

**CONVENIENCE TRANSLATION
OF PUBLICLY ANNOUNCED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS AND
REVIEW REPORT
ORIGINALLY ISSUED IN TURKISH,
SEE NOTE I. OF SECTION THREE**

TÜRK EKONOMİ BANKASI A.Ş.

**PUBLICLY ANNOUNCED CONSOLIDATED
FINANCIAL STATEMENTS AND RELATED DISCLOSURES
TOGETHER WITH AUDITOR'S REVIEW REPORT
FOR THE PERIOD FROM 1 JANUARY TO
30 SEPTEMBER 2018**



AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

(Convenience translation of the independent auditor's review report originally issued in Turkish, See Note I of Section Three)

To the General Assembly of Türk Ekonomi Bankası A.Ş.;

Introduction

We have reviewed the consolidated balance sheet of Türk Ekonomi Bankası A.Ş. ("the Bank") and its consolidated subsidiaries (collectively referred to as "the Group") at 30 September 2018 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the nine-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of Review

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



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial information do not present fairly in all material respects the financial position of Türk Ekonomi Bankası A.Ş. and its consolidated subsidiaries at 30 September 2018 and the results of its operations and its cash flows for the nine-month period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

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

Additional Paragraph for Convenience Translation:

The effects of differences between accounting principles and standards explained in detail in section three and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Didem Demer Kaya, SMMM
Partner

Istanbul, 30 October 2018

**Convenience Translation of
Publicly Announced Consolidated Interim Financial Statements and Review Report
Originally Issued in Turkish, See in Note I. of Section Three**

**CONSOLIDATED INTERIM FINANCIAL REPORT OF TÜRK EKONOMİ BANKASI A.Ş.
AS OF AND FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2018**

Address : Saray Mahallesi Sokullu Caddesi No:7/A – 7/B
Ümraniye 34768 - İstanbul
Telephone : (0 216) 635 35 35
Fax : (0 216) 636 36 36
Website : www.teb.com.tr
E-mail : yatirimciiliskileri@teb.com.tr

The consolidated interim financial report for the nine-month period, prepared in accordance with “Communiqué on the Financial Statements and the Related Policies and Disclosures to be Publicly Announced” as regulated by the Banking Regulation and Supervision Agency, is consist of the sections listed below:

- General Information about the Parent Bank
- Consolidated Interim Financial Statements of the Parent Bank
- Explanations on the Accounting Policies Applied in The Related Period
- Information on Financial Structure and Risk Management of the Group which is under Consolidation
- Disclosures and Footnotes on Consolidated Interim Financial Statements
- Independent Auditor’s Review Report
- Interim Activity Report

The subsidiaries, associates and jointly controlled entities, financial statements have been consolidated in this reporting package are as follows:

	Subsidiaries	Associates	Jointly Controlled Entities
1	TEB Yatırım Menkul Değerler A.Ş.	-	-
2	TEB Faktoring A.Ş.	-	-
3	TEB Portföy Yönetimi A.Ş.	-	-

Stichting TEB Diversified Payment Rights and TEB Diversified Payment Rights S.A., which are not subsidiary of the Bank but over which the Bank has controlling power, have been included in the consolidation due to the reason that these companies are “Structured Entity”.

The accompanying consolidated interim financial statements for the nine-month period, related disclosures and footnotes which have been reviewed and presented in this report are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, the related statements and guidances, and incompliance with the financial records of the Parent Bank, and unless stated otherwise, presented in **thousands of Turkish Lira (TL)**.

Yavuz Canevi Chairman of the Board of Directors	Jacques Roger Jean Marie Rinino Chairman of the Audit Committee	Ayşe Aşardağ Vice Chairman of the Audit Committee	Ümit Leblebici Chief Executive Officer	M. Aşkın Dolaştır Assistant General Manager Responsible of Financial Reporting	Gökhan Kazcılar Director Responsible of Financial Reporting
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Information related to responsible personnel for the questions can be raised about financial statements:

Name-Surname/Title : Aslıhan Kaya / External Reporting Senior Manager
Tel No : (0216) 635 24 51
Fax No : (0216) 636 36 36

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CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.
NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2018**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

SECTION ONE

GENERAL INFORMATION

I. History of the Parent Bank, Including its Incorporation Date, Initial Legal Status and Amendments to Legal Status, if any

Türk Ekonomi Bankası Anonim Şirketi (“TEB” or “The Bank”), which had been a local bank incorporated in Kocaeli in 1927 under the name of Kocaeli Halk Bankası T.A.Ş., was acquired by the Çolakoğlu Group in 1982. Its title was changed as Türk Ekonomi Bankası A.Ş. and its headquarters moved to İstanbul. On 10 February 2005, BNP Paribas took over 50% of shares of TEB Holding A.Ş. Consequently, BNP Paribas became indirect shareholder of TEB with 42.125% ownership. In 2009, BNP Paribas Group successively acquired 75% of Fortis Bank Belgium and 66% of Fortis Bank Luxembourg and became the shareholder holding the majority of the shares of Fortis Bank Turkey. The indirect majority shareholders of TEB which are BNP Paribas and Çolakoğlu Group has agreed on the merger of TEB and Fortis Bank under the trademark of TEB and following the authorizations obtained from the regulatory authorities on 14 February 2011 the legal merge of two banks has been performed. The process regarding the procedure has been summarized below. As a result of the merger of TEB Holding, TEB has a majority stake of 55% and on the other hand Çolakoğlu Group and BNP Paribas have the share of 50%.

II. Explanation on the Parent Bank’s Capital Structure, Shareholders of the Parent Bank who are in Charge of the Management and/or Auditing of the Parent Bank Directly or Indirectly, Changes in These Matters (if any), and the Group the Parent Bank’s Belongs to

As of 30 September 2018 and 31 December 2017 the shareholders’ structure and their respective ownerships are summarized as follows:

Name of shareholders	30 September 2018		31 December 2017	
	Paid in capital	%	Paid in capital	%
TEB Holding A.Ş.	1,212,415	55.00	1,212,415	55.00
BNPP Yatırımlar Holding A.Ş.	518,342	23.51	518,342	23.51
BNP Paribas Fortis Yatırımlar Holding A.Ş.	467,879	21.23	467,879	21.23
BNP Paribas SA	5,253	0.24	5,253	0.24
Kocaeli Chamber of Commerce	501	0.02	501	0.02
	2,204,390	100.00	2,204,390	100.00

As of 30 September 2018, the Parent Bank’s paid-in-capital consists of 2,204,390,000 shares of TL1 (full TL) nominal each.

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TÜRK EKONOMİ BANKASI A.Ş.
NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2018

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

III. Explanations Regarding the Chairman and the Members of Board of Directors, Audit Committee, General Manager and Assistants and Shares of the Parent Bank They Possess

<u>Name</u>	<u>Title</u>	<u>Education</u>
Board of Directors;		
Yavuz Canevi	Chairman of the Board of Directors	Master
Dr.Akın Akbaygil	Deputy Chairman of the Board of Directors	PhD
Jean Paul Sabet	Deputy Chairman of the Board of Directors	University
Ayşe Aşardağ	Member of the Board of Directors and Vice Chairman of the Audit Committee	University
François Andre Jesualdo Benaroya	Member of the Board of Directors	University
Yvan L.A.M De Cock	Member of the Board of Directors and Audit Committee	University
Sabri Davaz	Member of the Board of Directors and Audit Committee	Master
Alain Georges Auguste Fonteneau	Member of the Board of Directors	Master
Xavier Henri Jean Guilmineau	Member of the Board of Directors	Master
Özden Odabaşı	Member of the Board of Directors	Master
Jacques Roger Jean Marie Rinino	Member of the Board of Directors and Chairman of the Audit Committee	University
Ümit Leblebici	General Manager and the Executive Director	Master
Assistant General Managers;		
Turgut Boz	Senior Assistant General Manager Responsible from SME Banking Group and Deputy Chairman of General Manager	University
Gökhan Mendi	Senior Assistant General Manager Responsible from Retail and Private Banking Group	Master
Dr.Nilsen Altıntaş	Assistant General Manager Responsible from Human Resources Group	PhD
Melis Coşan Baban	Chief Legal Advisor and Secretary of the Board of Directors	Master
Mehmet Ali Cer	Assistant General Manager Responsible from Information Technologies	Master
Mustafa Aşkın Dolaştır	Assistant General Manager Responsible from Financial Affairs Group	Master
Osman Durmuş	Assistant General Manager Responsible from Retail and Small Business Credit Group	University
Kubilay Güler	Assistant General Manager Responsible from Banking Operations and Support Services	University
Gülümser Özgün Henden	Assistant General Manager Responsible from Corporate Banking Group	University
Dr.Tuğrul Özbakan	Assistant General Manager Responsible from Asset Liability Management and Treasury Group	PhD
Akil Özçay	Assistant General Manager Responsible from Fixed Income	Master
Gökhan Özgül	Assistant General Manager Responsible from Corporate Loans	University
Ömer Abidin Yenidoğan	Assistant General Manager Responsible from Corporate Investment Banking Group	Master
Group Heads (*);		
Nimet Elif Akpınar	Head of Group Risk Management	University
Biröl Deper	Head of Compliance Group and Internal Control Group, Consumer Relations Coordination Officer	Master
Inspection Committee (*);		
Hakan Tıraşın	Internal Audit Group	University

(*) Group Heads and Chairman of the Inspection Committee are in Assistant General Manager status.

There are no Bank shares owned by the above stated Chairman and Members of Board of Directors, General Manager and Assistants.

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CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.
NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2018

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

IV. Information on the Parent Bank’s Qualified Shareholders

Name/Commercial Name	Share Amount	Share Ratio	Paid up Shares	Unpaid Shares
TEB Holding A.Ş.	1,212,415	55.00%	1,212,415	-
BNPP Yatırımlar Holding A.Ş.	518,342	23.51%	518,342	-
BNP Paribas Fortis Yatırımlar Holding A.Ş.	467,879	21.23%	467,879	-

TEB Holding A.Ş. is a member of both Çolakoğlu and BNP Paribas groups. 50% of the shares of TEB Holding A.Ş. are controlled by BNP Paribas, while the remaining 50% is controlled by Çolakoğlu Group. BNP Paribas Fortis Yatırımlar Holding A.Ş. is controlled by BNP Paribas Fortis NV/SA whose shareholders are BNP Paribas Fortis NV/SA by 100% shares, respectively. 100% of the shares of BNP Yatırımlar Holding are controlled by BNP Paribas SA.

V. Summary on the Parent Bank’s Functions and Lines of Activity

The Parent Bank’s operating areas include, corporate, commercial, SME, retail and private banking as well as project finance and custody operations. Besides the ordinary banking operations, the Parent Bank is handling agency functions through its branches on behalf of TEB Portföy Yönetim A.Ş., Zurich Sigorta A.Ş. and Cardif Hayat Sigorta A.Ş. As of 30 September 2018, the Parent Bank has 500 local branches and 4 foreign branches (31 December 2017: 500 local branches, 4 foreign branches). As of 30 September 2018, the number of employees of the Group is 9,857 (31 December 2017: 9,763).

VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and Short Explanation about the Entities Subject to Full Consolidation or Proportional Consolidation and Entities which are Deducted from Equity or Entities which are not Included in These Three Methods

There is no difference between the communiqué on preparation of consolidated financial statements of Banks and Turkish Accounting for the Bank.

The Parent Bank owns 0.1% but the Group owns 33.3% share of Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş, it is presented as joint venture in financial statements however, and it is carried by cost value since necessary requirements for consolidation is not met.

VII. Current or Likely, Actual or Legal Barriers to Immediate Transfer of Equity or Repayment of Debts between Parent Bank and its Subsidiaries

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

- I. Consolidated Balance Sheet
- II. Consolidated Statement of Off-Balance Sheet Items
- III. Consolidated Statement of Profit or Loss
- IV. Consolidated Statement of Profit or Loss and Other Comprehensive Income
- V. Consolidated Statement of Changes in Shareholders' Equity
- VI. Consolidated Statement of Cash Flows

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED INTERIM BALANCE SHEET AT 30 SEPTEMBER 2018**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

ASSETS		Section 5 Note	Reviewed Current Period 30.09.2018		Total
			TL	FC	
I.	FINANCIAL ASSETS (Net)		15,289,248	25,342,121	40,631,369
1.1	Cash and Cash Equivalents		1,298,393	24,467,146	25,765,539
1.1.1	Cash and Balances with Central Bank	(I-1)	1,144,381	14,634,903	15,779,284
1.1.2	Banks	(I-4)	153,871	9,832,243	9,986,114
1.1.3	Money Market Placements		141	-	141
1.2	Financial Assets at Fair Value Through Profit or Loss		662,589	255,069	917,658
1.2.1	Government Debt Securities	(I-2)	625,103	187,029	812,132
1.2.2	Equity Securities		35,942	68,040	103,982
1.2.3	Other Financial Assets		1,544	-	1,544
1.3	Financial Assets at Fair Value Through Other Comprehensive Income	(I-5)	2,862,800	413,826	3,276,626
1.3.1	Government Debt Securities		2,857,190	413,826	3,271,016
1.3.2	Equity Securities		5,610	-	5,610
1.3.3	Other Financial Assets		-	-	-
1.4	Financial Assets Measured at Amortized Cost	(I-7)	3,010,100	-	3,010,100
1.4.1	Government Debt Securities		3,010,100	-	3,010,100
1.4.2	Other Financial Assets		-	-	-
1.5	Derivative Financial Assets		7,464,201	206,080	7,670,281
1.5.1	Derivative Financial Assets at Fair Value Through Profit or Loss	(I-3)	6,230,846	202,929	6,433,775
1.5.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income	(I-12)	1,233,355	3,151	1,236,506
1.6	Non-performing Financial Assets		-	-	-
1.7	Allowance for Expected Credit Losses (-)		(8,835)	-	(8,835)
II.	LOANS (Net)	(I-6)	53,484,837	17,104,016	70,588,853
2.1	Loans		52,914,163	16,279,257	69,193,420
2.1.1	Loans at Measured at Amortised Cost		52,914,163	16,279,257	69,193,420
2.1.2	Loans at Fair Value Through Profit or Loss		-	-	-
2.1.3	Loans at Fair Value Through Other Comprehensive Income		-	-	-
2.2	Lease Receivables	(I-11)	-	-	-
2.2.1	Finance Lease Receivables		-	-	-
2.2.2	Operational Lease Receivables		-	-	-
2.2.3	Unearned Income (-)		-	-	-
2.3	Factoring Receivables	(I-15)	842,353	820,871	1,663,224
2.3.1	Factoring Receivables Measured at Amortised Cost		842,353	820,871	1,663,224
2.3.2	Factoring Receivables at Fair Value Through Profit or Loss		-	-	-
2.3.3	Factoring Receivables at Fair Value Through Other Comprehensive Income		-	-	-
2.4	Non-performing Loans		2,328,415	25,155	2,353,570
2.5	Allowance for Expected Credit Losses (-)		(2,600,094)	(21,267)	(2,621,361)
2.5.1	12 Month Expected Credit Losses (Stage 1)		(369,576)	(315)	(369,891)
2.5.2	Significant Increase in Credit Risk (Stage 2)		(777,510)	(8)	(777,518)
2.5.3	Credit-impaired (Stage 3)		(1,453,008)	(20,944)	(1,473,952)
III.	NON-CURRENT ASSETS OR DISPOSAL GROUPS “HELD FOR SALE” AND “HELD FROM DISCONTINUED OPERATIONS” (Net)	(I-14)	119,146	-	119,146
3.1	Held for Sale		119,146	-	119,146
3.2	Held From Discontinued Operations		-	-	-
IV.	INVESTMENTS		5	-	5
4.1	Investments in Associates (Net)	(I-8)	-	-	-
4.1.1	Associates Accounted with Equity Method		-	-	-
4.1.2	Unconsolidated Associates		-	-	-
4.2	Investments in Subsidiaries (Net)	(I-9)	-	-	-
4.2.1	Unconsolidated Financial Subsidiaries		-	-	-
4.2.2	Unconsolidated Non-Financial Subsidiaries		-	-	-
4.3	Joint Ventures (Net)	(I-10)	5	-	5
4.3.1	Joint Ventures Accounted with Equity Method		-	-	-
4.3.2	Unconsolidated Joint Ventures		5	-	5
V.	TANGIBLE ASSETS (Net)		248,643	-	248,643
VI.	INTANGIBLE ASSETS(Net)		513,101	-	513,101
6.1	Goodwill		421,124	-	421,124
6.2	Other		91,977	-	91,977
VII.	INVESTMENT PROPERTIES(Net)	(I-13)	-	-	-
VIII.	CURRENT TAX ASSET		78,827	-	78,827
IX.	DEFERRED TAX ASSET		20,587	-	20,587
X.	OTHER ASSETS		1,258,663	856,145	2,114,808
TOTAL ASSETS			71,013,057	43,302,282	114,315,339

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE**

**TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2017**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. CONSOLIDATED BALANCE SHEET - ASSETS (STATEMENT OF FINANCIAL POSITION)

		Audited Prior Period 31.12.2017			
		Section 5 Note	TL	FC	Total
I.	CASH AND BALANCES WITH CENTRAL BANK	(I-1)	1,429,476	9,546,296	10,975,772
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)		1,214,439	191,765	1,406,204
2.1	Financial Assets Held for Trading		1,214,439	191,765	1,406,204
2.1.1	Government Debt Securities	(I-2)	346,092	114,868	460,960
2.1.2	Equity Securities		-	-	-
2.1.3	Derivative Financial Assets Held for Trading	(I-3)	868,347	76,897	945,244
2.1.4	Other Marketable Securities		-	-	-
2.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-
2.2.1	Government Debt Securities		-	-	-
2.2.2	Equity Securities		-	-	-
2.2.3	Loans		-	-	-
2.2.4	Other Marketable Securities		-	-	-
III.	BANKS	(I-4)	676,875	1,867,927	2,544,802
IV.	MONEY MARKET PLACEMENTS		64	-	64
4.1	Interbank Money Market Placements		-	-	-
4.2	Istanbul Stock Exchange Money Market Placements		-	-	-
4.3	Receivables from Reverse Repurchase Agreements		64	-	64
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(I-5)	4,632,329	64,804	4,697,133
5.1	Equity Securities		24,598	32,696	57,294
5.2	Government Debt Securities		4,607,731	32,108	4,639,839
5.3	Other Marketable Securities		-	-	-
VI.	LOANS AND RECEIVABLES	(I-6)	51,159,997	12,165,134	63,325,131
6.1	Loans and Receivables		50,456,183	12,165,134	62,621,317
6.1.1	Loans to Risk Group of the Bank		108,106	3,424	111,530
6.1.2	Government Debt Securities		-	-	-
6.1.3	Other		50,348,077	12,161,710	62,509,787
6.2	Loans under Follow-up		1,946,625	-	1,946,625
6.3	Specific Provisions (-)		1,242,811	-	1,242,811
VII.	FACTORING RECEIVABLES	(I-15)	1,228,000	776,847	2,004,847
VIII.	HELD TO MATURITY INVESTMENTS (Net)	(I-7)	401,854	-	401,854
8.1	Government Debt Securities		401,854	-	401,854
8.2	Other Marketable Securities		-	-	-
IX.	INVESTMENTS IN ASSOCIATES (Net)	(I-8)	-	-	-
9.1	Accounted with Equity Method		-	-	-
9.2	Unconsolidated Associates		-	-	-
9.2.1	Financial Investments		-	-	-
9.2.2	Non-financial Investments		-	-	-
X.	INVESTMENTS IN SUBSIDIARIES (Net)	(I-9)	-	-	-
10.1	Unconsolidated Financial Subsidiaries		-	-	-
10.2	Unconsolidated Non-financial Subsidiaries		-	-	-
XI.	JOINT VENTURES (Net)	(I-10)	5	-	5
11.1	Accounted with Equity Method		-	-	-
11.2	Unconsolidated Joint Ventures		5	-	5
11.2.1	Financial Joint Ventures		-	-	-
11.2.2	Non-financial Joint Ventures		5	-	5
XII.	FINANCIAL LEASE RECEIVABLES	(I-11)	-	-	-
12.1	Financial Lease Receivables		-	-	-
12.2	Operating Lease Receivables		-	-	-
12.3	Others		-	-	-
12.4	Unearned Income (-)		-	-	-
XIII.	DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	(I-12)	85,940	1,335	87,275
13.1	Fair Value Hedge		4,454	-	4,454
13.2	Cash Flow Hedge		81,486	1,335	82,821
13.3	Foreign Net Investment Hedge		-	-	-
XIV.	TANGIBLE ASSETS (Net)		274,634	-	274,634
XV.	INTANGIBLE ASSETS (Net)		523,232	-	523,232
15.1	Goodwill		421,124	-	421,124
15.2	Other		102,108	-	102,108
XVI.	INVESTMENT PROPERTIES (Net)	(I-13)	-	-	-
XVII.	TAX ASSET		87,105	-	87,105
17.1	Current Tax Asset		649	-	649
17.2	Deferred Tax Asset		86,456	-	86,456
XVIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(I-14)	90,677	-	90,677
18.1	Held for Sale Purpose		90,677	-	90,677
18.2	Related to Discontinued Operations		-	-	-
XIX.	OTHER ASSETS		938,807	412,292	1,351,099
TOTAL ASSETS			62,743,434	25,026,400	87,769,834

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED INTERIM BALANCE SHEET AT 30 SEPTEMBER 2018
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

LIABILITIES	Section 5 Note	Reviewed Current Period 30.09.2018		
		TL	FC	Total
I. DEPOSITS	(II-1)	39,096,927	31,879,060	70,975,987
II. FUNDS BORROWED	(II-3)	924,805	14,398,907	15,323,712
III. MONEY MARKET FUNDS		1,280,143	291,454	1,571,597
IV. SECURITIES ISSUED (Net)	(II-3)	1,898,790	-	1,898,790
4.1 Bills		1,898,790	-	1,898,790
4.2 Asset Backed Securities		-	-	-
4.3 Bonds		-	-	-
V. FUNDS		-	-	-
5.1 Borrower Funds		-	-	-
5.2 Other		-	-	-
VI. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES		5,470,352	106,380	5,576,732
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss	(II-2)	5,429,616	104,948	5,534,564
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(II-6)	40,736	1,432	42,168
VIII. FACTORING PAYABLES		1,921	5,541	7,462
IX. LEASE PAYABLES	(II-5)	-	-	-
9.1 Finance Lease Payables		-	-	-
9.2 Operational Lease Payables		-	-	-
9.3 Other		-	-	-
9.4 Deferred Financial Lease Expenses (-)		-	-	-
X. PROVISIONS	(II-7)	569,431	24,241	593,672
10.1 Restructuring Provisions		-	-	-
10.2 Reserve for Employee Benefits		266,439	20,083	286,522
10.3 Insurance Technical Provisions (Net)		-	-	-
10.4 Other Provisions		302,992	4,158	307,150
XI. CURRENT TAX LIABILITIES	(II-8)	224,437	-	224,437
XII. DEFERRED TAX LIABILITIES		66,113	-	66,113
XIII. LIABILITIES RELATED TO NON-CURRENT ASSETS “HELD FOR SALE” AND “HELD FROM DISCONTINUED OPERATIONS” (Net)		-	-	-
13.1 Held for Sale		-	-	-
13.2 Held From Discontinued Operations		-	-	-
XIV. SUBORDINATED LOANS		-	3,207,704	3,207,704
14.1 Loans		-	3,207,704	3,207,704
14.2 Other Debt Instruments		-	-	-
XV. OTHER LIABILITIES		2,363,679	2,334,371	4,698,050
XVI. SHAREHOLDERS’ EQUITY	(II-9)	10,191,687	(20,604)	10,171,083
16.1 Paid-in Capital		2,204,390	-	2,204,390
16.2 Capital reserves		488,101	-	488,101
16.2.1 Share Premiums		2,565	-	2,565
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Other Capital Reserves		485,536	-	485,536
16.3 Other Accumulated Comprehensive Income or Expense that will not be Reclassified at Profit and Loss		325,302	-	325,302
16.4 Other Accumulated Comprehensive Income or Expense that will be Reclassified at Profit and Loss		511,943	(20,604)	491,339
16.5 Profit Reserves		5,675,707	-	5,675,707
16.5.1 Legal Reserves		382,343	-	382,343
16.5.2 Status Reserves		-	-	-
16.5.3 Extraordinary Reserves		5,184,342	-	5,184,342
16.5.4 Other Profit Reserves		109,022	-	109,022
16.6 Profit or Loss		978,110	-	978,110
16.6.1 Prior Periods Profit / Loss		9,497	-	9,497
16.6.2 Current Periods Profit / Loss		968,613	-	968,613
16.7 Minority Interest	(II-10)	8,134	-	8,134
TOTAL LIABILITIES		62,088,285	52,227,054	114,315,339

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2017
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

I. CONSOLIDATED BALANCE SHEET - LIABILITIES AND EQUITY (STATEMENT OF FINANCIAL POSITION)

		Section 5	Audited		
		Note	TL	Prior Period	Total
				31.12.2017	
I.	DEPOSITS	(II-1)	33,324,106	22,209,747	55,533,853
1.1	Deposits from Risk Group of the Bank		552,292	1,728,853	2,281,145
1.2	Other		32,771,814	20,480,894	53,252,708
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(II-2)	874,807	83,270	958,077
III.	FUNDS BORROWED	(II-3)	1,178,838	13,385,130	14,563,968
IV.	MONEY MARKET FUNDS		194,543	-	194,543
4.1	Interbank Money Market Payables		-	-	-
4.2	Istanbul Stock Exchange Money Market Takings		89,337	-	89,337
4.3	Funds Provided under Repurchase Agreements		105,206	-	105,206
V.	SECURITIES ISSUED (Net)	(II-3)	1,289,688	-	1,289,688
5.1	Bills		1,289,688	-	1,289,688
5.2	Asset Backed Securities		-	-	-
5.3	Bonds		-	-	-
VI.	FUNDS		-	-	-
6.1	Borrower Funds		-	-	-
6.2	Other		-	-	-
VII.	MISCELLANEOUS PAYABLES		1,286,856	207,123	1,493,979
VIII.	OTHER EXTERNAL FUNDING PAYABLE	(II-4)	594,901	4,136	599,037
IX.	FACTORING PAYABLES		886	2,550	3,436
X.	FINANCIAL LEASE PAYABLES	(II-5)	-	-	-
10.1	Financial Lease Payables		-	-	-
10.2	Operating Lease Payables		-	-	-
10.3	Other		-	-	-
10.4	Deferred Financial Lease Expenses (-)		-	-	-
XI.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	(II-6)	443,017	314	443,331
11.1	Fair Value Hedge		9,517	-	9,517
11.2	Cash Flow Hedge		433,500	314	433,814
11.3	Foreign Net Investment Hedge		-	-	-
XII.	PROVISIONS	(II-7)	1,001,930	31,237	1,033,167
12.1	General Loan Loss Provisions		578,401	-	578,401
12.2	Restructuring Provisions		-	-	-
12.3	Reserve for Employee Benefits		251,982	16,356	268,338
12.4	Insurance Technical Provisions (Net)		-	-	-
12.5	Other Provisions		171,547	14,881	186,428
XIII.	TAX LIABILITY	(II-8)	240,812	-	240,812
13.1	Current Tax Liability		240,812	-	240,812
13.2	Deferred Tax Liability		-	-	-
XIV.	LIABILITIES FOR PROPERTY AND EQUIPMENT “HELD FOR SALE” AND “HELD FROM DISCONTINUED OPERATIONS” (Net)		-	-	-
14.1	Held for Sale		-	-	-
14.2	Held From Discontinued Operations		-	-	-
XV.	SUBORDINATED LOANS		-	2,314,083	2,314,083
XVI.	SHAREHOLDERS’ EQUITY	(II-9)	9,091,687	10,173	9,101,860
16.1	Paid-in Capital		2,204,390	-	2,204,390
16.2	Capital Reserves		1,086,949	10,173	1,097,122
16.2.1	Share Premium		2,565	-	2,565
16.2.2	Share Cancellation Profits		-	-	-
16.2.3	Marketable Securities Valuation Differences		(48,127)	9,733	(38,394)
16.2.4	Revaluation Differences surplus on Tangible Assets		266,122	-	266,122
16.2.5	Revaluation Differences surplus on Intangible Assets		-	-	-
16.2.6	Revaluation Differences surplus on Investment Property		-	-	-
16.2.7	Bonus Shares Obtained from Associates, Subsidiaries and Joint Ventures		527	-	527
16.2.8	Hedging Funds (Effective Portion)		136,153	440	136,593
16.2.9	Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations		-	-	-
16.2.10	Other Capital Reserves		729,709	-	729,709
16.3	Profit Reserves		4,694,289	-	4,694,289
16.3.1	Legal Reserves		326,730	-	326,730
16.3.2	Status Reserves		-	-	-
16.3.3	Extraordinary Reserves		4,322,887	-	4,322,887
16.3.4	Other Profit Reserves		44,672	-	44,672
16.4	Profit or Loss		1,097,665	-	1,097,665
16.4.1	Prior Periods Profit/Loss		9,497	-	9,497
16.4.2	Current Period Profit/Loss		1,088,168	-	1,088,168
16.5	Minority Interest	(II-10)	8,394	-	8,394
TOTAL LIABILITIES			49,522,071	38,247,763	87,769,834

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED INTERIM STATEMENT OF OFF-BALANCE SHEET ITEMS
AT 30 SEPTEMBER 2018

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

		Reviewed Current Period 30.09.2018			
		Section 5 Note	TL	FC	Total
A.	OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		76,420,920	111,379,876	187,800,796
I.	GUARANTEES	(III-1)	9,787,565	16,254,312	26,041,877
1.1	Letters of Guarantee		6,997,462	8,782,851	15,780,313
1.1.1	Guarantees Subject to State Tender Law		143,325	105,867	249,192
1.1.2	Guarantees Given for Foreign Trade Operations		459,365	569,523	1,028,888
1.1.3	Other Letters of Guarantee		6,394,772	8,107,461	14,502,233
1.2	Bank Acceptances		-	44,781	44,781
1.2.1	Import Letter of Acceptance		-	44,781	44,781
1.2.2	Other Bank Acceptances		-	-	-
1.3	Letters of Credit		3,104	3,510,134	3,513,238
1.3.1	Documentary Letters of Credit		766	1,869,419	1,870,185
1.3.2	Other Letters of Credit		2,338	1,640,715	1,643,053
1.4	Prefinancing Given as Guarantee		-	-	-
1.5	Endorsements		-	-	-
1.5.1	Endorsements to the Central Bank of Turkey		-	-	-
1.5.2	Other Endorsements		-	-	-
1.6	Purchase Guarantees for Securities Issued		-	-	-
1.7	Factoring Guarantees		-	-	-
1.8	Other Guarantees		2,785,525	2,873,387	5,658,912
1.9	Other Collaterals		1,474	1,043,159	1,044,633
II.	COMMITMENTS	(III-1)	13,600,229	7,422,530	21,022,759
2.1	Irrevocable Commitments		13,600,229	7,422,530	21,022,759
2.1.1	Asset Purchase and Sale Commitments		1,042,356	6,825,786	7,868,142
2.1.2	Deposit Purchase and Sale Commitments		-	177,926	177,926
2.1.3	Share Capital Commitment to Associates and Subsidiaries		-	-	-
2.1.4	Loan Granting Commitments		4,628,309	182,010	4,810,319
2.1.5	Securities Issuance Brokerage Commitments		-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-
2.1.7	Commitments for Cheque Payments		1,801,050	-	1,801,050
2.1.8	Tax and Fund Liabilities from Export Commitments		48,033	-	48,033
2.1.9	Commitments for Credit Card Limits		6,050,297	-	6,050,297
2.1.10	Commitments for Credit Cards and Banking Services Promotions		4,649	-	4,649
2.1.11	Receivables from Short Sale Commitments on Securities		-	-	-
2.1.12	Payables for Short Sale Commitments on Securities		-	-	-
2.1.13	Other Irrevocable Commitments		25,535	236,808	262,343
2.2	Revocable Commitments		-	-	-
2.2.1	Revocable Loan Granting Commitments		-	-	-
2.2.2	Other Revocable Commitments		-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS		53,033,126	87,703,034	140,736,160
3.1	Derivative Financial Instruments for Hedging Purposes		16,896,215	8,740,950	25,637,165
3.1.1	Fair Value Hedge		-	-	-
3.1.2	Cash Flow Hedge		16,896,215	8,740,950	25,637,165
3.1.3	Foreign Net Investment Hedges		-	-	-
3.2	Held for Trading Transactions		36,136,911	78,962,084	115,098,995
3.2.1	Forward Foreign Currency Buy/Sell Transactions		5,338,927	9,975,657	15,314,584
3.2.1.1	Forward Foreign Currency Transactions-Buy		1,759,389	6,219,344	7,978,733
3.2.1.2	Forward Foreign Currency Transactions-Sell		3,579,538	3,756,313	7,335,851
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		23,870,125	52,910,763	76,780,888
3.2.2.1	Foreign Currency Swap-Buy		10,373,112	26,566,772	36,939,884
3.2.2.2	Foreign Currency Swap-Sell		12,747,013	22,948,551	35,695,564
3.2.2.3	Interest Rate Swaps-buy		375,000	1,697,720	2,072,720
3.2.2.4	Interest Rate Swaps-Sell		375,000	1,697,720	2,072,720
3.2.3	Foreign Currency, Interest Rate and Securities Options		6,905,645	12,302,512	19,208,157
3.2.3.1	Foreign Currency Options-Buy		3,457,165	6,146,034	9,603,199
3.2.3.2	Foreign Currency Options-Sell		3,448,480	6,156,478	9,604,958
3.2.3.3	Interest Rate Options-Buy		-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-
3.2.3.5	Securities Options-Buy		-	-	-
3.2.3.6	Securities Options-Sell		-	-	-
3.2.4	Foreign Currency Futures		-	1,312,951	1,312,951
3.2.4.1	Foreign Currency Futures-Buy		-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	1,312,951	1,312,951
3.2.5	Interest Rate Futures		-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-
3.2.5.2	Interest rate Futures-Sell		-	-	-
3.2.6	Other		22,214	2,460,201	2,482,415
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)		176,701,109	44,311,313	221,012,422
IV.	ITEMS HELD IN CUSTODY		33,841,755	3,077,766	36,919,521
4.1	Assets Under Management		6,957,608	-	6,957,608
4.2	Investment Securities Held In Custody		11,826,015	1,302,199	13,128,214
4.3	Cheques Received for Collection		11,887,369	1,126,689	13,014,058
4.4	Commercial Notes Received for Collection		545,433	217,163	762,596
4.5	Other assets Received for Collection		-	431,715	431,715
4.6	Assets Received for Public Offering		-	-	-
4.7	Other Items under Custody		2,625,330	-	2,625,330
4.8	Custodians		-	-	-
V.	PLEDGED ITEMS		136,396,413	39,596,245	175,992,658
5.1	Marketable Securities		483,936	97,006	580,942
5.2	Guarantee Notes		52,738,419	25,170,882	77,909,301
5.3	Commodity		22,471	808,988	831,459
5.4	Warranty		-	-	-
5.5	Immovables		74,246,800	7,768,699	82,015,499
5.6	Other Pledged Items		8,904,787	5,750,670	14,655,457
5.7	Pledged Items-Depository		-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		6,462,941	1,637,302	8,100,243
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)			253,122,029	155,691,189	408,813,218

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

II. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS

	Section 5 Note	Audited Prior Period 31.12.2017		Total
		TL	FC	
A. OFF BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		83,271,170	73,710,455	156,981,625
I. GUARANTEES	(III-1)	8,792,233	11,792,407	20,584,640
1. Letters of Guarantee		6,874,187	6,165,093	13,039,280
1.1. Guarantees Subject to State Tender Law		148,296	80,708	229,004
1.1.2. Guarantees Given for Foreign Trade Operations		397,094	428,037	825,131
1.1.3. Other Letters of Guarantee		6,328,797	5,656,348	11,985,145
1.2. Bank Acceptances		34	42,282	42,316
1.2.1. Import Letter of Acceptance		34	42,282	42,316
1.2.2. Other Bank Acceptances		-	-	-
1.3. Letters of Credit		16,215	2,380,353	2,396,568
1.3.1. Documentary Letters of Credit		16,215	1,071,808	1,088,023
1.3.2. Other Letters of Credit		-	1,308,545	1,308,545
1.4. Prefinancing Given as Guarantee		-	-	-
1.5. Endorsements		-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-
1.5.2. Other Endorsements		-	-	-
1.6. Purchase Guarantees for Securities Issued		-	-	-
1.7. Factoring Guarantees		-	-	-
1.8. Other Guarantees		1,883,852	1,994,838	3,878,690
1.9. Other Collaterals		17,945	1,209,841	1,227,786
II. COMMITMENTS	(III-1)	14,790,946	5,189,789	19,980,735
2.1. Irrevocable Commitments		14,790,946	5,189,789	19,980,735
2.1.1. Asset Purchase and Sale Commitments		2,396,003	4,918,206	7,314,209
2.1.2. Deposit Purchase and Sale Commitments		-	-	-
2.1.3. Share Capital Commitment to Associates and Subsidiaries		-	-	-
2.1.4. Loan Granting Commitments		4,526,858	104,211	4,631,069
2.1.5. Securities Issuance Brokerage Commitments		-	-	-
2.1.6. Commitments for Reserve Deposit Requirements		-	-	-
2.1.7. Commitments for Cheque Payments		2,387,642	-	2,387,642
2.1.8. Tax and Fund Liabilities from Export Commitments		31,047	-	31,047
2.1.9. Commitments for Credit Card Limits		5,411,646	-	5,411,646
2.1.10. Commitments for Credit Cards and Banking Services Promotions		3,723	-	3,723
2.1.11. Receivables from Short Sale Commitments on Securities		-	-	-
2.1.12. Payables for Short Sale Commitments on Securities		-	-	-
2.1.13. Other Irrevocable Commitments		34,027	167,372	201,399
2.2. Revocable Commitments		-	-	-
2.2.1. Revocable Loan Granting Commitments		-	-	-
2.2.2. Other Revocable Commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		59,687,991	56,728,259	116,416,250
3.1. Derivative Financial Instruments for Hedging Purposes		20,206,555	3,132,884	23,339,439
3.1.1. Fair Value Hedge		105,000	109,454	214,454
3.1.2. Cash Flow Hedge		20,101,555	3,023,430	23,124,985
3.1.3. Foreign Net Investment Hedges		-	-	-
3.2. Held for Trading Transactions		39,481,436	53,595,375	93,076,811
3.2.1. Forward Foreign Currency Buy/Sell Transactions		7,347,221	10,000,209	17,347,430
3.2.1.1. Forward Foreign Currency Transactions-Buy		2,626,654	6,094,827	8,721,481
3.2.1.2. Forward Foreign Currency Transactions-Sell		4,720,567	3,905,382	8,625,949
3.2.2. Swap Transactions Related to Foreign Currency and Interest Rates		26,193,704	33,097,712	59,291,416
3.2.2.1. Foreign Currency Swap-Buy		9,168,870	18,887,840	28,056,710
3.2.2.2. Foreign Currency Swap-Sell		17,024,834	11,101,734	28,126,568
3.2.2.3. Interest Rate Swaps-buy		-	1,554,069	1,554,069
3.2.2.4. Interest Rate Swaps-Sell		-	1,554,069	1,554,069
3.2.3. Foreign Currency, Interest Rate and Securities Options		5,940,453	9,425,007	15,365,460
3.2.3.1. Foreign Currency Options-Buy		3,069,022	4,609,277	7,678,299
3.2.3.2. Foreign Currency Options-Sell		2,871,431	4,815,730	7,687,161
3.2.3.3. Interest Rate Options-Buy		-	-	-
3.2.3.4. Interest Rate Options-Sell		-	-	-
3.2.3.5. Securities Options-Buy		-	-	-
3.2.3.6. Securities Options-Sell		-	-	-
3.2.4. Foreign Currency Futures		-	523,178	523,178
3.2.4.1. Foreign Currency Futures-Buy		-	58,893	58,893
3.2.4.2. Foreign Currency Futures-Sell		-	464,285	464,285
3.2.5. Interest Rate Futures		-	464,285	464,285
3.2.5.1. Interest Rate Futures-Buy		-	464,285	464,285
3.2.5.2. Interest rate Futures-Sell		-	-	-
3.2.6. Other		58	84,984	85,042
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		185,333,457	31,961,783	217,295,240
IV. ITEMS HELD IN CUSTODY		34,374,029	2,046,934	36,420,963
4.1. Assets Under Management		8,117,665	-	8,117,665
4.2. Investment Securities Held In Custody		12,560,772	775,972	13,336,744
4.3. Cheques Received for Collection		11,598,266	923,474	12,521,740
4.4. Commercial Notes Received for Collection		418,922	142,166	561,088
4.5. Other assets Received for Collection		34	205,322	205,356
4.6. Assets Received for Public Offering		-	-	-
4.7. Other Items under Custody		1,678,370	-	1,678,370
4.8. Custodians		-	-	-
V. PLEDGED ITEMS		143,929,860	28,859,731	172,789,591
5.1. Marketable Securities		1,478,414	45,461	1,523,875
5.2. Guarantee Notes		57,671,167	19,300,063	76,971,230
5.3. Commodity		48,895	733,876	782,771
5.4. Warranty		-	-	-
5.5. Immovables		76,572,882	5,037,944	81,610,826
5.6. Other Pledged Items		8,158,502	3,742,387	11,900,889
5.7. Pledged Items-Depository		-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		7,029,568	1,055,118	8,084,686
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		268,604,627	105,672,238	374,276,865

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

III. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

INCOME AND EXPENSE ITEMS		Section 5 Note	Reviewed Current Period 01.01-30.09.2018	Reviewed Current Period 01.07-30.09.2018
I.	INTEREST INCOME	(IV-1)	8,254,014	3,176,561
1.1	Interest Income on Loans		7,031,169	2,681,169
1.2	Interest Income on Reserve Deposits		90,648	34,640
1.3	Interest Income on Banks		163,886	81,255
1.4	Interest Income on Money Market Placements		91,740	30,232
1.5	Interest Income on Securities Portfolio		703,467	283,923
1.5.1	Financial Assets at Fair Value Through Profit or Loss		111,378	46,072
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		317,093	128,332
1.5.3	Financial Assets Measured at Amortised Cost		274,996	109,519
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		173,104	65,342
II.	INTEREST EXPENSE (-)	(IV-2)	4,887,267	2,086,407
2.1	Interest Expense on Deposits		4,191,313	1,790,182
2.2	Interest Expense on Funds Borrowed		442,465	192,785
2.3	Interest Expense on Money Market Borrowings		28,428	14,587
2.4	Interest Expense on Securities Issued		218,117	85,540
2.5	Other Interest Expense		6,944	3,313
III.	NET INTEREST INCOME (I - II)		3,366,747	1,090,154
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		982,137	330,905
4.1	Fees and Commissions Received		1,429,907	515,715
4.1.1	Non-cash Loans		155,390	55,922
4.1.2	Other	(IV-9)	1,274,517	459,793
4.2	Fees and Commissions Paid (-)		447,770	184,810
4.2.1	Non-cash Loans		3,261	1,140
4.2.2	Other	(IV-9)	444,509	183,670
V.	PERSONNEL EXPENSES(-)	(IV-6)	988,209	325,274
VI.	DIVIDEND INCOME		281	132
VII.	TRADING INCOME / LOSS (Net)	(IV-3)	(362,270)	(38,914)
7.1	Securities Trading Gains / Losses		(153,668)	(70,501)
7.2	Gains / Losses on Derivative Financial Instruments		3,618,742	1,862,045
7.3	Foreign Exchange Gains / Losses		(3,827,344)	(1,830,458)
VIII.	OTHER OPERATING INCOME	(IV-4)	78,307	28,018
IX.	GROSS OPERATING PROFIT (III+IV+V+VI+VII+VIII)		3,076,993	1,085,021
X.	ALLOWANCE FOR EXPECTED CREDIT LOSSES (-)	(IV-5)	817,710	428,827
XI.	OTHER OPERATING EXPENSES (-)	(IV-6)	1,020,527	367,115
XII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)		1,238,756	289,079
XIII.	SURPLUS WRITTEN AS GAIN AFTER MERGER		-	-
XIV.	GAIN / LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-	-
XV.	GAIN / LOSS ON NET MONETARY POSITION		-	-
XVI.	PROFIT / LOSS FROM CONTINUED OPERATIONS BEFORE TAX (XII+...+XV)	(IV-7)	1,238,756	289,079
XVII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(IV-7)	(268,891)	(59,095)
17.1	Current Tax Provision		(22,871)	74,773
17.2	Expense Effect of Deferred Tax (+)		(1,472,209)	(1,066,905)
17.3	Income Effect of Deferred Tax (-)		1,226,189	933,037
XVIII.	NET PROFIT / LOSS FROM CONTINUED OPERATIONS (XVI±XVII)		969,865	229,984
XIX.	INCOME ON DISCONTINUED OPERATIONS		-	-
19.1	Income from Non-current Assets Held for Sale		-	-
19.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-
19.3	Income from Other Discontinued Operations		-	-
XX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
20.1	Expenses from Non-current Assets Held for Sale		-	-
20.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-
20.3	Expenses for Other Discontinued Operations		-	-
XXI.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)	(IV-7)	-	-
XXII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
22.1	Current Tax Provision		-	-
22.2	Expense Effect of Deferred Tax (+)		-	-
22.3	Income Effect of Deferred Tax (-)		-	-
XXIII.	NET PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XXI+XXII)		-	-
XXIV.	NET PROFIT / LOSS (XVIII+XXIII)	(IV-8)	969,865	229,984
24.1	Group's Profit / Loss		968,613	229,564
24.2	Minority Interest Profit / Loss (-)		1,252	420
	Earnings per Share		0.4394	0.1041

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED INTERIM STATEMENT OF INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

III. CONSOLIDATED STATEMENT OF INCOME

	Section 5 Note	Reviewed Prior Period 01.01.-30.09.2017	Reviewed Prior Period 01.07.-30.09.2017
I. INTEREST INCOME	(IV-1)	5,887,139	2,035,219
1.1 Interest Income on Loans		5,229,999	1,853,017
1.2 Interest Income on Reserve Deposits		52,234	20,549
1.3 Interest Income on Banks		48,026	11,330
1.4 Interest Income on Money Market Placements		79,609	19,887
1.5 Interest Income on Marketable Securities Portfolio		387,595	95,176
1.5.1 Held-for-trading Financial Assets		25,623	7,888
1.5.2 Financial Assets at Fair Value Through Profit or Loss		-	-
1.5.3 Available-for-sale Financial Assets		327,533	84,390
1.5.4 Held-to-maturity Investments		34,439	2,898
1.6 Financial Lease Income		-	-
1.7 Other Interest Income		89,676	35,260
II. INTEREST EXPENSE	(IV-2)	2,906,951	1,092,324
2.1 Interest Expense on Deposits		2,491,164	944,907
2.2 Interest Expense on Funds Borrowed		282,632	100,301
2.3 Interest Expense on Money Market Borrowings		49,886	16,977
2.4 Interest Expense on Securities Issued		49,540	23,391
2.5 Other Interest Expense		33,729	6,748
III. NET INTEREST INCOME (I - II)		2,980,188	942,895
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		828,733	276,204
4.1 Fees and Commissions Received		1,134,547	384,561
4.1.1 Non-cash Loans		121,627	40,011
4.1.2 Other		1,012,920	344,550
4.2 Fees and Commissions Paid	(IV-9)	305,814	108,357
4.2.1 Non-cash Loans		2,857	999
4.2.2 Other	(IV-9)	302,957	107,358
V. DIVIDEND INCOME		1,153	230
VI. TRADING INCOME/(LOSS) (NET)	(IV-3)	(713,731)	(208,474)
6.1 Securities Trading Gains/(Losses)		558	(6,137)
6.2 Gains/(Losses) on Derivative Financial Instruments		(1,105,274)	(115,467)
6.3 Foreign Exchange Gains/(Losses)		390,985	(86,870)
VII. OTHER OPERATING INCOME	(IV-4)	87,302	29,058
VIII. TOTAL OPERATING INCOME/(LOSS) (III+IV+V+VI+VII)		3,183,645	1,039,913
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(IV-5)	310,422	126,160
X. OTHER OPERATING EXPENSES (-)	(IV-6)	1,823,817	607,677
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		1,049,406	306,076
XII. SURPLUS WRITTEN AS GAIN AFTER MERGER		-	-
XIII. GAIN/(LOSS) FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-	-
XIV. GAIN/(LOSS) ON NET MONETARY POSITION		-	-
XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAX (XI+...+XIV)		1,049,406	306,076
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(IV-7)	(224,586)	(65,576)
16.1 Current Tax Provision		(243,920)	(26,668)
16.2 Deferred Tax Provision		19,334	(38,908)
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)		824,820	240,500
XVIII. INCOME ON DISCONTINUED OPERATIONS		-	-
18.1 Income on Assets Held for Sale		-	-
18.2 Income on Sale of Associates, Subsidiaries and Joint Ventures		-	-
18.3 Income on Other Discontinued Operations		-	-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Loss from Assets Held for Sale		-	-
19.2 Loss on Sale of Associates, Subsidiaries and Joint Ventures		-	-
19.3 Loss from Other Discontinued Operations		-	-
XX. PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAX (XVIII-XIX)		-	-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(IV-7)	-	-
21.1 Current Tax Provision		-	-
21.2 Deferred Tax Provision		-	-
XXII. NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII. NET PROFIT/(LOSS) (XVII+XXII)	(IV-8)	824,820	240,500
23.1 Group's Profit/(Loss)		823,816	240,107
23.2 Minority Interest Profit/(Loss)		1,004	393
Earnings per Share		0.3737	0.1089

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2018
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

IV. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

	Reviewed Current Period 30.09.2018
I. NET PROFIT / (LOSS)	969,865
II. OTHER COMPREHENSIVE INCOME	388,402
2.1 Other Comprehensive Income that will not be Reclassified to Profit or Loss	(90)
2.1.1 Gains (Losses) on Revaluation of Property, Plant and Equipment	-
2.1.2 Gains (Losses) on Revaluation of Intangible Assets	-
2.1.3 Gains (Losses) on Remeasurements of Defined Benefit Plans	-
2.1.4 Other Components of Other Comprehensive Income that will not be Reclassified to Profit or Loss	(90)
2.1.5 Taxes Relating to Components of Other Comprehensive Income that will not be Reclassified To Profit Or Loss	-
2.2 Other Comprehensive Income that will be Reclassified to Profit or Loss	388,492
2.2.1 Exchange Differences on Translation	-
2.2.2 Valuation and/or Reclassification Profit or Loss from Financial Assets at Fair Value Through Other Comprehensive Income	(260,569)
2.2.3 Income (Loss) Related with Cash Flow Hedges	755,164
2.2.4 Income (Loss) Related with Hedges of Net Investments in Foreign Operations	-
2.2.5 Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	-
2.2.6 Taxes Relating To Components of Other Comprehensive Income that will be Reclassified to Profit Or Loss	(106,103)
III. TOTAL COMPREHENSIVE INCOME (I+II)	1,358,267

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED INTERIM INCOME AND EXPENSE ITEMS
UNDER SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2017
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

IV. CONSOLIDATED INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY

	Reviewed Prior Period 30.09.2017
I. ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FROM AVAILABLE FOR SALE FINANCIAL ASSETS	25,423
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	-
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-
IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	-
V. PROFIT/(LOSS) FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE CHANGES)	28,900
VI. PROFIT/(LOSS) FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR FOREIGN NET INVESTMENT HEDGE OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE CHANGES)	-
VII. THE EFFECT OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS	-
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	597
IX. DEFERRED TAX OF VALUATION DIFFERENCES	(9,423)
X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	45,497
XI. PROFIT/(LOSS)	824,820
11.1 Net Change in Fair Value of Marketable Securities (Transfer to Profit/Loss)	5,822
11.2 Reclassification and Transfer of Derivatives Accounted for Cash Flow Hedge Purposes to Income Statement	776
11.3 Transfer of Foreign Net Investment Hedge Operations to Income Statement	-
11.4 Other	818,222
XII. TOTAL PROFIT/(LOSS) ACCOUNTED FOR THE PERIOD (X±XI)	870,317

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TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	Paid-in Capital	Capital Reserves from Inflation Adj.s to Paid in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Net Profit/(Loss)	Marketable Securities Valuation Differences	Revaluation Surplus on Tangible and Intangible Assets	Bonus Shares Obtained from Associates	Hedging Funds	Revaluation Surplus on Assets Held for Sale and Assets of Disc. Op.	Total Equity Except from Minority Shares	Minority Shares	Total Equity
Prior Period - 01.01-30.09.2017																		
I. Beginning Balance 31.12.2016	2,204,390	200,262	2,565	-	277,392	-	3,112,112	819,859	-	953,562	(57,689)	311,160	527	30,509	-	7,854,649	7,797	7,862,446
II. Corrections According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 The Effect of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 The Effects of Changes in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New Balance (I+II)	2,204,390	200,262	2,565	-	277,392	-	3,112,112	819,859	-	953,562	(57,689)	311,160	527	30,509	-	7,854,649	7,797	7,862,446
Changes in Period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Increase/Decrease Related to Merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable Securities Valuation Differences	-	-	-	-	-	-	-	-	-	-	21,767	-	-	-	-	21,767	13	21,780
VI. Hedging Funds (Effective Portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	23,120	-	23,120	-	23,120
6.1 Cash-Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	23,120	-	23,120	-	23,120
6.2 Hedge of Net Investment in Foreign Operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Tangible Assets Revaluation Differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Intangible Assets Revaluation Differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Foreign Exchange Differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. The Disposal of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. The Reclassification of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. The Effect of Change in Associate's Equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital Increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1 Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share Cancellation Profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Inflation Adjustment to Paid-In Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other	-	-	-	-	-	-	298,899	(207,366)	-	-	-	(90,936)	-	-	-	597	-	597
XIX. Period Net Income / Loss	-	-	-	-	-	-	-	-	823,816	-	-	-	-	-	-	823,816	1,004	824,820
XX. Profit Distribution	-	-	-	-	49,338	-	911,882	(63,053)	-	(944,065)	-	45,898	-	-	-	-	(1,045)	(1,045)
20.1 Dividends Distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,045)	(1,045)
20.2 Transfers to Reserves	-	-	-	-	49,338	-	911,882	(63,053)	-	(944,065)	-	45,898	-	-	-	-	-	-
20.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance 30.09.2017																		
(III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV+XV+XVI+XVII+XVIII+XIX+XX)	2,204,390	200,262	2,565	-	326,730	-	4,322,893	549,440	823,816	9,497	(35,922)	266,122	527	53,629	-	8,723,949	7,769	8,731,718

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2018

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL").)

V. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

CHANGES IN SHAREHOLDER'S EQUITY					Accumulated Other Comprehensive Income or Expense not Reclassified at Profit and Loss			Accumulated Other Comprehensive Income or Expense Reclassified at Profit and Loss			Prior Period Net Profit Reserves		Current Period Net Profit/(Loss)		Total Equity Expect from Minority Shares		Minority Shares	Total Equity
Reviewed	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Profit/(Loss)	Profit/(Loss)	Minority Shares	Minority Shares	Total Equity		
Current Period – 01.01-30.09.2018																		
I. Prior Period Closing Balance	2,204,390	2,565	-	670,966	266,122	58,351	919	-	(38,394)	136,593	4,694,289	1,097,665	-	9,093,466	8,394	9,101,860		
II. Adjustment in accordance with TAS 8	-	-	-	(185,430)	-	-	-	-	4,562	-	(6,750)	-	-	(187,618)	-	(187,618)		
2.1 The Effect of Corrections of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2.2 The Effect of Changes in Accounting Policy	-	-	-	(185,430)	-	-	-	-	4,562	-	(6,750)	-	-	(187,618)	-	(187,618)		
III. New Balance (I+II)	2,204,390	2,565	-	485,536	266,122	58,351	919	-	(33,832)	136,593	4,687,539	1,097,665	-	8,905,848	8,394	8,914,242		
IV. Total Comprehensive Income	-	-	-	-	-	-	(90)	-	-203,289	591,867	-	-	968,613	1,357,101	1,166	1,358,267		
V. Capital Increase in Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VI. Capital Increase from Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VII. Inflation Adjustment to Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VIII. Bonds convertible to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
X. Increase/Decrease from Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
XI. Profit distribution	-	-	-	-	-	-	-	-	-	-	988,168	(1,088,168)	-	(100,000)	(1,426)	(101,426)		
11.1 Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	(100,000)	-	(100,000)	(1,426)	(101,426)		
11.2 Transfers to reserves	-	-	-	-	-	-	-	-	-	-	988,168	(988,168)	-	-	-	-		
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Closing Balance 30.09.2018 (III+IV+V+VI+VII+VIII+IX+X+XI)	2,204,390	2,565	-	485,536	266,122	58,351	829	-	-237,121	728,460	5,675,707	9,497	968,613	10,162,949	8,134	10,171,083		

- Increase/decrease of accumulated revaluation reserve on tangible assets,
- Accumulated gains / losses on remeasurements of defined benefit plans,
- Other (Other comprehensive income of associates and joint ventures accounted with equity method that will not be reclassified at profit or loss and other accumulated amounts of other comprehensive income items that will not be reclassified at profit or loss),
- Foreign currency translation differences,
- Accumulated revaluation and / or classification gains / losses of financial assets at fair value through other comprehensive income,
- Other (Cash flow hedge gains / losses, other comprehensive income of associates and joint ventures accounted with equity method that will be reclassified at profit or loss and other accumulated amounts of other comprehensive income items that will be reclassified at profit or loss).

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2018
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

	Reviewed Current Period 01.01-30.09.2018
A. CASH FLOWS FROM BANKING OPERATIONS	
1.1 Operating profit before changes in operating assets and liabilities	3,828,959
1.1.1 Interest received	7,608,955
1.1.2 Interest paid	(4,525,793)
1.1.3 Dividend received	281
1.1.4 Fees and commissions received	1,452,691
1.1.5 Other income	1,395,754
1.1.6 Collections from previously written off loans	665,600
1.1.7 Payments to personnel and service suppliers	(972,165)
1.1.8 Taxes paid	(171,080)
1.1.9 Others	(1,625,284)
1.2 Changes in operating assets and liabilities	6,152,001
1.2.1 Net increase in financial asset at fair value through profit or loss	(421,412)
1.2.2 Net decrease in due from banks and other financial institutions	6,858
1.2.3 Net (increase) in loans	(7,001,627)
1.2.4 Net (increase) in other assets	(2,197,511)
1.2.5 Net increase in bank deposits	1,391,362
1.2.6 Net increase in other deposits	10,655,727
1.2.7 Net increase / (decrease) in financial asset at fair value through profit or loss	-
1.2.8 Net increase in funds borrowed	709,530
1.2.9 Net increase / (decrease) in matured payables	-
1.2.10 Net increase in other liabilities	3,009,074
I. Net cash provided from banking operations	9,980,960
B. CASH FLOWS FROM INVESTING ACTIVITIES	
II. Net cash provided from investing activities	(935,450)
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries (Joint Vent.)	-
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries (Joint Vent.)	-
2.3 Cash paid for purchase of tangible assets	(33,648)
2.4 Cash obtained from sale of tangible assets	933
2.5 Cash paid for purchase of financial assets at fair value through other comprehensive income	(1,139,493)
2.6 Cash obtained from sale of financial assets at fair value through other comprehensive income	802,278
2.7 Cash paid for purchase of financial assets measured at amortised cost	(573,615)
2.8 Cash obtained from sale of financial assets measured at amortised cost	41,885
2.9 Others	(33,790)
C. CASH FLOWS FROM FINANCING ACTIVITIES	
III. Net cash provided from financing activities	511,588
3.1 Cash obtained from funds borrowed and securities issued	5,146,943
3.2 Cash used for repayment of funds borrowed and securities issued	(4,533,929)
3.3 Equity instruments issued	-
3.4 Dividends paid	(101,426)
3.5 Payments for financial leases	-
3.6 Others	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	1,268,499
V. Net increase in cash and cash equivalents	10,825,597
VI. Cash and cash equivalents at beginning of the period	5,960,236
VII. Cash and cash equivalents at end of the period	16,785,833

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

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

TÜRK EKONOMİ BANKASI A.Ş.
CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 1 JANUARY TO 30 SEPTEMBER 2017
(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

VI. CONSOLIDATED STATEMENT OF CASH FLOWS

	Reviewed Prior Period 01.01-30.09.2017
A. CASH FLOWS FROM BANKING OPERATIONS	
1.1 Operating profit before changes in operating assets and liabilities	2,032,765
1.1.1 Interest received	5,623,566
1.1.2 Interest paid	(2,819,738)
1.1.3 Dividend received	1,153
1.1.4 Fees and commissions received	1,162,492
1.1.5 Other income	493,657
1.1.6 Collections from previously written off loans	484,481
1.1.7 Payments to personnel and service suppliers	(885,971)
1.1.8 Taxes paid	(217,162)
1.1.9 Others	(1,809,713)
1.2 Changes in operating assets and liabilities	(3,900,994)
1.2.1 Net (decrease) in financial assets held for trading	109,285
1.2.2 Net decrease / increase in financial assets at fair value through profit or loss	-
1.2.3 Net (increase) in due from banks and other financial institutions	(2,216)
1.2.4 Net (increase) in loans	(5,138,858)
1.2.5 Net (increase) in other assets	1,818,746
1.2.6 Net (increase) in bank deposits	(761,720)
1.2.7 Net increase in other deposits	1,108,578
1.2.8 Net decrease in funds borrowed	(856,099)
1.2.9 Net increase / decrease in matured payables	-
1.2.10 Net increase in other liabilities	(178,710)
I. Net cash provided from banking operations	(1,868,229)
B. CASH FLOWS FROM INVESTING ACTIVITIES	
II. Net cash provided from investing activities	70,061
2.1 Cash paid for purchase of entities under common control, associates and subsidiaries (Joint Vent.)	-
2.2 Cash obtained from sale of entities under common control, associates and subsidiaries (Joint Vent.)	-
2.3 Cash paid for purchase of tangible assets	(59,794)
2.4 Cash obtained from sale of tangible assets	6
2.5 Cash paid for purchase of financial assets available for sale	(1,573,962)
2.6 Cash obtained from sale of financial assets available for sale	1,731,144
2.7 Cash paid for purchase of investment securities	-
2.8 Cash obtained from sale of investment securities	-
2.9 Others	(27,333)
C. CASH FLOWS FROM FINANCING ACTIVITIES	
III. Net cash provided from financing activities	70,316
3.1 Cash obtained from funds borrowed and securities issued	797,303
3.2 Cash used for repayment of funds borrowed and securities issued	(726,987)
3.3 Equity instruments issued	-
3.4 Dividends paid	-
3.5 Payments for financial leases	-
3.6 Others	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	191,520
V. Net (decrease) in cash and cash equivalents	(1,536,332)
VI. Cash and cash equivalents at beginning of the period	7,420,600
VII. Cash and cash equivalents at end of the period	5,884,268

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

TÜRK EKONOMİ BANKASI A.Ş.
NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
FROM 1 JANUARY TO 30 SEPTEMBER 2018

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

SECTION THREE

ACCOUNTING PRINCIPLES

I. Basis of Presentation

a. Financial statements and related explanations and preparation of footnotes in compliance with Turkish Accounting Standards (“TAS”) and “Regulation on Accounting Applications for Banks and Safeguarding of Documents”

The consolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to reporting principles on accounting records of Banks published by the Banking Regulation and Supervision Agency (“BRSA”) and Turkish Accounting Standard 34 “Interim Financial Reporting” put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”) for those matters not regulated by the aforementioned regulations. The accounting principles except TFRS 9 Financial Instruments Standard’s impact, are in accordance with the used principles in preparation of yearly financial statement as of 31 December 2017. Revised format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements” and “Communiqué on Disclosures about Risk Management to be announced to Public by Banks” and amendments to these Communiqué’s. The Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

The consolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets and liabilities carried at fair value.

The preparation of consolidated financial statements in conformity with TAS requires the use of certain critical accounting estimates by the Parent Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement. Assumptions and estimates that are used in the preparation of the accompanying financial statements are explained in the following related disclosures. The Bank is working on compliance with the TFRS 16 Leases Standard effective from 1 January 2019.

Additional paragraph for convenience of translation into English:

The differences between accounting principles, as described in the preceding paragraphs, and accounting principles generally accepted in countries in which these accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

b. The accounting policies and the valuation principles applied in the preparation of the accompanying financial statements

The accounting policies and the valuation principles applied in the preparation of the accompanying financial statements are determined by regulations, communiqués, explanations and general notices published by BRSA and, in matters which cannot be regulated by them, the principals of TAS and TFRS (all “BRSA Accounting and Financial Reporting legislation”) forced by POA. Pursuant to the transition of TFRS 9, the prior period financial statements and footnotes are not restated. Per BRSA communique numbered 24049440-045.01[3/8]-E.5358 dated April, 17 2018, prior period figures are represented in prior format. Accounting policies and valuation principles used for 2018 and 2017 periods are separately presented in the footnotes and included in the accounting policies for the period of 2017 at Third Section footnote XXVII.

The accounting policies and the valuation principles applied in the preparation of the accompanying financial statements are explained between Notes II and XXVI.

c. Different Accounting Policies Applied in the Preparation of Consolidated Financial Statements:

Where the accounting policies used by the subsidiaries differ from the Parent Bank, the differences are aligned in the financial statements by taking into account the materiality criterion.

TÜRK EKONOMİ BANKASI A.Ş.
NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
FROM 1 JANUARY TO 30 SEPTEMBER 2018

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions

The Group aims to develop and promote products for the financial needs of each customer such as SMEs, multinational companies and small individual investors in line with Banking Legislation. The primary objective of the Parent Bank is to increase profitability with optimum liquidity and minimum risk while fulfilling customer needs.

The Group aims at creating an optimum maturity risk and working with a positive margin between cost of resource and product yield in the process of asset and liability management.

As a component of risk management strategy of the Group, risk bearing short term positions of currency, interest or price movements is performed only by the Asset-Liability Management and Treasury Group using the limits defined by the Board of Directors. The Asset-Liability Committee of the Parent Bank manages the maturity mismatches while deciding the short, medium and long term strategies as well as adopting the principle of positive balance sheet margin as a pricing policy.

The Board of Directors of the Parent Bank allows a purchase risk in treasury operations and individual limits are defined by the Board of Directors for each product.

The Parent Bank’s foreign currency asset and liability balances are valued with the Parent Bank’s exchange buying rate at the reporting date and recognized as “Foreign Exchange Gains / Losses” within statement of income.

The Parent Bank’s hedging activities for the currency risk due to foreign currency available for sale equity instruments are described under the Currency Risk section; and the Parent Bank’s hedging activities from interest rate risk arising from fixed interest rate deposits and floating interest rate borrowings are described in detail under Interest Rate Risk section.

The Parent Bank’s Asset-Liability Committee approves the trading of various derivative instruments such as currency swaps, forwards and similar derivatives to hedge interest and currency exchange risks in line with the Parent Bank’s balance sheet structure.

III. Information about the Parent Bank and its Consolidated Subsidiaries

The Parent Bank, with no difference in practice between TAS and TFRS, and also the subsidiaries are consolidated by using line-by-line consolidation method. Türk Ekonomi Bankası Anonim Şirketi and its financial institutions, TEB Faktoring A.Ş. (TEB Faktoring), TEB Yatırım Menkul Değerler A.Ş. (TEB Yatırım) and TEB Portföy Yönetimi A.Ş. (TEB Portföy) are included in the accompanying consolidated financial statements by line-by-line consolidation method. The Parent Bank and the entities included in the consolidation are referred to as “the Group” in this report.

The accompanying consolidated financial statements are prepared in accordance with “Communiqué on Preparation of Consolidated Financial Statements of Banks” published in the Official Gazette dated November 8, 2006 numbered 26340.

The financial statements of the subsidiaries, which were prepared in accordance with the prevailing principles and rules regarding financial accounting and reporting standards in their respective country of incorporation and the Turkish Commercial Code and/or communiqués of the Capital Market Board, are duly adjusted in order to present their financial statements in accordance with TAS and TFRS.

Explanations on Consolidation Method and Scope

The commercial names of the entities included in consolidation and the locations of the head offices of these institutions:

<u>Commercial Name</u>	<u>Head Office</u>
TEB Faktoring	Turkey
TEB Yatırım	Turkey
TEB Portföy	Turkey

Line-by-line consolidation method is used for all the financial institutions included in the consolidation.

Stichting TEB Diversified Payment Rights and TEB Diversified Payment Rights S.A., which is not subsidiary of the Parent Bank but over which the Parent Bank has controlling power, has been included in the consolidation due to the reason that this company is “Structured Entity”.

The financial statements of the subsidiaries are prepared as of 30 September 2018, 31 December 2017 and 30 September 2017.

The transactions and balances between the consolidated entities and the Parent Bank are eliminated.

TÜRK EKONOMİ BANKASI A.Ş.
NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
FROM 1 JANUARY TO 30 SEPTEMBER 2018

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

IV. Explanations on Forward and Option Contracts and Derivative Instruments

The Parent Bank's derivative transactions mainly consist of foreign currency swaps and interest rate swaps, cross currency swaps, currency options and forward foreign currency purchase and sale contracts.

Pursuant to "IFRS 9 Financial Instruments" ("IFRS 9"), derivative financial instruments of the Parent Bank are classified as "Derivative financial assets at fair value through profit or loss" or "Derivative financial assets at fair value through other comprehensive income".

Assets and liabilities arising from derivative transactions are recorded in off-balance sheet through their contractual amounts. Derivative transactions are measured at fair value. In accordance with the classification of derivative financial instruments, if the fair value is positive, they are disclosed under "Derivative Financial Assets at Fair Value Through Profit or Loss" or "Derivative Financial Assets at Fair Value Through Other Comprehensive Income", if the fair value is negative, they are disclosed under "Derivative Financial Liabilities at Fair Value Through Profit or Loss" or "Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income". Differences arising from the fair value changes of derivative financial instruments at fair value through profit or loss are recognized under "Gains / Losses on Derivative Financial Instruments" in "Trading Income / Loss" in the statement of profit or loss. The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

Derivative financial instruments are booked under off-balance sheet items. Derivative financial instruments where the underlying asset is money or commodity are booked based on the amounts to be received/paid at the maturity date. Derivative financial instruments based on interest rate are booked with the principal amount on which the interest rate is calculated.

All derivative financial instruments are measured with fair value method. The fair value of the derivative financial instruments traded in organized markets is the price on the organized market.

The cash flows of forward, currency swap, interest rate swap, and cross currency swap transactions should be determined firstly in order to measure with fair value method. Expected cash flows due to the floating interest rate for these products are defined according to market interest rate at the valuation date. Valuation is calculated by discounting the cash flows with the market interest rate and foreign currencies are converted into Turkish Lira with exchange rates at the valuation date.

Derivative financial instruments based on interest rate are measured not only with fair value method but also with amortized cost. While the fair value of derivatives are reflected in a single valuation account within the balance sheet, the amortized cost and the difference between the fair value and the amortized cost are reflected separately on the income/expense accounts.

Black and Scholes Model is used to measure the fair value of options. Options premiums are accrued on the start date of maturity. The valuation amount is composed of premiums valued at each valuation date. Premium to be paid calculated within this model is recorded as income, and the premium to be collected as expense.

The Parent Bank has adopted fair value and cash flow hedge accounting. Hedge accounting can be applied in order to prevent short-term fluctuations in the income statement resulting from differences between valuation methods of assets and liabilities exposed to interest rate risk and their hedging derivative instruments.

The hedge effectiveness between the derivative instruments/transactions used for hedging and hedged item are measured regularly, and the results are documented. In case of ineffectiveness of hedge accounting, the hedge accounting is terminated.

TÜRK EKONOMİ BANKASI A.Ş.
NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
FROM 1 JANUARY TO 30 SEPTEMBER 2018

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

IV. Explanations on Forward and Option Contracts and Derivative Instruments
(continued)

During period where the relation between hedging instrument and the hedged item is measured;

- a) Within the scope fair value hedge accounting, the fair value change of the hedged item is recognized in profit and loss,
- b) Within the scope of cash flow hedge accounting, the fair value change of the hedged item is recognized in other comprehensive income and the ineffective part of the gain or loss arisen from the hedging instrument is booked in profit or loss.

While the Parent Bank recognizes the fair value changes of the hedged items in the “Other Interest Income” and “Other Interest Expense” accounts, it recognizes the fair value changes of the hedging instruments related to the same period in the “Gains/Losses on Derivative Financial Instruments” account

Additionally, the difference between the fair value and carrying value of the hedged items as of the application date of hedge accounting is amortized based on their maturities and recognized in “Other Interest Income” and “Other Interest Expense” accounts.

V. Explanations on Interest Income and Expenses

Interest income and expenses are recorded on accrual basis. As the interest income and expense is accrued, all tax liabilities are fulfilled.

Financial assets and liabilities for which the future cash payments and collections are known, are discounted by using effective interest rate.

Accrued interest on the loans are not reversed on the date of classification as loans under follow-up.

The interest amount representing the time value of the future collection of loans under follow-up is recognized under interest income.

VI. Explanations on Fees and Commission Income and Expenses

Fees and commissions other than integral part of the effective interest rate of the financial instruments measured at amortized cost are accounted in accordance with the TFRS 15 Revenue from Contracts with Customers Standard.

Income on banking services which are not related to periodic services are recorded as income when they are collected. In order to classify the fees and commissions collected from customers as income on banking services or as other non-interest income, they shouldn't be related with a credit transaction.

All type of fees and commissions collected from customers regarding cash loans are deferred in “commissions on cash loans” account and are recognized as income over the period of the loan by discounting with effective interest rate. Variable costs related with the allocation of consumer loans are calculated and commissions received up to the calculated amount are recorded directly as income.

For Bank assurance services provided by the Parent Bank commissions from insurance companies are recorded as income on accrual basis.

The commissions related with non-cash loans or periodic banking services are deferred and recorded as income over the period according to the cut-off principle. Credit fee and commission expenses which are paid to other companies and institutions regarding financial liabilities and which create operational costs are discounted by effective interest rate and are recorded as expense in relevant period according to the cut-off principle.

TÜRK EKONOMİ BANKASI A.Ş.
NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

VII. Explanations on Financial Assets

The Group classifies and recognizes its financial assets as “Financial Assets at Fair Value Through Profit or Loss”, “Financial Assets Measured at Fair Value Through Other Comprehensive Income” or “Financial Assets Measured at Amortised Cost”. The financial assets are recognized or derecognized in accordance with the “Recognition and Derecognition” principles defined in Section 3 related to the classification and measurement of financial instruments of "IFRS 9 Financial Instruments" standard published in the Official Gazette No. 29953 dated 19 January 2017 by the Public Oversight Accounting and Auditing Standards Authority (POA). At initial recognition, financial assets are measured at fair value. In the case of financial assets are not measured at fair value through profit or loss, transaction costs are added or deducted to/from their fair value.

The Group recognizes a financial asset in the financial statement when, and only when, the Parent Bank becomes a party to the contractual provisions of the instrument. When the Parent Bank first recognizes a financial asset, the business model and the characteristics of contractual cash flows of the financial asset are considered by management.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are financial assets that are managed by business model other than the business model that aims to “hold to collect” and “hold & sell” the contractual cash flows; acquired for the purpose of generating profit from short-term fluctuations in price, or regardless of this purpose, the financial assets that are a part of a portfolio with evidence of short-time profit-taking; and the financial assets, whose terms do not give rise to cash flows that are solely payments of principal of interest at certain dates. Financial assets at fair value through profit or loss are initially recognized at fair value and are subsequently measured at fair value. Gain and losses upon their valuation are accounted under the profit / loss accounts.

Equity securities classified as financial assets at fair value through profit or loss are recognized at fair value.

Accounting policies related to derivative financial instruments at fair value through profit or loss are explained in Section III. Footnote IV.

Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets are classified as financial assets at fair value through other comprehensive income where the business models aim to hold financial assets in order to collect the contractual cash flows and selling assets and the terms of financial asset give rise to cash flows that are solely payments of principal of interest at certain dates.

Financial assets at fair value through other comprehensive income are recognized at acquisition costs that reflect their fair value by adding transaction costs. Financial assets at fair value through other comprehensive income are subsequently measured at their fair value. The interest income of financial assets at fair value through other comprehensive income that are calculated by effective interest rate method are reflected in the statement of profit or loss. The difference between the fair value of the financial assets at fair value through other comprehensive income and the amortized cost of the financial assets, i.e. "Unrealized gains and losses", is not recognized in the statement of profit or loss until the realization of the financial asset, the sale of the asset, the disposal of the asset or being impaired of the asset are accounted under "Other Accumulated Comprehensive Income or Expenses that will be reclassified at Profit or Loss" under shareholders' equity. Accumulated fair value differences under equity are reflected to the income statement when such securities are collected or disposed.

The Group may elect, at initial recognition, to irrevocably designate an equity investments at fair value other comprehensive income where those investments are hold for purposes other than to generate investments returns. When this election is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss. Dividends continue to be recognized in profit or loss in the financial statements.

TÜRK EKONOMİ BANKASI A.Ş.
NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”).)

VII. Explanations on Financial Assets (continued)

Financial Assets at Fair Value Through Other Comprehensive Income (continued)

All equity instruments classified as financial assets at fair value through other comprehensive income are measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

Financial Assets Measured at Amortised Cost

Financial investment measured at amortized cost:

A financial asset is classified as a financial asset measured at amortized cost when the Parent Bank’s policy within a business model is to hold the asset to collect contractual cash flows and the terms give rise to cash flows that are solely payments of principal of interest at certain dates.

Financial asset measured at amortised cost is recognized at cost which represents its fair value at initial recognition by adding the transaction costs and subsequently measured at amortised cost by using the effective interest rate method. Interest income related to the financial asset measured at amortized cost is recognized in the statement of profit or loss.

Loans:

Loans are financial assets to fund borrowers with fixed or determinable payment terms which are not traded on an active market and measured at amortised cost is recognized at cost which represents its fair value at initial recognition by adding the transaction costs and subsequently measured at amortised cost by using the effective interest rate method.

VIII. Explanations on Impairment of Financial Assets

As of 1 January 2018, a loss allowance for expected credit losses is provided for all financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, all financial assets, which are not measured at fair value through profit or loss, loan commitments and financial guarantee contracts in accordance with TFRS 9 principles and the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with “Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans” which came into force starting from 1 January 2018. Equity instruments are not subject to impairment assessment as they are measured at fair value.

The Group has changed its credit calculation method with the expected credit loss model as of 1 January 2018. Expected credit losses include an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions and the time value of money. The financial assets is divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses.

Stage 2:

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument’s lifetime expected credit losses.

Stage 3:

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized and interest revenue is calculated on the net carrying amount.

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VIII. Explanations on Impairment of Financial Assets (continued)

Expected Credit Loss Calculation

Expected credit loss calculation refers to the calculation to estimate the loss of the financial instrument in case of default and it is based on 3-stage impairment model based on the change in credit quality. The Parent Bank uses two different calculations considering 12-month and lifetime probability of default of the financial instruments.

If there is a significant increase in credit risk between the origination date and the reporting date of the loan, the lifetime probability of default is used and if there is no significant increase in credit risk the 12-month probability of default is used.

While the Bank uses the internal credit ratings for commercial portfolios, the internal behavioral scores for the retail portfolios is used. It is determined whether there is any significant increase in credit risk by comparing the credit ratings/behavioral scores at the origination date and reporting date for both portfolios.

Default Definition: Debts having past due more than 90 days; in addition, the fact that an obligor is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due.

Probability of Default (PD): PD represents the likelihood of default over a specified time period. Based on the historical data, 1-year PD of a customer is calculated for each portfolio on the basis of credit ratings and behavioral scores. PDs and LGDs used in the ECL calculation are point in time (“PIT”) based on key portfolios and consider both current conditions and expected cyclical changes. Two types of probability of default are calculated.

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

Loss Given Default (LGD): If a loan defaults, it represents the economic loss incurred on the loan. It is expressed as a percentage.

The Bank calculates the recovery rates for each portfolio in a way that include the collateral types and several risk elements, and it is ensured that the time value of money is included into the calculation by discounting of these recoveries to the reporting date.

Exposure at Default (EAD): The EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring during the life of a financial instrument. The expected default amount is calculated by discounting the principal and interest repayments for cash loans and income accruals by effective interest method while it refers to the value calculated through using credit conversion factors for non-cash loans and commitments. It shows the risk of the borrower at the date of default.

Lifetime ECL is calculated by taking into account the period during which the Bank will be exposed to credit risk. The maturity information defined for all cash and non-cash loans is used in the calculation of the expected credit loss along with their maturity and payment plans. The maturity refers to the contractual life of a financial instruments unless there is the legal right to call it earlier. The definition of behavioral maturity for loans that do not have maturity information such as credit cards and revolving loans has been developed.

When expected credit losses are estimated, it is considered that three different macroeconomic scenarios as “Base”, “Adverse” and “Favorable” and the weighted average of the results of this scenarios is taken into account. Forward-looking PDs based on the weighted average of these three scenarios are calculated on segment basis. The fundamental macroeconomic variable in the macroeconomic models is the estimated annual growth rate in gross national product.

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VIII. Explanations on Impairment of Financial Assets (continued)

Expected Credit Loss Calculation (continued)

Expected Credit Loss Calculation of Stage 1 Loans: It is calculated by considering 12-month (1 year) PDs for the financial assets measured at amortized cost, which do not reflect a significant increase in credit risk. Therefore, it is a part of the lifetime expected credit losses. Such expected 12- month PDs are applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate.

In the case of the current default rate is below a defined threshold without comparison with the origination date, the related loans are classified under Stage 1 loans by considering their credit qualities. Treasury Bills and CBRT balances are classified under Stage 1 loans.

Expected Credit Loss Calculation of Stage 2 Loans: It is calculated by considering lifetime PDs for the loans which has shown a significant increase in credit risk since origination. Such expected lifetime PDs are applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate.

The loans with a delay on repayment more than 30 days are classified under Stage 2 loans. In addition, the restructured loans are also classified under this stage.

The Parent Bank periodically reviews the parameters included in the calculation and updates them when necessary.

In the case of the internal credit rating of the loan is above a defined threshold without comparison with the origination date, the related loans are classified under Stage 2 loans.

Expected Credit Loss Calculation of Stage 3 Loans: Lifetime expected credit losses are booked for the loans considered as impaired. When calculating the provisions by discounting the individual cash flow expectations for financial instruments which are above a defined threshold, loss given default rates are taken into account in case of default for financial instruments which are below the defined threshold.

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IX. Explanations on Offsetting of Financial Assets and Liabilities

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

X. Explanations on Sales and Repurchase Agreements and Lending of Securities

Treasury bills and government bonds within the scope of repurchase agreements are classified in financial statements as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financials assets measured at amortised cost according to the classification of marketable securities subject to repurchase agreement, and are valued according to the measurement rules of the relevant category. Funds obtained through repurchase agreements are booked in a separate liability account, namely “Funds provided under repurchase agreements” under “Money market balances”. Income and expenses arisen from these transactions are booked in “Interest Income on Marketable Securities Portfolio” and “Interest Expense on Money Market Borrowings” in income statement.

Securities purchased under repurchase agreements (“Reverse repos”) are accounted under “Money Market Placements” in the balance sheet. The difference between the purchase and resell price of repurchase agreements is accrued over the life of repurchase agreements. As of 30 September 2018, the Parent Bank has reverse repo amounting to TL 141 (31 December 2017: TL64).

As of 30 September 2018, the Group does not have any marketable securities lending transaction (31 December 2017: None).

XI. Explanations on Assets Held for Sale, Discontinued Operations and Liabilities Related to Those Assets

Non-current assets held for sale consists of property, plant and equipment acquired for impairment and accounted in financial statements convenient with “TFRS 5 Assets Held for Sale and Discontinued Operations”.

As of 30 September 2018 the Group has no discontinued operations.

XII. Explanations on Goodwill and Other Intangible Assets

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. In the merger transaction where acquirer and acquiree exchange equity instruments, it is taken into account the fair value of equity shares exchanged and the difference between such amount and fair value of the acquiree’s identifiable net asset value is accounted as goodwill. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, the acquirer shall also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period shall not exceed one year from the acquisition date.

As explained in footnote 1 of Section 1, under the Banking Regulation and Supervision Agency decision dated 10 February 2011 and the release of decision in Official Newspaper 12 February 2011 dated and numbered as 27844, all rights, receivables, assets and liabilities of Fortis Bank A.Ş. would be transferred to the Parent Bank as stated in Istanbul Commerce Trade dated 14 February 2011.

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XII. Explanations on Goodwill and Other Intangible Assets (continued)

Within the framework of TFRS 3 “Business Combination”, identifiable assets and liabilities acquired at the merger date are measured at their acquisition date fair value. The resulting difference of TL48,783 is shown in related assets and liability section, the equity impact is shown under other shareholders’ equity section. The amount of TL421,124, which is the difference between TL2,385,482 which is the fair value of transferred amount and TL1,964,358 which is the identifiable net asset value is accounted as goodwill in the financial statements of the Parent Bank and the equity impact is shown under other shareholders’ equity section.

Goodwill arising on an acquisition of a business or a merger is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Parent Bank’s cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets are accounted for at restated cost until 31 December 2004 in accordance with inflation accounting and are amortized with straight-line method, after 31 December 2004 the acquisition cost and any other cost incurred so as to prepare the intangible asset ready for use less reserve for impairment, if any, and are amortized on a straight-line method. The cost of assets subject to amortization is restated after deducting the exchange differences, capitalized financial expenses and revaluation increases, if any, from the cost of the assets.

The other intangible assets of the Group comprise mainly software. The useful lives of such assets acquired are determined as 3-5 years by taking into consideration the expected utilization period, technical, technological or any other impairment and maintenance expenses necessary for the economic use of such assets. Software’s used are mainly developed within the Parent Bank by the Parent Bank’s personnel and the related expenses are not capitalized.

There are no anticipated changes in the accounting estimates about the amortization rate and amortization method and residual values that would have a significant impact in the current and future periods.

XIII. Explanations on Tangible Fixed Assets

Tangible assets of the Group are accounted for at their restated cost until 31 December 2004 and afterwards, the acquisition cost and any other cost incurred to prepare the asset ready for use are reflected, less reserve for impairment, if any.

Depreciation rates are defined according to the economic life of the relevant assets.

Depreciation is calculated using the straight line method, without taking residual values in to consideration, over the estimated useful lives expressed in number of months. The calculation of depreciation is based on the number of months that the asset is used. No amendment has been made to the depreciation method in the current period. The economic useful lives of the tangible fixed assets are as follows:

Buildings	50 years
Motor vehicles	5 years
Furniture, fixtures and office equipment and others	5-15 years

Gain or loss resulting from disposals of the tangible fixed assets is reflected to the income statement as the difference between the net proceeds and net book value.

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XIII. Explanations on Tangible Fixed Assets (continued)

Maintenance costs of tangible fixed assets are capitalized if they extend the economic useful life of the related asset. Other maintenance costs are expensed. Leasehold improvements amount are subject to depreciation during leasing period. This period is taken into consideration maximum five years.

The Parent Bank employs independent appraisers in determining the current fair values of its real estate’s when there is any indication of impairment in value of real estates.

XIV. Explanations on Leasing Transactions

Fixed assets obtained through financial leasing are recorded at the lower amount between the fair value and the present value of lease payments in accordance with Turkish Accounting Standard Leases (TAS 17). Fixed assets obtained through financial leasing are classified in tangible assets and the amortization is based on their useful life. In case of any indication of impairment, an “impairment provision” is provided for. Obligations for future lease payments are booked in “Financial Lease Payables” account under liabilities. Interest and currency expenses regarding financial leases are recorded in the related period in the income statement.

In compliance with Turkish Accounting Standard Leases (TAS 17), operating leases are recognized as an expense over the lease term in accordance with the lease agreement.

The Group does not have any leasing transactions as “Lessor”.

XV. Explanations on Provisions and Contingent Liabilities

Provisions are provided for liabilities of uncertain timing or amount arising from past events have the probability to result in an expense or loss in the future and when it can be measured reliably.

Provisions are determined by using the Group’s best expectation of expenses in fulfilling the obligation as of the balance sheet date, and discounted to present value if material. Provisions and contingent liabilities, excluding specific and general provisions for loans and other receivables, are recognized in accordance with the Turkish Accounting Standards (“TAS 37”) regarding “Provisions, Contingent Liabilities and Contingent Assets”.

XVI. Explanations on Contingent Assets

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed in the financial statements’ notes where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in 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.

XVII. Explanations on Liabilities Regarding Employee Benefits

In accordance with existing social legislation in Turkey, the Parent Bank is required to make lump-sum termination indemnities over a 30 day salary to each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct, and due to marriage, female employees terminating their employments within a year as of the date of marriage, or male employees terminating their employments due to their military service. The Parent Bank is also required to make a payment for the period of notice calculated over each service year of the employee whose employment is terminated for reasons other than resignation or misconduct. Total benefit is calculated in accordance with TAS 19 “Employee Benefits”.

Such benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method.

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XVII. Explanations on Liabilities Regarding Employee Benefits (continued)

Employees transferred to the Parent Bank following the business combination defined in “General Information” of the Parent Bank and Fortis Bank A.Ş. are the members of “Türk Dış Ticaret Bankası Mensupları Emekli Sandığı” (the “Pension Fund”) which was established in May 1964 under the Provisional Article 20 of Social Insurance Law No. 506. Technical financial statements of the Pension Fund are reviewed by a licensed actuary in accordance with Article 38 of the Insurance Supervisory Law and the “Actuary Regulations” issued based on the same article. As of 30 September 2018, the Pension Fund has 1,701 employees and 1.091 pensioners (31 December 2017: 1,757 employees and 1,065 pensioners).

Provisional Article 23 (1) of Banking Law No. 5411 (the “Banking Law”) published in the Official Gazette repeated No. 25983 on 1 November 2005 requires the transfer of bank funds to the Social Security Institution (the “SSI”) within 3 years after the effective date of the Banking Law and the related paragraph also sets out the basis for the related transfer. However, Article 23 (1) of Banking Law No. 5411 was annulled based on the Constitutional Court’s ruling issued on 22 March 2007 and ruled for the stay of execution as of 31 March 2007. The related Court ruling and its basis were published in the Official Gazette No. 26731 on 15 December 2007.

Following the publication of the said decree of the Constitutional Court, the Turkish Grand National Assembly (the “TGNA”) initiated its studies on the development of new regulations in regards to the transfer of bank pension participations to the SSI and the related articles of the Social Security Law that are set out to determine the basis of fund transfers and new regulations became effective with its publication in the Official Gazette No. 26870 on 8 May 2008 and the completion of the transfer within 3 years starting from 1 January 2008. Upon the Council of Ministers’ resolution issued in the Official Gazette, the transfer period has been extended for 2 years as of 14 March 2011. According to amendment on the social security and general health insurance law published in the Official Gazette dated 8 March 2012 numbered 6283, mentioned 2-year transfer period has been increased to 4 years. Upon the Council of Ministers’ resolution dated 24 February 2014 issued in the Official Gazette No.28987 on 30 April 2014, mentioned transfer period has been extended for one more year while it has been extended for one year upon the Council of Ministers’ resolution dated 08 April 2013 issued in the Official Gazette No.28636 on 3 May 2013. The Council of Ministers has been lastly authorized to determine the transfer date in accordance with the last amendment in the first paragraph of the 20th provisional article of Law No.5510 implemented by the Law No. 6645 on Amendment of the Occupational Health and Safety Law and Other Laws and Decree Laws published in the Official Gazette dated 23 April 2015 numbered 29335.

The technical financial statements of the Pension Fund are prepared by an independent actuary company considering related regulation and the Fund is not required to provide any provisions for any technical or actual deficit in the financial statements based on the actuarial report prepared as of 31 December 2017. Since the Parent Bank has no legal rights to carry the economic benefits arising from repayments of Pension Funds and/or decreases in future contributions at present value; no asset has been recognized in the balance sheet.

In addition, the Parent Bank management anticipates that the amount of the liability that may arise during and after the transfer in the frame mentioned above will be sufficient to be met with the assets of Pension Fund and will not place any additional liability on the Parent Bank.

XVIII. Explanations on Taxation

Corporate tax

According to the Article 32 of the Corporate Tax Law No. 5520, announced in the Official Gazette dated 21 June 2006, the corporate tax rate is 20% in Turkey. However, the corporate income tax rate will be applied as 22% for the years 2018, 2019 and 2020 regarding to the "Law on Amendment of Certain Tax Laws and Some Other Laws" numbered 7061 and published in the Official Gazette on 5 December 2017.

The tax legislation requires advance tax to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset from the final tax liability for the year. On the other hand, corporate tax and any related taxes paid to foreign tax offices for the income obtained from foreign branches are offset against the corporate tax levied in Turkey.

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XVIII. Explanations on Taxation (continued)

Corporate tax (continued)

A 75% portion of the gains derived from the sale of immovables which have been acquired due to loans under follow-up from the Parent Bank, participation shares, founder's shares, dividend shares and preemption rights is tax exempt (This rate is applied as 50% for immovable sales beginning from 5 December 2017). A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt (This rate is applied as 50% for immovable sales beginning from 5 December 2017), if such gains are added to paid-in capital or held in a special fund account under liability for five years, and 75% of sale proceeds of real estate received from bank receivables are exempt from corporate taxation (This rate is applied as 50% for immovable sales as of 5 December 2017).

Tax returns are required to be filed between the first and twenty-fifth day of the fourth month following the balance sheet date and paid in one installment until the end of the related month.

According to the Corporate Tax Law, tax losses can be carried forward for a maximum period of five years following the year in which the losses are incurred. Tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

Deferred Tax Asset / Liability

The Group calculates and reflects deferred tax asset or liability on timing differences which will result in taxable or deductible amounts in determining taxable profit of future periods.

The deferred tax is calculated using the enacted tax rates that are valid as of the balance sheet date in accordance with the tax legislation in force. According to the Law, which was approved in the Grand National Assembly on 28 November 2017 and published in the Official Gazette dated 5 December 2017, the rate of Corporate Tax for the years 2018, 2019 and 2020 was increased from 20% to 22%. Therefore, deferred tax assets and liabilities are measured at the tax rate of 22% that are expected to apply to these periods when the assets is realised or the liability is settled, based on the Law that have been enacted. For the periods 2021 and after, the reversals of temporary differences are measured by 20%.

Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized. Deferred tax asset is not provided over provisions for possible risks and general loan loss provisions according to the circular of BRSA numbered BRSA.DZM.2/13/1-a-3 and dated 8 December 2004.

Deferred tax asset is calculated over temporary differences arisen from expected credit loss provision in line with TFRS 9 principles from 1 January 2018.

Deferred tax income balance resulting from netting of deferred tax assets and liabilities should not be used in dividend distribution and capital increase.

XIX. Additional Explanations on Borrowings

The borrowing costs related to purchase, production, or construction of qualifying assets that require significant time to be prepared for use and sale are included in the cost of assets until the relevant assets become ready to be used or to be sold. Financial investment income obtained by temporary placement of undisbursed investment loan in financial investments is offset against borrowing costs qualified for capitalization.

All other borrowing costs are recorded to the income statement in the period they are incurred.

XX. Explanations on Issued Equity Securities

There is no share issued in the year 2018.

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XXI. Explanations on Bill Guarantees and Acceptances

Acceptances are realized simultaneously with the payment dates of the customers and they are presented as probable commitments in off-balance sheet accounts.

XXII. Explanations on Government Incentives

There is no government incentive utilized by the Group.

XXIII. Explanations on Reporting According to Segmentation

The operating segments of the Parent Bank include retail and private banking, SME banking, corporate banking, treasury and asset-liability management.

Retail and private banking lines of the Parent Bank provide consumer loans, personal financing, housing, workplace and vehicle loans for customer needs related to general consumption, purchase of durable goods, and real estate. The Parent Bank also provides account products like “Marifetli”, “Fırsat” and “CEPTETEB” along with the standard time deposit products to enable advantageous savings in different currencies and maturities. In regards to investment needs for customers, retail and private banking offers brokerage services for treasury bill transactions, government bonds, eurobonds, foreign exchange purchases/sales, a wide-range of investment funds, private pension funds and equity securities transactions. It also provides practical account, credit deposit account, automatic bill/regular payment options, safe-deposit boxes and insurance services beside credit and debit cards offering advantages in shopping and banking transactions. These products and services are provided to customers through widespread physical branches and ATM network and also via a 24/7 call centre, internet and mobile banking.

Corporate banking provides financial solutions and banking services to large-scale local firms, holdings and their group companies, and multinational companies operating in Turkey. In addition to the bank deposit services provided to corporate customers, corporate banking also develops tailored solutions and products for standard cash and non-cash loans, investment loans, cash management services in line with customer needs and demands and foreign trade financing. Foreign exchange purchase and sale transactions, corporate financing services, derivative products and solutions to manage foreign exchange and interest rate risk and commodity financing are other services provided by the Parent Bank. The Bank provides these services and products for its corporate customers via teams, located in its corporate branches and Head Office, who are specialised in foreign trade, cash management, structured finance and multinational companies. It also benefits from the global business network and expertise of BNP Paribas Group.

SME banking provides small and medium-sized enterprises with financial solutions and exclusive services for non-financial matters. The Parent Bank, which specifically designed its services for different segments in the field of SME Banking, has developed solutions that are tailored to the needs of these segments. In addition to solutions developed for small and medium-sized enterprises, solutions were developed for agricultural producers, jewellers, female leaders and entrepreneurship segments and for SME banking, enterprise banking, agriculture banking, gold banking, women’s banking and entrepreneurship banking. These solutions are provided on a larger scale based on the types of financial problems encountered by customers, and they are supported in non-financial matters via offering access to information, training and networks. At this point, the Parent Bank does not only provide financial support to the SMEs but also provides the training and expertise they need to grow their business, strengthen their competitiveness and use their financing properly.

When determining the short, medium and long-term pricing strategy, Asset-Liability Management and the Treasury Group also manage the maturity mismatch, by adopting a principle foreseeing to work with a positive balance sheet margin. Spot and forward TL and foreign exchange purchase-sale transactions, treasury bill, government bond, and eurobond purchase-sale transactions, and derivative product purchase/sale transactions are carried out under defined authorisations. The Parent Bank also carries out activities related to providing medium and long-term funding, enabling funding at a price below the price reflecting the country risk price, diversifying funding resources, and creating an international investor base in this field.

The Financial Markets Group provides structured financial solutions to hedge foreign exchange/interest rate risks of customers and provides the most appropriate price for the market instruments offered to customers by monitoring market conditions.

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I. OF SECTION THREE

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XXIII. Explanations on Reporting According to Segmentation (continued)

The details of the income statement and the balance sheet which the group operates as a business lane:

Current Period	Retail	Corporate	SME	Other	Elimination	Total
Dividend Income	-	-	-	18,221	(17,940)	281
Profit Before Tax	197,612	415,641	552,399	91,044	(17,940)	1,238,756
Tax Provision (-)	-	-	-	268,891	-	268,891
Net Profit for the Period	197,612	415,641	552,399	(177,847)	(17,940)	969,865

Current Period	Retail	Corporate	SME	Other	Elimination	Total
Segment Assets	13,230,436	23,101,086	28,533,556	49,581,503	(131,247)	114,315,334
Investments in Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	123,888	(123,883)	5
Total Assets	13,230,436	23,101,086	28,533,556	49,705,391	(255,130)	114,315,339

Segment Liabilities	44,528,403	16,504,822	11,420,653	31,822,029	(131,651)	104,144,256
Shareholders' Equity	-	-	-	10,294,562	(123,479)	10,171,083

Total Liabilities	44,528,403	16,504,822	11,420,653	42,116,591	(255,130)	114,315,339
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Prior Period (30.09.2017)	Retail	Corporate	SME	Treasury,ALM/ Head Office	Elimination	Total
Dividend Income	-	-	-	20,025	(18,872)	1,153
Profit before Tax	216,572	339,091	590,629	(78,014)	(18,872)	1,049,406
Tax Provision (-)	-	-	-	224,586	-	224,586
Net Profit For The Period	216,572	339,091	590,629	(302,600)	(18,872)	824,820

Prior Period (31.12.2017)	Retail	Corporate	SME	Treasury,ALM/ Head Office	Elimination	Total
Segment Assets	12,747,004	18,531,708	28,813,521	27,854,285	(176,689)	87,769,829
Investments in Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	122,923	(122,918)	5
Total Assets	12,747,004	18,531,708	28,813,521	27,977,208	(299,607)	87,769,834
Segment Liabilities	32,362,472	14,577,029	10,440,952	21,464,564	(177,043)	78,667,974
Shareholders' Equity	-	-	-	9,224,424	(122,564)	9,101,860
Total Liabilities	32,362,472	14,577,029	10,440,952	30,688,988	(299,607)	87,769,834

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XXIV. Explanations on Other Matters

It has been resolved in the Ordinary General Assembly dated 26 March 2018 of the Parent Bank, TL1,068,839 that constitutes the 2017 net balance sheet profit shall be transferred to the Extraordinary Reserves after setting aside, in accordance with the proposal in the resolution of the Board of Directors, TL53,442 as Legal Reserves, TL0.78 (full TL) as profit distributed to the holders of the founder jouissance certificates, TL100,000 as First Dividend to Shareholders.

XXV. Reclassifications

In order to be consistent with the presentation of financial statements dated 30 September 2018, some reclassifications are made in the cash flow statement as of 30 September 2017.

XXVI. Explanations on TFRS 9 Financial Instruments Standard

"TFRS 9 Financial Instruments", which is effective from 1 January 2018 has been published in the Official Gazette numbered 29953 dated 19 January 2017. The aim of the standard is to determine the financial reporting principles on financial assets and financial liabilities. The Bank has applied the classification, measurement and impairment requirements by adjusting the opening balance sheet and opening equity at 1 January 2018.

TFRS 9 standard sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and hedge accounting. TFRS 9 permits not to apply the standard's principles on hedge accounting and to continue to apply hedge accounting principles of TAS 39. The Bank continues to comply with all principles of TAS 39 for hedge accounting based on the analyzes made so far.

a) Classification and measurement of financial instruments

According to TFRS 9, each financial asset will be classified as either amortized cost, fair value through profit or loss (“FVPL”), or fair value through other comprehensive income (“FVOCI”) in accordance with the business model and the contractual cash flow characteristics. The business model is determined by the Bank in terms of the manner in which assets are managed and their performance is reported.

	Before TFRS 9		After TFRS 9	
	Basis of Measurement	Book value	Basis of Measurement	Book value
Financial Assets		31 December 2017		1 January 2018
Cash and Balances with Central Bank	Amortised cost	10,975,772	Amortised cost	10,973,463
Banks and Money				
Market Placements	Amortise(d cost	2,544,866	Amortised cost	2,537,893
Marketable securities	Fair value through other comprehensive income	4,697,133	Fair value through other comprehensive income	2,681,908
	Fair value through profit or loss	460,960	Fair value through profit or loss	525,328
	Amortised cost	401,854	Amortised cost	2,370,745
Derivative financial assets held for trading	Fair value through profit or loss	949,698	Fair value through profit or loss	949,698
Derivative financial assets for hedging purposes	Fair value through other comprehensive income	82,821	Fair value through other comprehensive income	82,821
Loans (Gross)	Amortised cost	64,567,942	Amortised cost	64,567,942
Factoring receivables (Gross)	Amortised cost	2,046,557	Amortised cost	2,046,557

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XXVI. Explanations on TFRS 9 Financial Instruments Standard (continued)

b) Financial statement confirmation of financial assets at TFRS 9 transition:

	Book Value Before TFRS 9	Reclassifications	Remeasurement	Book Value After TFRS 9
	31 December 2017			1 January 2018
Financial Assets				
Cash and Balances with Central Bank				
Book value in accordance with TAS 39	10,975,772			
Remeasurement: Provision provided for expected credit losses	-		(2,309)	
Book value in accordance with TFRS 9				10,973,463
Banks and money markets placements				
Book value in accordance with TAS 39	2,544,866			
Remeasurement: Provision provided for expected credit losses	(5,867)		(1,106)	
Book value in accordance with TFRS 9				2,537,893
Financial assets at fair value through other comprehensive income				
Balances before reclassification (available for sale)	4,697,133			
Disposal: to held to maturity portfolio		(1,963,540)		
Disposal: to held for trading portfolio		(52,235)		
Remeasurement: Fair value differences			1,152	
Remeasurement: Provision provided for expected credit losses	(355)		(247)	
Book value in accordance with TFRS 9				2,681,908
Financial assets at fair value through profit or loss				
Book value in accordance with TAS 39	460,960			
Addition: from available for sale portfolio		64,368		
Book value in accordance with TFRS 9				525,328
Financial assets measured at amortised cost				
Balances before reclassification (held to maturity)	401,854			
Addition: from available for sale portfolio		1,969,425		
Remeasurement: Provision provided for expected credit losses	-		(534)	
Book value in accordance with TFRS 9				2,370,745
Loans				
Book value in accordance with BRSA requirements (Gross)	64,567,942			
Remeasurement: Provision provided for expected credit losses (Stage 1 + Stage 2)	(527,516)		(390,309)	
Remeasurement: Provision provided for expected credit losses (Stage 3)	(1,242,811)		(25,747)	
Book value in accordance with TFRS 9 (Net)				62,381,559
Factoring receivables				
Book value in accordance with BRSA requirements (Gross)	2,046,557			
Remeasurement: Provision provided for expected credit losses (Stage 1 + Stage 2)	(2,062)		(847)	
Remeasurement: Provision provided for expected credit losses (Stage 3)	(41,710)		1,789	
Book value in accordance with TFRS 9 (Net)				2,003,727

In accordance with TFRS 9 classification and measurement requirements, the Parent Bank has performed some reclassifications as above. The reasons of these reclassifications are explained below:

1) Financial assets classified as measured at amortized cost in accordance with TFRS 9 standard:

The Parent Bank reassessed its business model in order to hold the financial assets to collect contractual cash flows the collection of contractual cash flows and sell the assets. At the date of initial application of TFRS 9, the Parent Bank assessed the appropriate business model for its marketable securities amounting to TL1,963,540, which was previously classified as available-for-sale and measured at fair value, as to collect the contractual cash flows and measured at amortised cost.

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XXVI. Explanations on TFRS 9 Financial Instruments Standard (continued)

2) Equity securities at fair value through profit or loss in accordance with TFRS 9 standard:

From the date of initial application of TFRS 9, the Parent Bank has classified its equity securities amounting to TL52,235 as financial assets measured at fair value through profit or loss, which was previously classified as financial assets available-for-sale. The Parent Bank has classified its equity securities amounting to TL5,059 as financial assets at fair value through other comprehensive income at initial application date.

c) Reconciliation of the opening balance of the provisions for impairment at TFRS 9 transition

The following table presents the reconciliation between provisions for impairment of the Parent Bank as of 31 December 2017 and the provision provided for expected credit losses measured in accordance with TFRS 9 expected loss model as of 1 January 2018.

	Book Value Before TFRS 9 31 December 2017	Remeasurement	Book Value After TFRS 9 1 January 2018
Cash and Balances with Central Bank	-	2,309	2,309
Stage 1	-	2,309	2,309
Banks and Money Markets Placements	5,867	1,106	6,973
Stage 1	5,867	1,106	6,973
Marketable Securities	355	781	1,136
<i>At fair Value Through Other Comprehensive Income</i>			
Stage 1	355	247	602
<i>At fair Value Through Profit or Loss</i>			
Stage 1	-	534	534
Loans	1,770,327	416,056	2,186,383
Stage 1	461,161	(186,851)	274,310
Stage 2	66,355	577,160	643,515
Stage 3	1,242,811	25,747	1,268,558
Factoring Receivables	43,772	(942)	42,830
Stage 1	2,062	(291)	1,771
Stage 2	-	1,138	1,138
Stage 3	41,710	(1,789)	39,921
Non Cash Loans	79,507	34,167	113,674
Stage 1	30,407	9,466	39,873
Stage 2	359	51,650	52,009
Stage 3	48,741	(26,949)	21,792
Derivative Financial Assets	10,211	(10,211)	-
Stage 1	10,211	(10,211)	-
Other Assets	1,624	(1,583)	41
Stage 1	1,624	(1,583)	41

d) Equity impacts of TFRS 9 transition

According to paragraph 15 of Article 7 of TFRS 9 Financial Instruments Standards published in the Official Gazette numbered 29953 dated 19 January 2017, it is not compulsory to restate previous period information at initial application of TFRS 9 and if the previous period information is not restated, the difference between the book value of 1 January 2018 at the date of initial application should be reflected in the opening balance of equity. The explanations about the initial application effects of TFRS 9 on equity are presented below.

The negative difference amounting to TL441,683 between provisions for impairment provided in accordance with the "Regulation on Procedures and Principles for the Determination of the Qualifications of Banks and the Other Receivables and Provisions to be Issued" published in the Official Gazette No. 26333 dated 1 November 2006 and provisions provided for the expected credit losses measured in accordance with the TFRS 9 expected loss model as of 1 January 2018, has been classified under "Other Capital Reserves" in shareholders' equity.

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XXVI. Explanations on TFRS 9 Financial Instruments Standard (continued)

d) Equity impacts of TFRS 9 transition (continued)

As stated in the Communiqué on "Uniform Chart of Accounts and its Explanations" issued on 20 September 2017, effective from 1 January 2018 deferred tax assets will be provided on general loan loss provisions (TFRS 9 expected credit loss provisions for the loans at first and second stages). Within this scope, deferred tax assets amounting to TL224,682 have been reflected to the opening financials as of 1 January 2018 and the related amount has been classified under "Other Capital Reserves" in shareholders' equity.

Equity securities classified as available-for-sale financial assets before 1 January 2018 has been classified as the financial asset at fair value through profit or loss. TL31,021 net off tax effect have been classified under "Other Capital Reserves" in equity. In addition, the positive difference amounting to TL550 due to the remeasurement of equity securities classified as financial assets at fair value through other comprehensive income has been accounted under "Other Capital Reserves" in equity.

For the available-for-sale financial assets, marketable securities valuation differences amounting to TL2,188 net off tax has been reversed due to the change of business model with TFRS 9 transition.

XXVII. Explanations on Prior Period Accounting Policies not Valid for the Current Period

As of 1 January 2018, the Parent Bank has started to apply "TFRS 9 Financial Instruments" standard which replaces "TAS 39 Financial Instruments: Recognition and Measurement". Accounting policies lost their validity with the transition of TFRS 9 are given below.

The Parent Bank classifies and recognizes its financial assets as "Financial Assets at Fair Value through Profit or Loss", "Financial assets available for sale", "Loans and receivables" or "Held-to-Maturity Investments". All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the Bank. Settlement date accounting requires, (a) accounting of the asset when acquired by the entity and (b) disposing of the asset out of the balance sheet on the date settled by the entity; and accounting of gain or loss on disposal as of the same date. In applying settlement date accounting, the entity accounts for the changes that occur in the fair value of the asset in the period between the commercial transaction date and settlement date.

The fair value of marketable securities is the market price. The market price of marketable securities traded in stock exchange is the weighted average of their trading price at the market. If marketable securities are not traded in stock exchange, the market price for TL marketable securities are considered as the closing price announced by the Central Bank, and for Eurobonds as the average of buy and sell price in Bloomberg.

Financial Assets at Fair Value Through Profit or Loss

Financial Assets at Fair Value through Profit or Loss are divided in two sub-categories: "Financial assets held for trading" and "Financial assets designated upon initial recognition as at fair value through profit or loss". Financial assets held for trading are acquired for the purpose of generating profit from short-term fluctuations in price, or regardless of this purpose, the financial assets that are a part of a portfolio with evidence of short-time profit-taking. The financial assets held for trading are recognized as at their fair value and are measured with their fair value following their recognition. Gains and losses upon valuation are included in profit and loss accounts.

The amortized cost of financial assets held for trading with maturity are reflected in "Interest Income on Securities". The positive difference between this interest and the price calculated with fair value method is recorded as "Profits on Purchases/Sales of Marketable Securities" and the negative difference as "Loss on Purchases/Sales of Marketable Securities". The profit shares are recorded in dividend income. Financial assets designated as financial assets at fair value through profit or loss" is used for the financial assets that are needed to be classified within the scope of Financial Instruments: Accounting and Measurement Accounting Standards in Turkey (TAS 39) in order to have a more proper demonstration even if they were not purchased for trading purposes.

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XXVII. Explanations on Prior Period Accounting Policies not Valid for the Current Period (continued)

Financial Assets Available for Sale

Financial assets available for sale are comprised of financial assets other than “Loan and receivables”, “Held-to-maturity investments”, “Financial assets at fair value through profit or loss” and non-derivative financial instruments. Financial assets available for sale are recorded at their fair value including related purchase costs plus the transaction costs.

Discounts and premiums of the financial assets available for sale are taken into account on the amortized cost calculation and are recorded in income statement as a part of interest rate.

Amortized cost of financial assets available for sale are recorded in profit and loss as interests from marketable securities. The differences between the fair value and amortized cost, are recorded in “Security valuation differences”, under equity. When financial assets available for sale are sold, all fair value differences accumulated under equity are reflected in income statement.

Held-to-Maturity Investments

Held-to-maturity investments are the financial assets that will be held until the maturity date, for which all requirements are fulfilled to hold till the maturity date including funding capability. They have fixed or determinable payments and fixed maturities. Held-to-maturity investments are firstly recorded by adding the transaction costs to the purchase price which reflect their fair value.

After initial recognition, held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any.

The interests received from held to maturity investments are recorded as interest income.

There are no financial assets that have been previously classified as held to maturity investments but cannot be currently classified as held to maturity for two years due to “tainting” rule.

The Parent Bank classifies its marketable securities as referred to above at the acquisition date of related assets.

Loans and Receivables

Loans are non-derivative financial assets to fund borrowers with fixed or determinable payment terms which are not traded on an active market and are not classified as trading or held for sale.

The Parent Bank initially records loans and receivables at cost. In subsequent periods, in accordance with TAS, loans are measured at amortized cost using effective interest rate method.

The effective interest rate for a loan is the rate that equals the expected cash flows of principal and interest to the loan allocation amount.

Provision is set for the loans that may be doubtful and the amount is charged in the current period income statement. The provisioning criteria for loans under follow-up are determined by the Bank’s management for compensating the probable losses of the current loan portfolio, by evaluating the quality of loan portfolio, risk factors and considering the economic conditions, other facts and related regulations.

All collected expenses and commissions related with cash loans are rediscounted with the effective interest rate.

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XXVII. Explanations on Prior Period Accounting Policies not Valid for the Current Period (continued)

Loans and Receivables (continued)

Specific reserves are provided for Group III, IV and V loans in accordance with the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette No. 26333 dated 1 November 2006. These provisions are reflected in the income statement under “Provision and Impairment Expenses - Special Provision Expense”. The collections made regarding these loans are first deducted from the principal amount of the loan and the remaining collections are deducted from interest receivables. The collections regarding the provisions provided in the current period are reversed from the “Provision for Loan Losses and Other Receivables” account in the income statement, and related interest income is credited to the “Interest Received from Loans under Follow-up” account.

Current period provisions are booked in “Provision for Loan Losses and Other Receivables” account. If the provisions for the receivables that had been realized in earlier periods are collected in current year, reversals of specific provisions are booked in “Other Operating Income”. Income realized through the sale of loans under follow-up are booked in “Other Operating Income” account.

In addition to specific loan loss provisions, within the framework of the regulation and principles referred to above; the Parent Bank reserves general loan loss provision for loans and other receivables.

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SECTION FOUR

**INFORMATION ON CONSOLIDATED FINANCIAL STRUCTURE AND RISK MANAGEMENT
OF THE GROUP**

I. Explanations Related to Components of Consolidated Shareholders’ Equity

Total capital and capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks” and in accordance with the requirements of BRSA numbered 10513 dated 12 August 2018 and numbered 10578 dated 13 August 2018. Recent regulatory changes are as follows:

- Regulation No: 10513, dated August 12, 2018: The valuation differences of the securities included in the “Financial Assets at Fair Value through Other Comprehensive Income” portfolio shall be calculated in accordance with the regulation and shall not be taken into consideration in the equity amount that in the capital adequacy ratio calculation as of 12 August 2018.
- Regulation No: 10578, dated August 13, 2018: In the calculation of amount subject to credit risk, the foreign exchange bid rate to be used shall be determined as the higher of average CBRT’s foreign exchange bid rate of 252 business days prior to the calculation date or foreign exchange bid rate used in the preparation of financial statements as of 30 June 2018.

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of 30 September 2018, Group’s total capital has been calculated as TL13,346,987 (31 December 2017: TL10,986,830) and Capital Adequacy Ratio is 16.36% (31 December 2017: 15.72%). This ratio is well above the minimum ratio required by the legislation.

The credit risk of banking accounts has been calculated by using the “Standard Approach”, the market risk of purchase and sale accounts by using the “Standard Method”, counterparty credit risk of derivative and repo transactions by using the “Fair Value Method”, credit valuation adjustments of over the counter derivative transactions by using the “Standard Model” and operational risk by using the “Basic Indicator Approach”.

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I. Explanations Related to Components of Consolidated Shareholders’ (continued)

Information related to the components of Consolidated Shareholders' Equity:

	Current Period 30.09.2018	Amount related to treatment before 01.01.2014(*)
Common Equity Tier 1 Capital		
Paid-in Capital to be Entitled for Compensation after All Creditors	2,404,652	
Share Premium	2,565	
Reserves	6,626,467	
Gains Recognized in Equity as per TAS	-	
Profit	978,110	
Current Period Profit	968,613	
Prior Period Profit	9,497	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period’s Profit	527	
Minority interest	166	249
Common Equity Tier 1 Capital Before Deductions	10,012,487	
Deductions from Common Equity Tier 1 Capital	-	
Valuation adjustments calculated as per the (I) item of first paragraph of Article 9 of the Regulation on Bank	-	
Current and Prior Periods’ Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	-	
Leasehold Improvements on Operational Leases	42,976	
Goodwill netted off deferred tax liability	421,124	421,124
Other intangible assets netted off deferred tax liabilities except mortgage servicing rights.	91,802	91,802
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	78,715	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair value of Bank’s liabilities	-	
Net amount of defined-benefit plan assets	-	
Direct and indirect investments of the Bank in its own Tier 1 Capital	-	
Excess amount expressed in the law (Article 56 4th paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
Amounts related to mortgage servicing rights	-	
Excess amount of deferred tax assets from temporary differences	-	
Other Items Determined by BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions from common equity Tier 1 Capital	634,617	
Total Common Equity Tier 1 Capital	9,377,870	

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I. Explanations Related to Components of Consolidated Shareholders’ (continued)

Information related to the Components of Shareholders' Equity: (continued)

	Current Period 30.09.2018	Amount related to treatment before 01.01.2014(*)
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Third Parties Share in the Additional Tier 1 Capital	36	
Third Parties Share in the Additional Tier 1 Capital (in the scope of Temporary Article 3)	36	
Additional Tier 1 Capital before deductions	36	
Deductions from Additional Tier 1 Capital		
Bank's direct or indirect investment on its own Tier 1 Capital		
Investments in equity instruments issued by banks or financial institutions invested in Bank's additional Tier I Capital which are compatible with the article 7 of the regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier 1 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other Items Determined by BRSA	-	
Items to be deducted from Tier 1 Capital during the Transition Period		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	-	
The amount to be deducted from Additional Tier 1 Capital (-)	-	
Total Deductions from Additional Tier 1 Capital	-	
Total Additional Tier 1 Capital	36	
Total Tier 1 Capital (Tier 1 Capital=Common Equity + Additional Tier 1 Capital)	9,377,906	
TIER 2 CAPITAL		
Bank's borrowing instruments and related issuance premium	2,755,488	
Bank's borrowing instruments and related issuance premium (in the scope of temporary Article 4)	316,403	
Third parties' share in the Tier 2 Capital	47	
Third parties' share in the Tier 2 Capital (in the scope of Temporary Article 3)	47	
Provisions (Amounts stated in the first paragraph of the article 8 of the Regulation on the Bank Capital)	909,291	
Tier 2 Capital Before Deductions	3,981,229	
Deductions From Tier 2 Capital		
Bank's direct or indirect investment on its own Tier 2 Capital (-)	-	
Investments in equity instruments issued by banks and financial institutions invested in Bank's Tier II Capital which are compatible with Article 8 of the regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 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 1 Capital (-)	-	
Other Items Determined by BRSA (-)	-	
Total Deductions From Tier 2 Capital	-	
Total Tier 2 Capital	3,981,229	
Total Capital (The sum of Tier 1 and Tier 2 Capital)	13,359,135	

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I. Explanations Related to Components of Consolidated Shareholders’ (continued)

Information related to the Components of Shareholders' Equity: (continued)

	Current Period 30.09.2018	Amount related to treatment before 01.01.2014(*)
The sum of Tier 1 Capital and Tier 2 Capital (Total Equity)		
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	12,146	
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	-	
Other items to be defined by the BRSA	2	
Items to be deducted from the sum of Tier I and Tier II Capital (“Capital”) during the Transition Period		
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier I Capital, Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks.	-	
Portion of the total of net long positions of direct or indirect investments made in Additional Tier I and Tier II Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier I Capital and Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks.	-	
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
TOTAL CAPITAL		
Total Capital	13,346,987	
Total Risk Weighted Assets	81,562,442	
Capital Adequacy Ratios		
Common Equity Tier 1 Capital Adequacy Ratio (%)	11.50	
Tier 1 Capital Adequacy Ratio (%)	11.50	
Capital Adequacy Ratio (%)	16.36	
BUFFERS		
Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c) (%)	1.88	
a) Capital conservation buffer requirement (%)	1.88	
b) Bank specific counter-cyclical buffer requirement (%)	-	
c) Systemic significant bank buffer ratio (%)	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	3.71	
Amounts below the Excess Limits as per the Deduction Principles		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	103,805	
Amounts arising from the net long positions of investments made in Tier I Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	
Mortgage servicing rights	-	
Deferred tax assets arising from temporary differences (net of related tax liability)	20,587	
Limits related to provisions considered in Tier II Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1,311,258	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used (**)	909,291	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	
The positive difference between the expected credit loss provision amount in accordance with TFRS 9 and the total provision amount before the application of TFRS 9	354,295	

(*) Amounts in this column represents the amounts of items that are subject to phasing and taken into consideration at the end of transition process.

(**) The positive difference between the expected credit loss provision amount in accordance with TFRS 9 and the total provision amount before the application of TFRS 9 has been deducted.

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I. Explanations Related to Components of Consolidated Shareholders’ Equity (continued)

Information related to the Components of Shareholders’ Equity: (continued)

	Prior Period 31.12.2017	Amount related to treatment before 01.01.2014(*)
Common Equity Tier 1 Capital		
Paid-in Capital to be Entitled for Compensation after All Creditors	2,404,652	
Share Premium	2,565	
Reserves	5,475,503	
Gains Recognized in Equity as per TAS	-	
Profit	1,097,665	
Current Period Profit	1,088,168	
Prior Period Profit	9,497	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period’s Profit	527	
Minority interest	1,785	337
Common Equity Tier 1 Capital Before Deductions	8,982,697	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the (I) item of first paragraph of Article 9 of the Regulation on Bank	-	
Current and Prior Periods’ Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS	38,394	
Leasehold Improvements on Operational Leases	57,001	
Goodwill netted off deferred tax liability	421,124	421,124
Other intangible assets netted off deferred tax liabilities except mortgage servicing rights.	95,703	95,703
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair value of Bank’s liabilities	-	
Net amount of defined-benefit plan assets	-	
Direct and indirect investments of the Bank in its own Tier 1 Capital	-	
Excess amount expressed in the law (Article 56 4th paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions (amount above 10% threshold) of Tier 1 Capital	-	
Mortgage servicing rights (amount above 10% threshold) of Tier 1 Capital	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (2nd article temporary second paragraph)	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	
Amounts related to mortgage servicing rights	-	
Excess amount of deferred tax assets from temporary differences	-	
Other Items Determined by BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions from common equity Tier 1 Capital	612,222	
Total Common Equity Tier 1 Capital	8,370,475	

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I. Explanations Related to Components of Consolidated Shareholders’ Equity (continued)

Information related to the Components of Shareholders’ Equity: (continued)

	Prior Period 31.12.2017	Amount related to treatment before 01.01.2014(*)
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Third Parties Share in the Additional Tier 1 Capital	48	
Third Parties Share in the Additional Tier 1 Capital (in the scope of Temporary Article 3)	48	
Additional Tier 1 Capital before deductions	48	
Deductions from Additional Tier 1 Capital		
Bank's direct or indirect investment on its own Tier 1 Capital		
Investments in equity instruments issued by banks or financial institutions invested in Bank's additional Tier I Capital which are compatible with the article 7 of the regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier 1 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other Items Determined by BRSA	-	
Items to be deducted from Tier 1 Capital during the Transition Period		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	-	
The amount to be deducted from Additional Tier 1 Capital (-)	-	
Total Deductions from Additional Tier 1 Capital	-	
Total Additional Tier 1 Capital	48	
Total Tier 1 Capital (Tier 1 Capital=Common Equity + Additional Tier 1 Capital)	8,370,523	
TIER 2 CAPITAL		
Bank's borrowing instruments and related issuance premium	1,799,486	
Bank's borrowing instruments and related issuance premium (in the scope of temporary Article 4)	245,824	
Third parties' share in the Tier 2 Capital	64	
Third parties' share in the Tier 2 Capital (in the scope of Temporary Article 3)	64	
Provisions (Amounts stated in the first paragraph of the article 8 of the Regulation on the Bank Capital)	578,401	
Tier 2 Capital Before Deductions	2,623,775	
Deductions From Tier 2 Capital		
Bank's direct or indirect investment on its own Tier 2 Capital (-)	-	
Investments in equity instruments issued by banks and financial institutions invested in Bank's Tier II Capital which are compatible with Article 8 of the regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 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 1 Capital (-)	-	
Other Items Determined by BRSA (-)	-	
Total Deductions From Tier 2 Capital	-	
Total Tier 2 Capital	2,623,775	
Total Capital (The sum of Tier 1 and Tier 2 Capital)	10,994,298	

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I. Explanations Related to Components of Consolidated Shareholders’ Equity (continued)

Information related to the Components of Shareholders' Equity: (continued)

	Prior Period 31.12.2017	Amount related to treatment before 01.01.2014(*)
The sum of Tier 1 Capital and Tier 2 Capital (Total Equity)		
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	7,462	
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	-	
Other items to be defined by the BRSA	6	
Items to be deducted from the sum of Tier I and Tier II Capital (“Capital”) during the Transition Period		
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier I Capital, Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks.	-	
Portion of the total of net long positions of direct or indirect investments made in Additional Tier I and Tier II Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier I Capital and Tier II Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks.	-	
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
TOTAL CAPITAL		
Total Capital	10,986,830	
Total Risk Weighted Assets	69,871,616	
Capital Adequacy Ratios		
Common Equity Tier 1 Capital Adequacy Ratio (%)	11.98	
Tier 1 Capital Adequacy Ratio (%)	11.98	
Capital Adequacy Ratio (%)	15.72	
BUFFERS		
Total buffer requirement (%)	1.25	
Capital conservation buffer requirement (%)	1.25	
Bank specific counter-cyclical buffer requirement (%)	-	
The ratio of Additional Common Equity Tier 1 capital to Risk Weighted Assets calculated based on the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers (%)	4.72	
Amounts below deduction thresholds		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	52,080	
Amounts arising from the net long positions of investments made in Tier I Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	
Mortgage servicing rights	-	
Deferred tax assets arising from temporary differences (net of related tax liability)	86,456	
Limits related to provisions considered in Tier II Calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	578,401	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	578,401	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

(*) Amounts in this column represents the amounts of items that are subject to phasing and taken into consideration at the end of transition process.

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I. Explanations Related to Components of Consolidated Shareholders’ Equity (continued)

Information related to the Components of Shareholders' Equity: (continued)

	T	T-1	T-2	T-3	T-4
CAPITAL ITEMS					
Common Equity Tier 1 Capital	9,377,870	9,018,738	8,659,829	-	-
Common Equity Tier 1 Capital where the transition impact of TFRS 9 has not been applied (a)	9,023,575	8,741,791	8,382,882	-	-
Tier 1 Capital	9,377,906	9,018,773	8,659,874	-	-
Tier 1 Capital where the transition impact of TFRS 9 has not been applied (b)	9,023,611	8,741,826	8,382,882	-	-
Capital	13,346,987	12,046,430	11,404,030	-	-
Capital where the transition impact of TFRS 9 has not been applied (c)	12,992,692	12,046,430	11,404,030	-	-
TOTAL RISK WEIGHTED ASSETS					
Total Risk Weighted Assets	81,562,442	81,309,037	75,842,095	-	-
CAPITAL ADEQUACY RATIOS					
Common Equity Tier 1 Capital Adequacy Ratio (%)	11.50	11.09	11.42	-	-
Common Equity Tier 1 Capital Adequacy Ratio (%) where the transition impact of TFRS 9 has not been applied (ç)	11.06	10.75	11.05	-	-
Tier 1 Capital Adequacy Ratio (%)	11.50	11.09	11.42	-	-
Tier 1 Capital Adequacy Ratio (%) where the transition impact of TFRS 9 has not been applied (ç)	11.06	10.75	11.05	-	-
Capital Adequacy Ratio (%)	16.36	14.82	15.04	-	-
Capital Adequacy Ratio (%) where the transition impact of TFRS 9 has not been applied (ç)	15.93	14.82	15.04	-	-
LEVERAGE RATIO					
Leverage Ratio Total Risk Amount	161,824,242	146,738,608	134,136,085	-	-
Leverage Ratio	5.65%	6.15%	6.46%	-	-
FTA not Applied Leverage Ratio (d) (*)	5.43%	5.96%	6.25%	-	-

(*)Amendment 10513, dated 12.08.2018, was not accounted for when calculating tier 1 capital for leverage ratio calculation.

Basic information for the TFRS 9 transition process

- a: Common equity tier 1 capital if temporary article 5 of the Regulation on equities of banks has not applied.
b: Tier 1 capital if temporary article 5 of the Regulation on equities of banks has not applied.
c: Total capital if temporary article 5 of the Regulation on equities of banks has not applied.
ç: Capital adequacy ratios calculated with capital items if temporary article 5 of the Regulation on banks has not applied.
d: The leverage ratio calculated with capital items if temporary article 5 of the Regulation on banks has not applied.

Explanations on Reconciliation of Capital Items to Balance Sheet:

Total Capital per Balance Sheet	10,171,083
Hedging Funds (effective portion)	(728,460)
Deductions Made Under Regulation	(656,169)
Transition Impact of TFRS 9 (Temporary 5th Article)	354,295
Accumulated revaluation and / or classification gains / losses of financial assets at fair value through other comprehensive income,	237,121
Common Equity Tier 1 Capital	9,377,870
Additional Tier 1 Capital	36
Tier 1 Capital	9,377,906
General Provisions	909,291
Bank's Borrowing Instruments	3,071,891
Deductions Made Under Regulation	(12,148)
Third parties' share in the Tier 2 Capital	47
Total Equity	13,346,987

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I. Explanations Related to Components of Consolidated Shareholders’ Equity (continued)

Information related to debt instruments included in equity calculation:

All of the debt securities included in the equity calculation are issued by the Parent Bank.

Issuer	TEB	TEB	TEB	TEB
Unique identifier (e.g. CUSIP, ISIN)	XS0700889081	XS0808626013	XS0780562665	XS1845118865
Governing law(s) of the instrument	Turkey	Turkey	Turkey	Turkey
Regulatory treatment				
Subject to 10% deduction as of 1/1/2015	No	No	Yes	No
Eligible at solo/group/group and solo	Available	Available	Available	Available
Instrument type	Borrowing Instrument	Borrowing Instrument	Borrowing Instrument	Borrowing Instrument
Amount recognized in regulatory capital (TL Currency in mil, as of most recent reporting date)	1,193.3	694.3	316.4	867.9
Par value of instrument(TL Currency in mil)	1,215	694.3	389.6	867.9
Accounting classification	34701100	34701100	34701100	34701100
Original date of issuance	04.11.2011	20.07.2012	14.05.2012	27.06.2018
Perpetual or dated	Time	Time	Time	Time
Original maturity date	04.11.2023	20.07.2024	14.05.2024	27.06.2028
Issuer call subject to prior supervisory approval	Available	Available	Available	Available
Optional call date, contingent call dates and redemption amount	04.11.2018	20.07.2019	14.05.2019	27.06.2023
Subsequent call dates, if applicable	-	-	-	-
Coupons/dividends				
Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating
Coupon rate and any related index	Euribor+4.75%	Euribor+4.75%	LIBOR+5.75%	Euribor+5.10%
Existence of a dividend stopper	Nil	Nil	Nil	Nil
Fully discretionary, partially discretionary or mandatory	Mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	Nil	Nil	Nil	Nil
Noncumulative or cumulative	Nil	Nil	Nil	Nil
Convertible or non-convertible				
If convertible, conversion trigger (s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-
Write-down feature				
If write-down, write-down trigger(s)	-	-	-	-
If write-down, full or partial	-	-	-	-
If write-down, permanent or temporary	-	-	-	-
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	deposit and other receivables	deposit and other receivables	deposit and other receivables	deposit and other receivables
Whether conditions which stands in article of 7 and 8 of Banks’ shareholder equity law are possessed or not	Possess	Possess	Not Possess	Possess
According to article 7 and 8 of Banks’ shareholders equity law that are not possessed (*)	-	-	Article 8/2 (ğ)	-

(*) Under article 8/2 in subsection (ğ) mechanism of write-down or conversion to common shares are stated.

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II. Explanations Related to the Consolidated Currency Risk

Foreign currency risk indicates the probability of loss that the Group is subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Group are taken into consideration and risk is calculated by using the standard method.

The Board of Directors of the Parent Bank sets limits for the positions, which are followed up daily. Any possible changes in the foreign currency transactions in the Parent Bank’s positions are also monitored.

As an element of the Group’s risk management strategies, foreign currency liabilities are hedged against exchange rate risk by derivative instruments.

Asset Liability Management and Treasury Department of the Parent Bank is responsible for the management of Turkish Lira or foreign currency price, liquidity and affordability risks that could occur in the domestic and international markets within the limits set by the Board of Directors. The monitoring of risk and risk related transactions occurring in the money markets is performed daily and reported to the Parent Bank’s Asset-Liability Committee on a weekly basis.

As of 30 September 2018, the Group’s balance sheet short position is TL6,892,107 (31 December 2017: TL10,323,568 short position) off-balance sheet long position is TL6,737,138 (31 December 2017: 10,443,721 long position) and as a result net foreign currency short position is TL154,969 (31 December 2017: net TL120,153 long position).

The announced current foreign exchange buying rates of the Parent Bank at 30 September 2018 and the previous five working days in full TL are as follows:

	24.09.2018	25.09.2018	26.09.2018	27.09.2018	28.09.2018	30.09.2018
USD	6.1139	6.1726	6.0806	5.9620	5.9935	5.9935
JPY	0.0543	0.0547	0.0538	0.0527	0.0528	0.0528
EUR	7.2101	7.2756	7.1344	6.9696	6.9429	6.9429

The simple arithmetic averages of the major current foreign exchange buying rates of the Parent Bank for the thirty days before 30 September 2018 are as follows:

	Monthly Average Foreign Exchange Rate
USD	6.2756
JPY	0.0560
EUR	7.3149

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II. Explanations Related to the Consolidated Currency Risk (continued)

Information on the foreign currency risk of the Group:

The table below shows the Group’s distribution of balance sheet and derivative foreign exchange transactions taking into account the options transactions with nominal values as indicated in the BRSA regulation on foreign currency position. Besides taking into account this position by monitoring legal limits, the Group also monitors the delta-adjusted position of the option transactions. As of 30 September 2018, the Parent Bank has net USD long position TL119,341 and net EUR long position TL29,432

Current Period	EUR	USD	Other FC	Total
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	6,543,008	6,255,138	1,836,757	14,634,903
Banks	2,732,965	5,319,185	1,780,093	9,832,243
Financial Assets at Fair Value Through Profit or Loss	7,178	247,891	-	255,069
Money Market Placements	-	-	-	-
Financial Assets at Fair Value through Other Comprehensive Income	364	394,127	19,335	413,826
Loans (**)	12,816,268	4,213,863	2,221,227	19,251,358
Subsidiaries, Associates and Entities Under Common Control	-	-	-	-
Financial Assets Measured at Amortized Cost	-	-	-	-
Derivative Financial Assets for Hedging Purposes	3,151	-	-	3,151
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (*****)	680,109	183,606	5,778	869,493
Total Assets	22,783,043	16,613,810	5,863,190	45,260,043
Liabilities				
Bank Deposits	106,524	-	12	106,536
Foreign Currency Deposits (*)	8,975,365	20,315,824	2,481,335	31,772,524
Money Market Borrowings	-	291,454	-	291,454
Funds Provided From Other Financial Institutions	7,015,604	6,924,871	3,666,136	17,606,611
Securities Issued	-	-	-	-
Miscellaneous Payables	-	-	-	-
Derivative Financial Liabilities for Hedging Purposes	1,432	-	-	1,432
Other Liabilities (***)	1,660,953	631,044	81,596	2,373,593
Total Liabilities	17,759,878	28,163,193	6,229,079	52,152,150
Net Balance Sheet Position	5,023,165	(11,549,383)	(365,889)	(6,892,107)
Net Off-Balance Sheet Position	(5,506,576)	12,208,409	35,305	6,737,138
Financial Derivative Assets (****)	11,208,819	36,667,046	2,757,114	50,632,979
Financial Derivative Liabilities (****)	16,715,395	24,458,637	2,721,809	43,895,841
Non-Cash Loans (*****)	7,948,831	7,121,893	1,183,588	16,254,312
Prior Period				
Total Assets	14,078,810	9,342,010	4,424,115	27,844,935
Total Liabilities	14,448,907	19,294,658	4,424,938	38,168,503
Net Balance Sheet Position	(370,097)	(9,952,648)	(823)	(10,323,568)
Net Off-Balance Sheet Position	44,990	10,424,488	(25,757)	10,443,721
Financial Derivative Assets	8,924,989	26,256,628	863,476	36,045,093
Financial Derivative Liabilities	8,879,999	15,832,140	889,233	25,601,372
Non-Cash Loans (*****)	6,052,584	5,487,498	252,325	11,792,407

(*) Precious metal accounts amounting to TL967,510 (31 December 2017: TL692,499) are included in the foreign currency deposits.

(**) Foreign currency indexed loans amounting to TL2,136,544 (31 December 2017: TL2,746,506) are included in the loan portfolio. As of 30 September 2018, TL10,475 (31 December 2017: TL134,902) foreign currency indexed factoring receivables are included in loans. Does not include expected loss provisions (Stage 1 and 2) amounting to TL323 arising from factoring receivables.

(***) TL798 (31 December 2017: TL78,260) expense accruals from derivative financial instruments are deducted from other liabilities. TL96,306 (31 December 2017: TL440) foreign currency indexed factoring payables is included in the other liabilities.

(****) Forward asset and marketable securities purchase-sale commitments of TL3,380,605 (31 December 2017: TL2,363,470) are added to derivative financial assets and TL3,445,181 (31 December 2017: TL2,554,736) has been added to derivative financial liabilities.

(*****) Foreign currency indexed factoring receivables amounting to TL105 (31 December 2017: TL62,873) and BITT amount are added to other assets while income accruals from derivative financial instruments amounting to TL189,686 (31 December 2017: TL62,873) is deducted.

(*****) There is no effect on the net off-balance sheet position.

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III. Explanations Related to Consolidated Interest Rate Risk

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the Parent Bank’s position, and it is managed by the Asset-Liability Committee. The interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by using the standard method and included in the market risk for capital adequacy.

The priority of the risk management department is to avoid the impact of the fluctuations in interest rates. In this context, duration, maturity and sensitivity analysis are calculated by the Risk Management Department and presented to both Liquidity Risk Committee and Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budget of the Group.

The Parent Bank management monitors the market interest rates on a daily basis and revises the interest rates of the Parent Bank when necessary.

Since the Group does not allow maturity mismatches or imposes limits on the mismatch, no significant interest rate risk exposure is expected.

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
Current Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	10,904,807	-	-	-	-	4,874,477	15,779,284
Banks	8,319,358	-	-	-	-	1,666,756	9,986,114
Financial Assets at Fair Value Through Profit or Loss	2,546	131,049	373,451	224,407	82,223	103,982	917,658
Money Market Placements	141	-	-	-	-	-	141
Financial Assets at Fair Value through Other Comprehensive Income	410,191	-	1,342,654	1,021,518	496,653	5,610	3,276,626
Loans (*)	16,182,409	5,079,154	14,887,544	27,862,515	5,696,731	880,500	70,588,853
Held-To-Maturity Investments	975,057	1,255,443	779,600	-	-	-	3,010,100
Other Assets	19,620	1,518	1,261,730	2,325,940	98,254	7,049,501	10,756,563
Total Assets	36,814,129	6,467,164	18,644,979	31,434,380	6,373,861	14,580,826	114,315,339
Liabilities							
Bank Deposits	178,804	-	-	-	-	119,515	298,319
Other Deposits	52,194,599	6,024,978	1,026,154	1,448	-	11,430,489	70,677,668
Money Market Borrowings	1,280,143	291,454	-	-	-	-	1,571,597
Miscellaneous Payables	-	-	-	-	-	-	-
Securities Issued	1,098,536	800,254	-	-	-	-	1,898,790
Funds Provided From Other Financial Institutions	5,203,614	7,796,674	5,494,945	36,183	-	-	18,531,416
Other Liabilities	17	1	288,724	1,283,964	17,302	19,747,541	21,337,549
Total Liabilities	59,955,713	14,913,361	6,809,823	1,321,595	17,302	31,297,545	114,315,339
Balance Sheet Long Position	-	-	11,835,156	30,112,785	6,356,559	-	48,304,500
Balance Sheet Short Position	(23,141,584)	(8,446,197)	-	-	-	(16,716,719)	(48,304,500)
Off-Balance Sheet Long Position	14,163,379	936,085	-	-	-	-	15,099,464
Off-Balance Sheet Short Position	-	-	(7,048,027)	(6,446,861)	(419,124)	-	(13,914,012)
Total Position	(8,978,205)	(7,510,112)	4,787,129	23,665,924	5,937,435	(16,716,719)	1,185,452

(*) Revolving loans amounting to TL7,559,661 are included in “Up to 1 Month”.

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL248,643 , intangible assets amounting to TL513,101, assets held for resale amounting to TL119,146 , entities under common control (joint vent.) amounting to TL5 and the other liabilities line includes the shareholders’ equity of TL10,171,083.

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III. Explanations Related to Consolidated Interest Rate Risk (continued)

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates): (continued)

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
Prior Period							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	8,936,275	-	-	-	-	2,039,497	10,975,772
Banks	1,617,926	-	-	-	-	926,876	2,544,802
Financial Assets at Fair Value Through Profit or Loss	116,906	75,855	99,297	350,591	70,741	692,814	1,406,204
Money Market Placements	64	-	-	-	-	-	64
Financial Assets at Fair Value Through Other Comprehensive Income	401,236	873,755	2,226,778	1,081,282	56,788	57,294	4,697,133
Loans (*)	15,346,771	3,699,678	11,301,111	25,740,100	6,530,415	707,056	63,325,131
Financial Assets at Amortised Cost	40,737	112,666	248,451	-	-	-	401,854
Other Assets	1,105,383	696,461	297,839	13,433	-	2,305,758	4,418,874
Total Assets	27,565,298	5,458,415	14,173,476	27,185,406	6,657,944	6,729,295	87,769,834
Liabilities							
Bank Deposits	258,821	-	-	-	-	20,549	279,370
Other Deposits	38,317,200	6,231,923	1,253,745	773	120	9,450,722	55,254,483
Money Market Borrowings	162,212	13,530	18,801	-	-	-	194,543
Miscellaneous Payables	-	-	-	-	-	1,493,979	1,493,979
Securities Issued	-	992,862	296,826	-	-	-	1,289,688
Funds Provided From Other Financial Institutions	4,463,550	3,763,753	8,533,265	117,483	-	-	16,878,051
Other Liabilities	176,173	60,976	88,843	341,361	2,274	11,710,093	12,379,720
Total Liabilities	43,377,956	11,063,044	10,191,480	459,617	2,394	22,675,343	87,769,834
Balance Sheet Long Position							
Balance Sheet Long Position	-	-	3,981,996	26,725,789	6,655,550	-	37,363,335
Balance Sheet Short Position	(15,812,658)	(5,604,629)	-	-	-	(15,946,048)	(37,363,335)
Off-Balance Sheet Long Position	9,149,837	69,037	-	-	-	-	9,218,874
Off-Balance Sheet Short Position	-	-	(1,657,178)	(7,347,502)	(161,330)	-	(9,166,010)
Total Position	(6,662,821)	(5,535,592)	2,324,818	19,378,287	6,494,220	(15,946,048)	52,864

(*) Revolving loans amounting to TL7,128,307 are included in “Up to 1 Month” while income accrual from mark to market differences of hedged loans amounting to TL99 are included in “1-3 Months”.

The other assets line in the non-interest bearing column consists of tangible assets amounting to TL274,634, intangible assets amounting to TL523,232, assets held for sale amounting to TL90,677, entities under common control (joint vent.) amounting to TL5 and the other liabilities line includes the shareholders’ equity of TL9,101,860.

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III. Explanations Related to Consolidated Interest Rate Risk (continued)

Average interest rates applied to monetary financial instruments:

	EUR %	USD %	YEN %	TL %
Current Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	1.50	-	7.00
Banks	(0.44)	2.15	-	29.04
Financial Assets at Fair Value Through Profit or Loss	2.97	6.71	-	19.71
Money Market Placements	-	-	-	14.45
Financial Assets at Fair Value Through Other Comprehensive Income	3.27	7.34	-	20.00
Loans	3.70	6.24	4.49	20.30
Financial Assets Measured at Amortized Cost	-	-	-	17.06
Liabilities				
Bank Deposits	-	-	-	15.99
Other Deposits	1.93	4.86	1.87	21.89
Money Market Borrowings	-	-	-	23.10
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	18.67
Funds Provided From Other Financial Institutions	1.85	3.77	-	13.86
<hr/>				
	EUR %	USD %	YEN %	TL %
Prior Period				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	1.50	-	4.00
Banks	(0.44)	1.25	-	12.84
Financial Assets at Fair Value Through Profit or Loss	1.99	4.78	-	13.83
Money Market Placements	-	-	-	11.57
Financial Assets at Fair Value Through Other Comprehensive Income	0.99	4.87	-	13.02
Loans	3.18	4.54	4.95	15.31
Financial Assets Measured at Amortized Cost	-	-	-	15.49
Liabilities				
Bank Deposits	-	-	-	4.11
Other Deposits	1.40	3.20	1.41	13.45
Money Market Borrowings	-	-	-	12.21
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	13.93
Funds Provided From Other Financial Institutions	1.18	3.06	-	11.08

IV. Explanations Related to Equity Share Position Risk in Consolidated Banking Accounts

Equity securities which are not publicly traded in the Parent Bank’s financial statements are booked as their fair value, or otherwise booked as their cost value if calculation of fair value is not determined properly.

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V. Explanations Related to Consolidated Liquidity Risk and Liquidity Coverage Ratio

- a) Information on liquidity risk management, such as the Parent Bank's risk capacity, responsibilities and the structure of liquidity risk management, Parent Bank's internal liquidity risk reporting, communication between the Board of Directors and business lines on liquidity risk strategy, policy and application:

The Asset-Liability Management and Treasury Group is responsible for following up the Parent Bank's current liquidity position and for complying with liquidity limits approved by the Board of Directors. After evaluating the liquidity position, the Asset-Liability Management and Treasury Group use authorized products to provide sufficient liquidity based on liquidity position.

Responsibilities for liquidity management are described in the Liquidity Risk Policy which is reviewed and approved by the Board of Directors annually. The various responsibilities have been shared among the appropriate departments and committees as outlined in duty descriptions. While the Asset-Liability Management and Treasury Group alone is responsible for managing liquidity and for developing short-term liquidity estimates, the Asset-Liability Management and Treasury Group works with the Asset-Liability Management Committee to jointly developing/setting short-term liquidity strategies and middle and long term liquidity estimates. The Asset-Liability Management Committee is responsible for preparing middle and long term liquidity strategies.

The Risk Management Group monitors daily all set liquidity risk limits, and periodically reports internal and legal liquidity rates and changes to the Audit Committee and Board of Directors, in addition to providing daily reports to senior management. Information about the Parent Bank's liquidity structure and policies is provided to the relevant business lines at an Assets-Liabilities Committee meeting which is held every couple of weeks and at a Liquidity Risk Committee meeting which is held monthly.

- b) Information on the centralization degree of liquidity management and funding strategy, and on operations between Parent Bank and its partnerships:

The Asset-Liability Management and the Treasury Group manage the Parent Bank's liquidity risk and performs this role only for the bank. Liquidity gap values are monitored within the limits set by the Board of Directors, and for compliance with these limits, the necessary debt instruments are used, while considering price and maturity structure. Our subsidiaries manage their own liquidity and we provide them borrowing facilities within market conditions and legal limits.

- c) Information about the Parent Bank's funding strategy including policies on funding types and variety of maturities:

While the Parent Bank tries to diversify its funding resources, it also tries to extend its payment terms. Customer deposits are the bank's main funding resource. Our main strategy for deposit management is to be inclusive while extending the average maturity. In addition to borrowings from money markets and collecting deposit, the Parent Bank uses instruments such as long-term syndicated loans, securities issued in TL and foreign currency to diversify funding resources.

- d) Information on liquidity management based on currency which consists of a minimum of 5% of the Parent Bank's total liabilities:

Excluding TL, USD and EUR, there is no foreign currency which exceeds 5% of total liabilities. For these currencies, liquidity gaps are reported on a monthly basis and the liquidity coverage ratio is calculated daily for TL and foreign currency. The Asset-Liability Management and Treasury Group is responsible for taking the necessary steps to keep ratios within the limits determined by the Board of Directors. Trend of these ratios are monitored on a monthly basis by the Liquidity Risk Committee which includes the General Manager, Assistant General Manager responsible from Financial Affairs Group, Group Risk Chief Officer, and the Assistant General Manager in charge of the Asset-Liability Management and Treasury Group. Furthermore, senior management is periodically informed about the relevant ratios.

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V. Explanations Related to Consolidated Liquidity Risk and Liquidity Coverage Ratio (continued)

e) Information on liquidity risk mitigation techniques:

The Parent Bank's main liquidity management strategy is to diversify funding resources and extend the maturity structure. The Parent Bank's balance sheet liquidity risk is periodically measured by Assets-Liabilities management and closely monitored with the Treasury. In accordance with market expectations, the Assets-Liabilities Management and Treasury Group carries out the actions necessary to minimize risk.

Within this framework, the Parent Bank's liquidity risk is attempted to manage efficiently by long-term structural changes (such as diversifying funding sources, extending maturity structure etc.) and short and mid-term money market and derivative transactions.

In the short term, liquidity risk is minimized with FX swaps, interbank borrowings and repurchase agreements, while cross currency swap and interest rate swap transactions are used to minimize these risks in the long term.

f) Explanation on the usage of the stress test:

The aim of the liquidity stress test is to analyze how liquidity squeeze affects bank liquidity. Cash inflows and outflows which may arise in cases of stress event are analyzed based on products with different maturities. Stress events which may arise as a result of the liquidity squeeze, both in the Parent Bank and in the whole banking system, in cases of stress event are analyzed. Also, situations where the two scenarios might coincide are considered. The analysis addresses how much of the net cash outflows of different maturities would be covered by the current liquid stock during all relevant stress events.

g) General information on liquidity emergency and contingency plans:

The extraordinary liquidity situation is evaluated to determine;

- Whether the liquidity problem is specific to the Parent bank or applies to the whole banking system and
- Whether there is a permanent or temporary problem.

Profitability has second degree importance in extraordinary liquidity conditions. In cases of cash shortage or cash withdrawal, the branches are responsible for informing the Asset-Liability Management and Treasury Group about withdrawn liabilities. The Asset-Liability Management and Treasury Group takes the necessary actions to cover the cash outflow which may occur in the accounts and informs the Asset-Liability Committee of any related delays.

In a liquidity crisis, the Asset-Liability Management and Treasury Group, the Asset-Liability Committee, the Liquidity Risk Committee, senior management, and the Board of Directors are responsible for solving the liquidity problem. It is predicted that, in a liquidity crisis, in order to create additional liquidity, written actions (considering the cost) must be taken within current market conditions.

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V. Explanations Related to Consolidated Liquidity Risk and Liquidity Coverage Ratio (continued)

Liquidity Coverage Ratio:

	Rate of Percentage to Be Taken into Account not Implemented Total Value(*)		Rate of Percentage to Be Taken into Account Implemented Total Value(*)	
	TL+FC	FC	TL+FC	FC
Current Period – 30 September 2018				
High Quality Liquid Assets				
1	High Quality Liquid Assets		22,238,113	14,512,402
Cash Outflows				
2	Real Person and Retail Deposits		4,187,596	1,878,325
3	Stable Deposits		380,591	-
4	Less Stable Deposits		3,807,005	1,878,325
5	Unsecured Debts Other than Real Person and Retail Deposits		14,003,315	8,725,638
6	Operational Deposits		155,002	76,327
7	Non-operational Deposits		8,611,793	4,742,684
8	Other Unsecured Funding		5,236,520	3,906,627
9	Secured Funding			
10	Other Cash Outflows		2,476,768	7,765,450
11	Outflows Related to Derivative Exposures and Other Collateral Requirements		2,476,768	7,765,450
12	Outflows Related to Restructured Financial Instruments		-	-
13	Payment Commitments and Other Off-Balance Sheet Commitments Granted for Debts to Financial Market		-	-
14	Other Revocable Off-Balance Sheet Commitments and Contractual Obligations		-	-
15	Other Irrevocable or Conditionally Revocable Off-Balance Sheet Obligations		2,658,105	1,175,676
16	Total Cash Outflows		23,325,784	19,545,089
Cash Inflows				
17	Secured Liabilities		-	-
18	Unsecured Liabilities		13,782,380	9,740,829
19	Other Cash Inflows		1,429,307	11,315,555
20	Total Cash Inflows		15,211,687	21,056,384
Values to which the Upper Limit is Applied				
21	Total High Quality Liquid Assets		22,238,113	14,512,402
22	Total Net Cash Outflows		8,114,097	4,886,272
23	Liquidity Coverage Ratio (%)		274.07	297.00

(*) Simple arithmetic average of the last three months data calculated by using monthly simple arithmetic averages.

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V. Explanations Related to Consolidated Liquidity Risk and Liquidity Coverage Ratio (continued)

Liquidity Coverage Ratio: (continued)

Prior Period – 31 December 2017	Rate of Percentage to Be Taken into Account not Implemented Total Value(*)		Rate of Percentage to Be Taken into Account Implemented Total Value(*)	
	TL+FC	FC	TL+FC	FC
High Quality Liquid Assets				
1 High Quality Liquid Assets			16,057,102	9,399,501
Cash Outflows				
2 Real Person and Retail Deposits	35,611,154	14,341,610	3,214,987	1,434,161
3 Stable Deposits	6,922,567	-	346,128	-
4 Less Stable Deposits	28,688,587	14,341,610	2,868,859	1,434,161
5 Unsecured Debts Other than Real Person and Retail Deposits	19,402,307	10,202,308	9,666,656	5,734,346
6 Operational Deposits	2,433,872	1,256,180	608,468	314,045
7 Non-operational Deposits	14,841,869	7,398,547	6,987,259	3,872,720
8 Other Unsecured Funding	2,126,566	1,547,581	2,070,929	1,547,581
9 Secured Funding	-	-	-	-
10 Other Cash Outflows	7,084,285	5,679,826	7,084,285	5,679,826
11 Outflows Related to Derivative Exposures and Other Collateral Requirements	7,084,285	5,679,826	7,084,285	5,679,826
12 Outflows Related to Restructured Financial Instruments	-	-	-	-
13 Payment Commitments and Other Off-Balance Sheet Commitments Granted for Debts to Financial Markets	-	-	-	-
14 Other Revocable Off-Balance Sheet Commitments and Contractual Obligations	-	-	-	-
15 Other Irrevocable or Conditionally Revocable Off-Balance Sheet Obligations	28,929,836	10,203,026	2,342,489	963,731
16 Total Cash Outflows			22,308,417	13,812,064
Cash Inflows				
17 Secured Liabilities	-	-	-	-
18 Unsecured Liabilities	9,078,494	3,927,943	6,372,422	3,039,759
19 Other Cash Inflows	6,532,698	13,775,977	6,532,698	13,775,977
20 Total Cash Inflows	15,611,192	17,703,920	12,905,120	16,815,736
			Values to Which the Upper Limit is Applied	
21 Total High Quality Liquid Assets			16,057,102	9,399,501
22 Total Net Cash Outflows			9,403,297	3,453,016
23 Liquidity Coverage Ratio (%)			170.76	272.21

(*) Simple arithmetic average of the last three months data calculated by using monthly simple arithmetic averages.

The amount of high quality liquid assets, distribution of deposits based on segment, maturity types of borrowings and the share of revolving loans in loan portfolio can be considered as the most important factors affecting liquidity coverage ratio.

High quality liquid assets in order to their priority consist of the time accounts, bond portfolio, reserve deposit and cash. Funding sources consists of corporate customer deposits, real person deposits, borrowings and SME deposit accounts which are weighted by ratios used in Liquidity Coverage Ratio reporting considering their maturity types. Due to amount differences between buy and sell transactions, derivative products effects more FC Liquidity Coverage Ratio rather than the total. Besides, cash outflows due to withdrawal of the collaterals securing derivatives and market valuation changes on derivative transactions are considered in calculations.

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V. Explanations Related to Consolidated Liquidity Risk and Liquidity Coverage Ratio (continued)

Liquidity Coverage Ratio: (continued)

There are concentration limits on funding sources approved by Board of Directors. Diversification of funding base of deposits, funding from Group, borrowing, repo and other long term liabilities; and funding limits by product type are monitored and reported.

Liquidity management of consolidated subsidiaries are managed by individual legal entities. Although liquidity coverage ratio is reported on a consolidated basis, there is no centralized liquidity management system. Finally, there is no other significant cash inflow or outflow item about Parent Bank’s liquidity profile which are not required by section two of communiqué.

Consolidated Liquidity Coverage Ratio for the last three months are presented below:

	Current Period	
	TL+FC	FC
July 2018	260.37%	331.37%
August 2018	383.04%	299.66%
September 2018	265.79%	363.18%
	Prior Period	
	TL+FC	FC
October 2017	156.55%	220.77%
November 2017	199.64%	296.51%
December 2017	160.49%	315.66%

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V. Explanations Related to Consolidated Liquidity Risk and Liquidity Coverage Ratio (continued)

Presentation of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Undistributed (*)	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	4,874,477	10,904,807	-	-	-	-	-	15,779,284
Banks	1,666,756	8,319,358	-	-	-	-	-	9,986,114
Financial Assets at Fair Value Through Profit and Loss	-	1,760	108,234	368,004	230,745	104,933	103,982	917,658
Money Market Placements	-	141	-	-	-	-	-	141
Financial Assets at Fair Value Through Other Comprehensive Income	5,610	23,009	-	902,848	1,537,933	807,226	-	3,276,626
Loans (**)	-	16,162,137	5,071,127	14,880,917	27,898,323	5,696,731	879,618	70,588,853
Financial Assets Measured at Amortized Cost	-	-	257,037	-	2,142,525	610,538	-	3,010,100
Other Assets	-	1,606,883	642,575	2,749,816	2,719,659	98,254	2,939,376	10,756,563
Total Assets	6,546,843	37,018,095	6,078,973	18,901,585	34,529,185	7,317,682	3,922,976	114,315,339
Liabilities								
Bank Deposits	119,515	178,804	-	-	-	-	-	298,319
Other Deposits	11,430,489	52,194,599	6,024,978	1,026,154	1,448	-	-	70,677,668
Funds Provided From Other Financial Institutions	-	3,922,658	4,694,805	5,825,553	880,696	3,207,704	-	18,531,416
Money Market Borrowings	-	1,280,143	291,454	-	-	-	-	1,571,597
Securities Issued	-	1,098,536	800,254	-	-	-	-	1,898,790
Miscellaneous Payables	-	-	-	-	-	-	-	-
Other Liabilities	138,494	5,595,065	902,822	2,146,308	1,712,465	17,302	10,825,093	21,337,549
Total Liabilities	11,688,498	64,269,805	12,714,313	8,998,015	2,594,609	3,225,006	10,825,093	114,315,339
Liquidity Gap	(5,141,655)	(27,251,710)	(6,635,340)	9,903,570	31,934,576	4,092,676	(6,902,117)	-
Net Off-Balance Sheet Position	-	581,842	(244,283)	673,126	214,665	36,800	-	1,262,150
Financial Derivative Assets	-	12,853,041	9,129,539	29,847,305	18,108,441	1,060,829	-	70,999,155
Financial Derivative Liabilities	-	12,271,199	9,373,822	29,174,179	17,893,776	1,024,029	-	69,737,005
Non-Cash Loans	6,695,654	1,494,489	3,705,493	7,170,155	6,976,086	-	-	26,041,877
Prior Period								
Total Assets	3,023,667	27,183,598	4,608,097	12,589,448	30,086,020	7,252,431	3,026,573	87,769,834
Total Liabilities	9,522,425	45,342,687	10,372,924	8,946,101	1,140,587	2,317,229	10,127,881	87,769,834
Liquidity Gap	(6,498,758)	(18,159,089)	(5,764,827)	3,643,347	28,945,433	4,935,202	(7,101,308)	-
Net Off-Balance Sheet Position	-	(112,505)	(104,333)	230,224	81,010	(2,254)	-	92,142
Financial Derivative Assets	-	19,107,247	9,546,026	16,619,829	12,584,766	396,328	-	58,254,196
Financial Derivative Liabilities	-	19,219,752	9,650,359	16,389,605	12,503,756	398,582	-	58,162,054
Non-Cash Loans	5,544,145	1,011,848	2,529,575	6,559,002	4,940,070	-	-	20,584,640

(*) The assets which are necessary to provide banking services and could not be liquidated in a short term, such as tangible assets, investments in subsidiaries and associates, office supply inventory, prepaid expenses and loans under follow-up, are classified as under undistributed.

(**) Revolving loans amounting to TL7,559,661 (31 December 2017: TL7,128,307) are included in “Up to 1 Month”.

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VI. Explanations Related to Consolidated Leverage Ratio

- a) Information on issues that cause differences between current period and previous period leverage ratios:

There is a decrease in the leverage ratio in line with the increase in cash and non-cash loan portfolio.

- b) Summary comparison table of the total risk amount and the total asset amount in the financial statements prepared as per TAS:

	Current Period(**)	Prior Period(**)
1 Total Asset Amount in the Consolidated Financial Statements Prepared as per TAS(*)	117,202,040	86,992,149
2 The Difference between the Total Asset Amount in the Consolidated Financial Statements Prepared as per TAS and the Asset Amount in the Consolidated Financial statements Prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks	83,341	641,096
3 The Difference between the Derivative Financial Instruments and the Loan Derivatives Amount in the Consolidated Financial Statements Prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the Risk Amounts	1,087,180	698,335
4 The Difference between the Financial Transactions with Securities or Goods Warranty Amounts in the Consolidated Financial Statements Prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the Risk Amounts	-	-
5 The Difference between the Off-balance Sheet Transactions Amount in the Consolidated Financial Statements Prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the Risk Amounts	46,064,914	40,300,931
6 Other Differences between the Amount in the Consolidated Financial Statements Prepared as per the Communiqué on the Preparation of the Consolidated Financial Statements of Banks and the Risk Amounts	(553,022)	(553,322)
7 Total risk amount	163,884,453	128,079,189

(*) Consolidated financial statements prepared as per the sixth paragraph of Article 5 of the Communiqué on the Preparation of the Consolidated Financial Statements of Banks.

(**) The amounts in the table are calculated by using the quarterly average amounts.

- c) Leverage Ratio:

	Current Period(*)	Prior Period(*)
Assets On the Balance Sheet		
1 Assets on the Balance Sheet (Excluding Derivative Financial Instruments and Loan Derivatives, Including Collaterals)	109,206,167	86,241,388
2 (Assets Deducted from Core Capital)	(553,022)	(553,322)
3 Total Risk Amount for Assets on the Balance Sheet	108,653,145	85,688,066
Derivative Financial Instruments and Credit Derivatives		
4 Renewal Cost of Derivative Financial Instruments and Credit Derivatives	8,079,214	1,391,857
5 Potential Credit Risk Amount of Derivative Financial Instruments and Credit Derivatives	1,087,180	698,335
6 Total Risk Amount of Derivative Financial Instruments and Credit Derivatives	9,166,394	2,090,192
Financing Transactions With Securities Or Goods Warranties		
7 Risk Amount of Financial Transactions with Securities or Goods Warranties (Excluding Those in the Balance Sheet)	-	-
8 Risk Amount Arising from Intermediated Transactions	-	-
9 Total Risk Amount of Financing Transactions with Securities or Goods Warranties	-	-
Off-Balance Sheet Transactions		
10 Gross Nominal Amount of the Off-balance Sheet Transactions	46,064,914	40,300,931
11 (Adjustment Amount Arising from Multiplying by the Credit Conversion Rate)	-	-
12 Total Risk Amount for Off-balance Sheet Transactions	46,064,914	40,300,931
Capital and Total Risk		
13 Tier 1 Capital	9,146,882	8,320,349
14 Total Risk Amount	163,884,453	128,079,189
Leverage Ratio		
15 Leverage Ratio	5.58%	6.50%

(*) The amounts in the table are calculated by using the quarterly average amounts.

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VII. Explanations Related to Consolidated Risk Management

Notes and explanations prepared in accordance with “the Communiqué on Disclosures about Risk Management to be Announced to Public by Banks” published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016 are presented in this section. The notes to be presented within the scope of internal rating based approach have not been presented due to use of standard approach for the calculation of capital adequacy ratio by the Group.

Overview of Risk Weighted Amounts

	Risk Weighted Amounts		Minimum capital requirement
	Current Period	Prior Period	Current Period
1 Credit Risk (Excluding Counterparty Credit Risk) (CCR)	66,206,931	60,616,638	5,296,554
2 Of which Standardized Approach (SA)	66,206,931	60,616,638	5,296,554
3 Of which Internal Rating-based (IRB) Approach	-	-	-
4 Counterparty Credit Risk	6,536,356	1,558,203	522,909
5 Of which Standardized Approach for Counterparty Credit Risk (SA-CCR)	6,536,356	1,558,203	522,909
6 Of which Internal Model Method (IMM)	-	-	-
7 Equity positions in banking book under market-based approach	-	-	-
8 Equity investments in funds – Look-through Approach	-	-	-
9 Equity investments in funds – Mandate-based Approach	-	-	-
10 Equity investments in funds – 1250% Weighted Risk Approach	-	-	-
11 Settlement Risk	-	-	-
12 Securitization Positions in Banking Book	-	-	-
13 Of which IRB Ratings-based Approach (RBA)	-	-	-
14 Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15 Of which SA/Simplified Supervisory Formula Approach (SSFA)	-	-	-
16 Market Risk	1,188,900	674,263	95,112
17 Standardized Approach (SA)	1,188,900	674,263	95,112
18 Internal Model Approaches (IMM)	-	-	-
19 Operational Risk	7,630,255	7,022,512	610,420
20 Of which Basic Indicator Approach	7,630,255	7,022,512	610,420
21 Of which Standard Approach	-	-	-
22 Of which Advanced Measurement Approach	-	-	-
23 Amounts below the Thresholds for Deduction (Subject to a 250% Risk Weight)	-	-	-
24 Floor Adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	81,562,442	69,871,616	6,524,995

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Disclosures Related to the Consolidated Assets

1.a) Information on Cash and Balances with the Central Bank of the Republic of Turkey:

	Current Period	
	TL	FC
Cash in TL/Foreign Currency	406,278	3,635,075
Balances with the Central Bank of Turkey	738,103	10,885,868
Other	-	113,960
Total	1,144,381	14,634,903

	Prior Period	
	TL	FC
Cash in TL/Foreign Currency	376,414	543,135
Balances with the Central Bank of Turkey	1,053,062	8,925,260
Other	-	77,901
Total	1,429,476	9,546,296

b) Information related to the account of the Central Bank of the Republic of Turkey:

	Current Period	
	TL	FC
Unrestricted Demand Deposit	719,164	-
Unrestricted Time Deposit	-	1,927,562
Restricted Time Deposit	18,939	8,958,306
Total	738,103	10,885,868

	Prior Period	
	TL	FC
Unrestricted Demand Deposit	1,042,047	-
Unrestricted Time Deposit	-	1,384,996
Restricted Time Deposit	11,015	7,540,264
Total	1,053,062	8,925,260

Foreign currency unrestricted deposit amounting to TL1,927,562 (31 December 2017: TL1,384,996), foreign currency restricted deposit amounting to TL8,958,306 (31 December 2017: TL7,540,264), unrestricted deposit balance amounting to TL719,164 (31 December 2017: TL1,042,047) and restricted deposit amounting to TL18,939 (31 December 2017: TL11,015) comprises of reserve deposits. As of 30 September 2018, the Turkish lira required reserve ratios are determined to be within the range of 1.5%-8% depending on the maturity structure of deposits denominated in Turkish lira (31 December 2017: 4%-10.50%), and the required reserve ratios for foreign currency deposits and other liabilities within the range of 4%-20% (31 December 2017: 4%-24%).

2. Information on financial assets at fair value through profit or loss (net):

- a.1) Information on financial assets at fair value through profit or loss given as collateral / blocked: None (31 December 2017: None).
- a.2) Financial assets at fair value through profit or loss subject to repurchase agreements: None

Net book value of unrestricted financial assets at fair value through profit or loss is TL812,132 (31 December 2017: TL460,960).

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I. Explanations and Disclosures Related to the Consolidated Assets (continued)

3. Positive differences related to derivative financial assets held-for-trading:

	Current Period	
	TL	FC
Forward Transactions	1,271,442	25,563
Swap Transactions	4,409,505	149,158
Futures Transactions	-	202
Options	549,899	16,485
Other	-	11,521
Total	6,230,846	202,929

	Prior Period	
	TL	FC
Forward Transactions	194,605	31,793
Swap Transactions	628,312	34,839
Futures Transactions	-	33
Options	45,430	9,769
Other	-	463
Total	868,347	76,897

4. Information on banks:

a) Information on banks:

	Current Period	
	TL	FC
Banks		
Domestic Banks	953	87,638
Foreign Banks	152,918	9,744,605
Foreign Head Offices and Branches	-	-
Total	153,871	9,832,243

	Prior Period	
	TL	FC
Banks		
Domestic Banks	568,825	511,622
Foreign Banks	108,050	1,356,305
Foreign Head Offices and Branches	-	-
Total	676,875	1,867,927

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I. Explanations and Disclosures Related to the Consolidated Assets (continued)

5. Information on financial assets at fair value through other comprehensive income:

- a) a.1) Information on financial assets at fair value through other comprehensive income given as collateral / blocked:

	Current Period	
	TL	FC
Equity Securities	-	-
Bond, Treasury Bill and Similar Investment Securities	676,131	-
Other	-	-
Total	676,131	-

- a.2) Information on financial assets available for sale given as collateral / blocked:

	Prior Period	
	TL	FC
Equity Securities	-	-
Bond, Treasury Bill and Similar Investment Securities	1,459,329	-
Other	-	-
Total	1,459,329	-

- a.3) Information on financial assets at fair value through other comprehensive income subject to repurchase agreements:

	Current Period	
	TL	FC
Government Bonds	572,400	380,419
Treasury Bills	-	-
Other Government Debt Securities	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-
Asset Backed Securities	-	-
Other	-	-
Total	572,400	380,419

The book value of debt securities and equity securities in unrestricted financial assets at fair value through other comprehensive income is TL1,647,676.

- a.4) Information on financial assets available for sale subject to repurchase agreements:

	Prior Period	
	TL	FC
Government Bonds	109,188	-
Treasury Bills	-	-
Other Government Debt Securities	-	-
Bank Bonds and Bank Guaranteed Bonds	-	-
Asset Backed Securities	-	-
Other	-	-
Total	109,188	-

Net book value of debt securities and equity securities in unrestricted financial assets available for sale is TL3,128,616.

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I. Explanations and Disclosures Related to the Consolidated Assets (continued)

5. Information on financial assets at fair value through other comprehensive income: (continued)

b) b.1) Information on financial assets at fair value through other comprehensive income:

	Current Period
Debt Securities	3,271,016
Quoted on a Stock Exchange	3,271,016
Not Quoted	-
Equity Securities	5,610
Quoted on a Stock Exchange	-
Not Quoted	5,610
Impairment Provision (-)	-
Total	3,276,626

b.2) Information on financial assets available for sale portfolio:

	Prior Period
Debt Securities	4,639,839
Quoted on a Stock Exchange	4,639,839
Not Quoted	-
Equity Securities	57,294
Quoted on a Stock Exchange	-
Not Quoted	57,294
Impairment Provision (-)	-
Total	4,697,133

6. Information on loans:

a) Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current Period	
	Cash	Non-Cash
Direct Loans Granted to Shareholders	12,611	262,599
Corporate Shareholders	12,611	262,599
Real Person Shareholders	-	-
Indirect Loans Granted to Shareholders	-	-
Loans Granted to Employees	109,831	-
Total	122,442	262,599

	Prior Period	
	Cash	Non-Cash
Direct Loans Granted to Shareholders	100,051	301,623
Corporate Shareholders	100,051	301,623
Real Person Shareholders	-	-
Indirect Loans Granted to Shareholders	-	-
Loans Granted to Employees	101,302	-
Total	201,353	301,623

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I. Explanations and Disclosures Related to the Consolidated Assets (continued)

6. Information on loans: (continued)

b) Information on the first and second group loans and other receivables including restructured or rescheduled loans:

Cash Loans	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring (*)		
		Loans and Other Receivables Not Subject to Restructuring	Loans Under Restructuring Modifications on Agreement Conditions	Refinancing
Non-specialized loans	58,701,472	8,642,147	276,704	1,573,097
Working Capital Loans	6,130,113	1,673,839	23,556	512,771
Export Loans	8,170,948	501,664	373	66,108
Import Loans	-	-	-	-
Loans Given to Financial Sector	703,210	-	-	-
Consumer Loans	10,910,453	2,793,135	903	99,075
Credit Cards	3,504,537	638,801	43,432	-
Other	29,282,211	3,034,708	208,440	895,143
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	58,701,472	8,642,147	276,704	1,573,097

	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
12 Month Expected Loss Provision	369,891	-
Significant increase in Credit Risk	-	777,518
Total	369,891	777,518

Number of Extensions	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
Extended by 1 or 2 Times	650,933	427,538
Extended by 3,4 or 5 Times	959	67,262
Extended by Over 5 Times	1,574	87,789
Total	653,466	582,589

Extension Periods	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
0-6 Months	169,225	112,120
6-12 Months	26,483	105,539
1-2 Years	88,918	73,669
2-5 Years	192,089	137,259
5 Years and Over	176,751	154,002
Total	653,466	582,589

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I. Explanations and Disclosures Related to the Consolidated Assets (continued)

6. Information on loans: (continued)

c) Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

Current Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	370,208	12,872,797	13,243,005
Housing Loans	2,384	6,356,188	6,358,572
Vehicle Loans	6,802	432,917	439,719
General Purpose Loans	361,022	6,083,692	6,444,714
Other	-	-	-
Consumer Loans –Indexed to FC	-	6,212	6,212
Housing Loans	-	6,206	6,206
Vehicle Loans	-	-	-
General Purpose Loans	-	6	6
Other	-	-	-
Consumer Loans-FC (**)	28	45,844	45,872
Housing Loans	-	8,685	8,685
Vehicle Loans	-	8,945	8,945
General Purpose Loans	28	28,214	28,242
Other	-	-	-
Individual Credit Cards-TL	2,585,379	39,282	2,624,661
With Installments	839,139	39,282	878,421
Without Installments	1,746,240	-	1,746,240
Individual Credit Cards-FC	9,606	-	9,606
With Installments	-	-	-
Without Installments	9,606	-	9,606
Personnel Loans-TL	6,884	64,476	71,360
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	6,884	64,476	71,360
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	33,321	51	33,372
With Installments	11,654	51	11,705
Without Installments	21,667	-	21,667
Personnel Credit Cards-FC	190	-	190
With Installments	-	-	-
Without Installments	190	-	190
Overdraft Accounts-TL(Real Persons) (*)	435,214	-	435,214
Overdraft Accounts-FC(Real Persons)	1,903	-	1,903
Total	3,442,733	13,028,662	16,471,395

(*) Overdraft accounts include personnel loans amounting to TL 4,909.

(**) Loans granted via branches abroad.

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I. Explanations and Disclosures Related to the Consolidated Assets (continued)

6. Information on loans: (continued)

c) Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

Prior Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	261,181	12,789,825	13,051,006
Housing Loans	1,748	7,716,058	7,717,806
Vehicle Loans	6,577	452,642	459,219
General Purpose Loans	252,856	4,621,125	4,873,981
Other	-	-	-
Consumer Loans –Indexed to FC	-	10,321	10,321
Housing Loans	-	10,172	10,172
Vehicle Loans	-	-	-
General Purpose Loans	-	149	149
Other	-	-	-
Consumer Loans-FC (**)	55	36,398	36,453
Housing Loans	-	7,454	7,454
Vehicle Loans	-	8,039	8,039
General Purpose Loans	55	20,905	20,960
Other	-	-	-
Individual Credit Cards-TL	2,203,323	-	2,203,323
With Installments	790,380	-	790,380
Without Installments	1,412,943	-	1,412,943
Individual Credit Cards-FC	8,635	-	8,635
With Installments	-	-	-
Without Installments	8,635	-	8,635
Personnel Loans-TL	6,586	61,341	67,927
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	6,586	61,341	67,927
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	27,949	-	27,949
With Installments	10,118	-	10,118
Without Installments	17,831	-	17,831
Personnel Credit Cards-FC	208	-	208
With Installments	-	-	-
Without Installments	208	-	208
Overdraft Accounts-TL(Real Persons) (*)	380,585	-	380,585
Overdraft Accounts-FC(Real Persons)	3,344	-	3,344
Total	2,891,866	12,897,885	15,789,751

(*) Overdraft accounts include personnel loans amounting to TL5,218.

(**) Loans granted via branches abroad.

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I. Explanations and Disclosures Related to the Consolidated Assets (continued)

6. Information on loans: (continued)

d) Information on commercial loans with installments and corporate credit cards:

Current Period	Short Term	Medium and Long Term	Total
Commercial Loans with Installment - TL	663,038	12,051,718	12,714,756
Business Loans	228	288,515	288,743
Vehicle Loans	39,031	708,447	747,478
General Purpose Loans	623,779	11,054,756	11,678,535
Other	-	-	-
Commercial Loans with Installment - Indexed to FC	7,828	574,245	582,073
Business Loans	-	15,505	15,505
Vehicle Loans	431	188,305	188,736
General Purpose Loans	7,397	370,435	377,832
Other	-	-	-
Commercial Loans with Installment - FC	432	-	432
Business Loans	-	-	-
Vehicle Loans	12	-	12
General Purpose Loans	420	-	420
Other	-	-	-
Corporate Credit Cards-TL	1,515,359	-	1,515,359
With Installments	454,189	-	454,189
Without Installments	1,061,170	-	1,061,170
Corporate Credit Cards-FC	3,582	-	3,582
With Installments	-	-	-
Without Installments	3,582	-	3,582
Overdraft Accounts-TL(Legal Entities)	1,210,475	-	1,210,475
Overdraft Accounts-FC(Legal Entities)	-	-	-
Total	3,400,714	12,625,963	16,026,677

Prior Period	Short Term	Medium and Long Term	Total
Commercial Loans with Installment - TL	650,471	13,570,795	14,221,266
Business Loans	2,997	323,359	326,356
Vehicle Loans	25,434	758,020	783,454
General Purpose Loans	622,040	12,489,416	13,111,456
Other	-	-	-
Commercial Loans with Installment - Indexed to FC	16,092	710,279	726,371
Business Loans	-	19,697	19,697
Vehicle Loans	2,015	189,745	191,760
General Purpose Loans	14,077	500,837	514,914
Other	-	-	-
Commercial Loans with Installment - FC	112	-	112
Business Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Loans	112	-	112
Other	-	-	-
Corporate Credit Cards-TL	1,212,899	-	1,212,899
With Installments	380,553	-	380,553
Without Installments	832,346	-	832,346
Corporate Credit Cards-FC	2,237	-	2,237
With Installments	-	-	-
Without Installments	2,237	-	2,237
Overdraft Accounts-TL(Legal Entities)	1,147,148	-	1,147,148
Overdraft Accounts-FC(Legal Entities)	-	-	-
Total	3,028,959	14,281,074	17,310,033

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6. Information on loans: (continued)

e) Domestic and foreign loans:

	Current Period
Domestic Loans	68,445,899
Foreign Loans	747,521
Total	69,193,420

	Prior Period
Domestic Loans	61,802,899
Foreign Loans	818,418
Total	62,621,317

f) Loans granted to subsidiaries and associates:

Eliminated in consolidated financial statements.

g) g.1) Specific or non-performing loan (stage 3) provisions for loans:

	Current Period
Loans and Receivables with Limited Collectability	220,205
Loans and Receivables with Doubtful Collectability	274,348
Uncollectible Loans and Receivables	979,399
Total	1,473,952

g.2) Specific provisions provided against loans:

	Prior Period
Loans and Receivables with Limited Collectability	17,524
Loans and Receivables with Doubtful Collectability	67,574
Uncollectible Loans and Receivables	1,157,713
Total	1,242,811

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6. Information on loans: (continued)

h) Information on loans under follow-up (Net):

h.1) Information on loans and other receivables included in loans under follow-up which are restructured or reschedule:

	III. Group	IV. Group	V. Group
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectable Loans and Receivables
Current Period			
Gross Amounts before Provisions	22,800	11,105	5,587
Restructured Loans	22,800	11,105	5,587
Prior Period			
(Gross Amounts before Specific Provisions)			
Restructured Loans and Other Receivables	14,741	10,373	9,944
Rescheduled Loans and Other Receivables	14,741	10,373	9,944

h.2) The movement of loans under follow-up:

	III. Group	IV. Group	V. Group
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectable Loans and Receivables
Current Period			
Prior Period End Balance	121,179	165,294	1,703,827
Additions (+)	1,232,192	86,275	96,142
Transfers from Other Categories of Loans under Follow-up (+)	-	653,963	252,271
Transfers to Other Categories of Loans under Follow-up (-) (**)	658,002	250,249	-
Collections (-)	213,723	124,516	327,361
Write-offs (-) (*)	10	148	2,157
Sold Portfolio (-) (*)	-	-	381,407
Corporate and Commercial Loans	-	-	283,853
Retail Loans	-	-	48,143
Credit Cards	-	-	49,411
Other	-	-	-
Current Period End Balance	481,636	530,619	1,341,315
Provision (-)	220,205	274,348	979,399
Net Balances on Balance Sheet	261,431	256,271	361,916

(*) TL381,407 of the Parent Bank's non-performing loan portfolio for which TL368,644 of provision held were sold for TL18,911 in 2018. After completing all necessary procedures, sales fees has been collected and the related non-performing loans excluded from the records.

Explanation on 2018 sales:

Date of the Sale	Sold Company	Non-Performing	Provision	Amount
29.03.2018	Hayat Varlık Yönetim A.Ş.	131,972	126,665	9,100
07.06.2018	Hayat Varlık Yönetim A.Ş.	90,869	87,574	4,660
27.09.2018	Hayat Varlık Yönetim A.Ş.	158,566	154,405	5,151
Total (Current Period)		381,407	368,644	18,911

(**) In compliance with the related communique, retail loans amounting to TL2,018 are classified from loans under follow-up to performing loans.

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6. Information on loans: (continued)

h) Information on loans under follow-up (Net): (continued)

h.3) Information on foreign currency loans under follow-up:

	III. Group	IV. Group	V. Group
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectable Loans and Receivables
30 September 2018			
Current Period End Balance	25,408	14,199	201,880
Provision (-)	13,805	2,316	181,651
Net Balance on Balance Sheet	11,603	11,883	20,229
31 December 2017			
Prior Period End Balance			
Specific Provision (-)	1,036	843	258,691
Net Balance on Balance Sheet	52	158	216,481
	984	685	42,210

h.4) Information regarding gross and net amounts of loans under follow-up with respect to user groups:

	III. Group	IV. Group	V. Group
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectable Loans and Receivables
Current Period (Net)			
Loans to Real Persons and Legal Entities (Gross)			
Provision (-)	481,636	530,619	1,341,315
Loans to Real Persons and Legal Entities (Net)	220,205	274,348	979,399
Banks (Gross)	261,431	256,271	361,916
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
	-	-	-
Prior Period (Net) (*)			
Loans to Real Persons and Legal Entities (Gross)			
Specific Provision (-)	116,275	164,821	1,665,529
Loans to Real Persons and Legal Entities (Net)	17,524	67,574	1,157,713
Banks (Gross)	98,751	97,247	507,816
Specific Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
	-	-	-

(*) TL43,674 factoring receivables with TL41,710 specific provision are not included.

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I. Explanations and Disclosures Related to the Consolidated Assets (continued)

6. Information on loans: (continued)

h.5) Information on interest accruals, rediscounts and valuation differences calculated for non-performing loans and their provisions:

	III. Group	IV. Group	V. Group
	Loans with Limited Collectability	Loans with Doubtful Collectability	Uncollectible Loans
Current Period(Net)	7,447	8,878	1,738
Interest Accruals, Rediscounts and Valuation Differences	56,558	72,243	50,007
Provision Amount (-)	49,111	63,365	48,269
Prior Period (Net)	-	-	-
Interest Accruals, Rediscounts and Valuation Differences	-	-	-
Provision Amount (-)	-	-	-

7. Information on financial assets measured at amortized cost:

a) a.1) Information on financial assets subject to repurchase agreements and those given as collateral/blocked: 582,673 (31 December 2017: None).

a.2) Information on financial assets measured at amortized cost and given as collateral / blocked:

	Current Period	
	TL	FC
Equity Securities	-	-
Bond, Treasury bill and similar investment securities	1,288,759	-
Other	-	-
Total	1,288,759	-

Unrestricted financial assets at amortized cost amounting to TL1,138,668.

a.3) Information on held-to-maturity investments given as collateral / blocked:

	Prior Period	
	TL	FC
Equity Securities	-	-
Bond, Treasury bill and similar investment securities	329,307	-
Other	-	-
Total	329,307	-

Unrestricted financial assets held-to maturity amounting to TL72,547.

a.4) Information on government debt securities measured at amortized cost:

	Current Period
Government Bonds	3,010,100
Treasury Bills	-
Other Government Debt Securities	-
Total	3,010,100

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7. Information on financial assets measured at amortized cost: (continued)

a.5) Information on held to maturity government debt securities:

	Prior Period
Government Bonds	401,854
Treasury Bills	-
Other Public Sector Debt Securities	-
Total	401,854

a.6) Information on financial assets measured at amortized cost:

	Current Period
Debt Securities	3,010,100
Quoted on a Stock Exchange	3,010,100
Unquoted	-
Impairment Provision(-)	-
Total	3,010,100

a.7) Information on held to maturity investments:

	Prior Period
Debt Securities	401,854
Quoted on a Stock Exchange	401,854
Unquoted	-
Impairment Provision(-)	-
Total	401,854

b) b.1) Movement of financial assets measured at amortized cost:

	Current Period
Beginning Balance	401,854
Foreign Currency Differences on Monetary Assets	-
Purchases during the Year (*)	2,650,131
Disposals Through Sales and Redemptions	(41,885)
Impairment Provision (-)	-
Closing Balance	3,010,100

(*) The Parent Bank reassessed its business model in order to hold the financial assets to collect contractual cash flow the collection of contractual cash flows and sell the assets. Effective from the adoption date of TFRS 9, the Parent Bank measures its marketable securities at amortized cost in accordance with its appropriate business model which aims to collect contractual cash flows, which is amounting to TL1,969,425 and previously classified as financial assets available-for-sale and measured at fair value. Rediscount amounts are included.

b.2) Movement of held-to-maturity investments:

	Prior Period
Beginning Balance	361,508
Foreign Currency Differences on Monetary Assets	-
Purchases during the Year (*)	40,346
Disposals Through Sales and Redemptions	-
Impairment Provision (-)	-
Closing Balance	401,854

(*) Includes rediscount amounts

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I. Explanations and Disclosures Related to the Consolidated Assets (continued)

8. Information on associates (Net):

- a.1) Information on consolidated associates according to Communiqué on Preparing Banks’ Consolidated Financial Statements and related Turkish Accounting Standard: None (31 December 2017: None).
- a.2) Information on the unconsolidated associates: None (31 December 2017: None).
- a.3) Information on the consolidated associates: None (31 December 2017: None).
- a.4) Valuation of consolidated associates: None (31 December 2017: None).
- a.5) Consolidated associates which are quoted on the stock exchange: None (31 December 2017: None).

9. Information on subsidiaries (Net):

- a) Information on shareholders’ equity of significant subsidiaries:

	TEB Faktoring A.Ş.	TEB Yatırım Menkul Değerler A.Ş.	TEB Portföy Yönetimi A.Ş.
Paid-in Capital to be Entitled for Compensation after All Creditors	30,000	28,794	6,860
Reserves	45,870	44,224	6,534
Net income for the period and prior period income	40,177	38,653	4,940
Income/ Loss recognized under equity in accordance with TAS	-	-	(363)
Leasehold Improvements on Operational Leases (-)	372	168	-
Goodwill and intangible asset and the related deferred tax liability (-)	2,164	910	576
Total Common Equity Tier 1 Capital	113,511	110,593	17,395
General Provision	2,928	-	-
Total Equity	116,439	110,593	17,395

The Parent Bank has no capital requirements arising from its subsidiaries included in the Consolidated Capital Adequacy Standard Ratio.

- b) If there is any unconsolidated subsidiary, total equity amount that is lack of subjection to the reasonable justifications of non-consolidate and minimum capital requirements: None (31 December 2017: None).
- c) Information on the unconsolidated subsidiaries: None (31 December 2017: None).
- d) Information on the consolidated subsidiaries:
- d.1) Information on the consolidated subsidiaries:

	Address (City/Country)	Group’s share percentage-If different voting percentage (%)	Other shareholders’ share percentage (%)
1	TEB Faktoring A.Ş. İstanbul/Turkey	100.00	-
2	TEB Yatırım Menkul Değerler A.Ş. İstanbul/Turkey	100.00	-
3	TEB Portföy Yönetimi A.Ş. İstanbul/Turkey	54.74	45.26

Information on the consolidated subsidiaries with the order as presented in the table above:

	Total Assets	Shareholders’ Equity	Total Fixed Assets	Interest Income	Income on Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss (*)	Fair Value
1	1,715,151	116,047	695	170,217	-	29,139	10,137	-
2	418,487	111,671	1,547	33,845	-	26,489	12,564	-
3	20,530	17,971	241	2,152	117	2,767	2,219	-

(*) These figures are shown per BRSA financial statements as of 30 September 2017.

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9. Information on subsidiaries (Net) (continued):

d.2) Information on consolidated subsidiaries:

	Current Period
Balance at the Beginning of the Period	122,918
Movements during the Period	965
Purchases	-
Bonus Shares Obtained	-
Share in Current Year Income	-
Sales	-
Revaluation Increase	965
Provision for Impairment	-
Balance at the End of the Period	123,883
Capital Commitments	-
Share Percentage at the End of the Period (%)	-
	Prior Period
Balance at the Beginning of the Period	122,918
Movements during the Period	-
Purchases	-
Bonus Shares Obtained	-
Share in Current Year Income	-
Sales	-
Revaluation Increase	-
Provision for Impairment	-
Balance at the End of the Period	122,918
Capital Commitments	-
Share Percentage at the End of the Period (%)	-

d.3) Sectoral information on the consolidated subsidiaries and the related carrying amounts:

	Current Period
Banks	-
Insurance Companies	-
Factoring Companies/TEB Faktoring A.Ş.	43,417
Leasing Companies	-
Finance Companies	-
Other Financial Subsidiaries/TEB Yatırım Menkul Değerler A.Ş.	73,906
TEB Portföy Yönetimi A.Ş.	6,560
Total	123,883
	Prior Period
Banks	-
Insurance Companies	-
Factoring Companies/TEB Faktoring A.Ş.	43,417
Leasing Companies	-
Finance Companies	-
Other Financial Subsidiaries/TEB Yatırım Menkul Değerler A.Ş.	72,941
TEB Portföy Yönetimi A.Ş.	6,560
Total	122,918

The carrying amounts of the subsidiaries above have been eliminated in the consolidated financial statements.

d.4) Consolidated subsidiaries quoted on the stock exchange: None (31 December 2017: None).

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I. Explanations and Disclosures Related to the Consolidated Assets (continued)

10. Information on entities under common control (Joint Ventures):

a) Information on entities under common control (joint ventures):

Entities under common control (joint ventures)	Share of the Parent Bank (%)	Share of the Group (%)	Current Asset	Non-current Asset	Long-term Receivable	Profit	Loss
Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş.	0.1	33.3	40,423	33,547	7,841	113,616	(99,185)

b) Accounting method of the reasonable justification of unconsolidated in Joint Ventures that booked on the unconsolidated parent bank’s financial statements.

The Parent Bank owns 0.1% but the Group owns 33.3% share of Bantaş Nakit ve Kıymetli Mal Taşıma ve Güvenlik Hizmetleri A.Ş., it is presented as joint venture in financial statements however, and it is carried by cost value since necessary requirements for consolidation is not met.

11. Information on financial lease receivables (Net): None (31 December 2017: None).

12. Positive differences related to derivative financial assets for hedging purposes

	Current Period	
	TL	FC
Fair Value Hedge	-	-
Cash Flow Hedge	1,233,355	3,151
Foreign Net Investment Hedge	-	-
Total	1,233,355	3,151

In case of termination of the fair value hedge accounting, any adjustment to the book value of the hedging instrument calculated using the effective interest method under fair value hedge accounting is amortized through profit or loss to the financial asset price until the maturity of the asset. As of 30 September 2018, there is no valuation difference related to fair value hedge accounting.

According to cash flow hedges terminated by the Parent Bank, accumulated valuation differences as of 30 September 2018 amounted TL6 is recorded under equity and these accumulated differences are transferred into income statement by considering maturity date of hedged items.

	Prior Period	
	TL	FC
Fair Value Hedge	4,454	-
Cash Flow Hedge	81,486	1,335
Foreign Net Investment Hedge	-	-
Total	85,940	1,335

In case of termination of the fair value hedge accounting, any adjustment to the book value of the hedging instrument calculated using the effective interest method under fair value hedge accounting is amortized through profit or loss to the financial asset price until the maturity of the asset. As of 31 December 2017, total valuation difference in the related fair value hedge accounting balance is TL99.

According to cash flow hedges terminated by the Parent Bank, accumulated valuation differences as of 31 December 2017 amounted TL18 is recorded under equity and these accumulated differences are transferred into income statement by considering maturity date of hedged items.

13. Information on investment property: None (31 December 2017: None).

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I. Explanations and Disclosures Related to the Consolidated Assets (continued)

14. Information on held for sale fixed assets and discontinued operations:

	Current Period
Beginning of Period Cost	90,677
Beginning of Period Accumulated Depreciation (-)	-
Net Book Value	90,677
Opening Balance	90,677
Acquired	87,867
Disposed (-)	59,091
Impairment (-)	307
Depreciation Value (-)	-
End of Period Cost	119,146
End of Period Accumulated Depreciation (-)	-
Closing Net Book Value	119,146

	Prior Period
Beginning of Period Cost	93,224
Beginning of Period Accumulated Depreciation (-)	1,970
Net Book Value	91,254
Opening Balance	91,254
Acquired	92,643
Disposed (-)	90,366
Impairment (-)	2,854
Depreciation Value (-)	-
End of Period Cost	90,677
End of Period Accumulated Depreciation (-)	-
Closing Net Book Value	90,677

15. Information on factoring receivables of Group:

a) Maturity Analysis:

	Current Period	
	TL	FC
Short-term (*)	880,012	824,857
Medium and Long Term	13,769	-
Stage 1 Provision (-)	1,302	315
Stage 2 Provision (-)	1,303	8
Stage 3 Provision (-)	44,111	3,986
Total	847,065	820,548

(*) Amounting to TL55,414 impaired factoring receivable included.

	Prior Period	
	TL	FC
Short term (*)	1,255,927	780,813
Medium and Long Term	9,817	-
Specific provisions (-)	37,744	3,966
Total	1,228,000	776,847

(*) Amounting to TL43,674 impaired factoring receivable included.

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II. Explanations and Disclosures Related to the Consolidated Liabilities

1. a) Information on maturity structure of deposits:

a.1) Current period:

	7 Day Call Demand Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Month- 1 Year	1 Year and Over	Accumulated Deposits	Total	
Saving Deposits	1,917,842	-	6,309,227	15,938,721	620,308	112,169	40,427	-	24,938,694
Foreign Currency Deposits	6,139,423	-	6,630,033	17,469,217	262,135	141,274	162,932	-	30,805,014
Residents in Turkey	5,684,228	-	6,241,829	16,702,016	242,941	102,990	154,446	-	29,128,450
Residents Abroad	455,195	-	388,204	767,201	19,194	38,284	8,486	-	1,676,564
Public Sector Deposits	177,813	-	87,494	122,983	36,798	-	-	-	425,088
Commercial Deposits	2,640,394	-	1,542,176	3,839,033	669,578	215,446	287,545	-	9,194,172
Other Institutions Deposits	117,470	-	549,056	912,485	1,315,086	1,345,458	107,635	-	4,347,190
Precious Metals Deposits	437,547	-	35,772	380,148	18,126	95,917	-	-	967,510
Bank Deposits	119,515	-	178,804	-	-	-	-	-	298,319
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	39	-	-	-	-	-	-	-	39
Foreign Banks	15,332	-	178,804	-	-	-	-	-	194,136
Special Financial Institutions	104,144	-	-	-	-	-	-	-	104,144
Other	-	-	-	-	-	-	-	-	-
Total	11,550,004	-	15,332,562	38,662,587	2,922,031	1,910,264	598,539	-	70,975,987

a.2) Prior period:

	7 Day Call Demand Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Month- 1 Year	1 Year and Over	Accumulated Deposits	Total	
Saving Deposits	1,579,123	-	3,775,899	12,996,864	646,500	49,920	29,352	-	19,077,658
Foreign Currency Deposits	4,266,697	-	4,003,364	12,945,150	168,275	84,585	41,763	-	21,509,834
Residents in Turkey	3,844,836	-	3,818,280	12,246,138	151,534	58,737	38,835	-	20,158,360
Residents Abroad	421,861	-	185,084	699,012	16,741	25,848	2,928	-	1,351,474
Public Sector Deposits	112,270	-	3,924	128,946	1,242	49	-	-	246,431
Commercial Deposits	3,160,736	-	1,569,651	5,086,824	507,806	240,276	22,194	-	10,587,487
Other Institutions Deposits	93,802	-	44,572	471,719	1,107,120	1,312,767	110,594	-	3,140,574
Precious Metals Deposits	238,094	-	27,741	317,908	40,024	68,732	-	-	692,499
Bank Deposits	20,549	-	258,821	-	-	-	-	-	279,370
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	21	-	-	-	-	-	-	-	21
Foreign Banks	20,528	-	258,821	-	-	-	-	-	279,349
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	9,471,271	-	9,683,972	31,947,411	2,470,967	1,756,329	203,903	-	55,533,853

b) Information on saving deposits under the guarantee of saving deposit insurance:

b.1) Saving deposits exceeding the limit of insurance:

i) Information on saving deposits under the guarantee of saving deposit insurance and exceeding the limit of saving deposit insurance:

Saving Deposits	Under the Guarantee of Insurance(*)	Exceeding the Limit of Insurance(*)
	Current Period	Current Period
Saving Deposits	11,832,558	12,534,005
Foreign Currency Saving Deposits	3,337,387	12,724,511
Other Deposits in the Form of Saving Deposits	253,891	630,509
Foreign Branches' Deposits under Foreign Authorities' Insurance	-	-
Off-shore Banking Regions' Deposits under Foreign Authorities' Insurance	-	-
Total	15,423,836	25,889,025

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b) Information on saving deposits under the guarantee of saving deposit insurance: (continued)

b.1) Saving deposits exceeding the limit of insurance: (continued)

ii) Information on saving deposits under the guarantee of saving deposit insurance and exceeding the limit of saving deposit insurance:

Saving Deposits	Under the Guarantee of Insurance(*) Prior Period	Exceeding the Limit of Insurance(*) Prior Period
Saving Deposits	9,035,849	9,611,048
Foreign Currency Saving Deposits	2,346,653	8,271,415
Other Deposits in the Form of Saving Deposits	166,787	492,284
Foreign Branches' Deposits under Foreign Authorities' Insurance	-	-
Off-shore Banking Regions' Deposits under Foreign Authorities' Insurance	-	-
Total	11,549,289	18,374,747

(*) According to the BRSA's circular no 1584 dated on 23 February 2005, accruals are included in the saving deposit amounts.

iii) Deposit of real persons not under the guarantee of saving deposit insurance:

	Current Period
Foreign Branches' Deposits and Other Accounts	655,768
Deposits of Controlling Shareholders and Their Close Families	1,436,058
Deposits of Chairman and Members of the Board of Directors and Their Close Families	56,620
Deposits Obtained through Illegal Acts Defined in the 282 nd Article of the 5237 Numbered Turkish Criminal Code Dated September 26, 2004.	-
Saving Deposits in Banks Established in Turkey exclusively for Off-shore Banking Activities	-
	Prior Period
Foreign Branches' Deposits and Other Accounts	481,344
Deposits of Controlling Shareholders and Their Close Families	1,824,044
Deposits of Chairman and Members of the Board of Directors and Their Close Families	43,508
Deposits Obtained through Illegal Acts Defined in the 282 nd Article of the 5237 Numbered Turkish Criminal Code Dated September 26, 2004.	-
Saving Deposits in Banks Established in Turkey exclusively for Off-shore Banking Activities	-

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II. Explanations and Disclosures Related to the Consolidated Liabilities (continued)

2. Information on derivative financial liabilities:

- a) Negative differences related to derivative financial liabilities held-for-trading:

	Current Period	
	TL	FC
Forward Transactions	478,111	37,039
Swap Transactions	4,413,951	58,854
Futures Transactions	-	-
Options	537,554	9,055
Other	-	-
Total	5,429,616	104,948

	Prior Period	
	TL	FC
Forward Transactions	126,546	8,454
Swap Transactions	693,606	63,911
Futures Transactions	-	96
Options	54,655	10,017
Other	-	792
Total	874,807	83,270

3. Information on funds borrowed and debt securities issued:

- a) Information on banks and other financial institutions:

	Current Period	
	TL	FC
Funds Borrowed from Central Bank of Turkey	-	-
From Domestic Banks and Institutions	319,654	477,236
From Foreign Banks, Institutions and Funds	605,151	13,921,671
Total	924,805	14,398,907

As of 30 September 2018 the Group has borrowings from its related parties amounting to TL6,298,543.

	Prior Period	
	TL	FC
Funds Borrowed from Central Bank of Turkey	-	-
From Domestic Banks and Institutions	239,131	506,592
From Foreign Banks, Institutions and Funds	939,707	12,878,538
Total	1,178,838	13,385,130

As of 31 December 2017 the Group has borrowings from its related parties amounting to TL6,230,766.

- b) Maturity analysis of borrowings:

	Current Period	
	TL	FC
Short-term	924,805	12,400,513
Medium and Long-term	-	1,998,394
Total	924,805	14,398,907

	Prior Period	
	TL	FC
Short-term	1,178,838	9,550,773
Medium and Long-term	-	3,834,357
Total	1,178,838	13,385,130

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II. Explanations and Disclosures Related to the Consolidated Liabilities (continued)

3. Information on funds borrowed and debt securities issued: (continued)

c) Explanations on debt securities issued:

	Current Period	
	TL	FC
Bank Bonds	1,898,790	-
Treasury Bills	-	-
Total	1,898,790	-
	Prior Period	
	TL	FC
Bank Bonds	1,289,688	-
Treasury Bills	-	-
Total	1,289,688	-

4. Other external funding payables which exceed 10% of the balance sheet total (excluding off-balance sheet commitments) and the breakdown of these which constitute at least 20% of grand total

Other external funding payables amounting to TL688,206 (31 December 2017: TL599,037) do not exceed 10% of the total balance sheet.

5. Explanations on financial lease obligations (Net):

a) The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the group:

In the financial lease agreements, installments are based on useful life, usage periods and provisions of the Tax Procedural Law.

b) The explanation on modifications in agreements and new obligations resulting from such modifications: None

c) Explanation on financial lease payables: None (31 December 2017: None).

d) Explanations regarding operational leases:

For the period ended 30 September 2018, operational lease expenses amounting to TL186,274 (30 September 2017: TL165,638) have been recorded in the profit and loss accounts. The lease periods vary between 1 and 10 years and lease agreements are cancelable subject to a certain period of notice.

e) Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms: None.

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II. Explanations and Disclosures Related to the Consolidated Liabilities (continued)

6. Negative differences table of derivative financial liabilities for hedging purposes:

	Current Period	
	TL	FC
Fair Value Hedge	-	-
Cash Flow Hedge	40,736	1,432
Foreign Net Investment Hedge	-	-
Total	40,736	1,432

In case of termination of the fair value hedge accounting, any adjustment to the book value of the hedging instrument calculated using the effective interest method under fair value hedge accounting is amortized through profit or loss to the financial asset price until the maturity of the asset. As of 30 September 2018, there is no valuation difference related to fair value hedge accounting.

According to cash flow hedges terminated by the Parent Bank, accumulated valuation differences amounted TL6 is recorded under equity as of 30 September 2018 and these accumulated differences are transferred into income statement by considering maturity date of hedged items.

	Prior Period	
	TL	FC
Fair Value Hedge	9,517	-
Cash Flow Hedge	433,500	314
Foreign Net Investment Hedge	-	-
Total	443,017	314

In case of termination of the fair value hedge accounting, any adjustment to the book value of the hedging instrument calculated using the effective interest method under fair value hedge accounting is amortized through profit or loss to the financial asset price until the maturity of the asset. As of 31 December 2017, total valuation difference in the related fair value hedge accounting balance is TL99.

According to cash flow hedges terminated by the Parent Bank, accumulated valuation differences as of 31 December 2017 amounted TL18 is recorded under equity as of 31 December 2017 and these accumulated differences are transferred into income statement by considering maturity date of hedged items.

7. Information on provisions:

a) Information on general provisions:

	Current Period	
	TL	FC
Provisions for I. Group Loans and Receivables	-	-
Additional Provision for Loans and Receivables with Extended Maturities	-	-
Provisions for II. Group Loans and Receivables	-	-
Additional Provision for Loans and Receivables with Extended Maturities	-	-
Provisions for Non-Cash Loans	-	-
Other	-	-
Total	-	-
	Prior Period	
	TL	FC
Provisions for I. Group Loans and Receivables	471,369	-
Additional Provision for Loans and Receivables with Extended Maturities	20,152	-
Provisions for II. Group Loans and Receivables	66,355	-
Additional Provision for Loans and Receivables with Extended Maturities	18,414	-
Provisions for Non-Cash Loans	30,767	-
Other	9,910	-
Total	578,401	-

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II. Explanations and Disclosures Related to the Consolidated Liabilities (continued)

7. Information on provisions: (continued)

b) Foreign exchange provision on the foreign currency indexed loans and financial lease receivables: There is no foreign exchange losses on the foreign currency indexed loans which is offset from the loans on the balance sheet (31 December 2017: TL6,239).

c) The specific provisions provided for unindemnified non-cash loans amount to TL28,201 (31 December 2017: TL48,741).

d) Liabilities on unused vacation, bonus, employee termination benefits:

As of 30 September 2018, TL20,246 (31 December 2017: TL14,888) unused vacation provision, TL123,573 (31 December 2017: TL124,107) employee termination benefit provision, TL2,550 (31 December 2017: TL129,343) bonus provision are presented under “Reserve for Employee Benefit” in financial statements.

e) Information on other provisions:

e.1) Provisions for possible losses: None (31 December 2017: None).

e.2) The breakdown of the subsidiary accounts if other provisions exceed 10% of the grand total of provisions:

	Current Period
Provision for Legal Cases	68,771
Provision for Non-cash Loans	182,230
Provision for Promotions of Credit Cards and Banking Services	13,445
Other	42,704
Total	307,150
	Prior Period
Provision for Legal Cases	58,308
Provision for Unindemnified Non-cash Loans	48,741
Provision for Promotions of Credit Cards and Banking Services	12,265
Other	67,114
Total	186,428

8. Explanations on taxes payable:

a) Information on current tax liability:

	Current Period
Corporate Tax Payable	6,209
Taxation on Securities	81,224
Property Tax	2,280
Banking Insurance Transaction Tax (BITT)	69,589
Foreign Exchange Transaction Tax	55
Value Added Tax Payable	1,477
Other (*)	25,413
Total	186,247

(*) Others include income taxes deducted from wages amounting to TL20,970 and stamp taxes payable amounting to TL1,324.

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II. Explanations and Disclosures Related to the Consolidated Liabilities (continued)

8. Explanations on taxes payable: (continued)

a) Information on current tax liability:

	Prior Period
Corporate Tax Payable	80,308
Taxation on Securities	49,230
Property Tax	2,275
Banking Insurance Transaction Tax (BITT)	47,512
Foreign Exchange Transaction Tax	34
Value Added Tax Payable	6,514
Other (*)	20,400
Total	206,273

(*) Others include income taxes deducted from wages amounting to TL15,795 and stamp taxes payable amounting to TL1,249.

b) Information on premiums:

	Current Period
Social Security Premiums-Employee	27,412
Social Security Premiums-Employer	8,943
Bank Social Aid Pension Fund Premium-Employee	-
Bank Social Aid Pension Fund Premium-Employer	-
Pension Fund Membership Fees and Provisions-Employee	2
Pension Fund Membership Fees and Provisions-Employer	2
Unemployment Insurance-Employee	690
Unemployment Insurance-Employer	1,141
Other	-
Total	38,190

	Prior Period
Social Security Premiums-Employee	24,816
Social Security Premiums-Employer	8,091
Bank Social Aid Pension Fund Premium-Employee	-
Bank Social Aid Pension Fund Premium-Employer	-
Pension Fund Membership Fees and Provisions-Employee	-
Pension Fund Membership Fees and Provisions-Employer	-
Unemployment Insurance-Employee	617
Unemployment Insurance-Employer	1,015
Other	-
Total	34,539

c) Explanations on deferred tax liabilities, if any: The Group has TL66,113 deferred tax liability as of 30 September 2018 (31 December 2017: None).

9. Information on Shareholders' Equity:

a) Presentation of Paid-in capital:

	Current Period
Common Stock	2,204,390
Preferred Stock	-
	Prior Period
Common Stock	2,204,390
Preferred Stock	-

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II. Explanations and Disclosures Related to the Consolidated Liabilities (continued)

9. Information on Shareholders’ Equity: (continued)

- b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank if so amount of registered share capital ceiling:

Capital System	Paid-in capital	Ceiling
Registered Capital System	2,204,390	-

- c) Information on share capital increases and their sources and other information on increased capital shares in current period: None.
- d) Information on share capital increases from revaluation funds: None.
- e) Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments: None.
- f) Indicators of the Parent Bank’s income, profitability and liquidity for the previous periods and possible effects of these future assumptions due to the uncertainty of these indicators on the Parent Bank’s equity:

The income diversified with various business line and related channels/products/sectors, supported with different projects result a sustainable and relatively non-volatile profitability. Besides, interest rate, currency rate and liquidity risk under control are testing with various simulation and these test prevents the risks of effect. The profitability of the bank is followed up and estimated by the Parent Bank’s Planning and Performance Management in short and long term. It is also reported to Asset-Liability Committee and other related organs. As result, current and future negative effect on equity is not occurred and expected.

- g) Information on preferred shares: None.
- h) Information on marketable securities valuation differences:

	Current Period	
	TL	FC
From Associates, Subsidiaries, and Entities Under Common Control (Joint Vent.)	-	-
Valuation Difference	(217,763)	(19,358)
Foreign Exchange Difference	-	-
Total	(217,763)	(19,358)

	Prior Period	
	TL	FC
From Associates, Subsidiaries, and Entities Under Common Control (Joint Vent.)	-	-
Valuation Difference	(48,127)	9,733
Foreign Exchange Difference	-	-
Total	(48,127)	9,733

- 10. Information on minority interest:** As of 30 September 2018, part of the group equity that belongs to minority shares is TL8,134 (31 December 2017: TL8,394).

- 11. Information on factoring liabilities:** As of 30 September 2018 group has factoring debt of TL7,462 (31 December 2017: TL3,436).

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III. Explanations and Disclosures Related to the Consolidated Off-Balance Sheet Items

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

	Current Period
Asset Purchase and Sale Commitments	7,868,142
Commitments for Credit Card Expenditure Limits	6,050,297
Loan Granting Commitments	4,810,319
Payment Commitment for Cheques	1,801,050
Time Deposit Purchase and Sale Commitments	177,926
Tax and Fund Liabilities from Export Commitments	48,033
Commitments for Promotions Related with Credit Cards and Banking Activities	4,649
Other Irrevocable Commitments	262,343
Total	21,022,759

	Prior Period
Asset Purchase and Sale Commitments	7,314,209
Commitments for Credit Card Expenditure Limits	5,411,646
Loan Granting Commitments	4,631,069
Payment Commitment for Cheques	2,387,642
Tax and Fund Liabilities from Export Commitments	31,047
Commitments for Promotions Related with Credit Cards and Banking Activities	3,723
Other Irrevocable Commitments	201,399
Total	19,980,735

b) Possible losses and commitments related to off-balance sheet items:

The Group, within the context of banking activities, undertakes certain commitments, consisting of loan commitments, letters of guarantee, acceptance credits and letters of credit.

b.1) Non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits:

	Current Period
Letters of Credit	3,513,238
Bank Acceptances	44,781
Other Commitments	5,658,912
Other Contingencies	1,044,633
Total	10,261,564

	Prior Period
Letters of Credit	2,396,568
Bank Acceptances	42,316
Other Commitments	3,878,690
Other Contingencies	1,227,786
Total	7,545,360

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III. Explanations and Disclosures Related to the Consolidated Off-Balance Sheet Items (continued)

1. Information on off-balance sheet liabilities: (continued)

b.2) Guarantees, surety ships, and similar transactions:

	Current Period
Guarantee Letters	10,725,502
Advance Guarantee Letters	2,024,787
Guarantee Letters Given for Customs	590,771
Temporary Guarantee Letters	574,852
Other Guarantee Letters	1,864,401
Total	15,780,313
	Prior Period
Guarantee Letters	9,092,727
Advance Guarantee Letters	1,224,234
Temporary Guarantee Letters	779,900
Guarantee Letters Given for Customs	478,659
Other Guarantee Letters	1,463,760
Total	13,039,280

c) c.1) Total amount of non-cash loans:

	Current Period
Non-Cash Loans Given Against Achieving Cash Loans	1,865,488
With Maturity of One Year or Less Than One Year	197,654
With Maturity of More Than One Year	1,667,834
Other Non-Cash Loans	24,176,389
Total	26,041,877
	Prior Period
Non-Cash Loans Given Against Achieving Cash Loans	1,482,962
With Maturity of One Year or Less Than One Year	264,000
With Maturity of More Than One Year	1,218,962
Other Non-Cash Loans	19,101,678
Total	20,584,640

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IV. Explanations and Disclosures Related to the Consolidated Statement of Income

1. Explanations on Interest Income

a) Information on interest income on loans:

	Current Period	
	TL	FC
Interest income on loans (*)		
Short Term Loans	2,990,975	215,808
Medium and Long Term Loans	3,438,463	273,430
Interest on Loans under Follow-Up	111,526	967
Premiums Received from Resource Utilization Support Fund	-	-
Total	6,540,964	490,205

(*) Includes fees and commissions obtained from cash loans amounting to TL82,050.

	Prior Period	
	TL	FC
Interest income on loans (*)		
Short Term Loans	1,912,385	126,358
Medium and Long Term Loans	2,965,730	189,915
Interest on Loans under Follow-Up	35,611	-
Premiums Received from Resource Utilization Support Fund	-	-
Total	4,913,726	316,273

(*) Includes fees and commissions obtained from cash loans amounting to TL86,951.

b) Information on interest income on banks:

	Current Period	
	TL	FC
The Central Bank of Turkey	-	10,264
Domestic banks	111,375	2,273
Foreign Banks	10,280	29,694
Branches and Head Office Abroad	-	-
Total	121,655	42,231

	Prior Period	
	TL	FC
The Central Bank of Turkey	-	6,655
Domestic banks	33,278	492
Foreign Banks	3,719	3,882
Branches and Head Office Abroad	-	-
Total	36,997	11,029

c) Information on interest income on marketable securities portfolio:

	Current Period	
	TL	FC
Financial Assets Valued at Fair Value Through Profit or Loss	100,526	10,852
Financial Assets at Fair Value Through Other Comprehensive Income	307,725	9,368
Financial Assets at Amortized Cost	274,996	-
Total	683,247	20,220

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IV. Explanations and Disclosures Related to the Consolidated Statement of Income (continued)

1. Explanations on Interest Income (continued)

c) Information on interest income on marketable securities portfolio: (continued)

	Prior Period	
	TL	FC
Financial Assets Held for Trading	24,171	1,452
Financial Assets Valued at Fair Value Through Profit or Loss	-	-
Financial Assets Available for Sale	326,873	660
Held-to-Maturity Investments	34,439	-
Total	385,483	2,112

d) Information on interest income on associates and subsidiaries:

Interest income received from associates and subsidiaries are eliminated in the consolidated financial statements.

2. Explanations on Interest Expense

a) Information on interest expense on funds borrowed (*):

	Current Period	
	TL	FC
Banks		
The Central Bank of the Republic of Turkey	-	-
Domestic Banks	20,864	10,854
Foreign Banks	83,847	326,900
Branches and Head Office Abroad	-	-
Other Financial Institutions	-	-
Total	104,711	337,754

(*). Includes fees and commission expenses of cash loans amounting to TL12,829.

	Prior Period	
	TL	FC
Banks		
The Central Bank of the Republic of Turkey	-	-
Domestic Banks	9,807	2,611
Foreign Banks	41,479	218,443
Branches and Head Office Abroad	-	-
Other Financial Institutions	-	10,292
Total	51,286	231,346

(*). Includes fees and commission expenses of cash loans amounting to TL8,129.

b) Information on interest expense on associates and subsidiaries:

Interest expenses to associates and subsidiaries are eliminated in the consolidated financial statements.

c) Information on interest expense on securities issued:

	Current Period	
	TL	FC
Interest Expense on securities issued	218,001	116
Total	218,001	116

	Prior Period	
	TL	FC
Interest Expense on securities issued	49,540	-
Total	49,540	-

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IV. Explanations and Disclosures Related to the Consolidated Statement of Income (continued)

2. Explanations on Interest Expense (continued)

d) Distribution of interest expense on deposits based on maturity of deposits:

Current Period:		Time Deposits						Accumulated Deposits	Total
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year			
TL									
Bank Deposits	-	20,191	-	-	-	-	-	20,191	
Saving Deposits	9	578,789	1,612,853	82,025	11,627	2,585	-	2,287,888	
Public Sector Deposits	-	1,701	20,207	2,420	-	-	-	24,328	
Commercial Deposits	7	225,190	575,282	99,898	36,931	16,183	-	953,491	
Other Deposits	-	5,348	90,584	78,230	246,220	13,578	-	433,960	
7 Days Call Accounts	-	-	-	-	-	-	-	-	
Total	16	831,219	2,298,926	262,573	294,778	32,346	-	3,719,858	
FC									
Foreign Currency Deposits	5	58,886	383,186	5,508	2,339	2,929	-	452,853	
Bank Deposits	-	10,247	-	-	-	-	-	10,247	
7 Days Call Accounts	-	-	-	-	-	-	-	-	
Precious Metal Deposits	-	330	5,917	459	1,649	-	-	8,355	
Total	5	69,463	389,103	5,967	3,988	2,929	-	471,455	
Grand Total	21	900,682	2,688,029	268,540	298,766	35,275	-	4,191,313	
Prior Period:		Time Deposits						Accumulated Deposits	Total
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year			
TL									
Bank Deposits	-	12,239	-	-	-	-	-	12,239	
Saving Deposits	-	248,509	1,011,838	58,783	2,685	1,984	-	1,323,799	
Public Sector Deposits	-	1,096	6,355	1,034	4	-	-	8,489	
Commercial Deposits	-	105,728	372,733	44,271	15,337	7	-	538,076	
Other Deposits	-	2,555	83,038	109,240	80,415	5,081	-	280,329	
7 Days Call Accounts	-	-	-	-	-	-	-	-	
Total	-	370,127	1,473,964	213,328	98,441	7,072	-	2,162,932	
FC									
Foreign Currency Deposits	-	44,565	267,551	4,071	1,621	918	-	318,726	
Bank Deposits	-	4,354	-	-	-	-	-	4,354	
7 Days Call Accounts	-	-	-	-	-	-	-	-	
Precious Metal Deposits	-	298	3,380	355	1,119	-	-	5,152	
Total	-	49,217	270,931	4,426	2,740	918	-	328,232	
Grand Total	-	419,344	1,744,895	217,754	101,181	7,990	-	2,491,164	

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IV. Explanations and Disclosures Related to the Consolidated Statement of Income (continued)

3. Information on trading gain/loss (Net):

	Current Period
Gains	54,692,507
Gains on capital market operations	115,439
Gains on derivative financial instruments (*)	22,325,506
Foreign exchange gains (**)	32,251,562
Losses (-)	55,054,777
Losses on capital market operations	269,107
Losses on derivative financial instruments (*)	18,706,764
Foreign exchange losses (**)	36,078,906

(*) Foreign exchange gain on hedging transactions is TL451,29.

(**) Foreign exchange gains on derivative financial transactions are TL764,213.

	Prior Period
Gains	17,212,718
Gains on capital market operations	25,099
Gains on derivative financial instruments (*)	5,198,381
Foreign exchange gains (**)	11,989,238
Losses (-)	17,926,449
Losses on capital market operations	24,541
Losses on derivative financial instruments (*)	6,303,655
Foreign exchange losses (**)	11,598,253

(*) Foreign exchange gain on hedging transactions is TL41,729.

(**) Foreign exchange gains on derivative financial transactions are TL21,356.

4. Information on other operating income:

Other operating income of the Group mainly consists of all transaction costs collected from clients and disposal of assets.

5. Provision expenses of banks for loans and other receivables:

a) Allowance for Expected Credit Losses:

	Current Period
Expected Credit Losses	816,311
12-Month Expected Credit Losses (Stage 1)	113,823
Significant Increase in Credit Risk (Stage 2)	174,361
Credit-Impaired (Stage 3)	528,127
Impairment Provisions for Financial Assets	-
Financial Assets at Fair Value Through Profit or Loss	-
Financial Assets at Fair Value Through Other Comprehensive Income	-
Impairment Provision Related to Investments in Associates, Subsidiaries and Joint Ventures	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Other	1,399
Total	817,710

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IV. Explanations and Disclosures Related to the Consolidated Statement of Income (continued)

5. Provision expenses of banks for loans and other receivables: (continued)

b) Provision expenses of banks for loans and other receivables:

	Prior Period
Specific provisions for loans and other receivables	250,638
III. Group Loans and Receivables	80,819
IV. Group Loans and Receivables	102,390
V. Group Loans and Receivables	67,429
General provision expenses	47,523
Provision expenses for possible losses	-
Marketable securities impairment losses	-
Financial assets at fair value through profit or loss	-
Financial assets available for sale	-
Impairment provision expense	-
Associates	-
Subsidiaries	-
Entities under common control (Joint Vent.)	-
Held to maturity investments	-
Other	12,261
Total	310,422

6. Information on other operating expenses: (continued)

	Current Period
Personnel expenses	972,165
Reserve for employee termination benefits	16,044
Bank social aid fund deficit provision	-
Impairment expenses of fixed assets	-
Depreciation expenses of fixed assets	59,773
Impairment expenses of intangible assets	-
Impairment expense of goodwill	-
Depreciation expenses of intangible assets	43,922
Impairment for investments accounted with equity method	-
Impairment expenses of assets to be disposed	307
Depreciation expenses of assets to be disposed	-
Impairment expenses of assets held for sale and discontinued operations	-
Other operating expenses	734,314
Rent expenses	186,274
Maintenance expenses	16,511
Advertisement expenses	67,001
Other expenses	464,528
Loss on sales of assets	1,736
Other(*)	180,475
Total	2,008,736

(*) Includes TL64,219 in other premiums paid to the Saving Deposit Insurance Fund, TL73,502 is other taxes and duties paid.

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IV. Explanations and Disclosures Related to the Consolidated Statement of Income (continued)

6. Information on other operating expenses: (continued)

	Prior Period
Personnel expenses	885,971
Reserve for employee termination benefits	17,535
Bank social aid fund deficit provision	-
Impairment expenses of fixed assets	-
Depreciation expenses of fixed assets	65,077
Impairment expenses of intangible assets	-
Impairment expense of goodwill	-
Depreciation expenses of intangible assets	34,351
Impairment for investments accounted with equity method	-
Impairment expenses of assets to be disposed	1,228
Depreciation expenses of assets to be disposed	1,263
Impairment expenses of assets held for sale and discontinued operations	-
Other operating expenses	649,324
Rent expenses	165,638
Maintenance expenses	15,957
Advertisement expenses	68,235
Other expenses	399,494
Loss on sales of assets	1,563
Other(*)	167,505
Total	1,823,817

(*) Includes TL51,869 in other premiums paid to the Saving Deposit Insurance Fund, TL77,369 is other taxes and duties paid.

7. Information on tax provision for continued and discontinued operations:

- a) As of 30 September 2018, continuing operations’ current tax charge is TL22,871 (30 September 2017: TL243,920) and deferred tax charge is TL246,020 (30 September 2017: TL19,334 deferred tax benefit). As of 30 September 2018, there is no current tax charge/benefit from discontinued operations (30 September 2017: None).
- b) As of 30 September 2018, deferred tax charge on temporary differences resulted from continuing operations is TL246,020 (30 September 2017: TL19,334 deferred tax benefit).
- c) Tax reconciliation:

	Current Period
Profit before Taxes	1,238,756
Additions	26,154
Nonallowable expenses	19,891
Other	6,263
Deductions	(33,850)
Dividend Income	66
Other	(33,916)
Taxable Profit / (Loss)	1,231,060
Corporate Tax Rate	22%
Tax Calculated	270,833
Previous year tax adjustment effect	(1,942)
Tax Charge	268,891

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IV. Explanations and Disclosures Related to the Consolidated Statement of Income (continued)

7. Information on tax provision for continued and discontinued operations: (continued)

c) Tax reconciliation: (continued)

	Prior Period
Profit before Taxes	1,049,406
Additions	75,094
Nonallowable	25,310
General Loan Loss Provision	47,260
Other	2,524
Deductions	(1,572)
Dividend Income	(696)
Other	(876)
Taxable Profit / (Loss)	1,122,928
Corporate Tax Rate	20%
Tax Calculated	224,586
Tax charge from continued and discontinued operations	224,586

8. The explanations on net income/loss for the period:

- a) The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Parent Bank's performance for the period: None (30 September 2017: None).
- b) Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None (30 September 2017: None).
- c) Profit/loss attributable to minority interest:

	Current Period	Prior Period
Profit or loss attributable to minority interest(*)		1,004

(*) The loss belongs to minority interest accounted for under the equity is TL86 (30 September 2017: TL13 gain).

9. If the other items in the income statement exceed 10% of the income statement total accounts amounting to at least 20% of these items:

	Current Period
Other interest income	
Interest income on factoring receivables	170,202
Other	2,902
Total	173,104

	Prior Period
Other interest income	
Interest income on factoring receivables	87,791
Other	1,885
Total	89,676

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IV. Explanations and Disclosures Related to the Consolidated Statement of Income (continued)

9. If the other items in the income statement exceed 10% of the income statement total accounts amounting to at least 20% of these items: (continued)

	Current Period
<u>Other fees and commissions received</u>	
Credit cards fees and commissions	681,537
Periodic service commission	113,835
Insurance commission	103,327
Brokerage and consulting commissions	50,220
Intelligence fee and commissions	41,374
Settlement expense provision, eft, swift, agency commissions	32,122
Funds management fees	29,084
Transfer commissions	20,998
Consultancy commission	4,459
Commissions and fees earned from correspondent banks	3,141
Other	194,420
Total	1,274,517
<u>Other fees and commissions given</u>	
Credit cards fees and commissions	324,966
Commissions and fees paid to correspondent banks	46,259
Settlement expense provision, eft, swift, agency commissions	16,118
Other	57,166
Total	444,509
	Prior Period
<u>Other fees and commissions received</u>	
Credit cards fees and commissions	486,414
Periodic service commission	93,606
Insurance commission	90,806
Intelligence fee and commissions	48,325
Brokerage commissions	42,439
Settlement expense provision, eft, swift, agency commissions	26,396
Funds management fees	25,743
Transfer commissions	10,913
Commissions and fees earned from correspondent banks	2,326
Other	185,952
Total	1,012,920
<u>Other fees and commissions given</u>	
Credit cards fees and commissions	210,578
Commissions and fees paid to correspondent banks	26,160
Settlement expense provision, eft, swift, agency commissions	13,533
Other	52,686
Total	302,957

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V. Explanations and Disclosures Related to Risk Group of the Parent Bank

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

Balance sheet items of previous periods are presented as of 31 December 2017 and income/expense items of previous periods are presented as of 30 September 2017.

a) Current Period:

Related Parties	Subsidiaries, Associates and Entities under Common Control (Joint Vent.)		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
	Loans and Other Receivables					
Balance at Beginning of Period	-	-	171,573	301,623	375,636	134,644
Balance at End of Period	-	-	113,682	262,599	164,675	74,647
Interest and Commission Income	-	-	8,949	592	5,197	330

Direct and indirect shareholders of the Group balance above includes TL101,071 and other entities included in the risk group balance above includes TL163,408 placement in “Banks”.

b) Prior Period:

Related Parties	Subsidiaries, Associates and Entities under Common Control (Joint Vent.)		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
	Loans and Other Receivables					
Balance at Beginning of period	-	-	246,624	188,104	104,421	124,716
Balance at End of Period	-	-	171,573	301,623	375,636	134,644
Interest and Commission Income	-	-	2,997	18	1,866	379

Direct and indirect shareholders of the Group balance above includes TL71,522 and other entities included in the risk group balance above includes TL264,429 placement in “Banks”.

c) c.1) Information on related party deposits balances:

Related parties	Subsidiaries, Associates and Entities under Common Control (Joint Vent.)		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	Deposits					
Balance at Beginning of Period	-	-	1,524,306	1,355,438	756,839	1,095,132
Balance at End of Period	-	-	1,792,889	1,524,306	1,212,611	756,839
Interest on Deposits	-	-	65,640	38,626	58,079	43,504

c.2) Information on forward and option agreements and other similar agreements made with related parties:

Related Parties	Subsidiaries, Associates and Entities under Common Control (Joint Vent.)		Direct and Indirect Shareholders of the Parent Bank		Other Entities Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	Financial Assets at Fair Value Through Profit or Loss					
Beginning of Period	-	-	35,229,756	25,275,220	655,880	247,304
End of Period	-	-	36,034,106	35,229,756	2,640,623	655,880
Total Profit/Loss	-	-	(277,444)	(514,429)	(51,982)	7,650
Hedging Transactions Purposes						
Beginning of Period	-	-	12,113,184	3,032,500	-	-
End of Period	-	-	18,465,860	12,113,184	-	-
Total Profit/Loss	-	-	718,390	(25,866)	-	-

d) As of 30 September 2018, the total amount of remuneration and fees provided for the senior management of the Group is TL45,761 (30 September 2017: TL33,613).

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VI. Explanations on Significant Events and Matters Arising Subsequent to Balance Sheet Date

i) International credit rating agency Fitch Ratings revised down 20 Turkish banks' Long Term Foreign Currency Issuer Default Rating and 12 Banks' Viability Rating on 1 October 2018. The notes of Türk Ekonomi Bankası A.Ş. have been revised as follows:

- Long-term Foreign Currency from BB / Negative to BB-/ Negative view

- Viability Rating from "bb-" level to "b +"

ii) The bond with a nominal value of TL316,187 with a maturity of 126 days and the ISIN Code of TRFTEBKE1823, issued by the Parent Bank via the book building method at the dates of 28-29 May 2018, has been expired as of 4 October 2018 and redeemed.

iii) The bond with a nominal value of TL151,300 with a maturity of 175 days and the ISIN Code of TRFTEBKE1815, issued by the Parent Bank via the book building method at the dates of 9-10 April 2018, has been expired as of 4 October 2018 and redeemed.

iv) The following resolutions were taken with the minutes of the Parent Bank's Board of Directors dated 4 October 2018 and numbered 5863-142;

- The Parent Bank's 2 subordinated loans, EUR 75.000.000 on 4 November 2011 and EUR 100.000.000 on 20 December 2011 from BNPP Fortis SA-NV are combined into a single loan. The subordinated loan's maturity is 4 November 2023 and the early redemption date is 5 November 2018 (although the early redemption date is 4 November 2018, since it is a weekend, the redemption date is revised to 5 November 2018).

- The issuance of the borrowing instrument which has the characteristics of "Tier 2 Capital" in accordance with Article 8 of "Regulation on Equity of Banks" issued by Banking Regulation and Supervision Agency ("BRSA"),

a. Nominal Value of the Borrowing Instrument: USD 210.000.000 (Two hundred and ten million USD)

b. Nature of the Debt Instrument: The nature of the debt instrument is Tier 2 Capital in accordance with the 'Regulation on Equity of Banks issued by the BRSA.

c. Term: 10 years from the closing date

d. Sales Type: Private placement

e. Cost Collection: It will be fully charged in cash.

f. Optional Redemption Conditions: No repayment option is available within the first 5 years. The borrowing instrument will either be redeemed on "Interest Payment Day" on November 2023 or the "Interest Payment Day" on May 2024 in condition the BRSA and the Board of Directors of the Bank approves.

g. Restraint on Alienation : Can not be assigned to our Bank's subsidiaries and affiliates

v) The bond with a nominal value of TL307,904 with a maturity of 98 days and the ISIN Code of TRFTEBKE1831, issued by the Parent Bank via the book building method at the dates of 2-3 July 2018, has been expired as of 11 October 2018 and redeemed.

vi) The Bank signed a syndicated loan agreement on 11 September 2018 amounting to EUR433.500.000 and USD33.500.000 with a maturity of 367 days from international banks. The total cost of the loan to be used for trade finance is LIBOR+%2.75 for USD and EURIBOR+ %2.65 for EUR.

vii) The bond with a nominal value of TL356,266 with a maturity of 98 days and the ISIN Code of TRFTEBKE1849, issued by the Parent Bank via the book building method at the dates of 9-10 July 2018, has been expired as of 18 October 2018 and redeemed.

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SECTION SIX

INDEPENDENT AUDITOR’S REVIEW REPORT

I. Explanations on the Independent Auditor’s Review Report

The consolidated financial statements of the Group were reviewed by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and the independent auditor’s review report dated 30 October 2018 is presented preceding the consolidated financial statements.

II. Other Footnotes and Explanations Prepared by Independent Auditors

None.

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SECTION SEVEN (*)

INFORMATION ON INTERIM ACTIVITY REPORT

I. Interim Period Reports Included Chairman Of The Board of Directors and Ceo’s of the Parent Bank Assessments For The Interim Activities

A. Chairman of Board of Directors and CEO’s of the Parent Bank Assessments for The Interim Activities

Chairman of Board of Director’s Message

Noting that global trade tensions posed risks to financial conditions, the IMF dialed down its global growth estimates for 2018 and 2019 from 3.9% to 3.7% in the October 2018 issue of *Global Financial Stability Report*. In the same report, the IMF lowered its growth projections for the Turkish economy from 4.2% to 3.5% in 2018 and from 4% to just 0.4% in 2019. The loss in the value of the Turkish lira, persistent market uncertainties, and high borrowing costs were influential in the decision to reduce growth rate projections. The fund’s 2018 growth projection for the US economy was left unchanged at 2.9% but its 2019 projection was lowered slightly from 2.7% to 2.5% owing to that country’s ongoing row with China over trade war. The IMF revised its eurozone growth projections downward as well.

Decisions taken by both the US Federal Reserve Bank and the European Central Bank at their most recent meetings indicate that developed countries’ monetary policies are likely to undergo tightening more quickly than is anticipated. The adoption of more competitive international trade policies in the US, China, and the EU have increased the likelihood that companies’ profitability will suffer in the near term. Such adverse expectations are also prompting investors to shy away from emerging markets.

Rising exchange rate volatilities in the first half of 2018 along with domestic and international market uncertainties, and a surge in inflationary pressures are boosting Turkey’s risk premium and causing its economy to fall behind those of other developing countries. By impacting on banks’ lending policies, this situation is also reducing the amount of credit they are willing to lend to businesses. The upshot is that the twelve-month rate of growth in the credit supply has fallen from around 16% in January to just 5% at present, even before the effects of exchange-rate movements are taken into account.

Turning now to inflation, the twelve-month rise in the consumer price index hit 24.52% in September, with the one-month rise weighing in at 6.3%. The sharp drop in the value of the Turkish lira that took place in August led to price increases in import-dependent basic goods. Such a rapid surge in inflation prompted Turkey’s central bank to tighten its monetary policy sharply: the bank had recourse to a 625 basis-point rise in the policy rate that was announced at the September meeting of the Monetary Policy Committee. The effect of this decision was to increase the average funding cost in September to 24% or so, nearly double the 12% level at which it stood at the end of 2017.

The erosion in the value of the Turkish lira taking place since the beginning of the year has led to a severe drop in imports. One outcome of this is that Turkey’s balance of payments showed a surplus for the first time in three years in August, thereby bringing the twelve-month current account deficit down to USD 51.1 billion. There are signals that this contraction will continue in the months ahead as well. The current account deficit contraction also suggests that the Turkish economy will grow modestly overall in 2018 having registered above-potential growth rates in 2017 and in the first quarter of 2018. In the “New Economic Program” published by the Treasury covering 2019-2021, growth rates of 3.8% and 2.3% are projected for 2018 and 2019 respectively.

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A. Chairman of Board of Directors and CEO’s of the Parent Bank Assessments for The Interim Activities (continued)

Chairman of Board of Director’s Message

The program also posits an end-2018 current account deficit of USD 36 billion and a 20.8% rate of inflation. The goals of the same program include such things as maintaining fiscal discipline, the central bank’s taking additional measures to combat inflation, and restoring balance to the national economy.

TEB for its part will continue to advance on the strong foundations which it possesses and which it improves year after year. Just as it has done in the course of its first 90 years, our bank will go on fulfilling its responsibilities to work, to produce, and to share the fruits of its efforts.

Yours respectfully,
Yavuz Canevi

(*) Amounts in section seven expressed in full Turkish Lira (“TL”) amount unless otherwise stated.

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A. Chairman of Board of Directors and CEO’s of the Parent Bank Assessments for The Interim Activities (continued)

CEO’s Message

As of 30 September 2018, The Group’s total assets had increased by 30% since the beginning of the year and reached TL 114.3 billion in value while net profit stood at TL 969.9 million. Loans, the most important indicators of the support that TEB provides to the economy and its customers corresponded to 61% of total assets during the same period. Nearly half of the bank’s TL 70.6 billion worth of lendings went to SMEs, the engines of Turkey’s national economy.

Giving importance to risk management and asset quality as it always does, TEB’s NPL ratio in the first nine months was on the order of 3.21%. During the same period, total deposits grew by 28% and reached TL 70.9 billion in value. Continuing to maintain solid growth with a strong capital structure, TEB’s shareholders’ equity reached TL 10.2 billion while the bank’s 16.36% capital adequacy ratio was well above the targeted 12% figure.

“TEB Practical Branch”, TEB’s innovative approach of combining the best aspects of “virtual” and “bricks-and-mortar” banking, are continuing to proliferate throughout Turkey. Every TEB Practical Branch is equipped with “Jet” and “Turbo” units that were developed by TEB’s R&D engineers working together with the bank’s own IT and operations departments. As of end-September the number of these branches reached twenty-five, of which eight are in İstanbul, eight are in Bursa, five are in Denizli, and four are in İzmir. TEB Practical Branches make it possible to perform not only banking transactions that involve the handing over of physical objects such as withdrawing and depositing cash and taking delivery of credit cards but also those that require an original signature such as applying for and accepting cash loans. The bank plans to further increase the number of these branches in the last quarter of 2018.

Continuing to come up with innovative ways that are mindful of its customers’ needs and help them take care of their banking business faster and more conveniently, TEB Private Banking launched its Mobile Confirmation project in the third quarter of 2018. As a result of this change, an original signature is no longer required of TEB Private Banking customers when they give the bank instructions or perform derivative transactions and they may confirm such operations both online and using their mobile phones. With the introduction of Mobile Confirmation, TEB Private Banking customers can also confirm these operations using the bank’s CEPTETEB mobile app. Besides minimizing transaction risks, this change also reduces operational workloads for both the bank and its customers.

With a customer base reaching 600 thousand as of the third quarter of 2018, TEB’s digital banking app CEPTETEB provides TEB customers with convenient access to Turkey’s fastest-growing digital banking platform. The number of TEB customers making active use of the bank’s online and mobile delivery channels has passed 1.2 million and there are now a million TEB mobile banking users.

Besides providing its users with transaction ease, superior security standards, and rich content, CEPTETEB also gives them access to the world of mobile banking and other conveniences. For example a recent update to the CEPTETEB app allows its users to take advantage of fast-track access at Sabiha Gökçen International Airport in İstanbul.

In its ongoing efforts to nurture Turkey’s entrepreneurial ecosystem and the people and businesses that make it up for nearly six years, TEB Startup Business Banking has initiated and carried out many a project aimed at addressing the particular needs of entrepreneurs. Besides providing people with technology-intensive ideas that have the potential to become world-class brands with advice on formulating business models, competing effectively, and going global, TEB also supports and helps them in dealing with such issues as finding potential investors and customers and breaking into world markets.

TÜRK EKONOMİ BANKASI A.Ş.
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A. Chairman of Board of Directors and CEO’s of the Parent Bank Assessments for The Interim Activities

CEO’s Message (continued)

TEB Startup Business Banking’s aim is to help create successful world-class companies by showing entrepreneurs with export-focused technology projects how to enter international markets by accelerating their investment and development stages. In line with this, TEB is one of the original partners in Growth Circuit, Turkey’s most global accelerator program. With the support of TEB Startup Business Banking, eight startups benefitted from mentoring at UC Berkeley and Draper universities in San Francisco. Entrepreneurs taking part in the program were also given the opportunity to make presentations and to pitch their ideas and projects to more than fifty investors at Draper University Demo Day in July of this year.

In collaboration with the US Embassy in Ankara, TEB Startup Business Banking also had the “TEB Let’s Up” entrepreneurship program added to the curriculums of seven universities in Turkey. On 4-11 August 2018, sixteen of the students who successfully completed this program were given the opportunity to meet with managers of such global technology giants as Google and Facebook in San Francisco as well as with investment specialists and the owners and managers of Turkish entrepreneurs who had already proven themselves in Silicon Valley and to take part in a variety of workshop activities.

Having taken a “SME Consultant Bank” approach in dealing with small- and medium-sized enterprises since 2005, this year TEB SME Banking was the recipient of two international awards for its exceptional performance in the provision of non-financial services.

TEB SME Banking’s “Consultants Marathon” project received an award in the “Corporate Citizenship” category at the International CSR Excellence Awards, which are handed out to corporate social responsibility projects from all over the world in many different sectors. Under the TEB SME Consultants Marathon Program, TEB-employed SME, Microbusiness, and Agricultural banking customer representatives who have completed SME Consultancy training at the bank analyze the circumstances of firms and give them advice on ways in which to pursue growth in their particular business lines.

At the year’s “Global Business Excellence Awards” gathering, TEB SME Banking received an award in the “Outstanding Event” category for its “Industry 4.0 Get-Togethers” program. TEB conducts these get-togethers especially for SMEs that are based in manufacturing-intensive localities in order to help them compete more effectively at the global level and to adapt themselves more efficiently to the “Industry 4.0” process. To date, more than two thousand SMEs have benefitted from these events, during which they are provided with information about the requirements, standards, and world-class examples of next-generation manufacturing industries as well as about the details of the Industry 4.0 process and what changing over to it entails.

TEB is the recipient of awards in two different categories given to it by Euromoney, one of the international finance world’s most influential and prestigious publications. Based on the responses that TEB customers gave in the 2018 Global Cash Management Survey conducted by the magazine, TEB outstripped all of its rivals and placed first in the “Cash Management Bank With The Best Service in Turkey” category and second in the “Market Leader” category.

Yours respectfully,

Ümit Leblebici

CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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B. Shareholding Structure

As of 30 September 2018;

Name of Shareholders	TL2,204,390,000.00 Paid in Capital	
	Share	Ratio
TEB Holding A.Ş.	1,212,414,500.002	55.0000%
BNPP Yatırımlar Holding A.Ş.	518,342,498.520	23.5141%
BNP Paribas Fortis Yatırımlar Holding A.Ş.	467,879,148.835	21.2249%
BNP Paribas SA	5,253,352.000	0.2383%
Kocaeli Chamber of Commerce	500,500.643	0.0227%
Total	2,204,390,000.00	100.00%

C. Management And Corporate Governance Practices

The Chairman and the Members of Board of Directors

Name	Title
Yavuz Canevi	Chairman of the Board of Directors
Dr. Akın Akbaygil	Deputy Chairman of the Board of Directors
Jean Paul Sabet	Deputy Chairman of the Board of Directors
Ayşe Aşardağ	Member of the Board of Directors and Deputy Chairman of the Audit Committee
François Andre Jesualdo Benaroya	Member of the Board of Directors
Yvan L.A.M. De Cock	Member of the Board of Directors and Audit Committee
Sabri Davaz	Member of the Board of Directors and Audit Committee
Alain Georges Auguste Fonteneau	Member of the Board of Directors
Xavier Henri Jean Guilmineau	Member of the Board of Directors
Özden Odabaşı	Member of the Board of Directors
Jacques Roger Jean Marie Rinino	Member of the Board of Directors and Chairman of the Audit Committee
Ümit Leblebici	Executive Member and General Manager

Information on Participation of Board Members and Committee Members into Respective Meetings

As of 30 September 2018 the Board of Directors have accepted 140 resolutions and Audit Committee 38 resolutions. The Board Members and Committee Members have participated into respective meetings at sufficient levels.

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C. Management And Corporate Governance Practices (continued)

Executive Management

General Manager, Assistant General Managers and Their Responsibilities in the Bank

Name	Title
Ümit Leblebici	Executive Member and General Manager
Gökhan Mendi	Senior Assistant General Manager, Retail and Private Banking Group
Turgut Boz	Senior Assistant General Manager and Deputy General Manager, SME, Banking Group
Mustafa Aşkın Dolaştır	Assistant General Manager, Financial Control (Affairs) Group
Dr.Nilsen Altıntaş	Assistant General Manager, Human Resources Group
Gökhan Özdil	Assistant General Manager, Corporate Credits Group
Osman Durmuş	Assistant General Manager, Retail and Micro SME Credits Group
Melis Coşan Baban	Secretary of the Board of Directors, Head of Legal Affairs
Mehmet Ali Cer	Assistant General Manager, Information Technologies
Kubilay Güler	Assistant General Manager, Banking Operations and Support Services
Akil Özçay	Assistant General Manager, Fixed Income
Ömer Abidin Yenidoğan	Assistant General Manager, Corporate Investment Banking
Dr.Tuğrul Özbakan	Assistant General Manager, Treasury & ALM
Gülümser Özgün Henden	Assistant General Manager, Corporate Banking
Nimet Elif Akpınar	Chief Risk Officer
Hakan Tıraşın	Internal Audit Group
Biröl Deper	Head of Compliance Group and Internal Control Group, Consumer Relations Coordination Officer

D. Significant Events and Transactions in the Current Period

Amendments to Main Contract in 1 January – 30 September 2018:

There have been no changes to the main contract during the period of 1 January - September 2018.

Significant Events and Transactions in the Current Period:

TL381,407 of the Parent Bank's non-performing loan portfolio for which TL368,644 of provision held were sold for TL18,911 in 2018. After completing all necessary procedures, sales fee has been collected and the related non-performing loans excluded from the records.

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D. Significant Events and Transactions in the Current Period (continued)

Summary of Financial Results:

(mln TL)	30 September 2018 Consolidated Financial Statements
Total Assets	114,315
Loan	70,857
Non-performing Loans	2,354
12 Month Expected Losses (Stage 1)	(370)
Significant Increase in Credit Risk (Stage 2)	(778)
Credit-Impaired Losses (Stage 3)	(1,474)
Loans, Net	70,589
Deposits	70,976
Shareholder’s Equity	10,171
Net Income	970

(mln TL)	31 December 2017 Consolidated Financial Statements
Total Assets	87,770
Loans	64,624
Loans Under Follow-up	1,990
Specific Provisions	(1,285)
Loans, Net	65,330
Deposits	55,534
Shareholder’s Equity	9,102
Net Income (Prior Period 30 September 2017)	825

Summary of Financial Ratios

	30 September 2018 Consolidated Financial Statements
Loans / Total Assets	61.75%
Deposits / Total Assets	62.09%
Return on Equity	14.03%
NPL Ratio	3.21%
Capital Adequacy Ratio	16.36%
Coverage Ratio	62.63%
	31 December 2017 Consolidated Financial Statements
Loans / Total Assets	74.43%
Deposits / Total Assets	63.27%
Return on Equity (Prior Period 30 September 2017)	15.10%
NPL Ratio	2.99%
Capital Adequacy Ratio	15.72%
Coverage Ratio	64.54%

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E. Credit Ratings Assigned By Rating Agencies and Information On Their Contents (*)

TEB maintained its position as one of the most highly rated banks in Turkey. As of the third quarter of 2018, TEB’s ratings were as follows:

Moody’s Investor Services:

Baseline Credit Assessment	b2
Adjusted Baseline Credit Assessment	ba3
Long Term FC Bank Deposits	B1
Short Term FC Bank Deposits	NP
Long Term LC Bank Deposits	Ba3
Short Term LC Bank Deposits	NP
Outlook	Negative

Fitch Ratings:

Foreign Currency

Long-term	BB
Short-term	B
Outlook	Negative

Turkish Lira

Long-term	BB+
Short-term	B
Outlook	Negative
National	AAA (tur)
Outlook	Stable
Financial Strength	bb-

(*) Ratings above are not performed based on the “Communiqué for Authorization and Activities of Rating Institutions” published by the Capital Markets Board.

F. Donations

The Parent Bank has donated TL595,488 with 160 items to the several agencies and institutions during the period of 1 January 2018 - 30 September 2018.