

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

**Türkiye Garanti Bankası Anonim Şirketi**  
**Unconsolidated Financial Statements**  
**As of and For the Six-Month Period Ended**  
**30 June 2016**

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

With Independent Accountants'  
Limited Review Report Thereon

DRT Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik AŞ  
28 July 2016

*This report contains "Independent Accountant's  
Limited Review Report" comprising 2 pages  
and;"Unconsolidated Financial Statements and  
Related Disclosures and Footnotes" comprising 114  
pages.*

## LIMITED REVIEW REPORT FOR THE INTERIM FINANCIAL INFORMATION

**To the Board of Directors of Türkiye Garanti Bankası A.Ş.**

### *Introduction*

We have reviewed the accompanying unconsolidated balance sheet of Türkiye Garanti Bankası A.Ş. (“the Bank”) as at 30 June 2016, and the unconsolidated statement of income, unconsolidated statement of income and expense items under shareholders’ equity, unconsolidated statement of changes in shareholders’ equity and unconsolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Bank management is responsible for the preparation and fair presentation of the accompanying interim financial information in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Regulations” including the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for the matters not legislated by the aforementioned regulations. Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with the Independent Auditing Standard on Review Engagements 2410, “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 conducted in accordance with 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 audit opinion.

## *Basis for Qualified Conclusion*

Subsequent to the reversal of TL 130,000 thousands in the current period the accompanying unconsolidated financial statements include a general reserve amounting to TL 200,000 thousands as of the balance sheet date, provided by the Bank management in prior periods in line with conservatism principle considering the circumstances which may arise from any changes in the economy or market conditions.

## *Qualified Conclusion*

Based on our review, except for the effect of the matter described in the basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying unconsolidated interim financial information does not present fairly, in all material respects, the financial position of Türkiye Garanti Bankası A.Ş as at 30 June 2016, and of the results of its operations and its cash flows for the six-month period then ended in accordance with the BRSA Accounting and Reporting Regulations.

## **Report on Other Legal and Regulatory Requirements**

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

## *Additional paragraph for English translation:*

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK AŞ  
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Şule Firuzment Bekçe  
Partner

Istanbul, 28 July 2016

**TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ**  
**UNCONSOLIDATED INTERIM FINANCIAL REPORT**  
**AS OF AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016**

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

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

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

**Ferit F. Şahenk**  
Board of Directors  
Chairman

**Ali Fuat Erbil**  
General Manager

**Aydın Güler**  
Financial Reporting  
Executive Vice President

**Hakan Özdemir**  
General Accounting  
Senior Vice President

**Javier Bernal Dionis**  
Audit Committee Member

**Jorge Saenz - Azcunaga  
Carranza**  
Audit Committee Member

The authorized contact person for questions on this financial report:  
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## **1 General Information**

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

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

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

The Bank provides banking services through 971 domestic branches, nine foreign branches and three representative offices abroad. The Bank’s head office is located in Istanbul.

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

As of 30 June 2016, group of companies under BBVA that currently owns 39.90% shares of the Bank, is named the BBVA Group (the Group) and it is the main shareholder.

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

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

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

As of balance sheet date, the Doğu Group’s interest in the share capital of the Bank is at 10%.

#### **BBVA Group**

BBVA is operating for more than 150 years, providing variety of wide spread financial and non-financial services to over 47 million retail and commercial customers.

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

BBVA that owns a bank being the largest financial institution in Mexico, the market leader in South America, and one of the largest 15 commercial banks in United States, operates in more than 30 countries with more than 100 thousand employees.

### Doğuş Group

The Doğuş Group that was established in 1951 initially for investments in construction sector, operates in seven sectors namely financial services, automotive, construction, real estate, tourism, media and energy with 132 companies and more than 30 thousand employees.

The major worldwide joint ventures of the Group are; Volkswagen AG and TÜVSÜD in automotive, CNBC, MSNBC and Condé Nast in media and, Hyatt International Ltd and HMS International Hotel GmbH (Maritim) in tourism.

The major investments of the Group in financial sector are; Türkiye Garanti Bankası AŞ, Garanti Bank International NV, Garanti Bank Moscow, Garanti Bank SA, Garanti Finansal Kiralama AŞ, Garanti Faktoring Hizmetleri AŞ, Garanti Yatırım Menkul Kıymetler AŞ, Garanti Portföy Yönetimi AŞ, Garanti Emeklilik ve Hayat AŞ, Doğuş Gayrimenkul Yatırım Ortaklığı AŞ and Volkswagen Doğuş Tüketici Finansmanı AŞ.

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

#### Board of Directors Chairman and Members:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Ferit Faik Şahenk	Chairman	18.04.2001	University	26 years
Süleyman Sözen	Vice Chairman	08.07.2003	University	34 years
Dr. Muammer Cüneyt Sezgin	Member	30.06.2004	PhD	28 years
Jorge Saenz Azcunaga Carranza	Independent Member of BOD and Audit Committee	31.03.2016	University	22 years
Jaime Saenz de Tejada Pulido	Member	02.10.2014	University	23 years
Maria Isabel Goiri Lartitegui	Member	27.07.2015	Master	26 years
Javier Bernal Dionis	Independent Member of BOD and Audit Committee	27.07.2015	Master	26 years
Inigo Echebarria Garate	Member	31.03.2016	Master	33 years
Belkıs Sema Yurdum	Independent Member	30.04.2013	University	36 years
Sait Ergun Özen	Member	14.05.2003	University	29 years
Ali Fuat Erbil	Member and CEO	02.09.2015	PhD	24 years

**CEO and Executive Vice Presidents<sup>(\*)</sup>:**

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Ali Fuat Erbil	CEO	02.09.2015	PhD	24 years
Gökhan Erün	EVP-Corporate Banking and Treasury Deputy CEO	01.09.2005	Master	22 years
Onur Genç	EVP-Retail Banking Deputy CEO	20.03.2012	Master	17 years
Faruk Nafiz Karadere	EVP-SME Banking	01.05.1999	University	34 years
Halil Hüsni Erel	EVP-Technology, Operation Center, Marketing and Business Development	16.06.1997	University	41 years
Recep Baştuğ	EVP-Commercial Banking	01.01.2013	University	26 years
Avni Aydın Düren	EVP-Legal Services	01.02.2009	Master	22 years
Betül Ebru Edin	EVP-Project Finance	25.11.2009	University	22 years
Osman Nuri Tüzün	EVP- Human Resources and Support Services	19.08.2015	Master	24 years
Aydın Güler	EVP-Finance and Accounting	03.02.2016	University	26 years
Ali Temel	Head of Credit Risk Management	03.02.2016	University	26 years
Didem Başer	EVP-Digital Banking	20.03.2012	Master	21 years

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

**1.4 Information on the bank’s qualified shareholders**

Name / Company	Shares	Ownership	Paid-in Capital	Unpaid Portion
Banco Bilbao Vizcaya Argentaria SA	1,675,800	39,9000%	1,675,800	-
Doğuş Holding AŞ	259,846	6,1868%	259,846	-

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

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



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

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

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

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

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

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

## **1.6 Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between the bank and its affiliates**

None.

## 2 Unconsolidated Financial Statements

(Convenience Translation of Financial Statements Originally Issued in Turkish)

### Türkiye Garanti Bankası Anonim Şirketi Balance Sheet (Statement of Financial Position) At 30 June 2016

ASSETS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD 30 June 2016			PRIOR PERIOD 31 December 2015		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH CENTRAL BANK</b>	(5.1.1)	<b>2,406,063</b>	<b>22,849,784</b>	<b>25,255,847</b>	<b>2,259,664</b>	<b>22,891,859</b>	<b>25,151,523</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	(5.1.2)	<b>1,172,201</b>	<b>667,606</b>	<b>1,839,807</b>	<b>1,359,038</b>	<b>489,429</b>	<b>1,848,467</b>
2.1 Financial assets held for trading		1,172,201	667,606	1,839,807	1,160,920	489,429	1,650,349
2.1.1 Government securities		47,044	16,215	63,259	66,470	21,974	88,444
2.1.2 Equity securities		32,060	-	32,060	45,474	-	45,474
2.1.3 Derivative financial assets held for trading		1,093,097	645,912	1,739,009	1,048,976	434,513	1,483,489
2.1.4 Other securities		-	5,479	5,479	-	32,942	32,942
2.2 Financial assets valued at fair value through profit or loss		-	-	-	198,118	-	198,118
2.2.1 Government securities		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Loans	(5.1.2)	-	-	-	198,118	-	198,118
2.2.4 Other securities		-	-	-	-	-	-
<b>III. BANKS</b>	(5.1.3)	<b>1,385,370</b>	<b>9,327,860</b>	<b>10,713,230</b>	<b>276,135</b>	<b>11,571,360</b>	<b>11,847,495</b>
<b>IV. INTERBANK MONEY MARKETS</b>		<b>-</b>	<b>200,996</b>	<b>200,996</b>	<b>-</b>	<b>61,069</b>	<b>61,069</b>
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	200,996	200,996	-	61,069	61,069
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
<b>V. FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)</b>	(5.1.4)	<b>18,687,569</b>	<b>1,075,068</b>	<b>19,762,637</b>	<b>19,261,864</b>	<b>1,257,937</b>	<b>20,519,801</b>
5.1 Equity securities		35,316	133,762	169,078	36,852	297,717	334,569
5.2 Government securities		18,028,388	186,304	18,214,692	18,582,761	178,798	18,761,559
5.3 Other securities		623,865	755,002	1,378,867	642,251	781,422	1,423,673
<b>VI. LOANS</b>	(5.1.5)	<b>109,244,729</b>	<b>59,074,984</b>	<b>168,319,713</b>	<b>100,354,365</b>	<b>58,785,558</b>	<b>159,139,923</b>
6.1 Performing loans		108,243,491	59,074,984	167,318,475	99,518,038	58,785,558	158,303,596
6.1.1 Loans to bank's risk group	(5.7)	322,757	2,474,172	2,796,929	767,953	2,364,560	3,132,513
6.1.2 Government securities		-	-	-	-	-	-
6.1.3 Others		107,920,734	56,600,812	164,521,546	98,750,085	56,420,998	155,171,083
6.2 Loans under follow-up		4,841,052	-	4,841,052	4,404,025	-	4,404,025
6.3 Specific provisions (-)		3,839,814	-	3,839,814	3,567,698	-	3,567,698
<b>VII. FACTORING RECEIVABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. INVESTMENTS HELD-TO-MATURITY (Net)</b>	(5.1.6)	<b>11,835,354</b>	<b>9,714,552</b>	<b>21,549,906</b>	<b>11,980,469</b>	<b>9,775,343</b>	<b>21,755,812</b>
8.1 Government securities		11,823,773	5,716,868	17,540,641	11,966,880	5,810,098	17,776,978
8.2 Other securities		11,581	3,997,684	4,009,265	13,589	3,965,245	3,978,834
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	(5.1.7)	<b>36,698</b>	<b>-</b>	<b>36,698</b>	<b>36,698</b>	<b>-</b>	<b>36,698</b>
9.1 Associates consolidated under equity accounting		-	-	-	-	-	-
9.2 Unconsolidated associates		36,698	-	36,698	36,698	-	36,698
9.2.1 Financial investments in associates		33,032	-	33,032	33,032	-	33,032
9.2.2 Non-financial investments in associates		3,666	-	3,666	3,666	-	3,666
<b>X. INVESTMENTS IN AFFILIATES (Net)</b>	(5.1.8)	<b>2,318,529</b>	<b>2,500,708</b>	<b>4,819,237</b>	<b>2,114,928</b>	<b>2,331,571</b>	<b>4,446,499</b>
10.1 Unconsolidated financial investments in affiliates		2,214,293	2,500,708	4,715,001	2,010,692	2,331,571	4,342,263
10.2 Unconsolidated non-financial investments in affiliates		104,236	-	104,236	104,236	-	104,236
<b>XI. INVESTMENTS IN JOINT-VENTURES (Net)</b>	(5.1.9)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1 Joint-ventures consolidated under equity accounting		-	-	-	-	-	-
11.2 Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1 Financial investments in joint-ventures		-	-	-	-	-	-
11.2.2 Non-financial investments in joint-ventures		-	-	-	-	-	-
<b>XII. LEASE RECEIVABLES (Net)</b>	(5.1.10)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12.1 Financial lease receivables		-	-	-	-	-	-
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
<b>XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT</b>	(5.1.11)	<b>18,369</b>	<b>235,568</b>	<b>253,937</b>	<b>89,064</b>	<b>591,933</b>	<b>680,997</b>
13.1 Fair value hedges		10,137	-	10,137	60,616	7,483	68,099
13.2 Cash flow hedges		8,232	235,568	243,800	28,448	584,450	612,898
13.3 Net foreign investment hedges		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	(5.1.12)	<b>3,095,430</b>	<b>271</b>	<b>3,095,701</b>	<b>3,073,889</b>	<b>336</b>	<b>3,074,225</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>	(5.1.13)	<b>213,948</b>	<b>40</b>	<b>213,988</b>	<b>182,553</b>	<b>37</b>	<b>182,590</b>
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		213,948	40	213,988	182,553	37	182,590
<b>XVI. INVESTMENT PROPERTY (Net)</b>	(5.1.14)	<b>381,312</b>	<b>-</b>	<b>381,312</b>	<b>381,270</b>	<b>-</b>	<b>381,270</b>
<b>XVII. TAX ASSET</b>		<b>507,373</b>	<b>-</b>	<b>507,373</b>	<b>381,541</b>	<b>-</b>	<b>381,541</b>
17.1 Current tax asset		-	-	-	-	-	-
17.2 Deferred tax asset	(5.1.15)	507,373	-	507,373	381,541	-	381,541
<b>XVIII. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	(5.1.16)	<b>415,259</b>	<b>-</b>	<b>415,259</b>	<b>346,979</b>	<b>-</b>	<b>346,979</b>
18.1 Assets held for sale		415,259	-	415,259	346,979	-	346,979
18.2 Assets of discontinued operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	(5.1.17)	<b>3,259,832</b>	<b>903,437</b>	<b>4,163,269</b>	<b>2,353,470</b>	<b>2,134,227</b>	<b>4,487,697</b>
<b>TOTAL ASSETS</b>		<b>154,978,036</b>	<b>106,550,874</b>	<b>261,528,910</b>	<b>144,451,927</b>	<b>109,890,659</b>	<b>254,342,586</b>

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

**Türkiye Garanti Bankası Anonim Şirketi**  
**Balance Sheet (Statement of Financial Position)**  
**At 30 June 2016**

LIABILITIES AND SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD 30 June 2016			PRIOR PERIOD 31 December 2015		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	(5.2.1)	<b>71,298,851</b>	<b>83,419,275</b>	<b>154,718,126</b>	<b>66,420,824</b>	<b>74,478,508</b>	<b>140,899,332</b>
1.1 Deposits from bank's risk group	(5.7)	1,323,801	596,310	1,920,111	1,092,221	474,699	1,566,920
1.2 Others		69,975,050	82,822,965	152,798,015	65,328,603	74,003,809	139,332,412
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(5.2.2)	<b>1,889,266</b>	<b>701,173</b>	<b>2,590,439</b>	<b>1,669,819</b>	<b>593,818</b>	<b>2,263,637</b>
<b>III. FUNDS BORROWED</b>	(5.2.3)	<b>2,081,577</b>	<b>29,736,875</b>	<b>31,818,452</b>	<b>2,542,263</b>	<b>30,895,534</b>	<b>33,437,797</b>
<b>IV. INTERBANK MONEY MARKETS</b>	(5.2.4)	<b>5,356,517</b>	<b>1,100,361</b>	<b>6,456,878</b>	<b>12,521,253</b>	<b>2,546,908</b>	<b>15,068,161</b>
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Obligations under repurchase agreements		5,356,517	1,100,361	6,456,878	12,521,253	2,546,908	15,068,161
<b>V. SECURITIES ISSUED (Net)</b>	(5.2.4)	<b>4,697,183</b>	<b>9,822,659</b>	<b>14,519,842</b>	<b>3,405,544</b>	<b>10,793,225</b>	<b>14,198,769</b>
5.1 Bills		1,311,023	14,447	1,325,470	790,461	160,472	950,933
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		3,386,160	9,808,212	13,194,372	2,615,083	10,632,753	13,247,836
<b>VI. FUNDS</b>		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Others		-	-	-	-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>	(5.2.4.3)	<b>8,189,237</b>	<b>836,785</b>	<b>9,026,022</b>	<b>7,132,264</b>	<b>1,204,588</b>	<b>8,336,852</b>
<b>VIII. OTHER EXTERNAL FUNDINGS PAYABLE</b>		<b>2,916,043</b>	<b>872,177</b>	<b>3,788,220</b>	<b>1,997,940</b>	<b>1,827,125</b>	<b>3,825,065</b>
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. LEASE PAYABLES (Net)</b>	(5.2.5)	<b>8,893</b>	-	<b>8,893</b>	<b>10,968</b>	-	<b>10,968</b>
10.1 Financial lease payables		9,646	-	9,646	11,985	-	11,985
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred expenses (-)		753	-	753	1,017	-	1,017
<b>XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT</b>	(5.2.6)	<b>113,846</b>	<b>443,000</b>	<b>556,846</b>	<b>10,928</b>	<b>239,563</b>	<b>250,491</b>
11.1 Fair value hedges		113,846	331,402	445,248	10,928	210,635	221,563
11.2 Cash flow hedges		-	111,598	111,598	-	28,928	28,928
11.3 Net foreign investment hedges		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(5.2.7)	<b>4,258,386</b>	<b>63,817</b>	<b>4,322,203</b>	<b>4,186,504</b>	<b>63,560</b>	<b>4,250,064</b>
12.1 General provisions		3,083,091	44,998	3,128,089	2,957,392	44,665	3,002,057
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		621,903	-	621,903	529,537	-	529,537
12.4 Insurance technical provisions (Net)		-	-	-	-	-	-
12.5 Other provisions		553,392	18,819	572,211	699,575	18,895	718,470
<b>XIII. TAX LIABILITY</b>	(5.2.8)	<b>642,310</b>	<b>21,025</b>	<b>663,335</b>	<b>629,578</b>	<b>31,025</b>	<b>660,603</b>
13.1 Current tax liability		642,310	21,025	663,335	629,578	31,025	660,603
13.2 Deferred tax liability		-	-	-	-	-	-
<b>XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	(5.2.9)	-	-	-	-	-	-
14.1 Assets held for sale		-	-	-	-	-	-
14.2 Assets of discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED DEBTS</b>	(5.2.10)	-	-	-	-	<b>159,792</b>	<b>159,792</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	(5.2.11)	<b>32,876,616</b>	<b>183,038</b>	<b>33,059,654</b>	<b>30,560,363</b>	<b>420,692</b>	<b>30,981,055</b>
16.1 Paid-in capital		4,200,000	-	4,200,000	4,200,000	-	4,200,000
16.2 Capital reserves		2,942,806	(13,457)	2,929,349	2,642,395	228,221	2,870,616
16.2.1 Share premium		11,880	-	11,880	11,880	-	11,880
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Securities value increase fund		581,040	57,103	638,143	253,965	187,995	441,960
16.2.4 Revaluation surplus on tangible assets		1,626,756	-	1,626,756	1,631,907	-	1,631,907
16.2.5 Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6 Revaluation surplus on investment property		-	-	-	-	-	-
16.2.7 Bonus shares of associates, affiliates and joint-ventures		1,891	-	1,891	1,891	-	1,891
16.2.8 Hedging reserves (effective portion)		24,668	(70,560)	(45,892)	46,181	40,226	86,407
16.2.9 Revaluation surplus on assets held for sale and assets of discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		696,571	-	696,571	696,571	-	696,571
16.3 Profit reserves		23,153,548	196,495	23,350,043	20,311,461	192,471	20,503,932
16.3.1 Legal reserves		1,191,409	12,714	1,204,123	1,155,709	12,620	1,168,329
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		21,962,139	5,667	21,967,806	19,155,752	3,860	19,159,612
16.3.4 Other profit reserves		-	178,114	178,114	-	175,991	175,991
16.4 Profit or loss		2,580,262	-	2,580,262	3,406,507	-	3,406,507
16.4.1 Prior periods profit/loss		-	-	-	-	-	-
16.4.2 Current period net profit/loss		2,580,262	-	2,580,262	3,406,507	-	3,406,507
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>134,328,725</b>	<b>127,200,185</b>	<b>261,528,910</b>	<b>131,088,248</b>	<b>123,254,338</b>	<b>254,342,586</b>

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

## Türkiye Garanti Bankası Anonim Şirketi

## Off-Balance Sheet Items

At 30 June 2016

OFF-BALANCE SHEET ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD			PRIOR PERIOD		
		30 June 2016			31 December 2015		
	TL	FC	Total	TL	FC	Total	
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>168,233,314</b>	<b>237,018,977</b>	<b>405,252,291</b>	<b>144,398,889</b>	<b>207,921,722</b>	<b>352,320,611</b>
<b>I. GUARANTEES AND SURETIES</b>	(5.3.1)	<b>16,468,627</b>	<b>35,720,241</b>	<b>52,188,868</b>	<b>14,858,325</b>	<b>33,234,327</b>	<b>48,092,652</b>
1.1. Letters of guarantee		16,446,701	17,226,718	33,673,419	14,826,457	17,332,578	32,159,035
1.1.1. Guarantees subject to State Tender Law		-	995,806	995,806	-	1,099,700	1,099,700
1.1.2. Guarantees given for foreign trade operations		2,164,343	177,605	2,341,948	1,948,525	220,676	2,169,201
1.1.3. Other letters of guarantee		14,282,358	16,053,307	30,335,665	12,877,932	16,012,202	28,890,134
1.2. Bank acceptances		21,771	1,952,036	1,973,807	20,793	1,517,276	1,538,069
1.2.1. Import letter of acceptance		21,771	1,952,036	1,973,807	20,793	1,517,276	1,538,069
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		155	16,413,761	16,413,916	11,075	14,275,267	14,286,342
1.3.1. Documentary letters of credit		-	-	-	-	-	-
1.3.2. Other letters of credit		155	16,413,761	16,413,916	11,075	14,275,267	14,286,342
1.4. Guaranteed prefinancings		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Underwriting commitments		-	-	-	-	-	-
1.7. Factoring related guarantees		-	-	-	-	-	-
1.8. Other guarantees		-	127,726	127,726	-	109,206	109,206
1.9. Other sureties		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	(5.3.1)	<b>39,806,419</b>	<b>13,340,883</b>	<b>53,147,302</b>	<b>37,406,779</b>	<b>12,908,819</b>	<b>50,315,598</b>
2.1. Irrevocable commitments		39,794,856	13,339,757	53,134,613	37,404,688	12,907,672	50,312,360
2.1.1. Asset purchase and sale commitments		887,274	4,505,100	5,392,374	6,100	3,054,228	3,060,328
2.1.2. Deposit purchase and sale commitments		-	1,398,898	1,398,898	-	16,628	16,628
2.1.3. Share capital commitments to associates and affiliates		-	4,539	4,539	-	5,297	5,297
2.1.4. Loan granting commitments		6,269,857	7,072,345	13,342,202	6,215,790	9,468,019	15,683,809
2.1.5. Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Commitments for cheque payments		3,321,150	-	3,321,150	3,063,159	-	3,063,159
2.1.8. Tax and fund obligations on export commitments		22,376	-	22,376	20,529	-	20,529
2.1.9. Commitments for credit card limits		28,018,637	-	28,018,637	26,826,339	-	26,826,339
2.1.10. Commitments for credit cards and banking services related promotions		11,352	-	11,352	8,561	-	8,561
2.1.11. Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12. Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13. Other irrevocable commitments		1,264,210	358,875	1,623,085	1,264,210	363,500	1,627,710
2.2. Revocable commitments		11,563	1,126	12,689	2,091	1,147	3,238
2.2.1. Revocable loan granting commitments		11,563	-	11,563	2,091	-	2,091
2.2.2. Other revocable commitments		-	1,126	1,126	-	1,147	1,147
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(5.3.2)	<b>111,958,268</b>	<b>187,957,853</b>	<b>299,916,121</b>	<b>92,133,785</b>	<b>161,778,576</b>	<b>253,912,361</b>
3.1. Derivative financial instruments held for risk management		8,818,021	21,707,368	30,525,389	7,107,440	16,963,601	24,071,041
3.1.1. Fair value hedges		6,715,607	10,554,029	17,269,636	3,439,355	9,266,494	12,705,849
3.1.2. Cash flow hedges		2,102,414	11,153,339	13,255,753	3,668,085	7,697,107	11,365,192
3.1.3. Net foreign investment hedges		-	-	-	-	-	-
3.2. Trading derivatives		103,140,247	166,250,485	269,390,732	85,026,345	144,814,975	229,841,320
3.2.1. Forward foreign currency purchases/sales		15,286,474	19,038,227	34,324,701	13,716,838	19,360,463	33,077,301
3.2.1.1. Forward foreign currency purchases		6,768,629	10,357,258	17,125,887	5,146,127	11,424,014	16,570,141
3.2.1.2. Forward foreign currency sales		8,517,845	8,680,969	17,198,814	8,570,711	7,936,449	16,507,160
3.2.2. Currency and interest rate swaps		50,029,852	86,081,920	136,111,772	33,377,607	61,557,928	94,935,535
3.2.2.1. Currency swaps-purchases		16,368,826	38,332,719	54,701,545	12,532,143	22,148,346	34,680,489
3.2.2.2. Currency swaps-sales		32,008,606	20,538,655	52,547,261	17,199,244	14,610,598	31,809,842
3.2.2.3. Interest rate swaps-purchases		826,210	13,605,273	14,431,483	1,823,110	12,399,492	14,222,602
3.2.2.4. Interest rate swaps-sales		826,210	13,605,273	14,431,483	1,823,110	12,399,492	14,222,602
3.2.3. Currency, interest rate and security options		37,560,696	51,438,675	88,999,371	37,927,519	51,810,681	89,738,200
3.2.3.1. Currency call options		16,677,762	23,020,513	39,698,275	15,244,831	25,062,622	40,307,453
3.2.3.2. Currency put options		20,882,934	21,681,873	42,564,807	22,682,688	20,487,567	43,170,255
3.2.3.3. Interest rate call options		-	6,727,389	6,727,389	-	6,260,492	6,260,492
3.2.3.4. Interest rate put options		-	-	-	-	-	-
3.2.3.5. Security call options		-	4,450	4,450	-	-	-
3.2.3.6. Security put options		-	4,450	4,450	-	-	-
3.2.4. Currency futures		263,225	290,101	553,326	4,381	283,825	288,206
3.2.4.1. Currency futures-purchases		259,086	23,935	283,021	3,965	3,463	7,428
3.2.4.2. Currency futures-sales		4,139	266,166	270,305	416	280,362	280,778
3.2.5. Interest rate futures		-	20,097	20,097	-	-	-
3.2.5.1. Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2. Interest rate futures-sales		-	20,097	20,097	-	-	-
3.2.6. Others		-	9,381,465	9,381,465	-	11,802,078	11,802,078
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>587,395,102</b>	<b>401,145,136</b>	<b>988,540,238</b>	<b>536,426,059</b>	<b>390,070,974</b>	<b>926,497,033</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>42,557,806</b>	<b>33,340,058</b>	<b>75,897,864</b>	<b>38,537,633</b>	<b>32,580,434</b>	<b>71,118,067</b>
4.1. Customers' securities held		4,148,226	-	4,148,226	4,182,396	-	4,182,396
4.2. Investment securities held in custody		21,556,954	13,880,490	35,437,444	19,795,650	13,838,529	33,634,179
4.3. Checks received for collection		14,179,154	2,631,627	16,810,781	12,220,959	2,540,583	14,761,542
4.4. Commercial notes received for collection		2,576,318	1,219,002	3,795,320	2,233,861	1,214,012	3,447,873
4.5. Other assets received for collection		72,083	13,432,672	13,504,755	71,631	13,060,668	13,132,299
4.6. Assets received through public offering		-	70,017	70,017	-	70,813	70,813
4.7. Other items under custody		25,071	2,106,250	2,131,321	33,136	1,855,829	1,888,965
4.8. Custodians		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		<b>544,837,296</b>	<b>367,805,078</b>	<b>912,642,374</b>	<b>497,888,426</b>	<b>357,490,540</b>	<b>855,378,966</b>
5.1. Securities		4,195,940	23,809	4,219,749	4,160,352	20,174	4,180,526
5.2. Guarantee notes		38,394,314	10,895,577	49,289,891	39,071,238	11,148,532	50,219,770
5.3. Commodities		6,781	-	6,781	3,142	-	3,142
5.4. Warranties		-	-	-	-	-	-
5.5. Real estates		129,924,837	69,956,748	199,881,585	112,540,277	65,982,195	178,522,472
5.6. Other pledged items		372,315,254	286,928,324	659,243,578	342,113,247	280,339,012	622,452,259
5.7. Pledged items-depository		170	620	790	170	627	797
<b>VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		-	-	-	-	-	-
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>		<b>755,628,416</b>	<b>638,164,113</b>	<b>1,393,792,529</b>	<b>680,824,948</b>	<b>597,992,696</b>	<b>1,278,817,644</b>

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

**Income Statement**  
For the Six-Month Period Ended 30 June 2016

INCOME AND EXPENSE ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)			
		CURRENT PERIOD 1 January 2016- 30 June 2016	PRIOR PERIOD 1 January 2015- 30 June 2015	CURRENT PERIOD 1 April 2016- 30 June 2016	PRIOR PERIOD 1 April 2015- 30 June 2015
<b>I. INTEREST INCOME</b>	(5.4.1)	<b>10,010,207</b>	<b>8,334,506</b>	<b>5,113,472</b>	<b>4,442,711</b>
1.1 Interest income on loans		7,930,414	6,405,581	4,071,378	3,296,738
1.2 Interest income on reserve deposits		97,659	19,420	54,914	13,118
1.3 Interest income on banks		42,605	46,176	24,949	19,559
1.4 Interest income on money market transactions		2,285	1,621	1,500	551
1.5 Interest income on securities portfolio		1,836,682	1,778,131	909,209	1,073,047
1.5.1 Trading financial assets		7,524	10,092	3,341	3,235
1.5.2 Financial assets valued at fair value through profit or loss		-	-	-	-
1.5.3 Financial assets available-for-sale		987,073	914,096	485,664	532,756
1.5.4 Investments held-to-maturity		842,085	853,943	420,204	537,056
1.6 Financial lease income		-	-	-	-
1.7 Other interest income		100,562	83,577	51,522	39,698
<b>II. INTEREST EXPENSE</b>	(5.4.2)	<b>4,767,943</b>	<b>3,893,016</b>	<b>2,360,739</b>	<b>1,934,496</b>
2.1 Interest on deposits		3,374,075	2,715,277	1,676,316	1,361,066
2.2 Interest on funds borrowed		442,183	473,518	218,393	236,931
2.3 Interest on money market transactions		479,423	286,947	228,183	130,867
2.4 Interest on securities issued		452,326	401,436	232,876	202,965
2.5 Other interest expenses		19,936	15,838	4,971	2,667
<b>III. NET INTEREST INCOME (I - II)</b>		<b>5,242,264</b>	<b>4,441,490</b>	<b>2,752,733</b>	<b>2,508,215</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>1,543,736</b>	<b>1,454,967</b>	<b>762,611</b>	<b>701,780</b>
4.1 Fees and commissions received		2,024,717	1,869,436	1,014,865	927,360
4.1.1 Non-cash loans		152,053	133,562	77,569	68,024
4.1.2 Others		1,872,664	1,735,874	937,296	859,336
4.2 Fees and commissions paid		480,981	414,469	252,254	225,580
4.2.1 Non-cash loans		1,472	1,539	729	996
4.2.2 Others		479,509	412,930	251,525	224,584
<b>V. DIVIDEND INCOME</b>	(5.4.3)	<b>6,902</b>	<b>5,102</b>	<b>6,902</b>	<b>5,102</b>
<b>VI. NET TRADING INCOME/LOSSES (Net)</b>	(5.4.4)	<b>(554,880)</b>	<b>(351,329)</b>	<b>(307,537)</b>	<b>(329,062)</b>
6.1 Trading account income/losses		19,714	250,923	18,242	36,645
6.2 Income/losses from derivative financial instruments		(943,469)	(1,274,994)	(571,063)	66,842
6.3 Foreign exchange gains/losses		368,875	672,742	245,284	(432,549)
<b>VII. OTHER OPERATING INCOME</b>	(5.4.5)	<b>1,008,204</b>	<b>491,407</b>	<b>660,330</b>	<b>137,539</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>7,246,226</b>	<b>6,041,637</b>	<b>3,875,039</b>	<b>3,023,574</b>
<b>IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>	(5.4.6)	<b>1,392,106</b>	<b>1,016,674</b>	<b>643,783</b>	<b>423,829</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	(5.4.7)	<b>2,926,538</b>	<b>2,802,815</b>	<b>1,443,579</b>	<b>1,331,399</b>
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>2,927,582</b>	<b>2,222,148</b>	<b>1,787,677</b>	<b>1,268,346</b>
<b>XII. INCOME RESULTED FROM MERGERS</b>		-	-	-	-
<b>XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		<b>213,296</b>	<b>227,272</b>	<b>71,356</b>	<b>81,700</b>
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>		-	-	-	-
<b>XV. OPERATING PROFIT/LOSS BEFORE TAXES (XI+XII+XIII+XIV)</b>	(5.4.8)	<b>3,140,878</b>	<b>2,449,420</b>	<b>1,859,033</b>	<b>1,350,046</b>
<b>XVI. PROVISION FOR TAXES (±)</b>	(5.4.9)	<b>560,616</b>	<b>510,734</b>	<b>319,309</b>	<b>273,808</b>
16.1 Current tax charge		701,358	328,654	365,413	(1,771)
16.2 Deferred tax charge/(credit)		(140,742)	182,080	(46,104)	275,579
<b>XVII. NET OPERATING PROFIT/LOSS AFTER TAXES (XV±XVI)</b>	(5.4.10)	<b>2,580,262</b>	<b>1,938,686</b>	<b>1,539,724</b>	<b>1,076,238</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-	-	-
18.1 Income from assets held for sale		-	-	-	-
18.2 Income from sale of associates, affiliates and joint-ventures		-	-	-	-
18.3 Others		-	-	-	-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-	-	-
19.1 Expenses on assets held for sale		-	-	-	-
19.2 Expenses on sale of associates, affiliates and joint-ventures		-	-	-	-
19.3 Others		-	-	-	-
<b>XX. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XVIII-XIX)</b>	(5.4.8)	-	-	-	-
<b>XXI. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>	(5.4.9)	-	-	-	-
21.1 Current tax charge		-	-	-	-
21.2 Deferred tax charge/(credit)		-	-	-	-
<b>XXII. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XX±XXI)</b>	(5.4.10)	-	-	-	-
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	(5.4.11)	<b>2,580,262</b>	<b>1,938,686</b>	<b>1,539,724</b>	<b>1,076,238</b>
Earnings per Share		0.614	0.462	0.122	0.237

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

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

## **Türkiye Garanti Bankası Anonim Şirketi**

### **Statement of Income/Expense Items Accounted for under Shareholders' Equity**

**For the Six-Month Period Ended 30 June 2016**

INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY	THOUSANDS OF TURKISH LIRA (TL)	
	CURRENT PERIOD 1 January 2016- 30 June 2016	PRIOR PERIOD 1 January 2015- 30 June 2015
<b>I. MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"</b>	<b>135,899</b>	<b>(559,958)</b>
<b>II. REVALUATION SURPLUS ON TANGIBLE ASSETS</b>	<b>-</b>	<b>369</b>
<b>III. REVALUATION SURPLUS ON INTANGIBLE ASSETS</b>	<b>-</b>	<b>-</b>
<b>IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES</b>	<b>33,281</b>	<b>9,945</b>
<b>V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)</b>	<b>(154,409)</b>	<b>81,601</b>
<b>VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)</b>	<b>(8,653)</b>	<b>-</b>
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS</b>	<b>-</b>	<b>-</b>
<b>VIII. OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS</b>	<b>74,129</b>	<b>96,504</b>
<b>IX. DEFERRED TAXES ON VALUE INCREASES/DECREASES</b>	<b>(14,910)</b>	<b>86,729</b>
<b>X. NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+III+IV+V+VI+VII+VIII+IX)</b>	<b>65,337</b>	<b>(284,810)</b>
<b>XI. CURRENT PERIOD PROFIT/LOSSES</b>	<b>2,580,262</b>	<b>1,938,686</b>
1.1 Net changes in fair value of securities (transferred to income statement)	185,501	60,217
1.2 Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement	(75,169)	24,053
1.3 Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-	-
1.4 Others	2,469,930	1,854,416
<b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)</b>	<b>2,645,599</b>	<b>1,653,876</b>

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

**Türkiye Garanti Bankası Anonim Şirketi**  
**Statement of Changes in Shareholders' Equity**  
**For the Six-Month Period Ended 30 June 2016**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)															
		Paid-In Capital	Capital Reserves from Inflation Adj.s to Paid-In Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Profit/(Loss)	Securities Value Increase Fund	Revaluation Surplus on Tangible and Intangible Assets	Bonus Shares of Equity Participations	Hedging Reserves	Accu. Rev. Surp. on Assets Held for Sale and Assets of Discont. Op.s	Total Shareholders' Equity
<b>PRIOR PERIOD</b> (1 January - 30 June 2015)																	
I. Balances at beginning of the period		4,200,000	772,554	11,880	-	1,131,122	-	14,849,587	71,385	-	3,200,248	1,655,856	175,034	1,891	(68,683)	-	26,000,874
II. Correction made as per TAS 8		-	-	-	-	-	-	1,270,098	-	-	473,863	(1,194,922)	-	-	63,225	-	612,264
2.1. Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies (*)		-	-	-	-	-	-	1,270,098	-	-	473,863	(1,194,922)	-	-	63,225	-	612,264
III. Adjusted balances at beginning of the period (I+II)	(5.5)	4,200,000	772,554	11,880	-	1,131,122	-	16,119,685	71,385	-	3,674,111	460,934	175,034	1,891	(5,458)	-	26,613,138
Changes during the period																	
IV. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Market value changes of securities		-	-	-	-	-	-	-	-	-	-	(360,403)	-	-	-	-	(360,403)
VI. Hedging reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	65,281	-	65,281
6.1. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	65,281	-	65,281
6.2. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	369	-	-	-	369
VIII. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares of associates, affiliates and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Translation differences		-	-	-	-	676	-	206	9,061	-	-	-	-	-	-	-	9,943
XI. Changes resulted from disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Changes resulted from reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2. Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Current period net profit/loss		-	-	-	-	-	-	-	-	1,938,686	-	-	-	-	-	-	1,938,686
XX. Profit distribution		-	-	-	-	35,700	-	3,039,465	31,946	-	(3,674,111)	-	-	-	-	-	(567,000)
20.1. Dividends		-	-	-	-	-	-	-	-	-	(567,000)	-	-	-	-	-	(567,000)
20.2. Transfers to reserves		-	-	-	-	35,700	-	3,039,465	-	-	(3,075,165)	-	-	-	-	-	-
20.3. Others		-	-	-	-	-	-	-	31,946	-	(31,946)	-	-	-	-	-	-
Balances at end of the period (III+IV+V+.....+XVIII+XIX+XX)		4,200,000	772,554	11,880	-	1,167,498	-	19,159,356	112,392	1,938,686	-	100,531	175,403	1,891	59,823	-	27,700,014
<b>CURRENT PERIOD</b> (1 January - 30 June 2016)																	
I. Balances at beginning of the period		4,200,000	772,554	11,880	-	1,168,329	-	19,159,612	100,008	-	3,406,507	441,960	1,631,907	1,891	86,407	-	30,981,055
Changes during the period	(5.5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Market value changes of securities		-	-	-	-	-	-	-	-	-	-	90,226	-	-	-	-	90,226
IV. Hedging reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	(132,299)	-	(132,299)
4.1. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(123,985)	-	(123,985)
4.2. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	(8,314)	-	(8,314)
V. Revaluation surplus on tangible assets		-	-	-	-	-	-	8,303	-	-	-	(8,303)	-	-	-	-	-
VI. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares of associates, affiliates and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Translation differences		-	-	-	-	94	-	41	1,318	-	-	31,828	-	-	-	-	33,281
IX. Changes resulted from disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes resulted from reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase		-	-	-	-	-	-	-	-	-	-	74,129	-	-	-	-	74,129
12.1. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2. Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Others		-	-	-	-	-	-	766	-	-	-	-	(766)	-	-	-	-
XVII. Current period net profit/loss		-	-	-	-	-	-	-	-	2,580,262	-	-	-	-	-	-	2,580,262
XVIII. Profit distribution		-	-	-	-	35,700	-	2,799,084	805	-	(3,406,507)	-	3,918	-	-	-	(567,000)
18.1. Dividends		-	-	-	-	-	-	-	-	-	(567,000)	-	-	-	-	-	(567,000)
18.2. Transfers to reserves		-	-	-	-	35,700	-	2,799,084	-	-	(2,834,784)	-	-	-	-	-	-
18.3. Others		-	-	-	-	-	-	-	805	-	(4,723)	-	3,918	-	-	-	-
Balances at end of the period (I+II+III+.....+XVI+XVII+XVIII)		4,200,000	772,554	11,880	-	1,204,123	-	21,967,806	102,131	2,580,262	-	638,143	1,626,756	1,891	(45,892)	-	33,059,654

(\*) The corrections are disclosed in Note 3.24.1

**Türkiye Garanti Bankası Anonim Şirketi**  
**Statement of Cash Flows**  
**For the Six-Month Period Ended 30 June 2016**

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD 1 January 2016- 30 June 2016	PRIOR PERIOD 1 January 2015- 30 June 2015
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>3,018,355</b>	<b>1,713,324</b>
1.1.1 Interests received		8,948,558	8,058,047
1.1.2 Interests paid		(4,988,820)	(4,098,569)
1.1.3 Dividend received		6,902	5,102
1.1.4 Fees and commissions received		2,024,717	1,869,436
1.1.5 Other income		897,918	744,214
1.1.6 Collections from previously written-off loans and other receivables		85,420	39,483
1.1.7 Payments to personnel and service suppliers		(2,581,265)	(2,060,894)
1.1.8 Taxes paid		(678,865)	(782,110)
1.1.9 Others	(5.6)	(696,210)	(2,061,385)
<b>1.2 Changes in operating assets and liabilities</b>		<b>(2,838,668)</b>	<b>(2,170,522)</b>
1.2.1 Net (increase) decrease in financial assets held for trading		65,735	213,954
1.2.2 Net (increase) decrease in financial assets valued at fair value through profit or loss		200,000	-
1.2.3 Net (increase) decrease in due from banks		2,415,889	136,044
1.2.4 Net (increase) decrease in loans		(10,177,987)	(15,768,902)
1.2.5 Net (increase) decrease in other assets		312,718	(755,144)
1.2.6 Net increase (decrease) in bank deposits		(2,543,824)	121,038
1.2.7 Net increase (decrease) in other deposits		16,269,583	11,648,787
1.2.8 Net increase (decrease) in funds borrowed		(10,073,607)	776,578
1.2.9 Net increase (decrease) in matured payables			
1.2.10 Net increase (decrease) in other liabilities	(5.6)	692,825	1,457,123
<b>I. Net cash flow from banking operations</b>		<b>179,687</b>	<b>(457,198)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash flow from investing activities</b>		<b>1,651,988</b>	<b>293,959</b>
2.1 Cash paid for purchase of associates, affiliates and joint-ventures		(53,484)	-
2.2 Cash obtained from sale of associates, affiliates and joint-ventures		-	-
2.3 Purchases of tangible assets		(188,566)	(98,482)
2.4 Sales of tangible assets		54,421	54,457
2.5 Cash paid for purchase of financial assets available-for-sale		(557,696)	(4,064,041)
2.6 Cash obtained from sale of financial assets available-for-sale		1,872,833	3,952,604
2.7 Cash paid for purchase of investments held-to-maturity		(253,344)	(2,279,217)
2.8 Cash obtained from sale of investments held-to-maturity		777,824	2,728,638
2.9 Others	(5.6)	-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash flow from financing activities</b>		<b>(253,723)</b>	<b>9,575</b>
3.1 Cash obtained from funds borrowed and securities issued		3,520,272	3,646,563
3.2 Cash used for repayment of funds borrowed and securities issued		(3,201,319)	(3,069,858)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		(567,000)	(567,000)
3.5 Payments for financial leases		(5,676)	(130)
3.6 Others (payments for founder shares repurchased)	(5.6)	-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	(5.6)	<b>(55,864)</b>	<b>545,078</b>
<b>V. Net increase/(decrease) in cash and cash equivalents</b>		<b>1,522,088</b>	<b>391,414</b>
<b>VI. Cash and cash equivalents at beginning of period</b>		<b>8,878,118</b>	<b>7,585,868</b>
<b>VII. Cash and cash equivalents at end of period</b>		<b>10,400,206</b>	<b>7,977,282</b>

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



### **3 Accounting policies**

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

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

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis except for financial instruments at fair value through profit or loss, financial assets available for sale, real estates and investments in affiliates valued at equity basis of accounting.

The accounting policies and the valuation principles applied in the preparation of the accompanying financial statements are explained in Notes 3.2 to 3.24.

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

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

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

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

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

The Bank may classify its financial assets and liabilities as at fair value through profit or loss, at the initial recognition in order to eliminate any accounting inconsistency.

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

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

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

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

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

### **3.2.2 Foreign currency transactions**

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

In the unconsolidated financial statements, the financial affiliates are accounted for using the equity method in accordance with the Communiqué published on the Official Gazette dated 9 April 2015 no. 29321 related to the amendments to the Turkish Accounting Standard 27 (TAS 27) "Separate Financial Statements". In this context, foreign affiliates' asset and liability items in the balance sheet are translated into Turkish Lira by using foreign exchange rates as of the balance sheet date whereas income and expense items are translated into Turkish Lira by using average foreign exchange rates for the related period. Foreign exchange differences arising from translation of income and expense items and other equity items are accounted under capital reserves under equity.

From 1 September 2015, it has been started to apply net investment hedge amounting to EUR 318,833,575 in total among net investments in Garanti Bank International NV and Garanti Holding BV having capitals denominated in foreign currencies and long term foreign currency borrowings. Foreign exchange losses in the amount of TL 24,155 thousands, arising from conversion of both foreign currency net investments and long term foreign currency borrowings are accounted under capital reserves and hedging reserves, respectively under equity as of 30 June 2016. There is no ineffective portion arising from net investment hedge accounting.

### **3.3 Investments in associates and affiliates**

In the unconsolidated financial statements, the financial affiliates are accounted for using the equity method in accordance with the Communiqué published on the Official Gazette dated 9 April 2015 no. 29321 related to the amendments to the Turkish Accounting Standard 27 (TAS 27) "Separate Financial Statements".

In accordance with the Turkish Accounting Standard 28 (TAS 28) for "Investments in Associates and Joint Ventures" through the equity method, the carrying value of financial affiliates are accounted in the financial statements with respect to the Bank's share in these investments' net asset value. While the Bank's share on profits or losses of financial affiliates are accounted in the Bank's income statement, the Bank's share in other comprehensive income of financial affiliates are accounted in the Bank's other comprehensive income statement.

Non-financial affiliates are accounted at cost in the financial statements after provisions for impairment losses deducted, if any, in accordance with TMS 27.

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

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

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

The derivative transactions mainly consist of foreign currency and interest rate swaps, foreign currency options and forward foreign currency purchase/sale contracts. There are no embedded derivatives.

Derivatives are initially recorded in off-balance sheet accounts at their purchase costs including the transaction costs. Subsequently, derivative transactions are valued at their fair values and the changes in their fair values are recorded on balance sheet under "derivative financial assets held for trading" or "derivative financial liabilities held for trading", respectively depending on the fair values being positive or negative. Fair value changes for trading derivatives are recorded under income statement.

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

### **3.4.2 Derivative financial instruments held for risk management**

The Bank enters into interest rate and cross currency swap transactions in order to hedge the change in fair values of fixed-rate financial instruments. While applying fair value hedge accounting, the changes in fair values of hedging instrument and hedged item are recognised in income statement. If the hedging is effective, the changes in fair value of the hedged item is presented in statement of financial position together with the fixed-rate loan, and in case of fixed-rate financial assets available for sale, such changes are reclassified from shareholders' equity to income statement.

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

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

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

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

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

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

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

### **3.6 Fees and commissions**

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

### **3.7 Financial assets**

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

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

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

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

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

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

There are no financial assets that are not allowed to be classified as investments held-to-maturity for two years due to the tainting rules applied for the breach of classification rules.

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

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

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

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

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

*Loans and receivables* are financial assets raised by the Bank providing money, commodity and services to debtors.

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

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

### **3.8 Impairment of financial assets**

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

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

If there is an objective evidence that certain loans will not be collected, for such loans; the Bank provides specific and general allowances for loan and other receivables classified in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the Provisioning Regulation) published on the Official Gazette no.2633 dated 1 November 2006. The allowances are recorded in income statement of the related period.

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

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

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

In cases where the fair values of trading securities, securities available-for-sale, securities quoted at the stock exchanges, associates and affiliates are less than their carrying values, a provision for impairment is allocated, and the net value is shown on the balance sheet.

The Bank provides specific allowances for non-performing loan and other receivables in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables. Such allowances are recorded under “loans” as negative balances on the asset side.

Otherwise, the financial assets and liabilities are netted off only when there is a legal right to do so.

#### **3.9.2 Derecognition of financial assets**

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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

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

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

Securities sold under repurchase agreements are recorded on the balance sheet in compliance with the Uniform Chart of Accounts. Accordingly, government bonds and treasury bills sold to customers under repurchase agreements are classified as “Investments Subject to Repurchase Agreements” and valued based on the Bank management’s future intentions, either at market prices or using discounting method with internal rate of return. The funds received through repurchase agreements are classified separately under liability accounts and the related interest expenses are accounted for on an accrual basis.

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

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

A tangible asset (or a disposal group) classified as “asset held for sale” is measured at lower of carrying value or fair value less costs to sell. An asset (or a disposal group) is regarded as “asset held for sale” only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively marketed at a price consistent with its fair value.

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

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

The Bank’s intangible assets consist of softwares, intangible rights and other intangible assets.

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

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

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

- The technical feasibility of completing the intangible asset so that it will be available for use,
- Availability of the Bank’s intention to complete and use the intangible asset,
- The ability to use the intangible asset,
- Clarity in probable future economic benefits to be generated from the intangible asset,
- The availability of adequate technical, financial and other resources to complete the development phase and to start using the intangible asset,
- The availability to measure reliably the expenditure attributable to the intangible asset during the development phase.

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

The intangible assets are amortised by the Bank over their estimated useful lives based on their inflation adjusted costs on a straight-line basis. Estimated useful lives of the Bank’s intangible assets are 3-15 years, and amortisation rates are 6.67-33.3%.

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

### **3.13 Tangible assets**

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

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

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

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

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

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets. The depreciation rates and the estimated useful lives of tangible assets are presented below. Depreciation method in use was not changed in the current period.

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

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

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

#### *Investment properties*

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

Investment properties accounted at fair value are not depreciated.

### **3.14 Leasing activities**

Leased assets are recognized by recording an asset or a liability. In the determination of the related asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are expanded in lease periods at a fixed interest rate.

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

In operating leases, the rent payments are charged to the statement of operations in equal installments.

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

In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as of the balance sheet date and, if material, such expenses are discounted for their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Bank to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the financial statements.

### 3.16 Contingent assets

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

### 3.17 Liabilities for employee benefits

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

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

Accordingly, the Bank reserved for employee severance indemnities in the accompanying financial statements using actuarial method in compliance with the Turkish Accounting Standard 19 (TAS 19) "Employee Benefits" for all its employees who retired or whose employment is terminated, called up for military service or died. The major actuarial assumptions used in the calculation of the total liability are as follows:

	30 June 2016	31 December 2015
	%	%
Net Effective Discount Rate	2.99	2.99
Discount Rate	10.30	10.30
Expected Rate of Salary	8.60	8.60
Inflation Rate	7.10	7.10

The above rates are effective rates, whereas the rates applied for the calculation differ according to the employees' years-in-service.

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

The actuarial gains/losses are recognised under shareholders' equity as per the revised TAS 19.

#### *Retirement benefit obligations*

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

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

The Plan is funded through contributions of both by the employees and the employer as required by Social Security Law numbered 506. These contributions are as follows:

	30 June 2016	
	Employer	Employee
Pension contributions	15.5%	10.0%
Medical benefit contributions	6.0%	5.0%

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



*a) Benefits transferable to SSF*

The first paragraph of the provisional article 23 of Banking Law no.5411, published in the Official Gazette on 1 November 2005, no.25983, which requires the transfer of the members of the funds subject to the provisional article 20 of the Social Security Law no.506, and the persons who are paid under insurance coverage for disablement, old-age and mortality and their right-holders to the SSF within three years following the effective date of the related article was cancelled with the decision of the Constitutional Court dated 22 March 2007, no.2007/33. The reasoned ruling regarding the cancellation of the Constitutional Court was published in the Official Gazette no.26731, dated 15 December 2007. The Constitutional Court stated that the reason behind this cancellation was the possible loss of antecedent rights of the fund members.

Following the publication of the verdict, the Turkish Grand National Assembly (“Turkish Parliament”) started to work on the new legal arrangements by taking the cancellation reasoning into account and the articles of the Law no.5754 regulating the principles related with such transfers were accepted and approved by Turkish Parliament on 17 April 2008, and enacted on 8 May 2008 after being published in the Official Gazette no.26870.

As per the Law, the present value of post-employment benefits as at the transfer date for the fund members to be transferred, are to be calculated by a commission composing from the representatives of the SSF, the Ministry of Finance, the Undersecretariat of Treasury, the Undersecretariat of State Planning Organisation, the BRSA, the Savings Deposit Insurance Fund, the banks and the funds, by using a technical discount rate of 9.80% taking into account the funds’ income and expenses as per insurance classes and the transferable contributions and payments of the funds including any salary and income differences paid by the funds above the limits of SSF for such payments. The transfers are to take place within the three-year period starting from 1 January 2008. Subsequently, the transfer of the contributors and the persons receiving monthly or regular income and their right-holders from such funds established for employees of the banks, insurance and reinsurance companies, trade chambers, stock markets and unions that are part of these organizations subject to the provisional article 20 of the Social Security Law no.506 to the SSF, has been postponed for two years. The decision was made by the Council of Ministers on 14 March 2011 and published in the Official Gazette no. 27900 dated 9 April 2011 as per the decision of the Council of Ministers, no.2011/1559, and as per the letter no. 150 of the Ministry of Labor and Social Security dated 24 February 2011 and according to the provisional article 20 of the Social Security and Public Health Insurance Law no.5510.

On 19 June 2008, Cumhuriyet Halk Partisi (“CHP”) applied to the Constitutional Court for the cancellation of various articles of the Law including the first paragraph of the provisional Article 20. At the meeting of the Constitutional Court on 30 March 2011, it was decided that the first paragraph of the provisional Article 20 of the Law is not contradictory to the Constitutional Law, and accordingly the dismissal of the cancellation request has been denied with the majority of votes.

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

*b) Other benefits not transferable to SSF*

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

The actuarial gains/losses are recognised under shareholders’ equity as per the revised TAS 19.

## **3.18 Taxation**

### **3.18.1 Corporate tax**

Effective from 1 January 2006, statutory income is subject to corporate tax at 20% in Turkey. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

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

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

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

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25<sup>th</sup> of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

The tax applications for foreign branches;

#### *NORTHERN CYPRUS*

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

#### *MALTA*

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

#### *LUXEMBOURG*

The corporate earnings are subject to a 21% corporate tax. This rate is determined by modifying accounting income for certain exclusions and allowances for tax purposes. An additional 7% of the calculated corporate income tax is paid as a contribution to unemployment insurance fund. 3% of the taxable income is paid as municipality tax in addition to corporate tax. The municipalities have the right to increase this rate up to 200%-350%. The municipality commerce tax, which the Bank's Luxembourg branch subject to currently is applied as 7.50% of the taxable income. The tax returns do not include any tax amounts to be paid.

The tax calculation is done by the tax office and the amount to be paid is declared to corporate through an official letter called Note. The amounts and the payment dates of prepaid taxes are determined and declared by the tax office at the beginning of the taxation period. The corporations whose head offices are outside Luxembourg, are allowed to transfer the rest of their net income after tax following the allocation of 5% of it for legal reserves, to their head offices.

### **3.18.2 Deferred taxes**

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

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

The deferred tax assets and liabilities are reported as net in the financial statements.

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

### **3.18.3 Transfer pricing**

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

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

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

### **3.19 Funds borrowed**

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

In cases where such funds are valued at their amortised costs and such application results in measurement or accounting inconsistencies due to having the relevant financial instruments valued using different methods or the related gains or losses are recorded differently, such fundings are valued and recorded at their fair values as per TAS 39 in order to minimise or prevent such inconsistencies.

### **3.20 Share issuances**

None.

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

Confirmed bills of exchange and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment, if any.

### **3.22 Government incentives**

As of 30 June 2016, the Bank does not have any government incentives or grants.

### **3.23 Segment reporting**

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

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

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

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

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

*Information on the business segments is as follows:*

<i>Current Period</i>	<b>Retail Banking</b>	<b>Corporate / Commercial Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
Total Operating Profit	3,260,134	2,268,943	121,122	1,589,125	7,239,324
Other	-	-	-	-	-
<b>Total Operating Profit</b>	<b>3,260,134</b>	<b>2,268,943</b>	<b>121,122</b>	<b>1,589,125</b>	<b>7,239,324</b>
Net Operating Profit	867,367	743,985	3,439	1,519,185	3,133,976
Income from Associates and Affiliates	-	-	-	6,902	6,902
<b>Net Operating Profit</b>	<b>867,367</b>	<b>743,985</b>	<b>3,439</b>	<b>1,526,087</b>	<b>3,140,878</b>
Provision for Taxes	-	-	-	560,616	560,616
<b>Net Profit</b>	<b>867,367</b>	<b>743,985</b>	<b>3,439</b>	<b>965,471</b>	<b>2,580,262</b>
Segment Assets	55,927,497	112,392,216	76,613,116	11,740,146	256,672,975
Investments in Associates and Affiliates	-	-	-	4,855,935	4,855,935
<b>Total Assets</b>	<b>55,927,497</b>	<b>112,392,216</b>	<b>76,613,116</b>	<b>16,596,081</b>	<b>261,528,910</b>
Segment Liabilities	100,376,503	62,396,827	59,539,794	6,156,132	228,469,256
Shareholders' Equity	-	-	-	33,059,654	33,059,654
<b>Total Liabilities and Shareholders' Equity</b>	<b>100,376,503</b>	<b>62,396,827</b>	<b>59,539,794</b>	<b>39,215,786</b>	<b>261,528,910</b>

<i>Prior Period</i>	<b>Retail Banking</b>	<b>Corporate / Commercial Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
Total Operating Profit	2,387,218	1,950,746	890,443	808,128	6,036,535
Other	-	-	-	-	-
<b>Total Operating Profit</b>	<b>2,387,218</b>	<b>1,950,746</b>	<b>890,443</b>	<b>808,128</b>	<b>6,036,535</b>
Net Operating Profit	(55,571)	1,051,537	785,344	668,110	2,449,420
Income from Associates and Affiliates	-	-	-	5,102	5,102
<b>Net Operating Profit</b>	<b>(55,571)</b>	<b>1,051,537</b>	<b>785,344</b>	<b>673,212</b>	<b>2,454,522</b>
Provision for Taxes	-	-	-	510,734	510,734
<b>Net Profit</b>	<b>(55,571)</b>	<b>1,051,537</b>	<b>785,344</b>	<b>157,376</b>	<b>1,938,686</b>
Segment Assets	53,086,559	106,251,482	79,563,977	10,957,371	249,859,389
Investments in Associates and Affiliates	-	-	-	4,483,197	4,483,197
<b>Total Assets</b>	<b>53,086,559</b>	<b>106,251,482</b>	<b>79,563,977</b>	<b>15,440,568</b>	<b>254,342,586</b>
Segment Liabilities	91,670,983	53,507,379	71,649,459	6,533,710	223,361,531
Shareholders' Equity	-	-	-	30,981,055	30,981,055
<b>Total Liabilities and Shareholders' Equity</b>	<b>91,670,983</b>	<b>53,507,379</b>	<b>71,649,459</b>	<b>37,514,765</b>	<b>254,342,586</b>

### 3.24 Other disclosures

In accordance with the communiqué related with the amendments to the Turkish Accounting Standard 27 (TAS 27) “Separate Financial Statements” published on the Official Gazette dated 9 April 2015 no. 29321, in their separate financial statements, entities shall account their investments in associates, affiliates and joint ventures either at cost in accordance with the provisions set in TFRS 9 “Financial Instruments” or using the equity method of accounting as described in TAS 28 “Investments in Associates and Joint Ventures”. The aforementioned change will be effective for annual periods beginning on or after 1 January 2016, but earlier application is permitted.

In accordance with the letter from the BRSA Regulatory Department dated 14 July 2015 no. 24049440-045.01[3/8]-E.10686, the adoption of the aforementioned changes by banks in preparation of their separate financial statements before 1 January 2016 have been permitted as long as the adoption is in compliance with the provisions set in the temporary article 2 of TAS 27 and other related provisions in the TAS.

The Bank has decided to early adopt the equity method of accounting for its investments in financial affiliates described in TAS 28 and started to use equity method for the valuation of its financial affiliates. Before the aforementioned accounting policy change, the associates and affiliates were accounted in the unconsolidated financial statements in accordance with TAS 39. In accordance with TAS 39, the affiliates quoted in active markets and having reliably measured fair values, were accounted at fair value whereas the associates and affiliates not quoted in any active markets and do not have reliably measured fair values, were accounted at cost less any impairment provisions in the financial statements.

As of 1 November 2015, changing the existing accounting policy, it has been decided to apply fair value model for investment properties instead of cost model in accordance with the Turkish Accounting Standard 40 (TAS 40) “Investment Property”. Accordingly, for all the investment properties registered in the ledger, a valuation study was performed by independent expertise firms. Fair value changes in investment properties were accounted in the income statement for the period they occurred.

As of 31 December 2015, changing the existing accounting policy, it has been decided to account for taxation related levies and liabilities in the periods when the events resulting in such liabilities occurred instead of applying accrual basis of accounting as in prior years in accordance with the interpretation of TFRS Comment 21 “Levies”.

As of 31 December 2015, in accordance with TAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, provisions are calculated and accounted for fees and commissions income recognized in prior years but reimbursed in subsequent periods.

Due to the aforementioned accounting policy changes, the prior years’ consolidated financial statements were restated as per the TAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” standard.

The effects of the adjusting entries on the prior period’s financial statements are as follows:

<i>30 June 2015</i>	<i>Reported</i>	<i>Correction</i>	<i>Restated</i>
Foreign Exchange Gains/Losses	761,202	(88,460)	672,742
Other Operating Expenses	2,760,837	41,978	2,802,815
Income/Loss from Investments Under Equity Accounting	-	227,272	227,272
Provision for Taxes	536,822	(26,088)	510,734
<b>Current Period Net Profit/Loss</b>	<b>1,815,764</b>	<b>122,922</b>	<b>1,938,686</b>

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

### 4.1 Total capital

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

#### 4.1.1 Components of total capital

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	23,350,043	
Other Comprehensive Income according to TAS	2,418,160	
Profit	2,580,262	
Current Period Profit	2,580,262	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	1,891	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>33,334,790</b>	
<b>Deductions From Common Equity Tier I Capital</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	209,921	-
Leasehold Improvements on Operational Leases (-)	97,327	-
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	115,876	193,127
Net Deferred Tax Asset/Liability (-)	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	1,531	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Mortgage Servicing Rights not deducted (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014<sup>(*)</sup></i>
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>424,655</b>	
<b>Total Common Equity Tier I Capital</b>	<b>32,910,135</b>	
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
<b>Additional Tier I Capital before Deductions</b>	<b>-</b>	
<b>Deductions from Additional Tier I Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	77,251	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
<b>Total Deductions from Additional Tier I Capital</b>	<b>-</b>	
<b>Total Additional Tier I Capital</b>	<b>-</b>	
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>32,832,884</b>	
<b>TIER II CAPITAL</b>		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2,433,332	
<b>Total Deductions from Tier II Capital</b>	<b>2,433,332</b>	
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)		
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	
<b>Total Tier II Capital</b>	<b>2,433,332</b>	
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>35,266,216</b>	
<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>		



	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014<sup>(*)</sup></i>
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	59	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	19,620	
Other items to be Defined by the BRSA (-)	45,661	
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
<b>CAPITAL</b>		
Total Capital ( Total of Tier I Capital and Tier II Capital )	35,200,876	-
Total Risk Weighted Assets	216,317,675	-
<b>CAPITAL ADEQUACY RATIOS</b>		
CET1 Capital Ratio (%)	15.21	-
Tier I Capital Ratio (%)	15.18	-
Capital Adequacy Ratio (%)	16.27	-
<b>BUFFERS</b>		
Bank-specific total CET1 Capital Ratio	4.50	-
Capital Conservation Buffer Ratio (%)	0.625	-
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.008	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	8.17	-
<b>Amounts Lower Than Excesses as per Deduction Rules</b>		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	528,235	-
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	3,128,089	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2,433,332	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

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

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

#### 4.1.2 Items included in capital calculation

None.

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

<i>Current Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the capital report</i>	<i>Explanation of differences</i>
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	2,929,349	(707,338)	2,222,011	
Other Comprehensive Income According to TAS	2,915,578	(707,338)	2,208,240	
Securities Value Increase Fund	638,143	-	638,143	
Revaluation Surplus on Tangible Assets	1,626,756	-	1,626,756	
Revaluation Surplus on Intangible Assets	-	-	-	
Revaluation Surplus on Investment Property	-	-	-	
Hedging Reserves (Effective Portion)	(45,892)	65,216	19,324	Items not included in the calculation as per Regulation's Article 9-1-f
Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	-	-	-	
Other Capital Reserves	696,571	(772,554)	(75,983)	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Affiliates and Joint-Ventures	1,891	-	1,891	
Share Premium	11,880	-	11,880	
Profit Reserves	23,350,043	-	23,350,043	
Profit or Loss	2,580,262	-	2,580,262	
Prior Periods Profit/Loss	-	-	-	
Current Period Net Profit/Loss	2,580,262	-	2,580,262	
Deductions from Common Equity Tier I Capital (-)	-		214,735	Deductions from Common Equity Tier 1 Capital as per the Regulation
<b>Common Equity Tier I Capital</b>	<b>33,059,654</b>		<b>32,910,135</b>	
Subordinated Debts			-	
Deductions from Tier I Capital (-)			77,251	Deductions from Tier 1 Capital as per the Regulation
<b>Tier I Capital</b>			<b>32,832,884</b>	
Subordinated Debts			-	
General Provisions			2,433,332	General Loan Provision added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
<b>Tier II Capital</b>			<b>2,433,332</b>	
Deductions from Total Capital (-)			65,340	Deductions from Capital as per the Regulation
<b>Total</b>			<b>35,200,876</b>	

## 4.2 Credit risk

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

## 4.3 Currency risk

Foreign currency position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 30 June 2016, the Bank’s net ‘on balance sheet’ foreign currency short position amounts to TL 15,026,645 thousands (31 December 2015: TL 7,778,023 thousands), net ‘off-balance sheet’ foreign currency long position amounts to TL 15,481,403 thousands (31 December 2015: TL 9,467,068 thousands), while net foreign currency long open position amounts to TL 454,758 thousands (31 December 2015: TL 1,689,045 thousands).

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

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

	<b>USD</b>	<b>EUR</b>
<b>Foreign currency purchase rates at balance sheet date</b>	2.8710	3.1907
<b><u>Exchange rates for the days before balance sheet date;</u></b>		
Day 1	2.8850	3.2015
Day 2	2.8980	3.2058
Day 3	2.9340	3.2212
Day 4	2.9150	3.2393
Day 5	2.8700	3.2622
<b>Last 30-days arithmetical average rates</b>	2.9088	3.2691

*The Bank's currency risk:*

<i>Current Period</i>	<b>EUR</b>	<b>USD</b>	<b>Other FCs</b>	<b>Total</b>
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	4,764,915	14,422,651	3,662,218	22,849,784
Banks	2,164,565	6,994,661	168,634	9,327,860
Financial Assets at Fair Value through Profit/Loss	144,699	333,680	51	478,430
Interbank Money Market Placements	114,865	86,131	-	200,996
Financial Assets Available-for-Sale	70,733	1,004,335	-	1,075,068
Loans (*)	24,495,920	39,538,888	499,746	64,534,554
Investments in Associates, Affiliates and Joint-Ventures	2,356,684	-	144,024	2,500,708
Investments Held-to-Maturity	111,859	9,602,693	-	9,714,552
Derivative Financial Assets Held for Risk Management	-	-	-	-
Tangible Assets	83	188	-	271
Intangible Assets	-	-	-	-
Other Assets	226,354	657,545	14,571	898,470
<b>Total Assets</b>	<b>34,450,677</b>	<b>72,640,772</b>	<b>4,489,244</b>	<b>111,580,693</b>
<b>Liabilities</b>				
Bank Deposits	256,883	1,816,087	211,825	2,284,795
Foreign Currency Deposits	22,202,920	56,082,071	1,746,204	80,031,195
Interbank Money Market Takings	-	812,894	287,467	1,100,361
Other Fundings	7,918,262	21,721,418	97,195	29,736,875
Securities Issued	1,915,028	7,207,985	699,646	9,822,659
Miscellaneous Payables	85,939	742,978	7,868	836,785
Derivative Financial Liabilities Held for Risk Management	24,504	292,557	125,939	443,000
Other Liabilities (**)	450,488	900,176	1,001,004	2,351,668
<b>Total Liabilities</b>	<b>32,854,024</b>	<b>89,576,166</b>	<b>4,177,148</b>	<b>126,607,338</b>
<b>Net 'On Balance Sheet' Position</b>	<b>1,596,653</b>	<b>(16,935,394)</b>	<b>312,096</b>	<b>(15,026,645)</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>(1,792,275)</b>	<b>17,270,123</b>	<b>3,555</b>	<b>15,481,403</b>
Derivative Assets	13,483,617	54,906,063	5,997,831	74,387,511
Derivative Liabilities	15,275,892	37,635,940	5,994,276	58,906,108
Non-Cash Loans	-	-	-	-
<b>Prior Period</b>				
<b>Total Assets</b>	<b>32,703,430</b>	<b>76,415,779</b>	<b>5,438,306</b>	<b>114,557,515</b>
<b>Total Liabilities</b>	<b>31,085,884</b>	<b>86,871,090</b>	<b>4,378,564</b>	<b>122,335,538</b>
<b>Net 'On Balance Sheet' Position</b>	<b>1,617,546</b>	<b>(10,455,311)</b>	<b>1,059,742</b>	<b>(7,778,023)</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>(552,341)</b>	<b>11,191,825</b>	<b>(1,172,416)</b>	<b>9,467,068</b>
Derivative Assets	11,681,920	43,870,033	6,336,208	61,888,161
Derivative Liabilities	12,234,261	32,678,208	7,508,624	52,421,093
Non-Cash Loans	-	-	-	-

(\*) The foreign currency-indexed loans amounting TL 5,459,570 thousands included under TL loans in the accompanying balance sheet are presented above under the related foreign currency codes.

(\*\*) Other liabilities include gold deposits of TL 1,103,285 thousands.

#### 4.4 Interest rate risk

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

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

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

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

<i>Current Period</i>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing (*)</b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	15,432,265	-	-	-	-	9,823,582	25,255,847
Banks	4,551,039	716,828	1,980,185	-	-	3,465,178	10,713,230
Financial Assets at Fair Value through Profit/Loss	5,286	22,098	22,860	17,683	31,807	1,740,073	1,839,807
Interbank Money Market Placements	200,995	-	-	-	-	1	200,996
Financial Assets Available-for-Sale	1,735,842	8,124,788	5,106,711	1,936,640	1,141,843	1,716,813	19,762,637
Loans	39,818,574	17,992,096	52,171,035	42,600,523	12,522,880	3,214,605	168,319,713
Investments Held-to-Maturity	1,193,899	1,547,742	5,978,383	4,470,345	6,246,145	2,113,392	21,549,906
Other Assets	3,754	-	-	14,367	2,287	13,866,366	13,886,774
<b>Total Assets</b>	<b>62,941,654</b>	<b>28,403,552</b>	<b>65,259,174</b>	<b>49,039,558</b>	<b>19,944,962</b>	<b>35,940,010</b>	<b>261,528,910</b>
<b>Liabilities</b>							
Bank Deposits	490,018	522,383	174,205	-	-	1,788,207	2,974,813
Other Deposits	75,789,902	27,874,737	14,670,020	141,329	-	33,267,325	151,743,313
Interbank Money Market Takings	6,161,584	-	285,198	-	-	10,096	6,456,878
Miscellaneous Payables	-	-	-	-	-	9,026,022	9,026,022
Securities Issued	219,786	1,528,308	2,734,188	7,972,459	1,758,490	306,611	14,519,842
Other Fundings	11,696,884	13,032,710	3,141,968	3,644,436	143,338	159,116	31,818,452
Other Liabilities	6,148	9,730	21,838	1,228	-	44,950,646	44,989,590
<b>Total Liabilities</b>	<b>94,364,322</b>	<b>42,967,868</b>	<b>21,027,417</b>	<b>11,759,452</b>	<b>1,901,828</b>	<b>89,508,023</b>	<b>261,528,910</b>
<b>On Balance Sheet Long Position</b>	-	-	<b>44,231,757</b>	<b>37,280,106</b>	<b>18,043,134</b>	-	<b>99,554,997</b>
<b>On Balance Sheet Short Position</b>	<b>(31,422,668)</b>	<b>(14,564,316)</b>	-	-	-	<b>(53,568,013)</b>	<b>(99,554,997)</b>
<b>Off-Balance Sheet Long Position</b>	<b>7,866,258</b>	<b>7,723,966</b>	<b>11,463,483</b>	<b>4,880,133</b>	<b>2,890,644</b>	-	<b>34,824,484</b>
<b>Off-Balance Sheet Short Position</b>	<b>(2,299,065)</b>	<b>(2,976,312)</b>	<b>(8,423,786)</b>	<b>(11,781,748)</b>	<b>(9,636,548)</b>	-	<b>(35,117,459)</b>
<b>Total Position</b>	<b>(25,855,475)</b>	<b>(9,816,662)</b>	<b>47,271,454</b>	<b>30,378,491</b>	<b>11,297,230</b>	<b>(53,568,013)</b>	<b>(292,975)</b>

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

<i>Prior Period</i>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing (*)</b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	237,533	-	-	-	-	24,913,990	25,151,523
Banks	4,891,625	1,627,764	1,721,756	-	-	3,606,350	11,847,495
Financial Assets at Fair Value through Profit/Loss(**)	6,123	43,980	24,243	64,552	27,070	1,484,381	1,650,349
Interbank Money Market Placements	61,068	-	-	-	-	1	61,069
Financial Assets Available-for-Sale	1,056,789	8,255,927	5,535,331	2,886,934	1,398,732	1,386,088	20,519,801
Loans (**)	36,234,817	19,851,601	47,116,862	41,487,703	11,718,450	2,928,608	159,338,041
Investments Held-to-Maturity	1,314,880	1,839,477	5,475,789	4,164,735	7,166,113	1,794,818	21,755,812
Other Assets	8,141	-	-	-	3,126	14,007,229	14,018,496
<b>Total Assets</b>	<b>43,810,976</b>	<b>31,618,749</b>	<b>59,873,981</b>	<b>48,603,924</b>	<b>20,313,491</b>	<b>50,121,465</b>	<b>254,342,586</b>
<b>Liabilities</b>							
Bank Deposits	2,559,672	1,004,936	136,962	-	-	1,819,409	5,520,979
Other Deposits	69,211,491	23,297,959	12,546,330	155,766	-	30,166,807	135,378,353
Interbank Money Market Takings	12,530,501	242	2,520,164	-	-	17,254	15,068,161
Miscellaneous Payables	-	-	-	-	-	8,336,852	8,336,852
Securities Issued	1,065,962	1,063,971	1,884,600	6,724,385	3,155,359	304,492	14,198,769
Other Fundings	13,072,799	12,976,046	2,387,108	4,813,288	154,377	193,971	33,597,589
Other Liabilities	2,961	41,686	13,766	3,020	-	42,180,450	42,241,883
<b>Total Liabilities</b>	<b>98,443,386</b>	<b>38,384,840</b>	<b>19,488,930</b>	<b>11,696,459</b>	<b>3,309,736</b>	<b>83,019,235</b>	<b>254,342,586</b>
<b>On Balance Sheet Long Position</b>	<b>-</b>	<b>-</b>	<b>40,385,051</b>	<b>36,907,465</b>	<b>17,003,755</b>	<b>-</b>	<b>94,296,271</b>
<b>On Balance Sheet Short Position</b>	<b>(54,632,410)</b>	<b>(6,766,091)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(32,897,770)</b>	<b>(94,296,271)</b>
<b>Off-Balance Sheet Long Position</b>	<b>5,220,980</b>	<b>7,262,160</b>	<b>11,606,458</b>	<b>5,101,636</b>	<b>2,626,080</b>	<b>-</b>	<b>31,817,314</b>
<b>Off-Balance Sheet Short Position</b>	<b>(1,478,854)</b>	<b>(4,029,766)</b>	<b>(9,071,991)</b>	<b>(10,112,625)</b>	<b>(7,396,845)</b>	<b>-</b>	<b>(32,090,081)</b>
<b>Total Position</b>	<b>(50,890,284)</b>	<b>(3,533,697)</b>	<b>42,919,518</b>	<b>31,896,476</b>	<b>12,232,990</b>	<b>(32,897,770)</b>	<b>(272,767)</b>

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

(\*\*) Loans amounting to TL 198,118 thousands included under “financial assets at fair value through profit or loss” in the accompanying balance sheet, are presented above under “Loans”.

#### 4.4.2 Average interest rates on monetary financial instruments

<b>Current Period</b>	<b>EUR</b>	<b>USD</b>	<b>JPY</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	0.48	-	3.98
Banks	0.08	0.48	-	9.64
Financial Assets at Fair Value through Profit/Loss	2.38	5.03	-	10.24
Interbank Money Market Placements	0.05	0.40	-	-
Financial Assets Available-for-Sale	-	5.70	-	10.21
Loans	3.99	5.43	3.33	15.59
Investments Held-to-Maturity	0.19	5.52	-	9.61
<b>Liabilities</b>				
Bank Deposits	-	1.16	-	10.26
Other Deposits	0.94	1.72	1.11	7.99
Interbank Money Market Takings	-	2.17	1.49	7.5
Miscellaneous Payables	-	-	-	-
Securities Issued	3.48	5.10	0.83	10.63
Other Fundings	1.03	2.44	-	10.51

<b>Prior Period</b>	<b>EUR</b>	<b>USD</b>	<b>JPY</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	0.35	-	2.90
Banks	0.13	0.15	-	11.43
Financial Assets at Fair Value through Profit/Loss	4.66	4.64	-	10.29
Interbank Money Market Placements	-	0.55	-	-
Financial Assets Available-for-Sale	-	5.67	-	10.54
Loans	3.94	5.17	3.04	15.20
Investments Held-to-Maturity	0.19	5.49	-	10.76
<b>Liabilities</b>				
Bank Deposits	0.56	1.05	-	10.69
Other Deposits	0.95	1.43	1.19	8.20
Interbank Money Market Takings	-	2.12	1.49	9.31
Miscellaneous Payables	-	-	-	-
Securities Issued	3.42	4.83	1.01	9.94
Other Fundings	1.09	2.17	1.50	11.06

## 4.5 Position risk of equity securities in banking book

### 4.5.1 Equity shares in associates and affiliates

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

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

<i>Current Period</i>		<b>Comparison</b>		
<b>Equity Securities (shares)</b>		<b>Carrying Value</b>	<b>Fair Value<sup>(*)</sup></b>	<b>Market Value</b>
<b>1</b>	<b>Investment in Shares- Grade A</b>	<b>4,757,054</b>	<b>4,644,941</b>	<b>74,078</b>
	Quoted Securities	76,848	76,848	74,078
<b>2</b>	<b>Investment in Shares- Grade B</b>	<b>97,157</b>	<b>70,060</b>	<b>72,997</b>
	Quoted Securities	70,060	70,060	72,997
<b>3</b>	<b>Investment in Shares- Grade C</b>	<b>662</b>	-	-
	Quoted Securities	-	-	-
<b>4</b>	<b>Investment in Shares- Grade D</b>	-	-	-
	Quoted Securities	-	-	-
<b>5</b>	<b>Investment in Shares- Grade E</b>	<b>1,014</b>	-	-
	Quoted Securities	-	-	-
<b>6</b>	<b>Investment in Shares- Grade F</b>	<b>48</b>	-	-
	Quoted Securities	-	-	-

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

<i>Prior Period</i>		<b>Comparison</b>		
<b>Equity Securities (shares)</b>		<b>Carrying Value</b>	<b>Fair Value<sup>(*)</sup></b>	<b>Market Value</b>
<b>1</b>	<b>Investment in Shares- Grade A</b>	<b>4,389,688</b>	<b>4,277,576</b>	<b>70,875</b>
	Quoted Securities	70,956	70,956	70,875
<b>2</b>	<b>Investment in Shares- Grade B</b>	<b>91,785</b>	<b>64,688</b>	<b>69,839</b>
	Quoted Securities	64,688	64,688	69,839
<b>3</b>	<b>Investment in Shares- Grade C</b>	<b>662</b>	-	-
	Quoted Securities	-	-	-
<b>4</b>	<b>Investment in Shares- Grade D</b>	-	-	-
	Quoted Securities	-	-	-
<b>5</b>	<b>Investment in Shares- Grade E</b>	<b>1,014</b>	-	-
	Quoted Securities	-	-	-
<b>6</b>	<b>Investment in Shares- Grade F</b>	<b>48</b>	-	-
	Quoted Securities	-	-	-

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



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

<i>Current Period</i>		Gains/Losses in Current Period	Revaluation Surpluses		Unrealised Gains and Losses		
Portfolio			Total	Amount in Tier I Capital <sup>(*)</sup>	Total	Amount in Core Capital	Amount in Tier I Capital <sup>(*)</sup>
1	Private Equity Investments	-	-	-	-	-	
2	Quoted Shares	-	61,655	61,655	-	-	
3	Other Shares	-	2,790,124	2,790,124	-	-	
	<b>Total</b>	-	<b>2,851,779</b>	<b>2,851,779</b>	-	-	

<i>Prior Period</i>		Gains/Losses in Current Period	Revaluation Surpluses		Unrealised Gains and Losses		
Portfolio			Total	Amount in Tier I Capital	Total	Amount in Core Capital	Amount in Tier I Capital <sup>(*)</sup>
1	Private Equity Investments	-	-	-	-	-	
2	Quoted Shares	-	50,392	50,392	-	-	
3	Other Shares	-	2,493,817	2,493,817	-	-	
	<b>Total</b>	-	<b>2,544,209</b>	<b>2,544,209</b>	-	-	

<sup>(\*)</sup> The balances are as per the results of equity accounting application.

**4.5.4 Capital requirement as per equity shares**

<i>Current Period</i>		Carrying Value	RWA Total	Minimum Capital Requirement
Portfolio				
1	Private Equity Investments	-	-	-
2	Quoted Shares	146,908	146,908	11,753
3	Other Shares	4,709,027	4,709,027	376,722
	<b>Total</b>	<b>4,855,935</b>	<b>4,855,935</b>	<b>388,475</b>

<i>Prior Period</i>		Carrying Value	RWA Total	Minimum Capital Requirement
Portfolio				
1	Private Equity Investments	-	-	-
2	Quoted Shares	135,644	135,644	10,852
3	Other Shares	4,347,553	4,347,553	347,804
	<b>Total</b>	<b>4,483,197</b>	<b>4,483,197</b>	<b>358,656</b>

#### **4.6 Liquidity risk management and liquidity coverage ratio**

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

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

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

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

Risk management department defines the Bank's liquidity risk, measures and monitors the risks with liquidity risk measurement methods that are in compliance with international standards, presents measurement results periodically to related departments, committees and senior management. Risk management department coordinates related parties in order to ensure compliance of risk management process in accordance with the Bank's risk profile, operation environment and strategic plan with regulations. Risk management department analyses, develops and revises relevant liquidity risk measurement methods and models in accordance with changing market conditions and the Bank's structure. Risk management department reviews assumptions and parameters used in liquidity risk analysis.

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

Decentralized management approach is adopted in the Bank's liquidity management. Each subsidiary controlled by the Bank performs daily, medium and long term liquidity management independently from the Bank by the authorities in each subsidiary responsible for managing liquidity risk. In addition, within the scope of consolidated risk management, liquidity and funding risk of each subsidiary in control are monitored via the liquidity risk management methods identified by the Bank by considering the operations, risk profile and regulations of the related subsidiary. Also, in increasing market volatility and liquidity deficit environments, cash flows of especially financial subsidiaries are monitored with the Bank's cash flow on a consolidated basis.

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

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

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

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

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

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

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

There exists "Liquidity Risk Management Contingency Funding Plan" in the Bank including mechanisms to prevent increase in liquidity risk during normal and liquidity crisis scenarios for different conditions and levels. Available liquidity sources are determined by considering the liquidity squeezes. Within the framework of this plan, the Bank monitors liquidity risk in terms of early warning indicators, stress levels determined according to probable scenarios and severity of the crisis and possible actions that can be taken in each stress level. In determination of the stress level in the plan, early warning indicators are taken into consideration.

Bank's liabilities consist of TL and foreign currency funding, of which a large portion is USD/EUR. Deposits and capital constitute most of TL funding. For the reasons like real person customers can not use foreign currency credit but are able to deposit foreign currency funds, TL and foreign currency deposit and credit amount may differ. Long term funding obtained from foreign banks and creditors are mainly in foreign currency. For these reasons overall foreign currency liabilities are usually more than foreign currency liabilities. Unused portion of USD and EUR foreign currency funding is turned to TL via currency swap transactions and used in TL funding. Lines extended by CBRT and BİST aren't used to full extent, unused limits and high quality liquid asset stock is held is kept to use in the case of a liquidity scarcity in market. Also T.C. Eurobonds aren't used to secure funding and kept as reserve to use in the case of a foreign currency liquidity scarcity in market. In TL and foreign currency liquidity management, regulatory ratios, internally set warnings, limits and other liquidity and funding metrics are monitored.

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

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

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

High quality liquid assets consist of cash, deposits in central banks and securities considered as high quality liquid assets. Reserve deposits are included in high quality liquid assets, limited by the amount that is allowed by central bank to use in liquidity shortages. The Bank’s high quality liquid assets are composed of 4.84% cash, 50.49% deposits in central banks and 44.67% securities considered as high quality liquid assets.

The Bank’s main funding sources are deposits, funds borrowed, money market borrowings and securities issued. Funding source composition in report date is 71.45% deposits, 17.68% funds borrowed and money market borrowings and 6.71% securities issued.

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

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

There was not any material changes in items included in LCR calculations during the period.

<i>Current Period</i>	<b>Total Unweighted Value (Average) <sup>(*)</sup></b>		<b>Total Weighted Value (Average) <sup>(*)</sup></b>	
	<b>TL+FC</b>	<b>FC</b>	<b>TL+FC</b>	<b>FC</b>
<b>High-Quality Liquid Assets</b>			<b>37,849,448</b>	<b>21,429,948</b>
1 Total high-quality liquid assets (HQLA)	42,704,631	26,283,687	37,849,448	21,429,948
<b>Cash Outflows</b>				
2 Retail deposits and deposits from small business customers, of which:	99,249,843	45,485,201	8,829,972	4,548,490
3 Stable deposits	21,900,247	-	1,095,012	-
4 Less stable deposits	77,349,596	45,485,201	7,734,960	4,548,490
5 Unsecured wholesale funding, of which:	40,795,551	24,174,799	22,463,198	13,251,409
6 Operational deposits	-	-	-	-
7 Non-operational deposits	30,846,404	20,968,687	15,012,709	10,210,268
8 Unsecured funding	9,949,147	3,206,113	7,450,489	3,041,141
9 Secured wholesale funding			-	-
10 Other cash outflows of which:	53,304,113	16,496,399	10,121,594	8,791,358
11 Outflows related to derivative exposures and other collateral requirements	6,331,569	7,183,927	6,331,569	7,183,927
12 Outflows related to restructured financial instruments	-	-	-	-
13 Payment commitments and other off-balance sheet commitments granted for debts to financial markets	46,972,543	9,312,472	3,790,025	1,607,431
14 Other revocable off-balance sheet commitments and contractual obligations	1,139	1,139	57	57
15 Other irrevocable or conditionally revocable off-balance sheet obligations	52,133,621	35,969,148	2,606,681	1,798,457
16 <b>Total Cash Outflows</b>			<b>44,021,502</b>	<b>28,389,771</b>
<b>Cash Inflows</b>				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	15,192,273	4,693,043	10,259,022	3,771,975
19 Other cash inflows	628,152	4,752,190	628,152	4,752,190
20 <b>Total Cash Inflows</b>	<b>15,820,424</b>	<b>9,445,233</b>	<b>10,887,174</b>	<b>8,524,165</b>
			<b>Total Adjusted Value</b>	
21 <b>Total HQLA</b>			<b>37,849,448</b>	<b>21,429,948</b>
22 <b>Total Net Cash Outflows</b>			<b>33,134,328</b>	<b>19,865,606</b>
23 <b>Liquidity Coverage Ratio (%)</b>			<b>115.34</b>	<b>110.30</b>

(\*) The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

The table below presents highest, lowest and average liquidity coverage ratios of the last three months of 2016:

<i>Current Period</i>	<b>Highest</b>	<b>Date</b>	<b>Lowest</b>	<b>Date</b>	<b>Average</b>
<b>TL+FC</b>	150.16	24.06.2016	92.97	08.05.2016	115.34
<b>FC</b>	154.33	31.05.2016	84.64	03.05.2016	110.30

<i>Prior Period</i>	<b>Total Unweighted Value (Average) <sup>(*)</sup></b>		<b>Total Weighted Value (Average) <sup>(*)</sup></b>	
	<b>TL+FC</b>	<b>FC</b>	<b>TL+FC</b>	<b>FC</b>
<b>High-Quality Liquid Assets</b>			<b>38,348,358</b>	<b>25,408,589</b>
1 Total high-quality liquid assets (HQLA)	42,874,723	29,921,484	38,348,358	25,408,589
<b>Cash Outflows</b>				
2 Retail deposits and deposits from small business customers, of which:	92,521,984	41,069,069	7,905,352	3,760,902
3 Stable deposits	26,936,931	6,920,088	1,346,847	346,004
4 Less stable deposits	65,585,053	34,148,981	6,558,505	3,414,898
5 Unsecured wholesale funding, of which:	41,271,520	24,505,286	23,947,340	14,163,857
6 Operational deposits	-	-	-	-
7 Non-operational deposits	32,677,280	21,047,652	16,872,374	10,757,484
8 Unsecured funding	8,594,240	3,457,634	7,074,966	3,406,373
9 Secured wholesale funding			11,883	11,883
10 Other cash outflows of which:	51,866,774	15,188,053	9,926,636	7,329,223
11 Outflows related to derivative exposures and other collateral requirements	6,204,411	5,718,456	6,204,411	5,718,456
12 Outflows related to restructured financial instruments	-	-	-	-
13 Payment commitments and other off-balance sheet commitments granted for debts to financial markets	45,662,364	9,469,598	3,722,225	1,610,767
14 Other revocable off-balance sheet commitments and contractual obligations	1,142	1,142	57	57
15 Other irrevocable or conditionally revocable off-balance sheet obligations	48,496,094	33,790,824	2,424,805	1,689,539
16 <b>Total Cash Outflows</b>			<b>44,216,072</b>	<b>26,955,461</b>
<b>Cash Inflows</b>				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	15,152,924	4,637,853	10,363,531	3,768,776
19 Other cash inflows	629,706	272,874	629,706	272,874
20 <b>Total Cash Inflows</b>	<b>15,782,628</b>	<b>4,910,727</b>	<b>10,993,237</b>	<b>4,041,651</b>
			<b>Total Adjusted Value</b>	
21 <b>Total HQLA</b>			<b>38,348,358</b>	<b>25,408,589</b>
22 <b>Total Net Cash Outflows</b>			<b>33,222,835</b>	<b>22,913,810</b>
23 <b>Liquidity Coverage Ratio (%)</b>			<b>115.74</b>	<b>112.46</b>

(\*) The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

The table below presents highest, lowest and average liquidity coverage ratios of the last three months of 2015:

<i>Prior Period</i>	<b>Highest</b>	<b>Date</b>	<b>Lowest</b>	<b>Date</b>	<b>Average</b>
<b>TL+FC</b>	128.31	21.12.2015	98.31	02.11.2015	115.74
<b>FC</b>	155.29	29.09.2015	92.10	12.11.2015	112.46

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

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

**4.6.3 Maturity analysis of assets and liabilities according to remaining maturities:**

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	7,210,361	18,045,486	-	-	-	-	-	25,255,847
Banks	3,452,909	2,548,093	143,420	1,027,698	3,541,110	-	-	10,713,230
Financial Assets at Fair Value through Profit/Loss	-	277,781	190,448	571,995	435,962	363,621	-	1,839,807
Interbank Money Market Placements	-	200,996	-	-	-	-	-	200,996
Financial Assets Available-for-Sale	169,078	525,196	2,577,703	501,043	8,653,912	7,335,705	-	19,762,637
Loans	198,957	30,699,866	15,851,015	39,793,480	58,957,523	19,546,482	3,272,390	168,319,713
Investments Held-to-Maturity	-	408,354	-	528,659	7,742,620	12,870,273	-	21,549,906
Other Assets	2,543,271	1,140,918	-	8,232	141,596	120,763	9,931,994	13,886,774
<b>Total Assets</b>	<b>13,574,576</b>	<b>53,846,690</b>	<b>18,762,586</b>	<b>42,431,107</b>	<b>79,472,723</b>	<b>40,236,844</b>	<b>13,204,384</b>	<b>261,528,910</b>
<b>Liabilities</b>								
Bank Deposits	1,785,660	490,626	523,075	175,452	-	-	-	2,974,813
Other Deposits	32,670,495	76,106,652	27,983,084	14,797,197	177,356	8,529	-	151,743,313
Other Fundings	-	532,111	223,012	14,005,476	11,350,487	5,707,366	-	31,818,452
Interbank Money Market Takings	-	6,169,410	-	287,468	-	-	-	6,456,878
Securities Issued	-	151,832	1,465,675	2,776,639	8,340,675	1,785,021	-	14,519,842
Miscellaneous Payables	1,007,316	8,018,706	-	-	-	-	-	9,026,022
Other Liabilities (**)	2,850,261	1,111,741	653,954	671,702	697,048	634,247	38,370,637	44,989,590
<b>Total Liabilities</b>	<b>38,313,732</b>	<b>92,581,078</b>	<b>30,848,800</b>	<b>32,713,934</b>	<b>20,565,566</b>	<b>8,135,163</b>	<b>38,370,637</b>	<b>261,528,910</b>
<b>Liquidity Gap</b>	<b>(24,739,156)</b>	<b>(38,734,388)</b>	<b>(12,086,214)</b>	<b>9,717,173</b>	<b>58,907,157</b>	<b>32,101,681</b>	<b>(25,166,253)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(607,906)</b>	<b>(352,217)</b>	<b>630,366</b>	<b>57,725</b>	<b>79,959</b>	<b>-</b>	<b>(192,073)</b>
Derivative Financial Assets	-	52,811,683	20,318,141	36,061,353	9,152,784	981,505	-	119,325,466
Derivative Financial Liabilities	-	53,419,589	20,670,358	35,430,987	9,095,059	901,546	-	119,517,539
Non-Cash Loans	-	7,803,359	3,887,053	8,148,666	204,558	-	85,292,534	105,336,170
<b>Prior Period</b>								
<b>Total Assets</b>	<b>11,849,181</b>	<b>54,008,097</b>	<b>13,649,684</b>	<b>43,790,139</b>	<b>77,418,789</b>	<b>41,432,766</b>	<b>12,193,930</b>	<b>254,342,586</b>
<b>Total Liabilities</b>	<b>35,708,826</b>	<b>93,434,062</b>	<b>27,222,063</b>	<b>30,759,578</b>	<b>21,373,798</b>	<b>9,521,998</b>	<b>36,322,261</b>	<b>254,342,586</b>
<b>Liquidity Gap</b>	<b>(23,859,645)</b>	<b>(39,425,965)</b>	<b>(13,572,379)</b>	<b>13,030,561</b>	<b>56,044,991</b>	<b>31,910,768</b>	<b>(24,128,331)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(2,435)</b>	<b>(23,324)</b>	<b>(503,480)</b>	<b>9,882</b>	<b>87,117</b>	<b>-</b>	<b>(432,240)</b>
Derivative Financial Assets	-	40,312,873	17,317,421	31,938,167	9,819,947	1,027,585	-	100,415,993
Derivative Financial Liabilities	-	40,315,308	17,340,745	32,441,647	9,810,065	940,468	-	100,848,233
Non-Cash Loans	-	3,916,751	2,668,070	7,640,061	294,530	-	83,888,838	98,408,250

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

(\*\*) Shareholders' equity is included in "other liabilities" line under "undistributed" column.

#### 4.7 Leverage ratio

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

The Bank’s leverage ratio calculated by taking average of end of month leverage ratios for prior three-month period is 8.60% (31 December 2015: 8.42%). Main reason for variance is increase Tier I Capital higher than other items. Where the capital increased by 6.79% as a result of increase in net profits and the balance sheet exposure increased by 3.55%, off balance sheet exposure increased by 7.82%. Therefore, the current period leverage ratio increased by 18 basis points compared to prior period.

<b>On-balance sheet assets</b>		<i>Current Period</i> (*)	<i>Prior Period</i> (*)
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	259,225,917	250,277,784
2	(Assets deducted in determining Tier I capital)	(292,472)	(220,586)
3	Total on-balance sheet risks (sum of lines 1 and 2)	258,933,445	250,057,198
<b>Derivative financial instruments and credit derivatives</b>			
4	Replacement cost associated with all derivative instruments and credit derivatives	1,930,038	2,353,340
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	7,176,013	7,129,895
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	9,106,051	9,483,235
<b>Securities or commodity financing transactions (SCFT)</b>			
7	Risks from SCFT assets (excluding on-balance sheet)	1,231,386	1,038,962
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	1,231,386	1,038,962
<b>Other off-balance sheet transactions</b>			
10	Gross notional amounts of off-balance sheet transactions	107,239,866	99,470,017
11	(Adjustments for conversion to credit equivalent amounts)	8,499	3,948
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	107,248,365	99,473,965
<b>Capital and total risks</b>			
13	Tier I capital	32,385,223	30,325,091
14	Total risks (sum of lines 3, 6, 9 and 12)	376,519,246	360,053,360
<b>Leverage ratio</b>			
15	Leverage ratio	8.60%	8.42%

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

#### 4.8 Fair values of financial assets and liabilities

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

#### 4.9 Transactions carried out on behalf of customers and items held in trust

None.

#### 4.10 Risk management objectives and policies

The notes under this caption is prepared as per the “Regulation on Calculation of Risk Management Disclosures” published in the Official Gazette no. 29511 dated 23 October 2015.



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

##### **4.10.1.1 Risk management strategy**

Risk management strategy of the Bank is established as part of a maintainable long term, value adding growth strategy and involves optimal allocation of economic capital to business lines considering the risk-return balance by measuring risks with the methods in compliance with its activities and national regulations and international standards. Essential principles are adopted in order to ensure that policies determined to assess and manage risks the Bank is exposed to, are kept updated, adapted to changing conditions, applied and managed.

In accordance with the risk appetite framework, the Bank determines the consolidated risk level that the board of the Bank is prepared to accept in order to accomplish the goals and strategies with due consideration to the capacity of the institution to safely absorb those risks. The Bank monitors its objectives and strategies, through capital, liquidity, income recurrence and other risk appetite metrics which are determined in scope of risk appetite framework.

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

Policies and procedures regarding risk management are established for subsidiaries. Policies and procedures are prepared in compliance with applicable legislations the subsidiary subject to and parent Bank's risk management strategy, reviewed regularly and renewed if necessary.

Risk management activities are structured under the responsibility of the board of directors. Risk Committee composed of the members of the board is responsible to oversee the Bank's risk management policies and practices, including the alignment with its strategic objectives and management's ability to assess and manage the various risks present in its activities including capital adequacy and planning and liquidity adequacy, as well as all other risk management functions envisioned under the applicable laws and regulations. Upper level management is responsible against the board of directors for the monitoring and management of risks that their departments are exposed to. Accordingly, Risk Management Department, which performs risk management functions, reports to the board of directors via the Risk Committee, whereas the Internal Audit Department, performing internal audit functions, the Internal Control Center, performing internal control functions, and the Compliance Department, which implements compliance controls and performs activities to prevent laundering proceeds of crime, and financing of terrorism, report directly to the board of directors.

The Bank's main approach for the implementation of risk management model is establishing risk culture throughout the Bank, the Bank aims that the importance of risk management for maintaining business operations is understood and risk awareness and sensitivity is ensured for risk decision-making and implementation mechanisms process by all employees.

Training programs for employees, risk reports to the board of directors, senior management and committees, risk appetite framework established by the Bank and internal capital adequacy assessment process generate significant inputs to ensure that risk management culture is widely embraced.

The Bank measures and monitors its risk exposure on consolidated and unconsolidated basis by using methods compliant with international standards and in accordance with the applicable legislation. Advanced risk management tools are utilized in measuring risks. Risk based detailed reports are prepared to put in use for the management of major risks, building strategies and decision making process, and reports are presented periodically or non-periodically to the board of directors and senior management.

The Bank established stress-testing program to measure significant risks and vulnerabilities that may arise from the negative developments or economic and financial circumstances under stress. Stress testing program covers all significant risks of the Bank. Risk based stress tests are carried out by considering the related risk factors individually and simultaneously. Additional to risk based stress tests that are applied to each significant risk types, the Bank also applies stress tests that are intended for whole bank every year, in scope of different macro economic scenarios.

#### 4.10.1.2 Risk weighted amounts

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR) (*)	189,759,958	193,500,818	15,180,797
2	Of which standardised approach (SA)	189,759,958	193,500,818	15,180,797
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	3,567,766	2,378,806	285,421
5	Of which standardised approach for counterparty credit risk (SA-CCR)	3,567,766	2,378,806	285,421
6	Of which internal model method (IMM)	-	-	-
7	Equity position in banking book under basic risk weighting or internal rating-based	-	-	-
8	Equity investments in funds – look-through approach	18,241	16,339	1,459
9	Equity investments in funds – mandate-based approach	-	-	-
10	Equity investments in funds – 1250% risk weighting approach	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB supervisory formula approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	2,719,441	6,279,160	217,555
17	Of which standardised approach (SA)	2,719,441	6,279,160	217,555
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	18,931,681	16,906,172	1,514,534
20	Of which basic indicator approach	18,931,681	16,906,172	1,514,534
21	Of which standardised approach	-	-	-
22	Of which advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	1,320,588	998,611	105,647
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	216,317,675	220,079,906	17,305,414

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

#### **4.10.2 Financial statements and regulatory exposures reconciliation**

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

#### **4.10.3 Credit risk**

##### **4.10.3.1 General information on credit risk**

##### **4.10.3.1.1 General qualitative information on credit risk**

The Bank's credit risk management policies; under the relevant legislation in line with the bank's credit strategy approved by the Board are created based on the prudence, sustainability and customer's credit worthiness principles.

Diversification to avoid concentrations are performed while determining the Bank's credit risk profile. Credit portfolios are evaluated depending upon the credit type, managed aggregately during their life cycle. Customer selection is made in accordance with the policies and strategies, affordability of the borrower to fulfil on a timely basis all financial obligations with his expected cash flows from foreseeable specific transactions or from its regular operations; without depending upon guarantors, bondsmen or pledged assets is predicated. Necessary risk rating/scoring models are developed for the different portfolios of the Bank. These models are created by ensuring the best separation of the customers in terms of their credibility and grading them using the objective criteria. The outputs of the internal rating and scoring models that developed based on the each portfolio, as well as an important part of the loan approval process, but also these models are used measuring the default risk of the customer and the portfolio, doing analysis regarding expected loss, internal capital, risk-based provision, risk-based pricing and so on.

The general risk policy including the risk appetite and indicators is determined by the Board. Risk management is provided in order to reach the determined targets by carrying out a continuous monitoring process with a proper classification of risks and customers in scope of the effective management mentality. The limit framework and delegation rules are specified by establishing proper decision systems in order to assess the risks correctly. Optimum limit levels are determined by taking into account the loss and returns during the limit setting process.

The security intelligence and analysis are done in order to measure the creditworthiness of the customer that will be entered in a credit relationship. Before the credit decisions, customer analysis is examined and evaluated by producing all factors (qualitative and quantitative data) that effected and will be effected the historical, current and future performance of the customer.

Credit risk management is a structured process where credit risks are consistently assessed, quantified and monitored. In order to take the right decision, during the credit process which begins with the application of the customer and includes the phases of determination of the customer's credibility, collateralization, loan configuration, approval and usage, monitoring and closing the exposure, all required information and documents intended to identify the customer are collected in a centralized database, with this information the customer's financial strength is analysed, credit risk analysis is done, are graded according to customer LOB and activity fields and the information is kept updated by inquiring the customers. Before a loan is granted, it is ensured that risks are well-understood, sufficient evaluation has been done and after the loan is granted the loan is monitored, controlled and reported. Credit risk is managed on a portfolio basis considering the risk/return balance and asset quality of the Bank in the scope of the principles specified in the credit risk policy documents. Furthermore, loan based assessment, allocation and monitoring are carried out within the framework of related processes by related units in the Credit Group. Credit proposals, on the basis of the determined amount and in the framework of levels of authority, are concluded after being evaluated by the Regional Offices, Loans units of Headquarters, if required by the Credit Committee and the Board of Directors. Credit approval authority can be transferred starting from the Board of Directors. The authorities of Headquarters and Credit Regional Offices shall be notified in written and transfer of authority can be done.

Each unit operating in credit risk management is responsible for identifying risks arising from its own process, activities and systems, informing senior management and taking necessary action to reduce risk level.

Risk management activities are conducted in accordance with the Bank's risk appetite and capacity by using risk measurement and management tools within the policies which is established by the Board of Directors.

In this context, organizational structure related to credit risk management and control functions are detailed below: Units within the scope of Credit Risk Management; Corporate and Special Loans, Commercial Loans, Featured Collections, Commercial Products Collection, Bank and Country Risk, Retail and SME Loans Risk Strategies, Retail and SME Loans Evaluation, Retail Products Collection, Risk Planning Monitoring and Reporting, Risk Analytics, Technology and Innovation and Region Coordination.

In addition, decisions regarding the credit policy in the corporate governance framework are taken by the Committee. In this context, there are Corporate and Commercial Loans Risk Committee, Retail Loans Risk Committee, Risk Management Committee and Board of Risk Committee. Allocated limits and conditions that exceeding the limits with their usage, evaluations regarding major risks and non-performing loans with high risk, information regarding NPLs, the data regarding the portfolios of subsidiaries are reported to senior management on a regular basis.

Credit risk is measured, monitored and reported by Risk Management.

For credit risk, on-site and centralized controls of guarantees and contract are carried out by employees of the Internal Control Center. In this context, it is implemented a strategy which covers all branches. Internal control activities are carried out under the control programs prepared for the designated checkpoints and methodologies.

#### **4.10.3.1.2 Credit quality of assets**

		<i>Gross carrying value in financial statements prepared in accordance with Turkish Accounting Standards (TAS)</i>		<i>Allowances/amortisation and impairments</i>	<i>Net values</i>
		<i>Defaulted</i>	<i>Non-defaulted</i>		
1	Loans	4,841,052	200,476,458	3,839,814	201,477,696
2	Debt securities	-	40,685,781	-	40,685,781
3	Off-balance sheet exposures	311,538	71,148,185	104,962	71,354,761
4	<b>Total</b>	<b>5,152,590</b>	<b>312,310,424</b>	<b>3,944,776</b>	<b>313,518,238</b>

#### **4.10.3.1.3 Changes in stock of default loans and debt securities**

1	<b>Defaulted loans and debt securities at end of the previous reporting period</b>	<b>4,404,025</b>
2	Loans and debt securities that have defaulted since the last reporting period	1,605,827
3	Receivables back to non-defaulted status	-
4	Amounts written off	629,499
5	Other changes	(539,301)
6	<b>Defaulted loans and debt securities at end of the reporting period</b>	<b>4,841,052</b>

#### **4.10.3.1.4 Additional information on credit quality of assets**

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

#### **4.10.3.2 Credit risk mitigation**

##### **4.10.3.2.1 Qualitative disclosure on credit risk mitigation techniques**

The Bank assesses the cash flow of the activity or investment subject to credit as the primary repayment source during the credit assignment process.

Calculating the value of the collateral depends on margins determined according to market and FX risks. Standard margins in use throughout the Bank are specific to type of the collateral and changes according to the currency of the collateral.

If credit assignment is conditioned to a collateral extension, the data of the collaterals must be entered to Banking information system. Operational transactions are handled by centralized operation unit (ABACUS). During the credit utilization, compliance of all conditions between credit decision and credit utilization (such as collateral conditions) are controlled systematically.

The Bank monitors up to date value of the collaterals by type. Credit monitoring process involves the control of the balance between the value of the collateral and risk besides creditworthiness of the customer.

The Bank's credit risk exposure and mitigation techniques used in order to reduce the exposure level are taken into account according to the principles stated in the related regulation. The Bank applies credit risk mitigation according to the comprehensive method that includes risk mitigation calculations considering the volatility-adjusted values of financial collaterals. The standardized risk weights are applied to the rest of the loans and receivables that remained unprotected after credit risk mitigation techniques. Financial collaterals, that are composed of cash or similar assets and instruments of a high credit quality as well as real estate mortgages have been used in credit risk mitigation.

**4.10.3.2.2 Credit risk mitigation techniques**

		<i>Exposures unsecured: carrying amount as per TAS</i>	<i>Exposures secured by collateral</i>	<i>Collateralized amount of exposures secured by collateral</i>	<i>Exposures secured by financial guarantees</i>	<i>Collateralized amount of exposures secured by financial guarantees</i>	<i>Exposures secured by credit derivatives</i>	<i>Collateralized amount of exposures secured by credit derivatives</i>
1	Loans	158,989,424	42,488,272	35,676,575	-	-	-	-
2	Debt securities	40,685,781	-	-	-	-	-	-
3	<b>Total</b>	<b>199,675,205</b>	<b>42,488,272</b>	<b>35,676,575</b>	-	-	-	-
4	Of which defaulted	4,832,615	8,437	3,699	-	-	-	-

**4.10.3.3 Credit risk under standardised approach**

**4.10.3.3.1 Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk**

An international rating firm, Fitch Ratings' external risk ratings are used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

The international risk ratings are used for the exposures to central governments and central banks, whereas for central governments and central banks that are not rated by Fitch Ratings, the published country ratings as announced by the Organisation for Economic Cooperation and Development (OECD) are used.

According to the regulation on capital adequacy, external risk ratings are used only for the exposures to banks and brokerage houses and to corporates where the counterparties are resident in abroad, to determine their risk weights. Where the counterparties are domestic, the related exposures are included in the calculation of capital adequacy as unrated.

In the determination of risk weights; if a relevant rating is available then such rating, but if it is an unrated exposure then the rating available for the issuer is used.

Rating notes issued by Fitch Ratings are presented in the table below, as per credit quality levels and risk weights per risk classes:

<i>Credit Quality Step</i>	<i>Fitch Ratings long term credit rating</i>	<i>Risk Classes</i>			
		<i>Exposures to Central Governments or Central Banks</i>	<i>Exposures to Banks and Brokerage Houses</i>		<i>Exposures to Corporates</i>
			<i>Exposures with Original Maturities Less Than 3 Months</i>	<i>Exposures with Original Maturities More Than 3 Months</i>	
1	AAA to AA-	0%	20%	20%	20%
2	A+ to A-	20%	20%	50%	50%
3	BBB+ to BBB-	50%	20%	50%	100%
4	BB+ to BB-	100%	50%	100%	100%
5	B+ to B-	100%	50%	100%	150%
6	CCC+ and below	150%	150%	150%	150%

**4.10.3.3.2 Credit risk exposure and credit risk mitigation techniques**

	Risk classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to sovereigns and their central banks	59,487,085	2,870,165	59,487,085	1,788,718	14,969,623	24.43%
2	Exposures to regional and local governments	73,348	144	73,348	60	36,704	50.00%
3	Exposures to administrative bodies and non-commercial entities	39,978	5,164	39,979	1,743	41,722	100.00%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	17,933,171	14,872,370	14,011,525	2,969,061	6,808,025	40.09%
7	Exposures to corporates	85,142,283	53,638,809	82,766,785	21,068,732	101,351,566	97.61%
8	Retail exposures	52,774,587	36,031,969	52,461,233	2,655,663	41,336,533	75.00%
9	Exposures secured by residential property	15,428,016	110,123	15,424,031	55,837	5,417,954	35.00%
10	Exposures secured by commercial property	13,611,035	1,564,052	13,593,891	900,060	8,967,413	61.87%
11	Past-due items	613,293	149	613,294	-	490,558	79.99%
12	Exposures in high-risk categories	388,035	106,864	388,006	49,109	635,581	145.40%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-
16	Other exposures	7,404,687	-	7,404,687	-	4,438,312	59.94%
17	Equity share investments	5,265,969	-	5,265,969	-	5,265,969	100.00%
18	<b>Total</b>	<b>258,161,488</b>	<b>109,199,809</b>	<b>251,529,833</b>	<b>29,488,983</b>	<b>189,759,958</b>	<b>67.53%</b>

**4.10.3.3 Exposures by asset classes and risk weights**

	<b>Regulatory portfolio</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>35% secured by property mortgage</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>Others</b>	<b>Total risk amount (post-CCF and CRM)</b>
1	Exposures to sovereigns and their central banks	31,336,558	-	-	-	29,939,245	-	-	-	-	-	61,275,803
2	Exposures to regional and local government	-	-	-	-	73,408	-	-	-	-	-	73,408
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	41,722	-	-	-	41,722
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	-	5,791,599	-	11,078,565	-	110,422	-	-	-	16,980,586
7	Exposures to corporates	-	-	1,025,297	-	3,327,431	-	99,482,789	-	-	-	103,835,517
8	Retail exposures	-	-	1,117	-	2,101	55,113,678	-	-	-	-	55,116,896
9	Exposures secured by residential property	-	-	-	15,479,868	-	-	-	-	-	-	15,479,868
10	Exposures secured by commercial property	-	-	-	-	11,053,077	-	3,440,874	-	-	-	14,493,951
11	Past-due items	-	-	-	-	245,471	-	367,823	-	-	-	613,294
12	Exposures in high-risk categories	-	-	-	-	9,190	-	21,803	406,122	-	-	437,115
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-
16	Equity share investments	-	-	-	-	-	-	5,265,969	-	-	-	5,265,969
17	Other exposures	2,966,156	-	274	-	-	-	4,438,257	-	-	-	7,404,687
18	<b>Total</b>	<b>34,302,714</b>	<b>-</b>	<b>6,818,287</b>	<b>15,479,868</b>	<b>55,728,488</b>	<b>55,113,678</b>	<b>113,169,659</b>	<b>406,122</b>	<b>-</b>	<b>-</b>	<b>281,018,816</b>

**4.10.4 Counterparty credit risk**

**4.10.4.1 Qualitative disclosure on counterparty credit risk**

Counterparty credit risk management policies include evaluating and monitoring risk developments, taking necessary measures, setting risk limits, ensuring that the risks remain within the limits, and establishing required reporting, control and audit mechanisms by using the methods aligned with both international standards and local regulations. The policies regarding counterparty credit risk measurement, monitoring, and limit settings are defined by the Board of Directors.

Counterparty credit risk arising from derivative transactions is periodically being monitored and reported by Market Risk and Credit Risk Control Department on product, country, counterparty and counterparty type basis.

International framework agreements (ISDA, CSA, GMRA, etc.) are being used through collateral and margin call mechanisms in order to mitigate the counterparty credit risk.

**4.10.4.2 Counterparty credit risk (CCR) approach analysis**

		<i>Replacement cost</i>	<i>Potential future exposure</i>	<i>EEPE(Effective Expected Positive Exposure)</i>	<i>Alpha used for computing regulatory EAD</i>	<i>EAD post- CRM</i>	<i>RWA</i>
1	Standardised Approach - CCR (for derivatives)	1,969,973	1,514,790		1.4	3,462,792	1,835,438
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					1,584,312	632,010
6	Total						2,467,448



#### 4.10.4.3 Capital requirement for credit valuation adjustment (CVA)

	<i>EAD post-CRM</i>	<i>RWA</i>
Total portfolios subject to the Advanced CVA capital obligation	-	-
1 (i) VaR component (including the 3×multiplier)		-
2 (ii) Stressed VaR component (including the 3×multiplier)		-
3 All portfolios subject to the Standardised CVA capital obligation	3,484,763	1,100,318
<b>4 Total subject to the CVA capital obligation</b>	<b>3,484,763</b>	<b>1,100,318</b>

#### 4.10.4.4 CCR exposures by risk class and risk weights

<i>Risk weight</i>	<i>0%</i>	<i>10%</i>	<i>20%</i>	<i>50%</i>	<i>75%</i>	<i>100%</i>	<i>150%</i>	<i>Other</i>	<i>Total credit exposure</i>
<b>Regulatory portfolio</b>									
Exposures to sovereigns and their central banks	138,880	-	-	-	-	-	-	-	138,880
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	2	-	-	2
Exposures to multilateral development banks	181,776	-	-	-	-	-	-	-	181,776
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	842,904	3,141,432	-	-	-	-	3,984,336
Exposures to corporates	-	-	1,647	16,496	-	706,387	-	-	724,530
Retail exposures	-	-	-	-	17,580	-	-	-	17,580
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>320,656</b>	<b>-</b>	<b>844,551</b>	<b>3,157,928</b>	<b>17,580</b>	<b>706,389</b>	<b>-</b>	<b>-</b>	<b>5,047,104</b>

#### 4.10.4.5 Collaterals for CCR

	<i>Collateral for derivative transactions</i>				<i>Collateral for other transactions</i>	
	<i>Fair value of collateral received</i>		<i>Fair value of collateral given</i>		<i>Fair value of collateral received</i>	<i>Fair value of collateral given</i>
	<i>Segregated</i>	<i>Unsegregated</i>	<i>Segregated</i>	<i>Unsegregated</i>		
Cash-domestic currency	5,538	-	-	-	6,346,817	-
Cash-foreign currency	16,434	-	-	-	3,660,673	-
Domestic sovereign debts	-	-	-	-	-	11,072,801
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	<b>21,972</b>	-	-	-	<b>10,007,490</b>	<b>11,072,801</b>

#### 4.10.4.6 Credit derivatives

	<i>Protection bought</i>	<i>Protection sold</i>
<b>Notionals</b>		
Single-name credit default swaps	-	-
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	5,742,000
Other credit derivatives	-	-
<b>Total Notionals</b>	-	<b>5,742,000</b>
<b>Fair Values</b>	-	<b>(101,275)</b>
Positive fair values (asset)	-	-
Negative fair values (liability)	-	101,275

#### 4.10.5 Securitisations

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

#### 4.10.6 Market risk

##### 4.10.6.1 Qualitative disclosure on market risk

Market risk is managed in accordance with the Market Risk Strategy defined by the Bank. The Bank takes economic climate, market and liquidity conditions and their effects on market risk, the structure of portfolio subject to market risk, the sufficiency of Bank’s definition, measurement, evaluation, monitoring, reporting, control and mitigation of market risk and the availability of the related processes into account while defining the Strategy. Market Risk Strategy is reviewed by the Board of Directors and related top management by considering financial performance, capital required for market risk, and the existing market developments. Market Risk Strategy for internal use, implementation fundamentals and procedures are being developed on bank-only and consolidated level in consideration of the size and complexity of the operations.

Market risk is managed through measuring the risks in parallel with the international standards, setting the limits, capital reserving and additionally through mitigating via hedging transactions.

Market Risk Function under Market Risk and Credit Risk Control Department monitors the activities of Treasury Department via risk reports and the limits approved by the Board of Directors.

Market Risk, which is defined as the risk arising from the price fluctuations in balance sheet and off-balance sheet trading positions, is being calculated and reported daily via Value at Risk (VaR) Model.

**4.10.6.2 Market risk under standardised approach**

	<b>RWA</b>
Outright products	2,309,153
1 Interest rate risk (general and specific)	1,020,113
2 Equity risk (general and specific)	64,120
3 Foreign exchange risk	1,204,561
4 Commodity risk	20,359
Options	410,288
5 Simplified approach	-
6 Delta-plus method	410,288
7 Scenario approach	-
8 Securitisation	-
<b>9 Total</b>	<b>2,719,441</b>

**4.10.7 Operational risk**

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

**4.10.8 Banking book interest rate risk**

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

## 5 Disclosures and Footnotes on Unconsolidated Financial Statements

### 5.1 Assets

#### 5.1.1 Cash and balances with Central Bank

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1,563,917	560,982	1,313,068	750,950
Central Bank of Turkey	842,146	21,447,271	946,596	21,896,042
Others	-	841,531	-	244,867
<b>Total</b>	<b>2,406,063</b>	<b>22,849,784</b>	<b>2,259,664</b>	<b>22,891,859</b>

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Unrestricted Demand Deposits	842,146	3,401,784	946,596	1,556,782
Unrestricted Time Deposits	-	286	-	5
Restricted Time Deposits	-	18,045,201	-	20,339,255
<b>Total</b>	<b>842,146</b>	<b>21,447,271</b>	<b>946,596</b>	<b>21,896,042</b>

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

#### 5.1.2 Information on financial assets at fair value through profit/loss

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

None.

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Forward Transactions	227,663	59,591	243,525	41,894
Swap Transactions	457,521	537,809	363,131	324,633
Futures	-	108	-	34
Options	407,913	48,404	442,320	67,952
Other	-	-	-	-
<b>Total</b>	<b>1,093,097</b>	<b>645,912</b>	<b>1,048,976</b>	<b>434,513</b>

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

None.

#### 5.1.3 Banks

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Banks				
Domestic banks	1,319,913	494,464	231,280	247,879
Foreign banks	65,457	8,833,396	44,855	11,323,481
Foreign headoffices and branches	-	-	-	-
<b>Total</b>	<b>1,385,370</b>	<b>9,327,860</b>	<b>276,135</b>	<b>11,571,360</b>

The placements at foreign banks include blocked accounts amounting TL 7,310,716 thousands (31 December 2015: TL 7,344,666 thousands) of which TL 106,653 thousands (31 December 2015: TL 96,799 thousands) and TL 73,435 thousands (31 December 2015: TL 65,058 thousands) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 7,130,628 thousands (31 December 2015: TL 7,182,809 thousands) as collateral against funds borrowed at various banks.

***Due from foreign banks***

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

**5.1.4 Financial assets available-for-sale**

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Collateralised/Blocked Assets	2,716,246	-	2,170,335	-
Assets subject to Repurchase Agreements	4,508,063	-	10,879,108	1,449
<b>Total</b>	<b>7,224,309</b>	<b>-</b>	<b>13,049,443</b>	<b>1,449</b>

**5.1.4.2 Details of financial assets available-for-sale**

	<i>Current Period</i>	<i>Prior Period</i>
<b>Debt Securities</b>	<b>18,063,452</b>	<b>19,301,827</b>
Quoted at Stock Exchange	17,511,281	18,699,925
Unquoted at Stock Exchange	552,171	601,902
<b>Common Shares/Investment Funds</b>	<b>131,855</b>	<b>69,704</b>
Quoted at Stock Exchange (*)	68,582	7,669
Unquoted at Stock Exchange	63,273	62,035
<b>Value Increases/Impairment Losses (-)</b>	<b>1,567,330</b>	<b>1,148,270</b>
<b>Total</b>	<b>19,762,637</b>	<b>20,519,801</b>

**5.1.5 Loans**

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

	<i>Current Period</i>		<i>Prior Period</i>	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
<b>Direct Lendings to Shareholders</b>	<b>197</b>	<b>144,971</b>	<b>146</b>	<b>408,529</b>
Corporates	197	144,971	146	408,529
Individuals	-	-	-	-
<b>Indirect Lendings to Shareholders</b>	<b>2,005,395</b>	<b>381,267</b>	<b>2,043,036</b>	<b>263,954</b>
<b>Loans to Employees</b>	<b>205,417</b>	<b>89</b>	<b>185,470</b>	<b>88</b>
<b>Total</b>	<b>2,211,009</b>	<b>526,327</b>	<b>2,228,652</b>	<b>672,571</b>

**5.1.5.2 Loans and other receivables classified in groups I and II including contracts with revised terms**

<i>Current Period</i>	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other Changes		Extension of Repayment Plan	Other Changes
<b>Loans</b>	<b>159,514,322</b>	<b>3,007,846</b>	<b>235,444</b>	<b>7,804,153</b>	<b>3,256,580</b>	<b>671,057</b>
Working Capital Loans	17,662,356	391,392	-	867,452	426,754	85,773
Export Loans	6,445,344	152,581	-	135,010	94,808	24,575
Import Loans	2,917	-	-	-	-	-
Loans to Financial Sector	4,603,379	298	-	-	-	-
Consumer Loans	38,458,232	1,670,911	-	1,768,600	600,901	47,808
Credit Cards	17,271,268	-	235,444	605,078	-	404,803
Others	75,070,826	792,664	-	4,428,013	2,134,117	108,098
<b>Specialization Loans</b>	-	-	-	-	-	-
<b>Other Receivables</b>	-	-	-	-	-	-
<b>Total</b>	<b>159,514,322</b>	<b>3,007,846</b>	<b>235,444</b>	<b>7,804,153</b>	<b>3,256,580</b>	<b>671,057</b>

As of 30 June 2016, loans amounting to TL 5,808,275 thousands (31 December 2015: TL 5,781,904 thousands) are benefited as collateral under funding transactions.

<i>Prior Period</i>	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other Changes		Extension of Repayment Plan	Other Changes
<b>Loans</b>	<b>150,695,419</b>	<b>2,179,145</b>	<b>233,976</b>	<b>7,806,295</b>	<b>3,228,253</b>	<b>622,963</b>
Working Capital Loans	14,870,509	175,956	-	915,921	358,070	85,796
Export Loans	6,399,197	8,136	-	143,651	67,004	35,188
Import Loans	15,160	-	-	-	-	-
Loans to Financial Sector (*)	5,160,937	-	-	-	-	-
Consumer Loans	35,883,920	1,627,563	-	1,729,724	623,376	47,914
Credit Cards	16,364,078	-	233,976	589,131	-	406,106
Others	72,001,618	367,490	-	4,427,868	2,179,803	47,959
<b>Specialization Loans</b>	-	-	-	-	-	-
<b>Other Receivables</b>	-	-	-	-	-	-
<b>Total</b>	<b>150,695,419</b>	<b>2,179,145</b>	<b>233,976</b>	<b>7,806,295</b>	<b>3,228,253</b>	<b>622,963</b>

(\*) Loans amounting to TL 198,118 thousands included under “financial assets at fair value through profit or loss” in the accompanying balance sheet, are presented above under “Loans to Financial Sector”.

Collaterals received for loans under follow-up;

<i>Current Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
	Loans Collateralized by Cash	43,169	3,909	-
Loans Collateralized by Mortgages	3,281,493	802,365	-	4,083,858
Loans Collateralized by Pledged Assets	774,226	58,788	-	833,014
Loans Collateralized by Cheques and Notes	107,042	541,329	-	648,371
Loans Collateralized by Other Collaterals	897,592	10,054	-	907,646
Unsecured Loans	326,953	352,155	605,078	1,284,186
<b>Total</b>	<b>5,430,475</b>	<b>1,768,600</b>	<b>605,078</b>	<b>7,804,153</b>

<i>Prior Period</i>	<b>Corporate/ Commercial Loans</b>	<b>Consumer Loans</b>	<b>Credit Cards</b>	<b>Total</b>
Loans Collateralized by Cash	17,538	2,356	-	19,894
Loans Collateralized by Mortgages	2,863,460	690,628	-	3,554,088
Loans Collateralized by Pledged Assets	763,943	59,786	-	823,729
Loans Collateralized by Cheques and Notes	86,223	574,200	-	660,423
Loans Collateralized by Other Collaterals	1,404,793	10,353	-	1,415,146
Unsecured Loans	351,483	392,401	589,131	1,333,015
<b>Total</b>	<b>5,487,440</b>	<b>1,729,724</b>	<b>589,131</b>	<b>7,806,295</b>

Delinquency periods of loans under follow-up;

<i>Current Period</i>	<b>Corporate/ Commercial Loans</b>	<b>Consumer Loans</b>	<b>Credit Cards</b>	<b>Total</b>
31-60 days	131,642	626,346	148,500	906,488
61-90 days	114,831	257,672	58,980	431,483
Others	5,184,002	884,582	397,598	6,466,182
<b>Total</b>	<b>5,430,475</b>	<b>1,768,600</b>	<b>605,078</b>	<b>7,804,153</b>

<i>Prior Period</i>	<b>Corporate/ Commercial Loans</b>	<b>Consumer Loans</b>	<b>Credit Cards</b>	<b>Total</b>
31-60 days	180,970	633,756	152,905	967,631
61-90 days	45,445	202,495	45,596	293,536
Others	5,261,025	893,473	390,630	6,545,128
<b>Total</b>	<b>5,487,440</b>	<b>1,729,724</b>	<b>589,131</b>	<b>7,806,295</b>

Loans and other receivables with extended payment plans;

<b>No. of Extensions</b>	<i>Current Period</i>		<i>Prior Period</i>	
	<b>Performing Loans and Other Receivables</b>	<b>Loans and Other Receivables under Follow-up</b>	<b>Performing Loans and Other Receivables</b>	<b>Loans and Other Receivables under Follow-up</b>
1 or 2 times	2,653,621	3,037,303	1,979,491	2,929,711
3, 4 or 5 times	118,085	210,592	111,249	282,660
Over 5 times	236,140	8,685	88,405	15,882

<b>Extention Periods</b>	<i>Current Period</i>		<i>Prior Period</i>	
	<b>Performing Loans and Other Receivables</b>	<b>Loans and Other Receivables under Follow-up</b>	<b>Performing Loans and Other Receivables</b>	<b>Loans and Other Receivables under Follow-up</b>
0-6 months	503,364	801,492	336,391	566,273
6-12 months	510,304	153,938	367,841	149,516
1-2 years	1,219,105	338,306	893,626	393,138
2-5 year	659,049	1,416,729	518,336	1,595,092
5 years and over	116,024	546,115	62,951	524,234

### 5.1.5.3 Maturity analysis of cash loans

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

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

<i>Current Period</i>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Consumer Loans – TL</b>	<b>798,322</b>	<b>38,721,398</b>	<b>39,519,720</b>
Housing Loans	32,108	20,111,006	20,143,114
Automobile Loans	47,301	1,734,469	1,781,770
General Purpose Loans	718,913	16,875,923	17,594,836
Other	-	-	-
<b>Consumer Loans – FC-indexed</b>	<b>-</b>	<b>155,327</b>	<b>155,327</b>
Housing Loans	-	154,504	154,504
Automobile Loans	-	2	2
General Purpose Loans	-	821	821
Other	-	-	-
<b>Consumer Loans – FC</b>	<b>57</b>	<b>40,314</b>	<b>40,371</b>
Housing Loans	-	23,807	23,807
Automobile Loans	-	9,678	9,678
General Purpose Loans	57	6,829	6,886
Other	-	-	-
<b>Retail Credit Cards – TL</b>	<b>14,838,589</b>	<b>550,186</b>	<b>15,388,775</b>
With Installment	7,147,447	550,186	7,697,633
Without Installment	7,691,142	-	7,691,142
<b>Retail Credit Cards – FC</b>	<b>48,124</b>	<b>-</b>	<b>48,124</b>
With Installment	12,600	-	12,600
Without Installment	35,524	-	35,524
<b>Personnel Loans – TL</b>	<b>18,737</b>	<b>83,010</b>	<b>101,747</b>
Housing Loan	-	1,317	1,317
Automobile Loans	-	71	71
General Purpose Loans	18,737	81,622	100,359
Other	-	-	-
<b>Personnel Loans - FC-indexed</b>	<b>-</b>	<b>318</b>	<b>318</b>
Housing Loans	-	318	318
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Loans – FC</b>	<b>-</b>	<b>79</b>	<b>79</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	79	79
Other	-	-	-
<b>Personnel Credit Cards – TL</b>	<b>101,805</b>	<b>658</b>	<b>102,463</b>
With Installment	43,560	658	44,218
Without Installment	58,245	-	58,245
<b>Personnel Credit Cards – FC</b>	<b>810</b>	<b>-</b>	<b>810</b>
With Installment	277	-	277
Without Installment	533	-	533
<b>Deposit Accounts– TL (Real persons)</b>	<b>409,270</b>	<b>-</b>	<b>409,270</b>
<b>Deposit Accounts– FC (Real persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>16,215,714</b>	<b>39,551,290</b>	<b>55,767,004</b>



<i>Prior Period</i>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Consumer Loans – TL</b>	<b>686,400</b>	<b>36,127,573</b>	<b>36,813,973</b>
Housing Loans	25,062	18,582,778	18,607,840
Automobile Loans	37,616	1,522,036	1,559,652
General Purpose Loans	623,722	16,022,759	16,646,481
Other	-	-	-
<b>Consumer Loans – FC-indexed</b>	<b>-</b>	<b>170,849</b>	<b>170,849</b>
Housing Loans	-	168,194	168,194
Automobile Loans	-	2	2
General Purpose Loans	-	2,653	2,653
Other	-	-	-
<b>Consumer Loans – FC</b>	<b>3</b>	<b>40,033</b>	<b>40,036</b>
Housing Loans	-	25,999	25,999
Automobile Loans	-	7,504	7,504
General Purpose Loans	3	6,530	6,533
Other	-	-	-
<b>Retail Credit Cards – TL</b>	<b>14,279,715</b>	<b>566,447</b>	<b>14,846,162</b>
With Installment	6,850,008	566,447	7,416,455
Without Installment	7,429,707	-	7,429,707
<b>Retail Credit Cards – FC</b>	<b>38,371</b>	<b>-</b>	<b>38,371</b>
With Installment	2,685	-	2,685
Without Installment	35,686	-	35,686
<b>Personnel Loans – TL</b>	<b>17,241</b>	<b>74,439</b>	<b>91,680</b>
Housing Loan	-	1,055	1,055
Automobile Loans	-	86	86
General Purpose Loans	17,241	73,298	90,539
Other	-	-	-
<b>Personnel Loans - FC-indexed</b>	<b>-</b>	<b>330</b>	<b>330</b>
Housing Loans	-	330	330
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Loans – FC</b>	<b>-</b>	<b>112</b>	<b>112</b>
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	112	112
Other	-	-	-
<b>Personnel Credit Cards – TL</b>	<b>92,376</b>	<b>460</b>	<b>92,836</b>
With Installment	37,692	460	38,152
Without Installment	54,684	-	54,684
<b>Personnel Credit Cards – FC</b>	<b>512</b>	<b>-</b>	<b>512</b>
With Installment	86	-	86
Without Installment	426	-	426
<b>Deposit Accounts– TL (Real persons)</b>	<b>496,664</b>	<b>-</b>	<b>496,664</b>
<b>Deposit Accounts– FC (Real persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>15,611,282</b>	<b>36,980,243</b>	<b>52,591,525</b>

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

<i>Current Period</i>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Installment-based Commercial Loans – TL</b>	<b>1,696,699</b>	<b>10,449,696</b>	<b>12,146,395</b>
Real Estate Loans	3,135	776,636	779,771
Automobile Loans	104,140	2,011,429	2,115,569
General Purpose Loans	1,589,424	7,661,631	9,251,055
Other	-	-	-
<b>Installment-based Commercial Loans - FC-indexed</b>	<b>174,376</b>	<b>1,971,361</b>	<b>2,145,737</b>
Real Estate Loans	-	53,466	53,466
Automobile Loans	5,852	578,825	584,677
General Purpose Loans	168,524	1,339,070	1,507,594
Other	-	-	-
<b>Installment-based Commercial Loans – FC</b>	<b>208</b>	<b>62,226</b>	<b>62,434</b>
Real Estate Loans	-	827	827
Automobile Loans	-	13,367	13,367
General Purpose Loans	208	48,032	48,240
Other	-	-	-
<b>Corporate Credit Cards – TL</b>	<b>2,318,933</b>	<b>7,489</b>	<b>2,326,422</b>
With Installment	1,072,141	7,489	1,079,630
Without Installment	1,246,792	-	1,246,792
<b>Corporate Credit Cards – FC</b>	<b>9,752</b>	<b>-</b>	<b>9,752</b>
With Installment	129	-	129
Without Installment	9,623	-	9,623
<b>Deposit Accounts– TL (Corporates)</b>	<b>935,370</b>	<b>-</b>	<b>935,370</b>
<b>Deposit Accounts– FC (Corporates)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>5,135,338</b>	<b>12,490,772</b>	<b>17,626,110</b>

<i>Prior Period</i>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Installment-based Commercial Loans – TL</b>	<b>1,335,639</b>	<b>9,681,444</b>	<b>11,017,083</b>
Real Estate Loans	3,237	725,187	728,424
Automobile Loans	88,500	1,968,503	2,057,003
General Purpose Loans	1,243,902	6,987,754	8,231,656
Other	-	-	-
<b>Installment-based Commercial Loans - FC-indexed</b>	<b>160,480</b>	<b>1,885,722</b>	<b>2,046,202</b>
Real Estate Loans	369	53,546	53,915
Automobile Loans	3,355	542,030	545,385
General Purpose Loans	156,756	1,290,146	1,446,902
Other	-	-	-
<b>Installment-based Commercial Loans – FC</b>	<b>160</b>	<b>46,675</b>	<b>46,835</b>
Real Estate Loans	-	925	925
Automobile Loans	84	12,304	12,388
General Purpose Loans	76	33,446	33,522
Other	-	-	-
<b>Corporate Credit Cards – TL</b>	<b>1,963,886</b>	<b>3,750</b>	<b>1,967,636</b>
With Installment	953,402	3,750	957,152
Without Installment	1,010,484	-	1,010,484
<b>Corporate Credit Cards – FC</b>	<b>7,692</b>	<b>-</b>	<b>7,692</b>
With Installment	61	-	61
Without Installment	7,631	-	7,631
<b>Deposit Accounts– TL (corporates)</b>	<b>831,746</b>	<b>-</b>	<b>831,746</b>
<b>Deposit Accounts– FC (corporates)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>4,299,603</b>	<b>11,617,591</b>	<b>15,917,194</b>

#### 5.1.5.6 Allocation of loans by customers

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

#### 5.1.5.7 Allocation of domestic and foreign loans

	<i>Current Period</i>	<i>Prior Period</i>
Domestic Loans	164,368,973	156,494,318
Foreign Loans (*)	2,949,502	2,007,396
<b>Total</b>	<b>167,318,475</b>	<b>158,501,714</b>

(\*) Loans amounting to TL - (31 December 2015: TL 198,118 thousands) included under “Financial Assets at Fair Value through Profit/Loss” in the accompanying balance sheet, are presented above under “Foreign Loans”.

#### 5.1.5.8 Loans to associates and affiliates

	<i>Current Period</i>	<i>Prior Period</i>
Direct Lending	793,929	1,089,363
Indirect Lending	-	-
<b>Total</b>	<b>793,929</b>	<b>1,089,363</b>

**5.1.5.9 Specific provisions for loans**

	<i>Current Period</i>	<i>Prior Period</i>
Substandard Loans and Receivables - Limited Collectibility	598,938	599,750
Doubtful Loans and Receivables	896,611	579,036
Uncollectible Loans and Receivables	2,344,265	2,388,912
<b>Total</b>	<b>3,839,814</b>	<b>3,567,698</b>

**5.1.5.10 Non-performing loans and other receivables (NPLs) (Net)**

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Substandard Loans and Receivables</b>	<b>Doubtful Loans and Receivables</b>	<b>Uncollectible Loans and Receivables</b>
<i>Current Period</i>			
(Gross Amounts before Specific Provisions)	525,380	327,073	573,849
Restructured Loans and Receivables	525,380	327,073	573,849
Rescheduled Loans and Receivables	-	-	-
<i>Prior Period</i>			
(Gross Amounts before Specific Provisions)	252,165	230,646	489,801
Restructured Loans and Receivables	252,165	230,646	489,801
Rescheduled Loans and Receivables	-	-	-

*Movements in non-performing loans and other receivables*

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Substandard Loans and Receivables</b>	<b>Doubtful Loans and Receivables</b>	<b>Uncollectible Loans and Receivables</b>
<i>Current Period</i>			
<b>Balances at Beginning of Period</b>	<b>786,183</b>	<b>756,847</b>	<b>2,860,995</b>
Additions during the Period (+)	1,541,600	20,183	44,044
Transfer from Other NPL Categories (+)	-	1,248,840	659,154
Transfer to Other NPL Categories (-)	1,248,840	659,154	-
Collections during the Period (-)	252,756	150,276	181,122
Write-offs (-) (*)	-	343	584,303
Corporate and Commercial Loans	-	193	244,635
Retail Loans	-	-	154,080
Credit Cards	-	150	185,588
Others	-	-	-
<b>Balances at End of Period</b>	<b>826,187</b>	<b>1,216,097</b>	<b>2,798,768</b>
Specific Provisions (-)	598,938	896,611	2,344,265
<b>Net Balance on Balance Sheet</b>	<b>227,249</b>	<b>319,486</b>	<b>454,503</b>

(\*) of which TL 568,263 thousands is resulted from sale of non-performing loans.

<i>Prior Period</i>	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Substandard Loans and Receivables</b>	<b>Doubtful Loans and Receivables</b>	<b>Uncollectible Loans and Receivables</b>
<b>Balances at Beginning of Period</b>	<b>405,091</b>	<b>748,030</b>	<b>2,147,708</b>
Additions during the Period (+)	2,241,205	59,594	47,548
Transfer from Other NPL Categories (+)	-	1,543,105	1,350,938
Transfer to Other NPL Categories (-)	1,543,105	1,350,938	-
Collections during the Period (-)	316,471	242,333	488,662
Write-offs (-) (*)	537	611	196,537
Corporate and Commercial Loans	537	609	119,188
Retail Loans	-	-	33,424
Credit Cards	-	2	43,925
Others	-	-	-
<b>Balances at End of Period</b>	<b>786,183</b>	<b>756,847</b>	<b>2,860,995</b>
Specific Provisions (-)	599,750	579,036	2,388,912
<b>Net Balance on Balance Sheet</b>	<b>186,433</b>	<b>177,811</b>	<b>472,083</b>

(\*) of which TL 83,080 thousands is resulted from sale of non-performing loans.

***Movements in specific loan provisions***

<i>Current Period</i>	<b>Corporate/ Commercial Loans</b>	<b>Consumer Loans</b>	<b>Credit Cards</b>	<b>Total</b>
<b>Balances at End of Prior Period</b>	<b>1,329,001</b>	<b>1,270,403</b>	<b>968,294</b>	<b>3,567,698</b>
Additions during the Period(+)	618,226	430,138	279,363	1,327,727
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-)	125,238	233,837	113,336	472,411
Write-offs (-) (*)	244,121	153,341	185,738	583,200
<b>Balances at End of Period</b>	<b>1,577,868</b>	<b>1,313,363</b>	<b>948,583</b>	<b>3,839,814</b>

(\*) of which TL 566,818 thousands is resulted from sale of non-performing loans.

<i>Prior Period</i>	<b>Corporate/ Commercial Loans</b>	<b>Consumer Loans</b>	<b>Credit Cards</b>	<b>Total</b>
<b>Balances at End of Prior Period</b>	<b>1,158,403</b>	<b>823,655</b>	<b>691,903</b>	<b>2,673,961</b>
Additions during the Period(+)	509,512	857,543	528,196	1,895,251
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-)	220,938	377,383	207,878	806,199
Write-offs (-)	117,976	33,412	43,927	195,315
<b>Balances at End of Period</b>	<b>1,329,001</b>	<b>1,270,403</b>	<b>968,294</b>	<b>3,567,698</b>

***Non-performing loans and other receivables in foreign currencies***

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Substandard Loans and Receivables</b>	<b>Doubtful Loans and Receivables</b>	<b>Uncollectible Loans and Receivables</b>
<b><i>Current Period</i></b>			
<b>Balance at End of Period</b>	<b>352,230</b>	<b>284,309</b>	<b>533,606</b>
Specific Provisions (-)	234,056	201,558	370,793
<b>Net Balance at Balance Sheet</b>	<b>118,174</b>	<b>82,751</b>	<b>162,813</b>
<b><i>Prior Period</i></b>			
<b>Balance at End of Period</b>	<b>180,731</b>	<b>37,931</b>	<b>535,189</b>
Specific Provisions (-)	138,781	10,172	422,070
<b>Net Balance at Balance Sheet</b>	<b>41,950</b>	<b>27,759</b>	<b>113,119</b>

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Substandard Loans and Receivables</b>	<b>Doubtful Loans and Receivables</b>	<b>Uncollectible Loans and Receivables</b>
<b><i>Current Period (Net)</i></b>			
	<b>227,249</b>	<b>319,486</b>	<b>454,503</b>
Loans to Individuals and Corporates (Gross)	826,187	1,216,097	2,797,453
Specific Provision (-)	598,938	896,611	2,342,950
Loans to Individuals and Corporates (Net)	227,249	319,486	454,503
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1,004
Specific Provision (-)	-	-	1,004
Other Loans and Receivables (Net)	-	-	-
<b><i>Prior Period (Net)</i></b>			
	<b>186,433</b>	<b>177,811</b>	<b>472,083</b>
Loans to Individuals and Corporates (Gross)	786,183	756,847	2,859,679
Specific Provision (-)	599,750	579,036	2,387,596
Loans to Individuals and Corporates (Net)	186,433	177,811	472,083
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1,005
Specific Provision (-)	-	-	1,005
Other Loans and Receivables (Net)	-	-	-

***Collaterals received for non-performing loans***

<b><i>Current Period</i></b>	<b>Corporate/ Commercial Loans</b>	<b>Consumer Loans</b>	<b>Credit Cards</b>	<b>Total</b>
Loans Collateralized by Cash	1,161	131	-	1,292
Loans Collateralized by Mortgages	1,114,534	98,223	-	1,212,757
Loans Collateralized by Pledged Assets	208,114	41,701	-	249,815
Loans Collateralized by Cheques and Notes	221,956	8,181	-	230,137
Loans Collateralized by Other Collaterals	840,231	845,686	-	1,685,917
Unsecured Loans	109,674	402,876	948,584	1,461,134
<b>Total</b>	<b>2,495,670</b>	<b>1,396,798</b>	<b>948,584</b>	<b>4,841,052</b>

<i>Prior Period</i>	<b>Corporate/ Commercial Loans</b>	<b>Consumer Loans</b>	<b>Credit Cards</b>	<b>Total</b>
Loans Collateralized by Cash	1,999	201	-	2,200
Loans Collateralized by Mortgages	911,000	88,562	-	999,562
Loans Collateralized by Pledged Assets	224,454	53,650	-	278,104
Loans Collateralized by Cheques and Notes	299,845	9,390	-	309,235
Loans Collateralized by Other Collaterals	530,469	829,081	-	1,359,550
Unsecured Loans	120,701	366,379	968,294	1,455,374
<b>Total</b>	<b>2,088,468</b>	<b>1,347,263</b>	<b>968,294</b>	<b>4,404,025</b>

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

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

#### 5.1.5.12 *Write-off policy*

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

### 5.1.6 **Investments held-to-maturity**

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

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Collateralised/Blocked Investments	3,487,010	1,866,905	4,956,015	2,108,752
Investments subject to Repurchase Agreements	1,720,678	294,822	4,081,537	317,809
<b>Total</b>	<b>5,207,688</b>	<b>2,161,727</b>	<b>9,037,552</b>	<b>2,426,561</b>

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

	<i>Current Period</i>	<i>Prior Period</i>
Government Bonds	17,540,641	17,776,978
Treasury Bills	-	-
Other Government Securities	-	-
<b>Total</b>	<b>17,540,641</b>	<b>17,776,978</b>

#### 5.1.6.3 *Investments held-to-maturity*

	<i>Current Period</i>	<i>Prior Period</i>
<b>Debt Securities</b>	<b>19,440,766</b>	<b>19,961,209</b>
Quoted at Stock Exchange	18,517,478	19,106,455
Unquoted at Stock Exchange	923,288	854,754
<b>Valuation Increase/(Decrease)</b>	<b>2,109,140</b>	<b>1,794,603</b>
<b>Total</b>	<b>21,549,906</b>	<b>21,755,812</b>

#### 5.1.6.4 Movement of investments held-to-maturity

	<i>Current Period</i>	<i>Prior Period</i>
<b>Balances at Beginning of Period</b>	<b>21,755,812</b>	<b>21,014,502</b>
Foreign Currency Differences On Monetary Assets	(122,418)	1,945,865
Purchases during the Period	253,344	1,331,647
Disposals through Sales/Redemptions (*)	(651,369)	(2,971,899)
Valuation Effect	314,537	435,697
<b>Balances at End of Period</b>	<b>21,549,906</b>	<b>21,755,812</b>

In the prior period,

(\*) As per the exceptions set out in the relevant accounting standards (TAS 39) for the sale or reclassification of investments, certain credit linked notes with a total face value of USD 300,000,000 were sold.

#### 5.1.7 Investments in associates

##### 5.1.7.1 Investments in associates

	<b>Associate</b>	<b>Address (City/ Country)</b>	<b>Bank's Share – If Different, Voting Rights (%)</b>	<b>Bank's Risk Group Share (%)</b>
1	Bankalararası Kart Merkezi AŞ <sup>(1)</sup>	İstanbul/Turkey	10.15	10.15
2	Yatırım Finansman Menkul Değerler AŞ <sup>(1)</sup>	İstanbul/Turkey	0.77	0.77
3	İstanbul Takas ve Saklama Bankası AŞ <sup>(1)</sup>	İstanbul/Turkey	5.25	5.28
4	Borsa İstanbul AŞ <sup>(1)</sup>	İstanbul/Turkey	0.30	0.34
5	KKB Kredi Kayıt Bürosu AŞ <sup>(1)</sup>	İstanbul/Turkey	9.09	9.09
6	Türkiye Cumhuriyet Merkez Bankası AŞ <sup>(2)</sup>	Ankara /Turkey	2.48	2.48
7	Kredi Garanti Fonu AŞ <sup>(1)</sup>	Ankara /Turkey	1.75	1.75

	<b>Total Assets</b>	<b>Shareholders' Equity</b>	<b>Total Fixed Assets (*)</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Current Period Profit/Loss</b>	<b>Prior Period Profit/Loss</b>	<b>Company's Fair Value</b>
1	62,942	34,583	45,468	207	-	4,923	2,500	-
2	993,262	73,949	4,267	3,420	336	312	722	-
3	7,509,099	897,052	97,933	76,732	2,715	65,580	42,632	-
4	913,353	852,927	190,595	7,787	27	32,864	106,528	-
5	152,693	118,976	95,290	1,050	11	5,766	9,995	-
6	450,139,064	54,629,350	684,192	6,120,123	2,238,649	20,736,851	8,529,957	-
7	308,902	300,701	6,117	3,010	-	1,710	5,828	-

(1) Financial information is as of 31 March 2016.

(2) Financial information is as of 31 December 2015.

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



**5.1.7.2 Movement of investments in associates**

	<i>Current Period</i>	<i>Prior Period</i>
<b>Balance at Beginning of Period</b>	<b>36,698</b>	<b>36,698</b>
<b>Movements during the Period</b>	-	-
Acquisitions	-	-
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Sales	-	-
Increase in Market Values	-	-
Impairment Reversals/(Losses)	-	-
<b>Balance at End of Period</b>	<b>36,698</b>	<b>36,698</b>
<b>Capital Commitments</b>	-	-
<b>Share Percentage at the End of Period (%)</b>	-	-

**5.1.7.3 Sectoral distribution of investments and associates**

<b>Investments in Associates</b>	<i>Current Period</i>	<i>Prior Period</i>
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	34,984	34,984
Other Associates	1,714	1,714

**5.1.7.4 Quoted associates**

None.

**5.1.7.5 Valuation methods of investments in associates**

<b>Investments in Associates</b>	<i>Current Period</i>	<i>Prior Period</i>
Valued at Cost	36,698	36,698
Valued at Fair Value	-	-

**5.1.7.6 Investments in associates sold during the current period**

None.

**5.1.7.7 Investments in associates acquired during the current period**

None.

## 5.1.8 Investments in affiliates

### 5.1.8.1 Information on capital adequacy of major affiliates

The Bank does not have any capital needs for its affiliates included in the calculation of its consolidated capital adequacy standard ratio. Information on capital adequacy of major affiliates is presented below.

<i>Current Period</i>	<b>Garanti Bank International NV</b>	<b>Garanti Finansal Kiralama AŞ</b>	<b>Garanti Holding BV</b>
<b>COMMON EQUITY TIER I CAPITAL</b>			
Paid-in Capital to be Entitled for Compensation after All Creditors	441,360	357,848	1,229,659
Share Premium	-	-	41,396
Share Cancellation Profits	-	-	-
Reserves	894,029	440,006	(269,666)
Other Comprehensive Income according to TAS	436,886	75,795	10,385
Current and Prior Periods' Profits	18,098	66,137	(4,563)
<b>Common Equity Tier I Capital Before Deductions</b>	<b>1,790,373</b>	<b>939,786</b>	<b>1,007,211</b>
<b>Deductions From Common Equity Tier I Capital</b>			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	32,233	399	231,660
Leasehold Improvements on Operational Leases (-)	-	100	8,002
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	9,335	4,144	110,254
Net Deferred Tax Asset/Liability (-)	-	-	6,850
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>41,568</b>	<b>4,643</b>	<b>356,766</b>
<b>Total Common Equity Tier I Capital</b>	<b>1,748,805</b>	<b>935,143</b>	<b>650,445</b>
<b>Total Deductions From Tier I Capital</b>	<b>6,223</b>	<b>2,763</b>	<b>78,070</b>
<b>Total Tier I Capital</b>	<b>1,742,582</b>	<b>932,380</b>	<b>572,375</b>
<b>TIER II CAPITAL</b>	<b>255,256</b>	<b>-</b>	<b>65,499</b>
<b>CAPITAL BEFORE DEDUCTIONS</b>	<b>1,997,838</b>	<b>932,380</b>	<b>637,874</b>
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	465	-
<b>TOTAL CAPITAL</b>	<b>1,997,838</b>	<b>931,915</b>	<b>637,874</b>

<i>Prior Period</i>	<b>Garanti Bank International NV</b>	<b>Garanti Finansal Kiralama AŞ</b>	<b>Garanti Holding BV</b>
<b>COMMON EQUITY TIER I CAPITAL</b>			
Paid-in Capital to be Entitled for Compensation after All Creditors	438,130	357,848	1,168,942
Share Premium	-	-	41,090
Share Cancellation Profits	-	-	-
Reserves	859,634	329,714	(327,914)
Other Comprehensive Income according to TAS	406,771	75,795	27,141
Current and Prior Periods' Profits	34,395	110,292	58,156
General Reserve for Possible Losses	-	11,814	-
<b>Common Equity Tier I Capital Before Deductions</b>	<b>1,738,930</b>	<b>885,463</b>	<b>967,415</b>
<b>Deductions From Common Equity Tier I Capital</b>			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	92,365	399	231,882
Leasehold Improvements on Operational Leases (-)	-	113	9,131
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	6,285	2,351	73,220
Net Deferred Tax Asset/Liability (-)	-	-	6,768
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>98,650</b>	<b>2,863</b>	<b>321,001</b>
<b>Total Common Equity Tier I Capital</b>	<b>1,640,280</b>	<b>882,600</b>	<b>646,414</b>
<b>Total Deductions From Tier I Capital</b>	<b>9,427</b>	<b>3,527</b>	<b>119,982</b>
<b>Total Tier I Capital</b>	<b>1,630,853</b>	<b>879,073</b>	<b>526,432</b>
<b>TIER II CAPITAL</b>	<b>253,368</b>	<b>-</b>	<b>57,607</b>
<b>CAPITAL BEFORE DEDUCTIONS</b>	<b>1,884,221</b>	<b>879,073</b>	<b>584,039</b>
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	-	-
<b>TOTAL CAPITAL</b>	<b>1,884,221</b>	<b>879,073</b>	<b>584,039</b>

#### 5.1.8.2 Investments in affiliates

	<b>Affiliate</b>	<b>Address (City/ Country)</b>	<b>Bank's Share – If Different, Voting Rights (%)</b>	<b>Bank's Risk Group Share (%)</b>
1	Garanti Bilişim Teknolojisi ve Tic. TAŞ	Istanbul/Turkey	100.00	100.00
2	Garanti Ödeme Sistemleri AŞ	Istanbul/Turkey	99.96	100.00
3	Garanti Hizmet Yönetimi AŞ	Istanbul/Turkey	96.40	99.40
4	Garanti Kültür AŞ	Istanbul/Turkey	100.00	100.00
5	Garanti Konut Finansmanı Danışmanlık Hiz. AŞ	Istanbul/Turkey	100.00	100.00
6	Garanti Finansal Kiralama AŞ	Istanbul/Turkey	100.00	100.00
7	Garanti Faktoring Hizmetleri AŞ	Istanbul/Turkey	81.84	81.84
8	Garanti Yatırım Menkul Kıymetler AŞ	Istanbul/Turkey	100.00	100.00
9	Garanti Portföy Yönetimi AŞ	Istanbul/Turkey	100.00	100.00
10	Garanti Emeklilik ve Hayat AŞ	Istanbul/Turkey	84.91	84.91
11	Garanti Bank International NV	Amsterdam/The Netherlands	100.00	100.00
12	Garanti Bank Moscow	Moscow/Russia	99.94	100.00
13	Garanti Holding BV	Amsterdam/The Netherlands	100.00	100.00

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	69,279	63,081	57	1,235	1,782	3,976	4,573	-
2	27,316	19,266	1,229	320	100	1,108	617	-
3	8,399	8,131	29	137	232	(283)	1,463	-
4	2,458	1,836	562	-	33	61	82	-
5	2,095	1,896	59	141	35	450	621	-
6	5,181,623	939,387	101,207	201,355	-	66,137	61,506	-
7	2,865,398	179,495	5,560	129,150	-	13,733	12,707	-
8	121,919	62,290	11,629	571	1,262	14,822	4,376	-
9	50,976	45,393	4,813	2,078	-	6,122	3,792	-
10	1,584,556	1,201,279	37,619	71,227	1,648	121,927	95,440	-
11	16,327,563	1,753,976	84,872	279,074	52,897	18,098	25,964	-
12	311,545	144,281	24,670	4,689	5,420	904	(9,011)	-
13	1,086,558	1,086,472	-	-	-	(96)	(95)	-

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

#### 5.1.8.3 Movement of investments in affiliates

	Current Period	Prior Period
<b>Balance at Beginning of Period</b>	<b>4,446,499</b>	<b>3,708,418</b>
<b>Movements during the Period</b>	<b>372,738</b>	<b>738,081</b>
Acquisitions	53,484	-
Bonus Shares Received	-	-
Earnings from Current Year Profit	213,296	400,315
Sales/Liquidations	-	-
Reclassification of Shares	-	-
Increase/(Decrease) in Market Values	74,129	70,122
Currency Differences on Foreign Affiliates	31,829	267,644
Impairment Reversals/(Losses)	-	-
<b>Balance at End of Period</b>	<b>4,819,237</b>	<b>4,446,499</b>
<b>Capital Commitments</b>	<b>-</b>	<b>-</b>
<b>Share Percentage at the End of Period (%)</b>	<b>-</b>	<b>-</b>

#### 5.1.8.4 Sectoral distribution of investments in affiliates

Affiliates	Current Period	Prior Period
Banks	1,895,281	1,764,623
Insurance Companies	1,020,007	916,536
Factoring Companies	146,908	135,644
Leasing Companies	939,396	871,165
Finance Companies	713,409	654,295
Other Affiliates	104,236	104,236

#### 5.1.8.5 Quoted affiliates

None.

**5.1.8.6 Valuation methods of investments in affiliates**

<b>Affiliates</b>	<b>Current Period</b>	<b>Prior Period</b>
Valued at Cost	104,236	104,236
Valued at Fair Value (*)	4,715,001	4,342,263

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

**5.1.8.7 Investments in affiliates disposed during the current period**

None.

**5.1.8.8 Investments in affiliates acquired during the current period**

None.

**5.1.9 Investments in Joint-Ventures**

None.

**5.1.10 Lease receivables (net)**

None.

**5.1.11 Derivative financial assets held for risk management**

**5.1.11.1 Positive differences on derivative financial instruments held for risk management**

<b>Derivative Financial Assets Held for Risk Management</b>	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Fair Value Hedges	10,137	-	60,616	7,483
Cash Flow Hedges	8,232	235,568	28,448	584,450
Net Foreign Investment Hedges	-	-	-	-
<b>Total</b>	<b>18,369</b>	<b>235,568</b>	<b>89,064</b>	<b>591,933</b>

As of 30 June 2016, the face values and the net fair values, recognised in the balance sheet, of the derivative financial instruments held for risk management purposes, are summarized below:

	<b>Current Period</b>			<b>Prior Period</b>		
	<b>Face Value</b>	<b>Asset</b>	<b>Liability</b>	<b>Face Value</b>	<b>Asset</b>	<b>Liability</b>
Interest Rate Swaps	27,086,748	18,369	430,907	18,791,415	101,340	120,219
-TL	7,715,607	18,369	113,846	5,239,355	89,064	10,928
-FC	19,371,141	-	317,061	13,552,060	12,276	109,291
Cross Currency Swaps	3,438,641	235,568	125,939	5,279,626	579,657	130,272
-TL	1,102,414	-	-	1,868,085	-	-
-FC	2,336,227	235,568	125,939	3,411,541	579,657	130,272
<b>Total</b>	<b>30,525,389</b>	<b>253,937</b>	<b>556,846</b>	<b>24,071,041</b>	<b>680,997</b>	<b>250,491</b>

**5.1.11.1.1 Fair value hedge accounting**

<b>Current Period</b>						
<b>Hedging Item</b>	<b>Hedged Item</b>	<b>Type of Risk</b>	<b>Fair Value Change of Hedged Item</b>	<b>Net Fair Value Change of Hedging Item</b>		<b>Income Statement Effect (gains/losses from derivative financial instruments)</b>
				<b>Asset</b>	<b>Liability</b>	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	200,338	1,952	(215,688)	(13,398)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	19,484	-	(15,194)	4,290
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	65,222	8,185	(88,427)	(15,020)
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	(15,077)	-	(125,939)	(141,016)

<b>Prior Period</b>						
<b>Hedging Item</b>	<b>Hedged Item</b>	<b>Type of Risk</b>	<b>Fair Value Change of Hedged Item</b>	<b>Net Fair Value Change of Hedging Item</b>		<b>Income Statement Effect (gains/losses from derivative financial instruments)</b>
				<b>Asset</b>	<b>Liability</b>	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	65,224	8,104	(78,491)	(5,163)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	173	-	(313)	(140)
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(48,755)	59,995	(12,487)	(1,247)
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	(13,669)	-	(130,272)	(143,941)

**5.1.11.1.2 Cash flow hedge accounting**

<b>Current Period</b>							
<b>Hedging Item</b>	<b>Hedged Item</b>	<b>Type of Risk</b>	<b>Fair Value Change of Hedged Item</b>		<b>Gains/Losses Accounted under Shareholders' Equity in the Period</b>	<b>Gains/Losses Accounted under Income Statement in the Period</b>	<b>Ineffective Portion (net) Accounted under Income Statement</b>
			<b>Asset</b>	<b>Liability</b>			
Interest Rate Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates	-	(153)	(222)	(82)	(17)
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	8,232	(104,156)	(98,396)	(8,538)	(2,371)
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	-	(7,289)	(5,924)	(2,882)	(1,246)
Cross Currency Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	-	-	(6,677)	(12,091)	-
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	235,568	-	(43,762)	(48,024)	82

In the current period, the loss reclassified from the shareholders' equity to the income statement due to the ceased hedging transactions amounted to TL 619 thousands (31 December 2015: a gain of TL 1,238 thousands). In the prior period, the loss recognised in the shareholders' equity amounted to TL 619 thousands (30 June 2016: none).

<b>Prior Period</b>							
<b>Hedging Item</b>	<b>Hedged Item</b>	<b>Type of Risk</b>	<b>Fair Value Change of Hedged Item</b>		<b>Gains/Losses Accounted under Shareholders' Equity in the Period</b>	<b>Gains/Losses Accounted under Income Statement in the Period</b>	<b>Ineffective Portion (net) Accounted under Income Statement</b>
			<b>Asset</b>	<b>Liability</b>			
Interest Rate Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates	74	-	101	133	-
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	33,167	(28,928)	8,616	847	(1,219)
Cross Currency Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	262,771	-	4,416	24,784	11
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	316,886	-	69,335	70,610	921

#### 5.1.12 Tangible assets

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

#### 5.1.13 Intangible assets

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

#### 5.1.14 Investment property

	<i>Current Period</i>	<i>Prior Period</i>
<b>Net Book Value at Beginning Period</b>	<b>381,270</b>	<b>374,945</b>
Additions	42	-
Transfers to Tangible Assets	-	(22,954)
Fair Value Change	-	29,279
<b>Net Book Value at End of Current Period</b>	<b>381,312</b>	<b>381,270</b>

The investment property is held for operational leasing purposes.

#### 5.1.15 Deferred tax asset

As of 30 June 2016, the Bank has a deferred tax asset of TL 507,373 thousands (31 December 2015: TL 381,541 thousands) calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences.

The Bank does not have any deferred tax assets on tax losses carried forward or tax deductions and exemptions as of 30 June 2016. However, there is a deferred tax asset of TL 688,586 thousands (31 December 2015: TL 578,378 thousands) and deferred tax liability of TL 181,213 thousands (31 December 2015: TL 196,837 thousands) presented as net in the accompanying financial statements on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

For the cases where such differences are related with certain items on the shareholders’ equity accounts, the deferred taxes are charged or credited directly to these accounts.

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>Tax Base</b>	<b>Deferred Tax Amount</b>	<b>Tax Base</b>	<b>Deferred Tax Amount</b>
Provisions (*)	903,545	180,709	825,024	165,005
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	1,630,365	318,163	691,156	158,867
Revaluation Differences on Real Estates	(1,713,736)	(22,420)	(1,723,078)	(23,459)
Other	154,608	30,921	405,643	81,128
<b>Total Deferred Tax Asset, Net</b>	<b>974,782</b>	<b>507,373</b>	<b>198,745</b>	<b>381,541</b>

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

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

As of 30 June 2016, TL 140,742 thousands of deferred tax income (31 December 2015: TL 174,198 thousands of deferred tax expense) and TL 14,910 thousands of deferred tax expense (31 December 2015: TL 78,354 thousands of deferred tax income) are recognised in the income statement and the shareholders’ equity, respectively.



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

	<i>Current Period</i>	<i>Prior Period</i>
<b>End of Prior Period</b>		
<b>Cost</b>	<b>356,160</b>	<b>178,986</b>
<b>Accumulated Depreciation (-)</b>	<b>(9,181)</b>	<b>(7,970)</b>
<b>Net Book Value</b>	<b>346,979</b>	<b>171,016</b>
<b>End of Current Period</b>		
Additions	118,475	263,352
Disposals (Cost)	(45,234)	(84,386)
Disposals (Accumulated Depreciation)	818	3,886
Impairment Losses (-)	(1,794)	(1,792)
Depreciation Expense for Current Period (-)	(3,985)	(5,097)
Currency Translation Differences on Foreign Operations	-	-
<b>Cost</b>	<b>427,607</b>	<b>356,160</b>
<b>Accumulated Depreciation (-)</b>	<b>(12,348)</b>	<b>(9,181)</b>
<b>Net Book Value</b>	<b>415,259</b>	<b>346,979</b>

As of balance sheet date, the net book values of assets held for sale on which rights of repurchase exist amounting to TL 311,289 thousands (31 December 2015: TL 258,845 thousands).

### 5.1.17 Other assets

#### 5.1.17.1 Receivables from term sale of assets

	<i>Current Period</i>	<i>Prior Period</i>
Sale of Investments in Associates, Affiliates and Joint Ventures	-	-
Sale of Real Estates	-	-
Sale of Financial Assets Available-for-Sale	14,368	-
Sale of Other Assets	2,287	3,127
<b>Total</b>	<b>16,655</b>	<b>3,127</b>

#### 5.1.17.2 Prepaid expenses, taxes and similar items

	<i>Current Period</i>	<i>Prior Period</i>
Prepaid Expenses	435,150	389,443
Prepaid Taxes	-	-

### 5.1.18 Accrued interest and income

The details of accrued interest and income allocated to the related items on the assets side of the balance sheet are as follows:

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Central Bank of Turkey	57,935	286	26,710	5
Financial Assets at Fair Value through Profit or Loss	378	686	352	540
Banks	2,790	13,199	672	11,529
Interbank Money Markets	-	1	-	1
Financial Assets Available-for-Sale	1,505,546	42,189	1,036,656	14,863
Loans	1,448,475	764,892	1,439,128	653,153
Investments Held-to-Maturity	2,003,741	109,651	1,670,426	124,392
Other Accruals	3,589	-	8,099	-
<b>Total</b>	<b>5,022,454</b>	<b>930,904</b>	<b>4,182,043</b>	<b>804,483</b>

## 5.2 Liabilities

### 5.2.1 Maturity profile of deposits

<i>Current Period</i>	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
<b>Saving Deposits</b>	8,608,818	-	2,878,637	36,222,670	982,063	505,602	461,767	4,467	49,664,024
<b>Foreign Currency Deposits</b>	14,690,669	-	6,927,487	36,575,153	3,534,984	5,565,380	12,686,166	51,356	80,031,195
Residents in Turkey	14,015,765	-	6,577,800	33,903,659	1,746,665	1,223,293	899,483	50,218	58,416,883
Residents in Abroad	674,904	-	349,687	2,671,494	1,788,319	4,342,087	11,786,683	1,138	21,614,312
<b>Public Sector Deposits</b>	1,211,600	-	4,168	49,030	197	522	51	-	1,265,568
<b>Commercial Deposits</b>	7,004,061	-	3,076,768	5,747,769	375,361	153,517	613,020	-	16,970,496
<b>Other</b>	193,423	-	115,081	616,254	697,245	829,242	257,500	-	2,708,745
<b>Precious Metal Deposits</b>	961,924	-	-	20,639	-	1,751	118,971	-	1,103,285
<b>Bank Deposits</b>	1,785,660	-	8,293	327,374	690,968	92,135	70,383	-	2,974,813
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	4,807	-	2,001	302,274	-	40,936	2,101	-	352,119
Foreign Banks	748,040	-	6,292	25,100	690,968	51,199	68,282	-	1,589,881
Special Financial Institutions	1,032,813	-	-	-	-	-	-	-	1,032,813
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>34,456,155</b>	<b>-</b>	<b>13,010,434</b>	<b>79,558,889</b>	<b>6,280,818</b>	<b>7,148,149</b>	<b>14,207,858</b>	<b>55,823</b>	<b>154,718,126</b>

<i>Prior Period</i>	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
<b>Saving Deposits</b>	7,209,432	-	2,979,904	34,257,111	1,104,133	327,887	481,267	4,699	46,364,433
<b>Foreign Currency Deposits</b>	14,356,851	-	6,633,102	30,908,146	3,113,640	3,138,788	11,476,049	56,573	69,683,149
Residents in Turkey	13,566,495	-	6,227,505	28,221,569	2,651,518	1,064,402	796,622	55,408	52,583,519
Residents in Abroad	790,356	-	405,597	2,686,577	462,122	2,074,386	10,679,427	1,165	17,099,630
<b>Public Sector Deposits</b>	624,252	-	7,629	26,642	43	144	31	-	658,741
<b>Commercial Deposits</b>	6,178,956	-	3,617,921	4,298,918	170,551	389,198	574,360	-	15,229,904
<b>Other</b>	210,284	-	89,687	1,147,371	268,316	3,434	524,269	-	2,243,361
<b>Precious Metal Deposits</b>	1,085,578	-	106	11,175	-	57	101,849	-	1,198,765
<b>Bank Deposits</b>	1,814,017	-	1,579,003	340,476	1,567,749	91,248	128,486	-	5,520,979
Central Bank of Turkey	-	-	700,209	-	-	-	-	-	700,209
Domestic Banks	2,975	-	859,410	290,933	2,056	-	4	-	1,155,378
Foreign Banks	709,340	-	19,384	49,543	1,565,693	91,248	128,482	-	2,563,690
Special Financial Institutions	1,101,702	-	-	-	-	-	-	-	1,101,702
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>31,479,370</b>	<b>-</b>	<b>14,907,352</b>	<b>70,989,839</b>	<b>6,224,432</b>	<b>3,950,756</b>	<b>13,286,311</b>	<b>61,272</b>	<b>140,899,332</b>

**5.2.1.1 Saving deposits and other deposit accounts insured by Saving Deposit Insurance Fund**

**Saving deposits covered by deposit insurance and total amount of deposits exceeding insurance coverage limit:**

	Covered by Deposit Insurance		Over Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	26,629,192	24,378,726	22,675,409	21,652,836
Foreign Currency Saving Deposits	8,643,032	8,175,797	31,012,515	27,111,189
Other Saving Deposits	497,757	590,229	577,324	576,940
Deposits held at Foreign Branches Under Foreign Insurance Coverage	-	-	-	-
Deposits held at Off-Shore Branches Under Foreign Insurance Coverage	-	-	-	-

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

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

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

	Current Period	Prior Period
Deposits and Other Accounts held at Foreign Branches	759,328	673,677
Deposits and Other Accounts held by Shareholders and their Relatives	-	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	739,515	658,628
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-	-

**5.2.2 Negative differences on derivative financial liabilities held for trading**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	276,002	75,616	221,159	124,268
Swap transactions	1,276,782	534,449	1,093,920	350,255
Futures	-	-	-	3,320
Options	336,482	91,108	354,740	115,975
Other	-	-	-	-
<b>Total</b>	<b>1,889,266</b>	<b>701,173</b>	<b>1,669,819</b>	<b>593,818</b>

**5.2.3 Funds borrowed**

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic Banks and Institutions	332,221	383,109	259,222	331,117
Foreign Banks, Institutions and Funds	1,749,356	29,353,766	2,283,041	30,564,417
<b>Total</b>	<b>2,081,577</b>	<b>29,736,875</b>	<b>2,542,263</b>	<b>30,895,534</b>

### 5.2.3.1 Maturities of funds borrowed

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Short-Term	330,922	534,529	259,222	660,528
Medium and Long-Term	1,750,655	29,202,346	2,283,041	30,235,006
<b>Total</b>	<b>2,081,577</b>	<b>29,736,875</b>	<b>2,542,263</b>	<b>30,895,534</b>

The Bank classified certain borrowings obtained through securitisations amounting to USD 2,000,000,000, as financial liability at fair value through profit/loss at the initial recognition. As of 30 June 2016, the accumulated credit risk change and the credit risk change recognised in the income statement amounted to gains of TL 137,400 thousands and of TL 10,104 thousands, respectively. The carrying value of the related financial liability amounted to TL 5,604,600 thousands, and the related current period income amounted to TL 10,104 thousands.

### 5.2.3.2 Disclosures for concentration areas of bank's liabilities

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

## 5.2.4 Other external funds

### 5.2.4.1 Securities issued

<i>Current Period</i>	<b>TL</b>		<b>FC</b>	
	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Short-Term</b>	<b>Medium and Long-Term</b>
	Nominal	1,340,711	3,637,360	14,355
Cost	1,288,508	3,348,780	14,355	10,080,361
Carrying Value (*)	1,311,023	3,386,160	14,447	9,808,212

<i>Prior Period</i>	<b>TL</b>		<b>FC</b>	
	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Short-Term</b>	<b>Medium and Long-Term</b>
	Nominal	802,079	2,827,547	160,141
Cost	779,806	2,636,089	160,141	10,918,171
Carrying Value (*)	790,461	2,615,083	160,472	10,632,753

(\*) The Bank repurchased its own TL securities with a total face value of TL 109,594 thousands (31 December 2015: TL 121,998 thousands) and foreign currency securities with a total face value of USD 206,730,000 (31 December 2015: USD 206,730,000) and netted off such securities in the accompanying financial statements.

The Bank classified certain securities amounting to TL 64,964 thousands and RON 34,500,000 as financial liability at fair value through profit/loss at the initial recognition. As of 30 June 2016, the accumulated negative credit risks changes, and the negative and positive credit risk changes recognised in the income statement amounted to TL 233 thousands and TL 2,263 thousands, and TL 233 thousands and TL 340 thousands, respectively. The carrying value of the related financial liability amounted to TL 65,841 thousands and TL 27,974 thousands, and the related current period losses and gains amounted to TL 862 thousands and TL 381 thousands, respectively.

**5.2.4.2 Funds provided through repurchase transactions**

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Domestic Transactions</b>	<b>5,356,503</b>	-	<b>12,521,178</b>	-
Financial Institutions and Organizations	5,322,063	-	12,474,644	-
Other Institutions and Organizations	8,791	-	14,308	-
Individuals	25,649	-	32,226	-
<b>Foreign Transactions</b>	<b>14</b>	<b>1,100,361</b>	<b>75</b>	<b>2,546,908</b>
Financial Institutions and Organizations	-	1,100,361	-	2,546,908
Other Institutions and Organizations	-	-	-	-
Individuals	14	-	75	-
<b>Total</b>	<b>5,356,517</b>	<b>1,100,361</b>	<b>12,521,253</b>	<b>2,546,908</b>

**5.2.4.3 Miscellaneous payables**

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Payables from credit card transactions	7,890,312	66,937	6,886,185	54,592
Other	298,925	769,848	246,079	1,149,996
<b>Total</b>	<b>8,189,237</b>	<b>836,785</b>	<b>7,132,264</b>	<b>1,204,588</b>

**5.2.5 Lease payables (Net)**

**5.2.5.1 Financial lease payables**

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
Up to 1 Year	8,359	7,665	8,835	7,947
1-4 Years	1,287	1,228	3,150	3,021
More than 4 Years	-	-	-	-
<b>Total</b>	<b>9,646</b>	<b>8,893</b>	<b>11,985</b>	<b>10,968</b>

**5.2.5.2 Operational lease agreements**

The operational leasing agreements are signed for some branches and ATM's. The agreements are prepared annually and annual rents are paid in advance and recorded as prepaid expense in "other assets". The Bank does not have any commitments arising on the existing operational lease agreements.

**5.2.6 Derivative financial liabilities held for risk management**

<b>Derivative Financial Liabilities held for Risk Management</b>	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Fair Value Hedges	113,846	331,402	10,928	210,635
Cash Flow Hedges	-	111,598	-	28,928
Net Foreign Investment Hedges	-	-	-	-
<b>Total</b>	<b>113,846</b>	<b>443,000</b>	<b>10,928</b>	<b>239,563</b>

## 5.2.7 Provisions

### 5.2.7.1 General provisions

	<i>Current Period</i>	<i>Prior Period</i>
<b>General Provision for</b>	<b>3,128,089</b>	<b>3,002,057</b>
Loans and Receivables in Group I	2,444,552	2,298,736
- Additional Provision for Loans and Receivables with Extended Maturities	193,306	110,922
Loans and Receivables in Group II	342,788	350,733
- Additional Provision for Loans and Receivables with Extended Maturities	188,257	95,817
Non-Cash Loans	154,756	151,772
Others	185,993	200,816

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

	<i>Current Period</i>	<i>Prior Period</i>
Short-Term Loans	54,836	29,733
Medium and Long-Term Loans	22,710	11,412
<b>Total</b>	<b>77,546</b>	<b>41,145</b>

Foreign exchange differences on foreign currency indexed loans are netted with loans on the asset side.

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

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

### 5.2.7.4 Other provisions

#### 5.2.7.4.1 General reserves for possible losses

	<i>Current Period</i>	<i>Prior Period</i>
General Reserves for Possible Losses	200,000	330,000

#### 5.2.7.4.2 Other provisions

	<i>Current Period</i>	<i>Prior Period</i>
Reserve for Employee Benefits	621,903	529,537
Provision for Promotion Expenses of Credit Cards (*)	92,738	86,809
Provision for Lawsuits	42,393	39,530
Other Provisions	132,118	160,022
<b>Total</b>	<b>889,152</b>	<b>815,898</b>

(\*) The Bank provides full allowance for the committed promotion expenses of credit cards as of the balance sheet date.

#### *Recognized liability for defined benefit plan obligations*

The Bank obtained an actuarial report dated 7 December 2015 from an independent actuary reflecting the principles and procedures on determining the application of transfer transactions in accordance with the Law and it is determined that the assets of the Plan are above the amount that will be required to be paid to transfer the obligation and the asset surplus amounts to TL 2,408,349 thousands at 31 December 2015 as details are given in the table below.

Furthermore, an actuarial report was prepared as of 31 December 2015 as per the requirements of the Law explained in Note 3.17, the accounting policies related with “employee benefits” for the benefits transferable to the SSF and as per TAS 19 for other benefits not transferable to the SSF and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees. Based on the actuary’s 7 December 2015 dated report, the asset surplus over the fair value of the plan assets to be used for the payment of the obligations also fully covers the benefits not transferable and still a surplus of TL 1,336,959 thousands remains as of 31 December 2015 as details are given in the table below.

The Bank’s management, acting prudently, did not consider the health premium surplus amounting TL 528,011 thousands as stated above and resulted from the present value of medical benefits and health premiums transferable to SSF as of 31 December 2015. However, despite this treatment there are no excess obligation that needs to be provided against.

	<i>31 December 2015</i>	<i>31 December 2014</i>
<b>Transferable Pension and Medical Benefits:</b>		
Net present value of pension benefits transferable to SSF	(608,796)	(528,752)
Net present value of medical benefits and health premiums transferable to SSF	528,011	512,563
General administrative expenses	(33,702)	(29,291)
<b>Present Value of Pension and Medical Benefits Transferable to SSF (1)</b>	<b>(114,487)</b>	<b>(45,480)</b>
<b>Fair Value of Plan Assets (2)</b>	<b>2,522,836</b>	<b>2,132,357</b>
<b>Asset Surplus over Transferable Benefits ((2)-(1)=(3))</b>	<b>2,408,349</b>	<b>2,086,877</b>
<b>Non-Transferable Benefits:</b>		
Other pension benefits	(592,937)	(538,185)
Other medical benefits	(478,453)	(261,389)
<b>Total Non-Transferable Benefits (4)</b>	<b>(1,071,390)</b>	<b>(799,574)</b>
<b>Asset Surplus over Total Benefits ((3)-(4)=(5))</b>	<b>1,336,959</b>	<b>1,287,303</b>
<b>Net Present Value of Medical Benefits and Health Premiums Transferable to SSF – but not considered acting prudently (6)</b>	<b>(528,011)</b>	<b>(512,563)</b>
<b>Present Value of Asset Surplus/(Defined Benefit Obligation) ((5)-(6))</b>	<b>808,948</b>	<b>774,740</b>

The major actuarial assumptions used in the calculation of other benefits not transferable to SSF in compliance with TAS 19 are as follows:

	<i>31 December 2015</i>	<i>31 December 2014</i>
	<i>%</i>	<i>%</i>
Discount Rate (*)	10.30	8.80
Inflation Rate (*)	7.10	6.10
Future Real Salary Increase Rate	1.50	1.50
Medical Cost Trend Rate	40% above inflation	40% above inflation
Future Pension Increase Rate (*)	7.10	6.10

(\*) The above rates are effective rates, whereas the rates applied for the calculation differ according to the employees’ years-in-service.

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at age 60 is 17 for males, and at age 58 for females is 23.

## 5.2.8 Tax liability

### 5.2.8.1 Current tax liability

#### 5.2.8.1.1 Tax liability

As of 30 June 2016, the Bank had a current tax liability of TL 386,470 thousands (31 December 2015: TL 364,223 thousands) after offsetting with prepaid taxes.

#### 5.2.8.1.2 Taxes payable

	<i>Current Period</i>	<i>Prior Period</i>
Corporate Taxes Payable	386,470	364,223
Taxation on Securities Income	115,450	110,161
Taxation on Real Estates Income	4,200	3,396
Banking Insurance Transaction Tax	118,994	96,852
Foreign Exchange Transaction Tax	100	74
Value Added Tax Payable	3,040	11,037
Others	31,056	71,798
<b>Total</b>	<b>659,310</b>	<b>657,541</b>

#### 5.2.8.1.3 Premiums

	<i>Current Period</i>	<i>Prior Period</i>
Social Security Premiums-Employees	51	45
Social Security Premiums-Employer	63	55
Bank Pension Fund Premium-Employees	193	18
Bank Pension Fund Premium-Employer	369	18
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	1,100	964
Unemployment Insurance-Employer	2,217	1,941
Others	32	21
<b>Total</b>	<b>4,025</b>	<b>3,062</b>

#### 5.2.8.2 Deferred tax liability

None.

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

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

### 5.2.10 Subordinated debts

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

### 5.2.11 Shareholders’ equity

#### 5.2.11.1 Paid-in capital

	<i>Current Period</i>	<i>Prior Period</i>
Common Shares	4,200,000	4,200,000
Preference Shares	-	-



**5.2.11.2 Registered share capital system**

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

**5.2.11.3 Capital increases in current period**

None.

**5.2.11.4 Capital increases from capital reserves in current period**

None.

**5.2.11.5 Capital commitments for current and future financial periods**

None.

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

None.

**5.2.11.7 Information on privileges given to stocks representing the capital**

None.

**5.2.11.8 Securities value increase fund**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Investments in Associates, Affiliates and Joint-Ventures</b>	<b>714,978</b>	<b>49,875</b>	<b>681,119</b>	<b>(22,224)</b>
Valuation difference	75,310	49,875	73,280	(22,224)
Exchange rate difference	639,668	-	607,839	-
<b>Securities Available-for-Sale</b>	<b>(133,938)</b>	<b>7,228</b>	<b>(427,154)</b>	<b>210,219</b>
Valuation difference	(133,938)	7,228	(427,154)	210,219
Exchange rate difference	-	-	-	-
<b>Total</b>	<b>581,040</b>	<b>57,103</b>	<b>253,965</b>	<b>187,995</b>

**5.2.11.9 Revaluation surplus**

	Current Period		Prior Period	
	TL	FC	TL	FC
Movables	-	-	-	-
Real Estates	1,450,341	-	1,458,644	-
Gain on Sale of Investments in Associates and Affiliates and Real Estates allocated for Capital Increases	176,415	-	173,263	-
Revaluation Surplus on Leasehold Improvements	-	-	-	-

**5.2.11.10 Bonus shares of associates, affiliates and joint-ventures**

	Current Period	Prior Period
Garanti Yatırım Menkul Değerler AŞ	942	942
Kredi Kartları Bürosu AŞ	481	481
Garanti Ödeme Sistemleri AŞ	401	401
Tat Konserve AŞ	36	36
Doğuş Gayrimenkul Yatırım Ortaklığı AŞ	22	22
Yatırım Finansman Menkul Değerler AŞ	9	9
<b>Total</b>	<b>1,891</b>	<b>1,891</b>

**5.2.11.11 Legal reserves**

	<i>Current Period</i>	<i>Prior Period</i>
I. Legal Reserve	958,283	958,189
II. Legal Reserve	245,840	210,140
Special Reserves	-	-

**5.2.11.12 Extraordinary reserves**

	<i>Current Period</i>	<i>Prior Period</i>
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	21,967,806	19,159,612
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital	-	-

**5.2.12 Accrued interest and expenses**

The details of accrued interest and expenses allocated to the related items on the liability side of the balance sheet are as follows:

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Deposits	389,154	210,736	347,088	159,767
Funds Borrowed	58,469	100,647	91,800	102,171
Interbank Money Markets	3,644	6,452	7,314	9,940
Other Accruals	101,905	627,926	63,557	704,653
<b>Total</b>	<b>553,172</b>	<b>945,761</b>	<b>509,759</b>	<b>976,531</b>

### 5.3 Off-Balance Sheet Items

#### 5.3.1 Off-balance sheet contingencies

##### 5.3.1.1 Irrevocable credit commitments

The Bank has term asset purchase and sale commitments of TL 5,392,374 thousands (31 December 2015: TL 3,060,328 thousands), commitments for cheque payments of TL 3,321,150 thousands (31 December 2015: TL 3,063,159 thousands) and commitments for credit card limits of TL 28,018,637 thousands (31 December 2015: TL 26,826,339 thousands).

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

	<i>Current Period</i>	<i>Prior Period</i>
Letters of Guarantee in Foreign Currency	17,226,718	17,332,578
Letters of Guarantee in TL	16,446,701	14,826,457
Letters of Credit	16,413,916	14,286,342
Bills of Exchange and Acceptances	1,973,807	1,538,069
Prefinancings	-	-
Other Guarantees	127,726	109,206
<b>Total</b>	<b>52,188,868</b>	<b>48,092,652</b>

A specific provision of 104,962 TL thousands (31 December 2015: TL 102,109 thousands) is made for unliquidated non-cash loans of TL 311,538 thousands (31 December 2015: TL 313,985 thousands) recorded under the off-balance sheet items in the accompanying financial statements.

The detailed information for commitments, guarantees and sureties are provided under the statement of “off-balance sheet items”.

##### 5.3.1.3 Non-cash loans

	<i>Current Period</i>	<i>Prior Period</i>
Non-Cash Loans against Cash Risks	4,479,226	4,157,201
With Original Maturity of 1 Year or Less	485,402	454,207
With Original Maturity of More Than 1 Year	3,993,824	3,702,994
Other Non-Cash Loans	47,709,642	43,935,451
<b>Total</b>	<b>52,188,868</b>	<b>48,092,652</b>

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

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

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

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

**5.3.2 Financial derivative instruments**

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

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

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

**5.3.4 Contingent liabilities and assets**

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

**5.3.5 Services rendered on behalf of third parties**

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

## 5.4 Income Statement

### 5.4.1 Interest income

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Short-term loans	2,487,022	77,869	1,944,242	80,131
Medium and long-term loans	3,876,714	1,455,868	3,009,859	1,346,631
Loans under follow-up	32,941	-	24,440	278
Premiums Received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>6,396,677</b>	<b>1,533,737</b>	<b>4,978,541</b>	<b>1,427,040</b>

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

#### 5.4.1.2 Interest income from banks

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Central Bank of Turkey	-	7,576	-	396
Domestic Banks	9,231	242	23,581	161
Foreign Banks	1,219	24,337	5,271	16,767
Foreign Head Offices and Branches	-	-	-	-
<b>Total</b>	<b>10,450</b>	<b>32,155</b>	<b>28,852</b>	<b>17,324</b>

#### 5.4.1.3 Interest income from securities portfolio

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Financial Assets Held for Trading	6,648	876	6,825	3,267
Financial Assets Valued at Fair Value through Profit or Loss	-	-	-	-
Financial Assets Available-for-Sale	941,836	45,237	874,625	39,471
Investments Held-to-Maturity	581,430	260,655	617,736	236,207
<b>Total</b>	<b>1,529,914</b>	<b>306,768</b>	<b>1,499,186</b>	<b>278,945</b>

As disclosed in the accounting policies, the Bank values CPI-indexed government bonds in its securities portfolio according to the reference index on the issue date and the index that is calculated according to the expected inflation rate. The inflation rate used during the valuation is being updated during the year when it is considered necessary. As of 30 June 2016, the valuation of such securities was made according to 8% of annual inflation expectation. If the valuation of such securities was performed according to the reference index valid as of 30 June 2016, the Bank's securities value increase fund under the equity would increase by TL 24,563 thousands (net), whereas the interest income on securities portfolio would decrease by TL 70,332 thousands.

#### 5.4.1.4 Interest income received from associates and affiliates

	<i>Current Period</i>	<i>Prior Period</i>
Interest Received from Investments in Associates and Affiliates	15,650	42,182

## 5.4.2 Interest Expenses

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

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>	<b>116,953</b>	<b>186,146</b>	<b>168,151</b>	<b>191,862</b>
Central Bank of Turkey	-	-	-	206
Domestic Banks	8,851	3,053	7,465	3,061
Foreign Banks	108,102	183,093	160,686	188,595
Foreign Head Offices and Branches	-	-	-	-
<b>Other Institutions</b>	<b>-</b>	<b>139,084</b>	<b>-</b>	<b>113,505</b>
<b>Total</b>	<b>116,953</b>	<b>325,230</b>	<b>168,151</b>	<b>305,367</b>

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

### 5.4.2.2 Interest expenses paid to associates and affiliates

	Current Period	Prior Period
Interest Paid to Investments in Associates and Affiliates	38,172	29,114

### 5.4.2.3 Interest expenses on securities issued

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

### 5.4.2.4 Maturity structure of interest expense on deposits

Account Description	Demand Deposits	Time Deposits						Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	
<b>Turkish Lira</b>								
Bank Deposits	508	91,310	-	-	-	-	-	91,818
Saving Deposits	19	124,272	1,834,984	54,435	18,209	23,534	-	2,055,453
Public Sector Deposits	-	245	2,367	5	17	1	-	2,635
Commercial Deposits	12	163,077	291,436	22,701	17,098	32,523	-	526,847
Other	1	6,507	49,449	4,829	38,097	12,579	-	111,462
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
<b>Total TL</b>	<b>540</b>	<b>385,411</b>	<b>2,178,236</b>	<b>81,970</b>	<b>73,421</b>	<b>68,637</b>	<b>-</b>	<b>2,788,215</b>
<b>Foreign Currency</b>								
Foreign Currency Deposits	172	28,471	361,501	23,614	35,160	127,973	392	577,283
Bank Deposits	-	7,945	-	-	-	-	-	7,945
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	10	-	2	620	-	632
<b>Total FC</b>	<b>172</b>	<b>36,416</b>	<b>361,511</b>	<b>23,614</b>	<b>35,162</b>	<b>128,593</b>	<b>392</b>	<b>585,860</b>
<b>Grand Total</b>	<b>712</b>	<b>421,827</b>	<b>2,539,747</b>	<b>105,584</b>	<b>108,583</b>	<b>197,230</b>	<b>392</b>	<b>3,374,075</b>

Prior Period	Demand Deposits	Time Deposits					Accumulating Deposit Accounts	Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over		
<b>Turkish Lira</b>								
Bank Deposits	366	31,391	-	-	-	-	-	31,757
Saving Deposits	12	154,131	1,401,121	61,892	41,846	29,649	-	1,688,651
Public Sector Deposits	-	222	1,107	7	1	1	-	1,338
Commercial Deposits	8	125,149	256,429	14,308	15,522	25,220	-	436,636
Other	4	6,440	50,058	794	4,450	15,943	-	77,689
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
<b>Total TL</b>	<b>390</b>	<b>317,333</b>	<b>1,708,715</b>	<b>77,001</b>	<b>61,819</b>	<b>70,813</b>	<b>-</b>	<b>2,236,071</b>
<b>Foreign Currency</b>								
Foreign Currency Deposits	1,071	25,005	264,546	40,019	50,265	78,896	464	460,266
Bank Deposits	-	18,271	-	-	-	-	-	18,271
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	7	-	8	654	-	669
<b>Total FC</b>	<b>1,071</b>	<b>43,276</b>	<b>264,553</b>	<b>40,019</b>	<b>50,273</b>	<b>79,550</b>	<b>464</b>	<b>479,206</b>
<b>Grand Total</b>	<b>1,461</b>	<b>360,609</b>	<b>1,973,268</b>	<b>117,020</b>	<b>112,092</b>	<b>150,363</b>	<b>464</b>	<b>2,715,277</b>

#### 5.4.2.5 Interest expense on repurchase agreements

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

#### 5.4.2.6 Financial lease expenses

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

#### 5.4.2.7 Interest expenses on factoring payables

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

#### 5.4.3 Dividend income

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

#### 5.4.4 Trading income/losses (Net)

	Current Period	Prior Period
<b>Income</b>	<b>35,651,928</b>	<b>45,737,976</b>
Trading Account Income	222,961	326,899
Gains from Derivative Financial Instruments	4,834,684	6,530,524
Foreign Exchange Gains	30,594,283	38,880,553
<b>Losses (-)</b>	<b>36,206,808</b>	<b>46,089,305</b>
Trading Account Losses	203,247	75,976
Losses from Derivative Financial Instruments	5,778,153	7,805,518
Foreign Exchange Losses	30,225,408	38,207,811
<b>Total</b>	<b>(554,880)</b>	<b>(351,329)</b>

TL 1,199,773 thousands (30 June 2015: TL 1,415,173 thousands) of foreign exchange gains and TL 983,476 thousands (30 June 2015: TL 1,315,664 thousands) of foreign exchange losses are resulted from the exchange rate changes of derivative financial transactions.

The Bank enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied fair value hedge accounting for the fixed rate eurobonds issued in 2011 with a total face value of USD 500,000,000, maturity of 10 years and maturity date of 20 April 2021 which were priced at 6.375% originally and had a coupon rate of 6.25%, by designating interest rate swaps with the same face values and terms. In June 2012, the Bank ceased to apply hedge accounting and accordingly fair value calculations for these bonds. The accumulated fair value differences incurred starting from the date of hedge accounting up to the date on which it was ceased, are amortized as per the effective interest-rate method in compliance with TAS 39.

The Bank also enters into interest rate and cross currency swap agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied cash flow hedge accounting for funds borrowed amounting to USD 87,809,730 and EUR 42,105,266 securitization borrowings amounting to USD 131,250,000 and EUR 179,036,848 by designating cross currency swaps with the same face values and terms, and eurobonds with a total nominal value of USD 10,000,000, the collateralised borrowings amounting to TL 500,000 thousands and USD 250,000,000, borrowings amounting to USD 650,000,000, securitizations amounting to USD 500,000,000 and deposits amounting to USD 300,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a gain of TL 20,261 thousands (30 June 2015: TL 64,563 thousands) and a loss of TL 99,598 thousands (30 June 2015: a gain of TL 10,216 thousands) resulting from cross currency and interest rate swap agreements were recognised under shareholders' equity, respectively.

The Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 2,001,770 thousands and USD 1,210,132,303 and EUR 156,885,339 and for its bonds with a total face value of TL 1,355,000 thousands and USD 265,400,000 and fixed-rate coupons by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, gains of TL 219,822 thousands (30 June 2015: TL 39,799 thousands) and TL 65,222 thousands (30 June 2015: a loss of TL 27,848 thousands) resulted from the related fair value calculations for the hedged loans and bonds were accounted for under net trading income/losses in the income statement, respectively.

In addition, the Bank also entered into cross currency swap agreements in order to hedge its fixed-rate bonds issued for a total principal value of AUD 175,000,000 and, RON 85,500,000 with the same face values and terms. Accordingly, in the current period, a loss of TL 15,077 thousands (30 June 2015: TL 13,007 thousands) resulted from the fair value changes of the securities issued and funds borrowed subject to hedge accounting were accounted for under trading income/losses in the income statement.

#### **5.4.5 Other operating income**

The items under "other operating income" generally consists of collection or reversals of prior year provisions, banking services related costs recharged to customers, fair value increase of investment property and income on custody services.

As of 21 June 2016, the acquisition of Visa Europe Ltd. by Visa Inc. has been completed. In acquisition, the Bank has sold its one share in Visa Europe Ltd. with a nominal of EUR 10.00 for a consideration of EUR 58,422,751 in cash and 21,215 in "C Type Visa Inc." shares. The income generated from the sale share is recognized under the "Other Operating Income".

In the current period, a part of non-performing receivables of the Bank amounting to TL 568,263 thousands were sold for a consideration of TL 52,479 thousands. Considering the related provision of TL 566,818 thousands made in the financial statements, a gain of TL 51,009 thousands is recognized under "Other Operating Income".



#### 5.4.6 Provision for losses on loans or other receivables

	Current Period	Prior Period
<b>Specific Provisions for Loans and Other Receivables</b>	<b>1,222,256</b>	<b>658,196</b>
<i>Loans and Receivables in Group III</i>	567,779	291,404
<i>Loans and Receivables in Group IV</i>	414,875	321,866
<i>Loans and Receivables in Group V</i>	239,602	44,926
<b>General Provisions</b>	<b>126,413</b>	<b>288,646</b>
<b>Provision for Possible Losses</b>	-	<b>35,000</b>
<b>Impairment Losses on Securities</b>	<b>502</b>	<b>932</b>
<i>Financial Assets at Fair Value through Profit or Loss</i>	499	932
<i>Financial Assets Available-for-Sale</i>	3	-
<b>Impairment Losses on Associates, Affiliates and Investments Held-to-Maturity</b>	-	-
<i>Associates</i>	-	-
<i>Affiliates</i>	-	-
<i>Joint Ventures</i>	-	-
<i>Investments Held-to-Maturity</i>	-	-
<b>Others</b>	<b>42,935</b>	<b>33,900</b>
<b>Total</b>	<b>1,392,106</b>	<b>1,016,674</b>

#### 5.4.7 Other operating expenses

	Current Period	Prior Period
Personnel Costs	1,184,481	1,042,069
Reserve for Employee Termination Benefits	30,593	25,260
Defined Benefit Obligation	-	-
Impairment Losses on Tangible Assets	-	940
Depreciation Expenses of Tangible Assets	103,494	94,645
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortisation Expenses of Intangible Assets	24,972	17,057
Impairment Losses on Investments Accounted under Equity Method	-	-
Impairment Losses on Assets to be Disposed	1,794	894
Depreciation Expenses of Assets to be Disposed	3,985	2,233
Impairment Losses on Assets Held for Sale	-	-
<b>Other Operating Expenses</b>	<b>1,176,891</b>	<b>1,121,247</b>
<i>Operational Lease related Expenses</i>	187,773	163,134
<i>Repair and Maintenance Expenses</i>	22,667	21,990
<i>Advertisement Expenses</i>	82,526	66,207
<i>Other Expenses</i> <sup>(*)</sup>	883,925	869,916
Loss on Sale of Assets	925	2,743
Others <sup>(**)</sup>	399,403	495,727
<b>Total</b>	<b>2,926,538</b>	<b>2,802,815</b>

(\*) Includes lawsuits, execution and other legal expenses borne by the Bank, of fees and commissions income recognized in prior years but reimbursed, in the amount of TL 34,895 thousands (30 June 2015: TL 25,469 thousands), as per the decision of the Turkish Competition Board or the related courts.

(\*\*) Includes repayments, by the Bank in the current period, of fees and commissions income recognized in prior years in the amount of TL 77,155 thousands (30 June 2015: TL 145,579 thousands), as per the decision of the Turkish Competition Board or the related courts.

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

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

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

As of 30 June 2016, the Bank recorded a tax charge of TL 701,358 thousands (30 June 2015: TL 328,654 thousands) and a deferred tax income of TL 140,742 thousands (30 June 2015: a deferred tax expense of TL 182,080 thousands).

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

<b>Deferred tax benefit/(charge) on timing differences</b>	<i>Current Period</i>	<i>Prior Period</i>
Increase in tax deductible timing differences (+)	118,849	100,407
Decrease in tax deductible timing differences (-)	(19,726)	(167,030)
Increase in taxable timing differences (-)	(35,415)	(124,865)
Decrease in taxable timing differences (+)	77,034	9,408
<b>Total</b>	<b>140,742</b>	<b>(182,080)</b>

##### *Deferred tax benefit/charge in the income statement arising on timing differences, tax losses and tax deductions and exemptions:*

<b>Deferred tax benefit/(charge) arising on timing differences, tax losses and tax deductions and exemptions</b>	<i>Current Period</i>	<i>Prior Period</i>
Increase/(decrease) in tax deductible timing differences (net)	99,123	(66,623)
Increase/(decrease) in taxable timing differences (net)	41,619	(115,457)
Increase/(decrease) in tax losses (net)	-	-
Increase/(decrease) in tax deductions and exemptions (net)	-	-
<b>Total</b>	<b>140,742</b>	<b>(182,080)</b>

#### **5.4.10 Net operating profit/loss after taxes including net profit/loss from discontinued operations**

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

#### **5.4.11 Net profit/loss**

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

None.

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

None.

#### **5.4.12 Components of other items in income statement**

Other items do not exceed 10% of the total of income statement.

## **5.5 Statement of Changes in Shareholders' Equity**

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

## **5.6 Statement of Cash Flows**

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

## 5.7 Related Party Risks

### 5.7.1 Transactions with the Bank's risk group; lendings and deposits and other related party transactions outstanding at period end and income and expenses from such transactions incurred during the period

#### 5.7.1.1 Loans and other receivables

##### Current Period

Bank's Risk Group	Associates, Affiliates and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	3,837,790	2,197,037	52,056	827,462	2,047,670	467,468
Balance at end of period	3,311,442	2,219,420	181,369	277,216	2,010,031	589,964
Interest and Commission Income	<b>34,033</b>	<b>234</b>	<b>235</b>	<b>4</b>	<b>58,119</b>	<b>183</b>

##### Prior Period

Bank's Risk Group	Associates, Affiliates and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	3,318,634	1,522,279	399,748	316,606	1,537,174	702,845
Balance at end of period	3,837,790	2,197,037	52,056	827,462	2,047,670	467,468
Interest and Commission Income	<b>42,527</b>	<b>176</b>	<b>158</b>	<b>4</b>	<b>43,293</b>	<b>126</b>

#### 5.7.1.2 Deposits

Bank's Risk Group	Associates, Affiliates and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at beginning of period	687,407	681,112	336,153	535,204	543,360	349,385
Balance at end of period	788,594	687,407	533,462	336,153	598,055	543,360
Interest Expense	<b>37,391</b>	<b>29,114</b>	<b>357</b>	<b>3,226</b>	<b>2,113</b>	<b>5,145</b>

#### 5.7.1.3 Derivative transactions

Bank's Risk Group	Associates, Affiliates and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at Fair Value Through Profit or (Loss):						
Balance at beginning of period	421,708	848,391	16,146,894	10,292,901	-	5,770
Balance at end of period	481,086	421,708	20,177,975	16,146,894	-	-
Total Profit/(Loss)	<b>(54,564)</b>	<b>(263,088)</b>	<b>(145,192)</b>	<b>46,763</b>	-	-
Transactions for Hedging:						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit/(Loss)	-	-	-	-	-	-

## **5.7.2 The Bank's risk group**

### **5.7.2.1 Relations with companies in risk group of/or controlled by the Bank regardless of nature of current transactions**

Transactions with the risk group, are held under arm's-length conditions; terms are set according to the market conditions and in compliance with the Banking Law. The Bank's policy is to keep the balances and transaction volumes with the risk group at reasonable levels preventing any high concentration risk on balance sheet.

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

The cash loans of the risk group amounting TL 2,796,929 thousands (31 December 2015: TL 3,132,513 thousands) compose 1.66% (31 December 2015: 1.97%) of the Bank's total cash loans and 1.07% (31 December 2015: 1.23%) of the Bank's total assets. The total loans and similar receivables amounting TL 5,502,842 thousands (31 December 2015: TL 5,937,516 thousands) compose 2.10% (31 December 2015: 2.33%) of the Bank's total assets. The non-cash loans of the risk group amounting TL 3,086,600 thousands (31 December 2015: TL 3,491,967 thousands) compose 5.91% (31 December 2015: 7.26%) of the Bank's total non-cash loans.

The deposits of the risk group amounting TL 1,920,111 thousands (31 December 2015: TL 1,566,920 thousands) compose 1.24% (31 December 2015: 1.11%) of the Bank's total deposits. The funds borrowed by the Bank from its risk group amounting TL 9,447,977 thousands (31 December 2015: TL 10,142,189 thousands) compose 29.69% (31 December 2015: 30.33%) of the Bank's total funds borrowed. The pricing in transactions with the risk group companies is set on an arms-length basis.

The credit card (POS) payables to the related parties, amounted to TL 165,330 thousands (31 December 2015: TL 137,353 thousands). A total rent income of TL 5,763 thousands (30 June 2015: TL 7,300 thousands) was recognized for the real estates rented to the related parties.

Operating expenses for TL 9,516 thousands (30 June 2015: TL 5,389 thousands) were incurred for the IT services rendered by the related parties. Banking services fees of TL 759 thousands (30 June 2015: TL 738 thousands) were recognized from the related parties.

Insurance brokerage fee of TL 60,638 thousands (30 June 2015: TL 56,305 thousands), shares brokerage fee of TL 13,328 thousands (30 June 2015: TL 42,942 thousands), leasing customer acquisition fee of TL - thousands (30 June 2015: TL 3,171 thousands), factoring customer acquisition fee of TL - thousands (30 June 2015: TL 1,465 thousands), fleet business customer acquisition fee of TL - thousands (30 June 2015: TL 287 thousands), fixed-rate securities brokerage fee of TL 2,486 thousands (30 June 2015: -) and fund brokerage fee of TL 72 thousands (30 June 2015: TL 72 thousands) were recognized as income from the services rendered for the affiliates.

Sale income of TL 18,189 thousands from sale of securities to Garanti Leasing and TL 2,906 thousands from sale of asset to Garanti Bank International are realized in the current period.

Operating expenses of TL 1,846 thousands (30 June 2015: TL 3,397 thousands) for advertisement and broadcasting services, of TL 19,703 thousands (30 June 2015: TL 16,507 thousands) for operational leasing services, and of TL 5,410 thousands (30 June 2015: TL 5,055 thousands) for travelling services rendered by the related parties were recognized as expense.

As of 30 June 2016, the net payment provided or to be provided to the key management of the Bank amounts to TL 50,311 thousands (30 June 2015: TL 44,216 thousands).

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

None.

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

Please refer to Note 5.1.8 investments in affiliates.

**5.7.2.5 All kind of agreements signed like asset purchases/sales, service rendering, agencies, leasing, research and development, licences, funding, guarantees, management services**

The Bank has agency contracts with Garanti Yatırım Menkul Kıymetler AŞ and Garanti Emeklilik ve Hayat AŞ. Accordingly, all the branches of the Bank serve as agencies to sell the products of these entities to customers. Agency services for trading of securities on behalf of customers are rendered by the Bank's specialised branches (Investment Centers).

Purchase of equipments for the Bank's internal use are partly arranged through financial leasing.

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

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



**5.9 Matters Arising Subsequent to Balance Sheet Date**

None.

## 5.10 Other Disclosures on Activities of the Bank

### 5.10.1 Bank's latest international risk ratings

#### MOODY'S (19 July 2016)

Outlook	Under review due to probable rating decrease
Long Term FC Deposit	Baa3*
Long Term TL Deposit	Baa3*
Short Term FC Deposit	P-3*
Short Term TL Deposit	P-3*
Basic Loan Assessment	ba1*
Adjusted Loan Assessment	baa3*
Long Term National Scale Rating (NSR)	Aa3.tr*
Short Term NSR	TR-1*

(\*) Under review due to probable rating decrease.

#### STANDARD AND POORS (22 July 2016)

Long Term FC Obligations	BB
Long Term TL Deposit	BB
Outlook	Negative
Credit Profile (independent from the bank's shareholders and the rating of its resident country)	bb+

#### FITCH RATINGS (10 June 2016)

Outlook	Stable
Long Term FC Outlook	BBB
Short Term FC Outlook	F2
Long Term TL Outlook	BBB
Short Term TL Outlook	F2
Financial Capacity	bbb-
Support	2
NSR	AAA(tur)

#### JCR EURASIA RATINGS (6 April 2016)

International FC Outlook	Stable
Long Term International FC	BBB
Short Term International FC	A-3
International TL Outlook	Stable
Long Term International TL	BBB+
Short Term International TL	A-2
National Outlook	Stable
Long Term NSR	AAA(Trk)
Short Term NSR	A-1+(Trk)
Independency from Shareholders	A
Support	1

### 5.10.2 Dividend

As per the decision made at the annual general assembly of shareholders of the Bank on 31 March 2016, the distribution of the net profit of the year 2015, was as follows:

<b>2015 PROFIT DISTRIBUTION TABLE</b>	
<b>2015 Net Profit</b>	<b>3,406,507</b>
A – I. Legal reserve (Turkish Commercial Code 519/1) at 5%	-
Undistributable funds	(4,723)
B – First dividend at 5% of the paid-in capital	(210,000)
C – Extraordinary reserves at 5% after above deductions	(159,826)
D – Second dividend to the shareholders	(357,000)
E – Extraordinary reserves	(2,639,258)
F – II. Legal reserve (Turkish Commercial Code 519/2)	(35,700)

### 5.10.3 Other disclosures

None.

## **6 Limited Review Report**

### **6.1 Disclosures on limited review report**

The unconsolidated financial statements of the Bank as of 30 June 2016, have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (a member of Deloitte Touche Tohmatsu Limited) and the limited review report dated 28 July 2016, is presented before the accompanying financial statements.

### **6.2 Disclosures and footnotes prepared by independent accountants**

None.

## 7 Interim Report

### 7.1 Introduction

#### 7.1.1 About Garanti

Established in 1946, Garanti Bank is **Turkey's second largest private bank** with unconsolidated assets of US\$ 91.1 billion as of June 30, 2016.

Garanti is an **integrated financial services group** operating in every segment of the banking sector including corporate, commercial, SME, payment systems, retail, private and investment banking together with its subsidiaries in pension and life insurance, leasing, factoring, brokerage, and asset management besides international subsidiaries in the Netherlands, Russia and Romania.

As of June 30, 2016, Garanti provides a wide range of financial services to its 14.4 million customers with approximately 20 thousand employees through an **extensive distribution network** of 971 domestic branches; 7 foreign branches in Cyprus, one in Luxembourg and one in Malta; 3 international representative offices in London, Düsseldorf and Shanghai with 4,650 ATMs, an award-winning Call Center, internet, mobile and social banking platforms, all built on **cutting-edge technological infrastructure**.

Moving forward to maintain sustainable growth by creating value to all its stakeholders, Garanti builds its strategy on the principles of always approaching its customers in a **“transparent”, “clear” and “responsible”** manner, improving customer experience continuously by offering products and services that are tailored to their needs. Its competent and dynamic human resources, unique technological infrastructure, customer-centric service approach, innovative products and services offered with strict adherence to quality carry Garanti to a leading position in the Turkish banking sector.

Following the **best practices in corporate governance**, Garanti is controlled by two powerful entities, Banco Bilbao Vizcaya Argentaria S.A. (BBVA) and Doğuş Group with shares of 39.9% and 10.0%, respectively. Having shares publicly traded in Turkey, depositary receipts in the UK and the USA, Garanti has an actual free float of 50.06% in Borsa Istanbul as of June 30, 2016.

With its dynamic business model and superior technology integrated to its innovative products and services, Garanti continues to differentiate itself and facilitate the lives of its customers. Its **custom-tailored solutions** and **wide product variety** play a key role in reaching US\$ 76.8 billion cash and non-cash loans. The **high asset quality** attained through advanced risk management systems and established risk culture place Garanti apart in the sector.

Building on the Bank's core values, Garanti Bank defines Sustainability as a commitment to build a **strong and successful business** for the future, while minimizing negative environmental and social impacts, and sharing long-term values with its customers, staff, shareholders and the communities it operates in. Garanti further strengthens its sustainable banking approach through community investment programs in a variety of topics ranging from sports to education, arts to nature and informing the business world.

## 7.1.2 Capital and Shareholding Structure

Garanti has paid-in capital of TL 4,200,000,000 as of June 30, 2016.

<b>T.GARANTİ BANKASI A.Ş SHAREHOLDING STRUCTURE</b>			
<b>Shareholders</b>	<b>Number of shares</b>	<b>Nominal (TL)</b>	<b>Share %</b>
<b>BBVA(BANCO BILBAO VIZCAYA ARGENTARIA S.A)</b>	<b>167.580.000.000</b>	<b>1.675.800.000,00</b>	<b>39,9000</b>
DOĞUŞ HOLDİNG A.Ş.	25.984.637.253	259.846.372,53	6,1868
DOĞUŞ ARAŞTIRMA GELİŞTİRME VE MÜŞAVİRLİK HİZ. A.Ş.	15.955.423.702	159.554.237,02	3,7989
DOĞUŞ NAKLİYAT VE TİC. A.Ş.	60.654.629	606.546,29	0,0144
<b>DOĞUŞ GROUP TOTAL</b>	<b>42.000.715.584</b>	<b>420.007.155,84</b>	<b>10,0002</b>
<b>OTHERS</b>	<b>210.419.284.416</b>	<b>2.104.192.844,16</b>	<b>50,0998</b>
<b>GRAND TOTAL</b>	<b>420.000.000.000</b>	<b>4.200.000.000,00</b>	<b>100,0000</b>

## 7.1.3 The amendments in the articles of association during period of 01.04.2016-30.06.2016

There is no change during the period.

## 7.1.4 Macro Outlook for the first 6 month period of 2016

**Annual growth was 4.8% in 1Q16.** Although growth rate slowed down from 5.7% in 4Q15 to 4.8% in 1Q16, it remained robust. Domestic demand -including stocks (0.4pp)- contributed 6.4pp, while external demand gave a negative contribution (1.5pp). Private consumption grew by 6.9%, the highest rate since 3Q11 when GDP growth was running at a rate close to 9%. Public expenditures continued to support with 8.5% growth (vs. 8.7% growth in 4Q15) mainly through consumption expenditures. Private investments contracted by 0.3%, a negative signal for medium and longer term growth dynamics. In sectorial detail, the growth rate in the industrial sector was 5.7% (1.6pp cont.) in line with indicative monthly industrial production figures. Construction sector benefited from the Government pre-election promises and grew by 6.6% (0.4pp cont.). The growth in the agricultural sector was 2.7%, lower than its 5-year average of 5.5%. Services sector continued to be supportive with 5.1% growth in the absence of a major deterioration in tourism related sectors.

**IP growth slowed down.** Industrial production (IP) grew by only 0.6% YoY in April, after increasing by 5.6% in 1Q16. Confirming the slowdown, average manufacturing PMI in 2Q16 also decreased to 48.6 which is the sharpest fall recorded since 1Q09. Going into the summer season, the recent initiative on Russian sanctions is likely to erase the negative burden on growth stemming from both goods and services exports, together with the pushing factors of minimum wage hike and refugee impact. All in all, risks are balanced around our 3.9% above consensus growth forecast for 2016.

**Current account adjustment continues.** Current account deficit to GDP ratio improved further to 4.2% in 1Q16, from 4.5% in 2015-end. 12-month cumulative current account deficit further improved to US\$ 28.6bn in April from US\$ 29.5bn in 1Q16, while core CAB (exc. gold and energy) improved to a deficit of US\$ 0.6bn from US\$ 1.8bn in the same period.

**5-months budget performance at highest of 12 years.** Central government budget balance gave a surplus of TL 9bn in the first five months of 2016, which is the highest surplus of the last 12 years for the same period. Primary surplus has increased by TL 7.7bn from the same period of the previous year to TL 33.3bn. Budget revenues increased by 16.7% YoY to TL 230.9bn. Budget expenditures increased by 10.8% YoY to TL

221.9bn. In this period tax revenues increased by 11.5% to TL 183.4bn while non-interest expenditures were up by 14.7% to TL 197.7bn.

**Turkey's gross debt stock/GDP has been increasing for the last 3 quarters.** Turkey's gross debt stock/GDP ratio increased to 58.1% in 1Q16 from 55.3% in 4Q15. EU-defined public debt stock/GDP ratio declined from 32.9% to 32.3% in the same period.

**2Q16-end inflation is at 7.6%.** Although average inflation in 2Q16 declined from 8.6% in 1Q15 to 6.9%, the end of period level has increased. Unlike its seasonal behavior, food inflation was extraordinarily low in March-April period, which explains most of the decrease in annual headline inflation in that period. However, as a result of reversing conditions in food industry and with the exclusion of the additional base effect, June inflation jumped. Therefore, annual headline inflation of 2Q16-end increased to 7.6%, from 7.5% in 1Q16-end.

**Central Bank (CBRT) cut the upper bound of the corridor 4 times in the first half.** The rate cutting process of the Monetary Policy Committee which started with 25bps by the end of 1Q16, continued in 2Q16 with 50bps cut in each month, adding up to 150bps in total. Thus, the upper bound of the interest rate corridor, which declined to 10.50% by the end of 1Q16, was cut further to 9% by the end of 2Q16. Both the lower bound of the corridor and 1-week repo rate were left intact at 7.25% and 7.50%, respectively. Hence, the decline in the CBRT average funding rate remained modest as it fell from 8.9% at the end of 1Q16 to only 8.2% by the end of 2Q16.

TL depreciated by 10% YoY against currency basket in 2Q16 on average vs. 18% in 1Q16. Benchmark bond yield which was at 10.9% on average in 1Q16, declined to 9.4% on average in 2Q16. The 2Q16-end benchmark bond yield was at 8.75%.

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

### **In the first half of 2016,**

#### **Garanti's support to the economy through cash and non-cash lending exceeded TL 220 bn**

**Türkiye Garanti Bankası A.Ş.**, announced its financial statements dated June 30, 2016. Based on the unconsolidated financials, in the first half of 2016, the Bank posted an unconsolidated **net income** of TL 2 billion 580 million 262 thousand. With the **asset size** of TL 261 billion 528 million 910 thousand, Garanti's contribution to the economy through **cash and non-cash lending** reached TL 220 billion 508 million 581 thousand. The Bank delivered an **ROAE** (Return on Average Equity) of 15.7% and an **ROAA** (Return on Average Assets) of 1.9%.

Commenting on the financial results, **Garanti Bank Chairman F. Ferit Şahenk** stated that: "We have recently seen that new uncertainties and risks could be easily added to the existing ones in the current environment of ongoing low global economic activity in terms of global production, trade and demand. The surprising results of Brexit referendum have once again shown the potential impact of such uncertainties on the global economy.

First quarter growth figures confirmed that the relatively strong growth performance of the Turkish economy has been ongoing. It is also pleasing that the current account deficit continues to decline in terms of both level and as a share of GDP. I believe that our economic growth performance will be at least as strong as that of last year.

Garanti Bank has shown a successful performance in the first half of the year with the aim of contributing as much as possible to the Turkish economy and creating maximum value. With our sustainable growth strategy and our dynamic and innovative approach, we will continue to be among the leading institutions of the Turkish financial sector in the upcoming period as well. Operating with a technology, efficiency and customer focus will always be at the core of the service provision philosophy of Garanti. Taking this opportunity, I would like to sincerely thank once again my colleagues, our esteemed clients, shareholders, and all other stakeholders."

Commenting on the financial results, **Garanti Bank CEO Fuat Erbil** stated: "We successfully completed the first half of 2015 in creating value for all our stakeholders. While increasing our support to the economy via our lending activities, with the trust of our customers we grew our deposits above sector. Since the beginning of the year, Garanti has been the choice of 500 thousand new customers. We greet over 150 thousand customers each day at our branches serving in every city of Turkey. In shaping the balance sheet through sustainable growth strategy, Garanti continued to strengthen its capital base, and set even higher efficiency and excellence targets

for its internationally certified operations. We strive to place ourselves in our customers lives and continue to reflect the innovative and human centric culture of Garanti in our products and services consistently through each and every channel. Having the highest number of digital banking customer base in Turkey, Garanti ensures its 1.3 million customers to perform banking transactions with ease every day, solely through digital channels. The Video Chat Loan service we started offering in April carries human touch to digital platforms, and allows access to information and experts anywhere as if you are at a branch. Increasing customer satisfaction and loyalty constitutes the base of our business model.”

Touching upon Garanti’s efforts in the area of women entrepreneurship surpassing its 10<sup>th</sup> year, **Erbil** said: “We maintain our uninterrupted support to pave the way of women entrepreneurs. With numerous projects materialized, we assume the leadership position of ‘Women’s Banking’ activities today. Simultaneously we organize support programs for early stage entrepreneurs and SMEs of all sizes and from all sectors to access necessary resources, connect with their customers and open to global markets. To support entrepreneurial ecosystem and innovation, Garanti established an entrepreneurship base as part of GarantiPartners platform, which will be used as an office space, hosting entrepreneurs with valuable ideas from all sectors. With our entrepreneurship accelerator program GarantiPartners, we continue to work swiftly in order to make significant contributions to the entrepreneurship ecosystem. I would like to thank my colleagues who lead the sector and carry Garanti forward in every field, and our stakeholders who trust us.”

Commenting on the recent developments in our country, **Erbil** said: “We believe that our country will come out stronger from all that was encountered with more powerful democracy and economy. During all these extraordinary days, there was no adverse impact on the sector and on Garanti. Being aware of the responsibility held in this critical period, as Garanti, we will continue to support our economy.

**Selected Figures of Garanti Bank’s Unconsolidated Financial Statements (June 30, 2016)**

Profit before Taxes and Provisions*	TL 4,565.4 million	Cash Loans	TL 168,319.7 million
Profit before Taxes	TL 3,140.9 million	Non-Cash Loans	TL 52,188.9 million
Net Income	TL 2,580.3 million	Total Assets	TL 261,528.9 million
Deposits	TL 154,718.1 million	Shareholders’ Equity	TL 33,059.7 million

**Highlights from Garanti Bank's Consolidated Financials**

- Net income was TL 2 billion 580 million and 262 thousand.
- In compliance with the legal legislation and international regulations, a total amount of TL 1 billion 985 million 110 thousand was reserved for tax provisions, loans and other provisions.
- Total assets increased by 2.8% year-to-date and reached TL 261 billion 528 million 910 thousand.
- Return on Average Assets (ROAA) reached 1.9% as of June 30, 2016.\*\*
- Shareholders’ equity increased by 6.7% year-to-date and reached TL 33.1 billion.
- Return on Average Equity (ROAE) reached 15.7% as of June 30, 2016.\*\*
- Contribution made to the real economy through cash and non-cash loans increased by 6.4% year-to-date and reached TL 220 billion 508 million 581 thousand as of June 30, 2016.
- Total loan market share and TL loan market share increased to 11.8% and 11.0% year-to-date respectively and FC loan market share realized at 13.6%.
- Mortgage loans market share increased to 14.5% and consumer loans market share increased to 14.7%.
- Total customer deposits increased by 12.1% year-to-date and reached TL 151 billion 743 million and 313 thousand, while market share in total customer deposits reached 12.3%.
- Capital base further strengthened and Capital adequacy ratio (CAR) reached 16.27%.
- Sound asset quality was preserved and non-performing loan (NPL) ratio remained below sector average.

\* Reserve for employee termination benefits and impairment losses on assets to be disposed are included in total provisions and deducted from profit before taxes and provisions.



\*\*Excludes non-recurring items (Income from NPL sale, Visa sale income, gains on asset sale, fee rebates, provision rev. from Miles&Smiles and effect of collateral re-assessment) when annualizing Net Income for the second half of the year.

You may access the earnings presentation regarding the BRSA consolidated financial results as of and for the period ending June 30,2016 in English from Garanti Bank Investor Relations website at [www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com)

<b>Garanti With Numbers</b>	<b>31.12.2015</b>	<b>31.03.2016</b>	<b>30.06.2016</b>
Branch Network	983	984	983
+ Domestic	971	972	971
+ Abroad	12	12	12
Personnel	19,692	19,855	19,937
ATM	4,504	4,540	4,650
POS*	600,989	619,166	629,700
Total Customers	13,863,933	14,080,443	14,337,851
Digital Banking Customers**	3,993,457	4,227,980	4,403,599
Mobile Banking Customers**	2,530,757	2,826,304	3,036,965
Credit Card Customers	6,162,816	6,264,889	6.333.570
Credit Cards	9,706,572	9,736,692	9,787,762
Debit Cards	8,640,478	8,619,516	8.748.045
* Includes shared and virtual POS.			
** Active customers only -- min. 1 login or call per quarter.			

<b>Selected Sector Figures (TL million)</b>	<b>31.12.2015</b>	<b>01.04.2016</b>	<b>01.07.2016</b>	<b>YtD Δ</b>
<b>Total Deposits</b>	<b>1,245,289</b>	<b>1,281,633</b>	<b>1,316,216</b>	<b>5.70%</b>
Bank Deposits	73,920	79,500	79,286	7.26%
Customer Deposits	1,171,369	1,202,133	1,236,930	5.60%
TL Deposits	675,001	690,798	725,489	7.48%
FC Deposits (US\$ mn)	171,343	181,820	178,032	3.90%
Customer Demand Deposits	218,182	222,817	235,953	8.15%
<b>Total Loans</b>	<b>1,346,865</b>	<b>1,364,805</b>	<b>1,414,726</b>	<b>5.04%</b>
TL Loans	927,992	944,453	980,582	5.67%
FC Loans (US\$ mn)	144,597	149,579	151,210	4.57%
Retail Loans*	571,934	575,105	589,355	3.05%
Housing	137,893	141,145	145,705	5.67%
Auto	20,329	20,002	20,192	(0.67%)
General Purpose Loans	320,123	321,162	327,126	2.19%
Credit Cards	93,589	92,796	96,332	2.93%
<i>Loans/Deposits</i>	<i>108.2%</i>	<i>106.5%</i>	<i>107.5%</i>	
<b>Gross NPL</b>	<b>42,705</b>	<b>45,332</b>	<b>47,304</b>	<b>10.77%</b>
<i>NPL ratio</i>	<i>3.1%</i>	<i>3.2%</i>	<i>3.2%</i>	
<i>NPL coverage</i>	<i>75.4%</i>	<i>76.4%</i>	<i>75.8%</i>	
Gross NPL in retail loans	17,056	18,451	19,469	14.15%
<i>NPL ratio in retail loans</i>	<i>2.9%</i>	<i>3.1%</i>	<i>3.2%</i>	
Gross NPL in credit cards	7,416	7,578	7,461	0.61%
<i>NPL ratio in credit cards</i>	<i>7.3%</i>	<i>7.5%</i>	<i>7.2%</i>	
<b>F/X Position, net (US\$ mn)</b>	<b>300</b>	<b>974</b>	<b>55</b>	
on B/S	(31,435)	(26,163)	(20,901)	
off B/S	31,735	27,136	20,957	
Source: BRSA weekly sector data, commercial banks only *Including consumer and commercial installment loans				

<b>Garanti Market Shares* (%)</b>	<b>YTD Δ</b>	<b>01.07.2016</b>
Total Performing Loans	↑	11.8%
TL Loans	↑	11.0%
FC Loans	↓	13.6%
Credit Cards - Issuing (Cumulative)	↑	20.1%
Credit Cards - Acquiring (Cumulative)	↑	20.9%
Consumer Loans**	↑	14.7%
Total Customer Deposits	↑	12.3%
TL Customer Deposits	↓	9.7%
FC Customer Deposits	↑	15.9%
Customer Demand Deposits	↑	13.8%
Mutual Funds	↓	10.0%
* Based on BRSA weekly data for commercial banks only.		
** Retail consumer loans, credit cards and other retail loans.		

### 7.1.6 Forward looking statements regarding the expectations

As per the Article 10 of the "Communiqué on Material Events Disclosure" (II-15.1) of Capital Markets Board, T. Garanti Bankası A.Ş has announced its forward looking statements regarding the expectations for the year 2016. You may access the related presentation that was published on the Public Disclosure Platform, the Bank's website and Garanti Bank Investor Relations' website at [www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com) in [Operating Plan Guidance Presentations](#) section.

As of June 30,2016, there are no revisions to the forward looking statements regarding the expectations for the year 2016.

## 7.2 Information regarding management and corporate governance practices

**7.2.1** You may access names and surnames, terms of duty, areas of responsibilities, educational backgrounds and occupational experiences of the Chairman of the Board of Directors, Board Members, CEO and Executive Vice Presidents from the footnote numbered 1.3.

### Audit Committee Members:

<b>Name Surname</b>	<b>Title</b>	<b>Appointment Date</b>	<b>Education</b>	<b>Experience in Banking &amp; Business Administration</b>
Jorge Sáenz-Azcúnaga Carranza	Independent Board Member	31.03.2016	Undergraduate	23 years
Javier Bernal Dionis	Independent Board Member	27.07.2015	Graduate	26 years

**Managers of the Internal Systems Units:**

<b>Name Surname</b>	<b>Title</b>	<b>Appointment Date</b>	<b>Education</b>	<b>Experience in Banking &amp; Business Administration</b>
Ebru Ogan Knottnerus	Head of Risk Management	01.04.2016	Undergraduate	25 years
Osman Bahri Turgut	Head of Internal Audit	01.08.2015	Undergraduate	25 years
Emre Özbek	SVP of Compliance	01.08.2015	Undergraduate	17 years
Barış Ersin Gülcan	SVP of Internal Control	06.03.2014	Graduate	18 years
Beyza Yapıcı	SVP of Internal Capital and Operational Risk	01.04.2016	Undergraduate	18 years
Semra Kuran	SVP of Market Risk and Credit Risk Control	01.04.2016	Undergraduate	19 years

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

**7.2.2** You may reach the summary of the Board of Directors' Annual Report presented to Ordinary General Meeting of Shareholders and information about human resources practices, policy and remuneration in the 2015 Annual Report that was published on the Public Disclosure Platform, the Bank's website and Garanti Bank Investor Relations' website, access at the link below:

[www.garantiannualreport.com](http://www.garantiannualreport.com)

**7.2.3** You may access information about the transactions with the Bank's risk group under the footnote numbered 5.7 regarding the related party risks.

**7.2.4** You may reach information pursuant to the Regulation on the Provision of Support Services to Banks and the Authorization of Support Service Providers, the type of the services and information on the individuals and institutions that provided the support services in the 2015 Annual Report that was published on the Public Disclosure Platform, the Bank's website and Garanti Bank Investor Relations' website, access at the link below:

[www.garantiannualreport.com](http://www.garantiannualreport.com)

You may access the Corporate Governance Principles Compliance Report from Garanti Bank Investor Relations website at [www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com) under the [Corporate Governance](#) section.

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

You may find information regarding the assessment of financial position, profitability and debt payment capability, risk management explanations and ratings in the financial statements as of and for the three-month period ended 30 June 2016 and the independent accountants' limited review report. Additionally, you may find detailed information in the earnings presentation regarding financial results of the related period published on Garanti Bank Investor Relations website at [www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com).

You may find financial information on Garanti Bank for the most recent five year period in the 2015 Annual Report that was published on the Public Disclosure Platform, the Bank's website, Garanti Bank Investor Relations website and at [www.garantiannualreport.com](http://www.garantiannualreport.com). Furthermore, you may access detailed information from Garanti Bank Investor Relations website at [www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com) in the [Garanti with Numbers](#) section.

#### **7.4 Announcements regarding important developments during 01.04.2016-30.06.2016 period**

- On April 6, 2016, JCR Eurasia Rating has affirmed the ratings of Türkiye Garanti Bankası A.Ş. as ‘AAA (Trk)’ on the Long Term National Scale, ‘BBB’ on the Long Term International Foreign Currency Scale and ‘BBB+’ on the Long Term International Local Currency Scale along with ‘Stable’ outlooks.
- Our Bank has signed a syndicated loan agreement with 367-days maturity in the amount of EUR 1.25 billion, comprising of two separate tranches in the amount of EUR 814,625,000 and USD 479,325,000 on 29th April 2016. The loan which will be used for trade finance purposes has been executed with commitments received from 42 banks from 15 countries. The all-in cost has been realized as Euribor+0.75% and Libor+0.85%, respectively.
- On May 10, 2016, Standard & Poor’s revised the ratings of Türkiye Garanti Bankası A.Ş.
  - Following the revision of Turkey’s outlook to “Stable”, outlook of the ratings of Türkiye Garanti Bankası A.Ş. has been also revised up to “Stable” from “Negative”. The stable outlook reflects the expectation that the Bank would receive group support from its foreign parent if its stand-alone credit profile were to worsen through deterioration in its operating conditions.
  - Long Term FC Issuer Credit Rating affirmed at BB+, Long Term TL Issuer Credit Rating affirmed at BB+
  - Stand-alone Credit Profile (SACP) affirmed at bb+
- On May 11, 2016, Moody’s recalibrated Turkey’s national rating scale and accordingly repositions national scale ratings (NSR) of Garanti. Garanti Bank’s assigned national scale ratings following the recalibration is presented below. The outlook for the NSR rating was withdrawn. The repositioned NSRs do not signify a change in credit risk, since the global scale rating remains unchanged.
  - NSR LT Deposits
    - Former
    - Rating Aa3.tr
    - Outlook: Negative
    - Current
    - Rating Aa1.tr
    - Outlook: Withdrawn
  - NSR ST Deposits
    - Former
    - Rating: TR-1
    - Outlook: -
    - Current
    - Rating:TR-1
    - Outlook: -
- At our Bank's Board of Directors meeting dated June 02, 2016, it was resolved that the existing capital of Garanti Holding B.V., established in the Netherlands and a fully owned subsidiary of our Bank, be increased by an amount of EUR 16,300,000 and the Head Office be authorized to conduct the capital increase and all other operations in this regard.
- On June 10, 2016, Fitch Ratings has affirmed the IDRs, Viability Rating (VRs) and Support Rating of Türkiye Garanti Bankası A.Ş. Below is the full list of rating actions:
  - Long-term FC and LC IDRs : 'BBB'; Outlook Stable
  - Short-term FC and LC IDRs: 'F2'
  - Viability Rating affirmed at 'bbb-'
  - Support Rating: '2'
  - National Long-term Rating: 'AAA(tur)' ; Outlook Stable
  - Senior unsecured notes 'BBB'/F2'
- The legal process regarding the sale of the share owned by the Bank to Visa Inc. in the nominal amount of EUR 10.00 representing the share capital of Visa Europe Ltd. has been completed. Our Bank has been paid EUR 58,422,751.23 in cash and is receiving 21,215 “C Type Visa Inc. shares”. The financial effects of such transaction will be reflected into the financial statements of Bank for the period ending as of June 30, 2016.

- Our Bank has sold its non-performing loan portfolio receivables arising from credit cards, general purpose loans, overdraft loans and expenses in the principal amount of TL 139,045,179.13 as of May 31, 2016, and non-performing portfolio commercial receivables arising from commercial loans, credit cards, cheque accounts, overdraft loans and expenses in the principal amount of TL 92,641,397.04 as of May 20, 2016 for a total consideration of TL 17,850,000.00; to Turkasset Varlık Yönetim A.Ş.
- Our Bank has secured a loan from international credit markets with 1098 days maturity in the amount of USD 50 million.
- In our public disclosure dated April 21, 2015; it was announced that an annulment action was filed by our Bank before 2nd Administration Court of Ankara against the decision of Turkish Competition Board regarding the administrative fine imposed on our Bank, such annulment action was rejected, and our Bank appealed such decision to the Council of State.

We have been informed that the appeal has been rejected by the 13th Chamber of the Council of State with its decision no. 2015/2447 Esas and 2015/4006 Karar. Our Bank will request revision of the decision within the legal period.

- Our Bank has obtained a loan in the amount of USD 300 million with a maturity of 3 years from The Export-Import Bank of China with regard to the financing of the imports from People's Republic of China.

## **7.5 Announcements regarding important developments for debt instruments issuance and redemptions during 01.04.2016 - 30.06.2016 period**

- On its meeting held on October 9, 2015, T. Garanti Bankası A.Ş. Board of Directors has authorized the Head Office to take the necessary actions, subject to market conditions, to arrange and sign the documents with regard to mortgage covered bond issuance in one or more tranches, with different series and maturities, and having fixed and/or floating interest rates to be determined at the issuance times, to the extent that the relevant legislation allows, up to EUR 2 billion in total or equivalent in any other currency including Turkish Lira, to be sold without public offering outside Turkey.

Accordingly, it was announced in the weekly bulletin of the Capital Markets Board ("CMB") numbered 2016/10 that the application for mortgage covered bond issuance has been approved by the CMB.

- The 370-day maturity discounted bond which was issued upon the approval of the Capital Markets Board dated Mar. 23, 2015 by public offering on Apr. 07, 2015 with bookbuilding on Apr.2-3-6, 2015 with TRSGRAN41619 ISIN code, and TL 230,630,775 nominal value, is redeemed on 11/04/2016.
- Upon the approval of the Capital Markets Board dated Mar. 30, 2016, T. Garanti Bankası A.Ş. issued below bank bonds and discounted bonds by public offering following the bookbuilding on April 6-7-8, 2016. The details relating to the issues are determined as below.

Total nominal amount of TL 50,000,000, with a maturity of 101 days, dated 21/07/2016, Garanti Bank Bond;

- ISIN Code of TRQGRAN71628;
- Annual Compound Rate: 10.52042%;
- Simple Rate: 10.14274%;
- Issue Price: TL 97.270

Total nominal amount of TL 225,000,000, with a maturity of 371 days, dated 17/04/2017, Discounted Bond;

- ISIN Code of TRSGRAN41718;
- Annual Compound Rate: 11.24055%;
- Simple Rate: 11.25057%;
- Issue Price: TL 89.738

- The issuance of the structured note with a nominal value of TL 46,795,000 and a term of 63 days to qualified investors has been realized as of 19.04.2016.
- The issuance of the structured note with a nominal value of TL 25,635,000 and a term of 57 days to qualified investors has been realized as of 05.05.2016.
- The 175-day maturity bond which was issued upon the approval of the Capital Markets Board dated Nov.10, 2015 by public offering on Nov.23, 2015 with book building on Nov.18-19-20, 2015 with TRQGRAN51612 ISIN code, and TL 113,676,839 nominal value, is redeemed on 16/05/2016.

- The 94-day maturity bond which was issued upon the approval of the Capital Markets Board dated Jan.29, 2016 by public offering on Feb.12, 2016 with bookbuilding on Feb.9-10-11, 2016 with TRQGRAN51638 ISIN code, and TL 358,852,671 nominal value, is redeemed on 16/05/2016.
- The 122-day maturity bond which was issued upon the approval of the Capital Markets Board dated Jan.7, 2016 by public offering on Jan.15.12, 2016 with book building on Jan.12-13-14, 2016 with TRQGRAN51620 ISIN code, and TL 114,724,047 nominal value, is redeemed on 16/05/2016.
- Upon the approval of the Capital Markets Board dated May 4, 2016, T. Garanti Bankası A.Ş. issued below bank bond by public offering following the bookbuilding on May 12-13, 2016.  
Total nominal amount of TL 70,000,000, with a maturity of 66 days, dated 16/05/2016, Garanti Bank Bond:
  - ISIN code of TRQGRAN71636;
  - Annual Compound Rate: 9.90937%
  - Simple Rate: 9.52977%
  - Issue Price: TL 98.306
- The issuance of the bank bond in the nominal value of TL 385.700.000 with a maturity of 116 days and bank bond in the nominal value of TL 102,000,000 with a maturity of 175 days to be sold qualified investors has been realized as of 16.05.2016.
- The 67-day maturity structured debt instruments which was issued with the purpose of selling to qualified investors on Mar.18, 2016 with book building on Mar.17, 2016 with TR0GRAN005H7 ISIN code, is redeemed on 24/05/2016.
- The issuance of the structured note with a nominal value of TL 31,371,081 and a term of 63 days to qualified investors has been realized as of 25.05.2016.
- The issuance of the structured note with a nominal value of TL 7,957,690 and a term of 63 days to qualified investors has been realized as of 10.06.2016.
- The 90-day maturity bond which was issued upon the approval of the Capital Markets Board dated Mar.11, 2016 by public offering on Mar.15, 2016 with book building on Mar.8-14,2016 with TRQGRAN61611 ISIN code, and TL 4,959,148 nominal value, is redeemed on 13/06/2016.
- The 371-day maturity discounted bond which was issued upon the approval of the Capital Markets Board dated May.28, 2015 by public offering on Jun.08, 2015 with book building on Jun.3-4-5, 2015 with TRSGRAN61617 ISIN code, and TL 290,636,846 nominal value, is redeemed on 13/06/2016.
- The issuance of the bank bond in the nominal value of TL 300,000,000 with a maturity of 147 days and discounted bond in the nominal value of TL 419,808,574 with a maturity of 371 days to be sold qualified investors has been realized as of 13.06.2016.
- The 63-day maturity structured debt instruments which was issued with the purpose of selling to qualified investors on Apr.19, 2016 with bookbuilding on Apr.15-18, 2016 with TR0GRAN005P0 ISIN code, is redeemed on 21/06/2016.
- It was announced that GMTN (Global Medium Term Notes) program has been established by our Bank in order to arrange borrowing instruments issuance transactions in any currency with different series and maturities.

Below CMB issuance certificates have been received in regards to the issuances under the GMTN programme.

- ISIN code of XS1412584861, dated 18.05.2017, in total nominal amount of JPY 1,000,000,000, issue date of 17.05.2016

- ISIN code of XS1431330528, dated 21.06.2017, in total nominal amount of JPY 2,000,000,000, issue date of 20.06.2016

Important developments during 01.04.2016-30.06.2016 period were announced and the disclosures were uploaded to the Public Disclosure Platform. All the announcements are shared at Garanti Bank Investor Relations web site ([www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com)) and at the link below.

<https://www.garantiinvestorrelations.com/en/news/Corporate-Disclosures/Corporate-Disclosures/112/0/0>