all progress, the Bank builds systems to recruit, train and develop young and innovative individuals on a continuous basis, to provide a working environment that encourages full utilization of employees' skills, offers a wide range of opportunities and ensures recognition and awarding of their accomplishments.

The human resources policy of Garanti can be summarized as giving priority and importance to the human, ensuring continuous investment, deploying sufficient resources for training, giving priority to promoting from within, implementing training programs for this purpose, developing human resources systems, maximizing participation by leading an environment of open communication, displaying a fair and objective attitude, and developing practices at international standards.

In this frame, the mission of the Human Resources Department is to play a strategic role by implementing efficient human resource policies to assist the organization in achieving its business objectives. Accordingly, the Department operates in accordance with Garanti's ethical values and with the “equality principle” (the Bank and our employees observe fair treatment in their business relations regardless of language, race, gender and political thought, philosophical belief, religion, sect and the like.); closely cooperates with business units and those in the field, 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. The Department develops human resources applications in accordance with the Bank's strategies, makes efforts to improve employee motivation, creates open communication forums that allow employees to express themselves freely, provides “career consulting” for employees in line with their competencies, knowledge, skills, needs and expectations, and ensures that employees receive proper training for personal development.

Standard criteria (experience, seniority, performance, competency evaluation, tests, interview, 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.

The compensation system of the Bank is built on job-based remuneration; employees who are employed in similar jobs receive similar compensation. Jobs are rated and compensated 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 has been presented for the information of shareholders at the Ordinary General Shareholders' Meeting held in 2013 pursuant to the CMB Communiqué Serial: IV-56 on the Determination and Implementation of Corporate Governance Principles, which was in force in 2013. Subsequently, the policy was made public on Investor Relations website pursuant to the provisions of the said Communiqué.

The performance evaluation system at Garanti measures employee performance depending on objectives and the extent of their attainment. Employees of the Bank receive bonuses based on EVA (Economic Value Added) financial accomplishment metrics. Systematic bonus and performance models are major and effective management tools for achieving cost management and efficiency, while ensuring fairness among the employees. In this context, besides the figures targeted by the Bank, criteria such as customer satisfaction, service quality and efficient management of human resources are among the basic factors affecting the performance-based remuneration. Bonus payments made as part of the EVA model based on Profit and Risk Management ensure a significant level of awareness of these criteria among all employees at branch level. These performance-based payments are made twice a year and a certain percentage of the payment is deducted for payment in future years, again based on performance. Moreover, Garanti monitors the competitiveness of its salaries through research of salary levels in the sector carried out twice a year. 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 13.01% of the total personnel expenses figure for the benefits provided in 2014 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.

Quarterly sector analyses serve to monitor salaries, number of employees at branches and at the head office, and turnover rates of branches. They also guarantee consideration of the

effects of sector dynamics on human resources strategies. Garanti holds a pioneering position in the sector thanks to its low turnover rates and controlled personnel costs per capita.

In 2005, Garanti received the IIP (Investors in People) quality certification for its human resources practices, and became the award's first recipient backed by Turkish capital. In 2009, Garanti was the first company out of Turkey to be honored with the "Silver" certification from the IIP, an award presented to only 0.36% of IIP certified organizations worldwide. Being the first and only Turkish company to be awarded the Gold certificate by the IIP in 2012, these awards endorse Garanti's commitment to preserving its human resources standards while sustaining growth. Any developments or decisions concerning the employees are conveyed either to the concerned employee via private communication tools or to all employees via the Intranet.

#### 4.4. ETHICAL RULES AND SOCIAL RESPONSIBILITY

Corporate social responsibility is an integral part of the corporate culture of Garanti. Apart from banking activities, Garanti molds its societal initiatives, as well as its banking activities, around social, economic and environmental factors, which are components of sustainability. Besides sharing its knowledge in various fields with the society and future generations, Garanti continues to add value to cultural and social life through its innovative institutions and with its support to Turkey's deep-seated establishments.

Garanti focuses on contributing to the society in cultural and educational arenas. While determining its future strategy, Garanti keeps a close eye on the needs of our country and society, and aims at introducing or supporting value adding and sustainable projects.

Detailed information about these activities is available in the Sustainability Section starting on page 69 of the Annual Report.

The Handbook of Ethical Principles has been produced for the purpose of regulating employee behavior and professional relations of employees in parallel with the Bank's commitment to corporate governance principles and ethical values. The Handbook of Ethical Principles is made public on the Investor Relations website.

The Handbook of Ethical Principles defines some of Garanti's general principles such as integrity, equality, reliability, transparency, protection of social benefits, respect for the environment, and emphasizes the responsibilities of employees, situations that might lead to conflicts of interest, and the importance of the concept of confidentiality, with a

special focus on customer data. In addition, the document provides important considerations for relations with customers, suppliers, the media, and colleagues working at government and other banks. The document also covers Garanti Bank's responsibilities towards its employees with regard to a working environment in compliance with human resources practices and ethical principles. Violations of ethical principles include all actions that break the law, contradict with the community and with Garanti's values, breach employee or customer rights, as well as the ones that increase the Bank's operating expenses and reduce its efficiency.

Garanti firmly believes that the total quality concept can be realized only through strict adherence to an HR policy, code of conduct and ethical values, which are erected on integrity, honesty and respect. In addition to the Handbook of Ethical Principles, the Ethical Sales Principles, Social Media Policy, Anti-Fraud Policy, and Compliance Policy documents are posted on the Intranet that is open to all employees. An announcement has been published in relation to ethical principles. In addition, Garanti has compiled its principles and values in a handbook titled the Customer Satisfaction Constitution in accordance with its customer-centric approach, which is available to all employees and customers.

The Handbook of Ethical Sales Principles emphasizes the "reputation" concept, i.e. the Bank's greatest asset, and details the expected code of ethical conduct for employees who engage in sales activities. The Social Media Policy sets forth the rules as to how the Bank's employees will represent Garanti on social media. The Anti-Fraud Policy is intended to create awareness of any act of misconduct across the Bank and to design the circumstances of an honest and reliable working environment.

Garanti Bank's policies relating to the core components of the compliance system are documented in the "Compliance Policy". The Compliance Policy emphasizes the compliance risk and reputation risk concepts, and underlines that employees are expected to adhere to the laws, the Bank's Ethical Principles and corporate standards in their behaviors. The Policy defines the concept of integrity and lists the basic tasks and responsibilities within the compliance system. In this context, it is stressed that compliance is not the responsibility of the senior executives or certain business units only, but of each employee.

Garanti attaches particular importance to ethical principles and integrity, and aims to create constant awareness of this issue through trainings for all employees.

## SECTION V - BOARD OF DIRECTORS

### 5.1. STRUCTURE AND FORMATION OF THE BOARD OF DIRECTORS

Ferit Faik Şahenk is the Chairman of the Board of Directors. The Chairman has no executive functions as per the regulations issued by the Banking Regulation and Supervision Agency (BRSA). The executive member of the Board is Chief Executive Officer Ergun Özen.

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, Muammer Cüneyt Sezgin, Ph.D. and Manuel Pedro Galatas Sanchez-Harguindey, who serve as members on the Bank's Audit Committee, are independent Board members.

Résumés, terms of office and positions of the Board members are presented on pages 99, 100 and 101 of the Annual Report. The positions held by the Bank's Board members in and out of the Group are stated in their résumés.

At the Ordinary General Shareholders' Meeting held in 2013, Garanti elected Sema Yurdum as the third independent Board member, who satisfies all the independence criteria announced by the Capital Markets Board. The Corporate Governance Committee report dated 6 March 2013, 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 2013.

"To: Türkiye Garanti Bankası A.Ş.  
Corporate Governance Committee

I hereby declare that I stand for serving as an 'independent member' on the Bank's Board of Directors pursuant to the provisions of the Communiqué Serial: IV-56 on the Determination and Implementation of Corporate Governance Principles issued by the Capital Markets Board of Turkey. In this context, I hereby declare as follows:

- » I have not held a seat on the Bank's Board of Directors 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 directly or indirectly involving major duties and responsibilities, or established any capital or commercial interest of a significant nature, with any corporate entity with which the Bank, any related party of the Bank or shareholders holding, directly or indirectly, 10% or more share in the Bank's capital, is related with respect to management or capital,
- » I have not worked for or served as a member on the boards of directors of any company contractually undertaking the Bank's activities or organization in part or in whole, and particularly of the firms performing the audit, rating and consultancy of the Bank, in the past five years,
- » I was not a shareholder, employee or board member for any company supplying service or product of material quantity to the Bank in the past five years,
- » I hold less than 1% share in the Bank's capital and these are not preferential shares,
- » 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,
- » I am not a full-time employee of public institutions and establishments as at the date of nomination,
- » I am considered to be a resident of Turkey as for the purposes of the Income Tax Law,
- » 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,
- » 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."

On the other hand, no circumstances arose in the 2014 fiscal year, which prejudiced the independence of independent Board members.

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.

## 5.2. OPERATING PRINCIPLES OF THE BOARD OF DIRECTORS

The Board of Directors meeting agenda mainly consists of matters requested to be addressed by the Chief Executive Officer and any additional matters requested to be added to the agenda by any Board member.

The Board of Directors must convene as and when necessitated by the Bank's affairs and transactions, but at least once in a month. Pursuant to the Articles of Association of the Bank, the Board of Directors meets with the attendance of minimum seven members and resolutions of the Board of Directors are taken by affirmative votes of at least seven members present in the meeting. In 2014, the Board of Directors met **16** times by satisfying the required quorums for meeting and decision.

A secretarial office has been set up to facilitate communication between the members of Board of Directors and the Head Office. Discussions at the meetings of the Board of Directors are recorded in the minutes and signed by the attending members.

Naturally, the Board members may express different opinions and comments, and cast dissenting votes at Board meetings. Reasons for dissenting votes on issues about which different views are expressed during any Board meeting are recorded in the minutes and signed by the member(s) who cast the dissenting vote(s). Each member of the Board of Directors has one vote and the members do not have any privileged voting right and/or vetoing right.

Officer's Liability coverage with a limit of USD **100** million has been obtained for the individual liabilities of Board members arising out of faults committed in the performance of their duties. A Professional Indemnity coverage with a limit of USD **50** million has been obtained for liabilities that might be attributed to the Bank in the event a third party sustains, and claims from the Bank, any loss as a result of a faulty transaction that might occur in the performance of the Board members' duties.

As of 31 December 2014, the total amount of operating income generated by the Parent Company Bank and its consolidated financial services institutions ("the Group") on related party transactions represented less than **1%** of the Group's total operating income. In addition, the outstanding balances from transactions with related parties represented less than **10%** of the Group's consolidated income used for the calculation of legal limits in terms of equity interests, cash and non-cash loans, and less than **1%** of total consolidated assets in terms of equity assets and cash loans in the financial statements drawn up as of 31 December 2014 in accordance with the Turkish Financial Reporting Standards and the explanations provided by the BRSA.

## 5.3. NUMBER, STRUCTURES AND INDEPENDENCE OF COMMITTEES UNDER THE BOARD OF DIRECTORS

In line with its commitment to corporate governance principles, Garanti established the Audit Committee to assist the Board of Directors in its audit and supervision activities and to more effectively protect the interests of the Bank and the investors, although there was no legal regulation in force at the time. The Committee has been active since 2001, with the primary and ultimate responsibility resting with the Board of Directors. The duties and responsibilities of the Committee are fully aligned with the Banking Law and the relevant regulations. In 2014, the Audit Committee held **15** meetings, which were attended by all committee members.

Pursuant to the Regulation on the Banks' Corporate Governance Principles published by the BRSA and the CMB's requirements in relation to Corporate Governance Principles, a Corporate Governance Committee has also been established to oversee compliance with corporate governance principles, undertake improvement efforts in this area, nominate independent members to be appointed to the Board of Directors, and submit proposals to the Board of Directors. The Corporate Governance Committee held three meetings in 2014, which were attended by all committee members.

Moreover, a Credit Committee functions under the Board of Directors, to which a certain amount of credit allocation authorities has been transferred. In 2014, the Credit Committee held **43** meetings, which were attended by all committee members.

The Remuneration Committee operates to review and implement the Bank's compensation policies. In 2014, the Committee held one meeting.

The committees mentioned above carried out their activities efficiently and in total alignment with the applicable legislation during the reporting period.

Detailed information regarding the formation and operation of the Audit Committee, Corporate Governance Committee, Credit Committee and Remuneration Committee is provided in the Committees and Committee Meetings Attendance section of this report.

In view of the number of the Bank's Board members, members of the Board of Directors can serve on more than one committee.

Within the scope of risk management activities, the Bank set up Liquidity Risk Management, Credit Risk, Market Risk and Operational Risk committees. In addition to those, there are committees whose members are composed of the Board of Directors members (Assets & Liabilities Committee, Sustainability Committee, Anti-Fraud Committee, Basel

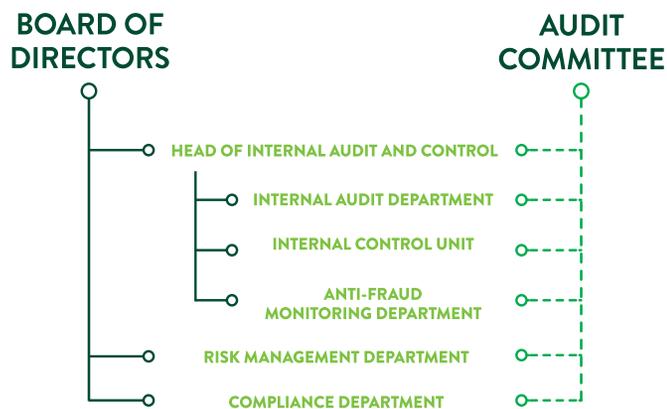
Steering Committee, and Coordination and Supervision Committee) and/or the Bank's executives (Disciplinary Committee, Credit Procedures Committee, Cost Management Committee, Personnel Committee, AML Compliance Committee and Training Strategy Committee).

Detailed information regarding the formation and operation of all committees is provided in the Committees and Committee Meetings Attendance section of this report.

#### 5.4. RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

The Board of Directors is ultimately responsible for developing and monitoring the Bank's internal audit and risk management policies and strategies. Accordingly, the following units report to the Board of Directors via the Head of Internal Audit and Control: the Internal Audit Department, performing internal audit functions; the Internal Control Unit, performing internal control functions; the Anti-Fraud Monitoring Department, monitoring and taking actions to prevent external fraud. The Risk Management Department, which performs risk management functions, and the Compliance Department, which performs activities to prevent laundering proceeds of crime, and financing of terrorism, and implements compliance controls, report directly to the Board of Directors.

The departments that perform these functions are structured in line with the "separation of powers" principle. They are independent of executive functions. The current system is structured within the organization of Garanti Bank as presented below.



The Internal Control System consists of continuous control activities and the related mechanisms that Bank employees at all levels must comply with and implement in order to ensure the due execution of Garanti Bank's activities in accordance with the framework set by the Board of Directors, applicable legislation and internal regulations. Additionally, these guarantee the integrity and reliability of accounting and reporting systems and the timely availability of information.

The Internal Audit Department performs systematic audits that cover all activities and units of Garanti Bank in accordance with applicable legislation, especially the Banking Law, and the Bank's bylaws. These audits are performed separately from day-to-day activities and they mainly focus on internal control and risk management systems. In this context, audit is conducted at domestic and overseas branches of Garanti Bank, at the Head Office units and consolidated subsidiaries.

The Internal Control Unit ensures that a sound internal control environment is in place at Garanti Bank, handles necessary coordination in this regard, and guarantees that the Bank's activities are performed regularly, efficiently, effectively and in line with the management strategy and policies of the Bank, as well as with applicable rules and regulations. In this context, infrastructures are set up based on the functional separation of duties, the sharing of authorities and responsibilities, the establishment of a sound reconciliation system, the integration of self-control mechanisms and systemic controls into processes, and the identification and monitoring of risks the Bank is exposed to. In addition, the Internal Control Unit coordinates the units that have responsibility in processes related with disaster recovery and business continuity throughout the Bank.

The Compliance Department manages the compliance risks the Bank may be exposed to and works to identify and prevent those risks before implementation. The Department helps to improve the compliance culture constantly, and establish a world-class compliance culture across the Bank.

The Compliance Controls Team is set up under the Compliance Department to perform the compliance function against situations that might lead Garanti Bank to suffer financial losses, cancellation of authorization or loss of reputation in view of applicable laws and corporate standards. The Compliance Controls Team coordinates and supervises control mechanisms that are in place regarding the compliance of Garanti Bank's ongoing and future activities, new transactions and products with laws, internal policies and rules, and banking practices. The Team also forms an opinion on new products and services before they are implemented. The Compliance Department carries out these activities in coordination with the

Internal Systems Departments and Legal Department.

Furthermore, the revision needs of the processes are monitored in view of regulatory changes, and actions to be taken by relevant units are followed up. Efforts are spent to constantly promote compliance awareness and culture within Garanti Bank including overseas branches and consolidated subsidiaries.

The Compliance Officer team working under the Compliance Department carries out the necessary works in order to ensure compliance with regulations published for prevention of money laundering and countering the financing of terrorism, provides necessary coordination and communication with the Financial Crimes Investigation Board (in Turkish: MASAK), develops corporate policies and procedures, devises the training programs and ensures its effectiveness, carries out activities in relation to detection and notification of suspicious transactions, provides the preparation of statistics on internal audits and trainings, and informs MASAK on the same, and fulfills the obligation of providing MASAK with information and documents in line with the manner and methods defined by MASAK.

The Risk Management System consists of the standardization, information flow, compliance monitoring, decision-making and implementation mechanisms introduced by the Board of Directors to monitor, control and, when necessary, change the risk-versus-return structure of Garanti Bank's future cash flows, and the nature and level of resulting activities. Within the frame of Garanti Bank's strategy to attain sustained growth while creating value, the Risk Management Department is assigned with establishing a risk management system that is aligned with the Bank's activities, by which risks are measured using methods that conform to international standards and national legislation. The Department is expected to set up a structure throughout Garanti, which seeks to establish an optimum capital balance by overseeing risk-versus-return balance based on the system mentioned above.

Garanti has created a pioneering structure with an organizational structure that monitors the external fraud trends that evolve in line with the constantly advancing technology under the same roof from an "enterprise fraud prevention" perspective.

With an expert team, the Anti-Fraud Monitoring Department monitors and prevents card, Internet, member merchant and application fraud by taking rapid actions with effective controls and advanced software. The Department targets to minimize the losses of the Bank and the customers by taking proactive measures against acts of external fraud through strategies developed and analyses made. The Department also aims to establish a corporate culture and

awareness of fraud throughout the Bank, to develop views and suggestions on the Bank's new product and service developments upon assessing the same with respect to external fraud risks and to take efficient operational security measures.

## 5.5. STRATEGIC GOALS OF THE COMPANY

The vision of Garanti is to be the best bank in Europe. Its mission is to continuously and noticeably increase the value it creates for its customers, shareholders, employees, society and the environment by utilizing its efficiency, agility and organizational efficiency. The vision and the mission of Garanti are publicly announced on Investor Relations websites in English and Turkish languages. In addition, both the Board of Directors and executives convey the mission and vision of the Bank at meetings, interviews and other communications through printed and visual media channels. Information regarding Garanti's strategy and its pillars, which are approved by the Board of Directors, are presented on pages 8 and 9 of the Annual Report.

Within the context of this strategy, Garanti's budget and its short-, medium- and long-term business plans are formulated; reports on realization of objectives are monitored on a weekly basis. The executives of the Bank hold individual periodic performance review meetings with branch and regional managers regarding the attainment of the targets. Moreover, actualization of strategic goals can be monitored in real-time through the Garanti management information and reporting infrastructure (MIS), systems and screens.

## 5.6. REMUNERATION

As published on Investor Relations 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.

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 2014 that payments to be made to Board members, if they 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 18,000,000.- for the total compensation so determined and will be paid until the first ordinary general shareholders' meeting to be convened in 2015.

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 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 capital adequacy ratio and the continuity of the Bank's operations. Part of the performance-based payments are made in installments and spread over future periods.

As of 31 December 2014, the net payment provided or to be provided to the key managers of the Bank, including the members of the Board of Directors, amounts to TL 78.2 million.

At the Ordinary General Shareholders' Meeting held in 2014, 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. Through this compensation policy, a fair, performance- and success-based remuneration policy has been created. Our Bank's Compensation Policy has been implemented as approved. It is reviewed periodically. In addition to the compensation policy covering the Bank's entire personnel, the remuneration committee continued to implement its policies that it has set in relation to remuneration and premiums to be paid to the members of the Board of Directors and senior executives who assume administrative roles, 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."

Detailed information about the Remuneration Committee is presented on page 110 of the Annual Report.

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 as per 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 abovementioned framework.

**DECLARATION OF RESPONSIBILITY  
ACCORDING TO ARTICLE 9 OF SECOND PART OF COMMUNIQUÉ  
ON PRINCIPLES REGARDING FINANCIAL REPORTING IN CAPITAL MARKET NO. II-14.1  
ISSUED BY CAPITAL MARKETS BOARD OF TURKEY**

We hereby declare that; the bank-only and consolidated financial statements and interim activity reports of T. Garanti Bankası A.Ş. for the period between 01.01.2014 – 31.12.2014 attached herewith, which have been prepared in accordance with the Communiqué on Principles Regarding Financial Reporting in Capital Market No. II-14.1 issued by Capital Markets Board of Turkey, have been reviewed by ourselves, that they do not contain any misrepresentation and deficiency in all important matters and that they reflect properly the financial standing and activity results of the Bank.

Sincerely,

**M. CÜNEYT SEZGİN**

Denetim Komitesi Üyesi



**S. ERGUN ÖZEN**

Genel Müdür



**İBRAHİM AYDINLI**

Genel Müdür Yardımcısı



We hereby declare that; the year-end activity report of T. Garanti Bankası A.Ş. for the period between 01.01.2014 – 31.12.2014 attached herewith, which has been prepared in accordance with the Communiqué on Principles Regarding Financial Reporting in Capital Market No. II-14.1 issued by Capital Markets Board of Turkey, has been reviewed by ourselves, that it does not contain any misrepresentation and deficiency in all important matters and that it reflects properly the financial standing and activity results of the Bank.

Sincerely,

**M. CÜNEYT SEZGİN**

Denetim Komitesi Üyesi



**S. ERGUN ÖZEN**

Genel Müdür



**İBRAHİM AYDINLI**

Genel Müdür Yardımcısı



# UNCONSOLIDATED FINANCIAL REPORT



To the Board of Directors of  
Türkiye Garanti Bankası AŞ  
İstanbul

**TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ**  
**INDEPENDENT AUDITORS' REPORT**  
**FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2014**

We have audited the accompanying balance sheet of Turkey Garanti Bankası A.Ş. ("the Bank") as at 31 December 2014 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**BASIS FOR QUALIFIED OPINION**

The accompanying financial statements include a general reserve amounting to TL 415,000 thousands, TL 105,000 thousands of which was charged to the income statement as expense in the current period, provided by the Bank management in line with conservatism principle considering the circumstances which may arise from any changes in the economy or market conditions.

**INDEPENDENT AUDITORS' OPINION**

In our opinion, except for the effect of the matter described in the fourth paragraph on the financial statements, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2014 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the Article 37 of the Banking Act no. 5411, and other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by the Banking Regulation and Supervision Agency.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), the Board of Directors provided us all the required information and documentation with respect to our audit; and nothing has come to our attention that may cause us to believe that the Bank's set of accounts prepared for the period 1 January - 31 December 2014 does not comply with the TCC and the provisions of the Bank's articles of association in relation to financial reporting.

**ADDITIONAL PARAGRAPH FOR ENGLISH TRANSLATION**

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

Istanbul, 3 February 2015

Drt Bağımsız Denetim Ve Serbest Muhasebeci  
Mali Müşavirlik A.Ş.

**MEMBER OF DELOITTE TOUCHE TOHMATSU LIMITED**



Hasan Kılıç  
Sorumlu Ortak Başdenetçi, SMMM

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

UNCONSOLIDATED FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

Levent Nispetiye Mah. Aytar Cad. No:2 Beşiktaş 34340 İstanbul  
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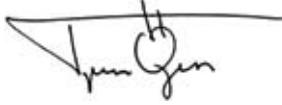
The unconsolidated year-end financial report prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

1. General Information about the Bank
2. Unconsolidated Financial Statements of the Bank
3. Accounting Policies of Unconsolidated Financial Statements
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 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)**.



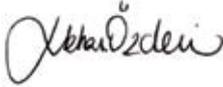
**Ferit F. Şahenk**  
Board of Directors  
Chairman



**S. Ergun Özen**  
General Manager



**İbrahim Aydın**  
Financial Reporting  
Executive Vice President



**Hakan Özdemir**  
General Accounting  
Senior Vice President



**M. Cüneyt Sezgin**  
Audit Committee Member



**Manuel Pedro  
Galatas Sanchez Harguindey**  
Audit Committee Member

The authorized contact person for questions on this financial report:

Name-Surname/Title: Handan SAYGIN/Senior Vice President of Investor Relations

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# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

UNCONSOLIDATED FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2014  
(THOUSANDS OF TURKISH LIRA (TL))

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

## 1 GENERAL INFORMATION

### 1.1 HISTORY OF THE BANK INCLUDING ITS INCORPORATION DATE, INITIAL LEGAL STATUS, AMENDMENTS TO LEGAL STATUS

Turkey Garanti Bankası Anonim Şirketi (the Bank) was established by the decree of Council of Ministers numbered 3/4010 dated 11 April 1946 and its "Articles of Association" was issued in the Official Gazette dated 25 April 1946. The Bank provides banking services through 994 domestic branches, eight foreign branches and three representative offices abroad. 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 YEAR AND INFORMATION ON BANK'S RISK GROUP

As of 31 December 2014, the group of companies under Doğu Holding AŞ that currently owns 24.23% shares of the Bank, is named the Doğu Group (the Group).

On 22 December 2005, Doğu Holding AŞ had completed the sale of 53,550,000,000 shares composing 25.5% of the Bank's issued share capital to "GE Araştırma ve Müşavirlik Limited Şti" of General Electric (GE) Group. Accordingly, GE acquired a joint control on the Bank's management.

GE Araştırma ve Müşavirlik Limited Şti had sold 9,765,000,000 shares of Turkey Garanti Bankası AŞ at a nominal value of TL 97,650 each to Doğu Holding AŞ, representing 4.65% of the issued share capital of Turkey Garanti Bankası AŞ on 27 December 2007.

Number of shares representing 20.85% ownership of GE Araştırma ve Müşavirlik Limited Şti increased to 87,571,249,898 subsequent to the capital increase through issuance of bonus shares. The company sold 83,371,249,899 shares at a total nominal value of TL 833,712 thousands representing 19.85% ownership in Turkey Garanti Bankası AŞ, to GE Capital Corporation on 29 December 2010, and the remaining 1% ownership in the stock exchange market on 11 December 2012.

On 22 March 2011, Banco Bilbao Vizcaya Argentaria SA ("BBVA") 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, holding 24.89% shares of the Bank, had joint control on the Bank's management together with Doğu Group.

On 7 April 2011, BBVA acquired additional 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%. As per the agreement between Doğu Holding AŞ and BBVA, if any of the parties acquires additional shares during the next five years, it is required to offer half of the acquired shares to other party, in case that other party does not accept to purchase the offered shares, usufruct rights shall be established on the voting rights of such shares in favour of other party. Accordingly, although BBVA has acquired additional shares in April 2011, this does not affect their joint control on the Bank's management.

#### Doğu Group

The Doğu Group that was established in 1951 initially for investments in construction sector, operates in seven sectors namely financial services, automotive, construction, real estate, tourism, media and energy with 132 companies and more than 30 thousand employees.

The major worldwide joint ventures of the Group are; Volkswagen AG and TÜV SÜD in automotive, CNBC, MSNBC and Condé Nast in media and, Hyatt International Ltd and HMS International Hotel GmbH (Maritim) in tourism.

The major investments of the Group in financial sector are; Turkey Garanti Bankası AŞ, Garanti Bank International NV, Garanti Bank Moscow, Garanti Bank SA, Garanti Finansal Kiralama AŞ, Garanti Faktoring Hizmetleri AŞ, Garanti Yatırım Menkul Kıymetler AŞ, Garanti Portföy Yönetimi AŞ, Garanti Emeklilik ve Hayat AŞ, Doğu Gayrimenkul Yatırım Ortaklığı AŞ and Volkswagen Doğu Tüketici Finansmanı AŞ.

#### BBVA Group

BBVA is operating for more than 150 years, providing variety of wide spread financial and non-financial services to over 47 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.

The Group owns a bank being the largest financial institution in Mexico, the market leader in South America, and one of the largest 15 commercial banks in United States. BBVA is among the few international groups that operates in China and Turkey, and operates in more than 30 countries with more than 100 thousand employees.

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

UNCONSOLIDATED FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2014  
(THOUSANDS OF TURKISH LIRA (TL))

(Convenience Translation of Financial Statements and  
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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, CHANGES INCURRED AND THEIR SHAREHOLDINGS IN THE BANK

### BOARD OF DIRECTORS CHAIRMAN AND MEMBERS:

NAME AND SURNAME	RESPONSIBILITY	APPOINTMENT DATE	EDUCATION	EXPERIENCE IN BANKING AND BUSINESS ADMINISTRATION
Ferit Faik Şahenk	Chairman	18.04.2001	University	24 years
Süleyman Sözen	Vice Chairman	08.07.2003	University	32 years
Dr. Muammer Cüneyt Sezgin	Independent Member of BOD and Audit Committee	30.06.2004	PhD	26 years
Dr. Ahmet Kamil Esirtgen	Member	19.03.1992	PhD	40 years
Manuel Castro Aladro	Member	22.03.2011	Master	22 years
Manuel Pedro Galatas Sanchez Harguindey	Independent Member of BOD and Audit Committee	05.05.2011	University	30 years
Jaime Saenz de Tejada Pulido	Member	02.10.2014	University	21 years
Angel Cano Fernandez	Member	22.03.2011	University	29 years
Belkis Sema Yurdum	Independent Member	30.04.2013	University	26 years
Sait Ergun Özen	Member and CEO	14.05.2003	University	27 years

### CEO AND EXECUTIVE VICE PRESIDENTS:

NAME AND SURNAME	RESPONSIBILITY	APPOINTMENT DATE	EDUCATION	EXPERIENCE IN BANKING AND BUSINESS ADMINISTRATION
Sait Ergun Özen	CEO	01.04.2000	University	27 years
Adnan Memiş	EVP-Support Services	03.06.1991	Master	36 years
Ali Fuat Erbil	EVP-Financial Institutions and Corporate Banking	30.04.1999	PhD	22 years
Erhan Adalı	EVP-Loans	03.08.2012	University	24 years
Gökhan Erün	EVP-Treasury, Investment Banking, Human Resources and Training	01.09.2005	Master	20 years
Faruk Nafiz Karadere	EVP-SME Banking	01.05.1999	University	32 years
Halil Hüsnü Erel	EVP-Technology, Operations Management and Central Marketing	16.06.1997	University	39 years
Recep Baştuğ	EVP-Commercial Banking	01.01.2013	University	24 years
Turgay Gönenç	EVP-Coordination of Domestic and Foreign Subsidiaries	15.12.2001	University	29 years
Aydın Şenel	EVP-Purchasing and Tax Management	02.03.2006	University	33 years
İbrahim Aydın	EVP-General Accounting, Economic Research and Customer Satisfaction	06.06.2013	Master	20 years
Avni Aydın Düren	EVP-Legal Services and Risk Monitoring	01.02.2009	Master	20 years
Betül Ebru Edin	EVP-Project Finance	25.11.2009	University	20 years
Murat Mergin	EVP-Financial and Strategic Planning	01.01.2002	University	20 years
Onur Genç	EVP-Retail Banking	20.03.2012	Master	15 years
Didem Başer	EVP-Delivery Channels and Social Platforms Management	20.03.2012	Master	19 years

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

### 1.4 INFORMATION ON THE BANK'S QUALIFIED SHAREHOLDERS

NAME / COMPANY	SHARES	OWNERSHIP	PAID-IN CAPITAL	UNPAID PORTION
Doğuş Holding AŞ	857,315	20.4123%	857,315	-
Banco Bilbao Vizcaya Argentaria SA	1,050,420	25.0100%	1,050,420	-

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.

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

UNCONSOLIDATED FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2014  
(THOUSANDS OF TURKISH LIRA (TL))

(Convenience Translation of Financial Statements and  
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## 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,
- » 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 2014

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

## UNCONSOLIDATED FINANCIAL STATEMENTS

THOUSANDS OF TURKISH LIRA (TL)

ASSETS	FOOTNOTES	CURRENT PERIOD 31 DECEMBER 2014			PRIOR PERIOD 31 DECEMBER 2013		
		TL	FC	TOTAL	TL	FC	TOTAL
I. CASH AND BALANCES WITH CENTRAL BANK	(5.1.1)	1,759,994	23,312,658	25,072,652	2,751,642	19,776,456	22,528,098
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)		1,051,726	832,191	1,883,917	1,225,262	576,330	1,801,592
2.1 Financial assets held for trading	(5.1.2)	850,341	832,191	1,682,532	1,026,484	576,330	1,602,814
2.1.1 Government securities		37,988	8,112	46,100	90,491	308,282	398,773
2.1.2 Equity securities		63,609	-	63,609	30,825	-	30,825
2.1.3 Derivative financial assets held for trading		748,744	542,268	1,291,012	900,684	245,982	1,146,666
2.1.4 Other securities		-	281,811	281,811	4,484	22,066	26,550
2.2 Financial assets valued at fair value through profit or loss		201,385	-	201,385	198,778	-	198,778
2.2.1 Government securities		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Loans	(5.1.2)	201,385	-	201,385	198,778	-	198,778
2.2.4 Other securities		-	-	-	-	-	-
III. BANKS	(5.1.3)	1,419,891	7,020,058	8,439,949	2,074,021	7,676,370	9,750,391
IV. INTERBANK MONEY MARKETS		-	80,446	80,446	-	190,802	190,802
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	80,446	80,446	-	190,802	190,802
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	(5.1.4)	19,242,220	809,766	20,051,986	19,677,517	1,952,565	21,630,082
5.1 Equity securities		34,867	63,740	98,607	31,956	8,212	40,168
5.2 Government securities		17,500,522	604,159	18,104,681	18,092,718	906,247	18,998,965
5.3 Other securities		1,706,831	141,867	1,848,698	1,552,843	1,038,106	2,590,949
VI. LOANS	(5.1.5)	85,488,518	48,569,280	134,057,798	73,474,973	45,196,426	118,671,399
6.1 Performing loans		84,861,650	48,569,280	133,430,930	72,993,011	45,196,426	118,189,437
6.1.1 Loans to bank's risk group	(5.7)	644,135	1,899,502	2,543,637	427,832	1,232,916	1,660,748
6.1.2 Government securities		-	-	-	-	-	-
6.1.3 Others		84,217,515	46,669,778	130,887,293	72,565,179	43,963,510	116,528,689
6.2 Loans under follow-up		3,300,829	-	3,300,829	2,538,430	-	2,538,430
6.3 Specific provisions (-)		2,673,961	-	2,673,961	2,056,468	-	2,056,468
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. INVESTMENTS HELD-TO-MATURITY (Net)	(5.1.6)	13,387,858	7,626,644	21,014,502	13,120,328	864,107	13,984,435
8.1 Government securities		13,360,856	4,641,023	18,001,879	13,112,652	469,091	13,581,743
8.2 Other securities		27,002	2,985,621	3,012,623	7,676	395,016	402,692
IX. INVESTMENTS IN ASSOCIATES (Net)	(5.1.7)	36,698	-	36,698	36,698	-	36,698
9.1 Associates consolidated under equity accounting		-	-	-	-	-	-
9.2 Unconsolidated associates		36,698	-	36,698	36,698	-	36,698
9.2.1 Financial investments in associates		33,032	-	33,032	33,032	-	33,032
9.2.2 Non-financial investments in associates		3,666	-	3,666	3,666	-	3,666
X. INVESTMENTS IN SUBSIDIARIES (Net)	(5.1.8)	476,562	2,785,685	3,262,247	448,691	2,730,138	3,178,829
10.1 Unconsolidated financial investments in subsidiaries		372,326	2,785,685	3,158,011	344,606	2,730,138	3,074,744
10.2 Unconsolidated non-financial investments in subsidiaries		104,236	-	104,236	104,085	-	104,085
XI. INVESTMENTS IN JOINT-VENTURES (Net)	(5.1.9)	-	-	-	-	-	-
11.1 Joint-ventures consolidated under equity accounting		-	-	-	-	-	-
11.2 Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1 Financial investments in joint-ventures		-	-	-	-	-	-
11.2.2 Non-financial investments in joint-ventures		-	-	-	-	-	-
XII. LEASE RECEIVABLES (Net)	(5.1.10)	-	-	-	-	-	-
12.1 Financial lease receivables		-	-	-	-	-	-
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT	(5.1.11)	46,202	120,050	166,252	103,975	11,009	114,984
13.1 Fair value hedges		31,158	83	31,241	65,943	-	65,943
13.2 Cash flow hedges		15,044	119,967	135,011	38,032	11,009	49,041
13.3 Net foreign investment hedges		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(5.1.12)	1,357,239	178	1,357,417	1,361,270	96	1,361,366
XV. INTANGIBLE ASSETS (Net)	(5.1.13)	173,942	24	173,966	58,770	-	58,770
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		173,942	24	173,966	58,770	-	58,770
XVI. INVESTMENT PROPERTY (Net)	(5.1.14)	147,465	-	147,465	149,632	-	149,632
XVII. TAX ASSET		372,090	-	372,090	129,218	-	129,218
17.1 Current tax asset		-	-	-	-	-	-
17.2 Deferred tax asset	(5.1.15)	372,090	-	372,090	129,218	-	129,218
XVIII. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(5.1.16)	171,016	-	171,016	146,104	-	146,104
18.1 Assets held for sale		171,016	-	171,016	146,104	-	146,104
18.2 Assets of discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(5.1.17)	2,150,700	479,403	2,630,103	2,935,298	228,510	3,163,808
<b>TOTAL ASSETS</b>		<b>127,282,121</b>	<b>91,636,383</b>	<b>218,918,504</b>	<b>117,693,399</b>	<b>79,202,809</b>	<b>196,896,208</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 2014

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

THOUSANDS OF TURKISH LIRA (TL)

LIABILITIES AND SHAREHOLDERS' EQUITY	FOOTNOTES	CURRENT PERIOD 31 DECEMBER 2014			PRIOR PERIOD 31 DECEMBER 2013		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>I. DEPOSITS</b>	<b>(5.2.1)</b>	<b>62,264,002</b>	<b>58,043,979</b>	<b>120,307,981</b>	<b>59,655,722</b>	<b>46,817,866</b>	<b>106,473,588</b>
1.1 Deposits from bank's risk group	(5.7)	1,147,243	418,458	1,565,701	856,037	430,332	1,286,389
1.2 Others		61,116,759	57,625,521	118,742,280	58,799,665	46,387,534	105,187,199
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>(5.2.2)</b>	<b>1,066,789</b>	<b>507,454</b>	<b>1,574,243</b>	<b>1,127,072</b>	<b>257,624</b>	<b>1,384,696</b>
<b>III. FUNDS BORROWED</b>	<b>(5.2.3)</b>	<b>3,956,059</b>	<b>28,367,351</b>	<b>32,323,410</b>	<b>5,222,504</b>	<b>24,255,589</b>	<b>29,478,093</b>
<b>IV. INTERBANK MONEY MARKETS</b>	<b>(5.2.4)</b>	<b>4,897,146</b>	<b>6,488,774</b>	<b>11,385,920</b>	<b>11,424,006</b>	<b>3,160,228</b>	<b>14,584,234</b>
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Obligations under repurchase agreements		4,897,146	6,488,774	11,385,920	11,424,006	3,160,228	14,584,234
<b>V. SECURITIES ISSUED (Net)</b>	<b>(5.2.4)</b>	<b>3,926,198</b>	<b>9,426,049</b>	<b>13,352,247</b>	<b>3,885,539</b>	<b>6,494,850</b>	<b>10,380,389</b>
5.1 Bills		1,088,546	-	1,088,546	1,347,962	-	1,347,962
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		2,837,652	9,426,049	12,263,701	2,537,577	6,494,850	9,032,427
<b>VI. FUNDS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
6.1 Borrower funds		-	-	-	-	-	-
6.2 Others		-	-	-	-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>	<b>(5.2.4.3)</b>	<b>6,094,877</b>	<b>721,753</b>	<b>6,816,630</b>	<b>5,099,413</b>	<b>534,436</b>	<b>5,633,849</b>
<b>VIII. OTHER EXTERNAL FUNDINGS PAYABLE</b>		<b>1,798,344</b>	<b>585,551</b>	<b>2,383,895</b>	<b>2,280,478</b>	<b>597,280</b>	<b>2,877,758</b>
<b>IX. FACTORING PAYABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X. LEASE PAYABLES (Net)</b>	<b>(5.2.5)</b>	<b>538</b>	<b>-</b>	<b>538</b>	<b>480</b>	<b>-</b>	<b>480</b>
10.1 Financial lease payables		576	-	576	504	-	504
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred expenses (-)		38	-	38	24	-	24
<b>XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT</b>	<b>(5.2.6)</b>	<b>99,572</b>	<b>179,811</b>	<b>279,383</b>	<b>-</b>	<b>39,105</b>	<b>39,105</b>
11.1 Fair value hedges		99,572	111,931	211,503	-	39,105	39,105
11.2 Cash flow hedges		-	67,880	67,880	-	-	-
11.3 Net foreign investment hedges		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	<b>(5.2.7)</b>	<b>3,633,521</b>	<b>58,446</b>	<b>3,691,967</b>	<b>2,942,279</b>	<b>59,530</b>	<b>3,001,809</b>
12.1 General provisions		2,395,297	39,332	2,434,629	1,962,713	41,195	2,003,908
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		497,565	-	497,565	377,988	-	377,988
12.4 Insurance technical provisions (Net)		-	-	-	-	-	-
12.5 Other provisions		740,659	19,114	759,773	601,578	18,335	619,913
<b>XIII. TAX LIABILITY</b>	<b>(5.2.8)</b>	<b>638,471</b>	<b>22,179</b>	<b>660,650</b>	<b>298,865</b>	<b>10,867</b>	<b>309,732</b>
13.1 Current tax liability		638,471	22,179	660,650	298,865	10,867	309,732
13.2 Deferred tax liability		-	-	-	-	-	-
<b>XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	<b>(5.2.9)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
14.1 Assets held for sale		-	-	-	-	-	-
14.2 Assets of discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED DEBTS</b>	<b>(5.2.10)</b>	<b>-</b>	<b>140,766</b>	<b>140,766</b>	<b>-</b>	<b>147,491</b>	<b>147,491</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	<b>(5.2.11)</b>	<b>24,391,656</b>	<b>1,609,218</b>	<b>26,000,874</b>	<b>21,113,386</b>	<b>1,471,598</b>	<b>22,584,984</b>
16.1 Paid-in capital		4,200,000	-	4,200,000	4,200,000	-	4,200,000
16.2 Capital reserves		1,023,450	1,473,069	2,496,519	496,564	1,351,621	1,848,185
16.2.1 Share premium		11,880	-	11,880	11,880	-	11,880
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Securities value increase fund		165,620	1,490,236	1,655,856	(-429,394)	1,342,813	913,419
16.2.4 Revaluation surplus on tangible assets		175,034	-	175,034	174,304	-	174,304
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		1,891	-	1,891	1,891	-	1,891
16.2.8 Hedging reserves (effective portion)		(51,516)	(17,167)	(68,683)	(32,790)	8,808	(23,982)
16.2.9 Revaluation surplus on assets held for sale and assets of discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		720,541	-	720,541	770,673	-	770,673
16.3 Profit reserves		15,967,958	136,149	16,104,107	13,411,262	119,977	13,531,239
16.3.1 Legal reserves		1,120,009	11,113	1,131,122	1,098,509	11,639	1,110,148
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		14,847,949	1,638	14,849,587	12,312,753	-	12,312,753
16.3.4 Other profit reserves		-	123,398	123,398	-	108,338	108,338
16.4 Profit or loss		3,200,248	-	3,200,248	3,005,560	-	3,005,560
16.4.1 Prior periods profit/loss		-	-	-	-	-	-
16.4.2 Current period net profit/loss		3,200,248	-	3,200,248	3,005,560	-	3,005,560
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>112,767,173</b>	<b>106,151,331</b>	<b>218,918,504</b>	<b>113,049,744</b>	<b>83,846,464</b>	<b>196,896,208</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 2014

(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 2014			PRIOR PERIOD 31 DECEMBER 2013		
			TL	FC	TOTAL	TL	FC	TOTAL
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I-II+III)</b>			120,417,843	150,106,909	270,524,752	100,427,191	135,652,643	236,079,834
I.	<b>GUARANTEES AND SURETIES</b>	(5.3.1)	12,149,324	24,592,541	36,741,865	9,959,792	23,181,147	33,140,939
1.1.	Letters of guarantee		12,138,797	15,065,503	27,204,300	9,952,370	13,583,722	23,536,092
1.1.1.	Guarantees subject to State Tender Law		-	883,228	883,228	-	845,257	845,257
1.1.2.	Guarantees given for foreign trade operations		1,467,460	358,771	1,826,231	1,134,793	320,050	1,454,843
1.1.3.	Other letters of guarantee		10,671,337	13,823,504	24,494,841	8,817,577	12,418,415	21,235,992
1.2.	Bank acceptances		9,600	806,287	815,887	6,898	631,191	638,089
1.2.1.	Import letter of acceptance		9,600	806,287	815,887	6,898	631,191	638,089
1.2.2.	Other bank acceptances		-	-	-	-	-	-
1.3.	Letters of credit		927	8,634,049	8,634,976	524	8,886,310	8,886,834
1.3.1.	Documentary letters of credit		-	-	-	-	-	-
1.3.2.	Other letters of credit		927	8,634,049	8,634,976	524	8,886,310	8,886,834
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		-	86,702	86,702	-	79,924	79,924
1.9.	Other sureties		-	-	-	-	-	-
II.	<b>COMMITMENTS</b>	(5.3.1)	37,528,618	10,668,844	48,197,462	34,668,117	15,249,746	49,917,863
2.1.	Irrevocable commitments		37,486,609	10,667,931	48,154,540	34,642,613	15,248,903	49,891,516
2.1.1.	Asset purchase and sale commitments		1,580,333	3,423,488	5,003,821	2,740,296	5,438,905	8,179,201
2.1.2.	Deposit purchase and sale commitments		-	-	-	-	25,822	25,822
2.1.3.	Share capital commitments to associates and subsidiaries		-	6,059	6,059	-	7,806	7,806
2.1.4.	Loan granting commitments		6,099,365	6,258,759	12,358,124	5,494,147	8,875,370	14,369,517
2.1.5.	Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7.	Commitments for cheque payments		2,874,901	-	2,874,901	2,658,815	-	2,658,815
2.1.8.	Tax and fund obligations on export commitments		15,861	-	15,861	15,211	-	15,211
2.1.9.	Commitments for credit card limits		25,643,188	-	25,643,188	22,259,934	-	22,259,934
2.1.10.	Commitments for credit cards and banking services related promotions		8,751	-	8,751	-	-	-
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		1,264,210	979,625	2,243,835	1,474,210	901,000	2,375,210
2.2.	Revocable commitments		42,009	913	42,922	25,504	843	26,347
2.2.1.	Revocable loan granting commitments		42,009	-	42,009	25,504	-	25,504
2.2.2.	Other revocable commitments		-	913	913	-	843	843
III.	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	(5.3.2)	70,739,901	114,845,524	185,585,425	55,799,282	97,221,750	153,021,032
3.1.	Derivative financial instruments held for risk management		8,124,272	9,306,282	17,430,554	5,536,346	1,632,486	7,168,832
3.1.1.	Fair value hedges		4,034,049	4,802,991	8,837,040	2,928,361	996,486	3,924,847
3.1.2.	Cash flow hedges		4,090,223	4,503,291	8,593,514	2,607,985	636,000	3,243,985
3.1.3.	Net foreign investment hedges		-	-	-	-	-	-
3.2.	Trading derivatives		62,615,629	105,539,242	168,154,871	50,262,936	95,589,264	145,852,200
3.2.1.	Forward foreign currency purchases/sales		10,433,472	12,525,055	22,958,527	8,595,511	10,118,008	18,713,519
3.2.1.1.	Forward foreign currency purchases		4,403,523	7,131,163	11,534,686	2,857,352	6,528,366	9,385,718
3.2.1.2.	Forward foreign currency sales		6,029,949	5,393,892	11,423,841	5,738,159	3,589,642	9,327,801
3.2.2.	Currency and interest rate swaps		31,064,877	56,429,954	87,494,831	20,995,157	46,354,163	67,349,320
3.2.2.1.	Currency swaps-purchases		8,800,932	26,229,976	35,030,908	11,516,738	13,608,131	25,124,869
3.2.2.2.	Currency swaps-sales		17,994,441	14,420,078	32,414,519	6,080,851	15,462,054	21,542,905
3.2.2.3.	Interest rate swaps-purchases		2,134,752	7,889,950	10,024,702	1,698,784	8,641,989	10,340,773
3.2.2.4.	Interest rate swaps-sales		2,134,752	7,889,950	10,024,702	1,698,784	8,641,989	10,340,773
3.2.3.	Currency, interest rate and security options		21,093,743	27,697,390	48,791,133	20,538,090	32,117,841	52,655,931
3.2.3.1.	Currency call options		9,341,992	12,822,408	22,164,400	10,148,589	14,458,413	24,607,002
3.2.3.2.	Currency put options		11,751,751	11,557,585	23,309,336	10,358,275	15,780,207	26,138,482
3.2.3.3.	Interest rate call options		-	3,317,397	3,317,397	-	1,879,221	1,879,221
3.2.3.4.	Interest rate put options		-	-	-	-	-	-
3.2.3.5.	Security call options		-	-	-	29,776	-	29,776
3.2.3.6.	Security put options		-	-	-	1,450	-	1,450
3.2.4.	Currency futures		19,583	19,928	39,511	110,122	182,913	293,035
3.2.4.1.	Currency futures-purchases		-	19,099	19,099	-	182,913	182,913
3.2.4.2.	Currency futures-sales		19,583	829	20,412	110,122	-	110,122
3.2.5.	Interest rate futures		-	92,200	92,200	-	-	-
3.2.5.1.	Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2.	Interest rate futures-sales		-	92,200	92,200	-	-	-
3.2.6.	Others		3,954	8,774,715	8,778,669	24,056	6,816,339	6,840,395
B.	<b>CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		500,962,234	368,379,650	869,341,884	475,443,153	325,696,861	801,140,014
IV.	<b>ITEMS HELD IN CUSTODY</b>		37,477,559	24,023,822	61,501,381	35,125,254	21,326,011	56,451,265
4.1.	Customers' securities held		3,821,959	-	3,821,959	4,399,502	6,805	4,406,307
4.2.	Investment securities held in custody		21,117,192	6,385,801	27,502,993	20,613,851	4,917,858	25,531,709
4.3.	Checks received for collection		10,464,807	2,057,634	12,522,441	8,313,010	1,779,622	10,092,632
4.4.	Commercial notes received for collection		1,974,120	890,177	2,864,297	1,728,205	822,948	2,551,153
4.5.	Other assets received for collection		67,738	13,485,525	13,553,263	40,495	12,637,870	12,678,365
4.6.	Assets received through public offering		-	56,584	56,584	-	52,622	52,622
4.7.	Other items under custody		31,743	1,148,101	1,179,844	30,191	1,108,286	1,138,477
4.8.	Custodians		-	-	-	-	-	-
V.	<b>PLEDGED ITEMS</b>		463,484,675	344,355,828	807,840,503	440,317,899	304,370,850	744,688,749
5.1.	Securities		3,521,997	13,356	3,535,353	1,570,628	11,304	1,581,932
5.2.	Guarantee notes		41,898,793	12,376,006	54,274,799	42,766,417	12,081,381	54,847,798
5.3.	Commodities		2,234	-	2,234	6,531	-	6,531
5.4.	Warranties		-	-	-	-	-	-
5.5.	Real estates		94,499,117	65,824,939	160,324,056	79,449,434	64,892,546	144,341,980
5.6.	Other pledged items		323,562,364	266,141,026	589,703,390	316,524,719	227,385,153	543,909,872
5.7.	Pledged items-depository		170	501	671	170	466	636
VI.	<b>CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		-	-	-	-	-	-
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>			<b>621,380,077</b>	<b>518,486,559</b>	<b>1,139,866,636</b>	<b>575,870,344</b>	<b>461,349,504</b>	<b>1,037,219,848</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 2014

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

INCOME AND EXPENSE ITEMS		FOOTNOTES	THOUSANDS OF TURKISH LIRA (TL)	
			CURRENT PERIOD 1 JANUARY 2014 31 DECEMBER 2014	PRIOR PERIOD 1 JANUARY 2013 31 DECEMBER 2013
<b>I.</b>	<b>INTEREST INCOME</b>	(5.4.1)	<b>15.085.537</b>	<b>12.741.425</b>
1.1	Interest income on loans		11.110.958	9,070,992
1.2	Interest income on reserve deposits		1.587	-
1.3	Interest income on banks		139.783	147,317
1.4	Interest income on money market transactions		4.096	2,218
1.5	Interest income on securities portfolio		3.687.727	3,408,445
1.5.1	Trading financial assets		34.536	37,091
1.5.2	Financial assets valued at fair value through profit or loss		-	-
1.5.3	Financial assets available-for-sale		1.961.190	2,781,257
1.5.4	Investments held-to-maturity		1.692.001	590,097
1.6	Financial lease income		-	-
1.7	Other interest income		141.386	112,453
<b>II.</b>	<b>INTEREST EXPENSE</b>	(5.4.2)	<b>7.642.849</b>	<b>6.385.794</b>
2.1	Interest on deposits		5.106.074	4,468,817
2.2	Interest on funds borrowed		992.886	861,976
2.3	Interest on money market transactions		753.674	561,088
2.4	Interest on securities issued		778.497	467,861
2.5	Other interest expenses		11.718	26,052
<b>III.</b>	<b>NET INTEREST INCOME (I - II)</b>		<b>7.442.688</b>	<b>6.355.631</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME</b>		<b>2.949.020</b>	<b>2.615.473</b>
4.1	Fees and commissions received		3.728.187	3,135,783
4.1.1	Non-cash loans		243.048	199,585
4.1.2	Others		3.485.139	2,936,198
4.2	Fees and commissions paid		779.167	520,310
4.2.1	Non-cash loans		1.150	1,048
4.2.2	Others		778.017	519,262
<b>V.</b>	<b>DIVIDEND INCOME</b>	(5.4.3)	<b>1.842</b>	<b>56.041</b>
<b>VI.</b>	<b>NET TRADING INCOME/LOSSES (Net)</b>	(5.4.4)	<b>(194.167)</b>	<b>296.942</b>
6.1	Trading account income/losses		(144.144)	192,563
6.2	Income/losses from derivative financial instruments		(1.102.829)	(118,984)
6.3	Foreign exchange gains/losses		1.052.806	223,363
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	(5.4.5)	<b>482.827</b>	<b>457.017</b>
<b>VIII.</b>	<b>TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>10.682.210</b>	<b>9.781.104</b>
<b>IX.</b>	<b>PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>	(5.4.6)	<b>1.806.733</b>	<b>1.623.824</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	(5.4.7)	<b>4.713.014</b>	<b>4.206.165</b>
<b>XI.</b>	<b>NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>4.162.463</b>	<b>3.951.115</b>
<b>XII.</b>	<b>INCOME RESULTED FROM MERGERS</b>		-	-
<b>XIII.</b>	<b>INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		-	-
<b>XIV.</b>	<b>GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
<b>XV.</b>	<b>OPERATING PROFIT/LOSS BEFORE TAXES (XI+XII+XIII+XIV)</b>	(5.4.8)	<b>4.162.463</b>	<b>3.951.115</b>
<b>XVI.</b>	<b>PROVISION FOR TAXES (±)</b>	(5.4.9)	<b>962.215</b>	<b>945.555</b>
16.1	Current tax charge		1.321.500	541,652
16.2	Deferred tax charge/(credit)		(359.285)	403,903
<b>XVII.</b>	<b>NET OPERATING PROFIT/LOSS AFTER TAXES (XV±XVI)</b>	(5.4.10)	<b>3.200.248</b>	<b>3,005,560</b>
<b>XVIII.</b>	<b>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.</b>	<b>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.</b>	<b>PROFIT/LOSS BEFORE TAXES ON DISCONTINUED</b>	(5.4.8)	-	-
<b>XXI.</b>	<b>PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>	(5.4.9)	-	-
21.1	Current tax charge		-	-
21.2	Deferred tax charge/(credit)		-	-
<b>XXII.</b>	<b>NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XX±XXI)</b>	(5.4.10)	-	-
<b>XXIII.</b>	<b>NET PROFIT/LOSS (XVII+XXII)</b>	(5.4.11)	<b>3.200.248</b>	<b>3,005,560</b>
The accompanying Earnings per Share of these unconsolidated financial statements.			0,762	0,716

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

STATEMENT OF INCOME/ EXPENCE ITEMS ACCOUNTED FOR UNDER SHAREHOLDER'S EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

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

INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY	THOUSANDS OF TURKISH LIRA (TL)	
	CURRENT PERIOD	PRIOR PERIOD
	1 JANUARY 2014 31 DECEMBER 2014	1 JANUARY 2013 31 DECEMBER 2013
I. MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"	744.238	(1.797.703)
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	730	-
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	(7.692)	24.644
V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)	(55.876)	49.054
VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS	-	-
VIII. OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	75.655	254.774
IX. DEFERRED TAXES ON VALUE INCREASES/DECREASES	(116.413)	351.665
X. NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+III+IV+V+VI+VII+VIII+IX)	640.642	(1.117.566)
XI. CURRENT PERIOD PROFIT/LOSSES	3.200.248	3.005.560
1.1 Net changes in fair value of securities (transferred to income statement)	(48.497)	375.815
1.2 Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement	-	-
1.3 Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-	-
1.4 Others	3.248.745	2.629.745
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)	3.840.890	1.887.994

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 2014

(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  
CAPITAL RESERVES FROM PAID-IN INFLATION ADJUSTMENTS TO CAPITAL  
SHARE CANCELLATION PREMIUM  
SHARE PROFITS  
LEGAL RESERVES  
STATUS RESERVES  
EXTRAORDINARY RESERVES  
OTHER RESERVES  
CURRENT PERIOD NET PROFIT (LOSS)  
PRIOR PERIOD PROFIT (LOSS)  
SECURITIES VALUE INCREASE (DECREASE)  
REVALUATION SURPLUS ON TANGIBLE AND INTANGIBLE ASSETS  
BONUS SHARES OF PERIOD PARTICIPATIONS  
HEDGING RESERVES  
SURPLUS ON ASSETS HELD FOR SALE  
ACCU. REV. DISCOUNTS

	4,200,000	772,554	11,880	915,592	3,482,293	6,143	3,076,841	2,092,991	741,530	1,891	(63,292)	-	-	21,993,400
I. Balances at beginning of the period	4,200,000	772,554	11,880	915,592	3,482,293	6,143	3,076,841	2,092,991	741,530	1,891	(63,292)	-	-	21,993,400
II. Correction made as per TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1. Effect of corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted balances at beginning of the period (I-II)	4,200,000	772,554	11,880	915,592	3,482,293	6,143	3,076,841	2,092,991	741,530	1,891	(63,292)	-	-	21,993,400
Changes during the period														
IV. Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Market value changes of securities	-	-	-	-	-	-	-	(1,179,572)	-	-	-	-	-	(1,179,572)
VI. Hedging reserves	-	-	-	-	-	-	-	-	-	-	39,243	-	-	39,243
6.1. Cash flow hedge	-	-	-	-	-	-	-	-	-	-	39,243	-	-	39,243
6.2. Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Translation differences	-	-	-	2,390	-	22,254	-	-	-	-	-	-	-	24,644
XI. Changes resulted from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Changes resulted from reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of change in equities of associates on bank's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1. Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2. INTERNAL SOURCES	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. SHARE ISSUANCE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. SHARE CANCELLATION PROFITS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. CAPITAL RESERVES FROM INFLATION ADJUSTMENTS TO PAID-IN CAPITAL	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Others	-	-	-	-	-	(8,883)	-	-	-	-	-	-	-	(8,883)
XIX. Current period net profit/loss	-	-	-	192,166	2,830,460	24,941	(3,076,841)	(586,500)	(587,226)	-	-	-	-	3,005,560
20.1. Dividends	-	-	-	192,166	2,830,460	24,941	(586,500)	(586,500)	(587,226)	-	-	-	-	(586,500)
20.2. Transfers to reserves	-	-	-	-	-	-	(2,455,400)	(567,226)	-	-	-	-	-	(586,500)
20.3. Others	-	-	-	-	-	24,941	(24,941)	-	-	-	-	-	-	-
Balances at end of the period (III+IV-V-...+XVII+XIX-XX)	4,200,000	772,554	11,880	1,107,758	12,312,753	106,457	3,005,560	913,419	174,304	1,891	(23,382)	-	-	22,584,984
Changes during the period														
(5.5)	4,200,000	772,554	11,880	1,107,758	12,312,753	106,457	3,005,560	913,419	174,304	1,891	(23,382)	-	-	22,584,984
II. Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Market value changes of securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Hedging reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1. Cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2. Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Translation differences	-	-	-	-	(80)	(7,086)	-	-	-	-	-	-	-	-
IX. Changes resulted from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes resulted from reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of change in equities of associates on bank's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1. Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2. Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share Issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Current period net profit/loss	-	-	-	11,900	(62,032)	3,200,248	(3,005,560)	(64,700)	(64,700)	-	-	-	-	(60,132)
XVIII. Profit distribution	-	-	-	21,500	2,925,014	34,546	(3,005,560)	(64,700)	(64,700)	-	-	-	-	3,200,248
18.1. Dividends	-	-	-	21,500	2,925,014	34,546	(3,005,560)	(64,700)	(64,700)	-	-	-	-	(60,132)
18.2. Transfers to reserves	-	-	-	21,500	2,925,014	34,546	(3,005,560)	(64,700)	(64,700)	-	-	-	-	(60,132)
18.3. Others	-	-	-	-	-	-	(2,540,510)	(2,540,510)	-	-	-	-	-	-
Balances at end of the period (I+II-III+...+XVI+XVIII-XVII)	4,200,000	772,554	11,880	1,119,758	14,840,387	71,185	3,200,248	1,655,936	175,034	1,891	(88,083)	-	-	24,006,974

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 2014

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

		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD 1 JANUARY 2014 31 DECEMBER 2014	PRIOR PERIOD 1 JANUARY 2013 31 DECEMBER 2013
		FOOTNOTES	
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1	Operating profit before changes in operating assets and liabilities		4,549,761
1.1.1	Interests received		14,200,578
1.1.2	Interests paid		(7,201,807)
1.1.3	Dividend received		1,842
1.1.4	Fees and commissions received		3,728,187
1.1.5	Other income		336,581
1.1.6	Collections from previously written-off loans and other receivables		99,905
1.1.7	Payments to personnel and service suppliers		(3,663,963)
1.1.8	Taxes paid		(989,025)
1.1.9	Others	(5.6)	(1,962,537)
1.2	Changes in operating assets and liabilities		(3,245,571)
1.2.1	Net (increase) decrease in financial assets held for trading		59,105
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		(905,867)
1.2.4	Net (increase) decrease in loans		(16,588,535)
1.2.5	Net (increase) decrease in other assets		533,150
1.2.6	Net increase (decrease) in bank deposits		457,256
1.2.7	Net increase (decrease) in other deposits		13,321,462
1.2.8	Net increase (decrease) in funds borrowed		(694,335)
1.2.9	Net increase (decrease) in matured payables		-
1.2.10	Net increase (decrease) in other liabilities	(5.6)	572,193
I.	Net cash flow from banking operations		1,304,190
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
II.	Net cash flow from investing activities		(4,106,356)
2.1	Cash paid for purchase of associates, subsidiaries and joint-ventures		(543)
2.2	Cash obtained from sale of associates, subsidiaries and joint-ventures		-
2.3	Purchases of tangible assets		(329,369)
2.4	Sales of tangible assets		85,129
2.5	Cash paid for purchase of financial assets available-for-sale		(9,775,998)
2.6	Cash obtained from sale of financial assets available-for-sale		10,970,690
2.7	Cash paid for purchase of investments held-to-maturity		(6,705,853)
2.8	Cash obtained from sale of investments held-to-maturity		1,649,588
2.9	Others	(5.6)	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
III.	Net cash flow from financing activities		2,495,175
3.1	Cash obtained from funds borrowed and securities issued		10,932,945
3.2	Cash used for repayment of funds borrowed and securities issued		(8,011,841)
3.3	Equity instruments issued		-
3.4	Dividends paid		(425,000)
3.5	Payments for financial leases		(929)
3.6	Others (payments for founder shares repurchased)	(5.6)	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	(5.6)	528,895
V.	Net increase/(decrease) in cash and cash equivalents		221,904
VI.	Cash and cash equivalents at beginning of period		7,363,964
VII.	Cash and cash equivalents at end of period		7,585,868

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

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

STATEMENT OF PROFIT DISTRIBUTION AT 31 DECEMBER 2014

(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 31/12/14	PRIOR PERIOD 31/12/13
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT</b>		
1.1 CURRENT PERIOD PROFIT	4,162,463	3,951,115
1.2 TAXES AND LEGAL DUTIES PAYABLE (-)	962,215	945,555
1.2.1 Corporate tax (income tax)	962,215	945,555
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>3,200,248</b>	<b>3,005,560</b>
1.3 ACCUMULATED LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	-
1.5 OTHER STATUTORY RESERVES (-)	-	34,046
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>-</b>	<b>2,971,514</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 (-)	-	215,000
1.9.1 To owners of ordinary shares	-	215,000
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 (-)	-	21,500
1.11 STATUS RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	2,525,014
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)	0,762	0,716
3.2 TO OWNERS OF ORDINARY SHARES (%)	0,076	0,072
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 to the 2013 profit distribution will be held at General Assembly meeting.

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

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## 3 ACCOUNTING POLICIES

### 3.1 BASIS OF PRESENTATION

As per the Article 37 of "Accounting and Recording Rules" of the Turkish Banking Law no. 5411 published on the Official Gazette no.25983 dated 1 November 2005 and became effective, the Bank keeps its accounting records and prepares its unconsolidated financial statements and the related footnotes in accordance with accounting and valuation standards described in "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published by the Banking Regulatory and Supervisory Agency (BRSA) and in effect since 1 November 2006, Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS) and the related statements and guidances.

The accompanying unconsolidated 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, investments in associates and subsidiaries that are quoted on the stock exchanges and that are in foreign currencies which are presented on a fair value basis.

The accounting policies and the valuation principles applied in the preparation of the accompanying financial statements are explained in Notes 3.2 to 3.24.

As per the Decree Law no. 660 published in the Official Gazette and become effective on 2 November 2011, the Additional Clause 1 of the Law no. 2499 was abolished and the Public Oversight, Accounting and Auditing Standards Authority ("POA") was established. The financial statements are prepared based on the TAS/TFRS and the related statements and guidances announced by the POA.

### 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 income statement. At the inception of the hedge and during the subsequent periods, the hedge is expected to achieve the offsetting of changes in fair value attributable to the hedged risk for which the hedge is designated, and accordingly, the hedge effectiveness tests are performed.

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 income statement.

The Bank had applied net investment hedge accounting for the exchange rate differences on the net investment risks on its foreign affiliates and its related financial liabilities in foreign currencies in the previous periods. The Bank prospectively discontinued this application as of 1 January 2009 within the framework of TFRIC 16 - Comment on Hedges of a Net Investment in a Foreign Operation, published in the Official Gazette dated 8 January 2009, no. 27104. The Bank started to apply fair value hedge accounting as at 1 January 2009 by designating the exchange rate risk of these foreign investments that are recognized under fair value accounting as hedged item, in compliance with "TAS 39 Financial Instruments: Recognition and Measurement". Accordingly, the effective portion of the foreign exchange differences is recorded current period.

### 3.3 INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

The unconsolidated investments in associates and subsidiaries are accounted for in accordance with the Turkish Accounting Standard 39 (TAS 39) "Financial Instruments: Recognition and Measurement". Investments in companies quoted in organized markets and for which their fair values can be reliably determined, are valued at their fair values. Others are valued at costs reduced by provisions for impairment losses, if any, in the accompanying financial statements.

The Bank does not consider the bonus shares received through capital increases of its affiliates from their own equities as income in accordance with IAS 18, as such capital increases do not create any differences in the financial position or economic interest of the Bank and it is not certain that there is an economic benefit associated with such transactions that will flow to the Bank.

### 3.4 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".

#### 3.4.1 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 contacts. There are no embedded derivatives.

Derivatives are initially recorded in off-balance sheet accounts at their purchase costs including the transaction costs. Subsequently, derivative transactions are valued at their fair values and 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.

#### 3.4.2 DERIVATIVE FINANCIAL INSTRUMENTS HELD FOR RISK MANAGEMENT

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. While applying fair value hedge accounting, the changes in fair values of hedging instrument and hedged item are recognised in income statement. 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 also applies fair value hedge to manage the foreign exchange rate risk resulted from its investments in foreign operations. The effective portion of the foreign exchange differences are recognised in income statement.

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 over the life of the hedged item from that date of the hedge accounting is discontinued. While discontinuing cash flow hedge accounting, 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 are recognised in income statement, the gain/losses accounted for under shareholders' equity, are recognised in income statement.

### 3.5 INTEREST INCOME AND EXPENSES

Interests are 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.

### 3.6 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.

### 3.7 FINANCIAL ASSETS

#### 3.7.1 FINANCIAL ASSETS 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 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.

#### 3.7.2 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 that the Bank has the intent and ability to hold until maturity, excluding originated loans and receivables.

There are no financial assets that are not allowed to be classified as investments held-to-maturity for two years due to the tainting rules applied for the breach of classification rules.

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

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

Financial assets available-for-sale are measured at their fair values subsequently. However, assets for which fair values 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.

The real coupon rates for government bonds indexed to consumer price index are fixed throughout maturities. As per the statements made by the Turkish Treasury on the dates of issuance, such securities are valued taking into account the difference between the reference index at the issue date and the reference index at the balance sheet date to reflect the effects of inflation.

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

*Loans and receivables* are financial assets raised by the Bank 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.

### 3.8 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.2633 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".

### 3.9 NETTING AND DERECOGNITION OF FINANCIAL INSTRUMENTS

#### 3.9.1 NETTING OF FINANCIAL INSTRUMENTS

In cases where the fair values of trading securities, securities available-for-sale, securities quoted at the stock exchanges, associates and subsidiaries are less than their carrying values, a provision for impairment is allocated, and the net value is shown on the balance sheet.

The Bank provides specific allowances for non-performing loan and other receivables in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables. Such allowances are recorded under "loans" as negative balances on the asset side.

Otherwise, the financial assets and liabilities are netted off only when there is a legal right to do so.

#### 3.9.2 DERECOGNITION OF FINANCIAL ASSETS

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

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

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

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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 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 "interbank money markets" separately. An income accrual is accounted for the positive difference between the purchase and resale prices earned during the period.

## 3.11 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

A tangible asset (or a disposal group) classified as "asset held for sale" is measured at lower of carrying value or fair value less costs to sell. An asset (or a disposal group) is regarded as "asset held for sale" only when the sale is highly probable and the asset (disposal group) 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 marketed at a price consistent with its fair value.

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 income statement. 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 the 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 historical costs. 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.

Tangible assets are recorded at cost in compliance with the Turkish Accounting Standard 16 (TAS 16) "Tangible Assets".

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.

There are no changes in the accounting estimates that are expected to have an impact in the current or subsequent periods. The depreciation rates and the estimated useful lives of tangible assets are:

TANGIBLE ASSETS	ESTIMATED USEFUL LIVES (YEARS)	DEPRECIATION RATES (%) FROM 1 JANUARY 2009	DEPRECIATION RATES (%) FROM 1 JANUARY 2005	DEPRECIATION RATES (%) BEFORE 1 JANUARY 2005
Buildings	50	2	4	2
Vaults	50	2	4	2
Motor vehicles	5-7	15-20	30-40	15-20
Other tangible assets	4-20	5-25	10-50	5-25

In prior periods, the tangible assets are depreciated over their estimated useful lives based on their inflation adjusted costs on a straight-line basis. The tangible assets purchased since 1 January 2005 are depreciated based on the declining balance method which is one of the accelerated depreciation methods. The straight-line depreciation method is in use for the tangible assets purchased since 1 January 2009.

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.

### 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 and carried at cost less accumulated depreciation under the cost method. Depreciation is provided on investment property (except land) on a straight-line basis.

Investment properties are reviewed for impairment losses. Where the carrying value of an investment property is greater than the estimated recoverable value, it is

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written down to its recoverable value. The recoverable value of an investment property is higher of discounted net future cash flows from the use of the related investment property or net sale price.

## 3.14 LEASING ACTIVITIES

Leased assets are recognized by recording an asset or a liability. In the determination of the related asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are expanded in lease periods at a fixed interest rate.

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.

In operating leases, the rent payments are charged to the statement of operations in equal installments.

## 3.15 PROVISIONS AND CONTINGENT LIABILITIES

In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as of the balance sheet date and, if material, such expenses are discounted for their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Bank to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the financial statements.

## 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 period in which the change occurs.

## 3.17 LIABILITIES FOR EMPLOYEE BENEFITS

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

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

Accordingly, the Bank reserved for employee severance indemnities in the accompanying financial statements using actuarial method in compliance with the Turkish Accounting Standard 19 (TAS 19) "Employee Benefits" for all its employees who retired or whose employment is terminated, called up for military service or died. The major actuarial assumptions used in the calculation of the total liability are as follows:

	31 DECEMBER 2014	31 DECEMBER 2013
	%	%
Net Effective Discount Rate	2.36	3.06
Discount Rate	8.60	9.48
Expected Rate of Salary Increase	7.60	7.73
Inflation Rate	6.10	6.23

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 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 "Turkey 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:

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	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, 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.

### 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

Effective from 1 January 2006, statutory income is subject to corporate tax at 20% in Turkey. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, 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.

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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.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing 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 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 prepaid taxes are paid in April, August and December of the related years. The prepayments can be deducted from the annual corporate tax calculated for the whole year earnings. The excess part of the corporate tax that is not covered by such prepayments is paid to the tax office in September.

## **LUXEMBOURG**

The corporate earnings are subject to a 21% corporate tax. This rate is determined by modifying accounting income for certain exclusions and allowances for tax purposes. An additional 7% of the calculated corporate income tax is paid as a contribution to unemployment insurance fund. 3% of the taxable income is paid as municipality tax in addition to corporate tax. The municipalities have the right to increase this rate up to 200%-350%. The municipality commerce tax, which the Bank's Luxembourg branch subject to currently is applied as 7.50% of the taxable income. The tax returns do not include any tax amounts to be paid. The tax calculation is done by the tax office and the amount to be paid is declared to corporate through an official letter called Note. The amounts and the payment dates of prepaid taxes are determined and declared by the tax office at the beginning of the taxation period. The corporations whose head offices are outside Luxembourg, are allowed to transfer the rest of their net income after tax following the allocation of 5% of it for legal reserves, to their head offices.

### **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 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 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.

### **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.

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## 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 and such application results in measurement or accounting inconsistencies due to having the relevant financial instruments valued using different methods or the related gains or losses are recorded differently, such fundings are valued and recorded at their fair values as per TAS 39 in order to minimise or prevent such inconsistencies.

## 3.20 SHARE ISSUANCES

None.

## 3.21 CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES

Confirmed bills of exchange and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment, if any.

## 3.22 GOVERNMENT INCENTIVES

As of 31 December 2014, the Bank does not have any government incentives or grants.

## 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 under the brand names of Visa and Mastercard, virtual cards and also American Express credit cards and "Paracard" debit cards with Maestro, Electron, Visa and Mastercard brand names, are available.

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

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

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

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

Information on the business segments is as follows:

CURRENT PERIOD	RETAIL BANKING	CORPORATE BANKING	INVESTMENT BANKING	OTHER	TOTAL OPERATIONS
Total Operating Profit	3,819,088	3,601,411	1,554,031	1,705,838	10,680,368
Other	-	-	-	-	-
<b>Total Operating Profit</b>	<b>3,819,088</b>	<b>3,601,411</b>	<b>1,554,031</b>	<b>1,705,838</b>	<b>10,680,368</b>
Net Operating Profit	355,471	1,717,172	984,718	1,103,260	4,160,621
Income from Associates and Subsidiaries	-	-	-	1,842	1,842
<b>Net Operating Profit</b>	<b>355,471</b>	<b>1,717,172</b>	<b>984,718</b>	<b>1,105,102</b>	<b>4,162,463</b>
Provision for Taxes	-	-	-	962,215	962,215
<b>Net Profit</b>	<b>355,471</b>	<b>1,717,172</b>	<b>984,718</b>	<b>142,887</b>	<b>3,200,248</b>
Segment Assets	47,269,132	86,790,051	74,339,828	7,220,548	215,619,559
Investments in Associates and Subsidiaries	-	-	-	3,298,945	3,298,945
<b>Total Assets</b>	<b>47,269,132</b>	<b>86,790,051</b>	<b>74,339,828</b>	<b>10,519,493</b>	<b>218,918,504</b>
Segment Liabilities	76,139,758	47,040,680	64,786,504	4,950,688	192,917,630
Shareholders' Equity	-	-	-	26,000,874	26,000,874
<b>Total Liabilities and Shareholders' Equity</b>	<b>76,139,758</b>	<b>47,040,680</b>	<b>64,786,504</b>	<b>30,951,562</b>	<b>218,918,504</b>
<b>Other Segment Items</b>					
Capital Expenditures	-	-	-	492,660	492,660
Depreciation Expenses	137,550	70,795	6,392	4,711	219,448
Impairment Losses	1,043,722	554,865	32,771	181,398	1,812,756
Other Non-Cash Income/Expenses	(71,574)	98,263	879,984	(117,369)	789,304

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PRIOR PERIOD	RETAIL BANKING	CORPORATE BANKING	INVESTMENT BANKING	OTHER	TOTAL OPERATIONS
Restructuring Costs	-	-	-	-	-
Total Operating Profit	3,966,757	3,148,482	2,373,908	235,916	9,725,063
Other	-	-	-	-	-
<b>Total Operating Profit</b>	<b>3,966,757</b>	<b>3,148,482</b>	<b>2,373,908</b>	<b>235,916</b>	<b>9,725,063</b>
Net Operating Profit	743,082	1,548,338	2,202,045	(598,391)	3,895,074
Income from Associates and Subsidiaries	-	-	-	56,041	56,041
<b>Net Operating Profit</b>	<b>743,082</b>	<b>1,548,338</b>	<b>2,202,045</b>	<b>(542,350)</b>	<b>3,951,115</b>
Provision for Taxes	-	-	-	945,555	945,555
<b>Net Profit</b>	<b>743,082</b>	<b>1,548,338</b>	<b>2,202,045</b>	<b>(1,487,905)</b>	<b>3,005,560</b>
Segment Assets	43,417,715	75,253,684	68,383,330	6,625,952	193,680,681
Investments in Associates and Subsidiaries	-	-	-	3,215,527	3,215,527
<b>Total Assets</b>	<b>43,417,715</b>	<b>75,253,684</b>	<b>68,383,330</b>	<b>9,841,479</b>	<b>196,896,208</b>
Segment Liabilities	65,725,982	42,781,023	61,081,684	4,722,535	174,311,224
Shareholders' Equity	-	-	-	22,584,984	22,584,984
<b>Total Liabilities and Shareholders' Equity</b>	<b>65,725,982</b>	<b>42,781,023</b>	<b>61,081,684</b>	<b>27,307,519</b>	<b>196,896,208</b>
<b>Other Segment Items</b>					
Capital Expenditures	-	-	-	489,027	489,027
Depreciation Expenses	140,309	69,026	5,737	(5,092)	209,980
Impairment Losses	912,105	496,580	36,616	182,683	1,627,984
Other Non-Cash Income/Expenses	136,836	184,955	(2,675,611)	(101,663)	(2,455,483)
Restructuring Costs	-	-	-	-	-

## 3.24 OTHER DISCLOSURES

None.

## 4 FINANCIAL POSITION AND RESULTS OF OPERATIONS AND RISK MANAGEMENT

### 4.1 CAPITAL ADEQUACY RATIO

As per the revised "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" effective from 1 July 2012, the Bank's unconsolidated capital adequacy ratio is 15.23% as of 31 December 2014 (31 December 2013: 14.42%).

#### 4.1.1 RISK MEASUREMENT METHODS IN CALCULATION OF CAPITAL ADEQUACY RATIO

Capital adequacy ratio is calculated within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (the "Regulation")", "Regulation on Credit Risk Mitigation Techniques" and "Regulation on Calculation of Risk Weighted Amounts for Securitisations" published in the Official Gazette no.28337 dated 28 June 2012 and the "Regulation on Equities of Banks" published in the Official Gazette no.28756 dated 5 September 2013.

In the calculation of capital adequacy ratio, the data prepared from accounting records in compliance with the current legislation are used. Such accounting data is included in the calculation of credit and market risks subsequent to their designation as "trading book" and "banking book" according to the Regulation.

The items classified as trading book and the items deducted from the equity are not included in the calculation of credit risk. In the calculation of risk weighted assets, the assets subject to amortisation or impairment, are taken into account on a net basis after being reduced by the related amortisations and provisions.

In the calculation of the value at credit risk for the non-cash loans and commitments and the receivables from counterparties in such transactions are weighted after netting with specific provisions that are classified under liabilities and calculated based on the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables". The net amounts are then multiplied by the rates stated in the Article 5 of the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

In the calculation of the value at credit risk for the derivative financial instruments and the credit derivatives classified in the banking book, the receivables from counterparties are multiplied by the rates stated in the Appendix-2 of the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

As per the article 5 of the Regulation, the "counterparty credit risk" is calculated for repurchase transactions, securities and commodities borrowing agreements.

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## 4.1.2 CAPITAL ADEQUACY RATIO

CURRENT PERIOD	RISK WEIGHTS								
	0%	10%	20%	50%	75%	100%	150%	200%	250%
Value at Credit Risk	-	-	1,994,956	19,039,877	25,107,898	86,887,374	6,390,335	24,511,860	1,308,088
Exposure Categories	52,312,514	-	9,974,782	38,079,754	33,477,197	86,887,374	4,260,223	12,255,930	523,235
Conditional and unconditional exposures to central governments or central banks	49,904,231	-	13	7,253,564	-	3	-	-	-
Conditional and unconditional exposures to regional governments or local authorities	-	-	57,913	-	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	18	-	-	-	-	46,942	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	-	-	8,333,300	7,456,944	-	8,024	-	-	-
Conditional and unconditional exposures to corporates	-	-	1,578,473	2,294,483	-	75,926,104	-	-	-
Conditional and unconditional retail exposures	-	-	4,874	4,868	33,477,197	4,930,885	-	-	-
Conditional and unconditional exposures secured by real estate property	-	-	-	21,066,535	-	-	-	-	-
Past due items	-	-	-	3,360	-	435,309	-	-	-
Items in regulatory high-risk categories	-	-	-	-	-	15,394	4,260,223	12,255,930	523,235
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	33,877	-	-	-	-	20,574	-	-	-
Other items	2,374,388	-	209	-	-	5,504,139	-	-	-

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	0%	10%	20%	50%	75%	100%	150%	200%	1250%	
Value at Credit Risk	-	-	1,854,004	14,643,130	19,982,123	82,326,561	5,000,216	24,059,034	664,205	
Exposure Categories	51,971,249	-	9,270,022	29,286,260	26,642,831	82,326,561	3,333,477	12,029,517	265,682	
Conditional and unconditional exposures to central governments or central banks	50,354,334	-	3	3,442,625	-	6,849	-	-	-	
Conditional and unconditional exposures to regional governments or local authorities	-	-	40,082	-	-	-	-	-	-	
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	-	-	-	-	-	43	-	-	-	
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	
Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	-	-	-	
Conditional and unconditional exposures to banks and brokerage houses	-	-	8,453,942	6,874,026	-	11,950	-	-	-	
Conditional and unconditional exposures to corporates	-	-	770,648	1,290,840	-	70,988,621	-	-	-	
Conditional and unconditional retail exposures	-	-	-	-	26,642,831	5,476,494	-	-	-	
Conditional and unconditional exposures secured by real estate property	-	-	-	17,676,198	-	-	-	-	-	
Past due items	-	-	-	2,571	-	337,955	-	-	-	
Items in regulatory high-risk categories	-	-	-	-	-	13,269	3,333,477	12,029,517	265,682	
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	-	-	-	-	-	-	-	-	-	
Other items	1,616,915	-	5,347	-	-	5,491,380	-	-	-	

## 4.1.3 SUMMARY INFORMATION RELATED TO CAPITAL ADEQUACY RATIO

	CURRENT PERIOD (*)	PRIOR PERIOD
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	13,219,231	11,882,342
Capital Requirement for Market Risk (MRCR)	367,344	301,025
Capital Requirement for Operational Risk (ORCR)	1,187,245	1,067,735
Total Capital	28,116,657	23,882,776
Total Capital/((CRCR+MRCR+ORCR) * 12.5) * 100	15.23%	14.42%
Total Tier I Capital/((CRCR+MRCR+ORCR) * 12.5) * 100	14.17%	-
Common Equity Tier I Capital/((CRCR+MRCR+ORCR) * 12.5) * 100	14.24%	-

(\*) Starting from 1 January 2014, the Bank's total capital and capital adequacy ratio are calculated within the scope of the

"Regulation on Equities of Banks" published in the Official Gazette no.28756 dated 5 September 2013.

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## 4.1.4 COMPONENTS OF TOTAL CAPITAL

	CURRENT PERIOD
<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
Share Cancellation Profits	-
Reserves	16,104,107
Other Comprehensive Income according to TAS	1,830,890
Profit	3,200,248
Current Period Profit	3,200,248
Prior Period Profit	-
General Reserves for Possible Losses	415,000
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	1,891
<b>Common Equity Tier I Capital Before Deductions</b>	<b>26,536,570</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 (-)	115,238
Leasehold Improvements on Operational Leases (-)	92,112
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	32,250
Net Deferred Tax Asset/Liability (-)	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-
Direct and Indirect Investments of the Bank on its own 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 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 (-)	-
Mortgage Servicing Rights not deducted (-)	-
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>239,600</b>
<b>Total Common Equity Tier I Capital</b>	<b>26,296,970</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 (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	-
Shares of Third Parties in Additional Tier I Capital	-
<b>Additional Tier I Capital before Deductions</b>	<b>-</b>

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	<b>CURRENT PERIOD</b>
<b>DEDUCTIONS FROM ADDITIONAL TIER I CAPITAL</b>	
Direct and Indirect Investments of the Bank on its own Additional 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 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 (-)	-
Deductions from Additional Tier I Capital in cases where there are no adequate Tier II Capital (-)	-
<b>Total Deductions from Additional Tier I Capital</b>	-
<b>Total Additional Tier I Capital</b>	
<b>Deductions from Tier I Capital</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 (-)	129,000
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 (-)	-
<b>Total Tier I Capital</b>	<b>26,167,970</b>
<b>TIER II CAPITAL</b>	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
<b>Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)</b>	<b>125,501</b>
<b>Pledged Assets of the Shareholders to be used for the Bank's Capital Increases</b>	<b>-</b>
<b>General Provisions</b>	<b>2,065,505</b>
<b>Tier II Capital before Deductions</b>	<b>2,191,006</b>
<b>DEDUCTIONS FROM TIER II CAPITAL</b>	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
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 and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of 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>2,191,006</b>

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	<b>CURRENT PERIOD</b>
<b>CAPITAL BEFORE DEDUCTIONS</b>	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	87
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 (-)	32,417
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	184,367
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Other items to be Defined by the BRSA (-)	25,448
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>TOTAL CAPITAL</b>	<b>28,116,657</b>
<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	384,807

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	<b>PRIOR PERIOD</b>
<b>CORE CAPITAL</b>	
Paid-in Capital	
Nominal Capital	4,200,000
Capital Commitments (-)	4,200,000
Inflation Adjustments to Paid-in Capital	-
Share Premium	772,554
Share Cancellation Profits	11,880
Reserves	-
Inflation Adjustments to Reserves	13,442,952
Profit	51,141
Current Period's Profit	3,005,560
Prior Periods' Profit	3,005,560
Provision for Possible Losses (upto 25% of Core Capital)	-
Income on Sale of Equity Shares and Real Estate	310,000
Primary Subordinated Debts	172,164
Loss (in excess of Reserves) (-)	-
Current Period's Losses	-
Prior Periods' Losses	-
Leasehold Improvements on Operational Leases (-)	-
Intangible Assets (-)	94,785
Deferred Tax Asset in Excess of 10% of Core Capital (-)	58,770
Limit Excesses as per the 3rd Paragraph of the Article 56 of the Banking Law (-)	-
<b>Total Core Capital</b>	<b>-</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>21,812,696</b>
General Provisions	
45% of Revaluation Surplus on Movables	2,003,908
45% of Revaluation Surplus on Immovables	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	963
Primary Subordinated Debts excluding the portion included in Core Capital	1,891
Secondary Subordinated Debts	-
45% of Securities Value Increase Fund	146,050
Inflation Adjustments to Other Capital and Profit Reserves and Prior Periods' Profit/Loss	129,681
<b>Total Supplementary Capital</b>	<b>37,146</b>
<b>CAPITAL BEFORE DEDUCTIONS</b>	<b>2,319,639</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>24,132,335</b>
Unconsolidated investments in Entities (domestic/foreign) Operating in Banking and Financial Sectors at 10% or more	249,559
Investments in Entities (domestic/foreign) Operating in Banking and Financial Sectors at less than 10%, Exceeding 10% or More of the Total Core and Supplementary Capitals	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments Purchased from Such Parties Qualified as Primary or Secondary Subordinated Debts	183,806
Loans Granted against the Articles 50 and 51 of the Banking Law	41
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years	33,923
Securitization Positions to be Deducted from Equity	-
<b>Other Deduction Items</b>	<b>31,789</b>
<b>TOTAL CAPITAL</b>	<b>23,882,776</b>

(\* ) In the prior periods, in cases where the Securities Value Increase Fund gave a positive result then only 45% of the amount used to be considered in the calculation, whereas if it was negative then the whole amount.

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## 4.1.5 COMPONENTS OF TOTAL CAPITAL SUBJECT TO TEMPORARY APPLICATIONS

CURRENT PERIOD	CURRENT PERIOD	
	AMOUNT INCLUDED IN TOTAL CAPITAL CALCULATION	TOTAL AMOUNT
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued before 1.1.2014)	125,501	125,501

## 4.1.6 APPROACHES FOR ASSESSMENT OF ADEQUACY OF INTERNAL CAPITAL REQUIREMENTS FOR CURRENT AND FUTURE ACTIVITIES

"Garanti Bank's process of internal capital requirements is assessed under the regulation on the "Internal Systems and Internal Capital Adequacy Assessment Processes of Banks" published in the Official Gazette no. 29057 dated 11 July 2014. The ultimate aim of this internal capital requirements process is to maintain the continuity of capital adequacy under the Bank's strategies, lending growth expectations, asset-liability structure, future funding sources and liquidity, fluctuations in capital depending on dividend distribution policy and economics, in compliance with its risk profile and appetite.

Accordingly, the Bank's prospective internal capital requirements as per its current capital structure and the targets and strategies for the future are assessed considering its operations and risks every year in March. This assessment includes the interest rate risk, liquidity risk, reputational risk, residual risk, concentration risk, strategy risk, and country and transfer risks arising from banking activities besides the market, credit and operational risks directly affecting its legal capital adequacy ratio. The assessment methodology of internal capital requirements is a developing process, accordingly the future improvement areas are determined and the working plans are set.

## 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 reviewed periodically in compliance with the legislation by the internal risk rating models. The credit limits are revised and further collateral is required if the risk level of debtor deteriorates. 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 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 24.00% (31 December 2013: 23.70%) and 30.33% (31 December 2013: 30.30%) of the total cash loan portfolio, respectively.

The Bank's largest 100 and 200 non-cash loan customers compose 52.22% (31 December 2013: 54.80%) and 61.46% (31 December 2013: 64.35%) of the total non-cash loan portfolio, respectively.

The Bank's largest 100 ve 200 cash and non-cash loan customers represent 8.89% (31 December 2013: 9.24%) and 11.35% (31 December 2013: 11.79%) of the total "on and off balance sheet" assets, respectively.

The general provision for credit risks amounts to TL 2,434,629 thousands (31 December 2013: TL 2,003,908 thousands).

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

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

	CURRENT PERIOD	PRIOR PERIOD
	%	%
Above Average	40.26	40.14
Average	53.43	54.39
Below Average	6.31	5.47
Total	100.00	100.00

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Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:

EXPOSURE CATEGORIES	CURRENT PERIOD		PRIOR PERIOD	
	RISK AMOUNT	AVERAGE RISK AMOUNT	RISK AMOUNT	AVERAGE RISK AMOUNT
Conditional and unconditional exposures to central governments or central banks	61,329,831	60,801,055	54,685,241	55,182,551
Conditional and unconditional exposures to regional governments or local authorities	57,972	57,079	40,082	26,613
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	53,808	46,332	157	15,787
Conditional and unconditional exposures to multilateral development banks	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	6
Conditional and unconditional exposures to banks and brokerage houses	25,956,876	26,137,735	32,494,945	21,949,465
Conditional and unconditional exposures to corporates	89,349,073	83,788,838	77,590,561	66,399,745
Conditional and unconditional retail exposures	39,232,414	35,869,331	32,844,346	33,267,298
Conditional and unconditional exposures secured by real estate property	21,152,746	19,781,771	17,782,183	15,286,011
Past due items	439,190	383,419	340,634	270,786
Items in regulatory high-risk categories	17,194,930	16,240,917	15,822,836	11,428,819
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	54,451	43,153	-	-
Other items	7,878,736	7,369,136	7,113,642	6,115,412

(\*)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	ITEMS IN REGULATORY HIGH-RISK CATEGORIES	OTHER	TOTAL
Domestic	60,975,515	4,984,526	79,096,484	39,026,129	21,117,741	17,071,608	5,322,603	227,594,606
European Union (EU) Countries	217,691	17,968,534	1,447,644	32,999	27,469	4,372	261	19,698,970
OECD Countries (*)	34	1,787,503	1,036,026	3,155	1,830	52	-	2,828,600
Off-Shore Banking Regions	-	6,722	22	1,668	-	2	-	8,414
USA, Canada	628	591,308	1,026,011	2,287	788	53	-	1,621,075
Other Countries	135,963	192,572	569,224	166,176	4,918	118,843	3,282	1,190,978
Associates, Subsidiaries and Joint –Ventures	-	425,711	6,173,662	-	-	-	3,158,011	9,757,384
Unallocated Assets/Liabilities (**)	-	-	-	-	-	-	-	-
<b>Total</b>	<b>61,329,831</b>	<b>25,956,876</b>	<b>89,349,073</b>	<b>39,232,414</b>	<b>21,152,746</b>	<b>17,194,930</b>	<b>8,484,157</b>	<b>262,700,027</b>

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	ITEMS IN REGULATORY HIGH-RISK CATEGORIES	OTHER	TOTAL
Domestic	54,261,878	12,755,678	72,198,142	32,616,961	17,737,599	15,706,315	4,417,569	209,694,142
European Union (EU) Countries	257,098	17,278,198	2,333,181	27,569	37,447	2,751	147	19,936,391
OECD Countries (*)	62	168,295	802,547	2,043	2,082	100	-	975,129
Off-Shore Banking Regions	-	5,292	226,390	1,735	-	75	-	233,492
USA, Canada	680	1,333,987	555,840	1,838	804	53	1	1,893,203
Other Countries	165,523	199,605	449,462	194,200	4,251	113,541	2,054	1,128,636
Associates, Subsidiaries and Joint –Ventures	-	753,890	1,024,999	-	-	1	3,074,744	4,853,634
Unallocated Assets/Liabilities (**)	-	-	-	-	-	-	-	-
<b>Total</b>	<b>54,685,241</b>	<b>32,494,945</b>	<b>77,590,561</b>	<b>32,844,346</b>	<b>17,782,183</b>	<b>15,822,836</b>	<b>7,494,515</b>	<b>238,714,627</b>

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

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

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

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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	TL	FC	TOTAL		
<b>Agriculture</b>	-	-	-	-	-	-	290,792	481,861	293,989	10,401	43,857	-	-	-	-	-	959,566	161,334	1,120,900		
Farming and Stockbreeding	-	-	-	-	-	-	230,227	458,586	281,101	10,151	42,607	-	-	-	-	-	921,547	101,125	1,022,672		
Forestry	-	-	-	-	-	-	12,193	13,922	8,653	185	670	-	-	-	-	-	21,445	14,148	35,993		
Fishery	-	-	-	-	-	-	48,372	9,383	4,235	65	580	-	-	-	-	-	16,574	46,061	62,635		
Manufacturing	4	-	-	-	-	-	42,439,050	3,745,710	3,159,178	159,167	210,142	-	-	-	-	-	12,709,210	37,004,045	49,713,255		
Mining and Quarrying	-	-	-	-	-	-	797,766	169,129	115,250	10,076	6,395	-	-	-	-	-	439,957	658,659	1,098,616		
Production	-	-	-	-	-	-	23,273,533	3,508,914	2,907,382	147,843	195,327	-	-	-	-	-	10,771,728	19,261,274	30,033,002		
Electricity Gas and Water	4	-	-	-	-	-	18,367,751	67,667	136,546	1,248	8,420	-	-	-	-	-	1,497,525	17,084,112	18,581,637		
Construction	-	-	-	-	-	-	4,005,740	1,637,766	1,745,976	32,602	115,479	-	-	-	-	-	4,759,777	2,777,804	7,537,581		
Services	288	-	-	-	-	-	16,594	25,125,581	36,243,747	9,071,552	7,862,282	-	-	-	-	-	54,451	30,988,810	4,618,328		
Wholesale and Retail Trade	277	-	-	-	-	-	358	10,917,880	6,994,242	3,877,112	126,657	-	-	-	-	-	15,894,062	6,498,064	22,392,126		
Accommodation and Dining	-	-	-	-	-	-	374	2,557,975	439,607	1,824,884	381,62	-	-	-	-	-	1,325,821	3,571,983	4,897,804		
Transportation and Telecom.	-	-	-	-	-	-	29	7,432,885	1,116,096	615,700	20,712	-	-	-	-	-	2,462,822	6,804,235	9,267,057		
Financial Institutions	-	-	-	-	-	-	-	25,125,581	10,247,504	32,939	399,753	-	-	-	-	-	9,084,542	26,872,548	35,957,090		
Real Estate and Rental Services	-	-	-	-	-	-	-	3,216,146	881,172	1,121,106	478	-	-	-	-	-	829,918	3,605,984	4,435,902		
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Educational Services	3	-	-	-	-	-	3,723	315,137	75,640	170,987	826	-	-	-	-	-	466,044	110,112	576,156		
Health and Social Services	8	-	-	-	-	-	12,110	1,556,820	261,631	219,494	2,783	-	-	-	-	-	925,601	1,155,402	2,081,003		
Others	61,329,539	57,972	37,192	-	-	-	831,295	6,369,744	24,295,425	8,091,321	46,804	15,783,125	-	-	-	-	7,878,736	86,923,630	37,797,523		
<b>Total</b>	<b>61,329,539</b>	<b>57,972</b>	<b>53,808</b>	-	-	-	<b>25,956,876</b>	<b>89,349,973</b>	<b>39,232,414</b>	<b>21,152,746</b>	<b>439,190</b>	<b>17,194,930</b>	-	-	-	-	<b>54,451</b>	<b>7,878,736</b>	<b>136,340,993</b>	<b>126,359,034</b>	<b>262,700,027</b>
<b>PRIOR PERIOD (*)</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>13</b>	<b>14</b>	<b>15</b>	<b>16</b>	<b>TL</b>	<b>FC</b>	<b>TOTAL</b>		
<b>Agriculture</b>	-	-	-	-	-	-	272,767	382,892	262,059	8,736	43,274	-	-	-	-	-	878,686	91,042	969,728		
Farming and Stockbreeding	-	-	-	-	-	-	236,592	368,580	248,150	8,438	41,923	-	-	-	-	-	827,280	76,403	903,683		
Forestry	-	-	-	-	-	-	6,420	9,049	8,091	246	590	-	-	-	-	-	18,693	5,793	24,386		
Fishery	-	-	-	-	-	-	29,755	5,263	5,818	52	761	-	-	-	-	-	32,803	8,846	41,649		
Manufacturing	-	-	-	-	-	-	31,978,926	2,520,516	2,469,276	106,354	220,248	-	-	-	-	-	11,105,583	26,189,737	37,295,320		
Mining and Quarrying	-	-	-	-	-	-	939,613	114,797	87,437	7,510	8,201	-	-	-	-	-	498,564	658,994	1,157,558		
Production	-	-	-	-	-	-	15,312,099	2,356,447	2,335,258	98,564	209,318	-	-	-	-	-	9,390,888	10,920,798	20,311,686		
Electricity Gas and Water	-	-	-	-	-	-	15,727,214	49,272	46,581	280	2,729	-	-	-	-	-	1,216,131	14,609,945	15,826,076		
Construction	-	-	-	-	-	-	6,937,125	1,181,524	1,855,139	34,920	123,389	-	-	-	-	-	4,711,833	5,420,264	10,132,097		
Services	346	-	-	-	-	-	32,467,349	28,254,998	6,164,457	5,768,575	157,588	-	-	-	-	-	37,966,801	35,527,988	73,494,789		
Wholesale and Retail Trade	337	-	-	-	-	-	11,412,828	4,703,085	4,703,085	100,196	492,881	-	-	-	-	-	13,484,107	6,550,786	20,034,893		
Accommodation and Dining	-	-	-	-	-	-	2,620,000	297,834	1,232,122	39,251	43,171	-	-	-	-	-	1,082,483	3,149,895	4,232,378		
Transportation and Telecom.	-	-	-	-	-	-	8,251,797	822,388	458,045	13,743	76,049	-	-	-	-	-	2,260,108	7,361,914	9,622,022		
Financial Institutions	-	-	-	-	-	-	3,374,222	56,732	22,321	666	21,451	-	-	-	-	-	19,711,186	16,231,555	35,942,741		
Real Estate and Rental Services	-	-	-	-	-	-	971,356	50,578	381,861	600	7,600	-	-	-	-	-	308,659	1,103,336	1,411,995		
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Educational Services	1	-	-	-	-	-	223,568	61,017	140,810	878	10,246	-	-	-	-	-	336,172	100,348	436,520		
Health and Social Services	8	-	-	-	-	-	1,401,227	172,823	207,850	2,254	30,078	-	-	-	-	-	784,066	1,030,154	1,814,240		
Others	54,684,895	40,082	157	-	-	-	27,596	10,146,745	22,594,957	7,427,134	33,036	14,754,449	-	-	-	-	7,113,642	84,066,775	32,755,918		
<b>Total</b>	<b>54,684,895</b>	<b>40,082</b>	<b>157</b>	-	-	-	<b>32,494,945</b>	<b>77,590,561</b>	<b>32,844,346</b>	<b>17,821,83</b>	<b>340,634</b>	<b>15,822,836</b>	-	-	-	-	<b>7,113,642</b>	<b>138,729,678</b>	<b>99,984,949</b>	<b>238,714,627</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- Other receivables

(\*) 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				
	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	4,833,654	22,030,952	416,771	10,089	30,826,277
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	55,972
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	1,083	761	159	12,315	35,993
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	8,818,589	2,409,340	1,278,715	813,471	10,757,765
Conditional and unconditional exposures to corporates	7,263,150	5,066,572	7,524,356	8,758,888	57,552,646
Conditional and unconditional retail exposures	13,474,337	4,241,508	3,464,637	3,257,251	11,502,068
Conditional and unconditional exposures secured by real estate property	522,392	459,798	872,435	1,432,333	16,076,049
Past due items	-	-	-	-	-
Items in regulatory high-risk categories	565	383,330	4,525	812,404	15,805,955
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	-	-	-	-	-
Other items	-	-	-	-	-
<b>Total</b>	<b>34,913,770</b>	<b>34,592,261</b>	<b>13,561,598</b>	<b>15,096,751</b>	<b>142,612,725</b>

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	1,124,878	17,972,771	2,920,464	3,448,921	25,063,580
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	40,082
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	2	113	-	-	42
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	11,677,776	1,279,221	806,487	2,152,382	9,813,245
Conditional and unconditional exposures to corporates	5,178,311	3,957,283	8,309,212	9,081,317	50,032,966
Conditional and unconditional retail exposures	8,263,032	4,350,717	8,324,853	2,745,042	9,046,381
Conditional and unconditional exposures secured by real estate property	681,046	686,353	1,285,799	1,314,139	13,717,240
Past due items	-	-	-	-	-
Items in regulatory high-risk categories	932	1,194	4,593	1,951,806	13,722,262
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	-	-	-	-	-
Other items	-	-	-	-	-
<b>Total</b>	<b>26,925,978</b>	<b>28,247,652</b>	<b>21,651,408</b>	<b>20,693,607</b>	<b>121,435,796</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	FITCH DERECE NOTU	EXPOSURE CATEGORIES				
		EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS	EXPOSURES TO ADMINISTRATIVE BODIES AND NON-COMMERCIAL UNDERTAKINGS	EXPOSURES TO BANKS AND BROKERAGE HOUSES		EXPOSURES TO CORPORATES
				EXPOSURES WITH REMAINING MATURITIES LESS THAN 3 MONTHS	EXPOSURES WITH REMAINING MATURITIES MORE THAN 3 MONTHS	
1	AAA	0%	20%	20%	20%	20%
	AA+					
	AA					
	AA-					
2	A+	20%	50%	20%	50%	50%
	A					
	A-					
3	BBB+	50%	100%	20%	50%	100%
	BBB					
	BBB-					
4	BB+	100%	100%	50%	100%	100%
	BB					
	BB-					
5	B+	100%	100%	50%	100%	150%
	B					
	B-					
6	CCC+	150%	150%	150%	150%	150%
	CCC					
	CCC-					
	CC					
	C					
D						

## 4.2.5 EXPOSURES BY RISK WEIGHTS

CURRENT PERIOD RISK WEIGHTS	RISK WEIGHTS										DEDUCTIONS FROM EQUITY
	0%	10%	20%	50%	75%	100%	150%	200%	250%		
Exposures before Credit Risk Mitigation	56,484,534	-	15,415,182	42,892,982	34,254,309	96,473,539	4,312,745	12,343,357	523,379		242,319
Exposures after Credit Risk Mitigation	52,312,514	-	9,974,782	38,079,754	33,477,197	86,887,374	4,260,223	12,255,930	523,235		242,319
PRIOR PERIOD RISK WEIGHTS	RISK WEIGHTS										DEDUCTIONS FROM EQUITY
	0%	10%	20%	50%	75%	100%	150%	200%	250%		
Exposures before /Credit Risk Mitigation	52,852,678	-	19,937,382	35,903,212	27,367,852	86,843,977	3,399,570	12,143,798	266,158		403,114
Exposures after /Credit Risk Mitigation	51,971,249	-	9,270,022	29,286,260	26,642,831	82,326,561	3,333,477	12,029,517	265,682		403,114

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## 4.2.6 INFORMATION BY MAJOR SECTORS AND TYPE OF COUNTERPARTIES

As per the TAS and TFRS;

*Impaired Credits*; are the credits that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such credits, "specific provisions" are allocated as per the Provisioning Regulation.

*Past Due Credits*; are the credits that overdue upto 90 days but not impaired. For such credits, "general provisions" are allocated as per the Provisioning Regulation.

CURRENT PERIOD	CREDIT RISKS			
	IMPAIRED /CREDITS	PAST DUE/CREDITS	VALUE ADJUSTMENTS	PROVISIONS
<b>Agriculture</b>	31,153	9,147	131	14,346
Farming and Stockbreeding	30,161	8,939	127	13,853
Forestry	610	57	1	266
Fishery	382	151	3	227
<b>Manufacturing</b>	<b>625,319</b>	<b>60,117</b>	<b>1,070</b>	<b>438,818</b>
Mining and Quarrying	30,568	2,365	45	17,205
Production	589,535	51,576	903	418,382
Electricity, Gas and Water	5,216	6,176	122	3,231
<b>Construction</b>	<b>175,053</b>	<b>51,080</b>	<b>1,390</b>	<b>87,284</b>
<b>Services</b>	<b>852,114</b>	<b>164,618</b>	<b>2,658</b>	<b>482,618</b>
Wholesale and Retail Trade	604,288	111,043	1,884	330,297
Accommodation and Dining	122,401	9,341	131	76,993
Transportation and Telecommunication	94,346	27,830	430	56,957
Financial Institutions	8,025	477	10	6,695
Real Estate and Rental Services	2,517	1,831	22	1,403
Professional Services	-	-	-	-
Educational Services	5,344	1,740	31	2,998
Health and Social Services	15,193	12,356	150	7,275
<b>Others</b>	<b>1,890,170</b>	<b>2,610,111</b>	<b>152,329</b>	<b>1,759,776</b>
<b>Total</b>	<b>3,573,809</b>	<b>2,895,073</b>	<b>157,578</b>	<b>2,782,842</b>

PRIOR PERIOD	CREDIT RISKS			
	IMPAIRED CREDITS	PAST DUE CREDITS	VALUE ADJUSTMENTS	PROVISION
<b>Agriculture</b>	23,749	7,108	107	11,191
Farming and Stockbreeding	22,793	7,041	106	10,666
Forestry	678	23	-	361
Fishery	278	44	1	164
<b>Manufacturing</b>	<b>617,755</b>	<b>64,995</b>	<b>1,209</b>	<b>463,651</b>
Mining and Quarrying	25,359	7,891	152	13,772
Production	591,303	50,538	758	449,384
Electricity, Gas and Water	1,093	6,566	299	495
<b>Construction</b>	<b>138,982</b>	<b>37,456</b>	<b>723</b>	<b>64,620</b>
<b>Services</b>	<b>656,895</b>	<b>145,010</b>	<b>2,484</b>	<b>392,168</b>
Wholesale and Retail Trade	428,666	105,241	1,796	248,709
Accommodation and Dining	146,989	10,387	182	92,394
Transportation and Telecommunication	62,001	20,859	356	38,805
Financial Institutions	5,547	656	7	4,423
Real Estate and Rental Services	1,488	635	11	669
Professional Services	-	-	-	-
Educational Services	2,637	1,524	23	1,240
Health and Social Services	9,567	5,708	109	5,928
<b>Others</b>	<b>1,335,814</b>	<b>2,255,163</b>	<b>112,528</b>	<b>1,237,776</b>
<b>Total</b>	<b>2,773,195</b>	<b>2,509,732</b>	<b>117,051</b>	<b>2,169,406</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
1-Specific Provisions	2,169,406	1,456,845	843,409	-	2,782,842
2-General Provisions	2,003,908	432,823	240	(1,862)	2,434,629

PRIOR PERIOD	OPENING BALANCE	PROVISION FOR PERIOD	PROVISION REVERSALS	OTHER ADJUSTMENTS(*)	CLOSING BALANCE
1-Specific Provisions	1,808,590	1,059,663	698,847	-	2,169,406
2-General Provisions	1,302,552	692,945	51	8,462	2,003,908

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

## 4.3 MARKET RISK

The Bank's risk management activities are managed under the responsibility of the board of directors in compliance with "the Internal Systems and Internal Capital Adequacy Assessment Processes of Banks".

In order to comply with the regulations, the Bank set its activities related with market risk management in accordance with "the Internal Systems and Internal Capital Adequacy Assessment Processes of Banks" published in the Official Gazette no. 29057 dated 11 July 2014.

The top management is responsible for applying risk policies, principles and application procedures approved by the board of directors, ensuring timely and reliable reporting to the board of directors about the important risks identified, assessing internal control, internal audit and risk reports prepared for departments and either eliminating risks, deficiencies or defects identified in these departments or taking the necessary precautions to prevent those, and participating in determination of risk limits.

The board of directors monitors the effectiveness of risk management systems through audit committee, related other committees and top management, and in the light of various risk reports and the assessments made by the audit committee.

The risk policies and application procedures have been approved by the board of directors and regularly revisited. The market risk is also managed by risk mitigations through hedging transactions beside measuring the risks in compliance with international standards, limiting such risk and allocating capital accordingly.

Market risks arising from trading portfolios are measured as per "standard" and "value at risk (VaR)" methods. The measurements as per the standard method are performed on a monthly basis, and taken into consideration in the calculation of capital adequacy. Whereas, the measurements as per VaR method are performed on a daily basis. The Bank takes the historical VaR results as the basis for the internal management of market risk and determination of limits. In the VaR calculation, one year historical market data set is used, and 99% confidence interval and one-day retention period (10 days for legal capital calculation) are taken into account. In order to test the reliability of the VaR model, back tests are performed. Stress tests and scenario analysis are also applied in order to reflect the effects of prospective severe market fluctuations in the VaR calculations. Beside the VaR limits, the limits on transaction, dealer, desk, stop-loss approved by the board of directors for trading portfolio are also applied for limiting the market risk

### 4.3.1 VALUE AT MARKET RISK

	CURRENT PERIOD	PRIOR PERIOD
(I) Capital Requirement against General Market Risk - Standard Method	74,413	56,480
(II) Capital Requirement against Specific Risks - Standard Method	34,142	16,471
Capital Requirement against Specific Risks of Securitisation Positions- Standard Method	-	-
(III) Capital Requirement against Currency Position Risk - Standard Method	130,923	92,019
(IV) Capital Requirement against Commodity Risks - Standard Method	2,115	12,974
(V) Capital Requirement against Clearing Risks - Standard Method	-	-
(VI) Capital Requirement against Market Risks of Options - Standard Method	110,476	85,241
(VII) Capital Requirement against Counterparty Credit Risks - Standard Method	15,275	37,840
(VIII) Capital Requirement against Market Risks of Banks applying Risk Measurement Model	-	-
<b>(IX) Total Capital Requirement against Market Risk (I+II+III+IV+V+VI+VII)</b>	<b>367,344</b>	<b>301,025</b>
<b>(X) Value-At-Market Risk ((12.5*VIII) or (12.5*IX))</b>	<b>4,591,800</b>	<b>3,762,813</b>

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## 4.3.2 MONTHLY AVERAGE VALUES AT MARKET RISK

	CURRENT PERIOD			PRIOR PERIOD		
	AVERAGE	HIGHEST	LOWEST	AVERAGE	HIGHEST	LOWEST
Interest Rate Risk	88,649	128,752	64,717	52,581	92,773	10,056
Equity-Shares Position Risk	11,731	19,307	6,228	8,187	11,691	3,848
Currency Position Risk	130,508	164,148	104,516	72,488	94,499	36,623
Commodity Risk	6,653	12,033	2,115	9,354	13,256	5,528
Clearing Risk	-	-	-	-	-	-
Option Market Risk	69,001	111,474	41,946	61,126	93,657	28,524
Counterparty Credit Risk	14,845	26,234	10,576	14,987	37,840	7,396
<b>Total Value at Risk</b>	<b>321,387</b>	<b>461,948</b>	<b>230,098</b>	<b>218,723</b>	<b>343,716</b>	<b>91,975</b>

## 4.3.3 QUANTITATIVE INFORMATION ON COUNTERPARTY RISK

For repurchase transactions, security and commodity lendings and derivative transactions, counterparty credit risks are calculated. In counterparty credit risk calculations, the fair value methodology is used according to the Appendix-2 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". In case of derivative transactions, the total of replacement costs and potential credit risks is considered as the exposure amount. The replacement costs are calculated valuing the contracts at their fair values and the potential credit risks are calculated multiplying the contract amounts with the credit conversion factors set in the appendix of the regulation

	CURRENT PERIOD (*)	PRIOR PERIOD (*)
<b>Interest-Rate Contracts</b>	<b>923</b>	<b>1,306</b>
Foreign-Exchange-Rate Contracts	178,363	393,541
Commodity Contracts	4,165	20,679
Equity-Shares Related Contracts	-	1,745
Other	-	-
Gross Positive Fair Values	295,543	401,808
Netting Benefits	-	-
Net Current Exposure Amount	-	-
Collaterals Received	9,830	26,077
<b>Net Derivative Position</b>	<b>469,164</b>	<b>793,002</b>

(\*) Includes only the counterparty risks arising from trading book.

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## 4.4 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 available-for-sale and held-to-maturity, extraordinary income and income derived from insurance claims at year-end.

### BASIC INDICATOR AP PROACH

CURRENT PERIOD	31 DECEMBER 2011	31 DECEMBER 2012	31 DECEMBER 2013	TOTAL/ NO. OF YEARS OF POSITIVE GROSS	RATE (%)	TOTAL
Gross Income	6,749,862	7,814,126	9,180,910	7,914,966	15	1,187,245
Value at Operational Risk (Total x % 12.5)						14,840,562

### PRIOD PERIOD

BASIC INDICATOR APPROACH	31 DECEMBER 2011	31 DECEMBER 2012	31 DECEMBER 2013	TOTAL/ NO. OF YEARS OF POSITIVE GROSS	RATE (%)	TOTAL
Gross Income	6,761,231	6,765,949	7,827,511	7,118,230	15	1,067,735
Value at Operational Risk (Total x % 12.5)						13,346,682

## 4.5 CURRENCY RISK

Foreign currency position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 31 December 2014, the Bank's net 'on balance sheet' foreign currency short position amounts to TL 7,867,042 thousands (31 December 2013: a foreign currency long position of TL 564,086 thousands), net 'off-balance sheet' foreign currency long position amounts to TL 6,276,952 thousands (31 December 2013: a foreign currency short position of TL 296,312 thousands), while net foreign currency short position amounts to TL 1,590,090 thousands (31 December 2013: a net foreign currency long position of TL 267,774 thousands).

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

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

	USD	EUR
Foreign currency purchase rates at balance sheet date	2.3050	2.7889
Exchange rates for the days before balance sheet date:		
Day 1	2.3020	2.8004
Day 2	2.2930	2.7930
Day 3	2.2920	2.7897
Day 4	2.2940	2.8103
Day 5	2.2930	2.7948
Last 30-days arithmetical average rates	2.2708	2.7961

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## THE BANK'S CURRENCY RISK:

	EURO	USD	DIĞER YP	TOPLAM
<b>CURRENT PERIOD</b>				
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	3,220,524	15,189,006	4,903,128	23,312,658
Banks	1,514,574	5,427,114	78,370	7,020,058
Financial Assets at Fair Value through Profit/Loss	339,027	315,559	35	654,621
Interbank Money Market Placements	-	80,446	-	80,446
Financial Assets Available-for-Sale	178,989	630,777	-	809,766
Loans (*)	15,025,656	37,884,137	384,211	53,294,004
Investments in Associates, Subsidiaries and Joint-				
Ventures	2,582,449	203,236	-	2,785,685
Investments Held-to-Maturity	-	7,626,644	-	7,626,644
Derivative Financial Assets Held for Risk Management	-	120,050	-	120,050
Tangible Assets	20	158	-	178
Intangible Assets	-	-	-	-
Other Assets	118,317	351,408	3,084	472,809
<b>Total Assets</b>	<b>22,979,556</b>	<b>67,828,535</b>	<b>5,368,828</b>	<b>96,176,919</b>
<b>Liabilities</b>				
Bank Deposits	664,174	2,566,121	1,175,733	4,406,028
Foreign Currency Deposits	16,479,609	34,226,090	1,308,525	52,014,224
Interbank Money Market Takings	-	6,292,505	196,269	6,488,774
Other Fundings	7,859,419	20,564,947	83,751	28,508,117
Securities Issued	1,672,439	7,073,786	679,824	9,426,049
Miscellaneous Payables	51,123	481,000	189,630	721,753
Derivative Financial Liabilities Held for Risk				
Management	48,215	68,537	63,059	179,811
Other Liabilities (**)	194,329	526,808	1,578,068	2,299,205
<b>Total Liabilities</b>	<b>26,969,308</b>	<b>71,799,794</b>	<b>5,274,859</b>	<b>104,043,961</b>
<b>Net 'On Balance Sheet' Position</b>	<b>(3,989,752)</b>	<b>(3,971,259)</b>	<b>93,969</b>	<b>(7,867,042)</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>3,637,132</b>	<b>2,345,574</b>	<b>294,246</b>	<b>6,276,952</b>
Derivative Assets	11,551,661	30,719,160	4,852,863	47,123,684
Derivative Liabilities	7,914,529	28,373,586	4,558,617	40,846,732
Non-Cash Loans	-	-	-	-
<b>Prior Period</b>				
<b>Total Assets</b>	<b>28,619,489</b>	<b>49,385,910</b>	<b>4,794,429</b>	<b>82,799,828</b>
<b>Total Liabilities</b>	<b>22,886,178</b>	<b>53,773,375</b>	<b>5,576,189</b>	<b>82,235,742</b>
<b>Net 'On Balance Sheet' Position</b>	<b>5,733,311</b>	<b>(4,387,465)</b>	<b>(781,760)</b>	<b>564,086</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>(3,311,416)</b>	<b>1,925,632</b>	<b>1,089,472</b>	<b>(296,312)</b>
Derivative Assets	9,006,773	24,240,529	6,960,286	40,207,588
Derivative Liabilities	12,318,189	22,314,897	5,870,814	40,503,900
Non-Cash Loans	-	-	-	-

(\*) Bilançoda TL olarak izlenen Döviz Endekseli krediler 4,724,724 TL ilgili döviz kodu ile gösterilmiştir.

(\*\*) Diğer yükümlülükler kalemi içinde 1,623,727 TL tutarında altın mevduatı bulunmaktadır.

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## 4.6 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 Assets-Liabilities Committee meetings taking into consideration the developments in market conditions.

The Bank's interest rate risk is measured by the standard method, value at risk (VaR), duration-gap and sensitivity analysis.

Measurements for standard method are carried out monthly using the maturity ladder table, while measurements for VaR calculations are done daily. The duration-gap and sensitivity analysis are run every two weeks period.

During the daily VaR calculations, the interest rate risks of the Bank's TL and FC trading and investment securities available for sale and off-balance sheet position are measured. These are supported by scenario analysis and stress testing.

In the duration-gap analysis used for the quantification of market risk arising from maturity mismatches of assets and liabilities, the present values of interest sensitive asset and liability items are calculated based on their cash flows and yield curves developed from market interest rates. The results are supported by the sensitivity and scenario analysis performed periodically due to the possible instabilities in the markets. Furthermore, the interest rate risk is monitored according to the limits approved by the board of directors.

### 4.6.1 INTEREST RATE SENSITIVITY OF ASSETS, LIABILITIES AND OFF BALANCE SHEET ITEMS<sup>(\*)</sup> (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	-	-	-	-	-	25,072,652	25,072,652
Banks	3,409,886	1,287,622	1,636,745	-	-	2,105,696	8,439,949
Financial Assets at Fair Value through Profit/Loss (**)	16,111	114,836	23,659	216,429	2,853	1,308,644	1,682,532
Interbank Money Market Placements	80,445	-	-	-	-	1	80,446
Financial Assets Available-for-Sale	1,613,924	7,768,940	4,996,785	2,744,401	1,431,427	1,496,509	20,051,986
Loans (**)	33,732,426	16,269,559	36,342,815	37,662,675	7,905,806	2,345,902	134,259,183
Investments Held-to-Maturity	728,378	4,177,637	5,589,282	3,296,123	5,864,176	1,358,906	21,014,502
<b>Other Assets</b>	6,144	-	-	-	3,071	8,308,039	8,317,254
<b>Total Assets</b>	<b>39,587,314</b>	<b>29,618,594</b>	<b>48,589,286</b>	<b>43,919,628</b>	<b>15,207,333</b>	<b>41,996,349</b>	<b>218,918,504</b>
<b>Liabilities</b>							
Bank Deposits	1,183,549	2,148,671	116,328	-	-	1,917,759	5,366,307
Other Deposits	56,667,997	24,500,044	8,759,624	64,961	153	24,948,895	114,941,674
Interbank Money Market Takings	8,051,352	1,312,907	-	1,997,965	-	23,696	11,385,920
Miscellaneous Payables	-	-	-	-	-	6,816,630	6,816,630
Securities Issued	1,527,276	1,495,978	1,847,139	5,696,356	2,511,311	274,187	13,352,247
Other Fundings	11,518,555	13,107,658	3,437,852	3,530,614	355,448	514,049	32,464,176
<b>Other Liabilities</b>	12,247	25,886	20,409	2	-	34,533,006	34,591,550
<b>Total Liabilities</b>	<b>78,960,976</b>	<b>42,591,144</b>	<b>14,181,352</b>	<b>11,289,898</b>	<b>2,866,912</b>	<b>69,028,222</b>	<b>218,918,504</b>
<b>On Balance Sheet Long Position</b>	-	-	<b>34,407,934</b>	<b>32,629,730</b>	<b>12,340,421</b>	-	<b>79,378,085</b>
<b>On Balance Sheet Short Position</b>	<b>(39,373,662)</b>	<b>(12,972,550)</b>	-	-	-	<b>(27,031,873)</b>	<b>(79,378,085)</b>
<b>Off-Balance Sheet Long Position</b>	<b>5,269,642</b>	<b>6,150,351</b>	<b>4,630,864</b>	<b>4,792,315</b>	<b>1,296,240</b>	-	<b>22,139,412</b>
<b>Off-Balance Sheet Short Position</b>	<b>(1,294,542)</b>	<b>(2,676,922)</b>	<b>(4,598,308)</b>	<b>(9,614,462)</b>	<b>(4,315,227)</b>	-	<b>(22,499,461)</b>
<b>Total Position</b>	<b>(35,398,562)</b>	<b>(9,499,121)</b>	<b>34,440,490</b>	<b>27,807,583</b>	<b>9,321,434</b>	<b>(27,031,873)</b>	<b>(360,049)</b>

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

(\*\*) Loans amounting to TL 201,385 thousands included under "financial assets at fair value through profit or loss" in the accompanying balance sheet, are presented above under "Loans".

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	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER	NON-INTEREST BEARING (*)	TOTAL
<b>PRIOR PERIOD</b>							
<b>Assets</b>							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	-	-	-	-	22,528,098	22,528,098
Banks	2,851,072	2,593,050	1,368,300	218,881	-	2,719,088	9,750,391
Financial Assets at Fair Value through Profit/Loss(**)	3,171	11,580	86,602	266,584	47,559	1,187,318	1,602,814
Interbank Money Market Placements	190,800	-	-	-	-	2	190,802
Financial Assets Available-for-Sale	3,737,185	5,326,410	6,727,324	3,589,775	1,411,565	837,823	21,630,082
Loans (**)	31,095,683	13,661,323	30,795,733	34,338,389	7,354,333	1,624,716	118,870,177
Investments Held-to-Maturity	1,481,535	3,286,520	5,125,938	2,772,062	873,343	445,037	13,984,435
Other Assets	5,707	996	1,060	977	3,038	8,327,631	8,339,409
<b>Total Assets</b>	<b>39,365,153</b>	<b>24,879,879</b>	<b>44,104,957</b>	<b>41,186,668</b>	<b>9,689,838</b>	<b>37,669,713</b>	<b>196,896,208</b>
<b>Liabilities</b>							
Bank Deposits	1,276,619	2,045,284	385,217	848	-	1,193,930	4,901,898
Other Deposits	54,187,361	17,803,698	8,261,332	14,116	-	21,305,183	101,571,690
Interbank Money Market Takings	11,154,555	445,902	1,252,633	1,690,001	-	41,143	14,584,234
Miscellaneous Payables	-	-	-	-	-	5,633,849	5,633,849
Securities Issued	1,127,130	1,578,864	2,399,487	2,585,989	2,465,400	223,519	10,380,389
Other Fundings	9,070,984	10,253,973	4,742,164	2,829,924	2,566,550	161,989	29,625,584
Other Liabilities	2,823	3,688	6,871	1	-	30,185,181	30,198,564
<b>Total Liabilities</b>	<b>76,819,472</b>	<b>32,131,409</b>	<b>17,047,704</b>	<b>7,120,879</b>	<b>5,031,950</b>	<b>58,744,794</b>	<b>196,896,208</b>
<b>On Balance Sheet Long Position</b>	<b>-</b>	<b>-</b>	<b>27,057,253</b>	<b>34,065,789</b>	<b>4,657,888</b>	<b>-</b>	<b>65,780,930</b>
<b>On Balance Sheet Short Position</b>	<b>(37,454,319)</b>	<b>(7,251,530)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21,075,081)</b>	<b>(65,780,930)</b>
<b>Off-Balance Sheet Long Position</b>	<b>1,808,664</b>	<b>4,610,394</b>	<b>5,219,098</b>	<b>3,548,955</b>	<b>1,331,133</b>	<b>-</b>	<b>16,518,244</b>
<b>Off-Balance Sheet Short Position</b>	<b>(2,168,277)</b>	<b>(2,529,682)</b>	<b>(3,654,152)</b>	<b>(6,956,356)</b>	<b>(1,407,758)</b>	<b>-</b>	<b>(16,716,225)</b>
<b>Total Position</b>	<b>(37,813,932)</b>	<b>(5,170,818)</b>	<b>28,622,199</b>	<b>30,658,388</b>	<b>4,581,263</b>	<b>(21,075,081)</b>	<b>(197,981)</b>

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

(\*\*) Loans amounting to TL 198,778 thousands included under "financial assets at fair value through profit or loss" in the accompanying balance sheet, are presented above under "Loans".

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## 4.6.2 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	-	-	-	0.53
Banks	0.40	0.34	-	10.72
Financial Assets at Fair Value through Profit/Loss	4.63	8.49	-	9.69
Interbank Money Market Placements	-	0.45	-	-
Financial Assets Available-for-Sale	5.67	6.99	-	9.44
Loans	4.54	5.06	2.42	14.38
Investments Held-to-Maturity	-	5.41	-	9.96
<b>Liabilities</b>				
Bank Deposits	1.50	1.48	-	9.06
Other Deposits	1.23	1.43	1.68	7.35
Interbank Money Market Takings	-	1.09	1.49	8.33
Miscellaneous Payables	-	-	-	-
Securities Issued	3.48	4.62	0.98	9.36
Other Fundings	1.26	2.13	2.03	9.66
<b>PRIOR PERIOD</b>				
	%	%	%	%
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, \Purchased Cheques) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	0.71	0.42	-	7.29
Financial Assets at Fair Value through Profit/Loss	4.63	7.45	-	12.95
Interbank Money Market Placements	-	0.40	-	-
Financial Assets Available-for-Sale	4.15	5.63	-	9.25
Loans	4.89	5.21	5.50	12.92
Investments Held-to-Maturity	-	4.98	-	10.12
<b>Liabilities</b>				
Bank Deposits	1.39	1.98	-	6.84
Other Deposits	1.70	1.82	0.69	6.90
Interbank Money Market Takings	-	1.78	1.49	7.45
Miscellaneous Payables	-	-	-	-
Securities Issued	3.46	4.25	-	8.23
Other Fundings	1.45	2.14	-	9.85

## 4.6.3 INTEREST RATE RISK ON BANKING BOOK

### 4.6.3.1 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 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.

Duration gaps, gaps by maturity brackets and sensitivity analysis are used in monitoring of repricing risk resulting from maturity mismatch. The duration gap and sensitivity analysis are carried out every two weeks.

In the duration gap analysis, net present values of the interest-rate sensitive assets and liabilities are calculated by using yield curves developed from the market interest rates. In case of instruments with no maturities, the maturity is determined as per interest rate fixing periods and customer behaviors. Such results are supported by sensitivity and scenario analysis applied periodically for possible fluctuations 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.

The market risks of branches and business lines are transferred to the Asset Liability Management department through transfer pricing. This department applies a centralised market risk management and uses the balance sheet (long-term borrowing) and off balance sheet (derivative instruments) methods.

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## 4.6.3.2 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	(3,934,726)	(13.99)%
2	TL	(-) 400bps	3,779,851	13.44%
3	USD	(+) 200bp	(897,224)	(3.19)%
4	USD	(-) 200bp	1,133,580	4.03%
5	EUR	(+) 200bp	(162,986)	(0.58)%
6	EUR	(-) 200bp	113,089	0.40%
Total (of negative shocks)			5,026,520	17.87%
Total (of positive shocks)			(4,994,936)	(17.76)%

PRIOR PERIOD		SHOCKS APPLIED (+/- BASIS POINTS)	GAINS/LOSSES	GAINS/EQUITY-LOSSES/EQUITY
TYPE OF CURRENCY				
1	TL	(+) 500 bps	(3,104,076)	(13.00)%
2	TL	(-) 400 bps	3,041,950	12.74%
3	USD	(+) 200 bps	(37,444)	(0.16) %
4	USD	(-) 200 bps	6,990	0.03%
5	EUR	(+) 200 bps	(112,317)	(0.47)%
6	EUR	(-) 200 bps	89,257	0.37%
Total (of negative shocks)			3,138,197	13.14%
Total (of positive shocks)			(3,253,837)	(13.62)%

## 4.7 POSITION RISK OF EQUITY SECURITIES IN BANKING BOOK

### 4.7.1 COMPARISON OF CARRYING, FAIR AND MARKET VALUES OF EQUITY SHARES

CURRENT PERIOD		COMPARISON		
EQUITY SECURITIES (SHARES)		CARRYING VALUE	FAIR VALUE	MARKET VALUE
1	Investment in Shares- grade A	3,205,272	2,921,673	71,135
	Quoted Securities	71,136	-	71,135
2	Investment in Shares- grade B	91,949	-	64,852
	Quoted Securities	64,852	-	64,852
3	Investment in Shares- grade C	662	-	-
	Quoted Securities	-	-	-
4	Investment in Shares- grade D	-	-	-
	Quoted Securities	-	-	-
5	Investment in Shares- grade E	1,014	-	-
	Quoted Securities	-	-	-
6	Investment in Shares- grade F	48	-	-
	Quoted Securities	-	-	-
PRIOR PERIOD		COMPARISON		
EQUITY SECURITIES (SHARES)		CARRYING VALUE	FAIR VALUE	MARKET VALUE
1	Investment in Shares- grade A	3,134,887	2,838,798	56,840
	Quoted Securities	56,840	-	56,840
2	Investment in Shares- grade B	78,916	-	51,819
	Quoted Securities	51,819	-	51,819
3	Investment in Shares- grade C	662	-	-
	Quoted Securities	-	-	-
4	Investment in Shares- grade D	-	-	-
	Quoted Securities	-	-	-
5	Investment in Shares- grade E	1,014	-	-
	Quoted Securities	-	-	-
6	Investment in Shares- grade F	48	-	-
	Quoted Securities	-	-	-

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## 4.7.2 REALISED GAINS/LOSSES, REVALUATION SURPLUSES AND UNREALISED GAINS/LOSSES ON EQUITY SECURITIES AND RESULTS INCLUDED IN CORE AND SUPPLEMENTARY CAPITALS

CURRENT PERIOD		GAINS/LOSSES IN CURRENT PERIOD	REVALUATION SURPLUSES		UNREALISED GAINS AND LOSSES		
PORTFOLIO	TOTAL		AMOUNT IN SUPPLEMENTARY CAPITAL(*)	TOTAL	AMOUNT IN CORE CAPITAL	AMOUNT IN SUPPLEMENTARY CAPITAL	
1	Private Equity Investments	-	-	-	-	-	
2	Quoted Shares	-	-	-	70,493	70,493	
3	Other Shares	-	1,433,650	1,433,650	-	-	
<b>Total</b>			<b>1,433,650</b>	<b>1,433,650</b>	<b>70,493</b>	<b>70,493</b>	

(\*) The Securities Value Increase Fund under other Comprehensive Income according to TAS gives a positive result amounting to TL 1,433,650 thousands and the whole amount is included in Common Equity Tier I Capital.

PRIOR PERIOD		GAINS/LOSSES IN CURRENT PERIOD	REVALUATION SURPLUSES		UNREALISED GAINS AND LOSSES		
PORTFOLIO	TOTAL		AMOUNT IN SUPPLEMENTARY CAPITAL(*)	TOTAL	AMOUNT IN CORE CAPITAL	AMOUNT IN SUPPLEMENTARY CAPITAL	
1	Private Equity Investments	-	-	-	-	-	
2	Quoted Shares	-	-	-	40,893	17,788	
3	Other Shares	-	1,322,634	595,185	-	-	
<b>Total</b>			<b>1,322,634</b>	<b>595,185</b>	<b>40,893</b>	<b>17,788</b>	

## 4.8 LIQUIDITY RISK

The liquidity risk of the Bank is defined as the risk of being unable to pay its liabilities on time due to not having enough cash sources or cash inflows to finance its cash outflows fully and on time due to cashflow instabilities.

In order to overcome the liquidity risk, the Bank diversifies its funding sources considering their short and long term liquidity requirements, through instruments such as customer deposits, repurchase transactions, bond issuances and foreign borrowings. Besides, in order to secure the maturity match between the assets and liabilities, the strategies for maturity extension of fundings exist. The liquidity needs in different currencies are also managed through transactions such as currency swaps. In order to meet the cash outflow requirements during crises periods, high-liquid asset reserves are maintained.

In the management of TL and foreign currency liquidity, the cashflows of existing assets and liabilities are monitored and the liquidity needs in future maturities are estimated. The necessary actions are taken for liquidity requirements by monitoring stress positions.

An emergency action plan that covers the solutions to prevent the increase in liquidity risks under the ordinary activities and the possible scenarios of liquidity constraints under different positions and stress levels, exist. As per this plan, the liquidity risk is monitored through possible actions and scenarios at various stress levels of liquidity risks and early warning signals.

As per the BRSA Communiqué published on the Official Gazette no.26333 dated 1 November 2006 and became effective starting from June 2007, "Measurement and Assessment of the Adequacy of Banks' Liquidity", the weekly and monthly liquidity ratios for foreign currency assets/liabilities and total assets/liabilities should be minimum 80% and 100%, respectively. The liquidity ratios for the years 2014 and 2013, are as follows:

CURRENT PERIOD	FIRST MATURITY BRACKET (WEEKLY)		SECOND MATURITY BRACKET (MONTHLY)	
	FC	FC + TL	FC	FC + TL
Average (%)	181.39	138.72	132.48	108.51

PRIOR PERIOD	FIRST MATURITY BRACKET (WEEKLY)		SECOND MATURITY BRACKET (MONTHLY)	
	FC	FC + TL	FC	FC + TL
Average (%)	156.07	136.67	104.26	103.75

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## 4.8.1 MATURITY ANALYSIS OF ASSETS AND 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.

CURRENT PERIOD	CARRYING VALUE	GROSS NOMINAL OUTFLOWS	DEMAND	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER
Bank Deposits	5,366,307	5,351,435	1,902,896	1,183,555	1,953,280	311,704	-	-
Other Deposits	114,941,674	114,473,631	24,480,852	56,663,312	24,490,955	8,725,278	104,222	9,012
Other Fundings	32,464,176	31,950,127	-	1,463,354	2,192,544	12,336,825	10,939,850	5,017,554
Interbank Money Market Takings	11,385,920	11,362,224	-	8,051,352	1,312,907	-	1,997,965	-
Securities Issued	13,352,247	13,078,060	-	766,997	1,426,508	1,900,470	6,472,774	2,511,311
<b>Total</b>	<b>177,510,324</b>	<b>176,215,477</b>	<b>26,383,748</b>	<b>68,128,570</b>	<b>31,376,194</b>	<b>23,274,277</b>	<b>19,514,811</b>	<b>7,537,877</b>

PRIOR PERIOD	CARRYING VALUE	GROSS NOMINAL OUTFLOWS	DEMAND	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER
Bank Deposits	4,901,898	4,894,179	1,186,219	1,276,614	1,860,140	385,217	185,989	-
Other Deposits	101,571,690	101,152,169	20,885,662	54,181,573	17,792,901	8,223,123	55,781	13,129
Other Fundings	29,625,584	29,463,595	-	342,771	2,189,225	10,684,377	10,123,103	6,124,119
Interbank Money Market Takings	14,584,234	14,543,091	-	11,154,555	445,902	1,252,633	1,690,001	-
Securities Issued	10,380,389	10,156,870	-	393,859	1,321,583	2,460,497	3,515,531	2,465,400
<b>Total</b>	<b>161,063,795</b>	<b>160,209,904</b>	<b>22,071,881</b>	<b>67,349,372</b>	<b>23,609,751</b>	<b>23,005,847</b>	<b>15,570,405</b>	<b>8,602,648</b>

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## 4.8.2 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	5,477,054	19,595,598	-	-	-	-	-	25,072,652
Banks	2,079,472	2,113,559	141,177	503,071	3,602,670	-	-	8,439,949
Financial Assets at Fair Value through Profit/Loss (**)	52	330,618	217,872	313,034	431,556	389,400	-	1,682,532
Interbank Money Market Placements	-	80,446	-	-	-	-	-	80,446
Financial Assets Available-for-Sale	98,607	629,826	531,790	1,441,005	7,264,057	10,086,701	-	20,051,986
Loans (**)	162,127	24,613,737	11,336,616	30,741,694	49,379,574	15,635,036	2,390,399	134,259,183
Investments Held-to-Maturity	-	23,088	2,047,930	11,705	4,376,211	14,555,568	-	21,014,502
Other Assets	1,584,468	661,394	-	596	145,612	23,115	5,902,069	8,317,254
<b>Total Assets</b>	<b>9,401,780</b>	<b>48,048,266</b>	<b>14,275,385</b>	<b>33,011,105</b>	<b>65,199,680</b>	<b>40,689,820</b>	<b>8,292,468</b>	<b>218,918,504</b>
<b>Liabilities</b>								
Bank Deposits	1,902,904	1,186,579	1,961,893	314,931	-	-	-	5,366,307
Other Deposits	24,480,852	56,898,361	24,639,011	8,809,622	104,741	9,087	-	114,941,674
Other Fundings	-	1,841,712	2,303,095	12,361,965	10,939,850	5,017,554	-	32,464,176
Interbank Money Market Takings	-	8,060,189	1,319,994	-	2,005,737	-	-	11,385,920
Securities Issued	-	768,425	1,427,496	1,902,909	6,577,071	2,676,346	-	13,352,247
Miscellaneous Payables	836,430	5,980,200	-	-	-	-	-	6,816,630
Other Liabilities (***)	1,508,557	635,556	355,776	467,728	643,159	231,662	30,749,112	34,591,550
<b>Total Liabilities</b>	<b>28,728,743</b>	<b>75,371,022</b>	<b>32,007,265</b>	<b>23,857,155</b>	<b>20,270,558</b>	<b>7,934,649</b>	<b>30,749,112</b>	<b>218,918,504</b>
<b>Liquidity Gap</b>	<b>(19,326,963)</b>	<b>(27,322,756)</b>	<b>(17,731,880)</b>	<b>9,153,950</b>	<b>44,929,122</b>	<b>32,755,171</b>	<b>(22,456,644)</b>	<b>-</b>
<b>Prior Period</b>								
<b>Total Assets</b>	<b>15,972,804</b>	<b>32,440,193</b>	<b>11,421,464</b>	<b>36,752,020</b>	<b>61,514,900</b>	<b>31,204,279</b>	<b>7,590,548</b>	<b>196,896,208</b>
<b>Total Liabilities</b>	<b>24,771,335</b>	<b>72,958,590</b>	<b>24,055,521</b>	<b>23,655,724</b>	<b>16,214,349</b>	<b>8,867,913</b>	<b>26,372,776</b>	<b>196,896,208</b>
<b>Liquidity Gap</b>	<b>(8,798,531)</b>	<b>(40,518,397)</b>	<b>(12,634,057)</b>	<b>13,096,296</b>	<b>45,300,551</b>	<b>22,336,366</b>	<b>(18,782,228)</b>	<b>-</b>

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

(\*\*) Loans amounting to TL 201,385 thousands (31 December 2013: TL 198,778 thousands) classified under "financial assets at fair value through profit or loss" in the accompanying balance sheet, are included above under "Loans".

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

## 4.9 SECURITISATION POSITIONS

None.

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## 4.10 CREDIT RISK MITIGATION TECHNIQUES

The Bank applies credit risk mitigation according to the comprehensive method that includes risk mitigation calculations considering the volatility-adjusted values of financial collaterals in compliance with the article 34 of the "Regulation on Credit Risk Mitigation Techniques".

In the credit risk mitigation, cash and cash equivalent items and high-credit-quality debt instruments are used.

The volatility adjustments regarding the receivables, collaterals and currency mismatch of the collaterals are made as per the standard volatility-adjustment approach defined in the article 37 of the above mentioned regulation.

In cases, where there are maturity mismatches resulting from shorter remaining life of collateral than of receivables, the value of collateral is considered as the volatility-adjusted value.

CURRENT PERIOD				
EXPOSURE CATEGORIES	AMOUNT (**)	FINANCIAL COLLATERAL	OTHER/PHYSICAL COLLATERAL	GUARANTIES AND CREDIT DERIVATIVES
Conditional and unconditional exposures to central governments or central banks	62,349,802	4,159,123	-	-
Conditional and unconditional exposures to regional governments or local authorities	58,056	117	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	75,453	13,771	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	31,824,025	10,622,460	-	-
Conditional and unconditional exposures to corporates	108,194,500	12,220,031	-	-
Conditional and unconditional retail exposures	64,700,150	1,061,892	-	-
Conditional and unconditional exposures secured by real estate property (*)	22,029,299	90,319	-	-
Past due items	439,219	523	-	-
Items in regulatory high-risk categories	17,238,709	140,316	-	-
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	54,451	-	-	-
Other items	7,878,736	-	-	-

(\*) The mortgages used for the determination of the risk categories as per the article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", are excluded.

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

PRIOR PERIOD				
EXPOSURE CATEGORIES	AMOUNT (**)	FINANCIAL COLLATERAL	OTHER/PHYSICAL COLLATERAL	GUARANTIES AND CREDIT DERIVATIVES
Conditional and unconditional exposures to central governments or central banks	55,716,807	901,582	-	-
Conditional and unconditional exposures to regional governments or local authorities	40,112	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	549	454	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	43,560,059	17,774,735	-	-
Conditional and unconditional exposures to corporates	96,574,831	6,916,663	-	-
Conditional and unconditional retail exposures	54,910,518	898,039	-	-
Conditional and unconditional exposures secured by real estate property (*)	18,543,668	111,092	-	-
Past due items	340,709	108	-	-
Items in regulatory high-risk categories	15,861,940	181,020	-	-
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	-	-	-	-
Other items	7,113,642	-	-	-

(\*) The mortgages used for the determination of the risk categories as per the article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", are excluded.

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

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## 4.11 RISK MANAGEMENT OBJECTIVES AND POLICIES

The Risk Management Strategy of the Bank includes the optimum allocation of the capital and the realisation of growth framework, maintaining risk-return balance, measuring the risks by methods in compliance with international standards and local regulations in parallel with its activities and under its sustainable and value-creating growth strategy.

The Bank determines the necessary approaches in order to update, revise, apply and manage its policies set for the proper assessment and management of risks considering changes in conditions.

The top management is responsible of managing, developing the risk management strategies, policies and application principles approved by the board of directors, reporting of major risks that the Bank is facing to the board of directors, assessment of internal control, internal audit and risk reports of departments and either eliminating risks, deficiencies or defects identified in these departments or taking the necessary precautions to prevent those, and participating in determination of risk limits.

The risk management activities are structured under the responsibility of the Bank's board of directors. The top management is responsible to the board of directors for monitoring and managing of risks. Besides, the following departments participate in monitoring of risks, independent from the departments having operational activities; Internal Control, Risk Management, Fraud, Compliance and Internal Audit.

The risks are evaluated on a continuously developing structure that is managed by internationally accepted applications and in compliance with the Bank's policies and procedures, and the international and local regulations.

The risks are also managed through risk mitigations using hedging transactions beside measurement, limitation and capital allocation techniques. The data of the Bank and the market are regularly monitored for better risk monitoring and management. As part of limitation of risks, internal limits are also set beside the legal limits. The possible changes in economic conditions and the risks that can be faced under extraordinary conditions are taken into consideration.

## 4.12 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

	CARRYING VALUE		FAIR VALUE	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
<b>Financial Assets</b>	<b>206,544,121</b>	<b>185,331,724</b>	<b>208,650,991</b>	<b>185,623,513</b>
Interbank Money Market Placements	80,446	190,802	80,446	190,802
Banks (*)	31,138,004	30,656,228	31,138,004	30,656,228
Financial Assets Available-for-Sale	20,051,986	21,630,082	20,051,986	21,630,082
Investments Held-to-Maturity	21,014,502	13,984,435	22,267,658	13,743,665
Loans	134,259,183	118,870,177	135,112,897	119,402,736
<b>Financial Liabilities</b>	<b>172,941,034</b>	<b>152,113,410</b>	<b>172,941,034</b>	<b>152,113,410</b>
Bank Deposits	5,366,307	4,901,898	5,366,307	4,901,898
Other Deposits	114,941,674	101,571,690	114,941,674	101,571,690
Other Fundings	32,464,176	29,625,584	32,464,176	29,625,584
Securities Issued	13,352,247	10,380,389	13,352,247	10,380,389
Miscellaneous Payables	6,816,630	5,633,849	6,816,630	5,633,849

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

Fair values of financial assets available-for-sale and investments held-to-maturity 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 Available-for-Sale	15,599,111	3,395,457	1,057,418	20,051,986
Financial Assets Held for Trading	109,593	281,927	-	391,520
Derivative Financial Assets Held for Trading	-	1,291,012	-	1,291,012
Loans	-	201,385	-	201,385
Investments in Associates and Subsidiaries	135,988	-	2,785,685	2,921,673
Derivative Financial Assets Held for Risk Management	-	166,252	-	166,252
<b>Financial Assets at Fair Value</b>	<b>15,844,692</b>	<b>5,336,033</b>	<b>3,843,103</b>	<b>25,023,828</b>
Derivative Financial Liabilities Held for Trading	649	1,573,594	-	1,574,243
Funds Borrowed	-	4,899,376	-	4,899,376
Derivative Financial Liabilities Held for Risk Management	-	279,383	-	279,383
<b>Financial Liabilities at Fair Value</b>	<b>649</b>	<b>6,752,353</b>	<b>-</b>	<b>6,753,002</b>
<b>PRIOR PERIOD</b>	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>	<b>TOTAL</b>
Financial Assets Available-for-Sale	17,315,403	1,693,580	2,621,099	21,630,082
Financial Assets Held for Trading	155,403	274,200	26,545	456,148
Derivative Financial Assets Held for Trading	1,451	1,145,215	-	1,146,666
Loans	-	198,778	-	198,778
Investments in Associates and Subsidiaries	108,660	-	2,730,138	2,838,798
Derivative Financial Assets Held for Risk Management	-	114,984	-	114,984
<b>Financial Assets at Fair Value</b>	<b>17,580,917</b>	<b>3,426,757</b>	<b>5,377,782</b>	<b>26,385,456</b>
Derivative Financial Liabilities Held for Trading	-	1,384,696	-	1,384,696
Funds Borrowed	-	2,084,138	-	2,084,138
Derivative Financial Liabilities Held for Risk Management	-	39,105	-	39,105
<b>Financial Liabilities at Fair Value</b>	<b>-</b>	<b>3,507,939</b>	<b>-</b>	<b>3,507,939</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)

## 4.13 TRANSACTIONS CARRIED OUT ON BEHALF OF CUSTOMERS, ITEMS HELD IN TRUST.

None.

## 5 DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS

### 5.1 ASSETS

#### 5.1.1 CASH AND BALANCES WITH CENTRAL BANK

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1,089,200	589,326	1,007,643	545,114
Central Bank of Turkey	670,794	22,027,261	1,743,999	19,161,838
Others	-	696,071	-	69,504
<b>Total</b>	<b>1,759,994</b>	<b>23,312,658</b>	<b>2,751,642</b>	<b>19,776,456</b>

#### BALANCES WITH THE CENTRAL BANK OF TURKEY

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Unrestricted Demand Deposits	670,794	2,431,663	1,743,999	1,995,058
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	19,595,598	-	17,166,780
<b>Total</b>	<b>670,794</b>	<b>22,027,261</b>	<b>1,743,999</b>	<b>19,161,838</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.

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## 5.1.2 INFORMATION ON 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		PRIOR PERIOD	
	TL	FC	TL	FC
Collateralised/Blocked Assets	-	265,254	-	280,860
Assets Subject to Repurchase Agreements	-	-	-	-
<b>Total</b>	-	<b>265,254</b>	-	<b>280,860</b>

### 5.1.2.2 POSITIVE DIFFERENCES ON DERIVATIVE FINANCIAL ASSETS HELD FOR TRADING

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Forward Transactions	113,870	22,136	297,734	16,495
Swap Transactions	435,049	497,523	310,057	190,404
Futures	-	-	-	1,451
Options	199,825	22,609	292,893	37,632
Other	-	-	-	-
<b>Total</b>	<b>748,744</b>	<b>542,268</b>	<b>900,684</b>	<b>245,982</b>

### 5.1.2.3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS

The Bank classified certain fixed-rate loans amounting to TL 200,000 thousands at initial recognition under financial assets at fair value through profit/loss to eliminate accounting inconsistency. The carrying value of these financial assets and the related current period gains amounted to TL 201,385 thousands (31 December 2013: TL 198,778 thousands) and TL 2,607 thousands (31 December 2013: a loss of TL 23,403 thousands), respectively. In the current period, the Bank classified foreign government securities with a face value of EUR 85,000,000 to "other securities" line. The carrying value of these securities at the reporting date amounted to TL 259,159 thousands.

## 5.1.3 BANKS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Banks				
Domestic banks	1,186,762	144,712	361,414	254,705
Foreign banks	233,129	6,875,346	1,712,607	7,421,665
Foreign headoffices and branches	-	-	-	-
<b>Total</b>	<b>1,419,891</b>	<b>7,020,058</b>	<b>2,074,021</b>	<b>7,676,370</b>

Due from foreign banks

	UNRESTRICTED BALANCES		RESTRICTED BALANCES	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
EU Countries	1,309,551	1,058,241	5,427,779	6,876,690
USA and Canada	32,470	437,706	100,171	406,461
OECD Countries (*)	7,863	3,614	-	-
Off-Shore Banking Regions	62,748	121,644	50,066	43,094
Other	117,827	186,822	-	-
<b>Total</b>	<b>1,530,459</b>	<b>1,808,027</b>	<b>5,578,016</b>	<b>7,326,245</b>

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

The placements at foreign banks include blocked accounts amounting TL 5,578,016 thousands (31 December 2013: TL 7,326,245 thousands) of which TL 108,410 thousands (31 December 2013: TL 116,271 thousands) and TL 50,066 thousands (31 December 2013: TL 43,094 thousands) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 5,419,540 thousands (31 December 2013: TL 7,166,880 thousands) as collateral against funds borrowed at various banks.

### 5.1.4.1 FINANCIAL ASSETS SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Collateralised/Blocked Assets	5,463,784	141,803	6,591,836	530,716
Assets subject to Repurchase Agreements	5,024,297	523,499	9,143,715	374,938
<b>Total</b>	<b>10,488,081</b>	<b>665,302</b>	<b>15,735,551</b>	<b>905,654</b>

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## 5.1.4.2 DETAILS OF FINANCIAL ASSETS AVAILABLE-FOR-SALE

	CURRENT PERIOD	PRIOR PERIOD
<b>Debt Securities</b>	<b>18,605,649</b>	<b>21,064,852</b>
Quoted at Stock Exchange	16,961,989	18,404,784
Unquoted at Stock Exchange	1,643,660	2,660,068
<b>Common Shares/Investment Funds</b>	<b>61,048</b>	<b>18,163</b>
Quoted at Stock Exchange (*)	7,669	7,669
Unquoted at Stock Exchange	53,379	10,494
<b>Value Increases/Impairment Losses (-)</b>	<b>1,385,289</b>	<b>547,067</b>
<b>Total</b>	<b>20,051,986</b>	<b>21,630,082</b>

## 5.1.5 LOANS

### 5.1.5.1 LOANS AND ADVANCES TO SHAREHOLDERS AND EMPLOYEES OF THE BANK

	CURRENT PERIOD		PRIOR PERIOD	
	CASH LOANS	NON-CASH LOANS	CASH LOANS	NON-CASH LOANS
<b>Direct Lendings to Shareholders</b>	<b>786</b>	<b>175,423</b>	<b>65</b>	<b>135,482</b>
Corporates	786	175,423	65	135,482
Individuals	-	-	-	-
<b>Indirect Lendings to Shareholders</b>	<b>1,532,539</b>	<b>534,359</b>	<b>452,446</b>	<b>294,928</b>
<b>Loans to Employees</b>	<b>165,305</b>	<b>68</b>	<b>154,164</b>	<b>50</b>
<b>Total</b>	<b>1,698,630</b>	<b>709,850</b>	<b>606,675</b>	<b>430,460</b>

### 5.1.5.2 LOANS AND OTHER RECEIVABLES CLASSIFIED IN GROUPS I AND II INCLUDING CONTRACTS WITH REVISED TERMS

CURRENT 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	
CASH LOANS		EXTENSION OF REPAYMENT PLAN	OTHER CHANGES		EXTENSION OF REPAYMENT PLAN	OTHER CHANGES
<b>Loans</b>	<b>129,439,486</b>	<b>1,640,194</b>	<b>-</b>	<b>4,192,829</b>	<b>1,997,330</b>	<b>328,572</b>
Working Capital Loans	9,408,051	142,850	-	756,677	390,281	84,370
Export Loans	5,628,789	1,238	-	107,215	50,771	36,519
Import Loans	11,583	-	-	-	-	-
Loans to Financial Sector (*)	4,455,628	7,159	-	-	-	-
Consumer Loans	32,150,830	1,212,387	-	1,279,181	403,716	17,043
Credit Cards	14,446,110	-	-	343,754	-	127,602
Others	63,338,495	276,560	-	1,706,002	1,152,562	63,038
<b>Specialization Loans</b>	<b>-</b>	<b>-</b>	<b>-</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>129,439,486</b>	<b>1,640,194</b>	<b>-</b>	<b>4,192,829</b>	<b>1,997,330</b>	<b>328,572</b>

(\*) Loans amounting to TL 201,385 thousands included under "financial assets at fair value through profit or loss" in the accompanying balance sheet, are presented above under "Loans to Financial Sector".

As of 31 December 2014, loans amounting to TL 4,462,373 thousands (31 December 2013: TL 863,526 thousands) are collateralized under funding transactions.

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	
CASH LOANS		EXTENSION OF REPAYMENT PLAN	OTHER CHANGES		EXTENSION OF REPAYMENT PLAN	OTHER CHANGES
<b>Loans</b>	<b>115,202,935</b>	<b>2,161,905</b>	<b>-</b>	<b>3,185,280</b>	<b>1,392,098</b>	<b>674,472</b>
Working Capital Loans	8,892,266	146,715	-	635,501	363,054	85,052
Export Loans	4,257,583	11,321	-	46,569	25,371	11,365
Import Loans	-	-	-	-	-	-
Loans to Financial Sector (*)	3,375,977	-	-	-	-	-
Consumer Loans	28,438,417	1,068,031	-	785,216	186,004	64,352
Credit Cards	14,562,828	-	-	523,176	-	401,241
Others	55,675,864	935,838	-	1,194,818	817,669	112,462
<b>Specialization Loans</b>	<b>-</b>	<b>-</b>	<b>-</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>115,202,935</b>	<b>2,161,905</b>	<b>-</b>	<b>3,185,280</b>	<b>1,392,098</b>	<b>674,472</b>

(\*) Loans amounting to TL 198,778 thousands included under "financial assets at fair value through profit or loss" in the accompanying balance sheet, are presented above under "Loans to Financial Sector".

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Collaterals received for loans under follow-up:

CURRENT PERIOD	CORPORATE/COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	55,698	2,557	-	58,255
Loans Collateralized by Mortgages	1,458,181	469,735	-	1,927,916
Loans Collateralized by Pledged Assets	65,422	53,246	-	118,668
Loans Collateralized by Cheques and Notes	36,397	464,607	-	501,004
Loans Collateralized by Other Collaterals	622,907	8,621	-	631,528
Unsecured Loans	331,289	280,415	343,754	955,458
<b>Total</b>	<b>2,569,894</b>	<b>1,279,181</b>	<b>343,754</b>	<b>4,192,829</b>

PRIOR PERIOD	CORPORATE/COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	41,599	2,331	-	43,930
Loans Collateralized by Mortgages	1,034,971	293,855	-	1,328,826
Loans Collateralized by Pledged Assets	77,307	46,495	-	123,802
Loans Collateralized by Cheques and Notes	61,852	353,512	-	415,364
Loans Collateralized by Other Collaterals	613,547	4,236	-	617,783
Unsecured Loans	47,612	84,787	523,176	655,575
<b>Total</b>	<b>1,876,888</b>	<b>785,216</b>	<b>523,176</b>	<b>3,185,280</b>

Delinquency periods of loans under follow-up:

CURRENT PERIOD	CORPORATE/COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
31-60 days	79,098	521,366	166,123	766,587
61-90 days	59,808	186,287	49,641	295,736
Others	2,430,988	571,528	127,990	3,130,506
<b>Total</b>	<b>2,569,894</b>	<b>1,279,181</b>	<b>343,754</b>	<b>4,192,829</b>

PRIOR PERIOD	CORPORATE/COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
31-60 days	51,992	311,313	68,724	432,029
61-90 days	35,264	83,177	27,507	145,948
Others	1,789,632	390,726	426,945	2,607,303
<b>Total</b>	<b>1,876,888</b>	<b>785,216</b>	<b>523,176</b>	<b>3,185,280</b>

Loans and other receivables with extended payment plans:

NO. OF EXTENSIONS	CURRENT PERIOD		PRIOR PERIOD	
	PERFORMING LOANS AND OTHER RECEIVABLES	LOANS AND OTHER RECEIVABLES UNDER FOLLOW-UP	PERFORMING LOANS AND OTHER RECEIVABLES	LOANS AND OTHER RECEIVABLES UNDER FOLLOW-UP
1 or 2 times	1,488,390	1,941,546	2,074,651	1,362,038
3, 4 or 5 times	82,054	43,603	55,069	22,639
Over 5 times	69,750	12,181	32,185	7,421
<b>Total</b>	<b>1,640,194</b>	<b>1,997,330</b>	<b>2,161,905</b>	<b>1,392,098</b>

EXTENTION PERIODS	CURRENT PERIOD		PRIOR PERIOD	
	PERFORMING LOANS AND OTHER RECEIVABLES	LOANS AND OTHER RECEIVABLES UNDER FOLLOW-UP	PERFORMING LOANS AND OTHER RECEIVABLES	LOANS AND OTHER RECEIVABLES UNDER FOLLOW-UP
0 - 6 months	753,862	297,097	519,933	133,034
6 - 12 months	199,948	60,275	128,650	52,069
1 - 2 years	438,171	166,395	292,141	154,404
2 - 5 year	196,502	747,346	460,737	431,914
5 years and over	51,711	726,217	760,444	620,677
<b>Total</b>	<b>1,640,194</b>	<b>1,997,330</b>	<b>2,161,905</b>	<b>1,392,098</b>

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## 5.1.5.3 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
Short-term Loans	39,126,122	177,852	549,278	163,638
Loans	39,126,122	177,852	549,278	163,638
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans	90,313,364	1,462,342	3,643,551	2,162,264
Loans	90,313,364	1,462,342	3,643,551	2,162,264
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
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
Short-term Loans	32,774,688	101,607	689,252	450,233
Loans	32,774,688	101,607	689,252	450,233
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans	82,428,247	2,060,298	2,496,028	1,616,337
Loans	82,428,247	2,060,298	2,496,028	1,616,337
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-

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## 5.1.5.4 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>690,325</b>	<b>32,082,213</b>	<b>32,772,538</b>
Housing Loans	19,660	15,359,984	15,379,644
Automobile Loans	21,705	1,341,922	1,363,627
General Purpose Loans	127,056	2,240,482	2,367,538
Other	521,904	13,139,825	13,661,729
<b>Consumer Loans – FC-indexed</b>	<b>-</b>	<b>172,451</b>	<b>172,451</b>
Housing Loans	-	168,056	168,056
Automobile Loans	-	60	60
General Purpose Loans	-	3,235	3,235
Other	-	1,100	1,100
<b>Consumer Loans – FC</b>	<b>5</b>	<b>33,457</b>	<b>33,462</b>
Housing Loans	-	25,626	25,626
Automobile Loans	-	5,219	5,219
General Purpose Loans	-	652	652
Other	5	1,960	1,965
<b>Retail Credit Cards – TL</b>	<b>12,837,030</b>	<b>470,688</b>	<b>13,307,718</b>
With Installment	5,992,626	470,688	6,463,314
Without Installment	6,844,404	-	6,844,404
<b>Retail Credit Cards – FC</b>	<b>42,780</b>	<b>-</b>	<b>42,780</b>
With Installment	15,930	-	15,930
Without Installment	26,850	-	26,850
<b>Personnel Loans – TL</b>	<b>16,348</b>	<b>62,853</b>	<b>79,201</b>
Housing Loan	-	967	967
Automobile Loans	-	57	57
General Purpose Loans	4,382	11,834	16,216
Other	11,966	49,995	61,961
<b>Personnel Loans - FC-indexed</b>	<b>-</b>	<b>279</b>	<b>279</b>
Housing Loans	-	279	279
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Loans – FC</b>	<b>-</b>	<b>110</b>	<b>110</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	110	110
Other	-	-	-
<b>Personnel Credit Cards – TL</b>	<b>77,254</b>	<b>475</b>	<b>77,729</b>
With Installment	30,149	475	30,624
Without Installment	47,105	-	47,105
<b>Personnel Credit Cards – FC</b>	<b>726</b>	<b>-</b>	<b>726</b>
With Installment	304	-	304
Without Installment	422	-	422
<b>Deposit Accounts– TL (Real persons)</b>	<b>371,970</b>	<b>-</b>	<b>371,970</b>
<b>Deposit Accounts– FC (Real persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>14,036,438</b>	<b>32,822,526</b>	<b>46,858,964</b>

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PRIOR PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
<b>Consumer Loans – TL</b>	<b>571,192</b>	<b>27,931,131</b>	<b>28,502,323</b>
Housing Loans	18,051	13,425,912	13,443,963
Automobile Loans	17,232	1,463,542	1,480,774
General Purpose Loans	98,945	1,877,475	1,976,420
Other	436,964	11,164,202	11,601,166
<b>Consumer Loans – FC-indexed</b>	<b>-</b>	<b>232,720</b>	<b>232,720</b>
Housing Loans	-	225,465	225,465
Automobile Loans	-	132	132
General Purpose Loans	-	5,547	5,547
Other	-	1,576	1,576
<b>Consumer Loans – FC</b>	<b>143</b>	<b>39,918</b>	<b>40,061</b>
Housing Loans	62	30,971	31,033
Automobile Loans	7	6,393	6,400
General Purpose Loans	-	828	828
Other	74	1,726	1,800
<b>Retail Credit Cards – TL</b>	<b>12,942,722</b>	<b>713,232</b>	<b>13,655,954</b>
With Installment	7,609,148	713,207	8,322,355
Without Installment	5,333,574	25	5,333,599
<b>Retail Credit Cards – FC</b>	<b>47,871</b>	<b>-</b>	<b>47,871</b>
With Installment	24,959	-	24,959
Without Installment	22,912	-	22,912
<b>Personnel Loans – TL</b>	<b>15,064</b>	<b>51,603</b>	<b>66,667</b>
Housing Loan	-	1,284	1,284
Automobile Loans	-	101	101
General Purpose Loans	3,716	9,248	12,964
Other	11,348	40,970	52,318
<b>Personnel Loans - FC-indexed</b>	<b>-</b>	<b>269</b>	<b>269</b>
Housing Loans	-	269	269
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Loans – FC</b>	<b>-</b>	<b>96</b>	<b>96</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	96	96
Other	-	-	-
<b>Personnel Credit Cards – TL</b>	<b>77,845</b>	<b>831</b>	<b>78,676</b>
With Installment	38,772	831	39,603
Without Installment	39,073	-	39,073
<b>Personnel Credit Cards – FC</b>	<b>760</b>	<b>-</b>	<b>760</b>
With Installment	458	-	458
Without Installment	302	-	302
<b>Deposit Accounts– TL (Real persons)</b>	<b>381,497</b>	<b>-</b>	<b>381,497</b>
<b>Deposit Accounts– FC (Real persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>14,037,094</b>	<b>28,969,800</b>	<b>43,006,894</b>

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## 5.1.5.5 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>1,428,068</b>	<b>8,727,986</b>	<b>10,156,054</b>
Real Estate Loans	1,767	643,270	645,037
Automobile Loans	72,896	1,724,661	1,797,557
General Purpose Loans	1,353,405	6,353,477	7,706,882
Other	-	6,578	6,578
<b>Installment-based Commercial Loans - FC-indexed</b>	<b>149,234</b>	<b>1,373,897</b>	<b>1,523,131</b>
Real Estate Loans	-	53,175	53,175
Automobile Loans	4,288	343,744	348,032
General Purpose Loans	144,946	976,978	1,121,924
Other	-	-	-
<b>Installment-based Commercial Loans – FC</b>	<b>225</b>	<b>68,162</b>	<b>68,387</b>
Real Estate Loans	-	1,088	1,088
Automobile Loans	20	6,725	6,745
General Purpose Loans	205	14,248	14,453
Other	-	46,101	46,101
<b>Corporate Credit Cards – TL</b>	<b>1,353,768</b>	<b>515</b>	<b>1,354,283</b>
With Installment	654,951	514	655,465
Without Installment	698,817	1	698,818
<b>Corporate Credit Cards – FC</b>	<b>6,628</b>	<b>-</b>	<b>6,628</b>
With Installment	136	-	136
Without Installment	6,492	-	6,492
<b>Deposit Accounts– TL (Corporates)</b>	<b>716,754</b>	<b>-</b>	<b>716,754</b>
<b>Deposit Accounts– FC (Corporates)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>3,654,677</b>	<b>10,170,560</b>	<b>13,825,237</b>

PRIOR PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
<b>Installment-based Commercial Loans – TL</b>	<b>917,999</b>	<b>7,852,874</b>	<b>8,770,873</b>
Real Estate Loans	2,443	657,385	659,828
Automobile Loans	44,069	1,524,823	1,568,892
General Purpose Loans	871,487	5,665,918	6,537,405
Other	-	4,748	4,748
<b>Installment-based Commercial Loans - FC-indexed</b>	<b>88,127</b>	<b>1,076,813</b>	<b>1,164,940</b>
Real Estate Loans	-	48,110	48,110
Automobile Loans	3,569	260,595	264,164
General Purpose Loans	84,558	768,108	852,666
Other	-	-	-
<b>Installment-based Commercial Loans – FC</b>	<b>278</b>	<b>91,008</b>	<b>91,286</b>
Real Estate Loans	-	1,413	1,413
Automobile Loans	-	7,421	7,421
General Purpose Loans	278	18,216	18,494
Other	-	63,958	63,958
<b>Corporate Credit Cards – TL</b>	<b>1,295,213</b>	<b>1,092</b>	<b>1,296,305</b>
With Installment	783,440	1,088	784,528
Without Installment	511,773	4	511,777
<b>Corporate Credit Cards – FC</b>	<b>6,438</b>	<b>-</b>	<b>6,438</b>
With Installment	237	-	237
Without Installment	6,201	-	6,201
<b>Deposit Accounts– TL (corporates)</b>	<b>637,296</b>	<b>-</b>	<b>637,296</b>
<b>Deposit Accounts– FC (corporates)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>2,945,351</b>	<b>9,021,787</b>	<b>11,967,138</b>

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## 5.1.5.6 ALLOCATION OF LOANS BY CUSTOMERS

	CURRENT PERIOD	PRIOR PERIOD
Public Sector	976,922	1,267,471
Private Sector (*)	132,655,393	117,120,744
<b>Total</b>	<b>133,632,315</b>	<b>118,388,215</b>

(\*) Loans amounting to TL 201,385 thousands (31 December 2012: TL 198,778 thousands) included under "Financial Assets at Fair Value through Profit/Loss" in the accompanying balance sheet, are presented above under "Private Sector".

## 5.1.5.7 ALLOCATION OF DOMESTIC AND FOREIGN LOANS

	CURRENT PERIOD	PRIOR PERIOD
Domestic Loans	131,707,500	115,622,241
Foreign Loans (*)	1,924,815	2,765,974
<b>Total</b>	<b>133,632,315</b>	<b>118,388,215</b>

(\*) Finansal tablolarla, "Gerçeğe Uygun Değer Farkı Kâr veya Zarara Yansıtılan Finansal Varlıklar" altında sınıflandırılan 201,385 TL (31 Aralık 2013: 198,778 TL) tutarındaki kredi, "Yurtdışı Krediler" satırında gösterilmiştir.

## 5.1.5.8 LOANS TO ASSOCIATES AND SUBSIDIARIES

	CURRENT PERIOD	PRIOR PERIOD
Direct Lending	1,010,312	1,208,237
Indirect Lending	-	-
<b>Total</b>	<b>1,010,312</b>	<b>1,208,237</b>

## 5.1.5.9 SPECIFIC PROVISIONS FOR LOANS

	CURRENT PERIOD	PRIOR PERIOD
Substandard Loans and Receivables - Limited Collectibility	309,887	277,414
Doubtful Loans and Receivables	596,107	302,070
Uncollectible Loans and Receivables	1,767,967	1,476,984
<b>Total</b>	<b>2,673,961</b>	<b>2,056,468</b>

## 5.1.5.10 NON-PERFORMING LOANS AND OTHER RECEIVABLES (NPLS) (NET)

Non-performing loans and other receivables restructured or rescheduled

	GROUP III SUBSTANDARD LOANS AND RECEIVABLES	GROUP IV DOUBTFUL LOANS AND RECEIVABLES	GROUP V UNCOLLECTIBLE LOANS AND RECEIVABLES
<b>CURRENT PERIOD</b>			
(Gross Amounts before Specific Provisions)	98,424	121,778	240,451
Restructured Loans and Receivables	98,424	121,778	240,451
Rescheduled Loans and Receivables	-	-	-
<b>PRIOR PERIOD</b>			
(Gross Amounts before Specific Provisions)	58,625	92,870	118,125
Restructured Loans and Receivables	58,625	92,870	118,125
Rescheduled Loans and Receivables	-	-	-

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## Movements in non-performing loans and other receivables

CURRENT PERIOD	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS AND RECEIVABLES	DOUBTFUL LOANS AND RECEIVABLES	UNCOLLECTIBLE LOANS AND RECEIVABLES
Balances at Beginning of Period	378,430	402,395	1,757,605
Additions during the Period (+)	1,449,028	213,359	48,688
Transfer from Other NPL Categories (+)	-	1,198,736	865,678
Transfer to Other NPL Categories (-)	1,198,736	865,678	-
Collections during the Period (-)	223,631	200,231	242,518
Write-offs (-) (*)	-	551	281,745
Corporate and Commercial Loans	-	256	39,571
Retail Loans	-	295	57,734
Credit Cards	-	-	184,440
Others	-	-	-
Balances at End of Period	405,091	748,030	2,147,708
Specific Provisions (-)	309,887	596,107	1,767,967
Net Balance on Balance Sheet	95,204	151,923	379,741

(\*) Resulted from sale of non-performing loans.

PRIOR PERIOD	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS AND RECEIVABLES	DOUBTFUL LOANS AND RECEIVABLES	UNCOLLECTIBLE LOANS AND RECEIVABLES
Balances at Beginning of Period	219,718	565,595	1,328,760
Additions during the Period (+)	1,141,762	48,537	98,195
Transfer from Other NPL Categories (+)	-	849,404	897,761
Transfer to Other NPL Categories (-)	849,404	897,761	-
Collections during the Period (-)	133,646	163,151	257,039
Write-offs (-) (*)	-	229	310,072
Corporate and Commercial Loans	-	226	29,209
Retail Loans	-	-	51,880
Credit Cards	-	3	228,983
Others	-	-	-
Balances at End of Period	378,430	402,395	1,757,605
Specific Provisions (-)	277,414	302,070	1,476,984
Net Balance on Balance Sheet	101,016	100,325	280,621

(\*) Resulted from sale of non-performing loans.

## Movements in specific loan provisions

CURRENT PERIOD	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Balances at End of Prior Period	936,813	510,037	609,618	2,056,468
Additions during the Period(+)	382,334	611,458	423,458	1,417,250
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-)	128,055	239,811	156,733	524,599
Write-offs (-) (*)	32,689	58,029	184,440	275,158
Balances at End of Period	1,158,403	823,655	691,903	2,673,961

(\*) Resulted from sale of non-performing loans.

PRIOR PERIOD	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Balances at End of Prior Period	735,868	368,947	606,379	1,711,194
Additions during the Period(+)	365,790	305,019	371,193	1,042,002
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-)	148,373	113,613	138,968	400,954
Write-offs (-) (*)	16,472	50,316	228,986	295,774
Balances at End of Period	936,813	510,037	609,618	2,056,468

(\*) Resulted from sale of non-performing loans.

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Non-performing loans and other receivables in foreign currencies

	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS AND RECEIVABLES	DOUBTFUL LOANS AND RECEIVABLES	UNCOLLECTIBLE LOANS AND RECEIVABLES
<b>CURRENT PERIOD</b>			
Balance at End of Period	24,020	41,143	581,702
Specific Provisions (-)	14,586	20,846	469,969
Net Balance at Balance Sheet	9,434	20,297	111,733
<b>PRIOR PERIOD</b>			
Balance at End of Period	141,370	17,319	456,840
Specific Provisions (-)	88,761	7,149	389,076
Net Balance at Balance Sheet	52,609	10,170	67,764

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>CURRENT PERIOD (NET)</b>			
	<b>95,204</b>	<b>151,923</b>	<b>379,741</b>
Loans to Individuals and Corporates (Gross)	405,091	748,030	2,140,816
Specific Provision (-)	309,887	596,107	1,761,075
Loans to Individuals and Corporates (Net)	95,204	151,923	379,741
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	6,581
Specific Provision (-)	-	-	6,581
Other Loans and Receivables (Net)	-	-	-
<b>PRIOR PERIOD (NET)</b>			
	<b>101,016</b>	<b>100,325</b>	<b>280,621</b>
Loans to Individuals and Corporates (Gross)	378,430	402,395	1,749,573
Specific Provision (-)	277,414	302,070	1,468,952
Loans to Individuals and Corporates (Net)	101,016	100,325	280,621
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	7,721
Specific Provision (-)	-	-	7,721
Other Loans and Receivables (Net)	-	-	-

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Collaterals received for non-performing loans

CURRENT PERIOD	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	2,864	235	-	3,099
Loans Collateralized by Mortgages	813,345	70,508	-	883,853
Loans Collateralized by Pledged Assets	260,817	52,180	-	312,997
Loans Collateralized by Cheques and Notes	329,520	577,913	-	907,433
Loans Collateralized by Other Collaterals	244,617	5,667	-	250,284
Unsecured Loans	71,048	180,212	691,903	943,163
<b>Total</b>	<b>1,722,211</b>	<b>886,715</b>	<b>691,903</b>	<b>3,300,829</b>

PRIOR PERIOD	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	523	183	-	706
Loans Collateralized by Mortgages	502,325	57,620	-	559,945
Loans Collateralized by Pledged Assets	229,285	45,622	-	274,907
Loans Collateralized by Cheques and Notes	304,756	398,069	-	702,825
Loans Collateralized by Other Collaterals	262,161	3,951	-	266,112
Unsecured Loans	66,934	55,055	611,946	733,935
<b>Total</b>	<b>1,365,984</b>	<b>560,500</b>	<b>611,946</b>	<b>2,538,430</b>

## 5.1.5.11 LIQUIDATION POLICY FOR UNCOLLECTIBLE LOANS AND RECEIVABLES

Such loans and receivables are collected through legal follow-up and liquidation of collaterals.

## 5.1.5.12 "WRITE-OFF" POLICIES

The Bank's general policy for write-offs of loans and receivables under follow-up is to write off such loans and receivables that are proven to be uncollectible in legal follow-up process.

## 5.1.6 INVESTMENTS HELD-TO-MATURITY

### 5.1.6.1 INVESTMENT SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Collateralised/Blocked Investments	6,708,866	718,432	5,139,285	-
Investments subject to Repurchase Agreements	1,996,759	4,612,969	6,192,089	428,072
<b>Total</b>	<b>8,705,625</b>	<b>5,331,401</b>	<b>11,331,374</b>	<b>428,072</b>

### 5.1.6.2 GOVERNMENT SECURITIES HELD-TO-MATURITY

	CURRENT PERIOD	PRIOR PERIOD
Government Bonds	18,001,879	13,581,743
Treasury Bills	-	-
Other Government Securities	-	-
<b>Total</b>	<b>18,001,879</b>	<b>13,581,743</b>

### 5.1.6.3 INVESTMENTS HELD-TO-MATURITY

	CURRENT PERIOD	PRIOR PERIOD
<b>Debt Securities</b>	<b>19,655,596</b>	<b>13,540,925</b>
Quoted at Stock Exchange	18,319,161	13,140,485
Unquoted at Stock Exchange	1,336,435	400,440
Valuation Increase/(Decrease)	1,358,906	443,510
<b>Total</b>	<b>21,014,502</b>	<b>13,984,435</b>

As of 31 December 2014, the Bank's "investments held-to-maturity" portfolio includes private sector bonds with "credit linked notes" at a total face value of USD 425,000,000 (31 December 2013: -) and a total carrying value of TL 993,074 thousands (31 December 2013: -).

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## 5.1.6.4 MOVEMENT OF INVESTMENTS HELD-TO-MATURITY

	CURRENT PERIOD	PRIOR PERIOD
Balances at Beginning of Period	13,984,435	1,364,383
Foreign Currency Differences On Monetary Assets	74,753	-
Purchases during the Period (*)	7,689,505	12,670,890
Disposals through Sales/Redemptions (**)	(1,649,588)	(495,874)
Valuation Effect	915,397	445,036
<b>Balances at End of Period</b>	<b>21,014,502</b>	<b>13,984,435</b>

(\*) In the prior period, the Bank reclassified certain securities issued by the Turkish Treasury, with a total face value of TL 8,965,094 thousands from financial assets available-for-sale portfolio to investments held-to-maturity portfolio. Also in the current period, the Bank reclassified private sector bonds with "credit linked notes" with a total face value of USD 425,000,000 from financial assets available-for-sale portfolio to investments held-to-maturity portfolio.

(\*\*) As per the regulation on capital adequacy (Basel II) effective from 1 July 2012, the risk weight of securities in foreign currencies issued by the Turkish Treasury increased from 0% to 100%. As allowed by the relevant accounting standards (TAS 39) for the sale or reclassification of securities originally classified under the securities held-to-maturity in cases where the capital requirement increases due to regulatory changes, and as per the letter of the Public Oversight, Accounting and Auditing Standards Authority no. 602 dated 20 February 2013, in the prior period the Bank reclassified its eurobonds with a total face value of USD 248,209,999 to its available-for-sale portfolio.

## T5.1.7 INVESTMENTS IN ASSOCIATES

### 5.1.7.1 INVESTMENTS IN ASSOCIATES

ASSOCIATE	ADDRESS (CITY/ COUNTRY)	BANK'S SHARE - IF DIFFERENT, VOTING RIGHTS (%)	BANK'S RISK GROUP SHARE (%)
1 Bankalararası Kart Merkezi AŞ <sup>(1)</sup>	İstanbul / Turkey	10,15	10,15
2 Yatırım Finansman Menkul Değerler AŞ <sup>(1)</sup>	İstanbul / Turkey	0,77	0,77
3 İstanbul Takas ve Saklama Bankası AŞ <sup>(1)</sup>	İstanbul / Turkey	5,25	5,28
4 Borsa İstanbul AŞ <sup>(1)(2)</sup>	Istanbul / Turkey	0,30	0,34
5 KKB Kredi Kayıt Bürosu AŞ <sup>(1)</sup>	İstanbul / Turkey	9,09	9,09
6 Türkiye Cumhuriyet Merkez Bankası AŞ <sup>(1)</sup>	Ankara / Turkey	2,48	2,48
7 Kredi Garanti Fonu AŞ <sup>(1)</sup>	Ankara / Turkey	1,75	1,75

	TOTAL ASSETS SHAREHOLDERS' EQUITY	SHAREHOLDERS' EQUITY	TOTAL FIXED ASSETS (*)	INTEREST INCOME	INCOME ON SECURITIES PORTFOLIO	CURRENT PERIOD PROFIT/LOSS	PRIOR PERIOD PROFIT/LOSS	COMPANY'S FAIR VALUE (IF AVAILABLE)
1	52,777	30,264	32,405	681	-	7,882	4,171	-
2	675,205	74,312	3,701	11,103	1,130	(346)	2,423	-
3	5,265,146	776,726	15,915	116,803	18,797	96,179	53,588	-
4	754,651	580,504	60,292	13,853	2,397	113,940	45,686	-
5	105,453	88,452	52,574	3,178	-	18,547	28,150	-
6	342,205,270	32,780,467	645,252	1,857,993	2,531,419	13,198,929	(276,082)	-
7	287,208	282,357	2,731	9,979	-	10,212	10,729	-

(1) Financial information is as of 30 September 2014.

(2) Financial information is as of 31 December 2013.

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

(\*\*) As the date of establishment of Borsa İstanbul AŞ is 3 April 2013, the prior period profit includes only the performance results of the period 3 April - 30 September 2013.

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## 5.1.7.2 MOVEMENT OF INVESTMENTS IN ASSOCIATES

	CURRENT PERIOD	PRIOR PERIOD
Balance at Beginning of Period	36,698	21,099
Movements during the Period	-	15,599
Acquisitions (*)	-	10,494
Bonus Shares Received (**)	-	5,105
Dividends from Current Year Profit	-	-
Sales	-	-
Increase in Market Values	-	-
Impairment Reversals/(Losses)	-	-
Balance at End of Period	36,698	36,698
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

(\*) In the prior period, the increase of TL 10,494 thousands was due to the increase in the paid-in capital of İstanbul Takas ve Saklama Bankası AŞ, from TL 60,000 thousands to TL 420,000 thousands by TL 360,000 thousands of which TL 180,000 thousands was in cash, at the ordinary general meeting held on 29 March 2013.

(\*\*) In the prior period, the increase of TL 5,105 thousands composes of; the increase of TL 5,090 thousands resulted from the increase in the paid-in capital of İstanbul Takas ve Saklama Bankası AŞ, from TL 60,000 thousands to TL 420,000 thousands by TL 360,000 thousands of which TL 180,000 thousands was in cash, at the ordinary general meeting held on 29 March 2013, and the C group of shares of Borsa İstanbul AŞ in the amount of TL 15 thousands received as bonus shares from the distribution to the existing members of İstanbul Altın Borsası as per the board of directors' meeting of Borsa İstanbul AŞ on 4 July 2013 according to the article 138-6/a of the Capital Markets Law no.6362.

## 5.1.7.3 SECTORAL DISTRIBUTION OF INVESTMENTS AND ASSOCIATES

INVESTMENTS IN ASSOCIATES	CURRENT PERIOD	PRIOR PERIOD
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	34,984	34,984
Other Associates	1,714	1,714

## 5.1.7.4 QUOTED ASSOCIATES

None.

## 5.1.7.5 VALUATION METHODS OF INVESTMENTS IN ASSOCIATES

INVESTMENTS IN ASSOCIATES	CURRENT PERIOD	PRIOR PERIOD
Valued at Cost	36,698	36,698
Valued at Fair Value	-	-

## 5.1.7.6 INVESTMENTS IN ASSOCIATES SOLD DURING THE CURRENT PERIOD

None.

## 5.1.7.7 INVESTMENTS IN ASSOCIATES ACQUIRED DURING THE CURRENT PERIOD

None.

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## 5.1.8 INVESTMENTS IN SUBSIDIARIES

### 5.1.8.1 INFORMATION ON CAPITAL ADEQUACY OF MAJOR SUBSIDIARIES

The Bank does not have any capital needs due to 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	386,379	357,848	1,029,352
Share Premium	-	-	36,183
Share Cancellation Profits	-	-	-
Reserves	956,232	238,680	(507,545)
Other Comprehensive Income according to TAS (*)	19,907	-	33,626
Current and Prior Periods' Profits	139,784	91,034	18,788
<b>Common Equity Tier I Capital Before Deductions</b>	<b>1,502,302</b>	<b>687,562</b>	<b>610,404</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 (-)	85,138	287	2,253
Leasehold Improvements on Operational Leases (-)	-	-	12,053
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	3,378	833	32,486
Net Deferred Tax Asset/Liability (-)	-	-	6,048
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>88,516</b>	<b>1,120</b>	<b>52,840</b>
<b>Total Common Equity Tier I Capital</b>	<b>1,413,786</b>	<b>686,442</b>	<b>557,564</b>
<b>Total Deductions From Tier I Capital</b>	<b>13,513</b>	<b>3,332</b>	<b>154,137</b>
<b>Total Tier I Capital</b>	<b>1,400,273</b>	<b>683,110</b>	<b>403,427</b>
<b>TIER II CAPITAL</b>	<b>83,667</b>	<b>-</b>	<b>50,797</b>
<b>CAPITAL BEFORE DEDUCTIONS</b>	<b>1,483,940</b>	<b>683,110</b>	<b>454,224</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 (-)	-	6	-
<b>TOTAL CAPITAL</b>	<b>1,483,940</b>	<b>683,104</b>	<b>454,224</b>
<b>PRIOR PERIOD</b>			
<b>CORE CAPITAL</b>			
Paid-in Capital	1,112,637	594,053	588,776
Inflation Adjustments to Paid-in Capital	404,455	12,016	1,078,109
Share Premium	-	68,832	-
Reserves	-	-	37,897
Reserves	576,681	480,566	(407,076)
Current and Prior Periods' Profit	143,170	35,113	59,456
Current and Prior Periods' Losses	-	-	-
Leasehold Improvements on Operational Leases (-)	-	-	13,055
Intangible Assets (-)	11,669	2,474	3,402
Goodwill (Net) (-)	-	-	163,153
<b>SUPPLEMENTARY CAPITAL (*)</b>	<b>303,368</b>	<b>(45)</b>	<b>(105,871)</b>
<b>CAPITAL BEFORE DEDUCTIONS</b>	<b>1,416,005</b>	<b>594,008</b>	<b>482,905</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>-</b>	<b>6</b>	<b>-</b>
<b>TOTAL CAPITAL</b>	<b>1,416,005</b>	<b>594,002</b>	<b>482,905</b>

(\*) In the prior period, in cases where the Securities Value Increase Fund under Supplementary Capital gives a positive result then only 45% of the amount is considered in the calculation, whereas if its is negative the whole amount; however, in the current period 100% of the amount of the Securities Value Increase Fund under Other Comprehensive Income/(Losses) according to TAS, is considered in the calculation.

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## 5.1.8.2 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	96.40	99.40
4 Garanti Kültür AŞ	Istanbul/Turkey	100.00	100.00
5 Garanti Konut Finansmanı Danışmanlık Hiz. AŞ	Istanbul/Turkey	100.00	100.00
6 Garanti Finansal Kiralama AŞ	Istanbul/Turkey	100.00	100.00
7 Garanti Faktoring Hizmetleri 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 Bank Moscow	Moscow/Russia	99.94	100.00
13 Garanti Holding BV	Amsterdam/The Netherlands	100.00	100.00

	TOTAL ASSETS	SHAREHOLDERS' EQUITY	TOTAL FIXED ASSETS (*)	INTEREST INCOME	INCOME ON SECURITIES PORTFOLIO	CURRENT PERIOD PROFIT/LOSS	PRIOR PERIOD PROFIT/LOSS	COMPANY'S FAIR VALUE
1	55,630	50,075	58	1,424	2,280	13,978	5,156	-
2	22,159	17,204	3,009	1,096	576	912	1,453	-
3	6,583	6,095	14	-	310	2,464	2,422	-
4	1,288	968	99	-	8	140	125	-
5	3,483	3,068	4	-	196	774	641	-
6	4,134,086	687,274	20,294	332,882	-	91,034	67,292	-
7	2,989,573	140,383	4,031	171,583	-	20,516	15,302	166,155
8	55,598	41,282	3,800	1,483	2,695	4,536	7,674	-
9	39,821	31,264	5,926	1,557	79	10,777	2,665	-
10	7,363,292	884,578	30,120	77,787	10,094	171,424	139,818	-
11	13,592,822	1,417,164	69,698	456,277	83,207	139,784	143,170	1,612,857
12	549,443	98,428	26,544	42,377	21,509	12,384	15,038	203,354
13	904,588	904,490	-	8	-	(234)	(210)	969,592

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

## 5.1.8.3 MOVEMENT OF INVESTMENTS IN SUBSIDIARIES

	CURRENT PERIOD	PRIOR PERIOD
Balance at Beginning of Period	3,178,829	2,588,534
Movements during the Period	83,418	590,295
Acquisitions	543	-
Bonus Shares Received (*)	-	46,142
Dividends from Current Year Profit	-	-
Sales/Liquidations	-	-
Reclassification of Shares	-	-
Increase/(Decrease) in Market Values	138,319	257,126
Currency Differences on Foreign Subsidiaries	(55,444)	287,027
Impairment Reversals/(Losses)	-	-
Balance at End of Period	3,262,247	3,178,829
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

(\*) In prior period, the paid-in capital of Garanti Faktoring Hizmetleri AŞ was increased from TL 21,000 thousands to TL 79,500 thousands as per the decision made at the board of directors' meeting held on 3 May 2013.

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## 5.1.8.4 SECTORAL DISTRIBUTION OF INVESTMENTS IN SUBSIDIARIES

SUBSIDIARIES	CURRENT PERIOD	PRIOR PERIOD
Banks	1,816,094	1,784,026
Insurance Companies	56,545	56,545
Factoring Companies	135,988	108,660
Leasing Companies	111,134	110,743
Finance Companies	1,038,250	1,014,770
Other Subsidiaries	104,236	104,085

## 5.1.8.5 QUOTED SUBSIDIARIES

SUBSIDIARIES	CURRENT PERIOD	PRIOR PERIOD
Quoted at Domestic Stock Exchanges	135,988	108,660
Quoted at International Stock Exchanges	-	-

## 5.1.8.6 VALUATION METHODS OF INVESTMENTS IN SUBSIDIARIES

SUBSIDIARIES	CURRENT PERIOD	PRIOR PERIOD
Valued at Cost	340,574	340,031
Valued at Fair Value	2,921,673	2,838,798

## 5.1.8.7 INVESTMENTS IN SUBSIDIARIES DISPOSED DURING THE CURRENT PERIOD

None.

## 5.1.8.8 INVESTMENTS IN SUBSIDIARIES ACQUIRED DURING THE CURRENT PERIOD

None.

## 5.1.9 INVESTMENTS IN JOINT-VENTURES

None.

## 5.1.10 LEASE RECEIVABLES

None.

## 5.1.11 DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT

### 5.1.11.1 POSITIVE DIFFERENCES ON DERIVATIVE FINANCIAL INSTRUMENTS HELD FOR RISK MANAGEMENT

Derivative Financial Assets Held for	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Fair Value Hedges	31,158	83	65,943	-
Cash Flow Hedges	15,044	119,967	38,032	11,009
Net Foreign Investment Hedges	-	-	-	-
<b>Total</b>	<b>46,202</b>	<b>120,050</b>	<b>103,975</b>	<b>11,009</b>

As of 31 December 2014, the face values and the net fair values, recognised in the balance sheet, of the derivative financial instruments held for risk management purposes, are summarized below:

	CURRENT PERIOD			PRIOR PERIOD		
	FACE VALUE	ASSET	LIABILITY	FACE VALUE	ASSET	LIABILITY
Interest Rate Swaps	12,215,225	46,285	168,109	4,928,361	103,975	-
-TL	6,034,049	46,202	99,572	4,928,361	103,975	-
-FC	6,181,176	83	68,537	-	-	-
Cross Currency Swaps	5,215,329	119,967	111,274	2,240,471	11,009	39,105
-TL	2,090,223	-	-	607,985	-	-
-FC	3,125,106	119,967	111,274	1,632,486	11,009	39,105
<b>Total</b>	<b>17,430,554</b>	<b>166,252</b>	<b>279,383</b>	<b>7,168,832</b>	<b>114,984</b>	<b>39,105</b>

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## 5.1.11.1 FAIR VALUE HEDGE ACCOUNTING

CURRENT PERIOD			NET FAIR VALUE CHANGE OF HEDGING ITEM			INCOME STATEMENT EFFECT (GAINS/LOSSES FROM DERIVATIVE FINANCIAL INSTRUMENTS)
HEDGING ITEM	HEDGED ITEM	TYPE OF RISK	FAIR VALUE CHANGE OF HEDGED ITEM	ASSET	LIABILITY	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	39,256	3,000	(57,277)	(15,021)
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	42,104	28,241	(91,167)	(20,822)
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	(12,511)	-	(63,059)	(75,570)
PRIOR PERIOD			NET FAIR VALUE CHANGE OF HEDGING ITEM			INCOME STATEMENT EFFECT (GAINS/LOSSES FROM DERIVATIVE FINANCIAL INSTRUMENTS)
HEDGING ITEM	HEDGED ITEM	TYPE OF RISK	FAIR VALUE CHANGE OF HEDGED ITEM	ASSET	LIABILITY	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	(7,901)	7,101	-	(800)
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(59,998)	58,842	-	(1,156)
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	4,000	-	(36,541)	(32,541)
Cross Currency Swaps	Fixed-rate funds borrowed	Interest rate and foreign currency exchange rate risk	251	-	(2,564)	(2,313)

The Bank also applies fair value hedge to hedge the foreign exchange rate risks of its investments in Garanti Bank International, Garanti Bank Moscow and Garanti Holding BV amounting to USD 29,329,123 and EUR 460,783,575 in total. The effective portion of the foreign exchange differences are recognised in the income statement.

## 5.1.11.2 CASH FLOW HEDGE ACCOUNTING

CURRENT PERIOD			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
HEDGING ITEM	HEDGED ITEM	TYPE OF RISK	ASSET	LIABILITY			
Interest Rate Swaps	Fixed-rate funds borrowed	Cash flow risk resulted from change in market interest rates	15,044	(19,665)	(41,815)	(16,302)	-
Cross Currency Swaps	Fixed-rate securities issued	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	76,306	-	(8,749)	27,285	-
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	43,661	(48,215)	(5,312)	(13,246)	-
PRIOR PERIOD			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
HEDGING ITEM	HEDGED ITEM	TYPE OF RISK	ASSET	LIABILITY			
Interest Rate Swaps	Fixed-rate funds borrowed	Cash flow risk resulted from change in market interest rates	38,032	-	38,044	-	-
Cross Currency Swaps	Fixed-rate securities issued	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	11,009	-	11,009	-	-

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## 5.1.12 TANGIBLE ASSETS

	REAL ESTATES	LEASED TANGIBLE ASSETS	VEHICLES	OTHER TANGIBLE ASSETS	TOTAL
<b>AT END OF PRIOR PERIOD:</b>					
Cost	1,075,583	369,420	17,857	1,448,224	2,911,084
Accumulated Depreciation (-)	(287,831)	(357,994)	(14,117)	(889,776)	(1,549,718)
Net Book Value at End of Prior Period	787,752	11,426	3,740	558,448	1,361,366
<b>At End of Current Period:</b>					
Additions	123,319	975	1,437	217,805	343,536
Disposals (Costs)	(12,611)	(46,286)	(4,659)	(195,535)	(259,091)
Disposals (Accumulated Depreciation)	2,498	46,276	4,322	37,237	90,333
Impairment/Reversal of Impairment Losses	(723)	-	-	-	(723)
Depreciation Expense for Current Period (-)	(22,193)	(3,222)	(1,304)	(151,285)	(178,004)
Currency Translation Differences on Foreign Operations	-	-	-	-	-
Cost at End of Current Period	1,185,568	324,109	14,635	1,470,494	2,994,806
Accumulated Depreciation at End of Current Period	(307,526)	(314,940)	(11,099)	(1,003,824)	(1,637,389)
Net Book Value at End of Current Period	878,042	9,169	3,536	466,670	1,357,417

### 5.1.12.1 DISCLOSURE FOR IMPAIRMENT LOSSES OR RELEASES INDIVIDUALLY MATERIAL FOR FINANCIAL STATEMENTS CONDITIONS FOR ALLOCATING/RELEASING ANY IMPAIRMENT:

**AMOUNT OF IMPAIRMENT LOSSES PROVIDED OR RELEASED IN FINANCIAL STATEMENTS DURING CURRENT PERIOD:**  
None.

**AMOUNT OF IMPAIRMENT LOSSES PROVIDED OR RELEASED IN FINANCIAL STATEMENTS DURING CURRENT PERIOD:**  
None.

### 5.1.12.2 OTHER IMPAIRMENT LOSSES PROVIDED OR RELEASED IN CURRENT PERIOD THAT ARE IMMATERIAL INDIVIDUALLY BUT MATERIAL AGGREGATELY FOR FINANCIAL STATEMENTS

In 2014, TL 723 thousands was provisioned against (31 December 2013: TL 956 thousands was reversed) in accordance with Turkish Accounting Standard 36 (TAS 36) "Impairment of Assets".

## 5.1.13 INTANGIBLE ASSETS

### 5.1.13.1 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.

### 5.1.13.2 AMORTISATION METHODS

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

### 5.1.13.3 BALANCES AT BEGINNING AND END OF CURRENT PERIOD

	BEGINNING OF PERIOD		END OF PERIOD	
	Cost	Accumulated Amortisation	Cost	Accumulated Amortisation
Intangible Assets	331,479	157,513	182,614	123,844

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## 5.1.13.4 MOVEMENTS OF INTANGIBLE ASSETS FOR CURRENT PERIOD

	CURRENT PERIOD	PRIOR PERIOD
Net Book Value at End of Prior Period	58,770	54,814
Internally Generated Intangibles	-	-
Additions due to Mergers, Transfers and Acquisition	149,124	36,796
Disposals (-)	(108)	(285)
Impairment Losses/Reversals to/from Revaluation Surplus	-	-
Impairment Losses Recorded in Income Statement	-	-
Impairment Losses Reversed from Income Statement	-	-
Amortisation Expense for Current Period (-)	(33,820)	(32,559)
Currency Translation Differences on Foreign Operations	-	4
Other Movements	-	-
Net Book Value at End of Current Period	173,966	58,770

## 5.1.13.5 DETAILS FOR ANY INDIVIDUALLY MATERIAL INTANGIBLE ASSETS

None.

## 5.1.13.6 NTANGIBLE ASSETS CAPITALISED UNDER GOVERNMENT INCENTIVES AT FAIR VALUES

None.

## 5.1.13.7 REVALUATION METHOD OF INTANGIBLE ASSETS CAPITALISED UNDER GOVERNMENT INCENTIVES AND VALUED AT FAIR VALUES AT CAPITALISATION DATES

None.

## 5.1.13.8 NET BOOK VALUE OF INTANGIBLE ASSET THAT ARE RESTRICTED IN USAGE OR PLEDGED

None.

## 5.1.13.9 COMMITMENTS TO ACQUIRE INTANGIBLE ASSETS

None.

## 5.1.13.10 DISCLOSURE ON REVALUED INTANGIBLE ASSETS

None.

## 5.1.13.11 RESEARCH AND DEVELOPMENT COSTS EXPENSED DURING CURRENT PERIOD

None.

## 5.1.13.12 GOODWILL

None.

## 5.1.13.13 MOVEMENTS IN GOODWILL DURING CURRENT PERIOD

None.

## 5.1.14 INVESTMENT PROPERTY

CURRENT PERIOD				
REAL ESTATE TYPE	COST	ACCUMULATED DEPRECIATION (-)	IMPAIRMENT LOSSES	INTEND OF USE
Building	191,020	(43,555)	-	Operational lease
Land	-	-	-	-
PRIOR PERIOD				
REAL ESTATE TYPE	COST	ACCUMULATED DEPRECIATION (-)	IMPAIRMENT LOSSES	INTEND OF USE
Building	188,500	(38,868)	-	Operational lease
Land	-	-	-	-

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## 5.1.15 DEFERRED TAX ASSET

As of 31 December 2014, the Bank has a deferred tax asset of TL 372,090 thousands (31 December 2013: TL 129,218 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 2014. However, there is a deferred tax asset of TL 550,271 thousands (31 December 2013: TL 369,090 thousands) and deferred tax liability of TL 178,181 thousands (31 December 2013: TL 239,872 thousands) presented as net in the accompanying financial statements on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

For the cases where such differences are related with certain items on the shareholders' equity accounts, the deferred taxes are charged or credited directly to these accounts.

	CURRENT PERIOD		PRIOR PERIOD	
	TAX BASE	DEFERRED TAX AMOUNT	TAX BASE	DEFERRED TAX AMOUNT
Provisions (*)	656,754	131,351	525,719	105,144
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	964,681	191,276	17,483	(7,501)
Other	247,317	49,463	157,873	31,575
<b>Total Deferred Tax Asset, Net</b>	<b>1,868,752</b>	<b>372,090</b>	<b>701,075</b>	<b>129,218</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 2014, TL 359,285 thousands of deferred tax income (31 December 2013: TL 403,903 thousands of deferred tax expense) and TL 116,413 thousands of deferred tax expenses (31 December 2013: TL 351,665 thousands of deferred tax income) are recognised in the income statement and the shareholders' equity, respectively.

## 5.1.16 ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS

	CURRENT PERIOD	PRIOR PERIOD
<b>End of Prior Period</b>		
Cost	152,094	131,463
Accumulated Depreciation (-)	(5,990)	(4,112)
<b>Net Book Value</b>	<b>146,104</b>	<b>127,351</b>
<b>End of Current Period</b>		
Additions	106,021	92,305
Disposals (Cost)	(77,188)	(69,875)
Disposals (Accumulated Depreciation)	1,212	867
Impairment Losses (-)	(1,941)	(1,799)
Depreciation Expense for Current Period (-)	(3,192)	(2,745)
Currency Translation Differences on Foreign Operations	-	-
<b>Cost</b>	<b>178,986</b>	<b>152,094</b>
<b>Accumulated Depreciation (-)</b>	<b>(7,970)</b>	<b>(5,990)</b>
<b>Net Book Value</b>	<b>171,016</b>	<b>146,104</b>

As of balance sheet date, the net book values of assets held for sale on which rights of repurchase exist amounting to TL 26,361 thousands (31 December 2013: TL 27,725 thousands).

## 5.1.17 OTHER ASSETS

### 5.1.17.1 RECEIVABLES FROM TERM SALE OF ASSETS

	CURRENT PERIOD	PRIOR PERIOD
Sale of Investments in Associates, Subsidiaries and Joint Ventures	-	-
Sale of Real Estates	1,062	3,033
Sale of Other Assets	3,071	3,038
<b>Total</b>	<b>4,133</b>	<b>6,071</b>

### 5.1.17.2 PREPAID EXPENSES, TAXES AND SIMILAR ITEMS

	CURRENT PERIOD	PRIOR PERIOD
Prepaid Expenses	363,379	346,741
Prepaid Taxes	-	-

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## 5.1.18 ACCRUED INTEREST AND INCOME

The details of accrued interest and income allocated to the related items on the assets side of the balance sheet are as follows:

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Central Bank of Turkey	866	-	-	-
Financial Assets at Fair Value through Profit or Loss	180	17,399	117	21,735
Banks	11,994	14,892	16,128	14,772
Interbank Money Markets	-	1	-	2
Financial Assets Available-for-Sale	1,327,998	69,904	711,891	85,764
Loans	1,110,738	608,296	1,098,042	545,781
Investments Held-to-Maturity	1,242,349	116,557	437,561	7,476
Other Accruals	5,054	-	5,609	-
<b>Total</b>	<b>3,699,179</b>	<b>827,049</b>	<b>2,269,348</b>	<b>675,530</b>

## 5.2 LIABILITIES

### 5.2.1 MATURITY PROFILE OF DEPOSITS

CURRENT PERIOD	DEMAND	7 DAYS NOTICE	UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	1 YEAR AND OVER	ACCUMULATING DEPOSIT ACCOUNTS	TOTAL
Saving Deposits	6,244,814	-	3,665,685	29,247,066	2,183,560	1,004,915	648,068	4,235	42,998,343
Foreign Currency Deposits	10,542,357	-	6,007,500	21,251,376	4,374,215	3,978,925	5,803,385	56,466	52,014,224
Residents in Turkey	9,743,242	-	5,841,715	18,773,727	3,215,937	1,352,314	563,655	54,785	39,545,375
Residents in Abroad	799,115	-	165,785	2,477,649	1,158,278	2,626,611	5,239,730	1,681	12,468,849
Public Sector Deposits	757,159	-	2,386	25,054	149	55	28	-	784,831
Commercial Deposits	5,327,908	-	2,997,233	5,755,260	266,108	222,962	642,621	-	15,212,092
Other	141,075	-	120,899	1,619,081	25,053	398,009	4,340	-	2,308,457
Precious Metal Deposits	1,467,539	-	958	52,885	19	2,041	100,285	-	1,623,727
Bank Deposits	1,902,904	-	455,715	346,384	2,174,233	257,984	229,087	-	5,366,307
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	3,839	-	453,565	102,842	-	114,754	29,231	-	704,231
Foreign Banks	664,890	-	2,150	243,542	2,174,233	143,230	199,856	-	3,427,901
Special Financial Institutions	1,234,175	-	-	-	-	-	-	-	1,234,175
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>26,383,756</b>	<b>-</b>	<b>13,250,376</b>	<b>58,297,106</b>	<b>9,023,337</b>	<b>5,864,891</b>	<b>7,427,814</b>	<b>60,701</b>	<b>120,307,981</b>

PRIOR PERIOD	DEMAND	7 DAYS NOTICE	UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	1 YEAR AND OVER	ACCUMULATING DEPOSIT ACCOUNTS	TOTAL
Saving Deposits	4,844,126	-	3,832,387	27,610,532	1,368,665	470,100	377,994	3,605	38,507,409
Foreign Currency Deposits	8,019,045	-	5,589,147	16,061,670	3,866,476	4,988,913	1,745,117	70,945	40,341,313
Residents in Turkey	7,440,307	-	5,413,488	14,630,780	1,488,631	577,889	588,808	69,149	30,209,052
Residents in Abroad	578,738	-	175,659	1,430,890	2,377,845	4,411,024	1,156,309	1,796	10,132,261
Public Sector Deposits	699,412	-	1,415	7,093	118	1,280,747	13	-	1,988,798
Commercial Deposits	5,047,125	-	3,478,508	6,172,495	966,929	948,039	318,132	-	16,931,228
Other	140,389	-	181,254	371,170	22,635	796,172	444	-	1,512,064
Precious Metal Deposits	2,135,565	-	807	47,403	-	1,612	105,491	-	2,290,878
Bank Deposits	1,186,219	-	501,627	1,768,135	752,350	442,215	251,352	-	4,901,898
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	2,451	-	372,537	45	-	65,225	20,658	-	460,916
Foreign Banks	179,676	-	129,090	1,768,090	752,350	376,990	230,694	-	3,436,890
Special Financial Institutions	1,004,092	-	-	-	-	-	-	-	1,004,092
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>22,071,881</b>	<b>-</b>	<b>13,585,145</b>	<b>52,038,498</b>	<b>6,977,173</b>	<b>8,927,798</b>	<b>2,798,543</b>	<b>74,550</b>	<b>106,473,588</b>

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## 5.2.1.1 SAVING DEPOSITS AND OTHER DEPOSIT ACCOUNTS INSURED BY SAVING DEPOSIT INSURANCE FUND

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

	COVERED BY DEPOSIT INSURANCE		OVER DEPOSIT INSURANCE LIMIT	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
Saving Deposits(*)	22,432,735	19,316,340	20,244,528	18,901,123
Foreign Currency Saving Deposits	6,086,988	4,974,910	18,217,256	14,048,805
Other Saving Deposits	999,391	1,469,173	575,691	750,900
Deposits held at Foreign Branches Under Foreign Insurance Coverage	-	-	-	-
Deposits held at Off-Shore Branches Under Foreign Insurance Coverage	-	-	-	-

(\*) As per the decision published in the Official Gazette no. 28560 dated 15 February 2013, the deposit insurance limit has been increased from TL 50,000 thousands to TL 100,000 thousands.

## 5.2.1.2 SAVING DEPOSITS AT DOMESTIC BRANCHES OF FOREIGN BANKS IN TURKEY UNDER THE COVERAGE OF FOREIGN INSURANCE

None.

## 5.2.1.3 SAVING DEPOSITS NOT COVERED BY INSURANCE LIMITS

	CURRENT PERIOD	PRIOR PERIOD
Deposits and Other Accounts held at Foreign Branches	608,592	544,316
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	554,203	486,656
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-	-

## 5.2.2 NEGATIVE DIFFERENCES ON DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Forward transactions	193,167	31,322	120,653	17,228
Swap transactions	667,600	463,857	822,849	212,391
Futures	-	649	-	-
Options	206,022	11,626	183,570	28,005
Other	-	-	-	-
<b>Total</b>	<b>1,066,789</b>	<b>507,454</b>	<b>1,127,072</b>	<b>257,624</b>

## 5.2.3 FUNDS BORROWED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic Banks and Institutions	223,949	265,357	238,147	354,491
Foreign Banks, Institutions and Funds	3,732,110	28,101,994	4,984,357	23,901,098
<b>Total</b>	<b>3,956,059</b>	<b>28,367,351</b>	<b>5,222,504</b>	<b>24,255,589</b>

## 5.2.3.1 MATURITIES OF FUNDS BORROWED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Short-Term	399,929	8,208,084	469,559	7,777,277
Medium and Long-Term	3,556,130	20,159,267	4,752,945	16,478,312
<b>Total</b>	<b>3,956,059</b>	<b>28,367,351</b>	<b>5,222,504</b>	<b>24,255,589</b>

The Bank classified certain borrowings obtained through securitisations amounting to USD 2,000,000,000 as financial liability at fair value through profit/loss at the initial recognition. As of 31 December 2014, the accumulated negative credit risk change and the negative credit risk change recognised in the income statement amounted to TL 289,376 thousands and TL 325,238 thousands, respectively. The carrying value of the related financial liability amounted to TL 4,899,376 thousands, and the related current period loss amounted to TL 325,238 thousands.

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## 5.2.3.2 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

## 5.2.4 OTHER EXTERNAL FUNDS

### 5.2.4.1 SECURITIES ISSUED

CURRENT PERIOD	TL		FC	
	SHORT-TERM	MEDIUM AND LONG-TERM	SHORT-TERM	MEDIUM AND LONG-TERM
Nominal	1,200,782	2,955,871	544,114	9,137,330
Cost	1,170,442	2,742,947	544,110	9,085,124
Carrying Value (*)	1,088,546	2,837,652	547,127	8,878,922

PRIOR PERIOD	TL		FC	
	SHORT-TERM	MEDIUM AND LONG-TERM	SHORT-TERM	MEDIUM AND LONG-TERM
Nominal	1,486,011	2,642,735	1,143,312	5,412,603
Cost	1,444,744	2,496,413	1,142,935	5,374,372
Carrying Value (*)	1,347,962	2,537,577	1,148,120	5,346,730

(\*) The Bank repurchased its own TL securities with a total face value of TL 149,501 thousands (31 December 2013: TL 154,218 thousands) and foreign currency securities with a total face value of USD 206,730,000 (31 December 2013: USD 111,757,000) and netted off such securities in the accompanying financial statements.

The Bank classified certain securities amounting to RON 34,500,000 as financial liability at fair value through profit/loss at the initial recognition. As of 31 December 2014, the accumulated negative credit risk change and the negative credit risk change recognised in the income statement amounted to TL 2,558 thousands and TL 1,103 thousands, respectively. The carrying value of the related financial liability amounted to TL 24,495 thousands, and the related current period loss amounted to TL 884 thousands.

### 5.2.4.2 FUNDS PROVIDED THROUGH REPURCHASE TRANSACTIONS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
<b>Domestic Transactions</b>	<b>4,230,145</b>	<b>-</b>	<b>9,477,016</b>	<b>-</b>
Financial Institutions and Organizations	4,163,450	-	9,428,331	-
Other Institutions and Organizations	24,652	-	16,249	-
Individuals	42,043	-	32,436	-
<b>Foreign Transactions</b>	<b>667,001</b>	<b>6,488,774</b>	<b>1,946,990</b>	<b>3,160,228</b>
Financial Institutions and Organizations	666,879	6,488,774	1,946,487	3,160,228
Other Institutions and Organizations	120	-	463	-
Individuals	2	-	40	-
<b>Total</b>	<b>4,897,146</b>	<b>6,488,774</b>	<b>11,424,006</b>	<b>3,160,228</b>

### 5.2.4.3 MISCELLANEOUS PAYABLES

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Payables from credit card transactions	5,879,730	49,304	4,906,607	25,729
Other	215,147	672,449	192,806	508,707
<b>Total</b>	<b>6,094,877</b>	<b>721,753</b>	<b>5,099,413</b>	<b>534,436</b>

## 5.2.5 LEASE PAYABLES (NET)

### 5.2.5.1 FINANCIAL LEASE PAYABLES

	CURRENT PERIOD		PRIOR PERIOD	
	GROSS	NET	GROSS	NET
Up to 1 Year	573	536	502	479
1-4 Years	3	2	2	1
More than 4 Years	-	-	-	-
<b>Total</b>	<b>576</b>	<b>538</b>	<b>504</b>	<b>480</b>

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## 5.2.5.2 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.

## 5.2.6 DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT

DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Fair Value Hedges	99,572	111,931	-	39,105
Cash Flow Hedges	-	67,880	-	-
Net Foreign Investment Hedges	-	-	-	-
<b>Total</b>	<b>99,572</b>	<b>179,811</b>	<b>-</b>	<b>39,105</b>

## 5.2.7 PROVISIONS

### 5.2.7.1 GENERAL PROVISIONS

	CURRENT PERIOD	PRIOR PERIOD
<b>General Provision for</b>	<b>2,434,629</b>	<b>2,003,908</b>
Loans and Receivables in Group I	2,105,409	1,745,309
-Additional Provision for Loans and Receivables with Extended Maturities	82,754	101,408
Loans and Receivables in Group II	188,973	133,959
-Additional Provision for Loans and Receivables with Extended Maturities	56,332	40,195
Non-Cash Loans	140,247	124,640
Others	-	-

### 5.2.7.2 PROVISIONS FOR FOREIGN EXCHANGE DIFFERENCES ON FOREIGN CURRENCY INDEXED LOANS AND FINANCIAL LEASE RECEIVABLES

	CURRENT PERIOD	PRIOR PERIOD
Short-Term Loans	13,320	526
Medium and Long-Term Loans	11,208	92
<b>Total</b>	<b>24,528</b>	<b>618</b>

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

### 5.2.7.3 PROVISIONS FOR NON-CASH LOANS THAT ARE NOT INDEMNIFIED OR CONVERTED INTO CASH

	CURRENT PERIOD	PRIOR PERIOD
Substandard Loans and Receivables - Limited Collectibility	16,964	15,150
Doubtful Loans and Receivables	13,006	17,933
Uncollectible Loans and Receivables	78,911	79,855
<b>Total</b>	<b>108,881</b>	<b>112,938</b>

### 5.2.7.4 OTHER PROVISIONS

#### 5.2.7.4.1 GENERAL RESERVES FOR POSSIBLE LOSSES

	CURRENT PERIOD	PRIOR PERIOD
General Reserves for Possible Losses	415,000	310,000

#### 5.2.7.4.2 OTHER PROVISIONS

	CURRENT PERIOD	PRIOR PERIOD
Reserve for Employee Benefits	497,565	377,988
Provision for Promotion Expenses of Credit Cards (*)	82,436	53,441
Provision for Lawsuits	30,062	33,100
Other Provisions	123,394	110,434
<b>Total</b>	<b>733,457</b>	<b>574,963</b>

(\*) The Bank provides full allowance for the committed promotion expenses of credit cards as of the balance sheet date.

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## Recognized liability for defined benefit plan obligations

The Bank obtained an actuarial report dated 22 December 2014 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 2,086,877 thousands at 31 December 2014 (31 December 2013: TL 1,639,833 thousands) as details are given in the table below.

Furthermore, an actuarial report was prepared as of 31 December 2014 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 22 December 2014 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 1,287,303 thousands (31 December 2013: TL 1,080,014 thousands) remains as of 31 December 2014 as details are given in the table below.

The Bank's management, acting prudently, did not consider the health premium surplus amounting TL 512,563 thousands (31 December 2013: TL 385,587 thousands) as stated above and resulted from the present value of medical benefits and health premiums transferable to SSF as of 31 December 2014. However, despite this treatment there are no excess obligation that needs to be provided against.

	CURRENT PERIOD	PRIOR PERIOD
<b>Transferable Pension and Medical Benefits:</b>		
Net present value of pension benefits transferable to SSF	(528,752)	(474,544)
Net present value of medical benefits and health premiums transferable to SSF	512,563	385,587
General administrative expenses	(29,291)	(26,165)
<b>Present Value of Pension and Medical Benefits Transferable to SSF (1)</b>	<b>(45,480)</b>	<b>(115,122)</b>
<b>Fair Value of Plan Assets (2)</b>	<b>2,132,357</b>	<b>1,754,955</b>
<b>Asset Surplus over Transferable Benefits ((2)-(1)=(3))</b>	<b>2,086,877</b>	<b>1,639,833</b>
<b>Non-Transferable Benefits:</b>		
Other pension benefits	(538,185)	(408,757)
Other medical benefits	1,367,875	(107,178)
<b>Total Non-Transferable Benefits (4)</b>	<b>(261,389)</b>	<b>(151,062)</b>
<b>Asset Surplus over Total Benefits ((3)-(4)=(5))</b>	<b>1,287,303</b>	<b>1,080,014</b>
<b>Net Present Value of Medical Benefits and Health Premiums Transferable to SSF – but not considered acting prudently (6)</b>	<b>(512,563)</b>	<b>(385,587)</b>
<b>Present Value of Asset Surplus/(Defined Benefit Obligation) ((5)-(6))</b>	<b>774,740</b>	<b>694,427</b>

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

	CURRENT PERIOD	PRIOR PERIOD
		%
Discount Rate (*)	8.80	9.60
Inflation Rate (*)	6.10	6.20
Future Real Salary Increase Rate	1.5	1.5
Medical Cost Trend Rate	40% above inflation	40% above inflation
Future Pension Increase Rate (*)	6.10	6.20

(\*) The above rates are effective rates, whereas the rates applied for the calculation differ according to the employees' years-in-service.

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at age 60 is 17 for males, and at age 58 for females is 23.

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## 5.2.8 TAX LIABILITY

### 5.2.8.1 CURRENT TAX LIABILITY

#### 5.2.8.1.1 TAX LIABILITY

As of 31 December 2014, the Bank had a current tax liability of TL 426,915 thousands (31 December 2013: TL 97,107 thousands) after offsetting with prepaid taxes. For the cases where the differences between the carrying values and the taxable values of assets subject to tax are related with certain items in the shareholders' equity accounts, the deferred taxes are charged or credited directly to these accounts.

#### 5.2.8.1.2 TAXES PAYABLE

	CURRENT PERIOD	PRIOR PERIOD
Corporate Taxes Payable	426,915	97,107
Taxation on Securities Income	86,086	79,849
Taxation on Real Estates Income	3,040	2,560
Banking Insurance Transaction Tax	76,956	63,017
Foreign Exchange Transaction Tax	68	58
Value Added Tax Payable	4,993	5,377
Others	60,005	59,401
<b>Total</b>	<b>658,063</b>	<b>307,369</b>

#### 5.2.8.1.3 PREMIUMS

	CURRENT PERIOD	PRIOR PERIOD
Social Security Premiums-Employees	42	54
Social Security Premiums-Employer	52	66
Bank Pension Fund Premium-Employees	16	27
Bank Pension Fund Premium-Employer	18	28
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	782	714
Unemployment Insurance-Employer	1,649	1,464
Others	28	10
<b>Total</b>	<b>2,587</b>	<b>2,363</b>

#### 5.2.8.2 DEFERRED TAX LIABILITY

None.

### 5.2.9 LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS

None.

### 5.2.10 SUBORDINATED DEBTS

On 23 February 2009, the Bank obtained a subordinated debt of EUR 50 millions from Proparco (Societe de Promotion et de Participation pour la Cooperation Economique SA), a company of the French Development Agency Group with an interest of Euribor+3.5% and maturity of 12 years with a repayment option at the end of the seventh year to finance the clean energy projects.

This debt is qualified as secondary subordinated debt to be included in the supplementary capital by the BRSA in the calculation of the Bank's capital adequacy ratio in compliance with the conditions set forth in the "Regulation on Equities of Banks" issued by the BRSA and published in the Official Gazette no.26333 dated 1 November 2006.

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Domestic Other Institutions	-	-	-	-
Foreign Banks	-	-	-	-
Foreign Other Institutions	-	140,766	-	147,491
<b>Total</b>	<b>-</b>	<b>140,766</b>	<b>-</b>	<b>147,491</b>

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## 5.2.11 SHAREHOLDERS' EQUITY

### 5.2.11.1 PAID-IN CAPITAL

	CURRENT PERIOD	PRIOR PERIOD
Common Shares	4,200,000	4,200,000
Preference Shares	-	-

### 5.2.11.2 REGISTERED SHARE CAPITAL SYSTEM

CAPITAL	PAID-IN CAPITAL	CEILING PER REGISTERED SHARE CAPITAL
Registered Shares	4,200,000	10,000,000

### 5.2.11.3 CAPITAL INCREASES IN CURRENT PERIOD

None.

### 5.2.11.4 CAPITAL INCREASES FROM CAPITAL RESERVES IN CURRENT PERIOD

None.

### 5.2.11.5 CAPITAL COMMITMENTS FOR CURRENT AND FUTURE FINANCIAL PERIODS

None.

### 5.2.11.6 POSSIBLE EFFECT OF ESTIMATIONS MADE FOR THE PARENT BANK'S REVENUES, PROFITABILITY AND LIQUIDITY ON EQUITY CONSIDERING PRIOR PERIOD INDICATORS AND UNCERTAINTIES

Yoktur.

### 5.2.11.7 INFORMATION ON PRIVILEGES GIVEN TO STOCKS REPRESENTING THE CAPITAL

None.

### 5.2.11.8 SECURITIES VALUE INCREASE FUND

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Investments in Associates, Subsidiaries and Joint-Ventures	83,052	1,433,002	55,724	1,322,011
Valuation difference	50,735	1,433,002	23,407	1,322,011
Exchange rate difference	32,317	-	32,317	-
Securities Available-for-Sale	82,568	57,234	(485,118)	20,802
Valuation difference	82,568	57,234	(485,118)	20,802
Exchange rate difference	-	-	-	-
Total	165,620	1,490,236	(429,394)	1,342,813

### 5.2.11.9 REVALUATION SURPLUS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Movables	-	-	-	-
Real Estates	2,140	-	2,140	-
Gain on Sale of Investments in Associates and Subsidiaries and Real Estates allocated for Capital Increases	172,894	-	172,164	-
Revaluation Surplus on Leasehold Improvements	-	-	-	-

### 5.2.11.10 BONUS SHARES OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

	CURRENT PERIOD	PRIOR PERIOD
Garanti Yatırım Menkul Değerler AŞ	942	942
Kredi Kartları Bürosu AŞ	481	481
Garanti Ödeme Sistemleri AŞ	401	401
Tat Konserve AŞ	36	36
Doğuş Gayrimenkul Yatırım Ortaklığı AŞ	22	22
Yatırım Finansman Menkul Değerler AŞ	9	9
Total	1,891	1,891

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## 5.2.11.11 LEGAL RESERVES

	CURRENT PERIOD	PRIOR PERIOD
I. Legal Reserve	956,682	957,208
II. Legal Reserve	174,440	152,940
Special Reserves	-	-

## 5.2.11.12 EXTRAORDINARY RESERVES

	CURRENT PERIOD	PRIOR PERIOD
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	14,849,587	12,312,753
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital	-	-

## 5.2.12 ACCRUED INTEREST AND EXPENSES

The details of accrued interest and expenses allocated to the related items on the liability side of the balance sheet are as follows:

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Deposits	356,411	126,504	314,317	112,923
Funds Borrowed	124,965	389,084	123,715	38,274
Interbank Money Markets	11,247	12,449	28,862	12,281
Other Accruals	74,176	554,889	69,306	392,280
<b>Total</b>	<b>566,799</b>	<b>1,082,926</b>	<b>536,200</b>	<b>555,758</b>

## 5.3 OFF-BALANCE SHEET ITEMS

### 5.3.1 OFF-BALANCE SHEET CONTINGENCIES

#### 5.3.1.1 IRREVOCABLE CREDIT COMMITMENTS

The Bank has term asset purchase and sale commitments of TL 5,003,821 thousands (31 December 2013: TL 8,179,201 thousands), commitments for cheque payments of TL 2,874,901 thousands (31 December 2013: TL 2,658,815 thousands) and commitments for credit card limits of TL 25,643,188 thousands (31 December 2013: TL 22,259,934 thousands)

#### 5.3.1.2 POSSIBLE LOSSES, COMMITMENTS AND CONTINGENCIES RESULTED FROM OFF-BALANCE SHEET ITEMS

	CURRENT PERIOD	PRIOR PERIOD
Letters of Guarantee in Foreign Currency	15,065,503	13,583,722
Letters of Guarantee in TL	12,138,797	9,952,370
Letters of Credit	8,634,976	8,886,834
Bills of Exchange and Acceptances	815,887	638,089
Prefinancings	-	-
Other Guarantees	86,702	79,924
<b>Total</b>	<b>36,741,865</b>	<b>33,140,939</b>

A specific provision of TL 108,881 thousands (31 December 2013: TL 112,938 thousands) is made for unliquidated non-cash loans of TL 272,978 thousands (31 December 2013: TL 234,765 thousands) recorded under the off-balance sheet items in the accompanying financial statements.

The detailed information for commitments, guarantees and sureties are provided under the statement of "off-balance sheet items".

#### 5.3.1.3 NON-CASH LOANS

	CURRENT PERIOD	PRIOR PERIOD
Non-Cash Loans against Cash Risks	2,838,901	2,358,859
With Original Maturity of 1 Year or Less	402,876	336,123
With Original Maturity of More Than 1 Year	2,436,025	2,022,736
Other Non-Cash Loans	33,902,964	30,782,080
<b>Total</b>	<b>36,741,865</b>	<b>33,140,939</b>

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## 5.3.1.4 SECTORAL RISK CONCENTRATION OF NON-CASH LOANS

	CURRENT PERIOD				PRIOR PERIOD			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
<b>Agriculture</b>	<b>60,259</b>	<b>0.49</b>	<b>18,947</b>	<b>0.08</b>	<b>55,299</b>	<b>0.56</b>	<b>46,156</b>	<b>0.19</b>
Farming and Stockbreeding	55,270	0.45	9,682	0.04	51,384	0.52	42,147	0.18
Forestry	3,528	0.03	4,723	0.02	1,863	0.02	3,417	0.01
Fishery	1,461	0.01	4,542	0.02	2,052	0.02	592	-
<b>Manufacturing</b>	<b>4,030,137</b>	<b>33.17</b>	<b>14,086,467</b>	<b>57.29</b>	<b>3,281,654</b>	<b>32.96</b>	<b>9,334,555</b>	<b>40.26</b>
Mining and Quarrying	115,972	0.95	271,787	1.11	112,116	1.13	273,692	1.18
Production	2,283,718	18.80	8,803,109	35.80	1,784,508	17.92	4,657,858	20.09
Electricity, Gas, Water	1,630,447	13.42	5,011,571	20.38	1,385,030	13.91	4,403,005	18.99
<b>Construction</b>	<b>1,608,826</b>	<b>13.24</b>	<b>2,997,222</b>	<b>12.19</b>	<b>1,519,801</b>	<b>15.26</b>	<b>2,864,120</b>	<b>12.36</b>
<b>Services</b>	<b>5,500,413</b>	<b>45.27</b>	<b>6,079,358</b>	<b>24.72</b>	<b>4,320,198</b>	<b>43.37</b>	<b>8,968,509</b>	<b>38.69</b>
Wholesale and Retail Trade	3,895,475	32.06	2,687,384	10.93	3,080,420	30.93	5,526,121	23.84
Accommodation and Dining	238,277	1.96	147,958	0.60	211,911	2.13	130,032	0.56
Transportation and Telecommunication	419,462	3.45	728,527	2.96	344,767	3.46	975,326	4.21
Financial Institutions	607,819	5.00	2,283,006	9.28	538,905	5.41	2,140,651	9.23
Real Estate and Rental Services	228,174	1.88	186,376	0.76	48,832	0.49	181,239	0.78
Professional Services	-	-	-	-	-	-	-	-
Educational Services	22,990	0.19	10,234	0.04	20,178	0.20	11,632	0.05
Health and Social Services	88,216	0.73	35,873	0.15	75,185	0.75	3,508	0.02
<b>Others</b>	<b>949,689</b>	<b>7.83</b>	<b>1,410,547</b>	<b>5.72</b>	<b>782,840</b>	<b>7.85</b>	<b>1,967,807</b>	<b>8.50</b>
<b>Total</b>	<b>12,149,324</b>	<b>100.00</b>	<b>24,592,541</b>	<b>100.00</b>	<b>9,959,792</b>	<b>100.00</b>	<b>23,181,147</b>	<b>100.00</b>

## 5.3.1.5 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>12,052,431</b>	<b>24,395,260</b>	<b>96,893</b>	<b>197,281</b>
Letters of Guarantee	12,041,904	14,871,540	96,893	193,963
Bills of Exchange and Bank Acceptances	9,600	803,128	-	3,159
Letters of Credit	927	8,633,890	-	159
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	-	86,702	-	-

PRIOR PERIOD	GROUP I		GROUP II	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	<b>9,884,653</b>	<b>23,119,937</b>	<b>75,139</b>	<b>61,210</b>
Letters of Guarantee	9,877,231	13,528,714	75,139	55,008
Bills of Exchange and Bank Acceptances	6,898	626,300	-	4,891
Letters of Credit	524	8,884,999	-	1,311
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	-	79,924	-	-

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## 5.3.2 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>	-	-	683,517	10,927,869	5,819,168	17,430,554
Fair Value Hedges	-	-	683,517	3,815,434	4,338,089	8,837,040
Cash Flow Hedges	-	-	-	7,112,435	1,481,079	8,593,514
Net Foreign Investment Hedges	-	-	-	-	-	-
<b>Trading Derivatives</b>						
<b>Foreign Currency related Derivative Transactions (I)</b>	<b>56,352,980</b>	<b>25,124,292</b>	<b>43,371,292</b>	<b>11,068,637</b>	-	<b>135,917,201</b>
Currency Forwards-Purchases	4,470,251	1,721,442	4,621,347	721,646	-	11,534,686
Currency Forwards-Sales	4,400,413	1,536,471	4,686,307	800,650	-	11,423,841
Currency Swaps-Purchases	19,946,721	4,963,974	6,976,251	3,143,962	-	35,030,908
Currency Swaps-Sales	16,863,036	4,984,200	7,120,045	3,447,238	-	32,414,519
Currency Options-Purchases	5,290,073	5,786,269	9,705,702	1,382,356	-	22,164,400
Currency Options-Sales	5,382,486	6,092,425	10,261,640	1,572,785	-	23,309,336
Currency Futures-Purchases	-	19,099	-	-	-	19,099
Currency Futures-Sales	-	20,412	-	-	-	20,412
<b>Interest Rate related Derivative Transactions (II)</b>	<b>29,966</b>	<b>92,200</b>	<b>2,364,359</b>	<b>15,565,144</b>	<b>5,407,332</b>	<b>23,459,001</b>
Interest Rate Swaps-Purchases	14,983	-	579,777	6,726,276	2,703,666	10,024,702
Interest Rate Swaps-Sales	14,983	-	579,777	6,726,276	2,703,666	10,024,702
Interest Rate Options-Purchases	-	-	1,204,805	2,112,592	-	3,317,397
Interest Rate Options-Sales	-	-	-	-	-	-
Securities Options-Purchases	-	-	-	-	-	-
Securities Options-Sales	-	-	-	-	-	-
Interest Rate Futures-Purchases	-	-	-	-	-	-
Interest Rate Futures-Sales	-	92,200	-	-	-	92,200
<b>Other Trading Derivatives (III)</b>	<b>3,299,635</b>	<b>670,392</b>	<b>198,642</b>	<b>1,152,500</b>	<b>3,457,500</b>	<b>8,778,669</b>
<b>B. Total Trading Derivatives (I+II+III)</b>	<b>59,682,581</b>	<b>25,886,884</b>	<b>45,934,293</b>	<b>27,786,281</b>	<b>8,864,832</b>	<b>168,154,871</b>
<b>Total Derivative Transactions (A+B)</b>	<b>59,682,581</b>	<b>25,886,884</b>	<b>46,617,810</b>	<b>38,714,150</b>	<b>14,684,000</b>	<b>185,585,425</b>
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>	-	-	-	6,977,597	191,235	7,168,832
Fair Value Hedges	-	-	-	3,733,612	191,235	3,924,847
Cash Flow Hedges	-	-	-	3,243,985	-	3,243,985
Net Foreign Investment Hedges	-	-	-	-	-	-
<b>Trading Derivatives</b>						
<b>Foreign Currency related Derivative Transactions (I)</b>	<b>44,701,580</b>	<b>25,608,730</b>	<b>38,077,450</b>	<b>8,032,052</b>	-	<b>116,419,812</b>
Currency Forwards-Purchases	3,333,335	1,599,926	4,021,420	431,037	-	9,385,718
Currency Forwards-Sales	3,296,764	1,626,781	3,973,203	431,053	-	9,327,801
Currency Swaps-Purchases	13,356,677	3,494,008	5,190,909	3,083,275	-	25,124,869
Currency Swaps-Sales	9,450,510	3,432,435	5,235,793	3,424,167	-	21,542,905
Currency Options-Purchases	7,314,716	7,441,199	9,519,975	331,112	-	24,607,002
Currency Options-Sales	7,949,578	7,787,855	10,069,641	331,408	-	26,138,482
Currency Futures-Purchases	-	116,404	66,509	-	-	182,913
Currency Futures-Sales	-	110,122	-	-	-	110,122
<b>Interest Rate related Derivative Transactions (II)</b>	<b>1,082,593</b>	<b>36,037</b>	<b>3,471,101</b>	<b>12,715,716</b>	<b>5,286,546</b>	<b>22,591,993</b>
Insert Rate Swaps-Purchases	537,830	14,803	1,479,286	5,665,581	2,643,273	10,340,773
Insert Rate Swaps-Rate	537,830	14,803	1,479,286	5,665,581	2,643,273	10,340,773
Insert Rate Options,Purchases	-	-	494,667	1,384,554	-	1,879,221
Insert Rate Options,Sales	-	-	-	-	-	-
Securities Options-Purchases	6,933	4,981	17,862	-	-	29,776
Securities Options-Sales	-	1,450	-	-	-	1,450
Interest Rate Futures-Purchases	-	-	-	-	-	-
Interest Rate Futures-Sales	-	-	-	-	-	-
<b>Other Trading Derivatives (III)</b>	<b>3,951,111</b>	<b>146,835</b>	<b>318,285</b>	<b>282,964</b>	<b>2,141,200</b>	<b>6,840,395</b>
<b>B. Total Trading Derivatives (I+II+III)</b>	<b>49,735,284</b>	<b>25,791,602</b>	<b>41,866,836</b>	<b>21,030,732</b>	<b>7,427,746</b>	<b>145,852,200</b>
<b>Total Derivative Transactions (A+B)</b>	<b>49,735,284</b>	<b>25,791,602</b>	<b>41,866,836</b>	<b>28,008,329</b>	<b>7,618,981</b>	<b>153,021,032</b>

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## 5.3.3 CREDIT DERIVATIVES AND RISK EXPOSURES ON CREDIT DERIVATIVES

As of 31 December 2014, in the Bank's "other irrevocable commitments", there are commitments for "credit linked notes" with a total face value of USD 425,000,000 (31 December 2013: USD 425,000,000).

As of 31 December 2014, there are total return swaps of the Bank with a total face value of EUR 85,000,000 (31 December 2013: EUR 85,000,000) classified under "other derivative financial instruments", where the Bank is on the buying side of the protection.

As of 31 December 2014, there are total return swaps of the Bank with a total face value of USD 2,000,000,000 (31 December 2013: USD 1,000,000,000) classified under "other derivative financial instruments", where the Bank is on the selling side of the protection.

## 5.3.4 CONTINGENT LIABILITIES AND ASSETS

The Bank made a total provision amounting to TL 30,062 thousands (31 December 2013: TL 33,100 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 5.2.7.4.2, 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 2014, there was no payment made related with such contingent liabilities.

## 5.3.5 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.

## 5.4 INCOME STATEMENT

### 5.4.1 INTEREST INCOME

#### 5.4.1.1 INTEREST INCOME FROM LOANS (\*)

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Short-term loans	3,178,882	156,526	2,419,341	159,611
Medium and long-term loans	5,314,493	2,417,034	4,371,285	2,085,601
Loans under follow-up	44,023	-	35,154	-
Premiums Received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>8,537,398</b>	<b>2,573,560</b>	<b>6,825,780</b>	<b>2,245,212</b>

#### 5.4.1.2 INTEREST INCOME FROM BANKS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic Banks	33,797	579	11,196	519
Foreign Banks	78,192	27,215	104,093	31,509
Foreign Head Offices and Branches	-	-	-	-
<b>Total</b>	<b>111,989</b>	<b>27,794</b>	<b>115,289</b>	<b>32,028</b>

#### 5.4.1.3 INTEREST INCOME FROM SECURITIES PORTFOLIO

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Financial Assets Held for Trading	20,533	14,003	22,886	14,205
Financial Assets Valued at Fair Value through Profit or Loss	-	-	-	-
Financial Assets Available-for-Sale	1,874,621	86,569	2,689,835	91,422
Investments Held-to-Maturity	1,413,217	278,784	576,035	14,062
<b>Total</b>	<b>3,308,371</b>	<b>379,356</b>	<b>3,288,756</b>	<b>119,689</b>

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## 5.4.1.4 INTEREST INCOME RECEIVED FROM ASSOCIATES AND SUBSIDIARIES

	CURRENT PERIOD	PRIOR PERIOD
Interest Received from Investments in Associates and Subsidiaries	45,094	46,590

## 5.4.2 INTEREST EXPENSES

### 5.4.2.1 INTEREST EXPENSES ON FUNDS BORROWED (\*)

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
<b>Banks</b>	<b>448,445</b>	<b>356,743</b>	<b>458,120</b>	<b>349,515</b>
Central Bank of Turkey	-	2,229	-	2,959
Domestic Banks	15,245	7,958	19,080	10,296
Foreign Banks	433,200	346,556	439,040	336,260
Foreign Head Offices and Branches	-	-	-	-
<b>Other Institutions</b>	<b>-</b>	<b>187,698</b>	<b>-</b>	<b>54,341</b>
<b>Total</b>	<b>448,445</b>	<b>544,441</b>	<b>458,120</b>	<b>403,856</b>

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

### 5.4.2.2 INTEREST EXPENSES PAID TO ASSOCIATES AND SUBSIDIARIES

	CURRENT PERIOD	PRIOR PERIOD
Interest Paid to Investments in Associates and Subsidiaries	58,594	45,209

### 5.4.2.3 INTEREST EXPENSES ON SECURITIES ISSUED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Interest Paid on Securities Issued	393,901	384,596	234,730	233,131

### 5.4.2.4 MATURITY STRUCTURE OF INTEREST EXPENSE ON DEPOSITS

ACCOUNT DESCRIPTION	CURRENT 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	633	88,233	-	-	-	-	-	88,866
Saving Deposits	25	291,466	2,532,474	211,522	58,629	48,713	-	3,142,829
Public Sector Deposits	-	330	956	53	20,409	2	-	21,750
Commercial Deposits	31	254,708	509,528	65,854	46,649	39,223	-	915,993
Other	13	12,609	54,831	3,159	59,485	74	-	130,171
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
<b>Total TL</b>	<b>702</b>	<b>647,346</b>	<b>3,097,789</b>	<b>280,588</b>	<b>185,172</b>	<b>88,012</b>	<b>-</b>	<b>4,299,609</b>
<b>Foreign Currency</b>								
Foreign Currency Deposits	889	44,918	404,969	89,040	105,655	96,552	1,014	743,037
Bank Deposits	-	59,010	-	-	-	-	-	59,010
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	8	-	4,018	392	-	4,418
<b>Total FC</b>	<b>889</b>	<b>103,928</b>	<b>404,977</b>	<b>89,040</b>	<b>109,673</b>	<b>96,944</b>	<b>1,014</b>	<b>806,465</b>
<b>Grand Total</b>	<b>1,591</b>	<b>751,274</b>	<b>3,502,766</b>	<b>369,628</b>	<b>294,845</b>	<b>184,956</b>	<b>1,014</b>	<b>5,106,074</b>

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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		
Turkish Lira								
Bank Deposits	307	58,909	-	-	-	-	-	59,216
Saving Deposits	34	226,566	2,073,795	59,154	23,097	24,063	-	2,406,709
Public Sector Deposits	-	307	2,343	80	42,304	7	-	45,041
Commercial Deposits	55	214,629	723,461	95,028	46,702	14,449	-	1,094,324
Other	8	9,071	56,290	10,246	16,757	39	-	92,411
7 Days Notice" Deposits	-	-	-	-	-	-	-	-
<b>Total TL</b>	<b>404</b>	<b>509,482</b>	<b>2,855,889</b>	<b>164,508</b>	<b>128,860</b>	<b>38,558</b>	<b>-</b>	<b>3,697,701</b>
Foreign Currency								
Foreign Currency Deposits	209	54,396	457,875	59,336	108,821	32,126	1,336	714,099
Bank Deposits	-	55,499	-	-	-	-	-	55,499
7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	29	-	1,013	476	-	1,518
<b>Total FC</b>	<b>209</b>	<b>109,895</b>	<b>457,904</b>	<b>59,336</b>	<b>109,834</b>	<b>32,602</b>	<b>1,336</b>	<b>771,116</b>
<b>Grand Total</b>	<b>613</b>	<b>619,377</b>	<b>3,313,793</b>	<b>223,844</b>	<b>238,694</b>	<b>71,160</b>	<b>1,336</b>	<b>4,468,817</b>

## 5.4.2.5 INTEREST EXPENSE ON REPURCHASE AGREEMENTS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Interest Paid on Repurchase Agreements	694,565	59,109	516,396	44,692

## 5.4.2.6 FINANCIAL LEASE EXPENSES

	CURRENT PERIOD	PRIOR PERIOD
Financial Lease Expenses	69	80

## 5.4.2.7 INTEREST EXPENSES ON FACTORING PAYABLES

None.

## 5.4.3 DIVIDEND INCOME

	CURRENT PERIOD	PRIOR PERIOD
Trading Financial Assets	1	6
Financial Assets Valued at Fair Value through Profit or Loss	-	-
Financial Assets Available-for-Sale	610	675
Others	1,231	55,360
<b>Total</b>	<b>1,842</b>	<b>56,041</b>

## 5.4.4 TRADING INCOME/LOSSES (NET)

	CURRENT PERIOD	PRIOR PERIOD
<b>Income</b>	<b>34,947,998</b>	<b>61,831,292</b>
Trading Account Income	266,923	260,970
Gains from Derivative Financial Instruments	5,439,104	4,611,436
Foreign Exchange Gains	29,241,971	56,958,886
<b>Losses (-)</b>	<b>35,142,165</b>	<b>61,534,350</b>
Trading Account Losses	411,067	68,407
Losses from Derivative Financial Instruments	6,541,933	4,730,420
Foreign Exchange Losses	28,189,165	56,735,523
<b>Total</b>	<b>(194,167)</b>	<b>296,942</b>

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TL 1,047,502 thousands (31 December 2013: TL 897,053 thousands) of foreign exchange gains and TL 1,153,209 thousands (31 December 2013: TL 554,278 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 value amount and conditions. 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 the floating rate eurobonds issued in 2011 with a total face value of USD 300,000,000, maturity of five years and maturity date of 20 April 2016, funds borrowed amounting to USD 119,740,541 and EUR 50,000,000 and securitization borrowings amounting to USD 175,000,000 and EUR 253,278,948 by designating cross currency swaps with the same face value amount and conditions, and for the collateralised borrowings amounting to TL 1,000,000 thousands and commercial loans amounting to USD 500,000,000 by designating interest rate swaps with the same face value amount and conditions. Accordingly, in the current period, negative amounts of TL 3,051 thousands (31 December 2013: TL 38,044 thousands) and TL 3,771 thousands (31 December 2013: TL 11,009 thousands) resulting from cross currency and interest rate swap agreements were recognised under shareholders' equity, respectively.

The Bank also applies fair value hedge accounting for its fixed-rate loans with a total principal of TL 394,229 thousands and USD 807,919,340 and for its bonds with a total face value of TL 1,623,000 thousands and USD 32,900,000 and fixed-rate coupons by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a gain of TL 39,256 thousands (31 December 2013: a loss of TL 7,901 thousands) and a gain of TL 42,104 thousands (31 December 2013: a loss of TL 59,998 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, RON 85,500,000 and CZK 423,000,000 with the same face value amount and conditions. Accordingly, a loss of TL 12,511 thousands (31 December 2013: a gain of TL 4,251 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.

## 5.4.5 OTHER OPERATING INCOME

The items under "other operating income" consists of collection or reversals of prior year provisions, banking services related costs charged to customers and income in custody services.

In the current period, a part of non-performing receivables of the Bank amounting to TL 282,296 thousands were sold for a consideration of TL 55,882 thousands. Considering the related provision of TL 275,158 thousands made in the financial statements, a gain of TL 48,662 thousands is recognized under "Other Operating Income".

## 5.4.6 PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES

	CURRENT PERIOD	PRIOR PERIOD
<b>Specific Provisions for Loans and Other Receivables</b>	<b>1,164,441</b>	<b>853,222</b>
Loans and Receivables in Group III	309,844	277,338
Loans and Receivables in Group IV	600,869	301,784
Loans and Receivables in Group V	253,728	274,100
<b>General Provisions</b>	<b>432,823</b>	<b>692,945</b>
<b>Provision for Possible Losses</b>	<b>105,000</b>	<b>-</b>
<b>Impairment Losses on Securities</b>	<b>1,250</b>	<b>890</b>
Financial Assets at Fair Value through Profit or Loss	1,250	890
Financial Assets Available-for-Sale	-	-
<b>Impairment Losses on Associates, Subsidiaries and Investments Held-to-Maturity</b>	<b>-</b>	<b>-</b>
Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Investments Held-to-Maturity	-	-
<b>Others</b>	<b>103,219</b>	<b>76,767</b>
<b>Total</b>	<b>1,806,733</b>	<b>1,623,824</b>

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## 5.4.7 OTHER OPERATING EXPENSES

	CURRENT PERIOD	PRIOR PERIOD
Personnel Costs	1,928,327	1,666,456
Reserve for Employee Termination Benefits	28,277	31,807
Defined Benefit Obligation	-	-
Impairment Losses on Tangible Assets	4,082	2,361
Depreciation Expenses of Tangible Assets	178,004	170,154
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortisation Expenses of Intangible Assets	33,820	32,559
Impairment Losses on Investments Accounted under Equity Method	-	-
Impairment Losses on Assets to be Disposed	1,941	1,799
Depreciation Expenses of Assets to be Disposed	3,192	2,745
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	1,996,628	1,935,226
Operational Lease related Expenses	297,813	251,168
Repair and Maintenance Expenses	50,562	44,464
Advertisement Expenses	111,612	114,578
Other Expenses	1,536,641	1,525,016
Loss on Sale of Assets	2,816	3,666
Others (*) (**)	535,927	359,392
<b>Total</b>	<b>4,713,014</b>	<b>4,206,165</b>

(\*) Includes cancellations/repayments, by the Bank in the current period, of fees and commissions income recognised in prior years in the amount of TL 141,427 thousands (31 December 2013: TL 12,486 thousands).

(\*\*) As per the decision of the Turkish Competition Board dated 8 March 2013 and resulted from the investigation initiated based on its decision no. 11-55/1438-M dated 2 November 2011, an administrative fine amounting to TL 213,385 thousands was imposed against the economic group composed of Garanti Bankası AŞ, Garanti Ödeme Sistemleri AŞ and Garanti Konut Finansmanı Danışmanlık AŞ. In accordance with the Article 17 of the Law on Crime no. 5326, it is possible to pay ¼ of such administrative fine as TL 160,038 thousands. The reasoned decision of the Turkish Competition Board was notified as of the reporting date and the stated amount was paid in the current period.

## 5.4.8 INFORMATION ON PROVISION FOR TAXES FROM CONTINUED AND DISCONTINUED OPERATIONS

The profit before taxes includes a net interest income of TL 7,422,688 thousands (31 December 2013: TL 6,355,631 thousands), a net fees and commissions income of TL 2,949,020 thousands (31 December 2013: TL 2,615,473 thousands) and operating expenses of TL 4,713,014 thousands (31 December 2013: TL 4,206,165 thousands). The Bank's profit before taxes realized at TL 4,162,463 thousands increasing by 5.35% as compared to prior year.

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## 5.4.9 INFORMATION ON PROVISION FOR TAXES FROM CONTINUED AND DISCONTINUED OPERATIONS

As of 31 December 2014, the Bank recorded a tax charge of TL 1,321,500 thousands (31 December 2013: TL 541,652 thousands) and a deferred tax income of TL 359,285 thousands (31 December 2013: a deferred tax expense of TL 403,903 thousands).

*Deferred tax benefit/charge on timing differences:*

DEFERRED TAX BENEFIT/(CHARGE) ON TIMING DIFFERENCES	CURRENT PERIOD	PRIOR PERIOD
Increase in tax deductible timing differences (+)	(274,983)	(72,432)
Decrease in tax deductible timing differences (-)	26,714	237,655
Increase in taxable timing differences (-)	16,781	255,269
Decrease in taxable timing differences (+)	(127,797)	(16,589)
<b>Total</b>	<b>(359,285)</b>	<b>403,903</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	PRIOR PERIOD
Increase/(decrease) in tax deductible timing differences (net)	(248,269)	165,223
Increase/(decrease) in taxable timing differences (net)	(111,016)	238,680
Increase/(decrease) in tax losses (net)	-	-
Increase/(decrease) in tax deductions and exemptions (net)	-	-
<b>Total</b>	<b>(359,285)</b>	<b>403,903</b>

## 5.4.10 NET OPERATING PROFIT/LOSS AFTER TAXES INCLUDING NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS

None.

## 5.4.11 NET PROFIT/LOSS

### 5.4.11.1 ANY FURTHER EXPLANATION ON OPERATING RESULTS NEEDED FOR BETTER UNDERSTANDING OF THE BANK'S PERFORMANCE

None.

### 5.4.11.2 ANY CHANGES IN ESTIMATIONS THAT MIGHT HAVE A MATERIAL EFFECT ON CURRENT AND SUBSEQUENT PERIOD RESULTS

None.

## 5.4.12 COMPONENTS OF OTHER ITEMS IN INCOME STATEMENT

Other items do not exceed 10% of the total of income statement.

## 5.5 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

### 5.5.1 ANY INCREASES ARISING FROM APPLICATION OF ACCOUNTING FOR FINANCIAL INSTRUMENTS

#### 5.5.1.1 INCREASES FROM VALUATION OF FINANCIAL ASSETS AVAILABLE-FOR-SALE

None.

#### 5.5.1.2 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 44,701 thousands (31 December 2013: an increase of TL 39,243 thousands) is presented in the shareholders' equity for such hedges assessed as effective.

#### 5.5.1.3 RECONCILIATION OF FOREIGN EXCHANGE DIFFERENCES AT BEGINNING AND END OF CURRENT PERIOD

A decrease of TL 5,811 thousands (31 December 2013: an increase of TL 24,644 thousands) that was resulted from the foreign currency translation of Luxembourg branch performance, is presented under translation differences in the shareholders' equity

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## 5.5.2 ANY DECREASES ARISING FROM APPLICATION OF ACCOUNTING FOR FINANCIAL INSTRUMENTS

### 5.5.2.1 DECREASES FROM VALUATION OF FINANCIAL ASSETS AVAILABLE-FOR-SALE

As of 31 December 2014, an increase of TL 790,934 thousands (31 December 2013: a decrease of TL 803,757 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 48,497 thousands (31 December 2013: TL 375,815 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.

### 5.5.2.2 DECREASES DUE TO CASH FLOW HEDGES

None.

### 5.5.3 TRANSFERS TO LEGAL RESERVES

	CURRENT PERIOD	PRIOR PERIOD
Transfers to Legal Reserves from Prior Year Profits	21,500	192,166
Transfers to Extraordinary Reserves from Prior Year Profits	2,525,014	2,830,460

### 5.5.4 ISSUANCE OF SHARE CERTIFICATES

Please refer to Note 5.2.11.3.

### 5.5.5 EFFECTS OF PRIOR YEARS' CORRECTIONS TO BEGINNING BALANCES OF CURRENT PERIOD

Please refer to Note 3.24.

### 5.5.6 COMPENSATION OF PRIOR PERIOD LOSSES

None.

## 5.6 STATEMENT OF CASH FLOWS

### 5.6.1 DISCLOSURES FOR "OTHER" ITEMS AND "EFFECT OF CHANGE IN FOREIGN CURRENCY RATES CASH AND CASH EQUIVALENTS" IN STATEMENT OF CASH FLOWS

The net cash inflow arising from banking operations amount to TL 1,304,190 thousands (31 December 2013: net cash outflows of TL 195,408 thousands), TL 3,245,571 thousands (31 December 2013: TL 4,356,736 thousands) of this amount is generated from the change in operating assets and liabilities and TL 4,549,761 thousands (31 December 2013: TL 4,552,144 thousands) 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 TL 572,193 thousands (31 December 2013: TL 1,944,305 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 1,962,537 thousands (31 December 2013: TL 2,396,024 thousands).

The net cash inflows from financing activities is TL 2,495,175 thousands (31 December 2013: TL 3,872,779 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 528,895 thousands (31 December 2013: TL 1,376,361 thousands).

### 5.6.2 CASH OUTFLOWS FROM ACQUISITION OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

Please refer to Note 5.1.8.2 of investments in subsidiaries.

### 5.6.3 CASH INFLOWS FROM DISPOSAL OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

None.

### 5.6.4 CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD

	CURRENT PERIOD	PRIOR PERIOD
Cash on Hand	1,552,757	1,200,038
Cash in TL	1,007,643	800,960
Cash in Foreign Currency	545,114	399,078
Cash Equivalents	5,811,207	3,062,636
Other	5,811,207	3,062,636
Total	7,363,964	4,262,674

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## 5.6.5 RESTRICTED CASH AND CASH EQUIVALENTS DUE TO LEGAL REQUIREMENTS OR OTHER REASONS

	CURRENT PERIOD	PRIOR PERIOD
Cash on Hand	1,678,527	1,552,757
Cash in TL	1,089,201	1,007,643
Cash in Foreign Currency	589,326	545,114
Cash Equivalents	5,907,341	5,811,207
Other	5,907,341	5,811,207
Total	7,585,868	7,363,964

## 5.6.6 RESTRICTED CASH AND CASH EQUIVALENTS DUE TO LEGAL REQUIREMENTS OR OTHER REASONS

The placements at foreign banks include blocked accounts amounting TL 5,578,016 thousands (31 December 2013: TL 7,326,245 thousands) of which TL 108,410 thousands (31 December 2013: TL 116,271 thousands) and TL 50,066 thousands (31 December 2013: TL 43,094 thousands) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 5,419,540 thousands (31 December 2013: TL 7,166,880 thousands) as collateral against funds borrowed at various banks.

The blocked account at the Central Bank of Turkey with a principal of TL 19,595,598 thousands (31 December 2013: TL 17,166,780 thousands) is for the reserve deposits in foreign currency and gold against the Banks' liabilities in Turkish Lira, foreign currencies and gold.

## 5.6.7 ADDITIONAL INFORMATION

### 5.6.7.1 RESTRICTIONS ON THE BANK'S POTENTIAL BORROWINGS

None.

### 5.6.7.2 CASH INFLOWS PRESENTING INCREASE IN OPERATING CAPACITY OF THE BANK

None.

## 5.7 RELATED PARTY RISKS

### 5.7.1 TRANSACTIONS WITH THE BANK'S RISK GROUP; LENDINGS AND DEPOSITS AND OTHER RELATED PARTY TRANSACTIONS OUTSTANDING AT PERIOD END AND INCOME AND EXPENSES FROM SUCH TRANSACTIONS INCURRED DURING THE PERIOD

#### 5.7.1.1 LOANS AND OTHER RECEIVABLES

##### CURRENT PERIOD

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
	CASH	NON-CASH	CASH	NON-CASH	CASH	NON-CASH
Loans and Other Receivables						
Balance at beginning of period	3,811,321	1,586,707	9,250	264,878	454,736	472,119
Balance at end of period	3,318,634	1,522,279	399,748	316,606	1,537,174	702,845
Interest and Commission Income	45,464	285	286	9	72,438	1,047

##### 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	2,940,871	1,381,591	260,311	466,918	314,839	495,947
Balance at end of period	3,811,321	1,586,707	9,250	264,878	454,736	472,119
Interest and Commission Income	46,607	257	687	9	25,260	399

#### 5.7.1.2 DEPOSITS

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
Deposits						
Balance at beginning of period	651,174	511,151	304,643	101,958	330,572	205,931
Balance at end of period	681,112	651,174	535,204	304,643	349,385	330,572
Interest Expense	58,594	45,209	4,016	9,910	16,035	15,088

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## 5.7.1.3 DERIVATIVE TRANSACTIONS

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
<b>TRANSACTIONS FOR TRADING:</b>						
Balance at beginning of period	1,200,843	1,119,747	8,871,339	2,895,692	-	-
Balance at end of period	848,391	1,200,843	10,292,901	8,871,339	5,770	-
<b>Total Profit/(Loss)</b>	<b>(132,802)</b>	<b>(85,747)</b>	<b>(102,479)</b>	<b>(49,308)</b>	<b>(56)</b>	<b>-</b>
<b>Transactions for Hedging:</b>						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
<b>Total Profit/(Loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 5.7.2 THE BANK'S RISK GROUP

### 5.7.2.1 RELATIONS WITH COMPANIES IN RISK GROUP OF/OR CONTROLLED BY THE BANK REGARDLESS OF NATURE OF CURRENT TRANSACTIONS

Transactions with the risk group, are held under arm's-length conditions; terms are set according to the market conditions and in compliance with the Banking Law. The Bank's policy is to keep the balances and transaction volumes with the risk group at reasonable levels preventing any high concentration risk on balance sheet.

### 5.7.2.2 CONCENTRATION OF TRANSACTION VOLUMES AND BALANCES WITH RISK GROUP AND PRICING POLICY

The cash loans of the risk group amounting TL 2,543,637 thousands (31 December 2013: TL 1,660,748 thousands) compose 1.90% (31 December 2013: 1.40%) of the Bank's total cash loans and 1.16% (31 December 2013: 0.84%) of the Bank's total assets. The total loans and similar receivables amounting TL 5,255,556 thousands (31 December 2013: TL 4,275,308 thousands) compose 2.40% (31 December 2013: TL 2.17%) of the Bank's total assets. The non-cash loans of the risk group amounting TL 2,541,730 thousands (31 December 2013: TL 2,323,704 thousands) compose 6.92% (31 December 2013: 7.01%) of the Bank's total non-cash loans. The deposits of the risk group amounting TL 1,565,701 thousands (31 December 2013: TL 1,286,389 thousands) compose 1.30% (31 December 2013: 1.21%) of the Bank's total deposits.

The funds borrowed by the Bank from its risk group amounting TL 9,074,365 thousands (31 December 2013: TL 6,729,132 thousands) compose 28.07% (31 December 2013: 22.83%) 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 88,494 thousands (31 December 2013: TL 70,805 thousands). A total rent income of TL 6,486 thousands (31 December 2013: TL 5,116 thousands) was recognized for the real estates rented to the related parties.

Operating expenses for TL 8,863 thousands (31 December 2013: TL 7,329 thousands) were incurred for the IT services rendered by the related parties. Banking services fees of TL 2,745 thousands (31 December 2013: TL 2,026 thousands) were recognized from the related parties.

Insurance brokerage fee of TL 93,413 thousands (31 December 2013: TL 78,493 thousands), shares brokerage fee of TL 70,413 thousands (31 December 2013: TL 68,250 thousands), leasing customer acquisition fee of TL 10,762 thousands (31 December 2013: TL 9,739 thousands) factoring customer acquisition fee of TL 3,131 thousands (31 December 2013: TL 3,853 thousands) and fleet business customer acquisition fee of TL 578 thousands (31 December 2013: TL 200 thousands) were recognized as income from the services rendered for the affiliates.

Operating expenses of TL 10,790 thousands (31 December 2013: TL 11,453 thousands) for advertisement and broadcasting services, of TL 32,534 thousands (31 December 2013: TL 23,648 thousands) for operational leasing services, and of TL 13,616 thousands (31 December 2013: TL 12,237 thousands) for travelling services rendered by the related parties were recognized as expense.

As of 31 December 2014, the net payment provided or to be provided to the key management of the Bank amounts to TL 78,212 thousands (31 December 2013: TL 68,918 thousands).

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## 5.7.2.3 OTHER MATTERS NOT REQUIRED TO BE DISCLOSED

None.

## 5.7.2.4 TRANSACTIONS ACCOUNTED FOR UNDER EQUITY METHOD

Please refer to Note 5.1.8 investments in subsidiaries.

## 5.7.2.5 ALL KIND OF AGREEMENTS SIGNED LIKE ASSET PURCHASES/SALES, SERVICE RENDERING, AGENCIES, LEASING, RESEARCH AND DEVELOPMENT, LICENCES, FUNDING, GUARANTEES, MANAGEMENT SERVICES

The Bank has agency contracts with Garanti Yatırım Menkul Kıymetler AŞ and Garanti Emeklilik ve Hayat AŞ. Accordingly, all the branches of the Bank serve as agencies to sell the products of these entities to customers. Agency services for trading of securities on behalf of customers are rendered by the Bank's specialised branches (Investment Centers).

Purchase of equipments for the Bank's internal use are partly arranged through financial leasing.

## 5.8 DOMESTIC, FOREIGN AND OFF-SHORE BRANCHES OR EQUITY INVESTMENTS, AND FOREIGN REPRESENTATIVE OFFICES

### 5.8.1 DOMESTIC AND FOREIGN BRANCHES AND REPRESENTATIVE OFFICES

	NUMBER OF BRANCHES	NUMBER OF EMPLOYEES			
<b>DOMESTIC BRANCHES</b>	994	18,909			
			<b>COUNTRY</b>		
<b>FOREIGN REPRESENTATIVE OFFICES</b>	1	1	1-Germany		
	1	1	2-England		
	1	1	3-China		
				<b>TOTAL ASSETS</b>	<b>LEGAL CAPITAL</b>
<b>FOREIGN BRANCHES</b>	1	17	1- Luxembourg	13,161,762	1,115,560
	1	12	2- Malta	31,384,505	-
	6	95	3- NCTR	907,568	15,520

### 5.8.2 OPENING OR CLOSING OF DOMESTIC AND FOREIGN BRANCHES AND REPRESENTATIVE OFFICES AND SIGNIFICANT CHANGES IN ORGANISATIONAL STRUCTURE

In 2014, 22 new domestic branches were opened and 18 branches were closed.

## 5.9 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 (24 SEPTEMBER 2014)(\*)

Long Term FC Deposit	Baa3
Long Term TL Deposit	Baa3
Short Term TL Deposit	Prime-3
Short Term FC Deposit	Prime-3
Long Term FC Deposit Outlook	Negative
Financial Strength (FSR)	D+ (ba1)
FSR Outlook	Stable
Long Term National Scale Rating (NSR)	Aa3.tr
Short Term NSR	TR-1

#### STANDARD AND POORS (27 JUNE 2014)(\*)

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

#### FITCH RATINGS (1 DECEMBER 2014)(\*)

Outlook	Stable (**)
Long Term FC Outlook	BBB- (**)
Short Term FC Outlook	F3 (**)
Long Term TL Outlook	BBB- (**)
Short Term TL Outlook	F3 (**)
Financial Capacity	bbb- (**)
Support	3 (**)
NSR	AA+(tur) (**)

(\*\*) As of 1 December 2014, Fitch started positive follow-up for risk ratings.

#### JCR EURASIA RATINGS (28 JUNE 2014)(\*)

International FC Outlook	Stable
Long Term International FC	BBB
Short Term International FC	A-3
International TL Outlook	Stable
Long Term International TL	BBB+
Short Term International TL	A-2
National Outlook	Stable
Long Term NSR	AAA(Trk)
Short Term NSR	A-1+(Trk)
Independency from Shareholders	A
Support	1

(\*) Latest dates in risk ratings or outlooks.

# TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

UNCONSOLIDATED FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2014  
(THOUSANDS OF TURKISH LIRA (TL))

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

## 6.2 DIVIDEND

As per the decision made at the annual general assembly of shareholders of the Bank on 3 April 2014, the distribution of the net profit of the year 2013, will be as follows:

### 2013 PROFIT DISTRIBUTION TABLE

<b>2013 Net Profit</b>	<b>3,005,560</b>
A – I. Legal reserve (Turkish Commercial Code 519/1) at 5%	-
Undistributable funds	(34,046)
B – First dividend at 5% of the paid-in capital	(210,000)
C – Extraordinary reserves at 5% after above deductions	(139,778)
D – Second dividend to the shareholders	(215,000)
E – Extraordinary reserves	(2,385,236)
F – II. Legal reserve (Turkish Commercial Code 519/2)	(21,500)

## 6.3 OTHER DISCLOSURES

Doğuş Group and BBVA have entered into a share purchase agreement dated 19 November 2014 for the sale of shares of the Bank representing 14.89% of the paid-up share capital with a total face value of TL 625,380 thousands. The parties agreed that the total purchase price for the shares being sold would be TL 5,497,090 thousands with a purchase price per share of TL 8.79. In addition, the parties have agreed that Doğuş Group would be entitled to receive up to TL 0.11 of the dividend distributed per share sold with respect to distributable profit for the year 2014.

Following the completion of the share transfers, Doğuş Group's stake in the Bank will be 10%. The transfer of title for the shares sold from Doğuş Group to BBVA will be finalized once the transaction is approved by the relevant authorities in and outside of Turkey including the BRSA, the Capital Markets Board and the Competition Board.

The shareholders agreement dated 1 November 2010 relating to governance and management of the Bank signed between Doğuş Group and BBVA has been also amended on 19 November 2014. The revised shareholders agreement shall become effective simultaneously with the consummation of the share transfers following the approval of all necessary regulators. Under the revised shareholders agreement Doğuş Group and BBVA have agreed that: (i) the board of directors of the Bank would comprise of ten members; (ii) seven of the board members would be nominated by BBVA at the general assembly and two of these seven members would also be the members of the audit committee of the Bank whom, in line with the applicable regulations, shall be deemed as independent board members; (iii) two members would be nominated by Doğuş Group at the general assembly and (iv) the last independent member would be jointly nominated by the shareholders at the general assembly. The call option previously granted by Doğuş Group to BBVA with respect to acquisition of further shares of the Bank by BBVA representing 1% of the share capital has been revoked.

## 7 DISCLOSURES ON INDEPENDENT AUDITORS' REPORT

### 7.1 DISCLOSURE ON INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements of the Bank as of 31 December 2014, have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (a member of Deloitte Touche Tohmatsu Limited) and the independent auditors' report dated 3 February 2015, is presented before the accompanying financial statements.

### 7.2 DISCLOSURES AND FOOTNOTES PREPARED BY INDEPENDENT ACCOUNTANTS

None.

# CONSOLIDATED FINANCIAL REPORT



To the Board of Directors of  
Türkiye Garanti Bankası AŞ  
Istanbul

**TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL AFFILIATES  
INDEPENDENT AUDITORS' REPORT  
FOR THE PERIOD OF 1 JANUARY - 31 DECEMBER 2014**

We have audited the accompanying consolidated balance sheet of Türkiye Garanti Bankası A.Ş. ("the Bank") and its consolidated financial affiliates as at 31 December 2014 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Board of Directors of the Bank is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting made by the Banking Regulation and Supervision Agency. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulation on "The Licensing and Operations of Audit Firms in Banking" published in the Official Gazette no. 26333 on 1 November 2006 and in accordance with Independent Auditing Standards which is a part of Turkish Auditing Standards published by Public Oversight Accounting and Auditing Standards Authority ("POA"). We planned and performed our audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**BASIS FOR QUALIFIED OPINION**

The accompanying consolidated financial statements include a general reserve amounting to TL 415,000 thousands, TL 80,000 thousands of which was charged to the income statement as expense in the current period, provided by the Bank management in line with conservatism principle considering the circumstances which may arise from any changes in the economy or market conditions.

**INDEPENDENT AUDITORS' OPINION**

In our opinion, except for the effect of the matter described in the fourth paragraph above on the financial statements, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank and its consolidated financial affiliates as at 31 December 2014 and the results of its operations and its cash flows for the period then ended in accordance with the prevailing accounting principles and standards set out as per the Article 37 and 38 of the Banking Act no. 5411, and other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by the Banking Regulation and Supervision Agency.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), the Board of Directors provided us all the required information and documentation with respect to our audit; and nothing has come to our attention that may cause us to believe that the Bank's set of accounts prepared for the period 1 January-31 December 2014 does not comply with the TCC and the provisions of the Bank's articles of association in relation to financial reporting.

**ADDITIONAL PARAGRAPH FOR ENGLISH TRANSLATION:**

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank and its consolidated financial affiliates' financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

Istanbul, 3 February 2015

**DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.  
MEMBER OF DELOITTE TOUCHE TOHMATSU LIMITED**

Hasan Kılıç  
Sorumlu Ortak Başdenetçi, SMMM



# TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

31 ARALIK 2014 TARİHİ İTİBARIYLA HAZIRLANAN YIL SONU KONSOLİDE FİNANSAL RAPORU

Levent Nispetiye Mah. Aytar Cad.  
No:2 Beşiktaş 34340 İstanbul  
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[investorrelations@garanti.com.tr](mailto:investorrelations@garanti.com.tr)

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 special purpose 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 Hizmetleri AŞ
6. Garanti Bank Moscow
7. Garanti Yatırım Menkul Kıymetler AŞ
8. Garanti Portföy Yönetimi AŞ

## SPECIAL PURPOSE 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>FERİT F. ŞAHENK</b>	<b>S. ERGUN ÖZEN</b>	<b>İBRAHİM AYDINLI</b>	<b>AYLİN AKTÜRK</b>	<b>M. CÜNEYT SEZGIN</b>	<b>MANUEL PEDRO GALATAS SANCHEZ -HARGUINDEY</b>
Board of Directors Chairman	General Manager	Executive Vice President Responsible of Financial Reporting	Coordinator	Audit Committee Member	Audit Committee Member
					

The authorized contact person for questions on this financial report:  
Name-Surname/Title: Handan SAYGIN/Senior Vice President of Investor Relations  
Phone no: 90 212 318 23 50  
Fax no: 90 212 216 59 02

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# TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

CONSOLIDATED FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2014  
(THOUSANDS OF TURKISH LIRA (TL))

(Convenience Translation of Financial Statements and  
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## 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 and its "Articles of Association" was issued in the Official Gazette dated 25 April 1946. The Bank provides banking services through 994 domestic branches, eight foreign branches and three representative offices abroad. The Bank's head office is located in Istanbul.

## 1.2 PARENT BANK'S SHAREHOLDER STRUCTURE, MANAGEMENT AND INTERNAL AUDIT, DIRECT AND INDIRECT SHAREHOLDERS, CHANGE IN SHAREHOLDER STRUCTURE DURING PERIOD AND INFORMATION ON ITS RISK GROUP

As of 31 December 2014, group of companies under Doğu Holding AŞ that currently owns 24.23% shares of the Bank, is named the Doğu Group (the Group).

On 22 December 2005, Doğu Holding AŞ had completed the sale of 53,550,000,000 shares composing 25.5% of the Bank's issued share capital to "GE Araştırma ve Müşavirlik Limited Şti" of General Electric (GE) Group. Accordingly, GE acquired a joint control on the Bank's management. On 27 December 2007, this time GE Araştırma ve Müşavirlik Limited Şti. has sold 9,765,000,000 shares of Türkiye Garanti Bankası AŞ at a nominal value of TL 97,650 thousands each to Doğu Holding AŞ, representing 4.65% of the issued share capital. Number of shares representing 20.85% ownership of GE Araştırma ve Müşavirlik Limited Şti increased to 87,571,249,898 subsequent to the capital increase through issuance of bonus shares. The company sold 83,371,249,899 shares at a total nominal value of TL 833,712 thousands representing 19.85% ownership in Türkiye Garanti Bankası AŞ, to GE Capital Corporation on 29 December 2010, and the remaining 1% ownership in the stock exchange market on 11 December 2012.

On 22 March 2011, Banco Bilbao Vizcaya Argentaria SA ("BBVA") 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, holding 24.89% shares of the Bank, had joint control on the Bank's management together with Doğu Group.

On 7 April 2011, BBVA 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%. As per the agreement between Doğu Holding AŞ and BBVA, if any of the parties acquires additional shares during the next five years, it is required to offer half of the acquired shares to other party, in case that other party does not accept to purchase the offered shares, usufruct rights shall be established on the voting rights of such shares in favour of other party. Accordingly, although BBVA has acquired additional shares in April 2011, this does not affect their joint control on the Bank's management.

## DOĞU GROUP

The Doğu Group that was established in 1951 initially for investments in construction sector, operates in seven sectors namely financial services, automotive, construction, real estate, tourism, media and energy with 132 companies and more than 30 thousand employees.

The major worldwide joint ventures of the Group are; Volkswagen AG and TÜV SÜD in automotive, CNBC, MSNBC and Condé Nast in media and, Hyatt International Ltd and HMS International Hotel GmbH (Maritim) in tourism.

The major investments of the Doğu Group in financial sector are; Türkiye Garanti Bankası AŞ, Garanti Bank International NV, Garanti Bank Moscow, Garanti Bank SA, Garanti Finansal Kiralama AŞ, Garanti Faktoring Hizmetleri AŞ, Garanti Yatırım Menkul Kıymetler AŞ, Garanti Portföy Yönetimi AŞ, Garanti Emeklilik ve Hayat AŞ, Doğu Gayrimenkul Yatırım Ortaklığı AŞ and Volkswagen Doğu Tüketici Finansmanı AŞ.

## BBVA GROUP

BBVA is operating for more than 150 years, providing variety of wide spread financial and non-financial services to over 47 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.

The Group owns a bank being the largest financial institution in Mexico, the market leader in South America, and one of the largest 15 commercial banks in United States. BBVA is among the few international groups that operate in China and Turkey, and operates in more than 30 countries with more than 100 thousand employees.

## 1.3 INFORMATION ON PARENT BANK'S BOARD OF DIRECTORS CHAIRMAN AND MEMBERS, AUDIT COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER, EXECUTIVE VICE PRESIDENTS AND THEIR RESPONSIBILITIES AND SHAREHOLDINGS IN THE BANK

### BOARD OF DIRECTORS CHAIRMAN AND MEMBERS:

NAME AND SURNAME	RESPONSIBILITY	APPOINTMENT DATE	EDUCATION	EXPERIENCE IN BANKING AND BUSINESS ADMINISTRATION
Ferit Faik Şahenk	Chairman	18.04.2001	University	24 years
Süleyman Sözen	Vice Chairman	08.07.2003	University	32 years
Dr. Muammer Cüneyt Sezgin	Independent Member of BOD and Audit Committee	30.06.2004	PhD	26 years
Dr. Ahmet Kamil Esirtgen	Member	19.03.1992	PhD	40 years
Manuel Castro Aladro	Member	22.03.2011	Master	22 years
Manuel Pedro Galatas Sanchez Harguindey	Independent Member of BOD and Audit Committee	05.05.2011	University	30 years
Jaime Saenz de Tejada Pulido	Member	02.10.2014	University	21 years
Angel Cano Fernandez	Member	22.03.2011	University	29 years
Belkis Sema Yurdum	Independent Member	30.04.2013	University	26 years
Sait Ergun Özen	Member and CEO	14.05.2003	University	27 years

# TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

CONSOLIDATED FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2014  
(THOUSANDS OF TURKISH LIRA (TL))

(Convenience Translation of Financial Statements and  
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## CEO AND EXECUTIVE VICE PRESIDENTS:

NAME AND SURNAME	RESPONSIBILITY	APPOINTMENT DATE	EDUCATION	EXPERIENCE IN BANKING AND BUSINESS ADMINISTRATION
Sait Ergun Özen	CEO	01.04.2000	University	27 years
Adnan Memiş	EVP-Support Services	03.06.1991	Master	36 years
Ali Fuat Erbil	EVP-Financial Institutions and Corporate Banking	30.04.1999	PhD	22 years
Erhan Adalı	EVP-Loans	03.08.2012	University	24 years
Gökhan Erün	EVP-Treasury, Investment Banking, Human Resources and Training	01.09.2005	Master	20 years
Faruk Nafiz Karadere	EVP-SME Banking	01.05.1999	University	32 years
Halil Hüsnü Erel	EVP-Technology, Operations Management and Central Marketing	16.06.1997	University	39 years
Recep Baştuğ	EVP-Commercial Banking	01.01.2013	University	24 years
Turgay Gönensin	EVP-Coordination of Domestic and Foreign Subsidiaries	15.12.2001	University	29 years
Aydın Şenel	EVP-Purchasing and Tax Management	02.03.2006	University	33 years
İbrahim Aydınlı	EVP-General Accounting, Economic Research and Customer Satisfaction	06.06.2013	Master	20 years
Avni Aydın Düren	EVP-Legal Services and Risk Monitoring	01.02.2009	Master	20 years
Betül Ebru Edin	EVP-Project Finance	25.11.2009	University	20 years
Murat Mergin	EVP-Financial and Strategic Planning	01.01.2002	University	20 years
Onur Genç	EVP-Retail Banking	20.03.2012	Master	15 years
Didem Başer	EVP-Delivery Channels and Social Platforms Management	20.03.2012	Master	19 years

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

## 1.4 INFORMATION ON PARENT BANK'S QUALIFIED SHAREHOLDERS

COMPANY	SHARES	OWNERSHIP	PAID-IN CAPITAL	UNPAID PORTION
Doğuş Holding AŞ	857,315	%20.4123	857,315	-
Banco Bilbao Vizcaya Argentaria SA	1,050,420	%25.100	1,050,420	-

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.

# TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

CONSOLIDATED FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2014  
(THOUSANDS OF TURKISH LIRA (TL))

(Convenience Translation of Financial Statements and  
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## 1.5 SUMMARY INFORMATION ON PARENT BANK'S ACTIVITIES AND SERVICES

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

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

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

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

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

## 1.6 INFORMATION ON APPLICATION DIFFERENCES BETWEEN CONSOLIDATION PRACTICES AS PER THE REGULATION ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND AS PER THE TURKISH ACCOUNTING STANDARDS, AND ENTITIES SUBJECT TO FULL OR PROPORTIONAL CONSOLIDATION OR DEDUCTED FROM EQUITY OR NOT SUBJECT TO ANY OF THESE THREE METHODS

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

## 1.7 CURRENT OR LIKELY ACTUAL OR LEGAL BARRIERS TO IMMEDIATE TRANSFER OF EQUITY OR REPAYMENT OF DEBTS BETWEEN PARENT BANK AND ITS SUBSIDIARIES

None.

# TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

AT 31 DECEMBER 2014

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

## 2 CONSOLIDATED FINANCIAL STATEMENTS

THOUSANDS OF TURKISH LIRA (TL)

ASSETS	FOOTNOTES	CURRENT PERIOD 31 DECEMBER 2014			PRIOR PERIOD 31 DECEMBER 2013		
		TL	FC	TOTAL	TL	FC	TOTAL
I. CASH AND BALANCES WITH CENTRAL BANK	5.1.1	1,760,060	23,432,509	25,192,569	2,751,743	19,891,099	22,642,842
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	5.1.2	1,144,139	723,777	1,867,916	1,331,384	804,859	2,136,243
2.1 Financial assets held for trading		942,754	723,777	1,666,531	1,132,606	804,859	1,937,465
2.1.1 Government securities		73,423	8,112	81,535	128,383	34,253	162,636
2.1.2 Equity securities		72,940	-	72,940	50,722	-	50,722
2.1.3 Derivative financial assets held for trading		755,168	693,013	1,448,181	921,286	748,540	1,669,826
2.1.4 Other securities		41,223	22,652	63,875	32,215	22,066	54,281
2.2 Financial assets valued at fair value through profit or loss		201,385	-	201,385	198,778	-	198,778
2.2.1 Government securities		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Loans	5.1.5	201,385	-	201,385	198,778	-	198,778
2.2.4 Other securities		-	-	-	-	-	-
III. BANKS	5.1.3	1,796,433	11,066,991	12,863,424	2,194,272	10,930,155	13,124,427
IV. INTERBANK MONEY MARKETS		25,692	84,551	110,243	8,231	190,802	199,033
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	80,446	80,446	-	190,802	190,802
4.3 Receivables from reverse repurchase agreements		25,692	4,105	29,797	8,231	-	8,231
V. FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	5.1.4	19,276,594	4,253,710	23,530,304	19,748,440	5,087,787	24,836,227
5.1 Equity securities		34,867	63,742	98,609	41,468	8,213	49,681
5.2 Government securities		17,500,522	871,296	18,371,818	18,098,543	1,157,093	19,255,636
5.3 Other securities		1,741,205	3,318,672	5,059,877	1,608,429	3,922,481	5,530,910
VI. LOANS	5.1.5	86,092,273	57,945,413	144,037,686	74,364,492	54,520,566	128,885,058
6.1 Loans		85,465,405	57,471,974	142,937,379	73,882,530	54,081,282	127,963,812
6.1.1 Loans to bank's risk group	5.7	153,890	1,402,013	1,555,903	117,448	462,590	580,038
6.1.2 Government securities		-	-	-	-	-	-
6.1.3 Other		85,311,515	56,069,961	141,381,476	73,765,082	53,618,692	127,383,774
6.2 Loans under follow-up		3,300,829	1,085,225	4,386,054	2,538,430	1,066,654	3,605,084
6.3 Specific provisions (-)		2,673,961	611,786	3,285,747	2,056,468	627,370	2,683,838
VII. FACTORING RECEIVABLES	5.1.6	2,270,223	688,726	2,958,949	1,568,362	426,368	1,994,730
VIII. INVESTMENTS HELD-TO-MATURITY (Net)	5.1.7	13,387,953	7,279,089	20,667,042	13,122,078	651,716	13,773,794
8.1 Government securities		13,360,951	4,641,023	18,001,974	13,112,752	469,091	13,581,843
8.2 Other securities		27,002	2,638,066	2,665,068	9,326	182,625	191,951
IX. INVESTMENTS IN ASSOCIATES (Net)	5.1.8	37,258	3	37,261	37,258	3	37,261
9.1 Associates consolidated under equity accounting		-	-	-	-	-	-
9.2 Unconsolidated associates		37,258	3	37,261	37,258	3	37,261
9.2.1 Financial investments in associates		33,329	-	33,329	33,329	-	33,329
9.2.2 Non-financial investments in associates		3,929	3	3,932	3,929	3	3,932
X. INVESTMENTS IN SUBSIDIARIES (Net)	5.1.9	114,236	847	115,083	114,085	1,234	115,319
10.1 Unconsolidated financial investments in subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial investments in subsidiaries		114,236	847	115,083	114,085	1,234	115,319
XI. INVESTMENTS IN JOINT-VENTURES (Net)	5.1.10	-	-	-	-	-	-
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		-	-	-	-	-	-
XII. LEASE RECEIVABLES (Net)	5.1.11	1,249,559	2,904,844	4,154,403	1,097,434	2,673,821	3,771,255
12.1 Financial lease receivables		1,506,256	3,280,332	4,786,588	1,292,846	3,009,301	4,302,147
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		256,697	375,488	632,185	195,412	335,480	530,892
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT	5.1.12	46,202	120,050	166,252	103,975	11,009	114,984
13.1 Fair value hedges		31,158	83	31,241	65,943	-	65,943
13.2 Cash flow hedges		15,044	119,967	135,011	38,032	11,009	49,041
13.3 Net foreign investment hedges		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	5.1.13	1,413,743	136,620	1,550,363	1,412,741	164,524	1,577,265
XV. INTANGIBLE ASSETS (Net)	5.1.14	212,982	24,370	237,352	88,370	15,660	104,030
15.1 Goodwill		6,388	-	6,388	6,388	-	6,388
15.2 Other intangibles		206,594	24,370	230,964	81,982	15,660	97,642
XVI. INVESTMENT PROPERTY (Net)	5.1.15	120,258	-	120,258	121,671	-	121,671
XVII. TAX ASSET		408,044	52,202	460,246	166,814	58,807	225,621
17.1 Current tax asset		58	9,231	9,289	302	11,699	12,001
17.2 Deferred tax asset	5.1.16	407,986	42,971	450,957	166,512	47,108	213,620
XVIII. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	5.1.17	172,449	5,758	178,207	147,510	2,232	149,742
18.1 Asset held for resale		172,449	5,758	178,207	147,510	2,232	149,742
18.2 Assets of discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	5.1.18	8,379,158	424,375	8,803,533	7,333,767	339,017	7,672,784
<b>TOTAL ASSETS</b>		<b>137,907,256</b>	<b>109,143,835</b>	<b>247,051,091</b>	<b>125,712,627</b>	<b>95,769,659</b>	<b>221,482,286</b>

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

# TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

AT 31 DECEMBER 2014

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

THOUSANDS OF TURKISH LIRA (TL)

LIABILITIES AND SHAREHOLDERS' EQUITY	FOOTNOTES	CURRENT PERIOD 31 DECEMBER 2014			PRIOR PERIOD 31 DECEMBER 2013		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>I. DEPOSITS</b>	5.2.1	61,920,631	71,505,248	133,425,879	59,531,562	59,677,665	119,209,227
1.1 Deposits from bank's risk group	5.7	541,060	488,134	1,029,194	239,123	437,113	676,236
1.2 Other		61,379,571	71,017,114	132,396,685	59,292,439	59,240,552	118,532,991
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	5.2.2	1,073,132	1,027,639	2,100,771	1,159,931	407,099	1,567,030
<b>III. FUNDS BORROWED</b>	5.2.3	5,740,980	32,047,561	37,788,541	6,557,375	27,428,605	33,985,980
<b>IV. INTERBANK MONEY MARKETS</b>		4,900,797	7,120,368	12,021,165	11,430,918	4,576,820	16,007,738
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Obligations under repurchase agreements	5.2.4	4,900,797	7,120,368	12,021,165	11,430,918	4,576,820	16,007,738
<b>V. SECURITIES ISSUED (Net)</b>	5.2.4	4,843,784	9,594,572	14,438,356	4,332,755	6,457,804	10,790,559
5.1 Bills		2,038,716	-	2,038,716	1,616,171	-	1,616,171
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		2,805,068	9,594,572	12,399,640	2,716,584	6,457,804	9,174,388
<b>VI. FUNDS</b>		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>	5.2.4	12,205,125	814,945	13,020,070	9,356,225	658,611	10,014,836
<b>VIII. OTHER EXTERNAL FUNDINGS PAYABLE</b>		1,818,236	666,031	2,484,267	2,300,052	686,818	2,986,870
<b>IX. FACTORING PAYABLES</b>	5.2.5	-	-	-	-	-	-
<b>X. LEASE PAYABLES (Net)</b>	5.2.6	-	-	-	-	61	61
10.1 Financial lease payables		-	-	-	-	486	486
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred expenses (-)		-	-	-	-	425	425
<b>XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT</b>	5.2.7	99,572	179,811	279,383	-	39,105	39,105
11.1 Fair value hedges		99,572	111,931	211,503	-	39,105	39,105
11.2 Cash flow hedges		-	67,880	67,880	-	-	-
11.3 Net foreign investment hedges		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	5.2.8	3,896,834	120,827	4,017,661	3,231,292	118,458	3,349,750
12.1 General provisions		2,395,297	62,255	2,457,552	1,962,713	75,124	2,037,837
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		519,406	28,852	548,258	399,879	12,462	412,341
12.4 Insurance technical provisions (Net)		239,160	-	239,160	239,423	-	239,423
12.5 Other provisions		742,971	29,720	772,691	629,277	30,872	660,149
<b>XIII. TAX LIABILITY</b>	5.2.9	670,717	36,446	707,163	342,752	24,718	367,470
13.1 Current tax liability		670,717	36,446	707,163	342,752	24,045	366,797
13.2 Deferred tax liability		-	-	-	-	673	673
<b>XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	5.2.10	-	-	-	-	-	-
14.1 Asset held for sale		-	-	-	-	-	-
14.2 Assets of discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED DEBTS</b>	5.2.11	-	140,766	140,766	-	147,491	147,491
<b>XVI. SHAREHOLDERS' EQUITY</b>	5.2.12	26,494,916	132,153	26,627,069	22,886,187	129,982	23,016,169
16.1 Paid-in capital		4,200,000	-	4,200,000	4,200,000	-	4,200,000
16.2 Capital reserves		790,604	(11,063)	779,541	236,652	(310)	236,342
16.2.1 Share premium		11,880	-	11,880	11,880	-	11,880
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Securities value increase fund		82,677	6,104	88,781	(485,313)	(9,118)	(494,431)
16.2.4 Revaluation surplus on tangible assets		175,034	-	175,034	174,304	-	174,304
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		947	-	947	947	-	947
16.2.8 Hedging reserves (effective portion)		(199,440)	(17,167)	(216,607)	(236,158)	8,808	(227,350)
16.2.9 Revaluation surplus on assets held for sale and assets of discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		719,506	-	719,506	770,992	-	770,992
16.3 Profit reserves		17,657,509	143,216	17,800,725	14,972,283	130,292	15,102,575
16.3.1 Legal reserves		1,157,675	22,279	1,179,954	1,132,330	20,824	1,153,154
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		16,151,525	1,638	16,153,163	13,315,508	-	13,315,508
16.3.4 Other profit reserves		348,309	119,299	467,608	524,445	109,468	633,913
16.4 Profit or loss		3,653,070	-	3,653,070	3,314,434	-	3,314,434
16.4.1 Prior periods profit/loss		-	-	-	-	-	-
16.4.2 Current period net profit/loss		3,653,070	-	3,653,070	3,314,434	-	3,314,434
16.5 Minority interest		193,733	-	193,733	162,818	-	162,818
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>123,664,724</b>	<b>123,386,367</b>	<b>247,051,091</b>	<b>121,129,049</b>	<b>100,353,237</b>	<b>221,482,286</b>

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

# TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

CONSOLIDATED OFF-BALANCE SHEET ITEMS

AT 31 DECEMBER 2014

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

		THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD 31 DECEMBER 2014			PRIOR PERIOD 31 DECEMBER 2013		
OFF-BALANCE SHEET ITEMS	FOOTNOTES	TL	FC	TOTAL	TL	FC	TOTAL
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>124,389,720</b>	<b>179,316,627</b>	<b>303,706,347</b>	<b>106,001,199</b>	<b>164,304,183</b>	<b>270,305,382</b>
<b>I. GUARANTEES AND SURETIES</b>	<b>5.3.1</b>	<b>12,149,325</b>	<b>25,579,872</b>	<b>37,729,197</b>	<b>9,959,793</b>	<b>24,220,283</b>	<b>34,180,076</b>
1.1 Letters of guarantee		12,138,798	15,379,775	27,518,573	9,952,371	13,925,359	23,877,730
1.1.1 Guarantees subject to State Tender Law		-	883,228	883,228	-	845,257	845,257
1.1.2 Guarantees given for foreign trade operations		1,467,460	487,126	1,954,586	1,134,793	334,609	1,469,402
1.1.3 Other letters of guarantee		10,671,338	14,009,421	24,680,759	8,817,578	12,745,493	21,563,071
1.2 Bank acceptances		9,600	806,287	815,887	6,898	631,191	638,089
1.2.1 Import letter of acceptance		9,600	806,287	815,887	6,898	631,191	638,089
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		927	9,307,108	9,308,035	524	9,583,809	9,584,333
1.3.1 Documentary letters of credit		-	-	-	-	-	-
1.3.2 Other letters of credit		927	9,307,108	9,308,035	524	9,583,809	9,584,333
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		-	86,702	86,702	-	79,924	79,924
1.9 Other sureties		-	-	-	-	-	-
<b>II. COMMITMENTS</b>		<b>37,592,345</b>	<b>10,396,512</b>	<b>47,988,857</b>	<b>34,726,851</b>	<b>14,570,721</b>	<b>49,297,572</b>
2.1 Irrevocable commitments		37,484,500	10,293,302	47,777,802	34,656,889	14,484,130	49,141,019
2.1.1 Asset purchase and sale commitments		1,584,514	3,862,326	5,446,840	2,760,872	5,713,419	8,474,291
2.1.2 Deposit purchase and sale commitments		-	-	-	-	25,822	25,822
2.1.3 Share capital commitments to associates and subsidiaries		-	6,059	6,059	-	7,806	7,806
2.1.4 Loan granting commitments		6,093,560	5,201,258	11,294,818	5,488,327	7,692,268	13,180,595
2.1.5 Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheque payments		2,874,791	-	2,874,791	2,658,736	-	2,658,736
2.1.8 Tax and fund obligations on export commitments		15,861	-	15,861	15,211	-	15,211
2.1.9 Commitments for credit card limits		25,642,813	156,788	25,799,601	22,259,533	123,270	22,382,803
2.1.10 Commitments for credit cards and banking services related promotions		8,751	-	8,751	-	-	-
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		1,264,210	1,066,871	2,331,081	1,474,210	921,545	2,395,755
2.2 Revocable commitments		107,845	103,210	211,055	69,962	86,591	156,553
2.2.1 Revocable loan granting commitments		42,009	-	42,009	25,504	2,447	27,951
2.2.2 Other revocable commitments		65,836	103,210	169,046	44,458	84,144	128,602
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>5.3.2</b>	<b>74,648,050</b>	<b>143,340,243</b>	<b>217,988,293</b>	<b>61,314,555</b>	<b>125,513,179</b>	<b>186,827,734</b>
3.1 Derivative financial instruments held for risk management		8,124,272	9,306,282	17,430,554	5,536,346	1,632,486	7,168,832
3.1.1 Fair value hedges		4,034,049	4,802,991	8,837,040	2,928,361	996,486	3,924,847
3.1.2 Cash flow hedges		4,090,223	4,503,291	8,593,514	2,607,985	636,000	3,243,985
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Trading derivatives		66,523,778	134,033,961	200,557,739	55,778,209	123,880,693	179,658,902
3.2.1 Forward foreign currency purchases/sales		10,086,437	12,426,784	22,513,221	8,681,586	10,547,606	19,229,192
3.2.1.1 Forward foreign currency purchases		4,430,102	6,884,095	11,314,197	2,946,679	6,695,948	9,642,627
3.2.1.2 Forward foreign currency sales		5,656,335	5,542,689	11,199,024	5,734,907	3,851,658	9,586,565
3.2.2 Currency and interest rate swaps		34,360,421	83,087,805	117,448,226	24,588,644	71,140,308	95,728,952
3.2.2.1 Currency swaps-purchases		10,210,965	37,447,942	47,658,907	13,139,524	25,155,421	38,294,945
3.2.2.2 Currency swaps-sales		19,879,952	25,536,137	45,416,089	8,051,552	26,315,403	34,366,955
3.2.2.3 Interest rate swaps-purchases		2,134,752	10,051,863	12,186,615	1,698,784	9,834,742	11,533,526
3.2.2.4 Interest rate swaps-sales		2,134,752	10,051,863	12,186,615	1,698,784	9,834,742	11,533,526
3.2.3 Currency, interest rate and security options		22,051,233	29,737,878	51,789,111	22,361,048	35,441,812	57,802,860
3.2.3.1 Currency call options		9,817,573	13,833,684	23,651,259	11,061,233	16,118,387	27,179,620
3.2.3.2 Currency put options		12,227,334	12,568,861	24,796,195	11,268,589	17,441,706	28,710,295
3.2.3.3 Interest rate call options		-	3,317,397	3,317,397	-	1,879,221	1,879,221
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Security call options		3,384	8,968	12,352	29,776	1,249	31,025
3.2.3.6 Security put options		2,940	8,968	11,908	1,450	1,249	2,699
3.2.4 Currency futures		19,583	19,928	39,511	110,122	182,913	293,035
3.2.4.1 Currency futures-purchases		-	19,099	19,099	-	182,913	182,913
3.2.4.2 Currency futures-sales		19,583	829	20,412	110,122	-	110,122
3.2.5 Interest rate futures		-	92,200	92,200	-	-	-
3.2.5.1 Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sales		-	92,200	92,200	-	-	-
3.2.6 Others		6,104	8,669,366	8,675,470	36,809	6,568,054	6,604,863
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>506,774,603</b>	<b>374,807,156</b>	<b>881,581,759</b>	<b>479,525,342</b>	<b>331,728,028</b>	<b>811,253,370</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>42,007,900</b>	<b>24,449,530</b>	<b>66,457,430</b>	<b>38,639,963</b>	<b>22,263,030</b>	<b>60,902,993</b>
4.1 Customers' securities held		8,268,224	-	8,268,224	7,870,431	6,805	7,877,236
4.2 Investment securities held in custody		21,117,192	6,385,801	27,502,993	20,613,851	4,917,858	25,531,709
4.3 Checks received for collection		10,523,739	2,096,471	12,620,210	8,350,606	1,783,003	10,133,609
4.4 Commercial notes received for collection		1,974,573	895,388	2,869,961	1,728,469	823,208	2,551,677
4.5 Other assets received for collection		67,738	13,485,525	13,553,263	40,495	12,637,870	12,678,365
4.6 Assets received through public offering		-	56,584	56,584	-	52,622	52,622
4.7 Other items under custody		56,434	1,529,761	1,586,195	36,111	2,041,664	2,077,775
4.8 Custodians		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		<b>464,766,703</b>	<b>350,357,626</b>	<b>815,124,329</b>	<b>440,885,379</b>	<b>309,464,998</b>	<b>750,350,377</b>
5.1 Securities		3,621,592	14,069	3,635,661	1,621,409	12,045	1,633,454
5.2 Guarantee notes		41,904,628	12,401,652	54,306,280	42,781,340	12,108,353	54,889,693
5.3 Commodities		2,234	-	2,234	6,531	-	6,531
5.4 Warranties		-	771,718	771,718	-	1,293,355	1,293,355
5.5 Real estates		94,933,475	69,794,029	164,727,504	79,754,153	68,167,820	147,921,973
5.6 Other pledged items		324,304,604	267,375,657	591,680,261	316,721,776	227,882,959	544,604,735
5.7 Pledged items-depository		170	501	671	170	466	636
<b>VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>		<b>631,164,323</b>	<b>554,123,783</b>	<b>1,185,288,106</b>	<b>585,526,541</b>	<b>496,032,211</b>	<b>1,081,558,752</b>

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

# TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

CONSOLIDATED INCOME STATEMENT

AT 31 DECEMBER 2014

(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 2014- 31 DECEMBER 2014	PRIOR PERIOD 1 JANUARY 2013- 31 DECEMBER 2013
<b>I. INTEREST INCOME</b>	5.4.1	16,518,449	13,912,537
1.1 Interest income on loans		11,807,301	9,649,769
1.2 Interest income on reserve deposits		3,656	2,892
1.3 Interest income on banks		202,074	196,226
1.4 Interest income on money market transactions		5,378	2,416
1.5 Interest income on securities portfolio		3,818,985	3,526,717
1.5.1 Trading financial assets		35,468	44,948
1.5.2 Financial assets valued at fair value through profit or loss		-	-
1.5.3 Financial assets available-for-sale		2,091,457	2,891,877
1.5.4 Investments held-to-maturity		1,692,060	589,892
1.6 Financial lease income		354,267	289,234
1.7 Other interest income		326,788	245,283
<b>II. INTEREST EXPENSE</b>	5.4.2	8,147,616	6,779,637
2.1 Interest on deposits		5,292,865	4,671,629
2.2 Interest on funds borrowed		1,228,320	1,027,382
2.3 Interest on money market transactions		767,805	571,228
2.4 Interest on securities issued		846,976	483,204
2.5 Other interest expenses		11,650	26,194
<b>III. NET INTEREST INCOME (I - II)</b>		8,370,833	7,132,900
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		2,989,885	2,664,906
4.1 Fees and commissions received		3,796,761	3,205,754
4.1.1 Non-cash loans		271,934	228,738
4.1.2 Others		3,524,827	2,977,016
4.2 Fees and commissions paid		806,876	540,848
4.2.1 Non-cash loans		1,391	2,069
4.2.2 Others		805,485	538,779
<b>V. DIVIDEND INCOME</b>	5.4.3	2,066	10,488
<b>VI. NET TRADING INCOME/LOSSES (Net)</b>	5.4.4	(74,044)	361,566
6.1 Trading account income/losses (Net)		5,714	291,639
6.2 Income/losses from derivative financial instruments (Net)		(1,106,098)	(216,335)
6.3 Foreign exchange gains/losses (Net)		1,026,340	286,262
<b>VII. OTHER OPERATING INCOME</b>	5.4.5	1,035,874	936,109
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		12,324,614	11,105,969
<b>IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>	5.4.6	2,185,140	1,939,372
<b>X. OTHER OPERATING EXPENSES (-)</b>	5.4.7	5,355,550	4,796,858
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		4,783,924	4,369,739
<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>	5.4.8	4,783,924	4,369,739
<b>XVI. PROVISION FOR TAXES (±)</b>	5.4.9	1,099,377	1,030,946
16.1 Current tax charge		1,449,083	660,000
16.2 Deferred tax charge/(credit)		(349,706)	370,946
<b>XVII. NET OPERATING PROFIT/LOSS AFTER TAXES (XV±XVI)</b>	5.4.10	3,684,547	3,338,793
<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>	5.4.8	-	-
<b>XXI. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>	5.4.9	-	-
21.1 Current tax charge		-	-
21.2 Deferred tax charge/(credit)		-	-
<b>XXII. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XX±XXI)</b>	5.4.10	-	-
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	5.4.11	3,684,547	3,338,793
23.1 Equity holders of the bank		3,653,070	3,314,434
23.2 Minority interest		31,477	24,359
<b>Earnings per Share</b>		<b>0.870</b>	<b>0.789</b>

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

# TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

CONSOLIDATED STATEMENT OF INCOME/EXPENSE ITEMS ACCOUNTED FOR UNDER SHAREHOLDERS' EQUITY

AT 31 DECEMBER 2014

(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	CURRENT PERIOD 1 JANUARY 2014 - 31 DECEMBER 2014	PRIOR PERIOD 1 JANUARY 2013 - 31 DECEMBER 2013
I. MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"	716,176	(1,975,775)
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	730	-
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	(203,184)	393,028
V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)	(55,876)	49,054
VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	55,444	(211,216)
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS	-	-
VIII. OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	(52,792)	(2,092)
IX. DEFERRED TAXES ON VALUE INCREASES/DECREASES	(108,960)	377,670
X. NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+III+IV+V+VI+VII+VIII+IX)	351,538	(1,369,331)
XI. CURRENT PERIOD PROFIT/LOSSES	3,684,547	3,338,793
1.1 Net changes in fair value of securities (transferred to income statement)	54,416	489,788
1.2 Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement	-	-
1.3 Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-	-
1.4 Others	3,630,131	2,849,005
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)	4,036,085	1,969,462

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

# TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

AT 31 DECEMBER 2014

THOUSANDS OF TURKISH LIRA (TL)

Footnotes	Pride-in Capital	Other Capital Reserves	Share Premium	Capital Reserves from Inflation Adjustments to Paid-in Capital	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Securities Value Increase Fund	Revaluation Surplus on Tangible and Intangible Assets	Bonus Shares of Equity Participations	Hedging Reserves	Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	Shareholders' Equity		
															Minority Interest	Total Shareholders' Equity	
<b>STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY</b>																	
<b>PRIOR PERIOD - 1 January-31 December 2013</b>																	
I.	Balances at beginning of the period	4,196,934	772,554	11,880	-	953,339	10,342,520	887,06	3,331,073	1,093,833	764,252	947	(55,377)	-	21,500,661	140,524	21,641,185
II.	Correction made as per TAS 8	-	-	-	-	-	(131,090)	131,090	-	-	-	-	-	-	-	-	-
2.1	Effect of corrections	-	-	-	-	-	(131,090)	131,090	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted balances at beginning of the period (I+II)	4,196,934	772,554	11,880	-	953,339	10,211,430	212,796	3,331,073	1,093,833	764,252	947	(55,377)	-	21,500,661	140,524	21,641,185
<b>Changes during the period</b>																	
5.5																	
IV.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Market value changes of securities	-	-	-	-	-	-	211,216	(1,588,264)	-	-	-	(71,973)	-	(1,588,264)	(90)	(1,588,294)
VI.	Hedging reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	211,216	-	-	-	-	(211,216)	-	-	-	-
VII.	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Translation differences	-	-	-	-	3,852	-	177,960	-	-	-	-	-	-	181,812	-	181,812
XI.	Changes resulted from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes resulted from reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effect of change in equities of associates on bank's equity	-	-	-	-	30	402	-	-	-	-	-	-	-	432	(1,007)	(575)
XIV.	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1.	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2.	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Others	3,066	-	-	-	-	-	(1,562)	-	-	-	-	-	-	1,504	45	1,549
XIX.	Current period net profit/loss	-	-	-	-	-	-	3,314,434	-	-	-	-	-	-	3,314,434	24,359	3,338,793
XX.	Profit distribution	-	-	-	-	195,933	3,103,676	24,941	(3,331,073)	-	(589,948)	-	-	-	(596,471)	(1,073)	(597,544)
20.1.	Dividends	-	-	-	-	-	-	-	(596,471)	-	-	-	-	-	(596,471)	-	(596,471)
20.2.	Transfers to reserves	-	-	-	-	195,933	3,103,676	-	(2,709,661)	-	(589,948)	-	-	-	-	-	-
20.3.	Others	-	-	-	-	-	-	24,941	(24,941)	-	-	-	-	-	-	-	-
<b>Balances at end of the period (I+II+III+...+XVII+XVIII+XX)</b>																	
		4,200,000	772,554	11,880	-	1,153,154	13,315,508	632,351	3,314,434	(494,431)	174,304	947	(227,350)	-	22,853,351	162,818	23,016,169
<b>CURRENT PERIOD - 1 January-31 December 2014</b>																	
I.	Balances at beginning of the period	4,200,000	772,554	11,880	-	1,153,154	13,315,508	632,351	3,314,434	(494,431)	174,304	947	(227,350)	-	22,853,351	162,818	23,016,169
<b>Changes during the period</b>																	
5.5																	
II.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Market value changes of securities	-	-	-	-	-	-	-	-	953,212	-	-	-	-	953,212	26	953,238
IV.	Hedging reserves	-	-	-	-	-	-	(55,444)	-	-	-	-	10,743	-	(44,701)	-	(44,701)
4.1.	Cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	(44,701)	-	(44,701)	-	(44,701)
4.2.	Hedge of net investment in foreign operations	-	-	-	-	-	-	(55,444)	-	-	-	-	55,444	-	-	-	-
V.	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	730	-	-	-	730	-	730
VI.	Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Translation differences	-	-	-	-	(2,752)	(8)	(144,907)	-	-	-	-	-	-	(147,740)	-	(147,740)
IX.	Changes resulted from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes resulted from reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of change in equities of associates on bank's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1.	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2.	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share issuance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Others	-	-	-	-	-	11,900	(51,486)	-	-	-	-	-	-	(39,586)	(403)	(39,989)
XVII.	Current period net profit/loss	-	-	-	-	-	-	3,653,070	-	-	-	-	-	-	3,653,070	31,477	3,684,547
XVIII.	Profit distribution	-	-	-	-	29,952	2,825,836	34,046	(3,314,434)	-	-	-	-	-	(425,000)	(85)	(425,185)
18.1.	Dividends	-	-	-	-	-	-	-	(425,000)	-	-	-	-	-	(425,000)	-	(425,000)
18.2.	Transfers to reserves	-	-	-	-	29,952	2,825,836	-	(2,855,388)	-	-	-	-	-	-	-	-
18.3.	Others	-	-	-	-	-	-	34,046	(34,046)	-	-	-	-	-	-	-	-
<b>Balances at end of the period (I+II+III+...+XVI+XVII+XVIII)</b>																	
		4,200,000	772,554	11,880	-	1,179,954	16,153,163	414,560	3,653,070	88,781	175,094	947	(216,607)	-	26,433,336	193,733	26,627,069

# TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS

AT 31 DECEMBER 2014

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

	FOOTNOTES	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD 1 JANUARY 2014 31 DECEMBER 2014	PRIOR PERIOD 1 JANUARY 2013 31 DECEMBER 2013
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>	<b>5.6</b>	<b>5.751.690</b>	<b>5.189.820</b>
1.1.1 Interests received		15.609.682	14.462.443
1.1.2 Interests paid		(7.664.660)	(6.701.832)
1.1.3 Dividend received		2.066	5.178
1.1.4 Fees and commissions received		3.796.761	3.205.754
1.1.5 Other income		719.982	1.090.204
1.1.6 Collections from previously written-off loans and other receivables		110.429	42.670
1.1.7 Payments to personnel and service suppliers		(4.481.281)	(4.011.201)
1.1.8 Taxes paid		(1.314.614)	(1.061.732)
1.1.9 Others		(1.026.675)	(1.841.664)
<b>1.2 Changes in operating assets and liabilities</b>	<b>5.6</b>	<b>(3.839.373)</b>	<b>(5.014.508)</b>
1.2.1 Net (increase) decrease in financial assets held for trading		27.153	31.310
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		(984.630)	(6.672.787)
1.2.4 Net (increase) decrease in loans		(16.411.843)	(29.438.476)
1.2.5 Net (increase) decrease in other assets		(2.470.074)	(3.236.064)
1.2.6 Net increase (decrease) in bank deposits		372.881	1.145.086
1.2.7 Net increase (decrease) in other deposits		13.766.556	20.161.826
1.2.8 Net increase (decrease) in funds borrowed		(523.626)	10.233.232
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		2.384.210	2.761.365
<b>I. Net cash flow from banking operations</b>	<b>5.6</b>	<b>1.912.317</b>	<b>175.312</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash flow from investing activities</b>	<b>5.6</b>	<b>(4.347.134)</b>	<b>(2.193.072)</b>
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		(150)	(10.540)
2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures		-	-
2.3 Purchases of tangible assets		(401.097)	(502.519)
2.4 Sales of tangible assets		97.596	98.924
2.5 Cash paid for purchase of financial assets available-for-sale, net		(16.575.537)	(20.260.148)
2.6 Cash obtained from sale of financial assets available-for-sale, net		17.443.736	21.477.789
2.7 Cash paid for purchase of investments held-to-maturity		(6.563.021)	(3.493.404)
2.8 Cash obtained from sale of investments held-to-maturity		1.651.339	496.826
2.9 Others		-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash flow from financing activities</b>		<b>3.149.692</b>	<b>4.069.424</b>
3.1 Cash obtained from funds borrowed and securities issued		12.431.655	11.296.507
3.2 Cash used for repayment of funds borrowed and securities issued		(8.856.710)	(6.628.211)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		(425.185)	(597.544)
3.5 Payments for financial leases		(68)	(1.328)
3.6 Others		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>500.784</b>	<b>905.527</b>
<b>V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)</b>	<b>5.6</b>	<b>1.215.659</b>	<b>2.957.191</b>
<b>VI. Cash and cash equivalents at beginning of period</b>	<b>5.6</b>	<b>8.784.102</b>	<b>5.826.911</b>
<b>VII. Cash and cash equivalents at end of period (V+VI)</b>	<b>5.6</b>	<b>9.999.761</b>	<b>8.784.102</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

As per the Articles 37 and 38 of "Accounting and Recording Rules" of the Turkish Banking Law no. 5411 published on the Official Gazette no.25983 dated 1 November 2005 and became effective, the Bank keeps its accounting records and prepares its consolidated financial statements and the related footnotes in accordance with accounting and valuation standards described in "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published by the Banking Regulation and Supervision Agency (BRSA) and in effect since 1 November 2006, Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS) and the related statements and guidances.

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 available for sale, investments in associates and subsidiaries that are quoted on the stock exchanges which are presented on a fair value basis.

The accounting policies and the valuation principles applied in the preparation of the accompanying consolidated financial statements are explained in Notes 3.2 to 3.24.

As per the Decree Law no. 660 published in the Official Gazette and become effective on 2 November 2011, the Additional Clause 1 of the Law no. 2499 was abolished and the Public Oversight, Accounting and Auditing Standards Authority ("POA") was established. The financial statements are prepared based on the TAS/TFRS and the related statements and guidances announced by the POA.

### 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 affiliates 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 affiliates 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 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 income statement. At the inception of the hedge and during the subsequent periods, the hedge is expected to achieve the offsetting of changes in fair value attributable to the hedged risk for which the hedge is designated, and accordingly, the hedge effectiveness tests are performed.

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 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 affiliates, and the differences are recorded as foreign exchange gain or loss in the income statement.

During the consolidation of foreign affiliates, 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 under other profit reserves of the shareholders' equity.

The foreign currency risk arising from net investments in foreign affiliates are hedged with long-term foreign currency borrowings and the currency translation differences arising from the conversion of net investments in foreign affiliates and long-term foreign currency borrowings into TL are accounted for other profit reserves and hedging reserves, respectively in equity.

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## 3.3 INFORMATION ON CONSOLIDATED SUBSIDIARIES

As of 31 December 2014, Türkiye Garanti Bankası Anonim Şirketi and the following financial affiliates are consolidated in the accompanying consolidated financial statements; Garanti Bank International (GBI), Garanti Bank Moscow (Garanti Moscow), 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 Hizmetleri AŞ (Garanti Faktoring) and Garanti Holding BV (Garanti Holding).

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

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

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

Garanti Yatırım was established in 1991 to perform brokerage activities for marketable securities, valuable papers and documents representing financial values or financial commitments of issuing parties other than securities. The company's head office is in Istanbul. It is wholly owned by the Bank. Garanti Yatırım Ortaklığı AŞ that Garanti Yatırım participated by 3.24%, 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 Moscow was established in 1996 to perform banking activities abroad. This bank's head office is in Moscow. The Bank owns 99.94% of its shares.

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 special purpose entities established for the parent Bank's securitization transactions, and consolidated in the accompanying consolidated financial statements. The Bank or any of its affiliates does not have any shareholding interests in these companies.

The Bank and its financial affiliates do not consider the bonus shares received through capital increases of their affiliates from their own equities as income in accordance with IAS 18, as such capital increases do not create any differences in the financial position or economic interest of the Bank or its financial affiliates and it is not certain that there is an economic benefit associated with such transactions that will flow to the Bank or its financial affiliates.

## 3.4 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".

### 3.4.1 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 contacts. There are no embedded derivatives.

Derivatives are initially recorded in off-balance sheet accounts at their purchase costs including the transaction costs. Subsequently, derivative transactions are valued at their fair values and 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.

### 3.4.2 DERIVATIVE FINANCIAL INSTRUMENTS HELD FOR RISK MANAGEMENT

The Bank and its consolidated financial affiliates enter into interest rate and cross currency swap transactions in order to hedge the changes in fair values of fixed-rate financial instruments. While applying fair value hedge accounting, the changes in fair values of hedging instrument and hedged item are recognised in income statement. 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 affiliates 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,

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the cumulative fair value changes in carrying value of the hedged item arising from the hedged risk are amortised to income statement over the life of the hedged item from that date of the hedge accounting is discontinued. While discontinuing cash flow hedge accounting, 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 are recognised in income statement, the gain/losses accounted for under shareholders' equity are recognised in income statement.

## 3.5 INTEREST INCOME AND EXPENSES

### General

Interest income and expenses are 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.

## 3.6 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.

## 3.7 FINANCIAL ASSETS

### 3.7.1 FINANCIAL ASSETS 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.

### 3.7.2 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 that the Bank and its financial affiliates have the intent and ability to hold until maturity, excluding originated loans and receivables.

There are no financial assets that are not allowed to be classified as investments held-to-maturity for two years due to the tainting rules applied for the breach of classification rules.

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

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

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

The real coupon rates for government bonds indexed to consumer price index are fixed throughout maturities. As per the statements made by the Turkish Treasury on the dates of issuance, such securities are valued taking into account the difference between the reference index at the issue date and the reference index at the balance sheet date to reflect the effects of inflation.

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

*Loans and receivables* are financial assets raised 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.

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## 3.8 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.2633 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 relased in the current year are recorded under "other operating income."

## 3.9 NETTING AND DERECOGNITION OF FINANCIAL INSTRUMENTS

### 3.9.1 NETTING OF FINANCIAL INSTRUMENTS

In cases where the fair values of trading securities, securities available-for-sale, securities quoted at the stock exchanges, associates and subsidiaries are less then their carrying values, a provision for impairment is allocated, and the net value is shown on the balance sheet.

Specific allowances for non-performing loan and other receivables are provided in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables. Such allowances are deducted from loans under follow-up on the asset side.

Otherwise, the financial assets and liabilities are netted off only when there is a legal right to do so.

### 3.9.2 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.

## 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 for Banks. 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. 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.

## 3.11 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED BORROWINGS

A tangible asset (or a disposal group) classified as "asset held for sale" is measured at lower of carrying value or fair value less costs to sell. An asset (or a disposal group) is regarded as "asset held for sale" only when the sale is highly probable and the asset (disposal group) 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 marketed at a price consistent with its fair value.

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 the income statement. The Bank or its financial affiliates 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 the 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 historical costs. The intangible assets are amortised by the Bank 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

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investee company as adjusted according to the required accounting principles.

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

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

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

### 3.13 TANGIBLE ASSETS

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

Tangible assets are recorded at cost in accordance with the Turkish Accounting Standard 16 (TAS 16) "Tangible Assets".

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.

There are no changes in the accounting estimates that are expected to have an impact in the current or subsequent periods.

Depreciation rates and estimated useful lives of tangible assets are:

TANGIBLE ASSETS	ESTIMATED USEFUL LIVES (YEARS)	DEPRECIATION RATES (%) FROM 1 JANUARY 2009	DEPRECIATION RATES (%) FROM 1 JANUARY 2005	DEPRECIATION RATES (%) BEFORE 1 JANUARY 2005
Buildings	50	2	4	2
Vaults	50	2	4	2
Motor Vehicles	5-7	15-20	30-40	15-20
Other Tangible Assets	4-20	5-25	10-50	5-25

In prior periods, the tangible assets are depreciated over their estimated useful lives based on their inflation adjusted costs on a straight-line basis. The tangible assets purchased since 1 January 2005 are depreciated based on the declining balance method which is one of the accelerated depreciation methods. The straight-line depreciation method is in use for the tangible assets purchased since 1 January 2009.

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.

#### 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 and carried at cost less accumulated depreciation under the cost method. Depreciation is provided on investment properties (except land) on a straight-line basis.

Investment properties are reviewed for possible impairment losses. Where the carrying value of an investment property is greater than the estimated recoverable value, it is written down to its recoverable value. The recoverable value of an investment property is higher of discounted net future cash flows from the use of the related investment property or net sale price.

### 3.14 LEASING ACTIVITIES

Leased assets are recognized by recording an asset or a liability. In the determination of the related asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are expanded in lease periods at a fixed interest rate.

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.

In operating leases, the rent payments are charged to the statement of operations in equal installments.

### 3.15 PROVISIONS AND CONTINGENT LIABILITIES

In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as of the balance sheet date and, if material, such expenses are discounted for their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Bank to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the financial statements.

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## 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 affiliates. 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 period in which the change occurs.

## 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 affiliates 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 2014	31 DECEMBER 2013
Net Effective Discount Rate	2.36%	2.69-3.28%
Discount Rate	8.60%	9.21-9.64%
Expected Rate of Salary Increase	7.60%	6.18-7.73%
Inflation Rate	6.10%	6.16-6.47%

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

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

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

### Retirement benefit obligations

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

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

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

	31 DECEMBER 2014	
	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, the banks and the funds, by using a technical discount rate of 9.80% taking into account the funds' income and expenses as per insurance classes and the transferable contributions and payments of the funds including any salary and income differences paid by the funds above the limits of SSF for such payments. The transfers are to take place within the three-year period starting from 1 January 2008. Subsequently, the transfer of the contributors and the persons receiving monthly or regular income and their right-holders from such funds established for employees of the banks, insurance and reinsurance companies, trade chambers, stock markets and unions that are part of these organizations subject to the provisional article 20 of the Social Security Law no.506 to the SSF, has been postponed for two years. The decision was made by the Council of Ministers on 14 March 2011 and published in the Official Gazette no. 27900 dated 9 April 2011 as per the decision of the Council of Ministers no. 2011/1559, and as per the letter no. 150 of the Ministry of Labor and Social Security dated 24 February 2011 and according to the provisional article 20 of the Social Security and Public Health Insurance Law no.5510.

On 19 June 2008, Cumhuriyet Halk Partisi ("CHP") had applied to the Constitutional Court for the cancellation of various articles of the Law including the first paragraph of the provisional Article 20. At the meeting of the Constitutional Court on 30 March 2011, it was decided that the article 73 and the first paragraph of the

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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.

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 affiliates do not have retirement benefit plans for their employees. The retirement related benefits of the employees of the consolidated affiliates 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 TAXATION

### 3.18.1 CORPORATE TAX

In Turkey, effective from 1 January 2006, statutory income is subject to corporate tax at 20%. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

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

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

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

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing 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.

#### *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 prepaid taxes are paid in April, August and December of the related years. The prepayments can be deducted from the annual corporate tax calculated for the whole year earnings. The excess part of the corporate tax that is not covered by such prepayments is paid to the tax office in September.

##### **LUXEMBOURG**

The corporate earnings are subject to a 21% corporate tax. This rate is determined by modifying accounting income for certain exclusions and allowances for tax purposes. An additional 7% of the calculated corporate income tax is paid as a contribution to unemployment insurance fund. 3% of the taxable income is paid as municipality tax in addition to corporate tax. The municipalities have the right to increase this rate up to 200%-350%. The municipality commerce tax, which the Bank's Luxembourg branch subject to currently is applied as 7.50% of the taxable income. The tax returns do not include any tax amounts to be paid. The tax calculation is done by the tax office and the amount to be paid is declared to corporate through an official letter called Note. The amounts and the payment dates of prepaid taxes are determined and declared by the tax office at the beginning of the taxation period. The corporations whose head offices are outside Luxembourg, are allowed to transfer the rest of their net income after tax following the allocation of 5% of it for legal reserves, to their head offices.

#### *Tax applications for foreign financial affiliates*

##### **THE NETHERLANDS**

In the Netherlands, corporate income tax is levied at the rate of 20% for tax profits up to EUR 200,000 and 25% for the excess part over this amount on the worldwide income of resident companies, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the related year. A unilateral decree for the avoidance of double taxation provides relief for resident companies from Dutch tax on income, such as foreign business profits derived

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through a permanent establishment abroad, if no tax treaty applies. In general, there is an additional dividend tax of 5% computed only on the amounts of dividend distribution at the time of such payments. Under the Dutch taxation system, tax losses can be carried forward to offset against future taxable income for nine years. Tax losses can be carried back to the prior year. Companies must file their tax returns within nine months following the end of the tax year to which they relate, unless the company applies for an extension (normally an additional nine months). Tax returns are open for five years from the date of final assessment of the tax return during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. The corporate income tax for the Germany branch is 30%.

## RUSSIA

The applicable corporate tax rate in Russia is 20% (2% federal and 18% regional). The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open for a longer period.

## 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.

### 3.18.2 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 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 affiliates 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.

### 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.

### 3.18.4 INVESTMENT ALLOWANCE

The Temporary Article 69 added to the Income Tax Law no.193 with the Law no.5479, which became effective starting from 1 January 2006, upon being promulgated in the Official Gazette no.26133 dated 8 April 2006, stating that taxpayers can deduct the amount of the investment allowance exemption which they are entitled to according to legislative provisions effective at 31 December 2005 (including rulings on the tax rate) only from the taxable income of 2006, 2007 and 2008. Accordingly, the investment incentive allowance practice was ended as of 1 January 2006. At this perspective, an investment allowance which cannot be deducted partially or fully in three years time was not allowed to be carried forward to the following years and became unavailable as of 31 December 2008. On the other side, the Article 19 of the Income Tax Law was annulled and the investment allowance practice was ended as of 1 January 2006 with effectiveness of the Article 2 and the Article 15 of the Law no.5479 and the investment allowance rights on the investment expenditures incurred during the period of 1 January 2006 and 8 April 2006 became unavailable.

However, at 15 October 2009, the Turkish Constitutional Court decided to cancel the clause no.2 of the Article 15 of the Law no.5479 and the expressions of "2006, 2007, 2008" in the Temporary Article 69 related to investment allowance mentioned above that enables effectiveness of the Law as of 1 January 2006 rather than 8 April 2006, since it is against the Constitution. Accordingly, the time limitations for the carried forward investment allowances that were entitled to in the previous period of mentioned date and the limitations related with the investments expenditures incurred between the issuance date of the Law promulgated and 1 January 2006 were eliminated. According to the decision of Turkish Constitutional Court, cancellation related with the investment allowance became effective with promulgation of the decision on the Official Gazette and the decision of the Turkish Constitutional Court was promulgated in the Official Gazette no.27456 dated 8 January 2010.

The expression of "only for the years 2006, 2007 and 2008" in the temporary article no.69 of the Income Tax Law no.193 that was cancelled by the decision no.2009/144 of the Turkish Constitutional Court published in the Official Gazette dated 8 January 2010 is revised by the Article 5 of the Law no.6009 effective with the promulgation on the Official Gazette no.27659 dated 1 August 2010. As per the new regulation, the investment allowances that cannot be benefited and transferred to future periods due to insufficient income level of the relevant year, can be used without any year limitation, however the investment allowance amount to be considered in the determination of taxable income, will not exceed 25% of the income of the relevant year. In addition to this, it is also agreed that the corporate tax rate for the companies to benefit from investment allowance will be the current applicable tax rate (20%) instead of 30%. However, the statement of "However the investment allowance amount to be considered in the determination of taxable income, will not exceed 25% of the relevant income" in the temporary article no.69 of

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the Law no.6009 has been cancelled on 18 February 2012 by the decision of the Constitutional Court, as this statement is decided to be against the Constitution, dated 9 February 2012, E:2010/93, K:2012/9 (decision for abolishing) as announced in the Official Gazette no.28208.

According to the decision mentioned above, the investment allowances carried forward to the year 2006 due to the lack of taxable income and the investment allowances earned through the investments started before 1 January 2006 and continued after that date constituting economic and technical integrity will be used not only in 2006, 2007 and 2008, but also in the following years. In addition, 40% of investment expenditures that are realized between 1 January 2006 and 8 April 2006, within the context of the Article 19 of the Income Tax Law will have the right for investment allowance exemption.

### 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 and such application results in measurement or accounting inconsistencies due to having the relevant financial instruments valued using different methods or the related gains or losses are recorded differently, such fundings are valued and recorded at their fair values as per TAS 39 in order to minimise or prevent such inconsistencies.

### 3.20 SHARES AND SHARE ISSUANCES

None.

### 3.21 CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES

Confirmed bills of exchange and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment, if any.

### 3.22 GOVERNMENT INCENTIVES

As of 31 December 2014, the Bank or its financial affiliates do not have any government incentives or grants.

### 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 under the brand name of Visa and Mastercard, virtual cards and also American Express credit cards and "Paracard" debit cards with Maestro, Electron, Visa and Mastercard brand names, are available.

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

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

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

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

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

CURRENT PERIOD	RETAIL BANKING	CORPORATE BANKING	INVESTMENT BANKING	OTHER	TOTAL OPERATIONS
Total Operating Profit	3,867,463	4,035,498	1,557,509	2,862,078	12,322,548
Other	-	-	-	-	-
<b>Total Operating Profit</b>	<b>3,867,463</b>	<b>4,035,498</b>	<b>1,557,509</b>	<b>2,862,078</b>	<b>12,322,548</b>
Net Operating Profit	366,142	2,028,080	981,835	1,405,801	4,781,858
Income from Associates and Subsidiaries	-	-	-	2,066	2,066
<b>Net Operating Profit</b>	<b>366,142</b>	<b>2,028,080</b>	<b>981,835</b>	<b>1,407,867</b>	<b>4,783,924</b>
Provision for Taxes	-	-	-	1,099,377	1,099,377
<b>Net Profit</b>	<b>366,142</b>	<b>2,028,080</b>	<b>981,835</b>	<b>308,490</b>	<b>3,684,547</b>
Segment Assets	48,782,409	95,669,419	73,992,308	28,454,611	246,898,747
Investments in Associates and Subsidiaries	-	-	-	152,344	152,344
<b>Total Assets</b>	<b>48,782,409</b>	<b>95,669,419</b>	<b>73,992,308</b>	<b>28,606,955</b>	<b>247,051,091</b>
Segment Liabilities	83,063,109	50,345,874	64,438,463	22,576,576	220,424,022
Shareholders' Equity	-	-	-	26,627,069	26,627,069
<b>Total Liabilities and Shareholders' Equity</b>	<b>83,063,109</b>	<b>50,345,874</b>	<b>64,438,463</b>	<b>49,203,645</b>	<b>247,051,091</b>
<b>Other Segment Items</b>					
Capital Expenditures	-	-	-	562,708	562,708
Depreciation Expenses	137,550	70,795	6,392	48,890	263,627
Impairment Losses	1,043,940	633,272	32,771	481,356	2,191,339
Other Non-Cash Income/Expenses	(72,234)	93,321	853,534	(826,338)	48,283
Restructuring Costs	-	-	-	-	-
<b>PRIOR PERIOD</b>					
Total Operating Profit	3,988,152	3,394,211	2,372,456	1,340,662	11,095,481
Other	-	-	-	-	-
<b>Total Operating Profit</b>	<b>3,988,152</b>	<b>3,394,211</b>	<b>2,372,456</b>	<b>1,340,662</b>	<b>11,095,481</b>
Net Operating Profit	737,626	1,833,011	2,202,046	(413,432)	4,359,251
Income from Associates and Subsidiaries	-	-	-	10,488	10,488
<b>Net Operating Profit</b>	<b>737,626</b>	<b>1,833,011</b>	<b>2,202,046</b>	<b>(402,944)</b>	<b>4,369,739</b>
Provision for Taxes	-	-	-	1,030,946	1,030,946
<b>Net Profit</b>	<b>737,626</b>	<b>1,833,011</b>	<b>2,202,046</b>	<b>(1,433,890)</b>	<b>3,338,793</b>
Segment Assets	44,617,958	85,076,353	68,174,864	23,460,531	221,329,706
Investments in Associates and Subsidiaries	-	-	-	152,580	152,580
<b>Total Assets</b>	<b>44,617,958</b>	<b>85,076,353</b>	<b>68,174,864</b>	<b>23,613,111</b>	<b>221,482,286</b>
Segment Liabilities	73,596,647	44,006,379	60,864,581	19,998,510	198,466,117
Shareholders' Equity	-	-	-	23,016,169	23,016,169
<b>Total Liabilities and Shareholders' Equity</b>	<b>73,596,647</b>	<b>44,006,379</b>	<b>60,864,581</b>	<b>43,014,679</b>	<b>221,482,286</b>
<b>Other Segment Items</b>					
Capital Expenditures	-	-	-	541,532	541,532
Depreciation Expenses	140,309	69,026	5,737	29,300	244,372
Impairment Losses	970,842	662,945	36,616	273,177	1,943,580
Other Non-Cash Income/Expenses	127,890	94,500	(2,675,611)	380,932	(2,072,289)
Restructuring Costs	-	-	-	-	-

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## 3.24 OTHER DISCLOSURES

The effects of reclassification made to the prior years' consolidated financial statements for the foreign exchange effects of foreign subsidiaries' capitals on the Bank, are presented below:

	REPORTED 31 DECEMBER 2012	CORRECTION	ADJUSTED 31 DECEMBER 2012
Other Profit Reserves	88,706	131,090	219,796
Extraordinary Reserves	10,355,274	(131,090)	10,224,184

	REPORTED 31 DECEMBER 2013	CORRECTION	ADJUSTED 31 DECEMBER 2013
Other Profit Reserves	436,167	197,746	633,913
Extraordinary Reserves	13,446,598	(131,090)	13,315,508
Current Period Net Profit/Loss	3,405,449	(66,656)	3,338,793

## 4 CONSOLIDATED FINANCIAL POSITION AND RESULTS OF OPERATIONS, AND RISK MANAGEMENT APPLICATIONS

### 4.1 CONSOLIDATED CAPITAL ADEQUACY RATIO

As per the revised "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" effective from 1 July 2012, the Bank's consolidated capital adequacy ratio is 13.86% (31 December 2013: 13.70%) as of 31 December 2014 (unconsolidated capital adequacy ratio: 15.23% (31 December 2013: 14.42%)).

#### 4.1.1 RISK MEASUREMENT METHODS IN CALCULATION OF CONSOLIDATED CAPITAL ADEQUACY RATIO

Capital adequacy ratio is calculated within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (the "Regulation")", "Regulation on Credit Risk Mitigation Techniques" and "Regulation on Calculation of Risk Weighted Amounts for Securitisations" published in the Official Gazette no.28337 dated 28 June 2012 and the "Regulation on Equities of Banks" published in the Official Gazette no.28756 dated 5 September 2013.

In the calculation of capital adequacy ratio, the data prepared from accounting records in compliance with the current legislation are used. Such accounting data is included in the calculation of credit and market risks subsequent to their designation as "trading book" and "banking book" according to the Regulation.

The items classified as trading book and the items deducted from the equity are not included in the calculation of credit risk. In the calculation of risk weighted assets, the assets subject to amortisation or impairment, are taken into account on a net basis after being reduced by the related amortisations and provisions.

In the calculation of the value at credit risk for the non-cash loans and commitments and the receivables from counterparties in such transactions are weighted after netting with specific provisions that are classified under liabilities and calculated based on the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables". The net amounts are then multiplied by the rates stated in the Article 5 of the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

In the calculation of the value at credit risk for the derivative financial instruments and the credit derivatives classified in the banking book, the receivables from counterparties are multiplied by the rates stated in the Appendix-2 of the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in the article 6 of the Regulation and weighted as per Appendix-1 of the Regulation.

As per the article 5 of the Regulation, the "counterparty credit risk" is calculated for repurchase transactions, securities and commodities borrowing agreements.

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## 4.1.2 CONSOLIDATED CAPITAL ADEQUACY RATIO

CURRENT PERIOD	RISK WEIGHTS								
	PARENT BANK ONLY								
	0%	10%	20%	50%	75%	100%	150%	200%	250%
Value at Credit Risk	-	-	1,994,956	19,039,877	25,107,898	86,887,374	6,390,335	24,511,860	1,308,088
Exposure Categories	52,312,514	-	9,974,782	38,079,754	33,477,197	86,887,374	4,260,223	12,255,930	523,235
Conditional and unconditional exposures to central governments or central banks	49,904,231	-	13	7,253,564	-	3	-	-	-
Conditional and unconditional exposures to regional governments or local authorities	-	-	57,913	-	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	18	-	-	-	-	46,942	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	-	-	8,333,300	7,456,944	-	8,024	-	-	-
Conditional and unconditional exposures to corporates	-	-	1,578,473	2,294,483	-	75,926,104	-	-	-
Conditional and unconditional retail exposures	-	-	4,874	4,868	33,477,197	4,930,885	-	-	-
Conditional and unconditional exposures secured by real estate property	-	-	-	21,066,535	-	-	-	-	-
Past due items	-	-	-	3,360	-	435,309	-	-	-
Items in regulatory high-risk categories	-	-	-	-	-	15,394	4,260,223	12,255,930	523,235
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	33,877	-	-	-	-	20,574	-	-	-
Other items	2,374,388	-	209	-	-	5,504,139	-	-	-

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PRIOR PERIOD	RISK WEIGHTS								
	PARENT BANK ONLY								
	%0	%10	%20	%50	%75	%100	%150	%200	%250
Value at Credit Risk	-	-	1,854,004	14,643,130	19,982,123	82,326,561	5,000,216	24,059,034	664,205
Exposure Categories	51,971,249	-	9,270,022	29,286,260	26,642,831	82,326,561	3,333,477	12,029,517	265,682
Conditional and unconditional exposures to central governments or central banks	50,354,334	-	3	3,442,625	-	6,849	-	-	-
Conditional and unconditional exposures to regional governments or local authorities	-	-	40,082	-	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	-	-	-	-	-	43	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	-	-	8,453,942	6,874,026	-	11,950	-	-	-
Conditional and unconditional exposures to corporates	-	-	770,648	1,290,840	-	70,988,621	-	-	-
Conditional and unconditional retail exposures	-	-	-	-	26,642,831	5,476,494	-	-	-
Conditional and unconditional exposures secured by real estate property	-	-	-	17,676,198	-	-	-	-	-
Past due items	-	-	-	2,571	-	337,955	-	-	-
Items in regulatory high-risk categories	-	-	-	-	-	13,269	3,333,477	12,029,517	265,682
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	-	-	-	-	-	-	-	-	-
Other items	1,616,915	-	5,347	-	-	5,491,380	-	-	-

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	CONSOLIDATED								
	0%	10%	20%	50%	75%	100%	150%	200%	250%
Value at Credit Risk	-	-	2,213,814	21,416,054	26,159,304	97,444,184	7,005,683	26,179,756	1,650,978
Exposure Categories	55,778,982	-	11,069,072	42,832,107	34,879,074	97,444,184	4,670,455	13,089,878	660,391
Conditional and unconditional exposures to central governments or central banks	53,247,959	-	13	7,580,693	-	3	-	-	-
Conditional and unconditional exposures to regional governments or local authorities	-	-	57,914	28,904	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	18	-	-	-	-	74,890	-	-	-
Conditional and unconditional exposures to multilateral development banks	2,822	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	-	-	9,536,626	10,260,700	-	59,084	-	-	-
Conditional and unconditional exposures to corporates	-	-	1,469,436	2,613,734	-	88,829,927	-	-	-
Conditional and unconditional retail exposures	-	-	4,874	5,575	34,879,074	4,944,567	-	-	-
Conditional and unconditional exposures secured by real estate property	-	-	-	22,319,792	-	-	-	-	-
Past due items	-	-	-	7,361	-	687,841	-	-	-
Items in regulatory high-risk categories	-	-	-	15,348	-	249,823	4,670,455	13,089,878	660,391
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	33,877	-	-	-	-	20,574	-	-	-
Other items	2,494,306	-	209	-	-	2,577,475	-	-	-

(\*) Consolidated total capital and capital adequacy ratio are calculated within the scope of the "Regulation on Equities of Banks" published in the Official Gazette no.28756 dated 5 September 2013, considering Garanti Emeklilik ve Hayat AŞ as if it is an investment in an unconsolidated financial institution.

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	CONSOLIDATED								
	0%	10%	20%	50%	75%	100%	150%	200%	250%
Value at Credit Risk	-	-	2,054,001	17,178,502	21,255,722	92,774,743	5,371,476	25,251,712	852,540
Exposure Categories	58,030,029	-	10,270,006	34,357,004	28,340,963	92,774,743	3,580,984	12,625,856	341,016
Conditional and unconditional exposures to central governments or central banks	53,566,751	-	3	3,932,471	-	6,849	-	-	-
Conditional and unconditional exposures to regional governments or local authorities	-	-	40,082	50,102	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	-	-	-	-	-	877	-	-	-
Conditional and unconditional exposures to multilateral development banks	5,801	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	-	-	9,019,016	10,110,763	-	109,407	-	-	-
Conditional and unconditional exposures to corporates	-	-	1,205,558	1,670,497	-	82,110,496	-	-	-
Conditional and unconditional retail exposures	-	-	-	-	28,340,963	5,486,546	-	-	-
Conditional and unconditional exposures secured by real estate property	-	-	-	18,490,800	-	-	-	-	-
Past due items	-	-	-	2,571	-	679,872	-	-	-
Items in regulatory high-risk categories	-	-	-	6,048	-	122,204	3,580,984	12,625,856	341,016
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	2,725,817	-	-	93,752	-	1,429,755	-	-	-
Other items	1,731,660	-	5,347	-	-	2,828,737	-	-	-

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## 4.1.3 SUMMARY INFORMATION RELATED TO CONSOLIDATED CAPITAL ADEQUACY RATIO

	PARENT BANK ONLY	
	CURRENT PERIOD (*)	PRIOR PERIOD
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	13,219,231	11,882,342
Capital Requirement for Market Risk (MRCR)	367,344	301,025
Capital Requirement for Operational Risk (ORCR)	1,187,245	1,067,735
Total Capital	28,116,657	23,882,776
Total Capital/((CRCR+MRCR+ORCR) * 12.5) * 100	15.23%	14.42%
Total Tier I Capital/(CRCR+MRCR+ORCR) * 12.5) * 100	14.17%	-
Common Equity Tier I Capital/(CRCR+MRCR+ORCR) * 12.5) * 100	14.24%	-

	CONSOLIDATED	
	CURRENT PERIOD (*)	PRIOR PERIOD
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	14,565,582	13,179,096
Capital Requirement for Market Risk (MRCR)	335,458	292,299
Capital Requirement for Operational Risk (ORCR)	1,312,809	1,209,317
Total Capital	28,096,277	25,147,997
Total Capital/((CRCR+MRCR+ORCR) * 12.5) * 100	13.86%	13.70 %
Total Tier I Capital/(CRCR+MRCR+ORCR) * 12.5) * 100	12.77%	-
Common Equity Tier I Capital/(CRCR+MRCR+ORCR) * 12.5) * 100	12.86%	-

(\*) Starting from 1 January 2014, the bank-only and consolidated total capital and capital adequacy ratio are calculated within the scope of the "Regulation on Equities of Banks" published in the Official Gazette no.28756 dated 5 September 2013 (in case of consolidated total capital; considering Garanti Emeklilik ve Hayat AŞ as if it is an investment in an unconsolidated financial institution).

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## 4.1.4 COMPONENTS OF CONSOLIDATED TOTAL CAPITAL

	CURRENT PERIOD
<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
Share Cancellation Profits	-
Reserves	17,253,772
Other Comprehensive Income according to TAS	368,368
Profit	3,508,591
Current Period Profit	3,508,591
Prior Period Profit	-
General Reserves for Possible Losses	415,000
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	947
Minority Interests	60,262
<b>Common Equity Tier I Capital Before Deductions</b>	<b>26,591,374</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 (-)	368,736
Leasehold Improvements on Operational Leases (-)	109,750
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	39,781
Net Deferred Tax Asset/Liability (-)	6,352
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-
Direct and Indirect Investments of the Bank on its own 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 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 less 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 (-)	-
Mortgage Servicing Rights not deducted (-)	-
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>524,619</b>
<b>Total Common Equity Tier I Capital</b>	<b>26,066,755</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 (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	-
Shares of Third Parties in Additional Tier I Capital	-
<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 (-)	-
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 (-)	-
Deductions from Additional Tier I Capital in cases where there are no adequate Tier II Capital (-)	-
<b>Total Deductions from Additional Tier I Capital</b>	<b>-</b>
<b>Total Additional Tier I Capital</b>	<b>-</b>

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	<b>CURRENT PERIOD</b>
<b>DEDUCTIONS FROM TIER I CAPITAL</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 (-)	159,123
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 (-)	25,414
<b>Total Tier I Capital</b>	<b>25,882,218</b>
<b>TIER II CAPITAL</b>	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained after 1.1.2014)	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued or Obtained before 1.1.2014)	125,501
Pledged Assets of the Shareholders to be used for the Bank's Capital Increases	-
General Provisions	2,275,872
Shares of Third Parties in Tier II Capital	-
<b>Tier II Capital before Deductions</b>	<b>2,401,373</b>
<b>DEDUCTIONS FROM TIER II CAPITAL</b>	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
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 and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of 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>2,401,373</b>
<b>CAPITAL BEFORE DEDUCTIONS</b>	
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	87
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 (-)	32,423
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	72,811
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Other items to be Defined by the BRSA (-)	25,448
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 (-)	56,545
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>TOTAL CAPITAL</b>	<b>28,096,277</b>
<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	430,950

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	<b>PRIOR PERIOD</b>
<b>CORE CAPITAL</b>	
Paid-in Capital	4,200,000
Nominal Capital	4,200,000
Capital Commitments (-)	-
Inflation Adjustments to Paid-in Capital	772,554
Share Premium	11,880
Share Cancellation Profits	-
Reserves	14,468,662
Profit	3,314,434
Current Period's Profit	3,314,434
Prior Periods' Profit	-
Provision for Possible Losses (upto 25% of Core Capital)	<b>335,000</b>
Income on Sale of Equity Shares and Real Estates	172,164
Primary Subordinated Debts	-
Minority Interest	162,785
Loss (excess of Reserves) (-)	-
Current Period's Losses	-
Prior Periods' Losses	-
Leasehold Improvements on Operational Leases (-)	109,831
Intangible Assets (-)	97,642
Deferred Tax Asset in Excess of 10% of Core Capital (-)	-
Limit Excesses as per the 3rd Paragraph of the Article 56 of the Banking Law (-)	-
Goodwill (Net) (-)	6,388
<b>Total Core Capital</b>	<b>23,223,618</b>
<b>SUPPLEMENTARY CAPITAL</b>	
General Provisions	2,037,837
45% of Revaluation Surplus on Movables	-
45% of Revaluation Surplus on Immovables	963
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	947
Primary Subordinated Debts excluding the Portion included in Core Capital	-
Secondary Subordinated Debts	146,050
45% of Securities Value Increase Fund (*)	(533,709)
Minority Interest	15
Other Reserves	405,001
<b>Total Supplementary Capital</b>	<b>2,057,104</b>
<b>CAPITAL BEFORE DEDUCTIONS</b>	<b>25,280,722</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>132,725</b>
Unconsolidated Investments in Entities Operating in Banking and Financial Sectors	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the form of Secondary Subordinated Debts and Debt Instruments Purchased from Such Parties and Qualified as Primary or Secondary Subordinated Debts	66,966
Investment in Banks and Financial Institutions that are not Consolidated but Accounted under Equity Accounting	-
Loans Granted against the Articles 50 and 51 of the Banking Law	41
Net Book Values of Immovables Exceeding 50% of Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained more than Five Years	33,929
Securitization Positions to be Deducted from Equity	-
<b>Other Deduction Items</b>	<b>31,789</b>
<b>TOTAL CAPITAL</b>	<b>25,147,997</b>

(\*) In the prior periods, in cases where the Securities Value Increase Fund gave a positive result then only 45% of the amount used to be considered in the calculation, whereas if it was negative then the whole amount.

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## 4.1.5 COMPONENTS OF TOTAL CAPITAL SUBJECT TO TEMPORARY APPLICATIONS

CURRENT PERIOD	PARENT BANK ONLY		CONSOLIDATED	
	AMOUNT INCLUDED IN TOTAL CAPITAL CALCULATION	TOTAL AMOUNT	AMOUNT INCLUDED IN TOTAL CAPITAL CALCULATION	TOTAL AMOUNT
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Issued before 1.1.2014)	125,501	125,501	125,501	125,501

## 4.1.6 APPROACHES FOR ASSESSMENT OF ADEQUACY OF INTERNAL CAPITAL REQUIREMENTS FOR CURRENT AND FUTURE ACTIVITIES

"Garanti Bank's process of internal capital requirements is assessed under the regulation on the "Internal Systems and Internal Capital Adequacy Assessment Processes of Banks" published in the Official Gazette no. 29057 dated 11 July 2014. The ultimate aim of this internal capital requirements process is to maintain the continuity of capital adequacy under the Bank's strategies, lending growth expectations, asset-liability structure, future funding sources and liquidity, fluctuations in capital depending on dividend distribution policy and economics, in compliance with its risk profile and appetite.

Accordingly, the Bank's prospective internal capital requirements as per its current capital structure and the targets and strategies for the future are assessed considering its operations and risks every year in March. This assessment includes the interest rate risk, liquidity risk, reputational risk, residual risk, concentration risk, strategy risk, and country and transfer risks arising from banking activities besides the market, credit and operational risks directly affecting its legal capital adequacy ratio. The assessment methodology of internal capital requirements is a developing process, accordingly the future improvement areas are determined and the working plans are set.

## 4.2 CONSOLIDATED 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 reviewed periodically in compliance with the legislation by the internal risk rating models. The credit limits are revised and further collateral is required if the risk level of debtor deteriorates. 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	40.26	40.14
Average	53.43	54.39
Below Average	6.31	5.47
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

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Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:

EXPOSURE CATEGORIES	CURRENT PERIOD (*)	AVERAGE (**)
Conditional and unconditional exposures to central governments or central banks	65,170,583	64,677,767
Conditional and unconditional exposures to regional governments or local authorities	86,876	96,514
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	81,755	81,711
Conditional and unconditional exposures to multilateral development banks	2,822	4,311
Conditional and unconditional exposures to international organisations	-	-
Conditional and unconditional exposures to banks and brokerage houses	30,440,546	30,875,668
Conditional and unconditional exposures to corporates	102,754,591	98,186,208
Conditional and unconditional retail exposures	40,660,815	37,941,317
Conditional and unconditional exposures secured by real estate property	22,411,223	21,524,664
Past due items	696,156	665,905
Items in regulatory high-risk categories	18,839,063	17,923,701
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	54,451	50,297
Other items	5,071,990	4,718,653

(\*) 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 quarterly reports prepared as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

EXPOSURE CATEGORIES	PRIOR PERIOD (*)	AVERAGE (**)
Conditional and unconditional exposures to central governments or central banks	58,540,858	57,859,448
Conditional and unconditional exposures to regional governments or local authorities	90,184	42,445
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	992	12,238
Conditional and unconditional exposures to multilateral development banks	5,801	5,530
Conditional and unconditional exposures to international organisations	-	-
Conditional and unconditional exposures to banks and brokerage houses	37,589,143	30,269,017
Conditional and unconditional exposures to corporates	90,016,193	78,960,415
Conditional and unconditional retail exposures	34,559,816	35,418,754
Conditional and unconditional exposures secured by real estate property	18,599,094	16,703,012
Past due items	682,730	528,138
Items in regulatory high-risk categories	16,879,291	12,393,854
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	4,249,324	3,922,511
Other items	4,565,744	4,102,863

(\*) 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 quarterly 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 22.53% (31 December 2013: 22.76%) and 29.22% (31 December 2013: 29.16%) of the total cash loan portfolio, respectively.

The parent Bank and its financial affiliates' largest 100 and 200 non-cash loan customers compose 52.00% (31 December 2013: 53.71%) and 61.76% (31 December 2013: 64.19%) 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 7.92% (31 December 2013: 8.18%) and 10.31% (31 December 2013: 10.55%) of the total "on and off balance sheet" assets, respectively.

The general provision for consolidated credit risk amounts to TL 2,457,552 thousands (31 December 2013: TL 2,037,837 thousands).

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## 4.2.1 PROFILE OF SIGNIFICANT EXPOSURES IN MAJOR REGIONS

CURRENT PERIOD (****)	EXPOSURE CATEGORIES(*)							TOTAL
	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO BANKS AND BROKERAGE HOUSES	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CORPORATES	CONDITIONAL AND UNCONDITIONAL RETAIL EXPOSURES	CONDITIONAL AND UNCONDITIONAL EXPOSURES SECURED BY REAL ESTATE PROPERTY	ITEMS IN REGULATORY HIGH-RISK CATEGORIES	OTHER	
Domestic	61,223,463	7,296,808	87,389,617	39,775,729	21,167,494	17,277,434	5,490,110	239,620,655
European Union (EU) Countries	3,616,793	19,018,630	5,747,295	673,827	1,233,598	1,334,284	444,929	32,069,356
OECD Countries (**)	34	1,823,818	1,552,226	3,456	1,830	129	-	3,381,493
Off-Shore Banking Regions	-	24,845	390,581	2,699	-	37,620	15	455,760
USA, Canada	628	1,614,735	1,525,778	32,567	2,912	6,174	9,814	3,192,608
Other Countries	329,665	648,203	1,418,419	172,537	5,389	183,422	38,037	2,795,672
Associates, Subsidiaries and Joint -Ventures	-	13,507	4,730,675	-	-	-	11,145	4,755,327
Unallocated Assets/ Liabilities (***)	-	-	-	-	-	-	-	-
<b>Total</b>	<b>65,170,583</b>	<b>30,440,546</b>	<b>102,754,591</b>	<b>40,660,815</b>	<b>22,411,223</b>	<b>18,839,063</b>	<b>5,994,050</b>	<b>286,270,871</b>

PRIOR PERIOD (****)	EXPOSURE CATEGORIES(*)							TOTAL
	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO BANKS AND BROKERAGE HOUSES	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CORPORATES	CONDITIONAL AND UNCONDITIONAL RETAIL EXPOSURES	CONDITIONAL AND UNCONDITIONAL EXPOSURES SECURED BY REAL ESTATE PROPERTY	ITEMS IN REGULATORY HIGH-RISK CATEGORIES	OTHER	
Domestic	54,559,300	15,441,858	79,754,069	33,485,519	17,814,783	15,916,175	8,808,564	225,780,268
European Union (EU) Countries	3,521,243	19,379,578	5,448,831	842,687	776,563	829,559	199,322	30,997,783
OECD Countries (**)	62	178,099	1,480,367	2,916	2,082	100	-	1,663,626
Off-Shore Banking Regions	-	5,324	488,979	5,013	-	1,703	27,208	528,227
USA, Canada	680	1,438,803	864,585	29,175	961	2,614	10,189	2,347,007
Other Countries	459,573	1,141,437	1,978,514	194,506	4,705	129,140	14,725	3,922,600
Associates, Subsidiaries and Joint -Ventures	-	4,044	848	-	-	-	11,797	16,689
Unallocated Assets/ Liabilities (***)	-	-	-	-	-	-	522,970	522,970
<b>Total</b>	<b>58,540,858</b>	<b>37,589,143</b>	<b>90,016,193</b>	<b>34,559,816</b>	<b>18,599,094</b>	<b>16,879,291</b>	<b>9,594,775</b>	<b>265,779,170</b>

(\*) Exposure categories are as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

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

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

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

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## 4.2.2 RISK PROFILE BY SECTORS OR COUNTER PARTIES

CURRENT PERIOD (*)	EXPOSURE CATEGORIES **																Toplam		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		TP	YP
Agriculture	-	3.733	-	-	-	-	1.000.943	513.196	323.523	19.995	52.122	-	-	-	-	-	991.573	921.939	1.913.512
Farming and Stockbreeding	-	-	-	-	-	-	924.812	475.743	307.267	19.576	50.612	-	-	-	-	-	950.949	827.061	1.778.010
Forestry	-	3.733	-	-	-	-	16.689	28.001	10.516	354	813	-	-	-	-	-	23.843	36.263	60.106
Fishery	-	-	-	-	-	-	59.442	9.452	5.740	65	697	-	-	-	-	-	16.781	58.615	75.396
<b>Manufacturing</b>	<b>4</b>	<b>663</b>	<b>4</b>	-	-	-	<b>47.662.777</b>	<b>4.079.907</b>	<b>3.254.275</b>	<b>213.371</b>	<b>516.680</b>	-	-	-	-	-	<b>14.265.232</b>	<b>41.462.449</b>	<b>55.727.681</b>
Mining and Quarrying	-	-	-	-	-	-	1.377.444	195.966	115.940	16.914	63.732	-	-	-	-	-	494.256	1.275.740	1.769.996
Production	-	663	3	-	-	-	27.151.188	3.811.312	2.983.800	195.122	444.236	-	-	-	-	-	12.214.483	22.371.841	34.586.324
Electricity, Gas and Water	4	-	1	-	-	-	19.134.145	72.629	154.535	1.335	8.712	-	-	-	-	-	1.556.493	17.814.868	19.371.361
<b>Construction</b>	-	-	<b>18</b>	-	-	-	<b>4.634.959</b>	<b>1.786.385</b>	<b>1.836.063</b>	<b>65.622</b>	<b>144.105</b>	-	-	-	-	-	<b>5.072.015</b>	<b>3.395.137</b>	<b>8.467.152</b>
<b>Services</b>	<b>288</b>	<b>275</b>	<b>44.255</b>	<b>2.822</b>	-	<b>29.609.251</b>	<b>40.885.291</b>	<b>9.503.386</b>	<b>8.336.583</b>	<b>265.157</b>	<b>1.167.135</b>	-	-	-	<b>54.451</b>	-	<b>32.906.241</b>	<b>56.962.653</b>	<b>89.868.894</b>
Wholesale and Retail Trade	277	-	358	-	-	-	13.727.206	7.256.530	4.090.821	166.084	517.287	-	-	-	-	-	17.132.252	8.626.311	25.758.563
Accommodation and Dining	-	-	374	-	-	-	2.810.298	467.613	1.910.122	46.831	55.985	-	-	-	-	-	1.406.485	3.884.738	5.291.223
Transportation and Telecommunication	-	275	29	-	-	-	8.854.583	1.205.475	649.243	34.087	88.667	-	-	-	-	-	2.714.622	8.117.737	10.832.359
Financial Institutions	-	-	-	2.822	-	29.609.251	10.097.283	96.997	35.028	896	434.958	-	-	-	54.451	-	9.280.663	31.051.023	40.331.686
Real Estate and Rental Services	-	-	-	-	-	-	3.412.583	96.110	1.246.935	5.941	10.907	-	-	-	-	-	846.436	3.926.040	4.772.476
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	3	-	31.384	-	-	-	342.276	77.544	172.062	850	29.902	-	-	-	-	-	523.539	130.482	654.021
Health and Social Services	8	-	12.110	-	-	-	1.641.062	303.117	232.372	10.468	29.429	-	-	-	-	-	1.002.244	1.226.322	2.228.566
<b>Others</b>	<b>65.170.291</b>	<b>82.205</b>	<b>37.478</b>	-	-	<b>831.295</b>	<b>8.570.621</b>	<b>24.777.941</b>	<b>8.660.779</b>	<b>132.011</b>	<b>16.959.021</b>	-	-	-	-	<b>5.071.990</b>	<b>87.452.617</b>	<b>42.841.015</b>	<b>130.293.632</b>
<b>Total</b>	<b>65.170.583</b>	<b>86.876</b>	<b>81.755</b>	<b>2.822</b>	-	<b>30.440.546</b>	<b>102.754.591</b>	<b>40.660.815</b>	<b>22.411.223</b>	<b>696.156</b>	<b>18.839.063</b>	-	-	-	<b>54.451</b>	-	<b>140.687.678</b>	<b>145.583.193</b>	<b>286.270.871</b>

(\*) Exposure categories are as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

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

- 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 exposures to real estate property
- 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- Other receivables

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PRIOR PERIOD (*)	EXPOSURE CATEGORIES (**)																Toplam		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16		TP	YP
<b>Agriculture</b>	-	-	319	-	-	-	968,442	409,026	271,590	20,391	48,609	-	-	-	-	-	906,614	811,763	1,718,377
Farming and Stockbreeding	-	-	-	-	-	-	918,218	388,079	257,507	19,790	47,258	-	-	-	-	-	850,429	780,423	1,630,852
Forestry	-	-	319	-	-	-	16,746	14,982	8,265	549	590	-	-	-	-	-	22,892	18,559	41,451
Fishery	-	-	-	-	-	-	33,478	5,965	5,818	52	761	-	-	-	-	-	33,293	12,781	46,074
<b>Manufacturing</b>	-	1,688	-	-	-	-	36,960,004	2,897,910	2,509,080	170,203	448,600	-	-	-	-	-	12,511,267	30,416,218	42,927,485
Mining and Quarrying	-	-	-	-	-	-	1,565,923	140,179	88,279	12,929	27,758	-	-	-	-	-	572,048	1,263,020	1,835,068
Production	-	-	-	-	-	-	18,831,917	2,644,277	2,372,178	156,646	417,964	-	-	-	-	-	10,700,455	13,722,527	24,422,982
Electricity, Gas and Water	-	1,688	-	-	-	-	16,562,164	53,454	48,623	628	2,878	-	-	-	-	-	1,238,764	15,430,671	16,669,435
<b>Construction</b>	-	27,147	-	-	-	-	7,763,883	1,331,386	1,947,012	78,226	172,338	-	-	-	-	-	5,013,450	6,306,542	11,319,992
<b>Services</b>	346	376	-	5,801	-	37,561,545	32,170,376	6,619,991	5,967,967	305,415	741,214	-	-	-	-	-	39,596,239	43,776,792	83,373,031
Wholesale and Retail Trade	337	-	-	-	-	-	13,143,384	5,002,174	3,402,760	171,990	536,115	-	-	-	-	-	13,978,059	8,278,701	22,256,760
Accommodation and Dining	-	-	-	-	-	-	2,873,195	341,465	1,265,373	50,691	52,857	-	-	-	-	-	1,173,668	3,409,913	4,583,581
Transportation and Telecommunication	-	376	-	-	-	-	9,386,591	884,567	472,549	66,260	82,113	-	-	-	-	-	2,486,853	8,405,603	10,892,456
Financial Institutions	-	-	-	5,801	-	37,561,545	3,884,852	56,810	23,506	1,322	21,455	-	-	-	-	-	20,407,243	21,148,048	41,555,291
Real Estate and Rental Services	-	-	-	-	-	-	1,103,459	56,887	441,342	7,214	7,646	-	-	-	-	-	318,626	1,297,922	1,616,548
Professional Services	-	-	-	-	-	-	-	-	947	-	-	-	-	-	-	-	-	-	954
Educational Services	1	-	-	-	-	-	251,882	64,366	144,172	1,049	10,311	-	-	-	-	-	351,677	120,104	471,781
Health and Social Services	8	-	-	-	-	-	1,527,013	212,775	218,265	6,889	30,710	-	-	-	-	-	880,113	1,115,547	1,995,660
<b>Others</b>	58,540,512	60,973	673	-	-	27,598	12,153,488	23,361,503	7,903,445	108,495	15,468,530	-	-	-	4,249,324	4,565,744	88,540,326	37,899,959	126,440,285
<b>Total</b>	58,540,858	90,184	992	5,801	-	37,589,143	90,016,193	34,559,816	18,599,094	682,730	16,879,291	-	-	-	4,249,324	4,565,744	146,567,896	119,211,274	265,779,170

(\*) Exposure categories are as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

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

- 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- Other receivables

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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	5,760,555	22,030,952	416,771	29,228	32,012,805	4,920,272	65,170,583
2	Conditional and unconditional exposures to regional governments or local authorities	-	-	9,028	526	75,097	2,225	86,876
3	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	1,083	761	161	12,485	63,769	3,496	81,755
4	Conditional and unconditional exposures to multilateral development banks	-	-	-	-	2,822	-	2,822
5	Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	-
6	Conditional and unconditional exposures to banks and brokerage houses	9,584,309	2,885,114	1,763,313	1,241,635	12,250,055	2,716,120	30,440,546
7	Conditional and unconditional exposures to corporates	10,319,144	7,880,380	9,122,021	9,813,187	62,404,892	3,214,967	102,754,591
8	Conditional and unconditional retail exposures	13,558,351	4,363,918	3,563,635	3,396,081	12,383,002	3,395,828	40,660,815
9	Conditional and unconditional exposures secured by real estate property	551,155	520,317	921,962	1,510,903	17,117,147	1,789,739	22,411,223
10	Past due items	-	-	-	-	-	696,156	696,156
11	Items in regulatory high-risk categories	167,931	403,188	57,153	894,359	17,066,573	249,859	18,839,063
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	-	-	-	-	-	54,451	54,451
16	Other items	-	-	-	-	-	5,071,990	5,071,990
	<b>Total</b>	<b>39,942,528</b>	<b>38,084,630</b>	<b>15,854,044</b>	<b>16,898,404</b>	<b>153,376,162</b>	<b>22,115,103</b>	<b>286,270,871</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	3,341,438	18,463,954	2,920,464	3,449,021	26,126,642	4,239,339	58,540,858
2	Conditional and unconditional exposures to regional governments or local authorities	-	1,687	9,988	19,423	59,086	-	90,184
3	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	2	113	12	5	860	-	992
4	Conditional and unconditional exposures to multilateral development banks	-	-	-	-	5,801	-	5,801
5	Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	-
6	Conditional and unconditional exposures to banks and brokerage houses	12,036,731	3,063,045	1,599,080	3,140,419	10,981,536	6,768,332	37,589,143
7	Conditional and unconditional exposures to corporates	8,028,907	6,309,248	9,662,869	9,466,134	55,498,823	1,050,212	90,016,193
8	Conditional and unconditional retail exposures	8,366,371	4,482,427	8,457,856	2,907,771	10,112,793	232,598	34,559,816
9	Conditional and unconditional exposures secured by real estate property	699,594	704,752	1,298,720	1,342,397	14,456,025	97,606	18,599,094
10	Past due items	-	-	-	-	-	682,730	682,730
11	Items in regulatory high-risk categories	117,883	1,197	6,554	1,964,387	14,448,346	340,924	16,879,291
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	-	-	-	-	-	4,249,324	4,249,324
16	Other items	-	-	-	-	-	4,565,744	4,565,744
	<b>Total</b>	<b>32,590,926</b>	<b>33,026,423</b>	<b>23,955,543</b>	<b>22,289,557</b>	<b>131,689,912</b>	<b>22,226,809</b>	<b>265,779,170</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	RISK RATING	EXPOSURE CATEGORIES				
		EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS	EXPOSURES TO ADMINISTRATIVE BODIES AND NON-COMMERCIAL UNDERTAKINGS	EXPOSURES TO BANKS AND BROKERAGE HOUSES		EXPOSURES TO CORPORATES
				EXPOSURES WITH REMAINING MATURITIES LESS THAN 3 MONTHS	EXPOSURES WITH REMAINING MATURITIES MORE THAN 3 MONTHS	
1	AAA	0%	20%	20%	20%	20%
	AA+					
	AA					
2	AA-	20%	50%	20%	50%	50%
	A+					
	A					
3	A-	50%	100%	20%	50%	100%
	BBB+					
	BBB					
4	BBB-	100%	100%	50%	100%	100%
	BB+					
	BB					
5	BB-	100%	100%	50%	100%	150%
	B+					
	B					
6	B-	150%	150%	150%	150%	150%
	CCC+					
	CCC					
	CCC-					
	CC					
C						
	D					

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## 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%	50%	75%	100%	150%	200%	250%	DEDUCTIONS FROM EQUITY
<b>Risk Weights</b>										
Exposures before Credit Risk Mitigation	60,001,936	-	16,914,646	47,777,259	35,668,322	107,341,211	4,729,252	13,177,710	660,535	257,325
Exposures after Credit Risk Mitigation	55,778,982	-	11,069,072	42,832,107	34,879,074	97,444,184	4,670,455	13,089,878	660,391	257,325
<b>PRIOR PERIOD</b>										
<b>Risk Weights</b>										
Exposures before Credit Risk Mitigation	58,911,458	-	22,061,354	41,203,945	29,073,270	97,800,020	3,647,311	12,740,320	341,492	346,586
Exposures after Credit Risk Mitigation	58,030,029	-	10,270,006	34,357,004	28,340,963	92,774,743	3,580,984	12,625,856	341,016	346,586

## 4.2.6 INFORMATION BY MAJOR SECTORS AND TYPE OF COUNTERPARTIES

As per the TAS and TFRS;

*Impaired Credits*; are the credits that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such credits, "specific provisions" are allocated as per the Provisioning Regulation.

*Past Due Credits*; are the credits that overdue up to 90 days but not impaired. For such credits, "general provisions" are allocated as per the Provisioning Regulation.

CURRENT PERIOD	CREDIT RISKS				
	MAJOR SECTORS/COUNTERPARTIES	IMPAIRED CREDITS	PAST DUE CREDITS	VALUE ADJUSTMENTS	SPECIFIC PROVISIONS
Agriculture		69,009	26,508	131	32,115
Farming and Stockbreeding		66,825	26,114	127	30,947
Forestry		1,335	243	1	823
Fishery		849	151	3	345
<b>Manufacturing</b>		<b>1,196,511</b>	<b>272,212</b>	<b>1,070</b>	<b>693,824</b>
Mining and Quarrying		130,064	10,860	45	54,584
Production		1,060,997	246,348	903	635,909
Electricity, Gas and Water		5,450	15,004	122	3,331
<b>Construction</b>		<b>280,195</b>	<b>163,573</b>	<b>1,390</b>	<b>138,422</b>
<b>Services</b>		<b>1,183,754</b>	<b>565,451</b>	<b>2,658</b>	<b>689,303</b>
Wholesale and Retail Trade		806,039	353,486	1,884	464,788
Accommodation and Dining		159,880	69,711	131	97,955
Transportation and Telecommunication		148,077	72,058	430	91,197
Financial Institutions		9,672	1,329	10	7,984
Real Estate and Rental Services		15,357	6,999	22	7,873
Professional Services		6	1,336	-	6
Educational Services		16,428	31,105	31	3,025
Health and Social Services		28,295	29,427	150	16,475
<b>Others</b>		<b>2,292,651</b>	<b>2,864,077</b>	<b>152,329</b>	<b>2,043,417</b>
<b>Total</b>		<b>5,022,120</b>	<b>3,891,821</b>	<b>157,578</b>	<b>3,597,081</b>

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PRIOR PERIOD	CREDIT RISKS			
	MAJOR SECTORS/COUNTERPARTIES	IMPAIRED CREDITS	PAST DUE CREDITS	VALUE ADJUSTMENTS
<b>Agriculture</b>	<b>67,049</b>	<b>32,558</b>	<b>107</b>	<b>35,483</b>
Farming and Stockbreeding	65,297	30,732	106	34,329
Forestry	1,471	1,782	-	987
Fishery	281	44	1	167
<b>Manufacturing</b>	<b>1,046,747</b>	<b>319,071</b>	<b>1,209</b>	<b>639,513</b>
Mining and Quarrying	35,319	23,417	152	17,302
Production	1,010,037	287,798	758	621,641
Electricity, Gas and Water	1,391	7,856	299	570
<b>Construction</b>	<b>258,407</b>	<b>183,779</b>	<b>723</b>	<b>101,052</b>
<b>Services</b>	<b>1,518,883</b>	<b>674,436</b>	<b>2,484</b>	<b>677,565</b>
Wholesale and Retail Trade	1,130,381	450,794	1,796	456,999
Accommodation and Dining	174,100	57,543	182	100,216
Transportation and Telecommunication	173,063	91,462	356	93,792
Financial Institutions	7,730	949	7	5,946
Real Estate and Rental Services	7,092	14,202	11	3,979
Professional Services	220	57	-	220
Educational Services	2,860	32,141	23	1,423
Health and Social Services	23,437	27,288	109	14,990
<b>Others</b>	<b>1,732,229</b>	<b>2,535,805</b>	<b>112,528</b>	<b>1,540,759</b>
<b>Total</b>	<b>4,623,315</b>	<b>3,745,649</b>	<b>117,051</b>	<b>2,994,372</b>

## 4.2.7 MOVEMENTS IN VALUE ADJUSTMENTS AND PROVISIONS

CURRENT PERIOD	OPENING BALANCE	PROVISION FOR PERIOD	PROVISION REVERSALS	OTHER ADJUSTMENTS(*)	CLOSING BALANCE
1 Specific Provisions	2,994,372	1,797,152	982,344	(212,099)	3,597,081
2 General Provisions	2,037,837	461,191	37,789	(3,687)	2,457,552

PRIOR PERIOD	OPENING BALANCE	PROVISION FOR PERIOD	PROVISION REVERSALS	OTHER ADJUSTMENTS(*)	CLOSING BALANCE
1 Specific Provisions	2,331,562	1,371,998	825,320	116,132	2,994,372
2 General Provisions	1,342,090	724,119	47,012	18,640	2,037,837

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

## 4.3 CONSOLIDATED MARKET RISK

The Bank's risk management activities are managed under the responsibility of the board of directors in compliance with "the Internal Systems and Internal Capital Adequacy Assessment Processes of Banks".

In order to comply with the regulations, the Bank set its activities related with market risk management in accordance with "the Internal Systems and Internal Capital Adequacy Assessment Processes of Banks" published in the Official Gazette no. 29057 dated 11 July 2014.

The top management is responsible for applying risk policies, principles and application procedures approved by the board of directors, ensuring timely and reliable reporting to the board of directors about the important risks identified, assessing internal control, internal audit and risk reports prepared for departments and either eliminating risks, deficiencies or defects identified in these departments or taking the necessary precautions to prevent those, and participating in determination of risk limits.

The board of directors monitors the effectiveness of risk management systems through audit committee, related other committees and top management, and in the light of various risk reports and the assessments made by the audit committee.

The risk policies and application procedures have been approved by the board of directors and regularly revisited. The market risk is also managed by risk mitigations through hedging transactions beside measuring the risks in compliance with international standards, limiting such risk and allocating capital accordingly.

Market risks arising from trading portfolios are measured as per "standard" and "value at risk (VaR)" methods. The measurements as per the standard method are performed on a monthly basis, and taken into consideration in the calculation of capital adequacy. Whereas, the measurements as per VaR method are performed on a daily basis. The Bank takes the historical VaR results as the basis for the internal management of market risk and determination of limits. In the VaR calculation, one year historical market data set is used, and 99% confidence interval and one-day retention period (10 days for legal capital calculation) are taken into account. In order to test the reliability of the VaR model, back tests are performed. Stress tests and scenario analysis are also applied in order to reflect the effects of prospective severe

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market fluctuations in the VaR calculations. Beside the VaR limits, the limits on transaction, dealer, desk, stop-loss approved by the board of directors for trading portfolio are also applied for limiting the market risk.

## 4.3.1 VALUE AT MARKET RISK ON A CONSOLIDATED BASIS

	CURRENT PERIOD	PRIOR PERIOD
(I) Capital Requirement against General Market Risk - Standard Method	77,151	59,700
(II) Capital Requirement against Specific Risks - Standard Method	35,626	21,084
Capital Requirement against Specific Risks of Securitisation Positions- Standard Method	-	-
(III) Capital Requirement against Currency Position Risk - Standard Method	55,346	55,572
(IV) Capital Requirement against Commodity Risks - Standard Method	4,651	12,974
(V) Capital Requirement against Clearing Risks - Standard Method	-	-
(VI) Capital Requirement against Market Risks of Options - Standard Method	145,470	102,922
(VII) Capital Requirement against Counterparty Credit Risks - Standard Method	17,214	40,047
(VIII) Capital Requirement against Market Risks of Banks applying Risk Measurement Model	-	-
(IX) Total Capital Requirement against Market Risk (I+II+III+IV+V+VI+VII)	335,458	292,299
(X) Value-At-Market Risk (12.5*VIII) or (12.5*IX)	4,193,225	3,653,738

## 4.3.2 AVERAGE CONSOLIDATED VALUES AT MARKET RISK

	CURRENT PERIOD			PRIOR PERIOD		
	AVERAGE	HIGHEST	LOWEST	AVERAGE	HIGHEST	LOWEST
Interest Rate Risk	87,676	113,280	66,015	44,059	66,015	10,842
Equity-Shares Position Risk	24,001	34,726	14,719	20,027	48,291	4,546
Currency Position Risk	70,440	102,687	55,346	52,147	55,879	44,341
Commodity Risk	8,783	13,100	4,651	9,767	13,587	6,095
Clearing Risk	-	-	-	-	-	-
Option Market Risk	86,940	134,332	58,925	87,745	122,538	54,056
Counterparty Credit Risk	20,630	40,047	11,733	19,460	40,047	8,777
<b>Total Value at Risk</b>	<b>298,470</b>	<b>438,172</b>	<b>211,389</b>	<b>233,205</b>	<b>346,357</b>	<b>128,657</b>

## 4.3.3 QUANTITATIVE INFORMATION ON COUNTERPARTY RISK

For repurchase transactions, security and commodity lendings and derivative transactions, counterparty credit risks are calculated. In counterparty credit risk calculations, the fair value methodology is used according to the Appendix-2 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks". In case of derivative transactions, the total of replacement costs and potential credit risks is considered as the exposure amounts. The replacement costs are calculated valuing the contracts at their fair values and the potential credit risks are calculated multiplying the contract amounts with the credit conversion factors set in the appendix of the regulation.

	CURRENT PERIOD <sup>(*)</sup>	PRIOR PERIOD <sup>(*)</sup>
Interest-Rate Contracts	923	1,308
Foreign-Exchange-Rate Contracts	188,844	405,837
Commodity Contracts	4,165	20,678
Equity-Shares Related Contracts	935	2,585
Other	-	-
Gross Positive Fair Values	310,557	446,199
Netting Benefits	-	-
Net Current Exposure Amount	-	-
Collaterals Received	9,853	54,986
<b>Net Derivative Position</b>	<b>495,571</b>	<b>821,621</b>

(\*) Includes only the counterparty risks arising from trading book.

(\*\*) TL 556 thousands (31 December 2013: TL 142 thousands) of repurchase and reverse repurchase agreements are not included in the above table.

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## 4.4 CONSOLIDATED 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 available-for-sale and held-to-maturity, extraordinary income and income derived from insurance claims at year-end.

CURRENT PERIOD	31 DECEMBER 2011	31 DECEMBER 2012	31 DECEMBER 2013	TOTAL/ NO. OF YEARS OF POSITIVE GROSS INCOME	RATE (%)	TOTAL
Gross Income	7,487,310	8,588,400	10,180,473	8,752,061	15	1,312,809
Value at Operational Risk (Total x % 12.5)						16,410,114

PRIOR PERIOD	31 DECEMBER 2011	31 DECEMBER 2012	31 DECEMBER 2013	TOTAL/ NO. OF YEARS OF POSITIVE GROSS INCOME	RATE (%)	TOTAL
Gross Income	7,516,351	7,754,923	8,915,064	8,062,113	15	1,209,317
Value at Operational Risk (Total x % 12.5)						15,116,461

## 4.5 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 2014, the Bank and its financial affiliates' net 'on balance sheet' foreign currency short position amounts to TL 8,509,061 thousands (31 December 2013: TL 901,224 thousands), net 'off-balance sheet' foreign currency long position amounts to TL 5,983,223 thousands (31 December 2013: TL 302,789 thousands), while net foreign currency short open position amounts to TL 2,525,838 thousands (31 December 2013: TL 598,435 thousands).

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

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

	USD	EURO
<b>THE BANK'S FOREIGN CURRENCY PURCHASE RATE AT BALANCE SHEET DATE</b>	2.3050	2.7889
<b>Foreign currency rates for the days before balance sheet date:</b>		
Day 1	2.3020	2.8004
Day 2	2.2930	2.7930
Day 3	2.2920	2.7897
Day 4	2.2940	2.8103
Day 5	2.2930	2.7948
Last 30-days arithmetical average rate	2.2708	2.7961

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## 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	3,245,156	15,196,264	4,991,089	23,432,509
Banks	3,847,221	6,668,417	551,353	11,066,991
Financial Assets at Fair Value through Profit/Loss	91,541	311,997	14,979	418,517
Interbank Money Market Placements	-	84,551	-	84,551
Financial Assets Available-for-Sale	1,923,112	2,173,763	156,835	4,253,710
Loans (*)	18,960,308	41,968,821	1,741,008	62,670,137
Investments in Associates, Subsidiaries and Joint-Ventures	410	-	440	850
Investments Held-to-Maturity	-	7,279,089	-	7,279,089
Derivative Financial Assets Held for Risk Management	-	120,050	-	120,050
Tangible Assets	52,825	158	71,582	124,565
Intangible Assets	-	-	-	-
Other Assets (**)	2,259,706	2,004,000	37,555	4,301,261
<b>Total Assets</b>	<b>30,380,279</b>	<b>75,807,110</b>	<b>7,564,841</b>	<b>113,752,230</b>
<b>Liabilities</b>				
Bank Deposits	1,114,279	3,709,830	1,329,893	6,154,002
Foreign Currency Deposits	24,064,789	36,535,929	3,125,429	63,726,147
Interbank Money Market Takings	460,759	6,345,669	313,940	7,120,368
Other Fundings	10,360,924	21,631,403	196,000	32,188,327
Securities Issued	1,672,439	7,050,965	871,168	9,594,572
Miscellaneous Payables	88,413	515,982	210,550	814,945
Derivative Financial Liabilities Held for Risk Management	48,215	68,537	63,059	179,811
Other Liabilities (***)	283,505	569,068	1,630,546	2,483,119
<b>Total Liabilities</b>	<b>38,093,323</b>	<b>76,427,383</b>	<b>7,740,585</b>	<b>122,261,291</b>
<b>Net 'On Balance Sheet' Position</b>	<b>(7,713,044)</b>	<b>(620,273)</b>	<b>(175,744)</b>	<b>(8,509,061)</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>6,299,162</b>	<b>(1,445,207)</b>	<b>1,129,268</b>	<b>5,983,223</b>
Derivative Assets	17,565,924	34,692,951	7,075,484	59,334,359
Derivative Liabilities	(11,266,762)	(36,138,158)	(5,946,216)	(53,351,136)
Non-Cash Loans	-	-	-	-
<b>PRIOR PERIOD</b>				
<b>Total Assets</b>	<b>34,484,393</b>	<b>57,369,152</b>	<b>7,187,876</b>	<b>99,041,421</b>
<b>Total Liabilities</b>	<b>33,900,482</b>	<b>58,513,428</b>	<b>7,528,735</b>	<b>99,942,645</b>
<b>Net 'On Balance Sheet' Position</b>	<b>583,911</b>	<b>(1,144,276)</b>	<b>(340,859)</b>	<b>(901,224)</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>647,257</b>	<b>(1,669,652)</b>	<b>1,325,184</b>	<b>302,789</b>
Derivative Assets	15,803,669	28,514,522	9,403,312	53,721,503
Derivative Liabilities	(15,156,412)	(30,184,174)	(8,078,128)	(53,418,714)
Non-Cash Loans	-	-	-	-

(\*) The foreign currency-indexed loans amounting TL 4,724,724 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 315,345 thousands included under TL assets in the accompanying consolidated financial statements are presented above under the related foreign currency code.

(\*\*\*) The gold deposits of TL 1,625,099 thousands included under deposits in the accompanying consolidated financial statements are presented above under other liabilities.

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## 4.6 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 Assets-Liabilities Committee meetings taking into consideration the developments in market conditions on a bank-only basis.

The Bank's interest rate risk is measured by the standard method, value at risk (VaR), duration-gap and sensitivity analysis.

Measurements for standard method on a bank-only basis, are carried out monthly using the maturity ladder table, while measurements for VaR calculations are done daily. The duration-gap and sensitivity analysis are run every two weeks period.

During the daily VaR calculations, the interest rate risks of the Bank's TL and FC trading and investment securities available for sale and off-balance sheet position are measured. These are supported by scenario analysis and stress testing.

In the duration-gap analysis used for the quantification of market risk arising from maturity mismatches of assets and liabilities, the present values of interest sensitive asset and liability items are calculated based on their cash flows and yield curves developed from market interest rates. The results are supported by the sensitivity and scenario analysis performed periodically due to the possible instabilities in the markets. Furthermore, the interest rate risk is monitored according to the limits approved by the board of directors.

### 4.6.1 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	NON-INTEREST BEARING (*)	TOTAL
<b>Assets</b>							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	-	-	-	-	25,192,569	25,192,569
Banks	5,970,447	1,557,156	2,346,613	7,987	-	2,981,221	12,863,424
Financial Assets at Fair Value through Profit/Loss (**)	40,143	80,705	38,472	44,917	3,017	1,459,277	1,666,531
Interbank Money Market Placements	106,130	-	4,020	-	-	93	110,243
Financial Assets Available-for-Sale	1,620,940	7,853,238	5,100,213	3,826,108	3,714,380	1,415,425	23,530,304
Loans (**)	36,716,523	20,034,744	38,340,469	38,377,337	7,856,625	2,913,373	144,239,071
Investments Held-to-Maturity	382,838	4,177,637	5,589,374	3,296,123	5,864,176	1,356,894	20,667,042
Other Assets	1,500,848	1,258,872	1,616,711	2,282,061	222,781	11,900,634	18,781,907
<b>Total Assets</b>	<b>46,337,869</b>	<b>34,962,352</b>	<b>53,035,872</b>	<b>47,834,533</b>	<b>17,660,979</b>	<b>47,219,486</b>	<b>247,051,091</b>
<b>Liabilities</b>							
Bank Deposits	2,017,075	2,714,693	444,184	-	-	1,939,453	7,115,405
Other Deposits	62,887,422	25,714,373	10,368,301	1,343,164	3,907	25,993,307	126,310,474
Interbank Money Market Takings	8,614,319	1,312,906	18,973	2,050,954	-	24,013	12,021,165
Miscellaneous Payables	-	-	-	-	-	13,020,070	13,020,070
Securities Issued	1,661,600	1,614,249	2,493,319	5,881,773	2,488,846	298,569	14,438,356
Other Fundings	13,603,408	14,014,507	5,182,282	4,204,863	375,516	548,731	37,929,307
Other Liabilities	12,247	25,887	20,409	-	-	36,157,771	36,216,314
<b>Total Liabilities</b>	<b>88,796,071</b>	<b>45,396,615</b>	<b>18,527,468</b>	<b>13,480,754</b>	<b>2,868,269</b>	<b>77,981,914</b>	<b>247,051,091</b>
<b>On Balance Sheet Long Position</b>	-	-	<b>34,508,404</b>	<b>34,353,779</b>	<b>14,792,710</b>	-	<b>83,654,893</b>
<b>On Balance Sheet Short Position</b>	<b>(42,458,202)</b>	<b>(10,434,263)</b>	-	-	-	<b>(30,762,428)</b>	<b>(83,654,893)</b>
<b>Off-Balance Sheet Long Position</b>	<b>5,370,748</b>	<b>7,011,731</b>	<b>5,434,846</b>	<b>5,187,759</b>	<b>1,296,240</b>	-	<b>24,301,324</b>
<b>Off-Balance Sheet Short Position</b>	<b>(1,395,648)</b>	<b>(3,538,302)</b>	<b>(5,402,290)</b>	<b>(10,009,906)</b>	<b>(4,315,227)</b>	-	<b>(24,661,373)</b>
<b>Total Position</b>	<b>(38,483,102)</b>	<b>(6,960,834)</b>	<b>34,540,960</b>	<b>29,531,632</b>	<b>11,773,723</b>	<b>(30,762,428)</b>	<b>(360,049)</b>

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

(\*\*) Loans amounting to TL 201,385 thousands included under Financial Assets at Fair Value through Profit/Loss in the accompanying consolidated financial statements are presented above under Loans.

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PRIOR PERIOD	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS	NON-INTEREST BEARING (*)	TOTAL
<b>Assets</b>							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	2	-	-	-	-	22,642,840	22,642,842
Banks	5,138,747	2,703,647	2,189,278	244,498	-	2,848,257	13,124,427
Financial Assets at Fair Value through Profit/Loss (**)	15,625	42,345	99,414	22,070	47,967	1,710,044	1,937,465
Interbank Money Market Placements	199,031	-	-	-	-	2	199,033
Financial Assets Available-for-Sale	3,768,495	5,392,562	6,846,798	4,802,934	3,214,425	811,013	24,836,227
Loans (**)	28,749,197	11,280,593	17,289,360	42,077,786	27,036,752	2,650,148	129,083,836
Investments Held-to-Maturity	1,269,535	3,286,520	5,127,532	2,772,062	873,343	444,802	13,773,794
Other Assets	772,314	1,303,715	1,303,445	2,007,696	130,188	10,367,304	15,884,662
<b>Total Assets</b>	<b>39,912,946</b>	<b>24,009,382</b>	<b>32,855,827</b>	<b>51,927,046</b>	<b>31,302,675</b>	<b>41,474,410</b>	<b>221,482,286</b>
<b>Liabilities</b>							
Bank Deposits	2,521,261	2,497,793	462,372	848	-	1,251,006	6,733,280
Other Deposits	60,008,309	19,179,065	9,791,162	1,321,852	102	22,175,457	112,475,947
Interbank Money Market Takings	11,531,754	1,491,714	1,252,633	1,690,001	-	41,636	16,007,738
Miscellaneous Payables	-	-	-	-	-	10,014,836	10,014,836
Securities Issued	1,127,130	1,578,864	2,861,065	2,568,833	2,428,933	225,734	10,790,559
Other Fundings	10,109,015	10,597,693	6,415,918	4,233,968	2,580,289	196,588	34,133,471
Other Liabilities	2,747	3,550	6,606	-	-	31,313,552	31,326,455
<b>Total Liabilities</b>	<b>85,300,216</b>	<b>35,348,679</b>	<b>20,789,756</b>	<b>9,815,502</b>	<b>5,009,324</b>	<b>65,218,809</b>	<b>221,482,286</b>
<b>On Balance Sheet Long Position</b>	<b>-</b>	<b>-</b>	<b>12,066,071</b>	<b>42,111,544</b>	<b>26,293,351</b>	<b>-</b>	<b>80,470,966</b>
<b>On Balance Sheet Short Position</b>	<b>(45,387,270)</b>	<b>(11,339,297)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(23,744,399)</b>	<b>(80,470,966)</b>
<b>Off-Balance Sheet Long Position</b>	<b>1,662,616</b>	<b>4,809,048</b>	<b>6,379,375</b>	<b>4,468,437</b>	<b>1,331,133</b>	<b>-</b>	<b>18,650,609</b>
<b>Off-Balance Sheet Short Position</b>	<b>(2,022,228)</b>	<b>(2,728,336)</b>	<b>(2,935,209)</b>	<b>(7,875,838)</b>	<b>(1,407,758)</b>	<b>-</b>	<b>(16,969,369)</b>
<b>Total Position</b>	<b>(45,746,882)</b>	<b>(9,258,585)</b>	<b>15,510,237</b>	<b>38,704,143</b>	<b>26,216,726</b>	<b>(23,744,399)</b>	<b>1,681,240</b>

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

(\*\*) Loans amounting to TL 198,778 thousands included under Financial Assets at Fair Value through Profit/Loss in the accompanying consolidated financial statements are presented above under Loans.

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## 4.6.2 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	-	-	-	0.53
Banks	0.40-3.61	0.34-4.60	-	9.00-12.40
Financial Assets at Fair Value through Profit/Loss	4.63	8.49	-	8.02-14.02
Interbank Money Market Placements	-	0.45	-	-
Financial Assets Available-for-Sale	0.72-5.67	3.22-11.88	-	9.44-13.82
Loans	0.72-15.00	0.90-14.55	2.42-5.04	8.34-24.84
Investments Held-to-Maturity	-	5.41	-	9.27-9.96
<b>Liabilities</b>				
Bank Deposits	0.10-2.26	0.30-2.28	-	5.75-9.35
Other Deposits	1.23-7.00	1.43-10.25	1.68	6.50-10.79
Interbank Money Market Takings	0.50-0.70	0.65-2.07	1.49	6.00-8.33
Miscellaneous Payables	-	-	-	-
Securities Issued	3.48	4.62	0.98	8.77-10.05
Other Fundings	0.67-4.64	0.80-4.38	2.03	9.05-14.70
<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	-	-	-	-
Banks	0.18-2.38	0.15-3.30	-	7.29-10.00
Financial Assets at Fair Value through Profit/Loss	4.63	7.45	-	2.83-14.40
Interbank Money Market Placements	-	0.40	-	6.94-7.02
Financial Assets Available-for-Sale	3.37-5.50	3.96-11.88	-	7.39-11.30
Loans	2.83-8.67	2.60-6.10	5.50	8.67-12.92
Investments Held-to-Maturity	-	4.98	-	10.12
<b>Liabilities</b>				
Bank Deposits	1.39-2.63	1.98-2.63	-	6.84-7.32
Other Deposits	1.70-2.55	1.82-2.35	0.69-1.49	4.98-6.90
Interbank Money Market Takings	0.51-1.10	0.65-1.78	1.49	2.50-7.45
Miscellaneous Payables	-	-	-	-
Securities Issued	3.46	4.25	-	6.78-9.70
Other Fundings	0.93-4.34	1.01-5.65	-	8.75-11.28

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## 4.6.3 INTEREST RATE RISK ON BANKING BOOK

### 4.6.3.1 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 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.

Duration gaps, gaps by maturity brackets and sensitivity analysis are used in monitoring of repricing risk resulting from maturity mismatch. The duration gap and sensitivity analysis are carried out every two weeks.

In the duration gap analysis, net present values of the interest-rate sensitive assets and liabilities are calculated by using yield curves developed from the market interest rates. In case of instruments with no maturities, the maturity is determined as per interest rate fixing periods and customer behaviors. Such results are supported by sensitivity and scenario analysis applied periodically for possible fluctuations 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.

The market risks of branches and business lines are transferred to the Asset Liability Management department through transfer pricing. This department applies a centralised market risk management and uses the balance sheet (long-term borrowing) and off balance sheet (derivative instruments) methods.

### 4.6.3.2 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 (+/- BASIS POINTS)	GAINS/LOSSES	GAINS/EQUITY- LOSSES/EQUITY
TYPE OF CURRENCY				
1	TL	(+) 500 bps	(3,934,726)	(13.99)%
2	TL	(-) 400 bps	3,779,851	13.44%
3	USD	(+) 200 bps	(897,224)	(3.19)%
4	USD	(-) 200 bps	1,133,580	4.03%
5	EUR	(+) 200 bps	(162,986)	(0.58)%
6	EUR	(-) 200 bps	113,089	0.40%
Total (of negative shocks)			5,026,520	17.87%
Total (of positive shocks)			(4,994,936)	(17.76)%

PRIOR PERIOD		SHOCKS APPLIED (+/- BASIS POINTS)	GAINS/LOSSES	GAINS/EQUITY- LOSSES/EQUITY
TYPE OF CURRENCY				
1	TL	(+) 500 bps	(3,104,076)	(13.00)%
2	TL	(-) 400 bps	3,041,950	12.74%
3	USD	(+) 200 bps	(37,444)	(0.16)%
4	USD	(-) 200 bps	6,990	0.03%
5	EUR	(+) 200 bps	(112,317)	(0.47)%
6	EUR	(-) 200 bps	89,257	0.37%
Total (of negative shocks)			3,138,197	13.14%
Total (of positive shocks)			(3,253,837)	(13.62)%

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## 4.7 CONSOLIDATED POSITION RISK OF EQUITY SECURITIES

### 4.7.1 COMPARISON OF CARRYING, FAIR AND MARKET VALUES OF EQUITY SHARES

CURRENT PERIOD		COMPARISON		
EQUITY SECURITIES (SHARES)		CARRYING VALUE	FAIR VALUE	MARKET VALUE
1	Investment in Shares- grade A	123,363	-	-
	Quoted Securities	-	-	-
2	Investment in Shares- grade B	27,097	-	-
	Quoted Securities	-	-	-
3	Investment in Shares- grade C	822	-	-
	Quoted Securities	-	-	-
4	Investment in Shares- grade D	-	-	-
	Quoted Securities	-	-	-
5	Investment in Shares- grade E	1,014	-	-
	Quoted Securities	-	-	-
6	Investment in Shares- grade F	48	-	-
	Quoted Securities	-	-	-

PRIOR PERIOD		COMPARISON		
EQUITY SECURITIES (SHARES)		CARRYING VALUE	FAIR VALUE	MARKET VALUE
1	Investment in Shares- grade A	123,599	-	-
	Quoted Securities	-	-	-
2	Investment in Shares- grade B	27,097	-	-
	Quoted Securities	-	-	-
3	Investment in Shares- grade C	822	-	-
	Quoted Securities	-	-	-
4	Investment in Shares- grade D	-	-	-
	Quoted Securities	-	-	-
5	Investment in Shares- grade E	1,014	-	-
	Quoted Securities	-	-	-
6	Investment in Shares- grade F	48	-	-
	Quoted Securities	-	-	-

### 4.7.2 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		UNREALIZED GAINS AND LOSSES		
PORTFOLIO			TOTAL	AMOUNT IN TIER I CAPITAL (*)	TOTAL	AMOUNT IN CORE CAPITAL <sup>(*)</sup>	AMOUNT IN TIER I CAPITAL <sup>(*)</sup>
1	Private Equity Investments	-	-	-	-	-	
2	Quoted Shares	-	-	-	13,915	13,915	
3	Other Shares	-	648	648	-	-	
	<b>Total</b>	-	<b>648</b>	<b>648</b>	<b>13,915</b>	<b>13,915</b>	

PRIOR PERIOD		GAINS/LOSSES IN CURRENT PERIOD	REVALUATION SURPLUSES		UNREALIZED GAINS AND LOSSES		
PORTFOLIO			TOTAL	AMOUNT IN TIER I CAPITAL (*)	TOTAL	AMOUNT IN CORE CAPITAL <sup>(*)</sup>	AMOUNT IN TIER I CAPITAL <sup>(*)</sup>
1	Private Equity Investments	-	-	-	-	-	
2	Quoted Shares	-	-	-	13,340	6,003	
3	Other Shares	-	623	280	-	-	
	<b>Total</b>	-	<b>623</b>	<b>280</b>	<b>13,340</b>	<b>6,003</b>	

(\*) In the prior periods, in cases where the Securities Value Increase Fund under Supplementary Capital gave a positive result then only 45% of the amount used to be considered in the calculation, whereas if it was negative then the whole amount used to be considered in the calculation; however, in the current period 100% of the amount of the Securities Value Increase Fund under Other Comprehensive Income/(Losses) according to TAS, is considered in the calculation.

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## 4.8 CONSOLIDATED LIQUIDITY RISK

The liquidity risk of the Bank and its financial affiliates is defined as the risk of being unable to pay its liabilities on time due to not having enough cash sources or cash inflows to finance its cash outflows fully and on time due to cashflow instabilities.

In order to overcome the liquidity risk, the Bank and its financial affiliates diversify their funding sources considering their short and long term liquidity requirements, through instruments such as customer deposits, repurchase transactions, bond issuances and foreign borrowings. Besides, in order to secure the maturity match between the assets and liabilities, the strategies for maturity extension of fundings exist. The liquidity needs in different currencies are managed through transactions such as currency swaps. In order to meet the cash outflow requirements during crises periods, high-liquid asset reserves are maintained. In the management of TL and foreign currency liquidity, the cashflows of existing assets and liabilities are monitored and the liquidity needs in future maturities are estimated. The necessary actions are taken for liquidity requirements by monitoring stress positions.

An emergency action plan that covers the solutions to prevent the increase in liquidity risks under the ordinary activities and the possible scenarios of liquidity constraints under different positions and stress levels, exist. As per this plan, the liquidity risk is monitored through possible actions and scenarios at various stress levels of liquidity risks and early warning signals.

As per the BRSA Communiqué published on the Official Gazette no.26333 dated 1 November 2006 and became effective starting from June 2007, "Measurement and Assessment of the Adequacy of Banks' Liquidity", the weekly and monthly liquidity ratios on a bank-only basis for foreign currency assets/liabilities and total assets/liabilities should be minimum 80% and 100%, respectively. The Bank's liquidity ratios for the years 2014 and 2013, are as follows:

CURRENT PERIOD	FIRST MATURITY BRACKET (WEEKLY)		SECOND MATURITY BRACKET (MONTHLY)	
	FC	FC + TL	FC	FC + TL
Average (%)	181.39	138.72	132.48	108.51

PRIOR PERIOD	FIRST MATURITY BRACKET (WEEKLY)		SECOND MATURITY BRACKET (MONTHLY)	
	FC	FC + TL	FC	FC + TL
Average (%)	156.07	136.67	104.26	103.75

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## 4.8.1 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	5,596,971	19,595,598	-	-	-	-	-	25,192,569
Banks	4,611,330	2,998,396	415,375	1,227,530	3,610,793	-	-	12,863,424
Financial Assets at Fair Value through Profit/Loss (**)	9,383	408,871	175,621	381,453	301,237	389,966	-	1,666,531
Interbank Money Market Placements	-	106,138	-	4,105	-	-	-	110,243
Financial Assets Available -for- Sale	98,609	628,074	614,562	1,470,693	8,395,875	12,322,491	-	23,530,304
Loans (**)	198,894	26,437,111	13,133,214	32,991,967	51,444,000	17,174,063	2,859,822	144,239,071
Investments Held-to-Maturity	-	23,088	2,047,930	11,800	4,376,211	14,208,013	-	20,667,042
Other Assets	1,504,608	2,198,506	1,234,682	1,580,906	2,603,752	261,439	9,398,014	18,781,907
<b>Total Assets</b>	<b>12,019,795</b>	<b>52,395,782</b>	<b>17,621,384</b>	<b>37,668,454</b>	<b>70,731,868</b>	<b>44,355,972</b>	<b>12,257,836</b>	<b>247,051,091</b>
<b>Liabilities</b>								
Bank Deposits	1,906,709	2,021,159	2,432,143	755,394	-	-	-	7,115,405
Other Deposits	29,979,852	58,632,344	25,861,328	10,417,833	1,406,176	12,941	-	126,310,474
Other Fundings	-	3,157,523	2,605,502	14,146,963	13,037,988	4,981,331	-	37,929,307
Interbank Money Market Takings	-	8,623,455	1,319,994	18,987	2,058,729	-	-	12,021,165
Securities Issued	-	908,836	1,549,487	2,558,094	6,768,415	2,653,524	-	14,438,356
Miscellaneous Payables	756,539	6,161,066	4,989	6,646	-	-	6,090,830	13,020,070
Other Liabilities (***)	1,508,556	866,100	464,935	800,260	670,317	233,126	31,673,020	36,216,314
<b>Total Liabilities</b>	<b>34,151,656</b>	<b>80,370,483</b>	<b>34,238,378</b>	<b>28,704,177</b>	<b>23,941,625</b>	<b>7,880,922</b>	<b>37,763,850</b>	<b>247,051,091</b>
<b>Liquidity Gap</b>	<b>(22,131,861)</b>	<b>(27,974,701)</b>	<b>(16,616,994)</b>	<b>8,964,277</b>	<b>46,790,243</b>	<b>36,475,050</b>	<b>(25,506,014)</b>	<b>-</b>
<b>PRIOR PERIOD</b>								
<b>Total Assets</b>	<b>16,709,069</b>	<b>37,591,369</b>	<b>14,366,850</b>	<b>41,483,038</b>	<b>67,098,406</b>	<b>34,351,667</b>	<b>9,881,887</b>	<b>221,482,286</b>
<b>Total Liabilities</b>	<b>29,779,813</b>	<b>77,643,408</b>	<b>27,288,897</b>	<b>27,650,992</b>	<b>19,055,738</b>	<b>12,908,665</b>	<b>27,154,773</b>	<b>221,482,286</b>
<b>Liquidity Gap</b>	<b>(13,070,744)</b>	<b>(40,052,039)</b>	<b>(12,922,047)</b>	<b>13,832,046</b>	<b>48,042,668</b>	<b>21,443,002</b>	<b>(17,272,886)</b>	<b>-</b>

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

(\*\*) Loans amounting to TL 201,385 thousands (31 December 2013: TL 198,778 thousands) included under Financial Assets at Fair Value through Profit/Loss in the accompanying consolidated financial statements are presented above under Loans.

(\*\*\*) 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 affiliates' 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	7,115,405	7,093,925	1,906,709	2,017,006	2,421,000	749,210	-	-
Other Deposits	126,310,474	125,774,343	29,979,852	58,360,056	25,705,290	10,329,424	1,386,956	12,765
Other Fundings	37,929,307	37,382,199	-	3,047,408	2,506,087	14,094,655	13,026,692	4,707,357
Interbank Money Market Takings	12,021,165	11,997,153	-	8,614,319	1,312,907	18,973	2,050,954	-
Securities Issued	14,438,356	14,139,787	-	901,321	1,544,778	2,546,650	6,658,192	2,488,846
<b>Total</b>	<b>197,814,707</b>	<b>196,387,407</b>	<b>31,886,561</b>	<b>72,940,110</b>	<b>33,490,062</b>	<b>27,738,912</b>	<b>23,122,794</b>	<b>7,208,968</b>

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	6,733,280	6,721,693	1,188,352	2,518,328	2,308,858	520,167	185,988	-
Other Deposits	112,475,947	112,007,757	25,891,890	55,725,386	19,092,264	9,759,940	1,521,060	17,217
Other Fundings	34,133,471	33,936,882	-	1,596,983	2,532,945	12,407,461	11,473,636	5,925,857
Interbank Money Market Takings	16,007,738	15,966,100	-	11,531,752	1,491,714	1,252,633	1,690,001	-
Securities Issued	10,790,559	10,564,825	-	393,859	1,321,583	2,922,075	3,498,375	2,428,933
<b>Total</b>	<b>180,140,995</b>	<b>179,197,257</b>	<b>27,080,242</b>	<b>71,766,308</b>	<b>26,747,364</b>	<b>26,862,276</b>	<b>18,369,060</b>	<b>8,372,007</b>

## 4.9 CONSOLIDATED SECURITISATION POSITIONS

None.

## 4.10 CONSOLIDATED CREDIT RISK MITIGATION TECHNIQUES

The parent Bank applies credit risk mitigation according to the comprehensive method that includes risk mitigation calculations considering the volatility-adjusted values of financial collaterals in compliance with the article 34 of the "Regulation on Credit Risk Mitigation Techniques".

In the credit risk mitigation, cash and cash equivalent items and high-credit-quality debt instruments are used.

The volatility adjustments regarding the receivables, collaterals and currency mismatch of the collaterals are made as per the standard volatility-adjustment approach defined in the article 37 of the above mentioned regulation.

In cases where there are maturity mismatches resulting from shorter remaining life of collateral than of receivables, the value of collateral is considered as the volatility-adjusted value.

CURRENT PERIOD	AMOUNT <sup>(*)</sup>	FINANCIAL COLLATERAL	OTHER/PHYSICAL COLLATERAL	GUARANTIES AND CREDIT DERIVATIVES
<b>EXPOSURE CATEGORIES</b>				
Conditional and unconditional exposures to central governments or central banks	66,208,931	4,346,883	-	-
Conditional and unconditional exposures to regional governments or local authorities	87,260	117	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	103,416	13,771	-	-
Conditional and unconditional exposures to multilateral development banks	2,822	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	36,757,188	11,086,247	-	-
Conditional and unconditional exposures to corporates	122,034,964	12,515,119	-	-
Conditional and unconditional retail exposures	66,323,632	1,074,028	-	-
Conditional and unconditional exposures secured by real estate property <sup>(*)</sup>	23,287,776	95,539	-	-
Past due items	696,183	954	-	-
Items in regulatory high-risk categories	18,882,845	153,339	-	-
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	54,451	-	-	-
Other items	5,071,990	-	-	-

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PRIOR PERIOD	AMOUNT (TL)	FINANCIAL COLLATERAL	OTHER/PHYSICAL COLLATERAL	GUARANTIES AND CREDIT DERIVATIVES
<b>EXPOSURE CATEGORIES</b>				
Conditional and unconditional exposures to central governments or central banks	59,572,424	1,076,834	-	-
Conditional and unconditional exposures to regional governments or local authorities	90,215	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	1,383	454	-	-
Conditional and unconditional exposures to multilateral development banks	5,801	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	47,533,199	19,091,811	-	-
Conditional and unconditional exposures to corporates	109,691,262	7,406,825	-	-
Conditional and unconditional retail exposures	56,779,492	905,323	-	-
Conditional and unconditional exposures secured by real estate property (*)	19,360,580	113,402	-	-
Past due items	682,805	287	-	-
Items in regulatory high-risk categories	16,918,395	203,313	-	-
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	4,249,324	-	-	-
Other items	4,565,744	-	-	-

(\*) The mortgages used for the determination of the risk categories as per the article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", are excluded.

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

## 4.11 RISK MANAGEMENT OBJECTIVES AND POLICIES

The Risk Management Strategy of the parent Bank includes the optimum allocation of the capital and the realisation of growth framework, maintaining risk-return balance, measuring the risks by methods in compliance with international standards and local regulations in paralel with its activities and under its sustainable and value-creating growth strategy.

The parent Bank determines the necessary approaches in order to update, revise, apply and manage its policies set for the proper assessment and management of risks considering changes in conditions.

The top management is responsible of managing, developing the risk management strategies, policies and application principles approved by the board of directors, reporting of major risks that the Bank is facing to the board of directors, assessment of internal control, internal audit and risk reports of departments and either eliminating risks, deficiencies or defects identified in these departments or taking the necessary precautions to prevent those, and participating in determination of risk limits.

The risk management activities are structured under the responsibility of the Bank's board of directors. The top management is responsible to the board of directors for monitoring and managing of risks. Besides, the following departments participate in monitoring of risks, independent from the departments having operational activities; Internal Control, Risk Management, Fraud, Compliance and Internal Audit.

The risks are evaluated on a continuously developing structure that is managed by internationally accepted applications and in compliance with the Bank's policies and procedures, and the international and local regulations.

The risks are also managed through risk mitigations using hedging transactions beside measurement, limitation and capital allocation techniques. The data of the Bank and the market are regularly monitored for better risk monitoring and management. As part of limitation of risks, internal limits are also set beside the legal limits. The possible changes in economic conditions and the risks that can be faced under extraordinary conditions are taken into consideration.

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## 4.12 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

	CARRYING VALUE		FAIR VALUE	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>224,108,139</b>	<b>201,923,154</b>	<b>226,231,334</b>	<b>202,245,496</b>
Interbank Money Market Placements	110,243	199,033	110,243	199,033
Banks (*)	35,561,479	34,030,264	35,561,479	34,030,264
Financial Assets Available-for-Sale	23,530,304	24,836,227	23,530,304	24,836,227
Investments Held-to-Maturity	20,667,042	13,773,794	21,920,197	13,533,024
Loans (**)	144,239,071	129,083,836	145,109,111	129,646,948
<b>Financial Liabilities</b>	<b>210,834,777</b>	<b>190,155,831</b>	<b>210,834,777</b>	<b>190,155,831</b>
Bank Deposits	7,115,405	6,733,280	7,115,405	6,733,280
Other Deposits	126,310,474	112,475,947	126,310,474	112,475,947
Other Fundings from Financial Institutions	49,950,472	50,141,209	49,950,472	50,141,209
Securities Issued	14,438,356	10,790,559	14,438,356	10,790,559
Miscellaneous Payables	13,020,070	10,014,836	13,020,070	10,014,836

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

(\*\*) Loans amounting to TL 201,385 thousands (31 December 2013: TL 198,778 thousands) included under Financial Assets at Fair Value through Profit/Loss in the accompanying consolidated financial statements are presented above under "Loans".

Fair values of financial assets available-for-sale and investments held-to-maturity are derived from market prices or in case of absence of such prices, market prices of other securities quoted in similar qualified markets and having substantially similar characteristics in terms of interest, maturity and other conditions.

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

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

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

CURRENT PERIOD	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial Assets Available-for-Sale	18,825,886	3,646,998	1,057,420	23,530,304
Financial Assets Held for Trading	195,582	22,768	-	218,350
Derivative Financial Assets Held for Trading	18	1,448,163	-	1,448,181
Loans	-	201,385	-	201,385
Derivative Financial Assets Held for Risk Management	-	166,252	-	166,252
<b>Financial Assets at Fair Value</b>	<b>19,021,486</b>	<b>5,485,566</b>	<b>1,057,420</b>	<b>25,564,472</b>
Derivative Financial Liabilities Held for Trading	699	2,100,072	-	2,100,771
Funds Borrowed	-	4,899,376	-	4,899,376
Derivative Financial Liabilities Held for Risk Management	-	279,383	-	279,383
<b>Financial Liabilities at Fair Value</b>	<b>699</b>	<b>7,278,831</b>	<b>-</b>	<b>7,279,530</b>
<b>PRIOR PERIOD</b>	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>	<b>TOTAL</b>
Financial Assets Available-for-Sale	20,230,574	1,967,344	2,638,309	24,836,227
Financial Assets Held for Trading	240,923	171	26,545	267,639
Derivative Financial Assets Held for Trading	1,653	1,668,173	-	1,669,826
Loans	-	198,778	-	198,778
Derivative Financial Assets Held for Risk Management	-	114,984	-	114,984
<b>Financial Assets at Fair Value</b>	<b>20,473,150</b>	<b>3,949,450</b>	<b>2,664,854</b>	<b>27,087,454</b>
Derivative Financial Liabilities Held for Trading	-	1,567,030	-	1,567,030
Funds Borrowed	-	2,084,138	-	2,084,138
Derivative Financial Liabilities Held for Risk Management	-	39,105	-	39,105
<b>Financial Liabilities at Fair Value</b>	<b>-</b>	<b>3,690,273</b>	<b>-</b>	<b>3,690,273</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)

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## 4.13 TRANSACTIONS CARRIED OUT ON BEHALF OF CUSTOMERS AND ITEMS HELD IN TRUST

None.

## 5 DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS

### 5.1 CONSOLIDATED ASSETS

#### 5.1.1 CASH AND BALANCES WITH CENTRAL BANK

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1,089,266	709,177	1,007,744	659,757
Central Bank of Turkey	670,794	22,027,261	1,743,999	19,161,838
Others	-	696,071	-	69,504
<b>Total</b>	<b>1,760,060</b>	<b>23,432,509</b>	<b>2,751,743</b>	<b>19,891,099</b>

<i>Balances with the Central Bank of Turkey</i>	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Unrestricted Demand Deposits	670,794	2,431,663	1,743,999	1,995,058
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	19,595,598	-	17,166,780
<b>Total</b>	<b>670,794</b>	<b>22,027,261</b>	<b>1,743,999</b>	<b>19,161,838</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		PRIOR PERIOD	
	TL	FC	TL	FC
Collateralised/Blocked Assets	10,744	265,254	-	280,860
Assets Subject to Repurchase Agreements	3,639	-	2,732	-
<b>Total</b>	<b>14,383</b>	<b>265,254</b>	<b>2,732</b>	<b>280,860</b>

##### 5.1.2.2 POSITIVE DIFFERENCES ON DERIVATIVE FINANCIAL ASSETS HELD FOR TRADING

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Forward Transactions	113,870	25,446	297,742	19,747
Swap Transactions	441,452	621,374	330,329	645,228
Futures	9	-	203	1,451
Options	199,834	37,613	293,012	81,708
Others	3	8,580	-	406
<b>Total</b>	<b>755,168</b>	<b>693,013</b>	<b>921,286</b>	<b>748,540</b>

##### 5.1.2.3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS

The Bank classified certain fixed-rate loans amounting to TL 200,000 thousands at initial recognition under financial assets at fair value through profit/loss to eliminate accounting inconsistency. The carrying value of these financial assets and the related current period gain amounted to TL 201,385 thousands (31 December 2013: TL 198,778 thousands) and TL 2,607 thousands (31 December 2013: a loss of TL 23,403 thousands), respectively.

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## 5.1.3 BANKS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Banks				
Domestic banks	1,563,265	1,057,721	481,639	1,441,682
Foreign banks	233,168	10,009,270	1,712,633	9,488,473
Foreign headoffices and branches	-	-	-	-
<b>Total</b>	<b>1,796,433</b>	<b>11,066,991</b>	<b>2,194,272</b>	<b>10,930,155</b>

### Due from foreign banks

	UNRESTRICTED BALANCES		RESTRICTED BALANCES	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
EU Countries	3,570,899	3,010,199	5,822,718	6,925,660
USA, Canada	495,602	533,189	126,420	408,952
OECD Countries (1)	20,226	22,200	1,263	-
Off-shore Banking Regions	62,780	121,675	50,066	43,094
Others	92,464	136,137	-	-
<b>Total</b>	<b>4,241,971</b>	<b>3,823,400</b>	<b>6,000,467</b>	<b>7,377,706</b>

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

The placements at foreign banks include blocked accounts amounting TL 6,000,467 (31 December 2013: TL 7,377,706 thousands) of which TL 108,410 thousands (31 December 2013: TL 116,271 thousands) and TL 50,066 thousands (31 December 2013: TL 43,094 thousands) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 5,841,991 thousands (31 December 2013: TL 7,218,341 thousands) as collateral against funds borrowed at various banks.

Furthermore, there are restricted deposits at various domestic banks amounting TL 123,681 thousands (31 December 2013: TL 91,740 thousands) as required for insurance activities.

## 5.1.4 FINANCIAL ASSETS AVAILABLE-FOR-SALE

### 5.1.4.1 FINANCIAL ASSETS SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Collateralised/Blocked Assets	5,463,784	183,146	6,612,447	581,497
Assets subject to Repurchase Agreements	5,024,297	1,240,802	9,143,715	2,089,708
<b>Total</b>	<b>10,488,081</b>	<b>1,423,948</b>	<b>15,756,162</b>	<b>2,671,205</b>

### 5.1.4.2 DETAILS OF FINANCIAL ASSETS AVAILABLE-FOR-SALE

	CURRENT PERIOD	PRIOR PERIOD
<b>Debt Securities</b>	<b>22,130,726</b>	<b>24,311,825</b>
Quoted at Stock Exchange	20,487,066	21,641,181
Unquoted at Stock Exchange	1,643,660	2,670,644
<b>Common Shares/Investment Fund</b>	<b>61,050</b>	<b>18,165</b>
Quoted at Stock Exchange	7,669	7,669
Unquoted at Stock Exchange	53,381	10,496
<b>Value Increase/Impairment Losses (-)</b>	<b>1,338,528</b>	<b>506,237</b>
<b>Total</b>	<b>23,530,304</b>	<b>24,836,227</b>

As of 31 December 2013, the Bank's "financial assets available-for-sale" portfolio included private sector bonds with "credit linked notes" at a total face value of USD 425,000,000 and a total carrying value of TL 913,660 thousands; in the current period such bonds are classified to "investments held-to-maturity" portfolio.

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## 5.1.5 LOANS

### 5.1.5.1 LOANS AND ADVANCES TO SHAREHOLDERS AND EMPLOYEES OF THE BANK

	CURRENT PERIOD		PRIOR PERIOD	
	CASH LOANS	NON-CASH LOANS	CASH LOANS	NON-CASH LOANS
Direct Lendings to Shareholders	786	175,423	65	135,482
Corporates	786	175,423	65	135,482
Real Persons	-	-	-	-
Indirect Lendings to Shareholders	1,554,137	534,359	509,825	294,931
Loans to Employees	255,971	107	232,867	90
Total	1,810,894	709,889	742,757	430,503

### 5.1.5.2 LOANS AND OTHER RECEIVABLES CLASSIFIED IN GROUPS I AND II INCLUDING CONTRACTS WITH REVISED TERMS

CURRENT 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	EXTENSION OF REPAYMENT PLAN		OTHER CHANGES
Loans	138,847,612	1,698,614	47,257	4,291,152	1,999,696	338,147
Working Capital Loans	11,904,635	150,355	234	765,462	390,281	84,424
Export Loans	6,913,680	1,238	-	107,215	50,771	36,519
Import Loans	624,368	-	-	-	-	-
Loans to Financial Sector <sup>(*)</sup>	5,167,694	7,162	-	-	-	-
Consumer Loans	33,622,555	1,228,653	45,622	1,353,068	406,082	26,503
Credit Cards	14,551,502	-	-	345,148	-	127,602
Others	66,063,178	311,206	1,401	1,720,259	1,152,562	63,099
Specialization Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	138,847,612	1,698,614	47,257	4,291,152	1,999,696	338,147

(\*) Loans amounting to TL 201,385 thousands included under Financial Assets at Fair Value through Profit/Loss in the accompanying consolidated financial statements are presented above under "Loans to Financial Sector".

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	EXTENSION OF REPAYMENT PLAN		OTHER CHANGES
Loans	124,873,864	2,413,436	100,130	3,288,726	1,396,969	683,179
Working Capital Loans	10,896,938	164,422	4,679	636,979	363,054	85,052
Export Loans	4,983,365	11,321	-	46,569	25,371	11,365
Import Loans	692,267	-	-	-	-	-
Loans to Financial Sector <sup>(*)</sup>	4,680,387	3	-	66	-	-
Consumer Loans	29,987,887	1,099,767	61,405	854,213	189,309	66,678
Credit Cards	14,658,984	-	-	525,198	-	401,241
Others	58,974,036	1,137,923	34,046	1,225,701	819,235	118,843
Specialization Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	124,873,864	2,413,436	100,130	3,288,726	1,396,969	683,179

(\*) Loans amounting to TL 198,778 thousands included under Financial Assets at Fair Value through Profit/Loss in the accompanying consolidated financial statements are presented above under "Loans to Financial Sector".

As of 31 December 2014, loans amounting to TL 4,462,373 thousands (31 December 2013: TL 863,526 thousands) are collateralized under funding transactions.

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## Collaterals received for loans under follow-up

CURRENT PERIOD	CORPORATE / COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	55,698	2,557	-	58,255
Loans Collateralized by Mortgages	1,479,090	523,901	-	2,002,991
Loans Collateralized by Pledged Assets	65,498	53,246	-	118,744
Loans Collateralized by Cheques and Notes	36,397	464,607	-	501,004
Loans Collateralized by Other Collaterals	624,926	15,369	-	640,295
Unsecured Loans	331,327	293,388	345,148	969,863
<b>Total</b>	<b>2,592,936</b>	<b>1,353,068</b>	<b>345,148</b>	<b>4,291,152</b>

PRIOR PERIOD	CORPORATE / COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	41,599	2,331	-	43,930
Loans Collateralized by Mortgages	1,035,609	287,361	-	1,322,970
Loans Collateralized by Pledged Assets	81,653	46,495	-	128,148
Loans Collateralized by Cheques and Notes	61,852	353,512	-	415,364
Loans Collateralized by Other Collaterals	633,520	54,121	-	687,641
Unsecured Loans	55,082	110,393	525,198	690,673
<b>Total</b>	<b>1,909,315</b>	<b>854,213</b>	<b>525,198</b>	<b>3,288,726</b>

## Delinquency periods of loans under follow-up

CURRENT PERIOD	CORPORATE / COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
31-60 days	79,098	527,104	166,123	772,325
61-90 days	73,990	230,454	50,677	355,121
Other	2,439,848	595,510	128,348	3,163,706
<b>Total</b>	<b>2,592,936</b>	<b>1,353,068</b>	<b>345,148</b>	<b>4,291,152</b>

PRIOR PERIOD	CORPORATE / COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
31-60 days	51,992	322,179	68,743	442,914
61-90 days	59,115	116,407	28,948	204,470
Other	1,798,208	415,627	427,507	2,641,342
<b>Total</b>	<b>1,909,315</b>	<b>854,213</b>	<b>525,198</b>	<b>3,288,726</b>

## Loans and other receivables with extended payment plans

CURRENT PERIOD	PERFORMING LOANS AND OTHER RECEIVABLES	LOANS AND OTHER RECEIVABLES UNDER FOLLOW-UP
<b>NO. OF EXTENSIONS</b>		
1 or 2 times	1,520,890	1,943,366
3, 4 or 5 times	96,574	44,149
Over 5 times	81,150	12,181
<b>Total</b>	<b>1,698,614</b>	<b>1,999,696</b>

PRIOR PERIOD	PERFORMING LOANS AND OTHER RECEIVABLES	LOANS AND OTHER RECEIVABLES UNDER FOLLOW-UP
<b>NO. OF EXTENSIONS</b>		
1 or 2 times	2,188,784	1,365,763
3, 4 or 5 times	176,664	23,763
Over 5 times	47,988	7,443
<b>Total</b>	<b>2,413,436</b>	<b>1,396,969</b>

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CURRENT PERIOD	PERFORMING LOANS AND OTHER RECEIVABLES	LOANS AND OTHER RECEIVABLES UNDER FOLLOW-UP
EXTENTION PERIODS		
0 - 6 months	774,677	299,463
6 - 12 months	208,004	60,275
1 - 2 years	460,501	166,395
2 - 5 year	196,670	747,346
5 years and over	58,762	726,217
<b>Total</b>	<b>1,698,614</b>	<b>1,999,696</b>

PRIOR PERIOD	PERFORMING LOANS AND OTHER RECEIVABLES	LOANS AND OTHER RECEIVABLES UNDER FOLLOW-UP
EXTENTION PERIODS		
0 - 6 months	555,878	135,872
6 - 12 months	132,414	52,091
1 - 2 years	490,202	154,415
2 - 5 year	466,011	433,409
5 years and over	768,931	621,182
<b>Total</b>	<b>2,413,436</b>	<b>1,396,969</b>

## 5.1.5.3 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>44,641,542</b>	<b>222,286</b>	<b>555,425</b>	<b>164,390</b>
Loans	44,641,542	222,286	555,425	164,390
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Medium and Long-Term Loans</b>	<b>94,206,070</b>	<b>1,523,585</b>	<b>3,735,727</b>	<b>2,173,453</b>
Loans	94,206,070	1,523,585	3,735,727	2,173,453
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Total</b>	<b>138,847,612</b>	<b>1,745,871</b>	<b>4,291,152</b>	<b>2,337,843</b>

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>38,392,318</b>	<b>294,355</b>	<b>713,102</b>	<b>452,863</b>
Loans	38,392,318	294,355	713,102	452,863
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Medium and Long-Term Loans</b>	<b>86,481,546</b>	<b>2,219,211</b>	<b>2,575,624</b>	<b>1,627,285</b>
Loans	86,481,546	2,219,211	2,575,624	1,627,285
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Total</b>	<b>124,873,864</b>	<b>2,513,566</b>	<b>3,288,726</b>	<b>2,080,148</b>

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## 5.1.5.4 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>690,325</b>	<b>32,082,213</b>	<b>32,772,538</b>
Housing Loans	19,660	15,359,984	15,379,644
Automobile Loans	21,705	1,341,922	1,363,627
General Purpose Loans	127,056	2,240,482	2,367,538
Others	521,904	13,139,825	13,661,729
<b>Consumer Loans – FC-indexed</b>	<b>-</b>	<b>172,451</b>	<b>172,451</b>
Housing Loans	-	168,056	168,056
Automobile Loans	-	60	60
General Purpose Loans	-	3,235	3,235
Others	-	1,100	1,100
<b>Consumer Loans – FC</b>	<b>198,682</b>	<b>1,293,210</b>	<b>1,491,892</b>
Housing Loans	1,822	549,973	551,795
Automobile Loans	12	5,355	5,367
General Purpose Loans	4,411	603,111	607,522
Others	192,437	134,771	327,208
<b>Retail Credit Cards – TL</b>	<b>12,837,030</b>	<b>470,688</b>	<b>13,307,718</b>
With Installment	5,992,626	470,688	6,463,314
Without Installment	6,844,404	-	6,844,404
<b>Retail Credit Cards – FC</b>	<b>76,879</b>	<b>69,203</b>	<b>146,082</b>
With Installment	15,931	-	15,931
Without Installment	60,948	69,203	130,151
<b>Personnel Loans – TL</b>	<b>16,348</b>	<b>62,853</b>	<b>79,201</b>
Housing Loan	-	967	967
Automobile Loans	-	57	57
General Purpose Loans	4,382	11,834	16,216
Others	11,966	49,995	61,961
<b>Personnel Loans - FC-indexed</b>	<b>211</b>	<b>279</b>	<b>490</b>
Housing Loans	-	279	279
Automobile Loans	-	-	-
General Purpose Loans	211	-	211
Others	-	-	-
<b>Personnel Loans – FC</b>	<b>1,573</b>	<b>85,508</b>	<b>87,081</b>
Housing Loans	111	31,802	31,913
Automobile Loans	4	12	16
General Purpose Loans	260	39,492	39,752
Others	1,198	14,202	15,400
<b>Personnel Credit Cards – TL</b>	<b>77,254</b>	<b>475</b>	<b>77,729</b>
With Installment	30,149	475	30,624
Without Installment	47,105	-	47,105
<b>Personnel Credit Cards – FC</b>	<b>1,316</b>	<b>2,894</b>	<b>4,210</b>
With Installment	304	-	304
Without Installment	1,012	2,894	3,906
<b>Deposit Accounts– TL (Real Persons)</b>	<b>371,970</b>	<b>-</b>	<b>371,970</b>
<b>Deposit Accounts– FC (Real Persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>14,271,588</b>	<b>34,239,774</b>	<b>48,511,362</b>

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PRIOR PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
<b>Consumer Loans – TL</b>	<b>571,942</b>	<b>27,931,131</b>	<b>28,503,073</b>
Housing Loans	18,051	13,425,912	13,443,963
Automobile Loans	17,232	1,463,542	1,480,774
General Purpose Loans	98,945	1,877,475	1,976,420
Others	437,714	11,164,202	11,601,916
<b>Consumer Loans – FC-indexed</b>	<b>-</b>	<b>232,720</b>	<b>232,720</b>
Housing Loans	-	225,465	225,465
Automobile Loans	-	132	132
General Purpose Loans	-	5,547	5,547
Others	-	1,576	1,576
<b>Consumer Loans – FC</b>	<b>229,240</b>	<b>1,351,820</b>	<b>1,581,060</b>
Housing Loans	1,033	639,619	640,652
Automobile Loans	21	6,711	6,732
General Purpose Loans	4,313	553,428	557,741
Others	223,873	152,062	375,935
<b>Retail Credit Cards – TL</b>	<b>12,942,722</b>	<b>713,232</b>	<b>13,655,954</b>
With Installment	7,609,148	713,207	8,322,355
Without Installment	5,333,574	25	5,333,599
<b>Retail Credit Cards – FC</b>	<b>73,459</b>	<b>70,605</b>	<b>144,064</b>
With Installment	25,118	-	25,118
Without Installment	48,341	70,605	118,946
<b>Personnel Loans – TL</b>	<b>15,064</b>	<b>51,603</b>	<b>66,667</b>
Housing Loan	-	1,284	1,284
Automobile Loans	-	101	101
General Purpose Loans	3,716	9,248	12,964
Others	11,348	40,970	52,318
<b>Personnel Loans - FC-indexed</b>	<b>231</b>	<b>16,039</b>	<b>16,270</b>
Housing Loans	-	16,039	16,039
Automobile Loans	-	-	-
General Purpose Loans	231	-	231
Others	-	-	-
<b>Personnel Loans – FC</b>	<b>2,521</b>	<b>58,292</b>	<b>60,813</b>
Housing Loans	66	18,227	18,293
Automobile Loans	7	29	36
General Purpose Loans	218	34,009	34,227
Others	2,230	6,027	8,257
<b>Personnel Credit Cards – TL</b>	<b>77,845</b>	<b>831</b>	<b>78,676</b>
With Installment	38,772	831	39,603
Without Installment	39,073	-	39,073
<b>Personnel Credit Cards – FC</b>	<b>1,804</b>	<b>941</b>	<b>2,745</b>
With Installment	458	-	458
Without Installment	1,346	941	2,287
<b>Deposit Accounts– TL (Real Persons)</b>	<b>381,497</b>	<b>-</b>	<b>381,497</b>
<b>Deposit Accounts– FC (Real Persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>14,296,325</b>	<b>30,427,214</b>	<b>44,723,539</b>

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## 5.1.5.5 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>1,428,068</b>	<b>8,727,986</b>	<b>10,156,054</b>
Real Estate Loans	1,767	643,270	645,037
Automobile Loans	72,896	1,724,661	1,797,557
General Purpose Loans	1,353,405	6,353,477	7,706,882
Others	-	6,578	6,578
<b>Installment-based Commercial Loans - FC-indexed</b>	<b>149,234</b>	<b>1,373,897</b>	<b>1,523,131</b>
Real Estate Loans	-	53,175	53,175
Automobile Loans	4,288	343,744	348,032
General Purpose Loans	144,946	976,978	1,121,924
Others	-	-	-
<b>Installment-based Commercial Loans – FC</b>	<b>615,145</b>	<b>1,022,908</b>	<b>1,638,053</b>
Real Estate Loans	-	1,088	1,088
Automobile Loans	20	6,725	6,745
General Purpose Loans	205	14,248	14,453
Others	614,920	1,000,847	1,615,767
<b>Corporate Credit Cards – TL</b>	<b>1,353,768</b>	<b>515</b>	<b>1,354,283</b>
With Installment	654,951	514	655,465
Without Installment	698,817	1	698,818
<b>Corporate Credit Cards – FC</b>	<b>6,628</b>	<b>-</b>	<b>6,628</b>
With Installment	136	-	136
Without Installment	6,492	-	6,492
<b>Deposit Accounts– TL (Corporates)</b>	<b>716,754</b>	<b>-</b>	<b>716,754</b>
<b>Deposit Accounts– FC (Corporates)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>4,269,597</b>	<b>11,125,306</b>	<b>15,394,903</b>

PRIOR PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
<b>Installment-based Commercial Loans – TL</b>	<b>917,999</b>	<b>7,852,874</b>	<b>8,770,873</b>
Real Estate Loans	2,443	657,385	659,828
Automobile Loans	44,069	1,524,823	1,568,892
General Purpose Loans	871,487	5,665,918	6,537,405
Others	-	4,748	4,748
<b>Installment-based Commercial Loans - FC-indexed</b>	<b>88,127</b>	<b>1,076,813</b>	<b>1,164,940</b>
Real Estate Loans	-	48,110	48,110
Automobile Loans	3,569	260,595	264,164
General Purpose Loans	84,558	768,108	852,666
Others	-	-	-
<b>Installment-based Commercial Loans – FC</b>	<b>706,480</b>	<b>786,153</b>	<b>1,492,633</b>
Real Estate Loans	-	1,413	1,413
Automobile Loans	-	7,421	7,421
General Purpose Loans	278	18,216	18,494
Others	706,202	759,103	1,465,305
<b>Corporate Credit Cards – TL</b>	<b>1,295,213</b>	<b>1,092</b>	<b>1,296,305</b>
With Installment	783,440	1,088	784,528
Without Installment	511,773	4	511,777
<b>Corporate Credit Cards – FC</b>	<b>6,438</b>	<b>-</b>	<b>6,438</b>
With Installment	237	-	237
Without Installment	6,201	-	6,201
<b>Deposit Accounts– TL (Corporates)</b>	<b>637,296</b>	<b>-</b>	<b>637,296</b>
<b>Deposit Accounts– FC (Corporates)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>3,651,553</b>	<b>9,716,932</b>	<b>13,368,485</b>

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## 5.1.5.6 ALLOCATION OF LOANS BY CUSTOMERS

	CURRENT PERIOD	PRIOR PERIOD
Public Sector	976,922	1,267,471
Private Sector (*)	142,161,842	126,895,119
<b>Total</b>	<b>143,138,764</b>	<b>128,162,590</b>

(\*) Loans amounting to TL 201,385 thousands (31 December 2013: TL 198,778 thousands) included under Financial Assets at Fair Value through Profit/Loss in the accompanying consolidated financial statements are presented above under "Private Sector".

## 5.1.5.7 ALLOCATION OF DOMESTIC AND FOREIGN LOANS

	CURRENT PERIOD	PRIOR PERIOD
Domestic Loans	134,845,900	119,416,568
Foreign Loans (*)	8,292,864	8,746,022
<b>Total</b>	<b>143,138,764</b>	<b>128,162,590</b>

(\*) Loans amounting to TL 201,385 thousands (31 December 2013: TL 198,778 thousands) included under Financial Assets at Fair Value through Profit/Loss in the accompanying consolidated financial statements are presented above under "Foreign Loans".

## 5.1.5.8 LOANS TO ASSOCIATES AND SUBSIDIARIES

	CURRENT PERIOD	PRIOR PERIOD
Direct Lending	980	70,148
Indirect Lending	-	-
<b>Total</b>	<b>980</b>	<b>70,148</b>

## 5.1.5.9 SPECIFIC PROVISIONS FOR LOANS

SPECIFIC PROVISIONS	CURRENT PERIOD	PRIOR PERIOD
Substandard Loans and Receivables - Limited Collectibility	397,288	320,306
Doubtful Loans and Receivables	685,249	350,780
Uncollectible Loans and Receivables	2,203,210	2,012,752
<b>Total</b>	<b>3,285,747</b>	<b>2,683,838</b>

## 5.1.5.10 NON-PERFORMING LOANS (NPLS) (NET)

Non-performing loans and other receivables restructured or rescheduled

	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS AND RECEIVABLES	DOUBTFUL LOANS AND RECEIVABLES	UNCOLLECTIBLE LOANS AND RECEIVABLES
<b>CURRENT PERIOD</b>			
(Gross amounts before specific provisions)			
Restructured Loans and Receivables	143,326	209,992	366,158
Rescheduled Loans and Receivables	11,327	4,415	44,798
<b>Total</b>	<b>154,653</b>	<b>214,407</b>	<b>410,956</b>
<b>PRIOR PERIOD</b>			
(Gross amounts before specific provisions)			
Restructured Loans and Receivables	184,781	100,782	203,631
Rescheduled Loans and Receivables	-	-	51,804
<b>Total</b>	<b>184,781</b>	<b>100,782</b>	<b>255,435</b>

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## Movements in non-performing loan groups

CURRENT 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>506,189</b>	<b>519,170</b>	<b>2,579,725</b>
Additions during the Period (+)	1,565,667	243,886	235,895
Transfer from Other NPL Categories (+)	160,533	1,282,345	931,770
Transfer to Other NPL Categories (-)	1,257,391	873,644	243,613
Collections during the Period (-)	289,465	232,267	245,194
Write-offs (-) <sup>(*)</sup>	9,567	20,353	467,632
Corporate and Commercial Loans	8,894	20,009	196,924
Retail Loans	673	344	75,436
Credit Cards	-	-	195,272
Others	-	-	-
<b>Balances at End of Period</b>	<b>675,966</b>	<b>919,137</b>	<b>2,790,951</b>
Specific Provisions (-)	397,288	685,249	2,203,210
<b>Net Balance on Balance Sheet</b>	<b>278,678</b>	<b>233,888</b>	<b>587,741</b>

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

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>342,410</b>	<b>577,852</b>	<b>1,784,948</b>
Additions during the Period (+)	1,158,454	145,641	489,306
Transfer from Other NPL Categories (+)	-	856,818	901,486
Transfer to Other NPL Categories (-)	860,541	897,761	-
Collections during the Period (-)	134,134	163,151	262,590
Write-offs (-) <sup>(*)</sup>	-	229	333,425
Corporate and Commercial Loans	-	226	37,049
Retail Loans	-	-	67,393
Credit Cards	-	3	228,983
Others	-	-	-
<b>Balances at End of Period</b>	<b>506,189</b>	<b>519,170</b>	<b>2,579,725</b>
Specific Provisions (-)	320,306	350,780	2,012,752
<b>Net Balance on Balance Sheet</b>	<b>185,883</b>	<b>168,390</b>	<b>566,973</b>

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

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## Movements in specific loan provisions

CURRENT PERIOD	CORPORATE / COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Balances at End of Prior Period	1,303,085	750,498	630,255	2,683,838
Additions during the Period (+)	599,643	637,421	430,093	1,667,157
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-)	171,482	245,933	157,419	574,834
Write-Offs (-) (*)	218,689	76,453	195,272	490,414
Balances at End of Period	1,512,557	1,065,533	707,657	3,285,747

PRIOR PERIOD	CORPORATE / COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Balances at End of Prior Period	955,670	537,104	616,566	2,109,340
Additions during the Period (+)	535,332	393,359	381,643	1,310,334
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-)	163,605	114,137	138,971	416,713
Write-Offs (-) (*)	24,312	65,828	228,983	319,123
Balances at End of Period	1,303,085	750,498	630,255	2,683,838

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

## Non-performing loans in foreign currencies

	GROUP III SUBSTANDARD LOANS AND RECEIVABLES	GROUP IV DOUBTFUL LOANS AND RECEIVABLES	GROUP V UNCOLLECTIBLE LOANS AND RECEIVABLES
<b>CURRENT PERIOD</b>			
Balance at End of Period	294,892	212,253	1,224,945
Specific Provisions (-)	101,987	109,988	905,212
Net Balance at Balance Sheet	192,905	102,265	319,733
<b>PRIOR PERIOD</b>			
Balance at End of Period	269,127	134,093	1,278,963
Specific Provisions (-)	131,653	55,859	924,844
Net Balance at Balance Sheet	137,474	78,234	354,119

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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>Current Period (Net)</b>	<b>278,675</b>	<b>233,891</b>	<b>587,741</b>
Loans to Individuals and Corporates (Gross)	675,963	919,140	2,784,059
Specific Provision (-)	397,288	685,249	2,196,318
Loans to Individuals and Corporates (Net)	278,675	233,891	587,741
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	6,581
Specific Provision (-)	-	-	6,581
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>185,883</b>	<b>168,390</b>	<b>566,973</b>
Loans to Individuals and Corporates (Gross)	506,189	519,170	2,571,693
Specific Provision (-)	320,306	350,780	2,004,720
Loans to Individuals and Corporates (Net)	185,883	168,390	566,973
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	7,721
Specific Provision (-)	-	-	7,721
Other Loans and Receivables (Net)	-	-	-

Collaterals received for non-performing loans

CURRENT PERIOD	CORPORATE / COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	14,452	235	-	14,687
Loans Collateralized by Mortgages	903,364	72,867	-	976,231
Loans Collateralized by Pledged Assets	436,743	52,212	-	488,955
Loans Collateralized by Cheques and Notes	329,520	577,913	-	907,433
Loans Collateralized by Other Collaterals	303,325	179,744	-	483,069
Unsecured Loans	477,060	328,785	709,834	1,515,679
<b>Total</b>	<b>2,464,464</b>	<b>1,211,756</b>	<b>709,834</b>	<b>4,386,054</b>

PRIOR PERIOD	CORPORATE / COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	11,332	183	-	11,515
Loans Collateralized by Mortgages	668,884	71,597	-	740,481
Loans Collateralized by Pledged Assets	397,290	45,677	-	442,967
Loans Collateralized by Cheques and Notes	304,757	398,069	-	702,826
Loans Collateralized by Other Collaterals	327,348	141,201	-	468,549
Unsecured Loans	391,719	211,644	635,383	1,238,746
<b>Total</b>	<b>2,101,330</b>	<b>868,371</b>	<b>635,383</b>	<b>3,605,084</b>

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## 5.1.5.11 LIQUIDATION POLICY FOR UNCOLLECTIBLE LOANS AND RECEIVABLES

Such loans and receivables are collected through legal follow-up and liquidation of collaterals.

## 5.1.5.12 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.

## 5.1.6 FACTORING RECEIVABLES

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Short-Term	2,268,464	610,479	1,561,143	422,560
Medium and Long-Term	1,759	78,247	7,219	3,808
<b>Total</b>	<b>2,270,223</b>	<b>688,726</b>	<b>1,568,362</b>	<b>426,368</b>

## 5.1.7 INVESTMENTS HELD-TO-MATURITY

### 5.1.7.1 INVESTMENT SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Collateralised/Blocked Investments	6,708,961	718,432	5,139,386	-
Investments subject to Repurchase Agreements	1,996,759	4,612,969	6,192,089	428,072
<b>Total</b>	<b>8,705,720</b>	<b>5,331,401</b>	<b>11,331,475</b>	<b>428,072</b>

### 5.1.7.2 GOVERNMENT SECURITIES HELD-TO-MATURITY

	CURRENT PERIOD	PRIOR PERIOD
Government Bonds	18,001,974	13,581,843
Treasury Bills	-	-
Other Government Securities	-	-
<b>Total</b>	<b>18,001,974</b>	<b>13,581,843</b>

### 5.1.7.3 INVESTMENTS HELD-TO-MATURITY

	CURRENT PERIOD	PRIOR PERIOD
Debt Securities	19,308,134	13,330,130
Quoted at Stock Exchange	18,319,254	13,142,081
Unquoted at Stock Exchange	988,880	188,049
Valuation Increase / (Decrease)	1,358,908	443,664
<b>Total</b>	<b>20,667,042</b>	<b>13,773,794</b>

As of 31 December 2014, the Bank's "investments held-to-maturity" portfolio includes private sector bonds with "credit linked notes" at a total face value of USD 425,000,000 (31 December 2013: -) and a total carrying value of TL 993,074 thousands (31 December 2013: -).

### 5.1.7.4 MOVEMENT OF INVESTMENTS HELD-TO-MATURITY

	CURRENT PERIOD	PRIOR PERIOD
Balances at Beginning of Period	13,773,794	1,366,954
Foreign Currency Differences on Monetary Assets	103,897	-
Purchases during the Period (*)	7,523,758	12,458,498
Disposals through Sales/Redemptions (**)	(1,651,339)	(496,826)
Valuation Effect	916,932	445,168
<b>Balances at End of Period</b>	<b>20,667,042</b>	<b>13,773,794</b>

(\*) In the current period, the Bank reclassified private sector bonds with "credit linked notes" with a total face value of USD 425,000,000 from financial assets available-for-sale portfolio to investments held-to-maturity portfolio. In the prior period, the Bank reclassified certain securities issued by the Turkish Treasury, with a total face value of TL 8,965,094 thousands from financial assets available-for-sale portfolio to investments held-to-maturity portfolio.

(\*\*) As per the regulation on capital adequacy (Basel II) effective from 1 July 2012, the risk weight of securities in foreign currencies issued by the Turkish Treasury increased from 0% to 100%. As allowed by the relevant accounting standards (TAS 39) for the sale or reclassification of securities originally classified under the securities held-to-maturity in cases where the capital requirement increases due to regulatory changes, and as per the letter of the Public Oversight, Accounting and Auditing Standards Authority no. 602 dated 20 February 2013, in the prior period the Bank reclassified its eurobonds with a total face value of USD 248,209,999 to its available-for-sale portfolio.

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## 5.1.8 INVESTMENTS IN ASSOCIATES

### 5.1.8.1 UNCONSOLIDATED INVESTMENTS IN ASSOCIATES

ASSOCIATES	ADDRESS (CITY/ COUNTRY)	PARENT BANK'S SHARE - IF DIFFERENT, VOTING RIGHTS (%)	BANK RISK GROUP'S SHARE (%)
1 Emeklilik Gözetim Merkezi AŞ	İstanbul/Turkey	-	5.26
2 Bankalararası Kart Merkezi AŞ <sup>(1)</sup>	İstanbul/Turkey	10.15	10.15
3 Yatırım Finansman Menkul Değerler AŞ <sup>(1)</sup>	İstanbul/Turkey	0.77	0.77
4 İstanbul Takas ve Saklama Bankası AŞ <sup>(1)</sup>	İstanbul/Turkey	5.25	5.28
5 Borsa İstanbul AŞ <sup>(1)(*)</sup>	İstanbul/Turkey	0.30	0.34
6 KKB Kredi Kayıt Bürosu AŞ <sup>(1)</sup>	İstanbul/Turkey	9.09	9.09
7 Türkiye Cumhuriyet Merkez Bankası AŞ <sup>(2)</sup>	Ankara/ Turkey	2.48	2.48
8 Kredi Garanti Fonu AŞ <sup>(1)</sup>	Ankara/ Turkey	1.75	1.75

	TOTAL ASSETS	SHAREHOLDERS' EQUITY	TOTAL FIXED ASSETS <sup>(*)</sup>	INTEREST INCOME	INCOME ON SECURITIES PORTFOLIO	CURRENT PERIOD PROFIT/LOSS	PRIOR PERIOD PROFIT/LOSS	COMPANY'S FAIR VALUE (IF AVAILABLE)
1	8,361	6,805	931	591	(2)	8	3	-
2	52,777	30,264	32,405	681	-	7,882	4,171	-
3	675,205	74,312	3,701	11,103	1,130	(346)	2,423	-
4	5,265,146	776,726	15,915	116,803	18,797	96,179	53,588	-
5	754,651	580,504	60,292	13,853	2,397	113,940	45,686	-
6	105,453	88,452	52,574	3,178	-	18,547	28,150	-
7	342,205,270	32,780,467	645,252	1,857,993	2,531,419	13,198,929	(276,082)	-
8	287,208	282,357	2,731	9,979	-	10,212	10,729	-

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

(\*\*) The Bank's shares in Vadeli İşlem ve Opsiyon Borsası A.Ş. in the amount of TL 15 thousands were replaced by the shares of Borsa İstanbul A.Ş. according to the article 138-6/b of the Capital Market Law no. 6362. As the date of establishment of Borsa İstanbul AŞ is 3 April 2013, the prior period profit includes only the performance results of the period 3 April - 30 September 2013.

(1) Financial information is as of 30 September 2014.

(2) Financial information is as of 31 December 2013.

Unconsolidated investments in associates sold during the current period  
None.

Unconsolidated investments in associates acquired during the current period  
None.

### 5.1.8.2 CONSOLIDATED INVESTMENTS IN ASSOCIATES

ASSOCIATES	ADDRESS (CITY/ COUNTRY)	PARENT BANK'S SHARE - IF DIFFERENT, VOTING RIGHTS (%)	BANK RISK GROUP'S SHARE (%)
1 Garanti Yatırım Ortaklığı AŞ	İstanbul / Turkey	-	3.30

	TOTAL ASSETS	SHAREHOLDERS' EQUITY	TOTAL FIXED ASSETS <sup>(*)</sup>	INTEREST INCOME	INCOME ON SECURITIES PORTFOLIO	CURRENT PERIOD PROFIT/LOSS	PRIOR PERIOD PROFIT/LOSS	COMPANY'S FAIR VALUE (IF AVAILABLE)
1	36,297	35,965	102	1,681	4,216	1,961	941	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.

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## 5.1.8.3 MOVEMENT OF CONSOLIDATED INVESTMENTS IN ASSOCIATES

	CURRENT PERIOD	PRIOR PERIOD
Balance at Beginning of Period	643	43
Movements during the Period	149	600
Acquisitions and Capital Increases	15	673
Bonus Shares Received	-	-
Allocation from Current Period Profit	-	-
Sales/Liquidations (-)	-	-
Reclassifications	-	-
Increase/Decrease in Fair Values	134	(73)
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
Balance at End of Period	792	643
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

### Valuation methods of consolidated investments in associates

ASSOCIATES	CURRENT PERIOD	PRIOR PERIOD
Valued at Cost	-	-
Valued at Fair Value	792	643
Valued by Equity Method of Accounting	-	-

### Sectoral distribution of consolidated investments and associates

ASSOCIATES	CURRENT PERIOD	PRIOR PERIOD
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	792	643
Other Associates	-	-

### Quoted consolidated investments in associates

	CURRENT PERIOD	PRIOR PERIOD
Quoted at Domestic Stock Exchanges	792	643
Quoted at International Stock Exchanges	-	-

Investments in associates sold during the current period  
None.

Investments in associates acquired during the current period  
None.

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## 5.1.9 INVESTMENTS IN SUBSIDIARIES

Information on capital adequacy of major subsidiaries

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	386,379	357,848	1,029,352
Share Premium	-	-	36,183
Share Cancellation Profits	-	-	-
Reserves	956,232	238,680	(507,545)
Other Comprehensive Income according to TAS (*)	19,907	-	33,626
Current and Prior Periods' Profits	139,784	91,034	18,788
<b>Common Equity Tier I Capital Before Deductions</b>	<b>1,502,302</b>	<b>687,562</b>	<b>610,404</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 (-)	85,138	287	2,253
Leasehold Improvements on Operational Leases (-)	-	-	12,053
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	3,378	833	32,486
Net Deferred Tax Asset/Liability (-)	-	-	6,048
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>88,516</b>	<b>1,120</b>	<b>52,840</b>
<b>Total Common Equity Tier I Capital</b>	<b>1,413,786</b>	<b>686,442</b>	<b>557,564</b>
<b>Total Deductions From Tier I Capital</b>	<b>13,513</b>	<b>3,332</b>	<b>154,137</b>
<b>Total Tier I Capital</b>	<b>1,400,273</b>	<b>683,110</b>	<b>403,427</b>
<b>TIER II CAPITAL</b>	<b>83,667</b>	<b>-</b>	<b>50,797</b>
<b>CAPITAL BEFORE DEDUCTIONS</b>	<b>1,483,940</b>	<b>683,110</b>	<b>454,224</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 (-)	-	6	-
<b>TOTAL CAPITAL</b>	<b>1,483,940</b>	<b>683,104</b>	<b>454,224</b>

PRIOR PERIOD	GARANTI BANK INTERNATIONAL NV	GARANTI FINANSAL KIRALAMA AŞ	GARANTI HOLDING BV
<b>CORE CAPITAL</b>			
Paid-in Capital	404,455	12,016	1,078,109
Inflation Adjustments to Paid-in Capital	-	68,832	-
Share Premium	-	-	37,897
Reserves	576,681	480,566	(407,076)
Current and Prior Periods' Profit	143,170	35,113	59,456
Current and Prior Periods' Losses	-	-	-
Leasehold Improvements on Operational Leases (-)	-	-	13,055
Intangible Assets (-)	11,669	2,474	3,402
Goodwill (Net) (-)	-	-	163,153
<b>SUPPLEMENTARY CAPITAL(*)</b>	<b>303,368</b>	<b>(45)</b>	<b>(105,871)</b>
<b>CAPITAL BEFORE DEDUCTIONS</b>	<b>1,416,005</b>	<b>594,008</b>	<b>482,905</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>-</b>	<b>6</b>	<b>-</b>
<b>TOTAL CAPITAL</b>	<b>1,416,005</b>	<b>594,002</b>	<b>482,905</b>

(\*) In the prior period, in cases where the Securities Value Increase Fund under Supplementary Capital gives a positive result then only 45% of the amount is considered in the calculation, whereas if its is negative the whole amount; however, in the current period 100% of the amount of the Securities Value Increase Fund under Other Comprehensive Income/(Losses) according to TAS, is considered in the calculation.

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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## 5.1.9.1 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

	TOTAL ASSETS	SHAREHOLDERS' EQUITY	TOTAL FIXED ASSETS <sup>(*)</sup>	INTEREST INCOME	INCOME ON SECURITIES PORTFOLIO	CURRENT PERIOD PROFIT/LOSS	PRIOR PERIOD PROFIT/LOSS	COMPANY'S FAIR VALUE (IF AVAILABLE)	AMOUNT OF EQUITY REQUIREMENT
1	55,630	50,075	58	1,424	2,280	13,978	5,156	-	-
2	22,159	17,204	3,009	1,096	576	912	1,453	-	-
3	6,583	6,095	14	-	310	2,464	2,422	-	-
4	1,288	968	99	-	8	140	125	-	-
5	3,483	3,068	4	-	196	774	641	-	-
6	40	41	32	-	-	(1)	(1)	-	-
7	632,076	66,613	537,884	343	-	43,708	(14,815)	-	-

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

Stichting Safekeeping and Golden Clover Stichting Custody, unconsolidated subsidiaries, have liquidated in the current period.

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

The non-financial investments excluded from the consolidation process, are accounted under cost method of accounting.

## 5.1.9.2 MOVEMENT OF CONSOLIDATED INVESTMENTS IN SUBSIDIARIES

	CURRENT PERIOD	PRIOR PERIOD
Balance at Beginning of Period	3,074,748	2,484,453
Movements during the Period	83,267	590,295
Acquisitions and Capital Increases	392	-
Bonus Shares Received <sup>(*)</sup>	-	46,142
Dividends from Current Year Profit	-	-
Sales/Liquidations	-	-
Reclassifications	-	-
Increase/Decrease in Market Values	138,319	257,126
Currency Differences on Foreign Subsidiaries	(55,444)	287,027
Reversal of Impairment Losses / Impairment Losses (-)	-	-
Balance at End of Period	3,158,015	3,074,748
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

(\*) In prior period; the paid-in capital of Garanti Faktoring Hizmetleri AŞ was increased from TL 21,000 thousands to TL 79,500 thousands as per the decision made at the board of directors' meeting held on 3 May 2013.

Valuation methods of consolidated investments in subsidiaries

	CURRENT PERIOD	PRIOR PERIOD
Valued at Cost	236,342	235,950
Valued at Fair Value	2,921,673	2,838,798

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## Sectoral distribution of consolidated investments in subsidiaries

	CURRENT PERIOD	PRIOR PERIOD
Banks	1,816,094	1,784,026
Insurance Companies	56,545	56,545
Factoring Companies	135,988	108,660
Leasing Companies	111,134	110,743
Finance Companies	1,038,254	1,014,774
Other Subsidiaries	-	-

## Quoted consolidated investments in subsidiaries

	CURRENT PERIOD	PRIOR PERIOD
Quoted at Domestic Stock Exchanges	135,988	108,660
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 Hizmetleri 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 Bank Moscow	Moscow/Russia	99.94	-	Full Consolidation
8 Garanti Holding BV (**)	Amsterdam/The Netherlands	100.00	-	Full Consolidation
9 G Netherlands BV	Amsterdam/The Netherlands	-	100.00	Full Consolidation
10 Garanti Bank SA	Bucharest/Romania	-	100.00	Full Consolidation
11 Motoractive IFN SA	Bucharest/Romania	-	100.00	Full Consolidation
12 Ralfi IFN SA	Bucharest/Romania	-	100.00	Full Consolidation

	TOTAL ASSETS	SHAREHOLDERS' EQUITY	TOTAL FIXED ASSETS (*)	INTEREST INCOME	INCOME ON SECURITIES PORTFOLIO	CURRENT PERIOD PROFIT/LOSS	PRIOR PERIOD PROFIT/LOSS	COMPANY'S FAIR VALUE (IF AVAILABLE)
1	4,134,086	687,274	20,294	332,882	-	91,034	67,292	-
2	2,989,573	140,383	4,031	171,583	-	20,516	15,302	166,155
3	55,598	41,282	3,800	1,483	2,695	4,536	7,674	-
4	39,821	31,264	5,926	1,557	79	10,777	2,665	-
5	7,363,292	884,578	30,120	77,787	10,094	171,424	139,818	-
6	13,592,822	1,417,164	69,698	456,277	83,207	139,784	143,170	1,612,857
7	549,443	98,428	26,544	42,377	21,509	12,384	15,038	203,354
8	904,588	904,490	-	8	-	(234)	(210)	969,592
9	941,516	811,998	-	133	-	1,716	3,694	-
10	5,140,853	646,367	56,347	249,006	23,759	5,875	60,746	-
11	299,724	48,859	5,052	21,986	-	6,879	8,856	-
12	237,766	34,584	3,149	45,578	-	8,667	7,947	-

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

(\*\*) The fair value stated above for Garanti Holding BV covers all the consolidated affiliates under the company; namely G Netherlands BV, Garanti Bank SA, Motoractive IFN SA and Ralfi IFN SA.

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## Consolidated investments in subsidiaries disposed during the current period

The extraordinary general meeting of shareholders dated 10 March 2014 approved the initiation in principle of the merger by acquisition process between Garanti Bank SA and Domenia Credit IFN SA. The merger took place on 14 November 2014 via the absorption by Garanti Bank SA, as acquiring entity, of Domenia Credit IFN SA, as acquiree entity.

## Consolidated investments in subsidiaries acquired during the current period

None.

## 5.1.10 INVESTMENTS IN JOINT-VENTURES

None.

## 5.1.11 LEASE RECEIVABLES

### 5.1.11.1 FINANCIAL LEASE RECEIVABLES ACCORDING TO REMAINING MATURITIES

	CURRENT PERIOD		PRIOR PERIOD	
	GROSS	NET	GROSS	NET
Less than 1 Year	1,836,026	1,562,466	1,636,978	1,482,607
Between 1-5 Years	2,693,712	2,354,116	2,486,229	2,140,109
Longer than 5 Years	256,850	237,821	178,940	148,539
<b>Total</b>	<b>4,786,588</b>	<b>4,154,403</b>	<b>4,302,147</b>	<b>3,771,255</b>

### 5.1.11.2 NET FINANCIAL LEASE RECEIVABLES

	CURRENT PERIOD	PRIOR PERIOD
Gross Financial Lease Receivables	4,786,588	4,302,147
Unearned Income on Financial Lease Receivables (-)	(632,185)	(530,892)
Terminated Lease Contracts (-)	-	-
<b>Net Financial Lease Receivables</b>	<b>4,154,403</b>	<b>3,771,255</b>

### 5.1.11.3 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 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.

## 5.1.12 DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT

### 5.1.12.1 POSITIVE DIFFERENCES ON DERIVATIVE FINANCIAL INSTRUMENTS HELD FOR RISK MANAGEMENT

DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Fair Value Hedges	31,158	83	65,943	-
Cash Flow Hedges	15,044	119,967	38,032	11,009
Net Foreign Investment Hedges	-	-	-	-
<b>Total</b>	<b>46,202</b>	<b>120,050</b>	<b>103,975</b>	<b>11,009</b>

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As of 31 December 2014, the face values and the net fair values, recognised in the balance sheet, of the derivative financial instruments held for risk management purposes, are summarized below:

	CURRENT PERIOD			PRIOR PERIOD		
	FACE VALUE	ASSET	LIABILITY	FACE VALUE	ASSET	Liability
Interest Rate Swaps	12,215,225	46,285	168,109	4,928,361	103,975	-
-TL	6,034,049	46,202	99,572	4,928,361	103,975	-
-FC	6,181,176	83	68,537	-	-	-
Cross Currency Swaps	5,215,329	119,967	111,274	2,240,471	11,009	39,105
-TL	2,090,223	-	-	607,985	-	-
-FC	3,125,106	119,967	111,274	1,632,486	11,009	39,105
Total	17,430,554	166,252	279,383	7,168,832	114,984	39,105

## 5.1.12.1.1 FAIR VALUE HEDGE ACCOUNTING

CURRENT PERIOD			FAIR VALUE CHANGE OF HEDGED ITEM	NET FAIR VALUE CHANGE OF HEDGING ITEM		INCOME STATEMENT EFFECT (GAINS/LOSSES FROM DERIVATIVE FINANCIAL INSTRUMENTS)
HEDGING ITEM	HEDGED ITEM	TYPE OF RISK		ASSET	LIABILITY	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	39,256	3,000	(57,277)	(15,021)
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	42,104	28,241	(91,167)	(20,822)
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	(12,511)	-	(63,059)	(75,570)

PRIOR PERIOD			FAIR VALUE CHANGE OF HEDGED ITEM	NET FAIR VALUE CHANGE OF HEDGING ITEM		INCOME STATEMENT EFFECT (GAINS/LOSSES FROM DERIVATIVE FINANCIAL INSTRUMENTS)
HEDGING ITEM	HEDGED ITEM	TYPE OF RISK		ASSET	LIABILITY	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	(7,901)	7,101	-	(800)
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(59,998)	58,842	-	(1,156)
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	4,000	-	(36,541)	(32,541)
Cross Currency Swaps	Fixed-rate funds borrowed	Interest rate and foreign currency exchange rate risk	251	-	(2,564)	(2,313)

## 5.1.12.1.2 CASH FLOW HEDGE ACCOUNTING

CURRENT PERIOD			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
HEDGING ITEM	HEDGED ITEM	TYPE OF RISK	ASSET	LIABILITY			
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	15,044	(19,665)	(41,815)	(16,302)	-
Cross Currency Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	76,306	-	(8,749)	27,285	-

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Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	43,661	(48,215)	(5,312)	(13,246)	-
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## 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 funds borrowed	Cash flow risk resulted from change in market interest rates	38,032	-	38,044	-	-
Cross Currency Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	11,009	-	11,009	-	-

## 5.1.13 TANGIBLE ASSETS

	REAL ESTATES	LEASED TANGIBLE ASSETS	VEHICLES	OTHER TANGIBLE ASSETS	TOTAL
Cost	1,242,587	369,420	30,274	1,622,416	3,264,697
Accumulated Depreciation	(314,979)	(357,994)	(20,356)	(994,103)	(1,687,432)
<b>Net Book Value</b>	<b>927,608</b>	<b>11,426</b>	<b>9,918</b>	<b>628,313</b>	<b>1,577,265</b>
<b>Balances at End of Current Period</b>					
Net Book Value at Beginning of Current Period	927,608	11,426	9,918	628,313	1,577,265
Additions	124,040	975	2,147	247,613	374,775
Disposals (Cost)	(12,701)	(46,286)	(10,551)	(205,910)	(275,448)
Disposals (Accumulated Depreciation)	2,587	46,276	5,774	43,347	97,984
Reversal of/Impairment Losses (-)	(107)	-	-	-	(107)
Depreciation Expense for Current Period	(24,370)	(3,222)	(2,113)	(170,858)	(200,563)
Currency Translation Differences on Foreign Operations, net	(20,155)	-	(266)	(3,122)	(23,543)
Cost at End of Current Period	1,331,671	324,109	21,272	1,656,172	3,333,224
Accumulated Depreciation at End of Current Period	(334,769)	(314,940)	(16,363)	(1,116,789)	(1,782,861)
<b>Net Book Values at End of Current Period</b>	<b>996,902</b>	<b>9,169</b>	<b>4,909</b>	<b>539,383</b>	<b>1,550,363</b>

### 5.1.13.1 DISCLOSURE FOR IMPAIRMENT LOSSES OR RELEASES INDIVIDUALLY MATERIAL FOR FINANCIAL STATEMENTS

Conditions for allocating/releasing any impairment  
None.

Amount of impairment losses provided or released in financial statements during current period  
None.

### 5.1.13.2 OTHER IMPAIRMENT LOSSES PROVIDED OR RELEASED IN CURRENT PERIOD THAT ARE IMMATERIAL INDIVIDUALLY BUT MATERIAL AGGREGATELY FOR FINANCIAL STATEMENTS

In 2014 TL 107 thousands was provisioned against (31 December 2013: TL 965 thousands was reversed) in accordance with the Turkish Accounting Standard 36 (TAS 36) "Impairment of Assets".

## 5.1.14 INTANGIBLE ASSETS

### 5.1.14.1 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.

### 5.1.14.2 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.

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## 5.1.14.3 BALANCES AT BEGINNING AND END OF CURRENT PERIOD

	CURRENT PERIOD		PRIOR PERIOD	
	COST	ACCUMULATED AMORTIZATION	COST	ACCUMULATED AMORTIZATION
Intangible Assets	494,979	257,627	310,958	206,928

## 5.1.14.4 MOVEMENTS OF INTANGIBLE ASSETS FOR CURRENT PERIOD

	CURRENT PERIOD	PRIOR PERIOD
Net Book Value at Beginning Period	104,030	82,709
Internally Generated Intangibles	-	-
Additions due to Mergers, Transfers and Acquisition	190,376	68,293
Disposals (-)	(209)	(285)
Impairment Losses/Reversals to/from Revaluation Surplus	-	-
Impairment Losses Recorded in Income Statement	-	-
Impairment Losses Reversed from Income Statement	-	-
Amortisation Expense for Current Period (-)	(55,442)	(47,401)
Currency Translation Differences on Foreign Operations	(1,403)	714
Other Movements	-	-
Net Book Value at End of Current Period	237,352	104,030

## 5.1.14.5 DETAILS FOR ANY INDIVIDUALLY MATERIAL INTANGIBLE ASSETS

None.

## 5.1.14.6 INTANGIBLE ASSETS CAPITALISED UNDER GOVERNMENT INCENTIVES AT FAIR VALUES

None.

## 5.1.14.7 REVALUATION METHOD OF INTANGIBLE ASSETS CAPITALISED UNDER GOVERNMENT INCENTIVES AND VALUED AT FAIR VALUES AT CAPITALISATION DATES

None.

## 5.1.14.8 NET BOOK VALUE OF INTANGIBLE ASSET THAT ARE RESTRICTED IN USAGE OR PLEDGED

None.

## 5.1.14.9 COMMITMENTS TO ACQUIRE INTANGIBLE ASSETS

None.

## 5.1.14.10 DISCLOSURE ON REVALUED INTANGIBLE ASSETS

None.

## 5.1.14.11 RESEARCH AND DEVELOPMENT COSTS EXPENSED DURING CURRENT PERIOD

None.

## 5.1.14.12 GOODWILL

Goodwill	SHARES %	CARRYING VALUE
Garanti Yatırım Menkul Kıymetler AŞ	100.00	2,778
Garanti Finansal Kiralama AŞ	100.00	2,119
Garanti Faktoring Hizmetleri AŞ	55.40	1,491
<b>Totol</b>		<b>6,388</b>

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## 5.1.14.13 MOVEMENTS IN GOODWILL DURING CURRENT PERIOD

	CURRENT PERIOD
Net Book Value at Beginning Period	6,388
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	-
Net Book Value at End of Current Period	6,388

## 5.1.15 INVESTMENT PROPERTY

CURRENT PERIOD		COST	ACCUMULATED DEPRECIATION (-)	IMPAIRMENT LOSSES	INTEND OF USE
REAL ESTATE TYPE					
Building		156,954	36,696	-	Operational lease
Land		-	-	-	-
PRIOR PERIOD		COST	ACCUMULATED DEPRECIATION (-)	IMPAIRMENT LOSSES	INTEND OF USE
REAL ESTATE TYPE					
Building		154,434	32,763	-	Operational lease
Land		-	-	-	-

## 5.1.16 DEFERRED TAX ASSET

As of 31 December 2014, on a consolidated basis the Bank has a deferred tax asset of TL 450,957 thousands (31 December 2013: TL 213,620 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 2014, there is a deferred tax asset of TL 665,277 thousands (31 December 2013: TL 481,678 thousands) and deferred tax liability of TL 214,320 thousands (31 December 2013: TL 268,058 thousands) 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.

As per the annulment decision of the Turkish Constitutional Court as explained in Note 3.18.4, Garanti Finansal Kiralama, a consolidated subsidiary of the Bank, is subject to investment allowance ruling and can use its available allowances to reduce its taxable corporate income without any time limitations. Accordingly, a deferred tax asset amounting TL 1,202 thousands is recorded in the accompanying consolidated financial statements as of 31 December 2014 (31 December 2013: TL 1,202 thousands) considering the fact that Garanti Finansal Kiralama may use its right of deducting investment allowances from its corporate income in the future.

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.

	CURRENT PERIOD		PRIOR PERIOD	
	TAX BASE	DEFERRED TAX AMOUNT	TAX BASE	DEFERRED TAX AMOUNT
Provisions (*)	685,084	136,752	729,152	145,506
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	1,052,596	211,686	101,736	20,934
Other	534,529	102,519	264,832	47,180
Deferred Tax Asset, Net	2,272,209	450,957	1,095,720	213,620

(\*) 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 2014, TL 349,706 thousands of deferred tax income (31 December 2013: a deferred tax expense of TL 370,946 thousands) and TL 121,763 thousands of deferred tax expenses (31 December 2013: a deferred tax income of TL 377,670 thousands) were recognised in the income statement and the shareholders' equity, respectively.

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## 5.1.17 ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS

	CURRENT PERIOD	PRIOR PERIOD
<b>End of Prior Period</b>		
Cost	155,734	136,551
Accumulated Depreciation (-)	(5,992)	(4,114)
Net Book Value	149,742	132,437
<b>End of Current Period</b>		
Additions	120,277	102,001
Disposals (Cost)	(87,296)	(81,960)
Disposals (Accumulated Depreciation)	1,212	867
Reversal of Impairment / Impairment Losses (-)	(2,123)	(1,847)
Depreciation Expense for Current Period (-)	(3,192)	(2,745)
Currency Translation Differences on Foreign Operations	(413)	989
Cost	186,179	155,734
Accumulated Depreciation (-)	(7,972)	(5,992)
Net Book Value	178,207	149,742

As of balance sheet date, the net book values of assets held for sale on which rights of repurchase exist amounting to TL 26,361 thousands (31 December 2013: TL 27,725 thousands).

## 5.1.18 OTHER ASSETS

### 5.1.18.1 RECEIVABLES FROM TERM SALE OF ASSETS

	CURRENT PERIOD	PRIOR PERIOD
Sale of Investments in Associates, Subsidiaries and Joint – Ventures	-	-
Sale of Real Estates	1,062	3,033
Sale of Other Assets	3,071	3,038
<b>Total</b>	<b>4,133</b>	<b>6,071</b>

### 5.1.18.2 PREPAID EXPENSES

	CURRENT PERIOD	PRIOR PERIOD
Prepaid Expenses	413,337	401,484

## 5.2 CONSOLIDATED LIABILITIES

### 5.2.1 MATURITY PROFILE OF DEPOSITS

CURRENT PERIOD	DEMAND	7 DAYS NOTICE	UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	1 YEAR AND OVER	ACCUMULATING DEPOSIT ACCOUNTS	TOTAL
Saving Deposits	6,247,742	-	3,674,737	29,266,592	2,193,860	1,012,447	648,068	4,235	43,047,681
Foreign Currency Deposits	16,037,813	-	6,723,156	22,032,267	5,181,757	5,585,326	8,109,362	56,466	63,726,147
Residents in Turkey	10,137,009	-	5,919,738	18,889,764	3,223,634	1,370,095	594,701	54,785	40,189,726
Residents in Abroad	5,900,804	-	803,418	3,142,503	1,958,123	4,215,231	7,514,661	1,681	23,536,421
Public Sector Deposits	757,161	-	2,386	25,054	149	55	28	-	784,833
Commercial Deposits	5,327,139	-	3,000,277	5,871,281	301,254	31,590	286,705	-	14,818,246
Others	141,082	-	120,899	1,619,081	25,053	398,009	4,339	-	2,308,463
Precious Metal Deposits	1,468,915	-	958	52,885	19	2,041	100,286	-	1,625,104
Bank Deposits	1,906,709	-	907,536	854,367	2,504,414	635,816	306,563	-	7,115,405
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	3,977	-	475,877	102,842	13	114,754	29,382	-	726,845
Foreign Banks	668,578	-	431,659	751,525	2,504,401	521,062	277,181	-	5,154,406
Special Financial Institutions	1,234,154	-	-	-	-	-	-	-	1,234,154
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>31,886,561</b>	<b>-</b>	<b>14,429,949</b>	<b>59,721,527</b>	<b>10,206,506</b>	<b>7,665,284</b>	<b>9,455,351</b>	<b>60,701</b>	<b>133,425,879</b>

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PRIOR PERIOD	DEMAND	7 DAYS NOTICE	UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	1 YEAR AND OVER	ACCUMULATING DEPOSIT	TOTAL
Saving Deposits	4,855,837	-	3,834,605	27,640,714	1,375,648	479,730	377,994	3,605	38,567,683
Foreign Currency Deposits	13,012,515	-	5,916,533	17,187,101	4,493,374	6,378,902	4,388,670	70,945	51,448,040
Residents in Turkey	7,751,157	-	5,414,888	14,749,223	1,514,749	579,305	593,852	69,149	30,672,323
Residents in Abroad	5,261,358	-	501,645	2,437,878	2,978,625	5,799,597	3,794,818	1,796	20,775,717
Public Sector Deposits	699,412	-	1,415	7,093	118	1,280,747	13	-	1,988,798
Commercial Deposits	5,045,809	-	3,543,210	6,288,153	936,528	557,247	294,607	-	16,665,554
Others	140,427	-	181,254	371,170	22,635	796,172	444	-	1,512,102
Precious Metal Deposits	2,138,457	-	807	47,403	-	1,612	105,491	-	2,293,770
Bank Deposits	1,188,352	-	1,109,085	2,747,140	846,558	590,589	251,556	-	6,733,280
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	7,148	-	472,066	45	415	65,225	20,876	-	565,775
Foreign Banks	177,112	-	637,019	2,747,095	846,143	525,364	230,680	-	5,163,413
Special Financial Institutions	1,004,092	-	-	-	-	-	-	-	1,004,092
Others	-	-	-	-	-	-	-	-	-
Total	27,080,359	-	14,586,909	54,288,774	7,674,861	10,084,999	5,418,775	74,550	119,209,227

## 5.2.1.1 SAVING DEPOSITS AND OTHER DEPOSIT ACCOUNTS INSURED BY SAVING DEPOSIT INSURANCE FUND

### 5.2.1.1.1 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	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
Saving Deposits <sup>(*)</sup>	22,454,627	19,339,421	20,271,564	18,937,930
Foreign Currency Saving Deposits	13,007,471	12,703,119	21,798,720	16,554,964
Other Saving Deposits	999,391	1,477,207	786,318	1,090,842
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-

(\*) As per the decision published in the Official Gazette no. 28560 dated 15 February 2013, the deposit insurance limit has been increased from TL 50,000 thousands to TL 100,000 thousands.

## 5.2.1.2 SAVING DEPOSITS AT DOMESTIC BRANCHES OF FOREIGN BANKS IN TURKEY UNDER THE COVERAGE OF FOREIGN INSURANCE

None.

## 5.2.1.3 SAVING DEPOSITS NOT COVERED BY INSURANCE LIMITS

### 5.2.1.3.1 SAVING DEPOSITS OF INDIVIDUALS NOT COVERED BY INSURANCE LIMITS:

	CURRENT PERIOD	PRIOR PERIOD
Deposits and Other Accounts held at Foreign Branches	608,592	544,316
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	556,395	489,029
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-	-

## 5.2.2 NEGATIVE DIFFERENCES ON DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING

TRADING DERIVATIVES	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Forward Transactions	189,393	33,483	120,240	21,352
Swap Transactions	677,661	958,501	856,002	314,215
Futures	22	649	-	-
Options	206,050	26,608	183,689	71,508
Others	6	8,398	-	24
Total	1,073,132	1,027,639	1,159,931	407,099

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## 5.2.3 FUNDS BORROWED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic Banks and Institutions	1,761,544	1,019,648	1,147,608	1,340,817
Foreign Banks, Institutions and Funds	3,979,436	31,027,913	5,409,767	26,087,788
<b>Total</b>	<b>5,740,980</b>	<b>32,047,561</b>	<b>6,557,375</b>	<b>27,428,605</b>

## 5.2.3.1 MATURITIES OF FUNDS BORROWED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Short-Term	2,109,054	9,443,891	1,784,349	8,623,544
Medium and Long-Term	3,631,926	22,603,670	4,773,026	18,805,061
<b>Total</b>	<b>5,740,980</b>	<b>32,047,561</b>	<b>6,557,375</b>	<b>27,428,605</b>

The Bank classified certain borrowings obtained through securitisations amounting to USD 2,000,000,000 as financial liability at fair value through profit/loss at the initial recognition. As of 31 December 2014, the accumulated negative credit risk change and the negative credit risk change recognised in the income statement amounted to TL 289,376 thousands and TL 325,238 thousands, respectively. The carrying value of the related financial liability amounted to TL 4,899,376 thousands, and the related current period loss amounted TL 325,238 thousands.

## 5.2.3.2 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.

## 5.2.4 OTHER EXTERNAL FUNDS

### 5.2.4.1 SECURITIES ISSUED

CURRENT PERIOD	TL		FC	
	SHORT-TERM	MEDIUM AND LONG-TERM	SHORT-TERM	MEDIUM AND LONG-TERM
	Nominal	2,161,571	2,885,551	544,114
Cost	2,101,801	2,709,717	544,110	9,248,076
Carrying Value (*)	2,038,716	2,805,068	547,127	9,047,445

PRIOR PERIOD	TL		FC	
	SHORT-TERM	MEDIUM AND LONG-TERM	SHORT-TERM	MEDIUM AND LONG-TERM
	Nominal	1,765,712	2,818,560	1,143,312
Cost	1,711,747	2,673,832	1,142,935	5,337,905
Carrying Value (*)	1,616,171	2,716,584	1,148,120	5,309,684

(\*) The Bank and/or its financial affiliates repurchased the Bank's own TL securities with a total face value of TL 237,044 thousands (31 December 2013: TL 189,753 thousands) and foreign currency securities with a total face value of TL 506,477 thousands (31 December 2013: TL 278,581 thousands) and netted off such securities in the accompanying consolidated financial statements.

The Bank classified certain securities amounting to RON 34,500,000 as financial liability at fair value through profit/loss at the initial recognition. As of 31 December 2014, the accumulated negative credit risk change and the negative credit risk change recognised in the income statement amounted to TL 2,558 thousands and TL 1,103 thousands, respectively. The carrying value of the related financial liability amounted to TL 24,495 thousands, and the related current period loss amounted to TL 884 thousands.

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## 5.2.4.2 FUNDS PROVIDED THROUGH REPURCHASE TRANSACTIONS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
<b>Domestic Transactions</b>	<b>4,233,796</b>	<b>-</b>	<b>9,483,928</b>	<b>-</b>
Financial Institutions and Organizations	4,163,450	-	9,428,331	-
Other Institutions and Organizations	27,959	-	20,429	-
Individuals	42,387	-	35,168	-
<b>Foreign Transactions</b>	<b>667,001</b>	<b>7,120,368</b>	<b>1,946,990</b>	<b>4,576,820</b>
Financial Institutions and Organizations	666,879	7,120,368	1,946,487	4,576,820
Other Institutions and Organizations	120	-	463	-
Individuals	2	-	40	-
<b>Total</b>	<b>4,900,797</b>	<b>7,120,368</b>	<b>11,430,918</b>	<b>4,576,820</b>

## 5.2.4.3 MISCELLANEOUS PAYABLES

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Payables from credit card transactions	5,879,730	51,453	4,906,607	27,379
Payables from insurance transactions	6,158,282	26,266	4,287,276	30,245
Other	167,113	737,226	162,342	600,987
<b>Total</b>	<b>12,205,125</b>	<b>814,945</b>	<b>9,356,225</b>	<b>658,611</b>

## 5.2.5 FACTORING PAYABLES

None.

## 5.2.6 LEASE PAYABLES

### 5.2.6.1 FINANCIAL LEASE PAYABLES

	CURRENT PERIOD		PRIOR PERIOD	
	GROSS	NET	GROSS	NET
Less than 1 Year	-	-	244	12
Between 1-5 Years	-	-	242	49
Longer than 5 Years	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>486</b>	<b>61</b>

### 5.2.6.2 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.

## 5.2.7 DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT

DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Fair Value Hedges	99,572	111,931	-	39,105
Cash Flow Hedges	-	67,880	-	-
Net Foreign Investment Hedges	-	-	-	-
<b>Total</b>	<b>99,572</b>	<b>179,811</b>	<b>-</b>	<b>39,105</b>

Please refer to Note 5.1.12.1 for financial liabilities resulted from derivatives held for risk management.

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## 5.2.8 PROVISIONS

### 5.2.8.1 GENERAL PROVISIONS

	CURRENT PERIOD	PRIOR PERIOD
General Provision for	2,457,552	2,037,837
Loans and Receivables in Group I	2,125,471	1,774,874
- Additional Provision for Loans and Receivables with Extended Maturities	82,858	116,830
Loans and Receivables in Group II	191,690	138,210
- Additional Provision for Loans and Receivables with Extended Maturities	56,706	40,951
Non-Cash Loans	140,391	124,753
Others	-	-

### 5.2.8.2 PROVISIONS FOR FOREIGN EXCHANGE DIFFERENCES ON FOREIGN CURRENCY INDEXED LOANS AND FINANCIAL LEASE RECEIVABLES

	CURRENT PERIOD	PRIOR PERIOD
Short-Term Loans	13,320	526
Medium and Long Term Loans	11,208	92
Total	24,528	618

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

### 5.2.8.3 PROVISIONS FOR NON-CASH LOANS THAT ARE NOT INDEMNIFIED OR CONVERTED INTO CASH

	CURRENT PERIOD	PRIOR PERIOD
Substandard Loans and Receivables - Limited Collectibility	16,964	15,150
Doubtful Loans and Receivables	13,006	17,933
Uncollectible Loans and Receivables	78,911	79,855
Total	108,881	112,938

### 5.2.8.4 OTHER PROVISIONS

#### 5.2.8.4.1 GENERAL RESERVES FOR POSSIBLE LOSSES

	CURRENT PERIOD	PRIOR PERIOD
General Reserves for Possible Losses	415,000	335,000

#### 5.2.8.4.2 OTHER PROVISIONS FOR POSSIBLE LOSSES

	CURRENT PERIOD	PRIOR PERIOD
Reserve for Employee Benefits	548,258	412,341
Insurance Technical Provisions, Net	239,160	239,423
Provision for Promotion Expenses of Credit Cards (*)	84,817	55,466
Provision for Lawsuits	31,014	33,601
Other Provisions	132,979	123,144
Total	1,036,228	863,975

(\*) The Bank provides full allowance for the committed promotion expenses of credit cards as of the balance sheet date.

#### Recognized liability for defined benefit plan obligations

The Bank obtained an actuarial report dated 22 December 2014 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 2,086,877 thousands (31 December 2013: TL 1,639,833 thousands) at 31 December 2014 as details are given in the table below.

Furthermore, an actuarial report was prepared as of 31 December 2014 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 22 December 2014 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 1,287,303 thousands (31 December 2013: TL 1,080,014 thousands) remains as of 31 December 2014 as details are given in the table below.

The Bank's management, acting prudently, did not consider the health premium surplus amounting TL 512,562 thousands (31 December 2013: TL 385,587 thousands) as stated above and resulted from the present value of medical benefits and health premiums transferable to SSF as of 31 December 2014. However, despite this treatment there are no excess obligation that needs to be provided against.

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<b>TRANSFERABLE PENSION AND MEDICAL BENEFITS</b>	<b>CURRENT PERIOD</b>	<b>PRIOR PERIOD</b>
Net present value of pension benefits transferable to SSF	(528,752)	(474,544)
Net present value of medical benefits and health premiums transferable to SSF	512,562	385,587
General administrative expenses	(29,290)	(26,165)
<b>Present Value of Pension and Medical Benefits Transferable to SSF (1)</b>	<b>(45,480)</b>	<b>(115,122)</b>
<b>Fair Value of Plan Assets (2)</b>	<b>2,132,357</b>	<b>1,754,955</b>
<b>Asset Surplus over Transferable Benefits ((2)-(1)=(3))</b>	<b>2,086,877</b>	<b>1,639,833</b>
<b>Non-Transferable Benefits:</b>		
Other pension benefits	(538,185)	(408,757)
Other medical benefits	(261,389)	(151,062)
<b>Total Non-Transferable Benefits (4)</b>	<b>(799,574)</b>	<b>(559,819)</b>
<b>Asset Surplus over Total Benefits ((3)-(4)=(5))</b>	<b>1,287,303</b>	<b>1,080,014</b>
<b>Net Present Value of Medical Benefits and Health Premiums Transferable to SSF – but not considered acting prudently (6)</b>	<b>(512,562)</b>	<b>(385,587)</b>
<b>Present Value of Asset Surplus/(Defined Benefit Obligation) ((5)-(6))</b>	<b>774,741</b>	<b>694,427</b>

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

	<b>CURRENT PERIOD</b>	<b>PRIOR PERIOD</b>
	<b>%</b>	<b>%</b>
Discount Rate (*)	8.80	9.60
Inflation Rate (*)	6.10	6.20
Future Real Salary Increase Rate	1.5	1.5
Medical Cost Trend Rate	40% above inflation	40% above inflation
Future Pension Increase Rate (*)	6.10	6.20

(\*) The above rates are effective rates, whereas the rates applied for the calculation differ according to the employees' years in service.

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at age 60 is 17 for males, and at age 58 for females is 23.

## 5.2.9 TAX LIABILITY

### 5.2.9.1 CURRENT TAX LIABILITY

#### 5.2.9.1.1 TAX LIABILITY

As of 31 December 2014, the corporate tax liability amounts to TL 449,439 thousands (31 December 2013: TL 132,388 thousands) after offsetting with prepaid taxes.

#### 5.2.9.1.2 TAXES PAYABLE

	<b>CURRENT PERIOD</b>	<b>PRIOR PERIOD</b>
Corporate Taxes Payable	449,439	132,388
Taxation on Securities Income	86,086	79,849
Taxation on Real Estates Income	3,040	2,560
Banking Insurance Transaction Tax	78,828	64,532
Foreign Exchange Transaction Tax	68	58
Value Added Tax Payable	11,461	9,441
Others	73,628	74,046
<b>Total</b>	<b>702,550</b>	<b>362,874</b>

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## 5.2.9.1.3 PREMIUMS PAYABLE

	CURRENT PERIOD	PRIOR PERIOD
Social Security Premiums-Employees	727	772
Social Security Premiums-Employer	1,231	800
Bank Pension Fund Premium-Employees	16	27
Bank Pension Fund Premium-Employer	18	28
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	818	747
Unemployment Insurance-Employer	1,764	1,533
Others	39	16
<b>Total</b>	<b>4,613</b>	<b>3,923</b>

## 5.2.9.2 DEFERRED TAX LIABILITY

In the accompanying consolidated financial statements, the Bank had a deferred tax liability of TL 673 thousands as of 31 December 2013 (31 December 2014: nil).

## 5.2.10 LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS

None.

## 5.2.11 SUBORDINATED DEBTS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Domestic Other Institutions	-	-	-	-
Foreign Banks	-	-	-	-
Foreign Other Institutions	-	140,766	-	147,491
<b>Total</b>	<b>-</b>	<b>140,766</b>	<b>-</b>	<b>147,491</b>

On 23 February 2009, the Bank obtained a subordinated debt of EUR 50 millions from Proparco (Societe de Promotion et de Participation pour la Cooperation Economique SA), a company of the French Development Agency Group with an interest of Euribor+3.5% and maturity of 12 years with a repayment option at the end of the seventh year to finance the clean energy projects.

This debt is qualified as a secondary subordinated debt to be included in the supplementary capital by the BRSA in the calculation of the Bank's capital adequacy ratio in compliance with the conditions set forth in the "Regulation on Equities of Banks" issued by the BRSA and published in the Official Gazette no.26333 dated 1 November 2006.

## 5.2.12 SHAREHOLDERS' EQUITY

### 5.2.12.1 PAID-IN CAPITAL

	CURRENT PERIOD	PRIOR PERIOD
Common shares	4,200,000	4,200,000
Shares repurchased	-	-
Paid-in common shares	4,200,000	4,200,000
Preference shares	-	-

### 5.2.12.2 REGISTERED SHARE CAPITAL SYSTEM

CAPITAL SYSTEM	PAID-IN CAPITAL	CEILING PER REGISTERED SHARE CAPITAL
Registered Shares	4,200,000	10,000,000

### 5.2.12.3 CAPITAL INCREASES IN CURRENT PERIOD

None.

### 5.2.12.4 CAPITAL INCREASES FROM CAPITAL RESERVES IN CURRENT PERIOD

None..

### 5.2.12.5 CAPITAL COMMITMENTS FOR CURRENT AND FUTURE FINANCIAL PERIODS

None.

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## 5.2.12.6 POSSIBLE EFFECT OF ESTIMATIONS MADE FOR THE PARENT BANK'S REVENUES, PROFITABILITY AND LIQUIDITY ON EQUITY CONSIDERING PRIOR PERIOD INDICATORS AND UNCERTAINTIES

None.

## 5.2.12.7 INFORMATION ON PRIVILEGES GIVEN TO STOCKS REPRESENTING THE CAPITAL

None.

## 5.2.12.8 SECURITIES VALUE INCREASE FUND

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Investments in Associates, Subsidiaries and Joint-Ventures	-	-	-	-
Valuation Difference	-	-	-	-
Exchange Rate Difference	-	-	-	-
Securities Available-for-Sale	82,677	6,104	(485,313)	(9,118)
Valuation Difference	82,677	6,104	(485,313)	(9,118)
Exchange Rate Difference	-	-	-	-
<b>Total</b>	<b>82,677</b>	<b>6,104</b>	<b>(485,313)</b>	<b>(9,118)</b>

## 5.2.12.9 REVALUATION SURPLUS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Movables	-	-	-	-
Real Estates	2,140	-	2,140	-
Gain on Sale of Investments in Associates and Subsidiaries and Real Estates to be used for Capital Increases	172,894	-	172,164	-
Revaluation Surplus on Leasehold Improvements	-	-	-	-
<b>Total</b>	<b>175,034</b>	<b>-</b>	<b>174,304</b>	<b>-</b>

## 5.2.12.10 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 20 thousands, Garanti Ödeme Sistemleri AŞ by TL 401 thousands, Kredi Kartları Bürosu by TL 481 thousands, Tat Konserve AŞ by TL 36 thousands and Yatırım Finansman Menkul Değerler AŞ by TL 9 thousands.

## 5.2.12.11 LEGAL RESERVES

	CURRENT PERIOD	PRIOR PERIOD
I. Legal Reserve	1,002,091	996,791
II. Legal Reserve	177,863	156,363
Special Reserves	-	-
<b>Total</b>	<b>1,179,954</b>	<b>1,153,154</b>

## 5.2.12.12 EXTRAORDINARY RESERVES

	CURRENT PERIOD	PRIOR PERIOD
Legal Reserves allocated in compliance with the Decisions Made on the Annual General Assembly	16,153,163	13,315,508
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital	-	-
<b>Total</b>	<b>16,153,163</b>	<b>13,315,508</b>

## 5.2.12.13 MINORITY INTEREST

	CURRENT PERIOD	PRIOR PERIOD
Balance at Beginning of Period	162,818	140,524
Profit Share of Subsidiaries Net Profits	31,477	24,359
Prior Period Dividend Payment	(185)	(1,073)
Increase/(Decrease) in Minority Interest due to Sales	-	-
Others	(377)	(992)
<b>Balance at End of Period</b>	<b>193,733</b>	<b>162,818</b>

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## 5.3 CONSOLIDATED OFF-BALANCE SHEET ITEMS

### 5.3.1 OFF-BALANCE SHEET CONTINGENCIES

#### 5.3.1.1 IRREVOCABLE CREDIT COMMITMENTS

The Bank and its consolidated financial affiliates have term asset purchase and sale commitments of TL 5,446,840 thousands (31 December 2013: TL 8,474,291 thousands), commitments for cheque payments of TL 2,874,791 thousands (31 December 2013: TL 2,658,736 thousands) and commitments for credit card limits of TL 25,799,601 thousands (31 December 2013: TL 22,382,803 thousands).

#### 5.3.1.2 POSSIBLE LOSSES AND COMMITMENTS RESULTED FROM OFF-BALANCE SHEET ITEMS

	CURRENT PERIOD	PRIOR PERIOD
Letters of Guarantee in Foreign Currency	15,379,775	13,925,359
Letters of Guarantee in TL	12,138,798	9,952,371
Letters of Credit	9,308,035	9,584,333
Bills of Exchange and Acceptances	815,887	638,089
Prefinancings	-	-
Other Guarantees	86,702	79,924
<b>Total</b>	<b>37,729,197</b>	<b>34,180,076</b>

A specific provision of TL 108,881 thousands (31 December 2013: TL 112,938 thousands) is made for unliquidated non-cash loans of TL 272,978 thousands (31 December 2013: TL 234,765 thousands) recorded under the off-balance sheet items as of 31 December 2014.

The detailed information for commitments, guarantees and sureties are provided under the statement of "off-balance sheet items".

#### 5.3.1.3 NON-CASH LOANS

	CURRENT PERIOD	PRIOR PERIOD
Non-Cash Loans against Cash Risks	2,838,901	2,358,859
With Original Maturity of 1 Year or Less	402,876	336,123
With Original Maturity of More Than 1 Year	2,436,025	2,022,736
Other Non-Cash Loans	34,890,296	31,821,217
<b>Total</b>	<b>37,729,197</b>	<b>34,180,076</b>

#### 5.3.1.4 OTHER INFORMATION ON NON-CASH LOANS

	CURRENT PERIOD				PRIOR PERIOD			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
<b>Agriculture</b>	<b>60,259</b>	<b>0.50</b>	<b>75,186</b>	<b>0.29</b>	<b>55,299</b>	<b>0.56</b>	<b>74,918</b>	<b>0.31</b>
Farming and Stockbreeding	55,270	0.46	65,921	0.26	51,384	0.52	70,909	0.29
Forestry	3,528	0.03	4,723	0.02	1,863	0.02	3,417	0.01
Fishery	1,461	0.01	4,542	0.02	2,052	0.02	592	0.00
<b>Manufacturing</b>	<b>4,030,137</b>	<b>33.17</b>	<b>14,569,732</b>	<b>56.96</b>	<b>3,281,654</b>	<b>32.95</b>	<b>9,647,250</b>	<b>39.83</b>
Mining and Quarrying	115,972	0.95	295,060	1.15	112,116	1.13	296,620	1.22
Production	2,283,718	18.80	9,210,880	36.01	1,784,508	17.92	4,915,746	20.30
Electricity, Gas, Water	1,630,447	13.42	5,063,792	19.80	1,385,030	13.91	4,434,884	18.31
<b>Construction</b>	<b>1,608,827</b>	<b>13.24</b>	<b>3,040,016</b>	<b>11.88</b>	<b>1,519,802</b>	<b>15.26</b>	<b>2,982,672</b>	<b>12.31</b>
<b>Services</b>	<b>5,500,413</b>	<b>45.27</b>	<b>6,174,581</b>	<b>24.14</b>	<b>4,320,198</b>	<b>43.38</b>	<b>9,194,310</b>	<b>37.96</b>
Wholesale and Retail Trade	3,895,475	32.06	2,695,000	10.54	3,080,420	30.93	5,544,416	22.89
Accommodation and Dining	238,277	1.96	149,113	0.58	211,911	2.13	130,575	0.54
Transportation and Telecommunication	419,462	3.45	731,747	2.86	344,767	3.46	986,191	4.07
Financial Institutions	607,819	5.00	2,366,238	9.25	538,905	5.41	2,336,749	9.65
Real Estate and Rental Services	228,174	1.88	186,376	0.73	48,832	0.49	181,239	0.75
Professional Services	-	-	-	-	-	-	-	-
Educational Services	22,990	0.19	10,234	0.04	20,178	0.20	11,632	0.05
Health and Social Services	88,216	0.73	35,873	0.14	75,185	0.75	3,508	0.01
<b>Others</b>	<b>949,689</b>	<b>7.82</b>	<b>1,720,357</b>	<b>6.73</b>	<b>782,840</b>	<b>7.85</b>	<b>2,321,133</b>	<b>9.59</b>
<b>Total</b>	<b>12,149,325</b>	<b>100.00</b>	<b>25,579,872</b>	<b>100.00</b>	<b>9,959,793</b>	<b>100.00</b>	<b>24,220,283</b>	<b>100.00</b>

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## 5.3.1.5 NON-CASH LOANS CLASSIFIED UNDER GROUP I AND II:

CURRENT PERIOD	GROUP I		GROUP II	
	TL	FC	TL	FC
Non-Cash Loans	12,052,432	25,382,591	96,893	197,281
Letters of Guarantee	12,041,905	15,185,812	96,893	193,963
Bills of Exchange and Bank Acceptances	9,600	803,128	-	3,159
Letters of Credit	927	9,306,949	-	159
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	-	86,702	-	-

PRIOR PERIOD	GROUP I		GROUP II	
	TL	FC	TL	FC
Non-Cash Loans	9,884,654	24,159,073	75,139	61,210
Letters of Guarantee	9,877,232	13,870,351	75,139	55,008
Bills of Exchange and Bank Acceptances	6,898	626,300	-	4,891
Letters of Credit	524	9,582,498	-	1,311
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	-	79,924	-	-

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## 5.3.2 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>	-	-	683,517	10,927,869	5,819,168	17,430,554
Fair Value Hedges	-	-	683,517	3,815,434	4,338,089	8,837,040
Cash Flow Hedges	-	-	-	7,112,435	1,481,079	8,593,514
Net Foreign Investment Hedges	-	-	-	-	-	-
<b>Trading Derivatives</b>	-	-	-	-	-	-
<b>Foreign Currency related Derivative Transactions (I)</b>	<b>68,133,493</b>	<b>29,275,464</b>	<b>54,593,845</b>	<b>12,072,380</b>	-	<b>164,075,182</b>
Currency Forwards – Purchases	4,154,234	1,709,363	4,724,411	726,189	-	11,314,197
Currency Forwards – Sales	4,081,143	1,524,293	4,788,568	805,020	-	11,199,024
Currency Swaps – Purchases	25,998,714	6,819,820	11,379,602	3,460,771	-	47,658,907
Currency Swaps – Sales	22,960,947	6,908,445	11,782,378	3,764,319	-	45,416,089
Currency Options – Purchases	5,423,021	5,983,938	10,681,474	1,562,826	-	23,651,259
Currency Options – Sales	5,515,434	6,290,094	11,237,412	1,753,255	-	24,796,195
Currency Futures – Purchases	-	19,099	-	-	-	19,099
Currency Futures – Sales	-	20,412	-	-	-	20,412
<b>Interest Rate related Derivative Transactions (II)</b>	<b>36,856</b>	<b>267,716</b>	<b>2,699,027</b>	<b>18,838,376</b>	<b>5,965,112</b>	<b>27,807,087</b>
Interest Rate Swaps – Purchases	14,982	83,667	747,111	8,358,299	2,982,556	12,186,615
Interest Rate Swaps – Sales	14,982	83,667	747,111	8,358,299	2,982,556	12,186,615
Interest Rate Options – Purchases	-	-	1,204,805	2,112,592	-	3,317,397
Interest Rate Options – Sales	-	-	-	-	-	-
Securities Options – Purchases	3,446	4,313	-	4,593	-	12,352
Securities Options – Sales	3,446	3,869	-	4,593	-	11,908
Interest Rate Futures – Purchases	-	-	-	-	-	-
Interest Rate Futures – Sales	-	92,200	-	-	-	92,200
<b>Other Trading Derivatives (III)</b>	<b>3,396,325</b>	<b>444,608</b>	<b>224,537</b>	<b>1,152,500</b>	<b>3,457,500</b>	<b>8,675,470</b>
<b>B. Total Trading Derivatives (I+II+III)</b>	<b>71,566,674</b>	<b>29,987,788</b>	<b>57,517,409</b>	<b>32,063,256</b>	<b>9,422,612</b>	<b>200,557,739</b>
<b>Total Derivative Transactions (A+B)</b>	<b>71,566,674</b>	<b>29,987,788</b>	<b>58,200,926</b>	<b>42,991,125</b>	<b>15,241,780</b>	<b>217,988,293</b>

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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>	-	-	-	6,977,597	191,235	7,168,832
Fair Value Hedges	-	-	-	3,733,612	191,235	3,924,847
Cash Flow Hedges	-	-	-	3,243,985	-	3,243,985
Net Foreign Investment Hedges	-	-	-	-	-	-
<b>Trading Derivatives</b>						
<b>Foreign Currency related Derivative Transactions (I)</b>	<b>56,368,669</b>	<b>31,135,174</b>	<b>52,040,032</b>	<b>8,530,167</b>	<b>-</b>	<b>148,074,042</b>
Currency Forwards – Purchases	3,354,810	1,763,277	4,084,798	439,742	-	9,642,627
Currency Forwards – Sales	3,322,078	1,788,461	4,036,086	439,940	-	9,586,565
Currency Swaps – Purchases	18,900,107	5,590,624	10,480,024	3,324,190	-	38,294,945
Currency Swaps – Sales	14,871,767	5,481,955	10,349,881	3,663,352	-	34,366,955
Currency Options – Purchases	7,642,547	7,968,935	11,236,816	331,322	-	27,179,620
Currency Options – Sales	8,277,360	8,315,396	11,785,918	331,621	-	28,710,295
Currency Futures – Purchases	-	116,404	66,509	-	-	182,913
Currency Futures – Sales	-	110,122	-	-	-	110,122
<b>Interest Rate related Derivative Transactions (II)</b>	<b>792,991</b>	<b>433,345</b>	<b>3,912,435</b>	<b>14,554,680</b>	<b>5,286,546</b>	<b>24,979,997</b>
Interest Rate Swaps – Purchases	391,780	213,457	1,699,953	6,585,063	2,643,273	11,533,526
Interest Rate Swaps – Sales	391,780	213,457	1,699,953	6,585,063	2,643,273	11,533,526
Interest Rate Options – Purchases	-	-	494,667	1,384,554	-	1,879,221
Interest Rate Options – Sales	-	-	-	-	-	-
Securities Options – Purchases	8,182	4,981	17,862	-	-	31,025
Securities Options – Sales	1,249	1,450	-	-	-	2,699
Interest Rate Futures – Purchases	-	-	-	-	-	-
Interest Rate Futures – Sales	-	-	-	-	-	-
<b>Other Trading Derivatives (III)</b>	<b>3,951,111</b>	<b>159,588</b>	<b>318,285</b>	<b>34,679</b>	<b>2,141,200</b>	<b>6,604,863</b>
<b>B. Total Trading Derivatives (I+II+III)</b>	<b>61,112,771</b>	<b>31,728,107</b>	<b>56,270,752</b>	<b>23,119,526</b>	<b>7,427,746</b>	<b>179,658,902</b>
<b>Total Derivative Transactions (A+B)</b>	<b>61,112,771</b>	<b>31,728,107</b>	<b>56,270,752</b>	<b>30,097,123</b>	<b>7,618,981</b>	<b>186,827,734</b>

### 5.3.3 CREDIT DERIVATIVES AND RISK EXPOSURES ON CREDIT DERIVATIVES

As of 31 December 2014, there are commitments for "credit linked notes" of the Bank and its consolidated financial affiliates with a total face value of USD 425,000,000 (31 December 2013: USD 425,000,000) classified under "other irrevocable commitments".

As of 31 December 2014, there is a total return swap of a consolidated financial affiliate with a face value of USD 40,000,000 (31 December 2013: -) classified under "other derivative financial instruments", where the financial affiliate is on the buying side of the protection.

As of 31 December 2014, there are total return swaps of the Bank with a total face value of EUR 85,000,000 (31 December 2013: EUR 85,000,000) classified under "other derivative financial instruments", where the Bank is on the buying side of the protection.

As of 31 December 2014, there are total return swaps of the Bank with a total face value of USD 2,000,000,000 (31 December 2013: USD 1,000,000,000) classified under "other derivative financial instruments", where the Bank is on the selling side of the protection.

### 5.3.4 CONTINGENT LIABILITIES AND ASSETS

The Bank and its consolidated financial affiliates made a total provision amounting to TL 30,062 thousands (31 December 2013: TL 33,601 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 5.2.8.4.2, 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 2014, there was no payment made related with such contingent liabilities.

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## 5.3.5 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.

## 5.4 CONSOLIDATED INCOME STATEMENT

### 5.4.1 INTEREST INCOME

#### 5.4.1.1 INTEREST INCOME FROM LOANS (\*)

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
<b>Interest Income from Loans</b>				
Short-term loans	3,345,873	439,555	2,516,632	430,547
Medium and long-term loans	5,314,493	2,654,158	4,371,285	2,288,635
Loans under follow-up	44,023	9,199	35,154	7,516
Premiums Received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>8,704,389</b>	<b>3,102,912</b>	<b>6,923,071</b>	<b>2,726,698</b>

(\*) Includes also fees and commissions income on cash loans

#### 5.4.1.2 INTEREST INCOME FROM BANKS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic Banks	57,512	30,053	21,487	35,806
Foreign Banks	77,502	37,007	101,559	37,374
Foreign Head Offices and Branches	-	-	-	-
<b>Total</b>	<b>135,014</b>	<b>67,060</b>	<b>123,046</b>	<b>73,180</b>

#### 5.4.1.3 INTEREST INCOME FROM SECURITIES PORTFOLIO

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Financial Assets Held for Trading	28,840	6,628	30,525	14,423
Financial Assets Valued at Fair Value Through Profit	-	-	-	-
Financial Assets Available-for-Sale	1,875,989	215,468	2,695,824	196,053
Investments Held-to-Maturity	1,413,276	278,784	576,221	13,671
<b>Total</b>	<b>3,318,105</b>	<b>500,880</b>	<b>3,302,570</b>	<b>224,147</b>

#### 5.4.1.4 INTEREST INCOME RECEIVED FROM ASSOCIATES AND SUBSIDIARIES

	CURRENT PERIOD	PRIOR PERIOD
Interest Received from Investments in Associates and Subsidiaries	1,538	1,092

## 5.4.2 INTEREST EXPENSES

### 5.4.2.1 INTEREST EXPENSES ON FUNDS BORROWED (\*)

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
<b>Banks</b>				
Central Bank of Turkey	-	2,229	-	2,959
Domestic Banks	84,809	28,823	63,994	120,886
Foreign Banks	495,432	428,910	476,753	324,104
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	188,117	-	38,686
<b>Total</b>	<b>580,241</b>	<b>648,079</b>	<b>540,747</b>	<b>486,635</b>

(\*) Includes also fees and commissions expenses on borrowings

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## 5.4.2.2 INTEREST EXPENSES PAID TO ASSOCIATES AND SUBSIDIARIES

	CURRENT PERIOD	PRIOR PERIOD
Interest Paid to Investments in Associates and Subsidiaries	1,870	1,610

## 5.4.2.3 INTEREST EXPENSES ON SECURITIES ISSUED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Interest Expenses on Securities Issued	456,204	390,772	251,688	231,516

## 5.4.2.4 MATURITY STRUCTURE OF INTEREST EXPENSE ON DEPOSITS

CURRENT PERIOD	DEMAND DEPOSITS	TIME DEPOSITS					ACCUMULATING DEPOSIT ACCOUNTS	TOTAL
		UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	OVER 1 YEAR		
<b>Turkish Lira</b>								
Bank Deposits	666	92,946	3	-	-	2,544	-	96,159
Saving Deposits	114	292,127	2,533,684	213,149	59,447	48,713	-	3,147,234
Public Sector Deposits	-	330	956	53	20,409	2	-	21,750
Commercial Deposits	311	240,649	485,372	66,348	43,981	36,832	-	873,493
Others	13	12,609	54,831	3,159	59,485	74	-	130,171
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
<b>Total TL</b>	<b>1,104</b>	<b>638,661</b>	<b>3,074,846</b>	<b>282,709</b>	<b>183,322</b>	<b>88,165</b>	<b>-</b>	<b>4,268,807</b>
<b>Foreign Currency</b>								
Foreign Currency Deposits	51,326	55,716	420,759	103,831	130,288	168,348	1,014	931,282
Bank Deposits	1	66,288	11,020	6,333	3,385	1,339	-	88,366
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	4,018	392	-	4,410
<b>Total FC</b>	<b>51,327</b>	<b>122,004</b>	<b>431,779</b>	<b>110,164</b>	<b>137,691</b>	<b>170,079</b>	<b>1,014</b>	<b>1,024,058</b>
<b>Grand Total</b>	<b>52,431</b>	<b>760,665</b>	<b>3,506,625</b>	<b>392,873</b>	<b>321,013</b>	<b>258,244</b>	<b>1,014</b>	<b>5,292,865</b>

PRIOR PERIOD	DEMAND DEPOSITS	TIME DEPOSITS					ACCUMULATING DEPOSIT ACCOUNTS	TOTAL
		UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	OVER 1 YEAR		
<b>Turkish Lira</b>								
Bank Deposits	685	63,064	-	-	-	8,428	-	72,177
Saving Deposits	189	227,172	2,075,908	59,626	23,698	24,376	-	2,410,969
Public Sector Deposits	-	307	2,343	80	42,304	7	-	45,041
Commercial Deposits	255	206,709	697,906	93,087	44,995	13,877	-	1,056,829
Others	8	9,071	56,290	10,246	16,752	39	-	92,406
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
<b>Total TL</b>	<b>1,137</b>	<b>506,323</b>	<b>2,832,447</b>	<b>163,039</b>	<b>127,749</b>	<b>46,727</b>	<b>-</b>	<b>3,677,422</b>
<b>Foreign Currency</b>								
Foreign Currency Deposits	64,581	63,734	475,809	65,608	133,239	112,530	1,336	916,837
Bank Deposits	1,263	56,507	13,410	2,781	1,689	202	-	75,852
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	29	-	1,013	476	-	1,518
<b>Total FC</b>	<b>65,844</b>	<b>120,241</b>	<b>489,248</b>	<b>68,389</b>	<b>135,941</b>	<b>113,208</b>	<b>1,336</b>	<b>994,207</b>
<b>Grand Total</b>	<b>66,981</b>	<b>626,564</b>	<b>3,321,695</b>	<b>231,428</b>	<b>263,690</b>	<b>159,935</b>	<b>1,336</b>	<b>4,671,629</b>

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## 5.4.2.5 INTEREST EXPENSE ON REPURCHASE AGREEMENTS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Interest Paid on Repurchase Agreements	694,767	73,038	516,877	54,351

## 5.4.2.6 FINANCIAL LEASE EXPENSES

	CURRENT PERIOD	PRIOR PERIOD
Financial Lease Expenses	-	139

## 5.4.2.7 INTEREST EXPENSES ON FACTORING PAYABLES

None.

## 5.4.3 DIVIDEND INCOME

	CURRENT PERIOD	PRIOR PERIOD
Trading Financial Assets	224	6
Financial Assets Valued at Fair Value through Profit or Loss	-	1
Financial Assets Available-for-Sale	610	675
Others	1,232	9,806
<b>Total</b>	<b>2,066</b>	<b>10,488</b>

## 5.4.4 TRADING INCOME / LOSSES (NET)

	CURRENT PERIOD	PRIOR PERIOD
<b>Income</b>	<b>42,061,661</b>	<b>67,298,020</b>
Trading Account Income	1,848,062	836,296
Derivative Financial Instruments	6,220,217	5,536,988
Foreign Exchange Gain	33,993,382	60,924,736
<b>Losses (-)</b>	<b>42,135,705</b>	<b>66,936,454</b>
Trading Account Losses	1,842,348	544,657
Derivative Financial Instruments	7,326,315	5,753,323
Foreign Exchange Losses	32,967,042	60,638,474
<b>Total</b>	<b>(74,044)</b>	<b>361,566</b>

TL 1,486,943 thousands (31 December 2013: TL 1,711,322 thousands) of foreign exchange gains and TL 2,343,579 thousands (31 December 2013: TL 1,148,740 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 value amount and conditions. In June 2012, the Bank ceased to apply hedge accounting and accordingly fair value calculations for these bonds. The accumulated fair value differences incurred starting from the date of hedge accounting up to the date on which it was ceased, are amortized as per the effective interest-rate method in compliance with TAS 39.

In this respect; the Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 394,229 thousands and USD 807,919,340 and for its bonds with a total face value of TL 1,623,000 thousands and USD 32,900,000 and fixed-rate coupons by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a gain of TL 39,256 thousands and TL 42,104 thousands (31 December 2013: total losses of TL 67,899 thousands resulting from outstanding transactions at that date) 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, RON 85,500,000 and CZK 423,000,000 with the same face value amount and conditions. Accordingly, in the current period, a loss of TL 12,511 thousands (31 December 2013: total gains of TL 4,251 thousands resulting from outstanding transactions at that date) 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 the floating rate eurobonds issued in 2011 with a total face value of USD 300,000,000, maturity of five years and maturity date of 20 April 2016, funds borrowed amounting to USD 119,740,541 and EUR 50,000,000 and securitization borrowings amounting to USD 175,000,000 and EUR 253,278,948 by designating cross currency swaps with the same face value amount and conditions, and for the collateralised borrowings amounting to TL 1,000,000 thousands and commercial loans amounting to USD 500,000,000 by designating interest rate swaps with the same face value amount and conditions. Accordingly, in the current period, a loss of TL 3,051 thousands and TL 3,771 thousands (31 December 2013: TL 49,053 thousands resulting from outstanding transactions at that date) resulting from cross currency and interest rate swap agreements were recognised under shareholders' equity.

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## 5.4.5 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 its financial affiliates amounting to TL 292,490 thousands (31 December 2013: TL 323,871 thousands of non-performing receivables and TL 3,857 thousands of written-off receivables) were sold for a consideration of TL 57,105 thousands (31 December 2013: TL 58,885 thousands). Considering the related provisions of TL 284,693 thousands (31 December 2013: TL 313,168 thousands) in the consolidated financial statements, a gain of TL 49,225 thousands (31 December 2013: TL 44,325 thousands) is recognized under "other operating income".

A part of non-performing financial lease receivables of a consolidated financial affiliate of the Bank amounting to TL 47,492 thousands were sold for a consideration of TL 42 thousands. A gain from this sale amounting to TL 42 thousands is recognized under "other operating income" as the whole lease receivables had been provided against in the accompanying consolidated financial statements in prior periods. The revenues earned from subsequent collections of these receivables, amounting to TL 185 thousands is recognized in the income statement under "other operating income" in the current period.

## 5.4.6 PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES

	CURRENT PERIOD	PRIOR PERIOD
Specific Provisions for Loans and Other Receivables	1,428,239	1,059,660
Loans and receivables in Group III	360,335	293,924
Loans and receivables in Group IV	629,025	341,816
Loans and receivables in Group V	438,879	423,920
General Provisions	461,191	724,119
Provision for Possible Losses	105,000	-
Impairment Losses on Financial Assets	1,250	890
Financial assets at fair value through profit or loss	1,250	890
Financial assets available-for-sale	-	-
Impairment Losses on Associates, Subsidiaries and Investments Held-to-Maturity	-	-
Associates	-	-
Subsidiaries	-	-
Joint ventures (business partnership)	-	-
Investments held-to-maturity	-	-
Others	189,460	154,703
<b>Total</b>	<b>2,185,140</b>	<b>1,939,372</b>

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## 5.4.7 OTHER OPERATING EXPENSES

	CURRENT PERIOD	PRIOR PERIOD
Personnel Costs	2,241,374	1,948,843
Reserve for Employee Termination Benefits	30,994	39,816
Defined Benefit Obligation	-	-
Impairment Losses on Tangible Assets	4,082	2,361
Depreciation Expenses of Tangible Assets	200,563	190,465
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortisation Expenses of Intangible Assets	55,442	47,401
Decrease in Value of Equity Accounting Shares	-	-
Impairment Losses on Assets to be Disposed	2,117	1,847
Depreciation Expenses of Assets to be Disposed	3,192	2,745
Impairment Losses on Assets Held for Sale and Discontinued Assets	-	-
Other Operating Expenses	2,107,486	2,018,244
Operational lease related expenses	323,958	272,154
Repair and maintenance expenses	60,777	52,908
Advertisement expenses	121,502	123,808
Other expenses	1,601,249	1,569,374
Loss on Sale of Assets	2,882	4,394
Others (*) (**) (***)	707,418	540,742
<b>Total</b>	<b>5,355,550</b>	<b>4,796,858</b>

(\*) Includes saving-deposits-insurance-fund related expenses of TL 170,213 thousands (31 December 2013: TL 131,177 thousands) and insurance-business claim losses of TL 63,462 thousands (31 December 2013: TL 56,570 thousands) as of 31 December 2014.

(\*\*) Includes cancellations/repayments, by the Bank in the current period, of fees and commissions income recognised in prior years in the amount of TL 141,427 thousands (31 December 2013: TL 12,486 thousands).

(\*\*\*) As per the decision of the Turkish Competition Board dated 8 March 2013 and resulted from the investigation initiated based on its decision no. 11-55/1438-M dated 2 November 2011, an administrative fine amounting to TL 213,385 thousands was imposed against the economic group composed of Garanti Bankası AŞ, Garanti Ödeme Sistemleri AŞ and Garanti Konut Finansmanı Danışmanlık AŞ. In accordance with the Article 17 of the Law on Crime no. 5326, it is possible to pay % of such administrative fine as TL 160,038 thousands. The reasoned decision of the Turkish Competition Board was notified as of the reporting date and the stated amount was paid in the prior period.

## 5.4.8 INFORMATION ON PROFIT/LOSS BEFORE TAXES FROM CONTINUED AND DISCONTINUED OPERATIONS

TL 8,370,833 thousands (31 December 2013: TL 7,132,900 thousands) of the profit before taxes is derived from net interest income and TL 2,989,885 thousands (31 December 2013: TL 2,664,906 thousands) from net fees and commissions income. The total operating expenses amounted to TL 5,355,550 thousands (31 December 2013: TL 4,796,858 thousands). The profit before taxes reached to TL 4,783,924 thousands (31 December 2013: TL 4,369,739 thousands) increasing by 9.5% (31 December 2013: 0.2%) as compared to the prior year.

## 5.4.9 INFORMATION ON PROVISION FOR TAXES FOR CONTINUED AND DISCONTINUED OPERATIONS

As of 31 December 2014, on a consolidated basis, the Bank recorded a current tax expense of TL 1,449,083 thousands (31 December 2013: TL 660,000 thousands) and a deferred tax benefit of TL 349,706 thousands (31 December 2013: a deferred tax expense of TL 370,946 thousands).

### Deferred tax benefit/charge on timing differences

DEFERRED TAX (BENEFIT)/CHARGE ON TIMING DIFFERENCES	CURRENT PERIOD	PRIOR PERIOD
Increase in Tax Deductable Timing Differences (+)	(282,847)	(97,262)
Decrease in Tax Deductable Timing Differences (-)	39,033	241,698
Increase in Taxable Timing Differences (-)	21,980	243,900
Decrease in Taxable Timing Differences (+)	(127,872)	(17,390)
<b>Total</b>	<b>(349,706)</b>	<b>370,946</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 EXEMPTION	CURRENT PERIOD	PRIOR PERIOD
(Increase)/Decrease in Tax Deductable Timing Differences (net)	(243,510)	145,611
(Increase)/Decrease in Taxable Timing Differences (net)	(105,892)	226,510
(Increase)/Decrease in Tax Losses (net)	(304)	(1,175)
(Increase)/Decrease in Tax Deductions and Exemptions (net)	-	-
<b>Total</b>	<b>(349,706)</b>	<b>370,946</b>

## 5.4.10 NET OPERATING PROFIT/LOSS AFTER TAXES INCLUDING NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS

None.

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## 5.4.11 NET PROFIT/LOSS

**5.4.11.1 ANY FURTHER EXPLANATION ON OPERATING RESULTS NEEDED FOR BETTER UNDERSTANDING OF BANK'S PERFORMANCE**  
None.

**5.4.11.2 ANY CHANGES IN ESTIMATIONS THAT MIGHT HAVE A MATERIAL EFFECT ON CURRENT AND SUBSEQUENT PERIOD RESULTS**  
None.

### 5.4.11.3 MINORITY INTEREST'S PROFIT/LOSS

	CURRENT PERIOD	PRIOR PERIOD
Net Profit/(Loss) of Minority Interest	31,477	24,359

## 5.4.12 COMPONENTS OF OTHER ITEMS IN INCOME STATEMENT

Other items do not exceed 10% of the total of income statement..

## 5.5 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

### 5.5.1 ANY INCREASES ARISING FROM APPLICATION OF ACCOUNTING FOR FINANCIAL INSTRUMENTS IN CURRENT PERIOD

**5.5.1.1 INCREASES FROM VALUATION OF FINANCIAL ASSETS AVAILABLE-FOR-SALE**  
None.

### 5.5.1.2 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 44,701 thousands (31 December 2013: an increase of TL 39,243 thousands) is presented in the shareholders' equity for such hedges assessed as effective.

### 5.5.1.3 RECONCILIATION OF FOREIGN EXCHANGE DIFFERENCES AT BEGINNING AND END OF CURRENT PERIOD

As of 31 December 2014, a decrease of TL 147,740 thousands (31 December 2013: an increase of TL 181,812 thousands) that was resulted from the foreign currency translation of Luxembourg branch and consolidated foreign affiliates performances, is presented under translation differences in the shareholders' equity.

### 5.5.2 ANY DECREASES ARISING FROM APPLICATION OF ACCOUNTING FOR FINANCIAL INSTRUMENTS

#### 5.5.2.1 DECREASES FROM VALUATION OF FINANCIAL ASSETS AVAILABLE-FOR-SALE

As of 31 December 2014, an increase of TL 637,628 thousands (31 December 2013: a decrease of TL 1,098,476 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 54,416 thousands (31 December 2013: TL 489,788 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.

#### 5.5.2.2 DECREASES DUE TO CASH FLOW HEDGES

None.

### 5.5.3 TRANSFERS TO LEGAL AND EXTRAORDINARY RESERVES

	CURRENT PERIOD	PRIOR PERIOD
Transfers to Legal Reserves from Prior Year Profits	29,552	195,933
Transfers to Extraordinary Reserves from Prior Year Profits	2,825,836	3,103,676

### 5.5.4 ISSUANCE OF SHARE CERTIFICATES

Please refer to Note 5.2.12.3.

### 5.5.5 EFFECTS OF PRIOR YEARS' CORRECTIONS TO BEGINNING BALANCES OF CURRENT PERIOD

Please refer to Note 3.24

### 5.5.6 COMPENSATION OF PRIOR PERIOD LOSSES

None.

## 5.6 CONSOLIDATED STATEMENT OF CASH FLOWS

### 5.6.1 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 1,912,317 thousands (31 December 2013: TL 175,312 thousands). TL 3,839,373 thousands (31 December 2013: TL 5,014,508 thousands) of these net cash inflows is generated from the cash outflows resulted from the change in operating assets and liabilities and TL 5,751,690 thousands (31 December 2013: TL 5,189,820 thousands) from the cash inflows resulted from operating profit. The "net increase 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 TL 2,384,210 thousands (31 December 2013: TL 2,761,365 thousands). The net cash inflows from financing activities amount to TL 3,149,692 thousands (31 December 2013: TL 4,069,424 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

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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 500,784 thousands (31 December 2013: TL 905,527 thousands).

## 5.6.2 CASH OUTFLOWS FROM ACQUISITION OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

Please refer to Notes 5.1.8.1 and 5.1.9.2

## 5.6.3 CASH INFLOWS FROM DISPOSAL OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

None.

## 5.6.4 CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD

	CURRENT PERIOD	PRIOR PERIOD
Cash on Hand	1,667,501	1,260,740
Cash in TL	1,007,744	800,979
Cash in Foreign Currency	659,757	459,761
Cash Equivalents	7,116,601	4,566,171
Others	7,116,601	4,566,171
Total	8,784,102	5,826,911

## 5.6.5 CASH AND CASH EQUIVALENTS AT END OF PERIOD

	CURRENT PERIOD	PRIOR PERIOD
Cash on Hand	1,798,443	1,667,501
Cash in TL	1,089,266	1,007,744
Cash in Foreign Currency	709,177	659,757
Cash Equivalents	8,201,318	7,116,601
Others	8,201,318	7,116,601
Total	9,999,761	8,784,102

## 5.6.6 RESTRICTED CASH AND CASH EQUIVALENTS DUE TO LEGAL REQUIREMENTS OR OTHER REASONS

The placements at foreign banks include blocked accounts amounting TL 6,000,467 thousands (31 December 2013: TL 7,377,706 thousands) of which TL 108,410 thousands (31 December 2013: TL 116,271 thousands) and TL 50,066 thousands (31 December 2013: TL 43,094 thousands) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 5,841,991 thousands (31 December 2013: TL 7,218,341 thousands) as collateral against funds borrowed at various banks.

Furthermore, there are restricted deposits at various domestic banks amounting TL 123,681 thousands (31 December 2013: TL 91,740 thousands) as required for insurance activities.

The blocked account at the Central Bank of Turkey with a principal of TL 19,595,598 thousands (31 December 2013: TL 17,166,780 thousands) is for the reserve deposits in foreign currency and gold against the Banks' liabilities in Turkish Lira, foreign currencies and gold.

## 5.6.7 ADDITIONAL INFORMATION

### 5.6.7.1 RESTRICTIONS ON THE BANK'S POTENTIAL BORROWINGS

None.

### 5.6.7.2 CASH INFLOWS PRESENTING INCREASE IN BANKING ACTIVITY RELATED CAPACITY

None.

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## 5.7 RELATED PARTY RISKS

### 5.7.1 TRANSACTIONS WITH PARENT BANK'S RISK GROUP;

#### 5.7.1.1 LOANS AND OTHER RECEIVABLES

##### CURRENT PERIOD

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
	CASH	NON-CASH	CASH	NON-CASH	CASH	NON-CASH
Loans and Other Receivables						
Balance at beginning of period	92,579	3,652	9,250	284,178	590,506	489,308
Balance at end of period	17,504	8,259	402,167	328,209	1,643,236	703,307
Interest and Commission Income	2,622	6	292	9	92,071	1,047

##### 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	88,612	3,531	263,859	469,641	442,665	495,947
Balance at end of period	92,579	3,652	9,250	284,178	590,506	489,308
Interest and Commission Income	1,587	6	728	9	32,402	399

#### 5.7.1.2 DEPOSITS

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
Deposits						
Balance at beginning of period	28,668	6,679	304,643	101,958	342,925	207,192
Balance at end of period	28,674	28,668	649,010	304,643	351,510	342,925
Interest Expenses	1,870	1,610	4,278	9,910	16,061	15,095

#### 5.7.1.3 DERIVATIVE TRANSACTIONS

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
Transactions at Fair Value Through Profit or Loss:						
Balance at beginning of period	2,921	6,963	9,092,999	3,373,361	-	-
Balance at end of period	2,789	2,921	10,825,180	9,092,999	5,770	-
Total Profit/(Loss)	(61)	(333)	(101,998)	(49,437)	(56)	-
Transactions for Hedging:						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit/(Loss)	-	-	-	-	-	-

## 5.7.2 BANK'S RISK GROUP

### 5.7.2.1 RELATIONS WITH COMPANIES IN RISK GROUP OF/OR CONTROLLED BY THE BANK REGARDLESS OF NATURE OF CURRENT TRANSACTIONS

Transactions with the risk group, are held under arm's-length conditions; terms are set according to the market conditions and in compliance with the Banking Law. The Bank's policy is to keep the balances and transaction volumes with the risk group at reasonable levels preventing any high concentration risk on balance sheet.

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## 5.7.2.2 CONCENTRATION OF TRANSACTION VOLUMES AND BALANCES WITH RISK GROUP AND PRICING POLICY

The cash loans of the risk group amounting TL 1,555,903 thousands (31 December 2013: TL 580,038 thousands) compose 1.08% (31 December 2013: 0.45%) of the Bank's total consolidated cash loans and 0.63% (31 December 2013: 0.26%) of the Bank's total consolidated assets. The total loans and similar receivables amounting 2,062,907 thousands (31 December 2013: TL TL 692,335 thousands) compose 0.84% (31 December 2013: 0.31%) of the Bank's total consolidated assets. The non-cash loans of the risk group amounting TL 1,039,775 thousands (31 December 2013: TL 777,138 thousands) compose 2.76% (31 December 2013: 2.27%) of the Bank's total consolidated non-cash loans. The deposits of the risk group amounting TL 1,029,194 thousands (31 December 2013: TL 676,236 thousands) compose 0.77% (31 December 2013: 0.57%) of the Bank's total consolidated deposits. The funds borrowed by the Bank and its consolidated financial affiliates from their risk group amounting to TL 188,146 thousands (31 December 2013: TL 199,623 thousands) compose 0.50% (31 December 2013: 0.59%) of the Bank's total consolidated funds borrowed. The pricing in transactions with the risk group companies is set on an arms-length basis.

The credit card (POS) payables to the related parties, amounted to TL 17,680 thousands (31 December 2013: TL 12,664 thousands). A total rent income of TL 3,027 thousands (31 December 2013: TL 1,776 thousands) was recognized for the real estates rented to the related parties.

Operating expenses for TL 2,452 thousands as of 31 December 2014 (31 December 2013: TL 61 thousands) were incurred for the IT services rendered by the related parties. Other income of TL 120 thousands (31 December 2013: TL 33 thousands) for the IT services rendered and banking services fee income of TL 1,218 thousands (31 December 2013: TL 1,435 thousands) were recognized from the related parties.

Operating expenses of TL 9,911 thousands (31 December 2013: TL 12,104 thousands) for advertisement and broadcasting services, of TL 32,398 thousands (31 December 2013: TL 27,112 thousands) for operational leasing services, and of TL 17,063 thousands (31 December 2013: TL 15,004 thousands) for travelling services rendered by the related parties were recognized as expense.

Fleet business customer acquisition fee of TL 578 thousands (31 December 2013: TL 200 thousands) was recognized as income for the services rendered by the affiliates.

The net payment provided or to be provided to the key management of the Bank and its consolidated financial affiliates amounts to TL 135,069 thousands as of 31 December 2014 (31 December 2013: TL 121,469 thousands).

## 5.7.2.3 OTHER MATTERS NOT REQUIRED TO BE DISCLOSED

None.

## 5.7.2.4 TRANSACTIONS ACCOUNTED FOR UNDER EQUITY METHOD

None.

## 5.7.2.5 ALL KIND OF AGREEMENTS SIGNED LIKE ASSET PURCHASES/SALES, SERVICE RENDERING, AGENCIES, LEASING, RESEARCH AND DEVELOPMENT, LICENCES, FUNDING, GUARANTEES, MANAGEMENT SERVICES

The Bank has agency contracts with certain consolidated subsidiaries namely Garanti Yatırım Menkul Kıymetler AŞ and Garanti Emeklilik ve Hayat AŞ. Accordingly, all the branches of the Bank serve as agencies to sell the products of these entities to customers. Agency services for trading of securities on behalf of customers are rendered by the Bank's specialised branches (Investment Centers).

Purchase of equipments for internal use are partly arranged through financial leasing.

## 5.8 DOMESTIC, FOREIGN AND OFF-SHORE BRANCHES OR EQUITY INVESTMENTS, AND FOREIGN REPRESENTATIVE OFFICES OF PARENT BANK

### 5.8.1 DOMESTIC AND FOREIGN BRANCHES AND REPRESENTATIVE OFFICES OF PARENT BANK

PARENT BANK				
	NUMBER OF BRANCHES	NUMBER OF EMPLOYEES	COUNTRY	
Domestic Branches	994	18,909		
Foreign Representative Offices	1	1	1- Germany	
	1	1	2- England	
	1	1	3- China	
				<b>TOTAL ASSETS</b>
Foreign Branches	1	17	1- Luxembourg	13,161,762
	1	12	2- Malta	31,384,505
	6	95	3- NCTR	907,568
				<b>LEGAL CAPITAL</b>
				1,115,560
				-
				15,520

### 5.8.2 OPENING OR CLOSING OF DOMESTIC AND FOREIGN BRANCHES AND REPRESENTATIVE OFFICES AND SIGNIFICANT CHANGES IN ORGANISATIONAL STRUCTURE OF PARENT BANK

In 2014, 22 new domestic branches were opened and 18 branches were closed.

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## 5.8.3 INFORMATION ON CONSOLIDATED FINANCIAL SUBSIDIARIES OF PARENT BANK

GARANTI BANK INTERNATIONAL NV					
	NUMBER OF BRANCHES	NUMBER OF EMPLOYEES	COUNTRY		
Foreign Representative Offices	1	15	1- Turkey		
	1	-	2- Switzerland		
	1	2	3- Ukraine		
				<b>TOTAL ASSETS</b>	<b>LEGAL CAPITAL</b>
Head office-The Netherlands	1	197	1-The Netherlands	13,524,368	EUR 136,836,000
Foreign Branches	1	21	2- Germany	68,454	-
GARANTI BANK MOSCOW					
	NUMBER OF BRANCHES	NUMBER OF EMPLOYEES	COUNTRY	TOTAL ASSETS	LEGAL CAPITAL
Head Office-Moscow	1	85	Russia	549,443	US\$ 32,757,000
GARANTI BANK SA					
	NUMBER OF BRANCHES	NUMBER OF EMPLOYEES	COUNTRY	TOTAL ASSETS	LEGAL CAPITAL
Romania Head Office and Branches	84	995	Romania	5,140,853	RON 1,107,340,006

### Other consolidated foreign financial subsidiaries

	NUMBER OF EMPLOYEES	COUNTRY	TOTAL ASSETS	LEGAL CAPITAL
Garanti Holding BV	-	The Netherlands	904,588	EUR 369,088,600
G Netherlands BV	-	The Netherlands	941,516	EUR 104,382,821
Motoractive IFN SA	79	Romania	299,724	RON 40,139,080
Ralfi IFN SA	155	Romania	237,766	RON 10,661,500

### Consolidated domestic financial subsidiaries

	NUMBER OF EMPLOYEES	TOTAL ASSETS	LEGAL CAPITAL
Garanti Finansal Kiralama AŞ	157	4,134,086	350,000
Garanti Faktoring Hizmetleri AŞ	180	2,989,573	79,500
Garanti Emeklilik ve Hayat AŞ	908	7,363,292	50,000
Garanti Yatırım Menkul Kıymetler AŞ	115	55,598	8,328
Garanti Portföy Yönetimi AŞ	66	39,821	10,000
Garanti Yatırım Ortaklığı AŞ (*)	7	35,965	32,000

## 5.9 MATTERS ARISING SUBSEQUENT TO THE BALANCE SHEET DATE

None.

## 6. OTHER DISCLOSURES ON ACTIVITIES

### 6.1 INFORMATION ON INTERNATIONAL RISK RATINGS

#### 6.1.1 PARENT BANK'S INTERNATIONAL RISK RATINGS

##### MOODY'S (SEPTEMBER 2014) (\*)

Long Term FC Deposit	Baa3
Long Term TL Deposit	Baa3
Short Term TL Deposit	Prime-3
Short Term FC Deposit	Prime-3
Long Term FC Deposit Outlook	Negative
Financial Strength (FSR)	D+ (ba1)
FSR Outlook	Stable
Long Term National Scale Rating (NSR)	Aa3.tr
Short Term NSR	TR-1

##### STANDARD AND POORS (JUNE 2014) (\*)

Long Term FC ICR	BB+
Long Term TL ICR	BB+
Outlook	Negative
Stand-alone Credit Profile (SACP)	bb+

# TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

CONSOLIDATED FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2014  
(THOUSANDS OF TURKISH LIRA (TL))

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

## FITCH RATINGS (DECEMBER 2014) (\*)

Outlook	Stable (**)
Long Term FC Outlook	BBB- (**)
Short Term FC Outlook	F3 (**)
Long Term TL Outlook	BBB- (**)
Short Term TL Outlook	F3 (**)
Financial Capacity	bbb-
Support	3 (**)
NSR	AA+ (tur) (**)

## JCR EURASIA RATINGS (JUNE 2014) (\*)

International FC Outlook	Stable
Long Term International FC	BBB
Short Term International FC	A-3
International TL Outlook	Stable
Long Term International TL	BBB+
Short Term International TL	A-2
National Outlook	Stable
Long Term NSR	AAA(Trk)
Short Term NSR	A-1+(Trk)
Independency from Shareholders	A
Support	1

(\*) Latest dates in risk ratings or outlooks.

(\*\*) As of 1 December 2014, Fitch started positive follow-up for risk ratings.

## 6.1.2 INTERNATIONAL RISK RATINGS OF GARANTI BANK INTERNATIONAL NV, A CONSOLIDATED AFFILIATE

### MOODY'S (JULY 2014) (\*)

Long Term FC Deposit	Baa2
Short Term FC Deposit	Prime-2
Long Term Subordinated Funding	Baa2
FSR	C-
Outlook	Negative

(\*) Latest date in risk ratings or outlooks.

## 6.1.3 INTERNATIONAL RISK RATINGS OF GARANTI FAKTORING, A CONSOLIDATED AFFILIATE

### FITCH RATINGS (AUGUST 2014) (\*)

<b>Foreign Currency</b>	
Long Term	BBB-
Short Term	F3
Outlook	Stable
Support	2
<b>Turkish Lira</b>	
Long Term	BBB-
Short Term	F3
Outlook	Stable
<b>National</b>	
Outlook	AA+

(\*) Latest date in risk ratings or outlooks.

# TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

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## 6.1.4 INTERNATIONAL RISK RATINGS OF GARANTİ FINANSAL KIRALAMA, A CONSOLIDATED AFFILIATE

### FITCH RATINGS (AUGUST 2014) (\*)

Foreign Currency	
Long Term	BBB-
Short Term	F3
Outlook	Stable
Support	2
Turkish Lira	
Long Term	BBB-
Short Term	F3
Outlook	Stable
National	
Outlook	Stable

(\*) Latest date in risk ratings or outlooks.

### STANDARD AND POORS (FEBRUARY 2014) (\*)

Foreign Currency	
Long Term	BB+
Short Term	B
Outlook	Negative
Turkish Lira	
Long Term	BB
Short Term	A-2
Outlook	Negative

(\*) Latest date in risk ratings or outlooks.

## 6.1.5 INTERNATIONAL RISK RATINGS OF GARANTİ BANK SA, A CONSOLIDATED AFFILIATE

### FITCH RATINGS (DECEMBER 2014) (\*)

Foreign Currency	
Long Term	BB+
Short Term	B
Financial Capacity	b
Support	3

(\*) Latest date in risk ratings or outlooks.

## 6.2 DIVIDENDS

As per the decision made at the annual general assembly of shareholders of the Bank on 3 April 2014, the distribution of the net profit of the year 2013, will be as follows;

### 2013 PROFIT DISTRIBUTION TABLE

2013 Net Profit	3,005,560
A – I. Legal reserve (Turkish Commercial Code 519/1) at 5%	-
Undistributable funds	(34,046)
B – First dividend at 5% of the paid-in capital	(210,000)
C – Extraordinary reserves at 5% after above deductions	(139,778)
D – Second dividend to the shareholders	(215,000)
E – Extraordinary reserves	(2,385,236)
F – II. Legal reserve (Turkish Commercial Code 519/2)	(21,500)

# TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

CONSOLIDATED FINANCIAL REPORT AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2014  
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## 6.3 OTHER DISCLOSURES

Doğuş Group and BBVA have entered into a share purchase agreement dated 19 November 2014 for the sale of shares of the Bank representing 14.89% of the paid-up share capital with a total face value of TL 625,380 thousands. The parties agreed that the total purchase price for the shares being sold would be TL 5,497,090 thousands with a purchase price per share of TL 8.79. In addition, the parties have agreed that Doğuş Group would be entitled to receive up to TL 0.11 of the dividend distributed per share sold with respect to distributable profit for the year 2014.

Following the completion of the share transfers, Doğuş Group's stake in the Bank will be 10%. The transfer of title for the shares sold from Doğuş Group to BBVA will be finalized once the transaction is approved by the relevant authorities in and outside of Turkey including the BRSA, the Capital Markets Board and the Competition Board.

The shareholders agreement dated 1 November 2010 relating to governance and management of the Bank signed between Doğuş Group and BBVA has been also amended on 19 November 2014. The revised shareholders agreement shall become effective simultaneously with the consummation of the share transfers following the approval of all necessary regulators. Under the revised shareholders agreement Doğuş Group and BBVA have agreed that: (i) the board of directors of the Bank would comprise of ten members ; (ii) seven of the board members would be nominated by BBVA at the general assembly and two of these seven members would also be the members of the audit committee of the Bank whom, in line with the applicable regulations, shall be deemed as independent board members; (iii) two members would be nominated by Doğuş Group at the general assembly and (iv) the last independent member would be jointly nominated by the shareholders at the general assembly. The call option previously granted by Doğuş Group to BBVA with respect to acquisition of further shares of the Bank by BBVA representing 1% of the share capital has been revoked.

## 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 2014, have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (a member of Deloitte Touche Tohmatsu Limited) and the independent auditors' report dated 3 February 2015, is presented before the accompanying consolidated financial statements.

### 7.2 DISCLOSURES AND FOOTNOTES PREPARED BY INDEPENDENT AUDITORS

None.

# CONTACT INFORMATION FOR TÜRKİYE GARANTİ BANKASI A.Ş.



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Fax: +90 212 318 18 88  
Telex:27635 gatı tr  
Swift: TGBATRIS

## WEBSITE

www.garanti.com.tr

## TRADE REGISTRY NO

159422

## DOMESTIC BRANCHES

Garanti Bank has **994** domestic branches in **81** cities as of 2014 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, Google Plus, LinkedIn, Youtube, Slideshare, Instagram, Foursquare and Vine.

www.facebook.com/Garanti  
www.twitter.com/garanti  
www.plus.google.com/+garanti  
www.linkedin.com/company/garanti-bank/  
www.youtube.com/garanti  
www.slideshare.net/garantibankasi  
twitter.com/garantiyesor  
http://instagram.com/garantibankasi  
https://tr.foursquare.com/garanti  
https://vine.co/garanti  
https://www.pinterest.com/garanti/



## OVERSEAS BRANCHES

### TURKISH REPUBLIC OF NORTHERN CYPRUS-LEFKOSA BRANCH

Bedrettin Demirel Caddesi No:114 Lefkoşa/TRNC  
Tel: (392) 600 53 00 Fax: (392) 600 53 20

### TURKISH REPUBLIC OF NORTHERN CYPRUS-GIRNE BRANCH

Mete Adanır Caddesi No:18/A Girne/TRNC  
Tel: (392) 650 53 00 Fax: (392) 650 53 20

### TURKISH REPUBLIC OF NORTHERN CYPRUS-GAZIMAGUSA BRANCH

Sakarya Mahallesi Eşref Bitlis Caddesi No: 28 Mağusa/TRNC  
Tel: (392) 630 03 00 Fax: (392) 630 03 20

### TURKISH REPUBLIC OF NORTHERN CYPRUS- GIRNE CARSI BRANCH

Atatürk Cad. No: 56 Girne/TRNC  
Tel: (392) 650 53 30 Fax: (392) 650 53 50

### TURKISH REPUBLIC OF NORTHERN CYPRUS-GONYELI BRANCH

Düzyol Sokak No:12/B Gönyeli Lefkoşa/TRNC  
Tel: (392) 680 30 00 Fax: (392) 680 30 20

### TURKISH REPUBLIC OF NORTHERN CYPRUS- GÜZELYURT BRANCH

Ecevit Caddesi No: 29/A Güzelyurt/TRNC  
Tel: (392) 660 30 00 Fax: (392) 660 30 20

### MALTA BRANCH

Özgür Özdemir  
Strand Towers, 36 The Strand Sliema SLM 1022 Malta  
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Please scan image with your "QR Code Reader" equipped smartphone to access Garanti Bank Investor Relations website at [www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com) for additional information on Garanti Bank.

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[www.garantiyatirimciiliskileri.com](http://www.garantiyatirimciiliskileri.com)

🌐 Garanti Investor Relations website in English:  
[www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com)

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CONTENT MANAGEMENT

**F&M**  
DATA İLETİŞİM

[www.data-iletisim.com](http://www.data-iletisim.com)

DESIGN & PRODUCTION

**roundabout**

[www.roundabout.com.tr](http://www.roundabout.com.tr)