Türkiye Garanti Bankası Anonim Şirketi

Publicly Announced Unconsolidated Financial Statements, Related Disclosures and Independent Auditors' Limited Review Report Thereon as of and for the Six-Month Period Ended 30 June 2018

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

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

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

Independent Auditors' Report on Review of Unconsolidated Interim Financial Information

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

Introduction

We have reviewed the accompanying unconsolidated statement of financial position of Türkiye Garanti Bankası A.Ş. ("the Bank") as at 30 June 2018 and the related unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the six month period then ended and notes, comprising a summary of significant accounting policies and other explanatory information. The Bank Management is responsible for the preparation and fair presentation of these unconsolidated interim financial information in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and the requirements of Turkish Accounting Standard 34 "Interim Financial Reporting" principles for those matters not regulated by the aforementioned legislations. Our responsibility is to express a conclusion on these unconsolidated interim financial information based on our review.

Scope of Review

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

KPMG

Basis for Qualified Conclusion

The accompanying unconsolidated interim financial information as at 30 June 2018 include a general reserve of total TL 1,160,000 thousands, that had been fully recognized as expense in prior periods, which is provided by the Bank management for the possible effects of the negative circumstances which may arise in economy or market conditions.

Qualified Conclusion

Based on our review, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying unconsolidated interim financial information do not present fairly, in all material respects, the unconsolidated financial position of Türkiye Garanti Bankası AŞ as at 30 June 2018, and its unconsolidated financial performance and its unconsolidated cash flows for the six month period then ended in accordance with the BRSA Accounting and Reporting Legislation.

Report on Other Legal and Regulatory Requirements

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

Additional paragraph for convenience translation to English:

The accounting principles summarized in Note 1 Section Three, differ from the accounting principles generally accepted in countries in which the accompanying unconsolidated interim financial information is to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying unconsolidated interim financial information is not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the unconsolidated interim financial information and IFRS.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative

Alper Güvenç, SMMM
Partner

26 July 2018
İstanbul, Turkey

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

Levent Nispetiye Mah.Aytar Cad.
No:2 Beşiktaş 34340 Istanbul
Telephone: 212 318 18 18
Fax: 212 216 64 22
www.garanti.com.tr
investorrelations@garanti.com.tr

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 Activity Report

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

Süleyman Sözen	**Ali Fuat Erbil**	**Aydın Güler**	**Hakan Özdemir**
Board of Directors Chairman	General Manager	Executive Vice President Responsible of Financial Reporting	Financial Reporting and Accounting Director

Jorge Saenz - Azcunaga Carranza	**Ricardo Gomez Barredo**	**Belkıs Sema Yurdum**
Audit Committee Member	Audit Committee Member	Audit Committee Member

The authorized contact person for questions on this financial report:

Name-Surname/Title: Handan SAYGIN/Director of Investor Relations
Phone no: 90 212 318 23 50
Fax no: 90 212 216 59 02

SECTION ONE **Page No:**

General Information

SECTION TWO

Current Period Unconsolidated Financial Statements

Prior Period Unconsolidated Financial Statements

SECTION THREE

Accounting Policies

SECTION FOUR

Financial Position and Results of Operations and Risk Management

SECTION FIVE

Disclosures and Footnotes on Unconsolidated Financial Statements

SECTION SIX

Limited Review Report

SECTION SEVEN

Interim Activity Report

1 General Information

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

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

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

The Bank provides banking services through 922 domestic branches, eight foreign branches and three representative offices abroad (31 December 2017: 937 domestic branches, eight foreign branches and three representative offices). The Bank's head office is located in Istanbul.

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

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

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

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

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

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

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

BBVA Group

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

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

(Thousands of Turkish Lira (TL))

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

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

Board of Directors Chairman and Members:

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

CEO and Executive Vice Presidents:

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

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

(Thousands of Turkish Lira (TL))

1.4 Information on the bank's qualified shareholders

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

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

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

1.5 Summary information on the bank's activities and services

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

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

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

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

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

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

None.

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 2018

	ASSETS	Footnotes	THOUSANDS OF TURKISH LIRA (TL) CURRENT PERIOD 30 June 2018		
			TL	FC	Total
I.	**FINANCIAL ASSETS (Net)**		**43,733,150**	**57,584,642**	**101,317,792**
1.1	**Cash and Cash Equivalents**		**5,278,815**	**44,862,759**	**50,141,574**
1.1.1	Cash and Balances with Central Bank	5.1.1	4,023,549	26,740,262	30,763,811
1.1.2	Banks	5.1.3	1,255,266	18,122,497	19,377,763
1.1.3	Money Market Placements		-	-	-
1.2	**Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)**	5.1.2	**277,646**	**134,066**	**411,712**
1.2.1	Government Securities		246,713	40,732	287,445
1.2.2	Equity Securities		27,852	83,313	111,165
1.2.3	Other Financial Assets		3,081	10,021	13,102
1.3	**Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)**	5.1.4	**17,827,942**	**5,682,477**	**23,510,419**
1.3.1	Government Securities		17,598,991	3,571,801	21,170,792
1.3.2	Equity Securities		21,624	182,717	204,341
1.3.3	Other Financial Assets		207,327	1,927,959	2,135,286
1.4	**Financial Assets Measured at Amortised Cost**	5.1.7	**15,853,398**	**5,983,399**	**21,836,797**
1.4.1	Government Securities		15,748,709	5,279,556	21,028,265
1.4.2	Other Financial Assets		104,689	703,843	808,532
1.5	**Derivative Financial Assets**		**4,506,547**	**934,876**	**5,441,423**
1.5.1	Derivative Financial Assets Measured at FVTPL		4,003,083	676,661	4,679,744
1.5.2	Derivative Financial Assets Measured at FVOCI		503,464	258,215	761,679
1.6	**Non Performing Financial Assets**		-	-	-
1.7	**Expected Credit Losses (-)**	5.1.5	**11,198**	**12,935**	**24,133**
II.	**LOANS (Net)**		**154,780,593**	**73,608,658**	**228,389,251**
2.1	**Loans**	5.1.6	**154,610,930**	**76,150,707**	**230,761,637**
2.1.1	Loans Measured at Amortised Cost		154,610,930	76,150,707	230,761,637
2.1.2	Loans Measured at FVTPL		-	-	-
2.1.3	Loans Measured at FVOCI		-	-	-
2.2	**Lease Receivables**		-	-	-
2.2.1	Financial Lease Receivables		-	-	-
2.2.2	Operational Lease Receivables		-	-	-
2.2.3	Unearned Income (-)		-	-	-
2.3	**Factoring Receivables**		-	-	-
2.3.1	Factoring Receivables Measured at Amortised Cost		-	-	-
2.3.2	Factoring Receivables Measured at FVTPL		-	-	-
2.3.3	Factoring Receivables Measured at FVOCI		-	-	-
2.4	**Non Performing Receivables**		**6,006,410**	**1,261,158**	**7,267,568**
2.5	**Expected Credit Losses (-)**		**5,836,747**	**3,803,207**	**9,639,954**
2.5.1	12-Month ECL (Stage 1)		732,030	159,615	891,645
2.5.2	Lifetime ECL Significant Increase in Credit Risk (Stage 2)		851,741	3,224,960	4,076,701
2.5.3	Lifetime ECL Impaired Credits (Stage 3)		4,252,976	418,632	4,671,608
III.	**ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)**	5.1.17	**801,234**	**-**	**801,234**
3.1	Asset Held for Resale		801,234	-	801,234
3.2	Assets of Discontinued Operations		-	-	-
IV.	**OWNERSHIP INVESTMENTS (Net)**		**1,977,183**	**4,245,410**	**6,222,593**
4.1	**Associates (Net)**	5.1.8	**35,158**	**-**	**35,158**
4.1.1	Associates Consolidated Under Equity Accounting		-	-	-
4.1.2	Unconsolidated Associates		35,158	-	35,158
4.2	**Subsidiaries (Net)**	5.1.9	**1,942,025**	**4,245,410**	**6,187,435**
4.2.1	Unconsolidated Financial Investments in Subsidiaries		1,837,653	4,245,410	6,083,063
4.2.2	Unconsolidated Non-Financial Investments in Subsidiaries		104,372	-	104,372
4.3	**Joint Ventures (Net)**	5.1.10	-	-	-
4.3.1	Joint-Ventures Consolidated Under Equity Accounting		-	-	-
4.3.2	Unconsolidated Joint-Ventures		-	-	-
V.	**TANGIBLE ASSETS (Net)**	5.1.13	**3,827,339**	**289**	**3,827,628**
VI.	**INTANGIBLE ASSETS (Net)**	5.1.14	**284,021**	**-**	**284,021**
6.1	Goodwill		-	-	-
6.2	Others		284,021	-	284,021
VII.	**INVESTMENT PROPERTY (Net)**	5.1.15	**686,698**	**-**	**686,698**
VIII.	**CURRENT TAX ASSET**		-	-	-
IX.	**DEFERRED TAX ASSET**	5.1.16	**1,292,785**	**-**	**1,292,785**
X.	**OTHER ASSETS**	5.1.18	**4,930,414**	**1,391,310**	**6,321,724**
	TOTAL ASSETS		**212,313,417**	**136,830,309**	**349,143,726**

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 2018

	LIABILITIES AND SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL) CURRENT PERIOD 30 June 2018		
			TL	**FC**	**Total**
I.	**DEPOSITS**	5.3.1	**97,847,343**	**108,211,246**	**206,058,589**
II.	**FUNDS BORROWED**	5.3.3	**872,540**	**35,775,015**	**36,647,555**
III.	**MONEY MARKET FUNDS**		**4,981,570**	**-**	**4,981,570**
IV.	**SECURITIES ISSUED (NET)**	5.3.4.1	**5,993,573**	**14,756,087**	**20,749,660**
4.1	Bills		4,052,403	-	4,052,403
4.2	Asset Backed Securities		-	-	-
4.3	Bonds		1,941,170	14,756,087	16,697,257
V.	**FUNDS**		-	-	-
5.1	Borrowers' Funds		-	-	-
5.2	Others		-	-	-
VI.	**FINANCIAL LIABILITIES MEASURED AT FVTPL**	5.3.4.3	**-**	**9,875,917**	**9,875,917**
VII.	**DERIVATIVE FINANCIAL LIABILITIES**		**3,948,137**	**1,118,769**	**5,066,906**
7.1	Derivative Financial Liabilities Measured at FVTPL		3,948,137	1,114,603	5,062,740
7.2	Derivative Financial Liabilities Measured at FVOCI		-	4,166	4,166
VIII.	**FACTORING PAYABLES**		-	-	-
IX.	**LEASE PAYABLES (Net)**	5.3.5	**4,722**	**-**	**4,722**
9.1	Financial Lease Payables		5,223	-	5,223
9.2	Operational Lease Payables		-	-	-
9.3	Others		-	-	-
9.4	Deferred Financial Lease Expenses (-)		501	-	501
X.	**PROVISIONS**	5.3.7	**2,640,466**	**514,929**	**3,155,395**
10.1	Restructuring Reserves		-	-	-
10.2	Reserve for Employee Benefits		851,087	92,167	943,254
10.3	Insurance Technical Provisions (Net)		-	-	-
10.4	Other Provisions		1,789,379	422,762	2,212,141
XI.	**CURRENT TAX LIABILITY**	5.3.8	**915,812**	**11,982**	**927,794**
XII.	**DEFERRED TAX LIABILITY**	5.3.8	-	-	-
XIII.	**LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)**	5.3.9	-	-	-
13.1	Asset Held for Sale		-	-	-
13.2	Assets of Discontinued Operations		-	-	-
XIV.	**SUBORDINATED DEBTS**	5.3.10	-	**3,444,072**	**3,444,072**
14.1	Borrowings		-	-	-
14.2	Other Debt Instruments		-	**3,444,072**	**3,444,072**
XV.	**OTHER LIABILITIES**	5.3.4.4	**12,756,249**	**1,229,416**	**13,985,665**
XVI.	**SHAREHOLDERS' EQUITY**	5.3.11	**43,895,056**	**350,825**	**44,245,881**
16.1	Paid-in Capital		4,200,000	-	4,200,000
16.2	Capital Reserves		784,434	-	784,434
16.2.1	Share Premium		11,880	-	11,880
16.2.2	Share Cancellation Profits		-	-	-
16.2.3	Other Capital Reserves		772,554	-	772,554
16.3	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss		1,302,192	79,425	1,381,617
16.4	Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		1,515,142	(3,223)	1,511,919
16.5	Profit Reserves		31,792,413	274,623	32,067,036
16.5.1	Legal Reserves		1,465,374	-	1,465,374
16.5.2	Status Reserves		-	-	-
16.5.3	Extraordinary Reserves		30,097,895	-	30,097,895
16.5.4	Other Profit Reserves		229,144	274,623	503,767
16.6	Profit/Loss		4,300,875	-	4,300,875
16.6.1	Prior Periods' Profit/Loss		397,309	-	397,309
16.6.2	Current Period's Net Profit/Loss		3,903,566	-	3,903,566
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**173,855,468**	**175,288,258**	**349,143,726**

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

Türkiye Garanti Bankası Anonim Şirketi
Off-Balance Sheet Items
At 30 June 2018

OFF-BALANCE SHEET ITEMS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)		
			CURRENT PERIOD 30 June 2018		
			TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)			**216,071,750**	**330,419,104**	**546,490,854**
I.	**GUARANTEES AND SURETIES**	5.5.1	**21,291,097**	**42,628,203**	**63,919,300**
1.1.	Letters of guarantee		21,240,811	22,647,496	43,888,307
1.1.1.	Guarantees subject to State Tender Law		-	981,914	981,914
1.1.2.	Guarantees given for foreign trade operations		1,842,819	214,343	2,057,162
1.1.3.	Other letters of guarantee		19,397,992	21,451,239	40,849,231
1.2.	Bank acceptances		44,353	1,380,161	1,424,514
1.2.1.	Import letter of acceptance		44,353	1,380,161	1,424,514
1.2.2.	Other bank acceptances		-	-	-
1.3.	Letters of credit		5,933	18,565,907	18,571,840
1.3.1.	Documentary letters of credit		-	-	-
1.3.2.	Other letters of credit		5,933	18,565,907	18,571,840
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		-	34,639	34,639
1.9.	Other sureties		-	-	-
II.	**COMMITMENTS**	5.5.1	**55,481,037**	**15,749,523**	**71,230,560**
2.1.	Irrevocable commitments		55,404,487	11,201,912	66,606,399
2.1.1.	Asset purchase and sale commitments		6,605,571	10,114,844	16,720,415
2.1.2.	Deposit purchase and sale commitments		-	-	-
2.1.3.	Share capital commitments to associates and affiliates		198	5,913	6,111
2.1.4.	Loan granting commitments		13,918,846	1,081,155	15,000,001
2.1.5.	Securities issuance brokerage commitments		-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-
2.1.7.	Commitments for cheque payments		3,112,235	-	3,112,235
2.1.8.	Tax and fund obligations on export commitments		40,633	-	40,633
2.1.9.	Commitments for credit card limits		31,720,516	-	31,720,516
2.1.10.	Commitments for credit cards and banking services related promotions		6,488	-	6,488
2.1.11.	Receivables from "short" sale commitments on securities		-	-	-
2.1.12.	Payables from "short" sale commitments on securities		-	-	-
2.1.13.	Other irrevocable commitments		-	-	-
2.2.	Revocable commitments		76,550	4,547,611	4,624,161
2.2.1.	Revocable loan granting commitments		76,550	4,546,329	4,622,879
2.2.2.	Other revocable commitments		-	1,282	1,282
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	5.5.2	**139,299,616**	**272,041,378**	**411,340,994**
3.1.	Derivative financial instruments held for risk management		5,863,986	44,723,635	50,587,621
3.1.1.	Fair value hedges		5,117,018	14,656,260	19,773,278
3.1.2.	Cash flow hedges		746,968	30,067,375	30,814,343
3.1.3.	Net foreign investment hedges		-	-	-
3.2.	Trading derivatives		133,435,630	227,317,743	360,753,373
3.2.1.	Forward foreign currency purchases/sales		24,589,232	28,414,587	53,003,819
3.2.1.1.	Forward foreign currency purchases		7,658,125	18,831,132	26,489,257
3.2.1.2.	Forward foreign currency sales		16,931,107	9,583,455	26,514,562
3.2.2.	Currency and interest rate swaps		82,634,880	146,769,018	229,403,898
3.2.2.1.	Currency swaps-purchases		27,490,321	66,454,619	93,944,940
3.2.2.2.	Currency swaps-sales		54,667,023	35,208,239	89,875,262
3.2.2.3.	Interest rate swaps-purchases		238,768	22,553,080	22,791,848
3.2.2.4.	Interest rate swaps-sales		238,768	22,553,080	22,791,848
3.2.3.	Currency, interest rate and security options		26,128,047	36,074,364	62,202,411
3.2.3.1.	Currency call options		14,906,030	10,603,084	25,509,114
3.2.3.2.	Currency put options		11,222,017	16,187,800	27,409,817
3.2.3.3.	Interest rate call options		-	7,889,678	7,889,678
3.2.3.4.	Interest rate put options		-	1,393,802	1,393,802
3.2.3.5.	Security call options		-	-	-
3.2.3.6.	Security put options		-	-	-
3.2.4.	Currency futures		83,471	137,992	221,463
3.2.4.1.	Currency futures-purchases		837	114,203	115,040
3.2.4.2.	Currency futures-sales		82,634	23,789	106,423
3.2.5.	Interest rate futures		-	27,009	27,009
3.2.5.1.	Interest rate futures-purchases		-	13,691	13,691
3.2.5.2.	Interest rate futures-sales		-	13,318	13,318
3.2.6.	Others		-	15,894,773	15,894,773
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)			**731,826,316**	**685,974,158**	**1,417,800,474**
IV.	**ITEMS HELD IN CUSTODY**		**37,042,571**	**39,610,563**	**76,653,134**
4.1.	Customers' securities held		-	-	-
4.2.	Investment securities held in custody		15,306,082	14,312,514	29,618,596
4.3.	Checks received for collection		18,391,705	5,256,250	23,647,955
4.4.	Commercial notes received for collection		3,144,345	1,169,638	4,313,983
4.5.	Other assets received for collection		135,793	16,612,397	16,748,190
4.6.	Assets received through public offering		-	111,713	111,713
4.7.	Other items under custody		64,646	2,148,051	2,212,697
4.8.	Custodians		-	-	-
V.	**PLEDGED ITEMS**		**694,783,745**	**646,363,595**	**1,341,147,340**
5.1.	Securities		2,191,093	48,671	2,239,764
5.2.	Guarantee notes		35,854,217	16,403,581	52,257,798
5.3.	Commodities		16,078	-	16,078
5.4.	Warranties		-	-	-
5.5.	Real estates		167,709,840	119,611,321	287,321,161
5.6.	Other pledged items		489,012,517	510,299,945	999,312,462
5.7.	Pledged items-depository		-	77	77
VI.	**CONFIRMED BILLS OF EXCHANGE AND SURETIES**		-	-	-
	TOTAL OFF-BALANCE SHEET ITEMS (A+B)		**947,898,066**	**1,016,393,262**	**1,964,291,328**

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

Türkiye Garanti Bankası Anonim Şirketi

Statement of Profit or Loss

For the Six-Month Period Ended 30 June 2018

INCOME AND EXPENSE ITEMS		Footnotes	THOUSANDS OF TURKISH LIRA (TL) CURRENT PERIOD 1 January 2018- 30 June 2018	CURRENT PERIOD 1 April 2018- 30 June 2018
I.	**INTEREST INCOME**	5.7.1	**15,568,291**	**8,185,308**
1.1	Interest income on loans		12,930,489	6,811,748
1.2	Interest income on reserve deposits		157,350	85,616
1.3	Interest income on banks		161,365	97,375
1.4	Interest income on money market transactions		7,008	3,958
1.5	Interest income on securities portfolio		2,165,482	1,108,888
1.5.1	Financial assets measured at FVTPL		24,280	11,792
1.5.2	Financial assets measured at FVOCI		1,151,926	573,640
1.5.3	Financial assets measured at amortised cost		989,276	523,456
1.6	Financial lease income		-	-
1.7	Other interest income		146,597	77,723
II.	**INTEREST EXPENSE**	5.7.2	**7,662,089**	**4,066,871**
2.1	Interest on deposits		5,322,025	2,792,849
2.2	Interest on funds borrowed		763,055	431,643
2.3	Interest on money market transactions		528,103	280,460
2.4	Interest on securities issued		1,001,949	528,074
2.5	Other interest expenses		46,957	33,845
III.	**NET INTEREST INCOME (I - II)**		**7,906,202**	**4,118,437**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**2,302,931**	**1,133,717**
4.1	Fees and commissions received		2,982,683	1,500,733
4.1.1	Non-cash loans		232,523	123,066
4.1.2	Others		2,750,160	1,377,667
4.2	Fees and commissions paid		679,752	367,016
4.2.1	Non-cash loans		1,474	745
4.2.2	Others		678,278	366,271
V.	**PERSONNEL EXPENSES (-)**	5.7.7	**1,449,137**	**770,897**
VI.	**DIVIDEND INCOME**	5.7.3	**2,987**	**2,987**
VII.	**NET TRADING INCOME/LOSSES (Net)**	5.7.4	**(416,229)**	**(74,323)**
7.1	Trading account income/losses		734,376	526,529
7.2	Income/losses from derivative financial instruments		227,781	(122,083)
7.3	Foreign exchange gains/losses		(1,378,386)	(478,769)
VIII.	**OTHER OPERATING INCOME**	5.7.5	**1,430,417**	**406,536**
IX.	**TOTAL OPERATING PROFIT (III+IV+V+VI+VII+VIII)**		**9,777,171**	**4,816,457**
X.	**EXPECTED CREDIT LOSSES (-)**	5.7.6	**3,301,950**	**1,667,030**
XI.	**OTHER OPERATING EXPENSES (-)**	5.7.7	**2,064,658**	**1,007,005**
XII.	**NET OPERATING PROFIT/LOSS (IX-X-XI)**		**4,410,563**	**2,142,422**
XIII.	**INCOME RESULTED FROM MERGERS**		-	-
XIV.	**INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING**		**457,486**	**233,042**
XV.	**GAIN/LOSS ON NET MONETARY POSITION**		-	-
XVI.	**OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV)**	5.7.8	**4,868,049**	**2,375,464**
XVII.	**PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)**	5.7.9	**964,483**	**468,149**
17.1	Current tax charge		893,687	516,032
17.2	Deferred tax charge (+)		391,532	85,678
17.3	Deferred tax credit (-)		(320,736)	(133,561)
XVIII.	**NET OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)**	5.7.10	**3,903,566**	**1,907,315**
XIX.	**INCOME FROM DISCONTINUED OPERATIONS**		-	-
19.1	Income from assets held for sale		-	-
19.2	Income from sale of associates, subsidiaries and joint-ventures		-	-
19.3	Others		-	-
XX.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		-	-
20.1	Expenses on assets held for sale		-	-
20.2	Expenses on sale of associates, subsidiaries and joint-ventures		-	-
20.3	Others		-	-
XXI.	**PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX+XX)**	5.7.8	-	-
XXII.	**PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)**	5.7.9	-	-
22.1	Current tax charge		-	-
22.2	Deferred tax charge (+)		-	-
22.3	Deferred tax credit (-)		-	-
XXIII.	**NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXI±XXII**	5.7.10	-	-
XXIV.	**NET PROFIT/LOSS (XVIII+XXIII)**	5.7.11	**3,903,566**	**1,907,315**
	Earnings per Share		**0.00929**	**0.00454**

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

Türkiye Garanti Bankası Anonim Şirketi
Statement of Profit or Loss and Other Comprehensive Income
At 30 June 2018

	PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	THOUSANDS OF TURKISH LIRA (TL) **CURRENT PERIOD 1 January 2018 - 30 June 2018**
I.	**CURRENT PERIOD PROFIT/LOSS**	**3,903,566**
II.	**OTHER COMPREHENSIVE INCOME**	**(70,581)**
2.1	**Other Income/Expense Items not to be Recycled to Profit or Loss**	**32,273**
2.1.1	Revaluation Surplus on Tangible Assets	-
2.1.2	Revaluation Surplus on Intangible Assets	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	-
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	33,734
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(1,461)
2.2	**Other Income/Expense Items to be Recycled to Profit or Loss**	**(102,854)**
2.2.1	Translation Differences	611,446
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(754,492)
2.2.3	Gains/losses from Cash Flow Hedges	213,450
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	(282,306)
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	-
2.2.6	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	109,048
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**3,832,985**

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

Türkiye Garanti Bankası Anonim Şirketi

Statement of Changes in Shareholders' Equity

At 30 June 2018

	STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)													
							Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss						
			Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Shareholders' Equity
	CURRENT PERIOD															
	(1 January - 30 June 2018)															
I.	**Balances at Beginning of Period**		**4,200,000**	**11,880**	**-**	**772,554**	**1,431,478**	**(142,992)**	**60,858**	**1,711,458**	**(138,997)**	**(350,921)**	**27,431,972**	**6,343,920**	**-**	**41,331,210**
II.	**Correction made as per TAS 8**	3.28	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**393,233**	**-**	**-**	**397,309**	**-**	**790,542**
2.1.	Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
2.2.	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	393,233	-	-	397,309	-	790,542
III.	**Adjusted Balances at Beginning of Period (I+II)**	5.9	**4,200,000**	**11,880**	**-**	**772,554**	**1,431,478**	**(142,992)**	**60,858**	**1,711,458**	**254,236**	**(350,921)**	**27,431,972**	**6,741,229**	**-**	**42,121,752**
IV.	**Total Comprehensive Income**		**-**	**-**	**-**	**-**	**-**	**-**	**32,273**	**611,446**	**(488,455)**	**(225,845)**	**-**	**-**	**3,903,566**	**3,832,985**
V.	**Capital Increase in Cash**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VI.	**Capital Increase from Internal Sources**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VII.	**Capital Reserves from Inflation Adjustments to Paid-in Capital**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**Convertible Bonds**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX.	**Subordinated Liabilities**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X.	**Others Changes**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**41,144**	**-**	**-**	**41,144**
XI.	**Profit Distribution**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,593,920**	**(6,343,920)**	**-**	**(1,750,000)**
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	(1,750,000)	-	(1,750,000)
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	4,592,770	(4,592,770)	-	-
11.3	Others		-	-	-	-	-	-	-	-	-	-	1,150	(1,150)	-	-
	Balances at end of the period (III+IV…+X+XI)		**4,200,000**	**11,880**	**-**	**772,554**	**1,431,478**	**(142,992)**	**93,131**	**2,322,904**	**(234,219)**	**(576,766)**	**32,067,036**	**397,309**	**3,903,566**	**44,245,881**

Türkiye Garanti Bankası Anonim Şirketi
Statement of Cash Flows
At 30 June 2018

	STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL) **CURRENT PERIOD** **1 January 2018** **30 June 2018**
A.	**CASH FLOWS FROM BANKING OPERATIONS**		
1.1	**Operating profit before changes in operating assets and liabilities**	5.10	**3,250,368**
1.1.1	Interests received		13,026,794
1.1.2	Interests paid		(7,781,519)
1.1.3	Dividend received		2,987
1.1.4	Fees and commissions received		2,982,683
1.1.5	Other income		2,164,793
1.1.6	Collections from previously written-off receivables		220,115
1.1.7	Cash payments to personnel and service suppliers		(3,123,494)
1.1.8	Taxes paid		(1,204,437)
1.1.9	Others		(3,037,554)
1.2	**Changes in operating assets and liabilities**	5.10	**(6,692,724)**
1.2.1	Net (increase) decrease in financial assets measured at FVTPL		521,175
1.2.2	Net (increase) decrease in due from banks		(1,085,976)
1.2.3	Net (increase) decrease in loans		(24,960,343)
1.2.4	Net (increase) decrease in other assets		(1,553,973)
1.2.5	Net increase (decrease) in bank deposits		4,335,188
1.2.6	Net increase (decrease) in other deposits		20,183,521
1.2.7	Net (increase) decrease in financial liabilities measured at FVTPL		-
1.2.8	Net increase (decrease) in funds borrowed		(5,375,427)
1.2.9	Net increase (decrease) in matured payables		-
1.2.10	Net increase (decrease) in other liabilities		1,243,111
I.	**Net cash flow from banking operations**	5.10	**(3,442,356)**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	**Net cash flow from investing activities**	5.10	**3,679,360**
2.1	Cash paid for purchase of associates, subsidiaries and joint-ventures		-
2.2	Cash obtained from sale of associates, subsidiaries and joint-ventures		-
2.3	Purchases of tangible assets		(256,842)
2.4	Sales of tangible assets		144,519
2.5	Cash paid for purchase of financial assets measured at FVOCI		(4,052,116)
2.6	Cash obtained from sale of financial assets measured at FVOCI		6,206,177
2.7	Cash paid for purchase of financial assets measured at amortised cost		(289,021)
2.8	Cash obtained from sale of financial assets measured at amortised cost		1,926,643
2.9	Others		-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	**Net cash flow from financing activities**		**254,862**
3.1	Cash obtained from funds borrowed and securities issued		12,337,042
3.2	Cash used for repayment of funds borrowed and securities issued		(10,329,288)
3.3	Equity instruments issued		-
3.4	Dividends paid		(1,750,000)
3.5	Payments for financial leases		(2,892)
3.6	Others		-
IV.	**Effect of translation differences on cash and cash equivalents**		**819,412**
V.	**Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)**	5.10	**1,311,278**
VI.	**Cash and cash equivalents at beginning of period**	5.10	**12,360,409**
VII.	**Cash and cash equivalents at end of period (V+VI)**	5.10	**13,671,687**

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

Türkiye Garanti Bankası Anonim Şirketi

Balance Sheet (Statement of Financial Position)

At 31 December 2017

	ASSETS	Footnotes	THOUSANDS OF TURKISH LIRA (TL) PRIOR PERIOD 31 December 2017		
			TL	FC	Total
I.	**CASH AND BALANCES WITH CENTRAL BANK**	5.2.1	**7,635,956**	**25,776,547**	**33,412,503**
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)**	5.2.2	**2,179,906**	**470,244**	**2,650,150**
2.1	Financial assets held for trading		2,179,906	470,244	2,650,150
2.1.1	Government securities		785,296	16,604	801,900
2.1.2	Equity securities		28,116	-	28,116
2.1.3	Derivative financial assets held for trading		1,363,765	450,551	1,814,316
2.1.4	Other securities		2,729	3,089	5,818
2.2	Financial assets valued at fair value through profit or loss		-	-	-
2.2.1	Government securities		-	-	-
2.2.2	Equity securities		-	-	-
2.2.3	Loans	5.2.2	-	-	-
2.2.4	Other securities		-	-	-
III.	**BANKS**	5.2.3	**205,635**	**14,112,838**	**14,318,473**
IV.	**INTERBANK MONEY MARKETS**		**-**	**-**	**-**
4.1	Interbank money market placements		-	-	-
4.2	Istanbul Stock Exchange money market placements		-	-	-
4.3	Receivables from reverse repurchase agreements		-	-	-
V.	**FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)**	5.2.4	**22,222,532**	**522,170**	**22,744,702**
5.1	Equity securities		41,760	216,581	258,341
5.2	Government securities		21,912,629	231,769	22,144,398
5.3	Other securities		268,143	73,820	341,963
VI.	**LOANS**	5.2.5	**142,937,709**	**66,742,168**	**209,679,877**
6.1	Performing loans		141,888,832	66,742,168	208,631,000
6.1.1	Loans to bank's risk group	5.11	747,475	2,690,988	3,438,463
6.1.2	Government securities		-	-	-
6.1.3	Others		141,141,357	64,051,180	205,192,537
6.2	Loans under follow-up		5,408,114	-	5,408,114
6.3	Specific provisions (-)		4,359,237	-	4,359,237
VII.	**FACTORING RECEIVABLES**		**-**	**-**	**-**
VIII.	**INVESTMENTS HELD-TO-MATURITY (Net)**	5.2.6	**12,900,962**	**11,984,381**	**24,885,343**
8.1	Government securities		12,815,088	7,417,468	20,232,556
8.2	Other securities		85,874	4,566,913	4,652,787
IX.	**INVESTMENTS IN ASSOCIATES (Net)**	5.2.7	**35,158**	**-**	**35,158**
9.1	Associates consolidated under equity accounting		-	-	-
9.2	Unconsolidated associates		35,158	-	35,158
9.2.1	Financial investments in associates		31,492	-	31,492
9.2.2	Non-financial investments in associates		3,666	-	3,666
X.	**INVESTMENTS IN SUBSIDIARIES (Net)**	5.2.8	**2,813,701**	**3,725,770**	**6,539,471**
10.1	Unconsolidated financial investments in subsidiaries		2,709,329	3,725,770	6,435,099
10.2	Unconsolidated non-financial investments in subsidiaries		104,372	-	104,372
XI.	**INVESTMENTS IN JOINT-VENTURES (Net)**	5.2.9	**-**	**-**	**-**
11.1	Joint-ventures consolidated under equity accounting		-	-	-
11.2	Unconsolidated joint-ventures		-	-	-
11.2.1	Financial investments in joint-ventures		-	-	-
11.2.2	Non-financial investments in joint-ventures		-	-	-
XII.	**LEASE RECEIVABLES (Net)**	5.2.10	**-**	**-**	**-**
12.1	Financial lease receivables		-	-	-
12.2	Operational lease receivables		-	-	-
12.3	Others		-	-	-
12.4	Unearned income (-)		-	-	-
XIII.	**DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING PURPOSE**	5.2.11	**535,561**	**112,714**	**648,275**
13.1	Fair value hedges		89,104	13,001	102,105
13.2	Cash flow hedges		446,457	99,713	546,170
13.3	Net foreign investment hedges		-	-	-
XIV.	**TANGIBLE ASSETS (Net)**	5.2.12	**3,769,116**	**263**	**3,769,379**
XV.	**INTANGIBLE ASSETS (Net)**	5.2.13	**285,654**	**-**	**285,654**
15.1	Goodwill		-	-	-
15.2	Other intangibles		285,654	-	285,654
XVI.	**INVESTMENT PROPERTY (Net)**	5.2.14	**690,588**	**-**	**690,588**
XVII.	**TAX ASSET**		**356,684**	**-**	**356,684**
17.1	Current tax asset		-	-	-
17.2	Deferred tax asset	5.2.15	356,684	-	356,684
XVIII.	**ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)**	5.2.16	**775,428**	**-**	**775,428**
18.1	Assets held for sale		775,428	-	775,428
18.2	Assets of discontinued operations		-	-	-
XIX.	**OTHER ASSETS**	5.2.17	**3,513,511**	**927,078**	**4,440,589**
	TOTAL ASSETS		**200,858,101**	**124,374,173**	**325,232,274**

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

Türkiye Garanti Bankası Anonim Şirketi
Balance Sheet (Statement of Financial Position)
At 31 December 2017

	LIABILITIES AND SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)		
			PRIOR PERIOD 31 December 2017		
			TL	**FC**	**Total**
I.	**DEPOSITS**	5.4.1	**89,230,296**	**91,885,709**	**181,116,005**
1.1	Deposits from bank's risk group	5.11	1,591,710	576,385	2,168,095
1.2	Others		87,638,586	91,309,324	178,947,910
II.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING**	5.4.2	**2,359,187**	**393,543**	**2,752,730**
III.	**FUNDS BORROWED**	5.4.3	**742,583**	**40,062,240**	**40,804,823**
IV.	**INTERBANK MONEY MARKETS**	5.4.4	**12,582,894**	**4,081,694**	**16,664,588**
4.1	Interbank money market takings		11,712,429	3,892,261	15,604,690
4.2	Istanbul Stock Exchange money market takings		-	-	-
4.3	Obligations under repurchase agreements		870,465	189,433	1,059,898
V.	**SECURITIES ISSUED (Net)**	5.4.4	**6,960,619**	**12,330,741**	**19,291,360**
5.1	Bills		2,975,784	-	2,975,784
5.2	Asset backed securities		-	-	-
5.3	Bonds		3,984,835	12,330,741	16,315,576
VI.	**FUNDS**		**-**	**-**	**-**
6.1	Borrower funds		-	-	-
6.2	Others		-	-	-
VII.	**MISCELLANEOUS PAYABLES**	5.4.4.3	**9,489,981**	**483,915**	**9,973,896**
VIII.	**OTHER EXTERNAL FUNDINGS PAYABLE**		**2,124,799**	**741,751**	**2,866,550**
IX.	**FACTORING PAYABLES**		**-**	**-**	**-**
X.	**LEASE PAYABLES (Net)**	5.4.5	**6,939**	**-**	**6,939**
10.1	Financial lease payables		7,903	-	7,903
10.2	Operational lease payables		-	-	-
10.3	Others		-	-	-
10.4	Deferred expenses (-)		964	-	964
XI.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING PURPOSE**	5.4.6	**6,227**	**173,843**	**180,070**
11.1	Fair value hedges		6,227	171,764	177,991
11.2	Cash flow hedges		-	2,079	2,079
11.3	Net foreign investment hedges		-	-	-
XII.	**PROVISIONS**	5.4.7	**6,054,358**	**252,296**	**6,306,654**
12.1	General provisions		3,597,720	-	3,597,720
12.2	Restructuring reserves		-	-	-
12.3	Reserve for employee benefits		785,778	67,039	852,817
12.4	Insurance technical provisions (Net)		-	-	-
12.5	Other provisions		1,670,860	185,257	1,856,117
XIII.	**TAX LIABILITY**	5.4.8	**1,059,984**	**27,994**	**1,087,978**
13.1	Current tax liability		1,059,984	27,994	1,087,978
13.2	Deferred tax liability		-	-	-
XIV.	**LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)**	5.4.9	**-**	**-**	**-**
14.1	Assets held for sale		-	-	-
14.2	Assets of discontinued operations		-	-	-
XV.	**SUBORDINATED DEBTS**	5.4.10	**-**	**2,849,471**	**2,849,471**
XVI.	**SHAREHOLDERS' EQUITY**	5.4.11	**40,832,869**	**498,341**	**41,331,210**
16.1	Paid-in capital		4,200,000	-	4,200,000
16.2	Capital reserves		3,318,450	264,862	3,583,312
16.2.1	Share premium		11,880	-	11,880
16.2.2	Share cancellation profits		-	-	-
16.2.3	Securities value increase fund		1,329,094	191,658	1,520,752
16.2.4	Revaluation surplus on tangible assets		1,659,472	-	1,659,472
16.2.5	Revaluation surplus on intangible assets		-	-	-
16.2.6	Revaluation surplus on investment property		-	-	-
16.2.7	Bonus shares of associates, subsidiaries and joint-ventures		1,856	-	1,856
16.2.8	Hedging reserves (effective portion)		(313,414)	73,204	(240,210)
16.2.9	Revaluation surplus on assets held for sale and assets of discontinued operations		-	-	-
16.2.10	Other capital reserves		629,562	-	629,562
16.3	Profit reserves		26,970,499	233,479	27,203,978
16.3.1	Legal reserves		1,311,374	-	1,311,374
16.3.2	Status reserves		-	-	-
16.3.3	Extraordinary reserves		25,659,125	-	25,659,125
16.3.4	Other profit reserves		-	233,479	233,479
16.4	Profit or loss		6,343,920	-	6,343,920
16.4.1	Prior periods profit/loss		-	-	-
16.4.2	Current period net profit/loss		6,343,920	-	6,343,920
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**171,450,736**	**153,781,538**	**325,232,274**

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

Türkiye Garanti Bankası Anonim Şirketi
Off-Balance Sheet Items
At 31 December 2017

OFF-BALANCE SHEET ITEMS		Footnotes	THOUSANDS OF TURKISH LIRA (TL) PRIOR PERIOD 31 December 2017		
			TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)			**185,560,203**	**279,381,530**	**464,941,733**
I.	**GUARANTEES AND SURETIES**	5.6.1	**19,423,804**	**35,127,536**	**54,551,340**
1.1.	Letters of guarantee		19,404,733	19,534,558	38,939,291
1.1.1.	Guarantees subject to State Tender Law		-	981,914	981,914
1.1.2.	Guarantees given for foreign trade operations		1,842,819	214,343	2,057,162
1.1.3.	Other letters of guarantee		17,561,914	18,338,301	35,900,215
1.2.	Bank acceptances		14,273	1,536,377	1,550,650
1.2.1.	Import letter of acceptance		14,273	1,536,377	1,550,650
1.2.2.	Other bank acceptances		-	-	-
1.3.	Letters of credit		4,798	13,886,269	13,891,067
1.3.1.	Documentary letters of credit		-	-	-
1.3.2.	Other letters of credit		4,798	13,886,269	13,891,067
1.4.	Guaranteed prefinancings		-	-	-
1.5.	Endorsements		-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-
1.5.2.	Other endorsements		-	-	-
1.6.	Underwriting commitments		-	-	-
1.7.	Factoring related guarantees		-	-	-
1.8.	Other guarantees		-	170,332	170,332
1.9.	Other sureties		-	-	-
II.	**COMMITMENTS**	5.6.1	**44,705,472**	**10,876,669**	**55,582,141**
2.1.	Irrevocable commitments		44,549,356	6,079,029	50,628,385
2.1.1.	Asset purchase and sale commitments		2,193,999	5,020,534	7,214,533
2.1.2.	Deposit purchase and sale commitments		-	-	-
2.1.3.	Share capital commitments to associates and affiliates		-	6,443	6,443
2.1.4.	Loan granting commitments		9,496,041	1,052,052	10,548,093
2.1.5.	Securities issuance brokerage commitments		-	-	-
2.1.6.	Commitments for reserve deposit requirements		-	-	-
2.1.7.	Commitments for cheque payments		3,797,901	-	3,797,901
2.1.8.	Tax and fund obligations on export commitments		31,365	-	31,365
2.1.9.	Commitments for credit card limits		29,021,192	-	29,021,192
2.1.10.	Commitments for credit cards and banking services related promotions		8,273	-	8,273
2.1.11.	Receivables from "short" sale commitments on securities		-	-	-
2.1.12.	Payables from "short" sale commitments on securities		-	-	-
2.1.13.	Other irrevocable commitments		585	-	585
2.2.	Revocable commitments		156,116	4,797,640	4,953,756
2.2.1.	Revocable loan granting commitments		156,116	4,796,577	4,952,693
2.2.2.	Other revocable commitments		-	1,063	1,063
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	5.6.2	**121,430,927**	**233,377,325**	**354,808,252**
3.1.	Derivative financial instruments held for risk management		6,209,384	33,820,121	40,029,505
3.1.1.	Fair value hedges		5,452,476	10,917,068	16,369,544
3.1.2.	Cash flow hedges		756,908	22,903,053	23,659,961
3.1.3.	Net foreign investment hedges		-	-	-
3.2.	Trading derivatives		115,221,543	199,557,204	314,778,747
3.2.1.	Forward foreign currency purchases/sales		15,469,233	18,172,329	33,641,562
3.2.1.1.	Forward foreign currency purchases		5,314,366	11,414,992	16,729,358
3.2.1.2.	Forward foreign currency sales		10,154,867	6,757,337	16,912,204
3.2.2.	Currency and interest rate swaps		86,887,004	142,571,587	229,458,591
3.2.2.1.	Currency swaps-purchases		31,299,492	68,076,807	99,376,299
3.2.2.2.	Currency swaps-sales		54,918,480	40,199,456	95,117,936
3.2.2.3.	Interest rate swaps-purchases		334,516	17,147,662	17,482,178
3.2.2.4.	Interest rate swaps-sales		334,516	17,147,662	17,482,178
3.2.3.	Currency, interest rate and security options		12,818,794	23,902,493	36,721,287
3.2.3.1.	Currency call options		6,743,561	6,323,428	13,066,989
3.2.3.2.	Currency put options		6,075,233	7,342,382	13,417,615
3.2.3.3.	Interest rate call options		-	9,247,686	9,247,686
3.2.3.4.	Interest rate put options		-	988,997	988,997
3.2.3.5.	Security call options		-	-	-
3.2.3.6.	Security put options		-	-	-
3.2.4.	Currency futures		46,512	76,172	122,684
3.2.4.1.	Currency futures-purchases		3,931	44,824	48,755
3.2.4.2.	Currency futures-sales		42,581	31,348	73,929
3.2.5.	Interest rate futures		-	18,879	18,879
3.2.5.1.	Interest rate futures-purchases		-	-	-
3.2.5.2.	Interest rate futures-sales		-	18,879	18,879
3.2.6.	Others		-	14,815,744	14,815,744
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)			**698,186,647**	**572,923,608**	**1,271,110,255**
IV.	**ITEMS HELD IN CUSTODY**		**40,177,428**	**37,149,126**	**77,326,554**
4.1.	Customers' securities held		5,730,394	-	5,730,394
4.2.	Investment securities held in custody		15,042,103	16,314,890	31,356,993
4.3.	Checks received for collection		16,452,460	3,834,041	20,286,501
4.4.	Commercial notes received for collection		2,823,300	896,170	3,719,470
4.5.	Other assets received for collection		98,797	13,827,897	13,926,694
4.6.	Assets received through public offering		-	92,625	92,625
4.7.	Other items under custody		30,374	2,183,503	2,213,877
4.8.	Custodians		-	-	-
V.	**PLEDGED ITEMS**		**658,009,219**	**535,774,482**	**1,193,783,701**
5.1.	Securities		3,875,306	56,565	3,931,871
5.2.	Guarantee notes		36,573,477	13,944,069	50,517,546
5.3.	Commodities		14,095	-	14,095
5.4.	Warranties		-	-	-
5.5.	Real estates		158,916,114	106,935,147	265,851,261
5.6.	Other pledged items		458,630,227	414,838,635	873,468,862
5.7.	Pledged items-depository		-	66	66
VI.	**CONFIRMED BILLS OF EXCHANGE AND SURETIES**		**-**	**-**	**-**
	TOTAL OFF-BALANCE SHEET ITEMS (A+B)		**883,746,850**	**852,305,138**	**1,736,051,988**

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

Türkiye Garanti Bankası Anonim Şirketi
Income Statement
For the Six-Month Period Ended 30 June 2017

	INCOME AND EXPENSE ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL) PRIOR PERIOD 1 January 2017- 30 June 2017	PRIOR PERIOD 1 April 2017- 30 June 2017
I.	**INTEREST INCOME**	5.8.1	**12,157,769**	**6,343,371**
1.1	Interest income on loans		9,896,899	5,125,816
1.2	Interest income on reserve deposits		102,558	48,029
1.3	Interest income on banks		126,108	99,287
1.4	Interest income on money market transactions		6,082	3,254
1.5	Interest income on securities portfolio		1,907,073	1,009,420
1.5.1	Trading financial assets		9,402	5,571
1.5.2	Financial assets valued at fair value through profit or loss		-	-
1.5.3	Financial assets available-for-sale		974,438	526,092
1.5.4	Investments held-to-maturity		923,233	477,757
1.6	Financial lease income		-	-
1.7	Other interest income		119,049	57,565
II.	**INTEREST EXPENSE**	5.8.2	**5,496,111**	**2,870,900**
2.1	Interest on deposits		3,740,700	1,965,522
2.2	Interest on funds borrowed		562,388	276,884
2.3	Interest on money market transactions		577,558	309,928
2.4	Interest on securities issued		597,293	314,826
2.5	Other interest expenses		18,172	3,740
III.	**NET INTEREST INCOME (I - II)**		**6,661,658**	**3,472,471**
IV.	**NET FEES AND COMMISSIONS INCOME**		**1,741,219**	**866,440**
4.1	Fees and commissions received		2,275,634	1,140,555
4.1.1	Non-cash loans		189,643	97,537
4.1.2	Others		2,085,991	1,043,018
4.2	Fees and commissions paid		534,415	274,115
4.2.1	Non-cash loans		1,857	912
4.2.2	Others		532,558	273,203
V.	**DIVIDEND INCOME**	5.8.3	**6,483**	**6,375**
VI.	**NET TRADING INCOME/LOSSES (Net)**	5.8.4	**(936,375)**	**(634,513)**
6.1	Trading account income/losses		(349,372)	(96,874)
6.2	Income/losses from derivative financial instruments		(1,088,065)	(916,179)
6.3	Foreign exchange gains/losses		501,062	378,540
VII.	**OTHER OPERATING INCOME**	5.8.5	**586,080**	**213,612**
VIII.	**TOTAL OPERATING PROFIT (III+IV+V+VI+VII)**		**8,059,065**	**3,924,385**
IX.	**PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)**	5.8.6	**1,336,527**	**581,164**
X.	**OTHER OPERATING EXPENSES (-)**	5.8.7	**3,206,505**	**1,563,315**
XI.	**NET OPERATING PROFIT/LOSS (VIII-IX-X)**		**3,516,033**	**1,779,906**
XII.	**INCOME RESULTED FROM MERGERS**		**-**	**-**
XIII.	**INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING**		**388,729**	**187,603**
XIV.	**GAIN/LOSS ON NET MONETARY POSITION**		**-**	**-**
XV.	**OPERATING PROFIT/LOSS BEFORE TAXES (XI+XII+XIII+XIV)**	5.8.8	**3,904,762**	**1,967,509**
XVI.	**PROVISION FOR TAXES (±)**	5.8.9	**825,197**	**413,493**
16.1	Current tax charge		981,039	418,961
16.2	Deferred tax charge/(credit)		(155,842)	(5,468)
XVII.	**NET OPERATING PROFIT/LOSS AFTER TAXES (XV±XVI)**	5.8.10	**3,079,565**	**1,554,016**
XVIII.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**	**-**
18.1	Income from assets held for sale		-	-
18.2	Income from sale of associates, subsidiaries and joint-ventures		-	-
18.3	Others		-	-
XIX.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		**-**	**-**
19.1	Expenses on assets held for sale		-	-
19.2	Expenses on sale of associates, subsidiaries and joint-ventures		-	-
19.3	Others		-	-
XX.	**PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XVIII-XIX)**	5.8.8	**-**	**-**
XXI.	**PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)**	5.8.9	**-**	**-**
21.1	Current tax charge		-	-
21.2	Deferred tax charge/(credit)		-	-
XXII.	**NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XX±XXI)**	5.8.10	**-**	**-**
XXIII.	**NET PROFIT/LOSS (XVII+XXII)**	5.8.11	**3,079,565**	**1,554,016**
	Earnings per Share		**0.00733**	**0.00370**

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

Türkiye Garanti Bankası Anonim Şirketi
Statement of Income/Expense Items Accounted for under Shareholders' Equity
For the Six-Month Period Ended 30 June 2017

	INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY	THOUSANDS OF TURKISH LIRA (TL) **PRIOR PERIOD 1 January 2017-30 June 2017**
I.	**MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"**	**542,337**
II.	**REVALUATION SURPLUS ON TANGIBLE ASSETS**	**-**
III.	**REVALUATION SURPLUS ON INTANGIBLE ASSETS**	**-**
IV.	**TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES**	**246,695**
V.	**GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)**	**(34,558)**
VI.	**GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)**	**(103,036)**
VII.	**EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS**	**-**
VIII.	**OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS**	**61,577**
IX.	**DEFERRED TAXES ON VALUE INCREASES/DECREASES**	**(73,621)**
X.	**NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+III+IV+V+VI+VII+VIII+IX)**	**639,394**
XI.	**CURRENT PERIOD PROFIT/LOSSES**	**3,079,565**
1.1	Net changes in fair value of securities (transferred to income statement)	(20,250)
1.2	Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement	(50,694)
1.3	Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-
1.4	Others	3,150,509
XII.	**TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)**	**3,718,959**

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 2017

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes	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
		THOUSANDS OF TURKISH LIRA (TL)															
PRIOR PERIOD (1 January - 30 June 2017)																	
I. Balances at beginning of the period		**4,200,000**	**772,554**	**11,880**	**-**	**1,206,160**	**-**	**21,972,914**	**103,038**	**-**	**5,070,549**	**622,143**	**1,626,437**	**1,891**	**(48,486)**	**-**	**35,539,080**
Changes during the period	**5.9**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
II. Mergers																	**-**
III. Market value changes of securities		-	-	-								**441,605**	-		-	-	**441,605**
IV. Hedging reserves		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(110,482)**	**-**	**(110,482)**
4.1. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-		(28,052)	-	(28,052)
4.2. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	(82,430)	-	(82,430)
V. Revaluation surplus on tangible assets		-	-	-	-	-	-	**-**	-	-	-	-	**-**	-	-	-	**-**
VI. Revaluation surplus on intangible assets		-	-	-	-	-	-	**-**	-	-	-	-	-	-	-	-	**-**
VII. Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-	**-**	-	-	-	-	-	-	-	-	**-**
VIII. Translation differences		-	-	-	-	**1,213**		**617**	**17,465**	-	-	**227,400**	-	-	-	-	**246,695**
IX. Changes resulted from disposal of assets		-	-	-	-	-	-	**-**	-	-	-	-	-	-	-	-	**-**
X. Changes resulted from resclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
XI. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	**61,577**	-	-	-	-	**61,577**
XII. Capital increase		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	**-**	**-**	**-**	**-**	**-**
12.1. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2. Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
XV. Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
XVI. Others		-	-	-	-	-	-	**170,294**	**-**	-	-	-	**(170,294)**	-	-	-	**-**
XVII. Current period net profit/loss		-	-	-	-	-	-	-	-	**3,079,565**							**3,079,565**
XVIII. Profit distribution		**-**	**-**	**-**	**-**	**104,000**	**-**	**3,488,938**	**5,738**	**-**	**(5,070,549)**	**-**	**221,873**	**-**	**-**	**-**	**(1,250,000)**
18.1. Dividends		-	-	-	-	-	-	-	-	-	(1,250,000)	-	-	-	-	-	(1,250,000)
18.2. Transfers to reserves		-	-	-	-	104,000	-	3,488,938	-	-	(3,592,938)	-	-	-	-	-	**-**
18.3. Others		-	-	-	-	-	-	-	5,738	-	(227,611)	-	221,873	-	-	-	**-**
Balances at end of the period (I+II+III+......+XVI+XVII+XVIII)		**4,200,000**	**772,554**	**11,880**	**-**	**1,311,373**	**-**	**25,632,763**	**126,241**	**3,079,565**	**-**	**1,352,725**	**1,678,016**	**1,891**	**(158,968)**	**-**	**38,008,040**

Türkiye Garanti Bankası Anonim Şirketi
Statement of Cash Flows
For the Six-Month Period Ended 30 June 2017

	STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL) CURRENT PERIOD 1 January 2017- 30 June 2017
A.	**CASH FLOWS FROM BANKING OPERATIONS**		
1.1	**Operating profit before changes in operating assets and liabilities**		**3,838,546**
1.1.1	Interests received		11,235,821
1.1.2	Interests paid		(5,003,536)
1.1.3	Dividend received		6,483
1.1.4	Fees and commissions received		2,275,634
1.1.5	Other income		236,708
1.1.6	Collections from previously written-off loans and other receivables		69,340
1.1.7	Payments to personnel and service suppliers		(2,862,887)
1.1.8	Taxes paid		(653,785)
1.1.9	Others	5.10	(1,465,232)
1.2	**Changes in operating assets and liabilities**		**(8,905,755)**
1.2.1	Net (increase) decrease in financial assets held for trading		(305,145)
1.2.2	Net (increase) decrease in financial assets valued at fair value through profit or loss		-
1.2.3	Net (increase) decrease in due from banks		(8,940,659)
1.2.4	Net (increase) decrease in loans		(16,033,574)
1.2.5	Net (increase) decrease in other assets		(698,674)
1.2.6	Net increase (decrease) in bank deposits		553,488
1.2.7	Net increase (decrease) in other deposits		13,691,312
1.2.8	Net increase (decrease) in funds borrowed		1,190,448
1.2.9	Net increase (decrease) in matured payables		
1.2.10	Net increase (decrease) in other liabilities	5.10	1,637,049
I.	**Net cash flow from banking operations**		**(5,067,209)**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	**Net cash flow from investing activities**		**488,255**
2.1	Cash paid for purchase of associates, subsidiaries and joint-ventures		-
2.2	Cash obtained from sale of associates, subsidiaries and joint-ventures		-
2.3	Purchases of tangible assets		(146,501)
2.4	Sales of tangible assets		48,246
2.5	Cash paid for purchase of financial assets available-for-sale		(3,763,841)
2.6	Cash obtained from sale of financial assets available-for-sale		3,723,056
2.7	Cash paid for purchase of investments held-to-maturity		(191,787)
2.8	Cash obtained from sale of investments held-to-maturity		819,082
2.9	Others	5.10	-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	**Net cash flow from financing activities**		**3,753,583**
3.1	Cash obtained from funds borrowed and securities issued		11,426,917
3.2	Cash used for repayment of funds borrowed and securities issued		(6,411,007)
3.3	Equity instruments issued		-
3.4	Dividends paid		(1,250,000)
3.5	Payments for financial leases		(12,327)
3.6	Others (payments for founder shares repurchased)	5.10	-
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**	5.10	**(64,234)**
V.	**Net increase/(decrease) in cash and cash equivalents**		**(889,605)**
VI.	**Cash and cash equivalents at beginning of period**		**13,011,577**
VII.	**Cash and cash equivalents at end of period**		**12,121,972**

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

3 Accounting policies

3.1 Basis of presentation

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

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis except for financial instruments measured at fair value through profit/loss, financial assets measured at fair value through other comprehensive income, real estates and subsidiaries accounted based on equity method.

The accounting policies and the valuation principles applied in the preparation of the accompanying current period financial statements are explained in Notes 3.2 to 3.27. The annulled accounting policies in accordance with TAS 39 are presented in Note 3.29.

3.1.1 Changes in accounting policies and disclosures

3.1.1.1 Major new and amended standards and interpretations

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

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

Besides, the Bank's adoption process continues regarding TFRS 16 Leases ("TFRS 16") which will be in effect starting from 1 January 2019.

3.1.1.2 Standards effective as of 1 January 2018

TFRS 9 Financial instruments

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

The Bank has not restated comparative information for 2017 for financial instruments in the scope of TFRS 9 and the total difference arising from the adoption of TFRS 9 has been recognised directly in prior periods' profit/loss as of 1 January 2018 in the current period statement of changes in shareholders' equity. In this context, the accompanying financial statements and the disclosures on these financial statements are not presented on a comparative basis due to the fact that the current and prior period financial statements are prepared based on different principles. The transition impact on the financial statements regarding the first time adoption of TFRS 9 as of 1 January 2018 is presented in Note 3.28.

Changes regarding classification and measurement of financials assets

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

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

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

The details regarding the Bank's classification and measurement of its financial assets and liabilities is explained in Note 3.7.

Besides, the impact regarding adoption of TFRS 9 as of 1 January 2018 on the statement of financial position is explained in Note 3.28.

Impairment

TFRS 9 has changed the accounting for loan loss impairments by replacing TAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Bank formed an impairment model having 3 stages based on the change in credit quality since initial recognition. The approach of the Bank regarding measurement of credit impairment is presented in Note 3.8.1.

TFRS 15 Revenue from contracts with customers

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

3.1.1.3 New standards not effective as of 1 January 2018

TFRS 16 Leases

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

3.2 Strategy for use of financial instruments and foreign currency transactions

3.2.1 Strategy for use of financial instruments

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

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

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

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

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

Another influential factor in management of interest and liquidity risks on balance sheet is product diversification both on asset and liability sides. Exchange rate risk, interest rate risk and liquidity risk are controlled and measured by various risk management systems, and the balance sheet is managed under the limits set by these systems and the limits legally required. Asset-liability management and value at risk models, stress tests and scenario analysis are used for this purpose.

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

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

3.2.2 Foreign currency transactions

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

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

From 1 September 2015, it has been started to apply net investment hedge amounting to EUR 354,433,085 (31 December 2017: EUR 366,532,341) in total among investments in Garanti Bank International NV and Garanti Holding BV having capitals denominated in foreign currencies and long term foreign currency borrowings. Foreign exchange losses in the amount of TL 720,957 thousands (31 December 2017: TL 438,651 thousands), arising from conversion of both foreign currency investments and long term foreign currency borrowings are accounted under capital reserves and other comprehensive income/expense items to be recycled to profit/loss, respectively under equity as of 30 June 2018. There is no ineffective portion arising from investment hedge accounting.

3.3 Investments in associates and subsidiaries

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

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

Non-financial subsidiaries and associates are accounted at cost in the financial statements after provisions for impairment losses deducted, if any, in accordance with TAS 27.

3.4 Forwards, options and other derivative transactions

3.4.1 Derivative financial assets

Derivative financial assets measured at fair value through profit/loss

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

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

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

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

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

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

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

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

3.4.2 Derivative financial instruments held for hedging purpose

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

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

Derivative financial instruments measured at fair value through other comprehensive income

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

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

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

3.5 Interest income and expenses

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

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

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

If the expectation for the cash flows from financial asset is revised for reasons other than the credit risk, the change is reflected in the carrying amount of asset and in the related statement of profit or loss line and is amortized over the estimated life of financial asset.

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

3.6 Fees and commissions

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortised costs, the fees and commissions are accounted for in accordance with TFRS 15 Revenue from Contracts with Customers. Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period. The income derived from agreements or asset purchases from real-person or corporate third parties are recognized as income when realized.

3.7 Financial instruments

3.7.1 Initial recognition of financial instruments

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

3.7.2 Initial measurement of financial instruments

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

3.7.3 Classification of financial instruments

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

3.7.3.1 Assessment of business model

As per TFRS 9, the Bank’s business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The entity’s business model does not depend on management’s intentions for an individual instrument. Accordingly, this condition is not an instrument-by-instrument approach to classification and should be determined on a higher level of aggregation.

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

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank’s key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and

- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

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

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

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

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

3.7.3.2 Contracted cash flows that are solely payments of principal and interest on outstanding principal

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

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

3.7.4 Measurement categories of financial assets and liabilities

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

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

Financial investments and loans measured at amortised cost

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

- financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

- contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Loans: Financial assets other than those held for trading in short term or generated through providing money, commodity and services to debtors.

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

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

Financial assets measured at fair value through other comprehensive income

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

- financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

- contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

Equity instruments measured at fair value through other comprehensive income

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

Amounts presented in other comprehensive income shall not be subsequently transferred to profit/loss. However, the cumulative gain or loss shall be transferred to prior periods' profit/loss. Dividends on such investments are recognised in profit/loss unless the dividend clearly represents a recovery of part of the cost of the investment. Equity instruments measured at fair value through other comprehensive income are not subject to impairment calculation.

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

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

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

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

The remaining amount of change in the fair value of the liability shall be presented in profit/loss.

3.8 Impairment of financial assets

As of 1 January 2018, the Bank recognises a loss allowance for expected credit losses on financial assets and loans measured at amortised cost, financial assets measured at fair value through other comprehensive income , loan commitments and financial guarantee contracts not measured at fair value through profit/loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with "Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans" effective from 1 January 2018. Impairment requirements do not apply for equity investments due to the fact that those instruments are measured at fair value.

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

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

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

The Bank constituted a policy in order to make an assessment whether the credit risk on a financial instrument has increased significantly since initial recognition by taking into consideration change in the risk of a default occuring over the expected life of the financial instrument. The Bank's aforementioned policy is presented in Note 3.8.3.

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

3.8.1 Calculation of expected credit losses

The Bank calculates expected credit losses based on a probability-weighted estimate of credit losses (ie the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due based on the contract and the cash flows that are expected to be received.

Probability of Default (PD): PD refers to the likelihood that a loan will default within a specified time horizon, which is usually set at 12 months, given certain characteristics.

Based on TFRS 9, the Bank uses two different PDs in order to calculate expected credit losses:

- 12-month PD: as the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months) following the balance sheet date.

- Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument.

The Bank uses internal rating systems for both retail and commercial portfolios. The internal rating models used for the commercial portfolio include customer financial information and qualitative survey responses. Whereas behavioral and application scorecards used in the retail portfolio include; (i) the behavioral data of the customer and the product in the Bank, (ii) the demographic information of the customer, and (iii) the behavioral data of the customer in the sector. Probability of default calculation has been carried out based on past information, current conditions and forward looking macroeconomic parameters.

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

LGD calculations are performed using historical data which best reflects current conditions, by formation of segments based on certain risk factors that are deemed important for each portfolio and inclusion of forward-looking information and macroeconomic expectations. LGD summarizes all cash flows from customers subsequent to default. It covers all costs and collections that occur during the collection cycle, including collections from collaterals. It also includes the "time value of money" calculated by means of deducting costs and additional losses from the present value of collections.

Exposure at Default (EAD): For cash loans, it corresponds to the amount of loan granted as of the reporting date. For non-cash loans and commitments, it is the value calculated through using credit conversion factors. Credit conversion factor corresponds to the factor which adjusts the potential increase of the exposure between the current date and the default date.

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

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

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

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

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

The Bank considers a debt as default on these two below conditions;

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

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

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

In addition, the Bank assesses a certain portion of commercial and corporate loans individually in accordance with the internal policies in the calculation of the expected credit losses based on TFRS 9. The Bank makes such calculation by discounting the expected cash flows from the individual financial instrument to its present value using the effective interest rate.

When measuring expected credit losses, the Bank shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. The Bank makes such assessment by reflecting the estimate of expected credit loss which is unbiased and probability-weighted determined by evaluating a range of possible outcomes.

3.8.1.1 Loan commitments and non-cash loans

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

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

3.8.1.2 Debt instruments measured at fair value through other comprehensive income

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

3.8.1.3 Credit cards and other revolving loans

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

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

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

The Bank calculates expected credit losses on the revolving products of retail and corporate customers by considering 3-5 years.

The Bank makes assessment of significant increase in credit risk of revolving loans by considering qualitative and quantitative criteria considered for other credit products as explained in Note 3.8.3.

3.8.2 Forward-looking macroeconomic information

The Bank incorporates forward-looking macroeconomic information into credit risk parameters during assessment of significant increase in credit risk and expected credit loss calculation. The incorporation of forward-looking information into the Bank's credit risk parameters consists of the following steps:

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

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

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

3.8.3 Significant increase in credit risk

The Bank makes qualitative and quantitative assessments regarding assessment of significant increase in credit risk.

Qualitative assessment:

The Bank classifies the financial asset as Stage 2 (Significant Increase in Credit Risk) where any of the following conditions are satisfied as a result of a qualitative assessment:

- Loans overdue more than 30 days as of the reporting date
- Loans classified as watchlist
- When there is a change in the payment plan due to refinancing, restructuring or concession, the loan is not considered as default or written off and the change is not due to any commercial reason

Quantitative assessment:

The quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date.

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

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

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

3.8.4 Low credit risk

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

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

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

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

- Receivables from the Central Bank of the Republic of Turkey (required reserves, free reserves, placement, etc.)

- Loans with counterparty of Treasury of the Republic of Turkey

- Receivables (reserves, free reserves, placements, etc.) from the central banks of the branches of the Bank or its subsidiaries, securities issued or guaranteed by these central banks and securities issued / guaranteed by the treasury of these countries

- Loans granted to the treasury of countries having rating note of AA- and above and the securities issued or guaranteed by the treasury of these countries

- Local currency loans granted to the treasury of countries having rating below AA-, and securities in local currency issued or guaranteed by the treasury of these countries

-Securities exported or guaranteed by multilateral development banks or international organizations having rating of AA- and above.

3.9 Netting and derecognition of financial instruments

3.9.1 Netting of financial instruments

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

3.9.2 Derecognition of financial instruments

3.9.2.1 Derecognition of financial assets due to change in contractual terms

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

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

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

Where all risks and rewards of ownership of the asset have not been transferred to another party and the Bank retains control of the asset, the Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset.

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

3.9.2.2 Derecognition of financial assets without any change in contractual terms

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

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

3.9.2.3 Derecognition of financial liabilities

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

3.9.3 Reclassification of financial instruments

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

The Bank has fulfilled the requirements of reclassification during transition to TFRS 9 and such reclassification details are presented in Note 3.28.

3.9.4 Restructuring and refinancing of financial instruments

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

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

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

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

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

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

- Recovery in debt service.
- At least one year should pass over the date of restructuring
- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring /refinancing or the date when the debtor is classified as non-performing (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring /refinancing
- Collection of all overdue amounts, disappearance of the reasons for classification as non-performing receivable (based on the conditions mentioned above) and having no overdue more than 30 days as of the date of reclassification

During the follow-up period of at least two years following the date of restructuring / refinancing, if there is a new restructuring / refinancing or a delay of more than 30 days, the transactions which were non-performing at the beginning of the follow-up period are classified as non-performing loans again.

The performing or non-performing retail loans being subject to restructuring shall be removed from the watchlist only if the debt is paid in full.

3.10 Repurchase and resale agreements and securities lending

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

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

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

3.11 Assets held for sale, discontinued operations and related liabilities

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

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

3.12 Goodwill and other intangible assets

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

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

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

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

- The technical feasibility of completing the intangible asset so that it will be available for use,

- Availability of the Bank’s intention to complete and use the intangible asset,

- The ability to use the intangible asset,

- Clarity in probable future economic benefits to be generated from the intangible asset,

- The availability of adequate technical, financial and other resources to complete the development phase and to start using the intangible asset,

- The availability to measure reliably the expenditure attributable to the intangible asset during the development phase.

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

(Thousands of Turkish Lira (TL))

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.

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

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

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

Investment properties

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

Investment properties accounted at fair value are not depreciated.

(Thousands of Turkish Lira (TL))

3.14 Leasing activities

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

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

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

3.15 Provisions and contingent liabilities

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

3.16 Contingent assets

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

3.17 Liabilities for employee benefits

Severance indemnities and short-term employee benefits

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

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

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

	30 June 2018	**31 December 2017**
	%	%
Net Effective Discount Rate	3.04	3.04
Discount Rate	11.70	11.70
Expected Rate of Salary Increase	9.90	9.90
Inflation Rate	8.40	8.40

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

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

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

(Thousands of Turkish Lira (TL))

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 2018	
	Employer	**Employee**
Pension contributions	%15.5	%10.0
Medical benefit contributions	%6.0	%5.0

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

a) Benefits transferable to SSF

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

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

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

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

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

b) Other benefits not transferable to SSF

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

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

3.18 Taxation

3.18.1 Corporate tax

While the corporate tax rate was at the rate of 20% since 1 January 2006, for all companies, such rate has been set as 22% for the tax bases of the years 2018, 2019, and 2020 based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down to 20%.

This rate is applied to tax base which is calculated by adding certain non deductible expenses for tax purposes and deducting certain exemptions (like dividend income) and other deductions on accounting income. If there is no dividend distribution, no further tax charges are made.

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

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

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

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

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

The tax applications for foreign branches;

NORTHERN CYPRUS

According to the Corporate Tax Law of the Turkish Republic of Northern Cyprus no.41/1976 as amended, the corporate earnings (including foreign corporations) are subject to a 10% corporate tax and 15% income tax. This tax is calculated based on the income that the taxpayers earn in an accounting period. Tax base is determined by modifying accounting income for certain exclusions and allowances for tax purposes. The corporations cannot benefit from the rights of offsetting losses, investment incentives and amortisation unless they prepare and have certified their balance sheets, income statements and accounting records used for tax calculations by an auditor authorized by the Ministry of Finance. In cases where it is revealed that the earnings of a corporation were not subject to taxation in prior years or the tax paid on such earnings are understated, additional taxes can be charged in the next 12 years following that the related taxation period. The corporate tax returns are filed in the tax administration office in April after following the end of the accounting year to which they relate. The corporate taxes are paid in two equal installments in May and October.

MALTA

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

3.18.2 Deferred taxes

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

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

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

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

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

3.18.3 Transfer pricing

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

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

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

3.19 Funds borrowed

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

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

3.20 Share issuances

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

3.21 Confirmed bills of exchange and acceptances

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

3.22 Government incentives

As of 30 June 2018, the Bank does not have any government incentives or grants (2017: None).

3.23 Segment reporting

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

(Thousands of Turkish Lira (TL))

Information on the business segments is as follows:

Current Period	Retail Banking	Corporate / Commercial Banking	Investment Banking	Other	Total Operations
Total Operating Profit	3,769,106	4,119,893	(778,648)	2,663,833	9,774,184
Other	-	-	-	-	-
Total Operating Profit	**3,769,106**	**4,119,893**	**(778,648)**	**2,663,833**	**9,774,184**
Net Operating Profit	1,941,249	2,142,153	(817,872)	1,599,532	4,865,062
Income from Associates and Subsidiaries	-	-	-	2,987	2,987
Net Operating Profit	**1,941,249**	**2,142,153**	**(817,872)**	**1,602,519**	**4,868,049**
Provision for Taxes	-	-	-	964,483	964,483
Net Profit	**1,941,249**	**2,142,153**	**(817,872)**	**638,036**	**3,903,566**
Segment Assets	68,418,757	160,563,464	97,947,829	15,991,083	342,921,133
Investments in Associates and Subsidiaries	-	-	-	6,222,593	6,222,593
Total Assets	**68,418,757**	**160,563,464**	**97,947,829**	**22,213,676**	**349,143,726**
Segment Liabilities	130,954,993	79,678,070	86,555,131	7,709,651	304,897,845
Shareholders' Equity	-	-	-	44,245,881	44,245,881
Total Liabilities and Shareholders' Equity	**130,954,993**	**79,678,070**	**86,555,131**	**51,955,532**	**349,143,726**

Prior Period	Retail Banking	Corporate / Commercial Banking	Investment Banking	Other	Total Operations
Total Operating Profit	3,713,953	3,092,565	(287,960)	1,534,024	8,052,582
Other	-	-	-	-	-
Total Operating Profit	**3,713,953**	**3,092,565**	**(287,960)**	**1,534,024**	**8,052,582**
Net Operating Profit	1,513,727	1,675,434	(328,710)	1,037,828	3,898,279
Income from Associates and Subsidiaries	-	-	-	6,483	6,483
Net Operating Profit	**1,513,727**	**1,675,434**	**(328,710)**	**1,044,311**	**3,904,762**
Provision for Taxes	-	-	-	825,197	825,197
Net Profit	**1,513,727**	**1,675,434**	**(328,710)**	**219,114**	**3,079,565**
Segment Assets	66,341,786	143,338,091	95,545,885	13,431,883	318,657,645
Investments in Associates and Subsidiaries	-	-	-	6,574,629	6,574,629
Total Assets	**66,341,786**	**143,338,091**	**95,545,885**	**20,006,512**	**325,232,274**
Segment Liabilities	118,171,969	74,209,246	84,161,479	7,358,370	283,901,064
Shareholders' Equity	-	-	-	41,331,210	41,331,210
Total Liabilities and Shareholders' Equity	**118,171,969**	**74,209,246**	**84,161,479**	**48,689,580**	**325,232,274**

3.24 Profit reserves and profit appropriation

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

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

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

3.25 Earnings per share

Earnings per share disclosed in the statement of profit or loss, are calculated by dividing net profit by the weighted average number of shares outstanding during the year concerned.

	30 June 2018	*30 June 2017*
Distributable net profit for the year	3,903,566	3,079,565
Average number of issued common shares (thousand)	420,000,000	420,000,000
Earnings per share (amounts presented full TL)	0.00929	0.00733

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

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

3.26 Related parties

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

3.27 Cash and cash equivalents

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

(Thousands of Turkish Lira (TL))

3.28 Reclassifications

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

ASSETS	*Note*	*31.12.2017*	*TFRS9 Reclassification Effect*	*TFRS9 Measurement Effect*	*01.01.2018*
FINANCIAL ASSETS (Net)		**98,659,446**	**(160,346)**	**590,429**	**99,089,529**
Cash and Cash Equivalents		47,730,976	-	-	47,730,976
Cash and Balances with Central Bank		*33,412,503*	-	-	*33,412,503*
Banks		*14,318,473*	-	-	*14,318,473*
Money Market Placements		-	-	-	-
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	(1),(2)	2,650,150	(1,703,456)	(5,665)	941,029
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	(2)	-	25,321,008	589,804	25,910,812
Financial Assets Measured at Amortised Cost	(3)	-	22,198,177	(130,037)	22,068,140
Derivative Financial Assets	(1)	-	2,462,591	-	2,462,591
Non Performing Financial Assets		-	-	-	-
Expected Credit Losses (-)	(7)		160,346	(136,327)	24,019
FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	(2)	22,744,702	(22,744,702)	-	-
INVESTMENTS HELD-TO-MATURITY (Net)	(2),(3)	24,885,343	(24,885,343)	-	-
DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT	(1)	648,275	(648,275)	-	-
LOANS (Net)		**209,679,877**	**(2,990,451)**	**(340,772)**	**206,348,654**
Loans	(4)	208,631,000	-	-	208,631,000
Performing Loans	(4)	*192,038,331*	*(17,995,131)*	-	*174,043,200*
Loans under Follow-up	(4)	*16,592,669*	*17,995,131*	-	*34,587,800*
Lease Receivables		-	-	-	-
Factoring Receivables		-	-	-	-
Non Performing Receivables		5,408,114	-	-	5,408,114
Expected Credit Losses (-)	(7)	4,359,237	2,990,451	340,772	7,690,460
12-Month ECL (Stage 1)			*1,622,511*	*(855,815)*	*766,696*
Lifetime ECL Significant Increase in Credit Risk (Stage 2)			*1,367,940*	*1,886,312*	*3,254,252*
Lifetime ECL Impaired Credits (Stage 3)		*4,359,237*		*(689,725)*	*3,669,512*
ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)		**775,428**	**-**	**-**	**775,428**
OWNERSHIP INVESTMENTS (Net)		**6,574,629**	**-**	**(353,654)**	**6,220,975**
Associates (Net)		35,158	-	-	35,158
Subsidiaries (Net)	(7)	6,539,471	-	(353,654)	6,185,817
Joint Ventures (Net)		-	-	-	-
TANGIBLE ASSETS (Net)		**3,769,379**	**-**	**-**	**3,769,379**
INTANGIBLE ASSETS (Net)		**285,654**	**-**	**-**	**285,654**
INVESTMENT PROPERTY (Net)		**690,588**	**-**	**-**	**690,588**
CURRENT TAX ASSET	(8)	**-**	**-**	**-**	-
DEFERRED TAX ASSET	(8)	**356,684**	**-**	**899,311**	**1,255,995**
OTHER ASSETS	(7)	**4,440,589**	**(12,660)**	**11,545**	**4,439,474**
TOTAL ASSETS		**325,232,274**	**(3,163,457)**	**806,859**	**322,875,676**

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

(1) The Bank does not have any financial assets which do not meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. As of 1 January 2018, the Bank classified “Derivative Financial Assets Held for Trading”

and “Derivative Financial Assets Held for Hedging Purpose” in the prior year financial statements amounting to TL 1,814,316 thousands and TL 648,275 thousands, respectively into “Derivative Financial Assets”. Besides, the Bank classified investment funds amounting to TL 110,860 thousands from “Available for Sale Financial Assets” in the prior year financial statements into “Financial Assets at Fair Value through Profit or Loss” as of 1 January 2018, and the corresponding allowance allocated for such funds amounting to TL 5,665 thousands is also classified into “Financial Assets at Fair Value through Profit or Loss”.

(2) As of 1 January 2018, the Bank classified debt securities previously classified as “Available for Sale Financial Assets” and “Investments Held to Maturity” amounting to TL 22,744,702 thousands (excluding investment funds amounting to TL 110,860 thousands) and TL 2,687,166 thousands respectively into “Financial Assets Measured at Fair Value through Other Comprehensive Income” due to the fact that they are assessed within the scope of a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of such financial assets meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. On the other hand, the Bank classified some equity instruments previously classified as "Available-for-Sale Financial Assets" into “Financial Assets Measured at Fair Value through Other Comprehensive Income” irrevocably.

(3) As of 1 January 2018, the Bank classified debt securities amounting to TL 22,198,177 previously classified as “Investments Held to Maturity” into “Financial Assets Measured at Amortised Cost” due to the fact that they are assessed within the scope of a business model whose objective is to hold assets in order to collect contractual payments and the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(4) As of 1 January 2018, the Bank does not have any loan balance which does not meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Bank classified a loan balance previously classified as “Performing Loans” amounting to TL 17,995,131 thousands as “Loans under Follow-up” due to having significant increase in credit risk as explained in the accounting policies section in details.

(Thousands of Turkish Lira (TL))

LIABILITIES AND SHAREHOLDERS' EQUITY	*Note*	*31.12.2017*	*TFRS9 Reclassification Effect*	*TFRS9 Measurement Effect*	*01.01.2018*
DEPOSITS		**181,116,005**	-	-	**181,116,005**
FUNDS BORROWED	(5)	**40,804,823**	**(9,299,301)**	-	**31,505,522**
MONEY MARKET FUNDS		**16,664,588**	-	-	**16,664,588**
SECURITIES ISSUED (NET)	(5)	**19,291,360**	**(34,983)**	-	**19,256,377**
FUNDS		-		-	-
FINANCIAL LIABILITIES MEASURED AT FVTPL	(5)		**9,334,284**		**9,334,284**
DERIVATIVE FINANCIAL LIABILITIES	(6)	-	**2,932,800**	-	**2,932,800**
Derivative Financial Liabilities Measured at FVTPL		-	2,930,721	-	2,930,721
Derivative Financial Liabilities Measured at FVOCI		-	2,079	-	2,079
DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(6)	**2,752,730**	**(2,752,730)**	-	-
DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	(6)	**180,070**	**(180,070)**	-	-
FACTORING PAYABLES		-	-	-	-
LEASE PAYABLES (Net)		**6,939**	-	-	**6,939**
PROVISIONS		**6,306,654**	**(3,163,458)**	**(134,249)**	**3,008,947**
General Provisions	(7)	3,597,720	(3,597,720)	-	
Restructuring Reserves		-	-	-	-
Reserve for Employee Benefits		852,817	-	-	852,817
Insurance Technical Provisions (Net)		-	-	-	-
Other Provisions	(7)	1,856,117	434,262	(134,249)	2,156,130
CURRENT TAX LIABILITY	(8)	**1,087,978**		**150,566**	**1,238,544**
DEFERRED TAX LIABILITY		-	-	-	-
LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)		-	-	-	-
SUBORDINATED DEBTS		**2,849,471**	-	-	**2,849,471**
OTHER LIABILITIES	(9)		**12,840,447**	-	**12,840,447**
MISCELLANEOUS PAYABLES	(9)	**9,973,896**	**(9,973,896)**	-	
OTHER EXTERNAL FUNDINGS PAYABLE	(9)	**2,866,550**	**(2,866,550)**	-	
SHAREHOLDERS' EQUITY	(8)	**41,331,210**	-	**790,542**	**42,121,752**
Paid-in Capital		4,200,000	-	-	4,200,000
Capital Reserves		3,583,312	(227,994)	393,233	3,748,551
Share Premium		*11,880*	-	-	*11,880*
Share Cancellation Profits		-	-	-	-
Other Capital Reserves		*629,562*	*142,992*	-	*772,554*
Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss		-	*1,349,344*	-	*1,349,344*
Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		-	*1,221,540*	*393,233*	*1,614,773*
Securities Value Increase Fund		*1,520,752*	*(1,520,752)*	-	-
Revaluation Surplus on Tangible Assets		*1,659,472*	*(1,659,472)*	-	-
Revaluation Surplus on Intangible Assets		-	-	-	-
Revaluation Surplus on Investment Property		-	-	-	-
Bonus Shares of Associates, Subsidiaries and Joint-Ventures		*1,856*	*(1,856)*	-	-
Hedging Reserves (effective portion)		*(240,210)*	*240,210*	-	-
Revaluation Surplus on Assets held for Sale and Assets of Discontinued Operations		-	-	-	-
Profit Reserves		27,203,978	227,994	-	27,431,972
Legal Reserves		*1,311,374*	-	-	*1,311,374*
Status Reserves		-	-	-	-
Extraordinary Reserves		*25,659,125*	-	-	*25,659,125*
Other Profit Reserves		*233,479*	*227,994*	-	*461,473*
Profit/Loss		6,343,920	-	397,309	6,741,229
Prior Periods' Profit/Loss		-	-	*397,309*	*397,309*
Current Period's Net Profit/Loss		*6,343,920*	-	-	*6,343,920*
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**325,232,274**	**(3,163,457)**	**806,859**	**322,875,676**

(5) As of 1 January 2018, the Bank classified securitisation loans amounting to TL 9,299,301 thousands previously classified under "Funds Borrowed" and "Securities Issued" amounting to TL 34,983 thousands in the prior year financial statements into "Financial Liabilities Measured at Fair Value through Profit or Loss".

(6) As of 1 January 2018, the Bank classified "Derivative Financial Liabilities Held for Trading" and " Derivative Financial Liabilities Held for Hedging Purpose" in the prior year financial statements

amounting to TL 2,752,730 thousands and TL 180,070 thousands, respectively into "Derivative Financial Liabilities".

(7) As of 1 January 2018, the Bank classified expected losses calculated based on TFRS 9 into the relevant line items through reversing "General Provision" amount in the prior year financial statements. While the Bank classifies expected losses calculated for financial assets and loans in the relevant expected losses line items under assets as per TFRS 9, expected losses calculated for non-cash loans are classified as "Other Provisions" under liabilities. Expected losses allocated for other assets are also classified on the relevant line item on a net basis.

(8) As of 1 January 2018, due to first time adoption of TFRS 9, total shareholders' equity figure of the Bank increased by TL 790,542 thousands (after tax) composing of positive classification impact of financial assets amounting to TL 454,101 thousands, negative expected credit losses calculation impact amounting to TL 58,650 thousands, positive current and deferred tax impact amounting to TL 748,745 thousands and negative subsidiaries transition impact amounting to TL 353,654 thousands.

(9) As of 1 January 2018, the Bank classified miscellaneous payables amounting to TL 9,973,896 thousands and other external fundings amounting to TL 2,866,550 thousands into "Other Liabilities".

3.29 Other disclosures

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

3.29.1 Forwards, options and other derivative transactions

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

3.29.1.1 Derivative financial instruments held for trading

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

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

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

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

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

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

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

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

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

3.29.1.2 Derivative financial instruments held for hedging purposes

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

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

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

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

3.29.2 Interest income and expenses

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

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

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

3.29.3 Fees and commissions

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

3.29.4 Financial assets

3.29.4.1 Financial assets at fair value through profit or loss

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

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

3.29.4.2 Investments held-to-maturity, financial assets available-for-sale and loans and receivables

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

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

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

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

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

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

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

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

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

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

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

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

3.29.5 Impairment of financial assets

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

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

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

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

3.29.6 Netting and derecognition of financial instruments

3.29.6.1 Netting of financial instruments

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

3.29.6.2 Derecognition of financial assets

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

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

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.

(Thousands of Turkish Lira (TL))

4 Financial Position and Results of Operations and Risk Management

4.1 Total capital

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

4.1.1 Components of total capital

Current Period	*Amount*	*Amount as per the regulation before 1/1/2014* (*)
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	32,067,036	
Other Comprehensive Income according to TAS	3,887,017	
Profit	4,300,875	
Current Period's Profit	3,903,566	
Prior Periods' Profit	397,309	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	1,855	
Common Equity Tier I Capital Before Deductions	**45,241,217**	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	1,272,810	
Leasehold Improvements on Operational Leases (-)	151,330	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	263,179	263,179
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 (-)	2,053	
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 the10% 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 (-)	-	

	Amount	*Amount as per the regulation before 1/1/2014* (*)
Total Deductions from Common Equity Tier I Capital	**1,689,372**	
Total Common Equity Tier I Capital	**43,551,845**	
ADDITIONAL TIER I CAPITAL		
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)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
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 (-)	-	
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	
Total Deductions from Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	**43,551,845**	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	3,422,775	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	3,054,840	
Total Deductions from Tier II Capital	**6,477,615**	
Deductions from Tier II Capital	-	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	**6,477,615**	
Total Equity (Total Tier I and Tier II Capital)	**50,029,460**	
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	11	

(Thousands of Turkish Lira (TL))

	Amount	***Amount as per the regulation before 1/1/2014*** [(*)]
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	
Other items to be Defined by the BRSA (-)	18,151	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	-	
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 (-)	-	
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	**50,011,298**	
Total Risk Weighted Assets	**278,016,992**	
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	**15.67**	
Tier I Capital Ratio (%)	**15.67**	
Capital Adequacy Ratio (%)	**17.99**	
BUFFERS		
Total Additional CET1 Capital Requirement Ratio (a+b)	1.90	
a) Bank-specific total CET1 Capital Ratio	1.875	
b) Capital Conservation Buffer Ratio (%)	0.02	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	9.51	
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	
Remaining Mortgage Servicing Rights	-	
Net Deferred Tax Assets arising from Temporary Differences	1,313,627	
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	5,336,909	
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3,054,840	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	

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

(Thousands of Turkish Lira (TL))

Prior Period	***Amount***	***Amount as per the regulation before 1/1/2014 (*)***
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	27,203,978	
Other Comprehensive Income according to TAS	3,605,548	
Profit	6,343,920	
Current Period Profit	6,343,920	
Prior Period Profit	-	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	1,856	
Common Equity Tier I Capital Before Deductions	**42,139,736**	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	919,235	-
Leasehold Improvements on Operational Leases (-)	120,406	-
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	209,304	261,630
Net Deferred Tax Asset/Liability (-)	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank’s liabilities’ fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	1,394	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the10% 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 (-)	-	

	Amount	*Amount as per the regulation before 1/1/2014 (*)*
Total Deductions from Common Equity Tier I Capital	**1,250,339**	
Total Common Equity Tier I Capital	**40,889,397**	
ADDITIONAL TIER I CAPITAL		
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)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
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 (-)	-	
Items to be Deducted from Tier I Capital during the Transition Period	-	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	52,326	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	**40,837,071**	
TIER II CAPITAL	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	2,831,850	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2,757,502	
Total Deductions from Tier II Capital	**5,589,352**	
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	
Total Tier II Capital	**5,589,352**	
Total Equity (Total Tier I and Tier II Capital)	**46,426,423**	
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	5	

(Thousands of Turkish Lira (TL))

	Amount	***Amount as per the regulation before 1/1/2014 (*)***
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	
Other items to be Defined by the BRSA (-)	30,874	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	-	
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 (-)	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	**46,395,544**	**-**
Total Risk Weighted Assets	**248,337,281**	**-**
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	**16.47**	**-**
Tier I Capital Ratio (%)	**16.44**	**-**
Capital Adequacy Ratio (%)	**18.68**	**-**
BUFFERS		
Total Additional CET1 Capital Requirement Ratio (a+b)	1.27	
c) Bank-specific total CET1 Capital Ratio	1.250	-
d) Capital Conservation Buffer Ratio (%)	0.02	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	10.29	-
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	380,708	-
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	3,597,720	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2,757,502	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

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

(Thousands of Turkish Lira (TL))

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

4.1.2 Items included in capital calculation

Current Period	***Information about instruments included in total capital calculation***
Issuer	T. Garanti Bankası A.Ş.
Identifier (CUSIP, ISIN vb.)	Reg S: ISIN: XS1617531063 Common Code: 161753106 144A: CUSIP: 900148 AE7 ISIN: US900148AE73 Common Code: 161752479
Governing law (s) of the instrument	Subject to English Law and in terms of certain articles to Turkish Regulations. It is issued within the scope of the Communiqué VII-128.8 on Debt Instruments of the Capital Markets Board and the Regulation on Bank Capital of the BRSA.
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	No
Eligible on unconsolidated and /or consolidated basis	Eligible on unconsolidated and consolidated
Instrument type	Subordinated debt instruments (Notes)
Amount recognized in regulatory capital (Currency in TL million, as of most recent reporting date)	3,423
Nominal value of instrument (TL million)	3,423
Accounting classification of the instrument	34701 – Secondary Subordinated Loans
Issuance date of instrument	23.05.2017
Maturity structure of the instrument (demand/time)	Time
Original maturity of the instrument	24.05.2027
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	24.05.2022 - USD750,000,000.00
Subsequent call dates, if applicable	-
Interest/dividend payment*	
Fixed or floating coupon/dividend payments	Fixed
Coupon rate and any related index	6.1250%
Existence of any dividend payment restriction	None
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	None
Convertible into equity shares	None
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, type of instrument convertible into	-
If convertible, issuer of instrument to be converted into	-
Write-down feature	Yes
If bonds can be written-down, write-down trigger(s)	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked and the Bank is liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable), or (iii) it is probable that the Issuer will become non-viable; then the bonds can be written-down.
If bond can be written-down, full or partial	Partially or fully
If bond can be written-down, permanent or temporary	Continuously
If temporary write-down, description of write-up mechanism	There are no any temporary write-up mechanisms.
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	In priority of receivables, it comes after the senior obligations of the Issuer.
In compliance with article number 7 and 8 of Regulation on Bank Capital	Instrument is in compliant with Article 8 of the Regulation on Bank Capital.
Details of incompliances with article number 7 and 8 of Regulation on Bank Capital	Instrument is not in compliant with Article 7 of the Regulation on Bank Capital.

(Thousands of Turkish Lira (TL))

Period Period	***Information about instruments included in total capital calculation***
Issuer	T. Garanti Bankası A.Ş.
Identifier (CUSIP, ISIN vb.)	Reg S: ISIN: XS1617531063 Common Code: 161753106 144A: CUSIP: 900148 AE7 ISIN: US900148AE73 Common Code: 161752479
Governing law (s) of the instrument	Subject to English Law and in terms of certain articles to Turkish Regulations. It is issued within the scope of the Communiqué VII-128.8 on Debt Instruments of the Capital Markets Board and the Regulation on Bank Capital of the BRSA.
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	No
Eligible on unconsolidated and /or consolidated basis	Eligible on unconsolidated and consolidated
Instrument type	Subordinated debt instruments (Notes)
Amount recognized in regulatory capital (Currency in TL million, as of most recent reporting date)	2,832
Nominal value of instrument (TL million)	2,832
Accounting classification of the instrument	34701 – Secondary Subordinated Loans
Issuance date of instrument	23.05.2017
Maturity structure of the instrument (demand/time)	Time
Original maturity of the instrument	24.05.2027
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	24.05.2022 - USD750,000,000.00
Subsequent call dates, if applicable	-
Interest/dividend payment*	
Fixed or floating coupon/dividend payments	Fixed
Coupon rate and any related index	6.1250%
Existence of any dividend payment restriction	None
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	None
Convertible into equity shares	None
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, type of instrument convertible into	-
If convertible, issuer of instrument to be converted into	-
Write-down feature	Yes
If bonds can be written-down, write-down trigger(s)	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked and the Bank is liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable), or (iii) it is probable that the Issuer will become non-viable; then the bonds can be written-down.
If bond can be written-down, full or partial	Partially or fully
If bond can be written-down, permanent or temporary	Continuously
If temporary write-down, description of write-up mechanism	There are no any temporary write-up mechanisms.
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	In priority of receivables, it comes after the senior obligations of the Issuer.
In compliance with article number 7 and 8 of Regulation on Bank Capital	Instrument is in compliant with Article 8 of the Regulation on Bank Capital.
Details of incompliances with article number 7 and 8 of Regulation on Bank Capital	Instrument is not in compliant with Article 7 of the Regulation on Bank Capital.

(Thousands of Turkish Lira (TL))

4.1.3 Reconciliation of capital items to balance sheet

Current Period	*Carrying value*	*Amount of correction*	*Value of the capital report*	*Explanation of differences*
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	784,434	(772,554)	11,880	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Other Capital Reserves	772,554	(772,554)	-	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	-	-	-	
Share Premium	11,880	-	11,880	
Other Comprehensive Income/Expenses in Shareholders' Equity as per TMS	2,893,536	(277,474)	2,616,062	Items not included in the calculation as per Regulation's Article 9-1-f
Other Comprehensive Income/Expense Items not to be Recycled to Profit/Loss	1,381,617	-	1,381,617	
Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss	1,511,919	(277,474)	1,234,445	Items not included in the calculation as per Regulation's Article 9-1-f
Profit Reserves	32,067,036	-	32,067,036	
Profit or Loss	4,300,875	-	4,300,875	
Prior Periods' Profit/Loss	397,309	-	397,309	
Current Period Net Profit/Loss	3,903,566	-	3,903,566	
Deductions from Common Equity Tier I Capital (-)	-	-	416,562	Deductions from Common Equity Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	**41,352,345**	-	**43,551,845**	
Subordinated Debts	-	-	-	
Deductions from Tier I Capital (-)	-		-	Deductions from Tier 1 Capital as per the Regulation
Tier I Capital	**-**		**43,551,845**	
Subordinated Debts			3,422,775	
General Provisions			3,054,840	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
Tier II Capital			**6,477,615**	
Deductions from Total Capital (-)			18,162	Deductions from Capital as per the Regulation
Total			**50,011,298**	

(Thousands of Turkish Lira (TL))

Prior Period	***Carrying value***	***Amount of correction***	***Value of the capital report***	***Explanation of differences***
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation’s Temporary Article 1
Capital Reserves	3,583,312	(883,263)	2,700,049	
Other Comprehensive Income According to TAS	3,569,576	(883,263)	2,686,313	
Securities Value Increase Fund	1,520,752	-	1,520,752	
Revaluation Surplus on Tangible Assets	1,659,472	-	1,659,472	
Revaluation Surplus on Intangible Assets	-	-	-	
Revaluation Surplus on Investment Property	-	-	-	
Hedging Reserves (Effective Portion)	(240,210)	(110,709)	(350,919)	Items not included in the calculation as per Regulation’s Article 9-1-f
Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	-	-	-	
Other Capital Reserves	629,562	(772,554)	(142,992)	Inflation adjustments included in Paid-in Capital according to Regulation’s Temporary Article 1
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	1,856	-	1,856	
Share Premium	11,880	-	11,880	
Profit Reserves	27,203,978	-	27,203,978	
Profit or Loss	6,343,920	-	6,343,920	
Prior Periods Profit/Loss	-	-	-	
Current Period Net Profit/Loss	6,343,920	-	6,343,920	
Deductions from Common Equity Tier I Capital (-)	-		331,104	Deductions from Common Equity Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	**41,331,210**		**40,889,397**	
Subordinated Debts			-	
Deductions from Tier I Capital (-)			52,326	Deductions from Tier 1 Capital as per the Regulation
Tier I Capital			**40,837,071**	
Subordinated Debts			2,831,850	
General Provisions			2,757,502	General Loan Provision added to Tier II Capital as per the Regulation’s Article 8
Deductions from Tier II Capital (-)			-	
Tier II Capital			**5,589,352**	
Deductions from Total Capital (-)			30,879	Deductions from Capital as per the Regulation
Total			**46,395,544**	

(Thousands of Turkish Lira (TL))

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 2018, the Bank's net 'on balance sheet' foreign currency short position amounts to TL 28,581,425 thousands (31 December 2017: TL 22,522,332 thousands), net 'off-balance sheet' foreign currency long position amounts to TL 27,766,246 thousands (31 December 2017: TL 24,944,380 thousands), while net foreign currency short open position amounts to TL 815,179 thousands (31 December 2017: TL 2,392,048 thousands).

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

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

	USD	EUR
Foreign currency purchase rates at balance sheet date	4.5637	5.3271
Exchange rates for the days before balance sheet date:		
Day 1	4.5637	5.3271
Day 2	4.5864	5.3119
Day 3	4.5908	5.3257
Day 4	4.6171	5.3868
Day 5	4.6691	5.4549
Last 30-days arithmetical average rates	4.6019	5.3836

(Thousands of Turkish Lira (TL))

The Bank's currency risk:

Current Period	EUR	USD	Other FCs	Total
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	3,890,933	15,796,453	7,052,876	26,740,262
Banks	9,523,588	7,786,510	812,399	18,122,497
Financial Assets Measured at Fair Value through Profit/Loss	89,755	44,311	-	134,066
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	69,357	5,613,120	-	5,682,477
Loans (*)	34,202,017	47,757,774	1,067,171	83,026,962
Investments in Associates, Subsidiaries and Joint-Ventures	4,245,410	-	-	4,245,410
Financial Assets Measured at Amortised Cost	12,388	5,971,011	-	5,983,399
Derivative Financial Assets Held for Hedging Purpose	1,899	323,396	-	325,295
Tangible Assets	-	289	-	289
Intangible Assets	-	-	-	-
Other Assets	415,949	1,437,880	7,525	1,861,354
Total Assets	**52,451,296**	**84,730,744**	**8,939,971**	**146,122,011**
Liabilities				
Bank Deposits	3,509,617	1,102,033	199,505	4,811,155
Foreign Currency Deposits	29,476,490	68,533,648	2,638,318	100,648,456
Money Market Funds	-	-	-	-
Other Fundings (**)	11,813,964	33,790,273	5,262	45,609,499
Securities Issued (***)	2,987,681	15,109,943	143,968	18,241,592
Miscellaneous Payables	85,560	293,105	16,089	394,754
Derivative Financial Liabilities Held for Hedging Purpose	32,730	6,834	-	39,564
Other Liabilities (****)	557,162	1,624,273	2,776,981	4,958,416
Total Liabilities	**48,463,204**	**120,460,109**	**5,780,123**	**174,703,436**
Net 'On Balance Sheet' Position	**3,988,092**	**(35,729,365)**	**3,159,848**	**(28,581,425)**
Net 'Off-Balance Sheet' Position	**(798,040)**	**31,770,179**	**(3,205,893)**	**27,766,246**
Derivative Financial Assets	13,962,515	83,922,168	2,822,897	100,707,580
Derivative Financial Liabilities	14,760,555	52,151,989	6,028,790	72,941,334
Non-Cash Loans	-	-	-	-
Prior Period				
Total Assets	**51,241,826**	**70,641,352**	**8,559,947**	**130,443,125**
Total Liabilities	**38,232,044**	**109,623,758**	**5,139,655**	**152,995,457**
Net 'On Balance Sheet' Position	**13,009,782**	**(38,982,406)**	**3,420,292**	**(22,552,332)**
Net 'Off-Balance Sheet' Position	**(10,350,797)**	**38,733,837**	**(3,438,660)**	**24,944,380**
Derivative Assets	8,549,883	77,928,229	2,448,005	88,926,117
Derivative Liabilities	18,900,680	39,194,392	5,886,665	63,981,737
Non-Cash Loans	-	-	-	-

(*) The foreign currency-indexed loans amounting TL 6,033,729 thousands included under TL loans in the accompanying balance sheet are presented above under the related foreign currency codes.

(**) Includes funds presented under financial liabilities amounting TL 9,834,484 thousands measured at fair value through profit or loss in balance sheet.

(***) Includes securities issued having qualification of subordinated loan presented under subordinated debts and securities issued amounting to TL 41,433 thousands presented under financial liabilities measured at FVTPL in the balance sheet.

(****) Other liabilities include gold deposits of TL 2,751,635 thousands.

(Thousands of Turkish Lira (TL))

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 Assesment Commitee 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)

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing (*)	Total
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	17,553,846	-	-	-	-	13,209,965	30,763,811
Banks	6,175,920	912,740	1,636,130	-	-	10,652,973	19,377,763
Financial Assets Measured at Fair Value through Profit/Loss	10,590	6,367	8,952	118,517	162,393	104,893	411,712
Money Market Placements	-	-	-	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	2,158,720	6,299,686	4,306,931	4,493,595	3,980,192	2,271,295	23,510,419
Loans	51,097,613	25,948,103	70,285,963	65,469,582	13,730,659	1,857,331	228,389,251
Financial Assets Measured at Amortised Cost	2,143,156	1,340,441	8,891,122	334,916	5,276,272	3,850,890	21,836,797
Other Assets	1	-	-	150,370	-	24,703,602	24,853,973
Total Assets	**79,139,846**	**34,507,337**	**85,129,098**	**70,566,980**	**23,149,516**	**56,650,949**	**349,143,726**
Liabilities							
Bank Deposits	315,608	-	20,000	-	-	5,190,581	5,526,189
Other Deposits	111,608,383	22,508,234	14,033,860	710,786	-	51,671,137	200,532,400
Money Market Funds	4,971,343	76	-	-	-	10,151	4,981,570
Miscellaneous Payables	-	-	-	-	-	10,865,556	10,865,556
Securities Issued (**)	1,503,499	3,121,428	500,196	14,145,334	4,500,851	463,857	24,235,165
Other Fundings	20,578,190	10,264,354	14,912,770	664,093	45,100	17,532	46,482,039
Other Liabilities	359	6,281	7,476	1,844	-	56,504,847	56,520,807
Total Liabilities	**138,977,382**	**35,900,373**	**29,474,302**	**15,522,057**	**4,545,951**	**124,723,661**	**349,143,726**
On Balance Sheet Long Position	**-**	**-**	**55,654,796**	**55,044,923**	**18,603,565**	**-**	**129,303,284**
On Balance Sheet Short Position	**(59,837,536)**	**(1,393,036)**	**-**	**-**	**-**	**(68,072,712)**	**(129,303,284)**
Off-Balance Sheet Long Position	**15,244,823**	**10,823,062**	**16,060,693**	**3,155,322**	**8,047,593**	**-**	**53,331,493**
Off-Balance Sheet Short Position	**(1,699,487)**	**(3,212,207)**	**(14,298,595)**	**(18,301,113)**	**(15,395,906)**	**-**	**(52,907,308)**
Total Position	**(46,292,200)**	**6,217,819**	**57,416,894**	**39,899,132**	**11,255,252**	**(68,072,712)**	**424,185**

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

(**) Includes securities issued having qualification of subordinated loan presented under subordinated debts and securities issued amounting to TL 41,433 thousands presented under financial liabilities measured at FVTPL in the balance sheet.

(Thousands of Turkish Lira (TL))

Prior Period	**Up to 1 Month**	**1-3 Months**	**3-12 Months**	**1-5 Years**	**5 Years and Over**	**Non-Interest Bearing (*)**	**Total**
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	15,356,607	-	-	-	-	18,055,896	33,412,503
Banks	4,018,738	836,682	1,435,693	-	-	8,027,360	14,318,473
Financial Assets at Fair Value through Profit/Loss	7,228	319,649	146,181	342,960	17,355	1,816,777	2,650,150
Interbank Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	3,369,418	5,915,862	6,784,329	3,014,432	1,089,034	2,571,627	22,744,702
Loans	48,291,162	21,944,937	63,901,442	58,658,807	12,516,361	4,367,168	209,679,877
Investments Held-to-Maturity	983,796	2,557,519	6,615,860	3,706,564	7,446,829	3,574,775	24,885,343
Other Assets	7,699	-	-	21,530	-	17,511,997	17,541,226
Total Assets	**72,034,648**	**31,574,649**	**78,883,505**	**65,744,293**	**21,069,579**	**55,925,600**	**325,232,274**
Liabilities							
Bank Deposits	106,924	-	195,414	-	-	896,626	1,198,964
Other Deposits	100,799,685	18,720,599	15,112,628	15,217	32	45,268,880	179,917,041
Interbank Money Market Takings	16,650,220	-	-	-	-	14,368	16,664,588
Miscellaneous Payables	-	-	-	-	-	9,973,896	9,973,896
Securities Issued (**)	1,882,236	2,903,078	1,161,863	10,051,508	5,762,095	380,051	22,140,831
Other Fundings	18,534,278	7,575,524	9,486,746	4,700,259	338,258	169,758	40,804,823
Other Liabilities	5,887	8,317	14,954	2,581	-	54,500,392	54,532,131
Total Liabilities	**137,979,230**	**29,207,518**	**25,971,605**	**14,769,565**	**6,100,385**	**111,203,971**	**325,232,274**
On Balance Sheet Long Position	**-**	**2,367,131**	**52,911,900**	**50,974,728**	**14,969,194**	**-**	**121,222,953**
On Balance Sheet Short Position	**(65,944,582)**	**-**	**-**	**-**	**-**	**(55,278,371)**	**(121,222,953)**
Off-Balance Sheet Long Position	**11,194,041**	**8,478,415**	**15,792,731**	**3,027,985**	**5,154,466**	**-**	**43,647,638**
Off-Balance Sheet Short Position	**(1,436,494)**	**(3,920,972)**	**(12,408,103)**	**(15,011,305)**	**(10,911,130)**	**-**	**(43,688,004)**
Total Position	**(56,187,035)**	**6,924,574**	**56,296,528**	**38,991,408**	**9,212,530**	**(55,278,371)**	**(40,366)**

(*) Interest accruals are also included in non-interest bearing column.
(**) Includes subordinated securities issued and presented under subordinated debts in balance sheet.

(Thousands of Turkish Lira (TL))

4.4.2 Average interest rates on monetary financial instruments (%)

Current Period	EUR	USD	JPY	TL
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	1.44	-	4.58
Banks	0.07	2.03	-	17.64
Financial Assets Measured at Fair Value through Profit/Loss	3.54	6.57	-	14.45
Money Market Placements				
Financial Assets Measured at Fair Value through Other Comprehensive Income	4.41	5.72	-	14.49
Loans	4.23	6.79	-	18.20
Financial Assets Measured at Amortised Cost	0.25	5.23	-	15.00
Liabilities				
Bank Deposits	-	-	-	13.26
Other Deposits	0.73	2.32	1.50	10.65
Money Market Funds	-	-	-	17.64
Miscellaneous Payables	-	-	-	-
Securities Issued	3.65	5.63	-	15.6
Other Fundings	1.38	4.08	-	8.19

Prior Period	EUR	USD	JPY	TL
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	1.32	-	2.54
Banks	0.02	1.43	-	8.56
Financial Assets at Fair Value through Profit/Loss	1.99	5.77	-	12.06
Interbank Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	-	5.31	-	12.31
Loans	4.15	6.21	-	16.58
Investments Held-to-Maturity	-	5.57	-	12.81
Liabilities				
Bank Deposits	-	1.00	-	11.39
Other Deposits	0.76	2.23	1.45	9.30
Interbank Money Market Takings	-	1.50	-	12.68
Miscellaneous Payables	-	-	-	-
Securities Issued	3.65	5.67	-	13.08
Other Fundings	1.37	3.29	-	8.43

(Thousands of Turkish Lira (TL))

4.5 Position risk of equity securities in banking book

4.5.1 Equity shares in associates and subsidiaries

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

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

Current Period		Comparison		
Equity Securities (shares)		**Carrying Value**	**Fair Value(*)**	**Market Value**
1	**Investment in Shares- Grade A**	**6,121,136**	**6,008,887**	**93,699**
	Quoted Securities	81,363	81,363	93,699
2	**Investment in Shares- Grade B**	**99,733**	**74,176**	**92,331**
	Quoted Securities	74,176	74,176	92,331
3	**Investment in Shares- Grade C**	**662**	**-**	**-**
	Quoted Securities	-	-	-
4	**Investment in Shares- Grade D**	**-**	**-**	**-**
	Quoted Securities	-	-	-
5	**Investment in Shares- Grade E**	**1,014**	**-**	**-**
	Quoted Securities	-	-	-
6	**Investment in Shares- Grade F**	**48**	**-**	**-**
	Quoted Securities	-	-	-

Prior Period		Comparison		
Equity Securities (shares)		**Carrying Value**	**Fair Value(*)**	**Market Value**
1	**Investment in Shares- Grade A**	**6,464,188**	**6,351,939**	**130,538**
	Quoted Securities	91,216	91,216	130,538
2	**Investment in Shares- Grade B**	**108,717**	**83,160**	**128,632**
	Quoted Securities	83,160	83,160	128,632
3	**Investment in Shares- Grade C**	**662**	**-**	**-**
	Quoted Securities	-	-	-
4	**Investment in Shares- Grade D**	**-**	**-**	**-**
	Quoted Securities	-	-	-
5	**Investment in Shares- Grade E**	**1,014**	**-**	**-**
	Quoted Securities	-	-	-
6	**Investment in Shares- Grade F**	**48**	**-**	**-**
	Quoted Securities	-	-	-

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

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

Current Period		**Gains/Losses in Current Period**	**Revaluation Surpluses**		**Unrealised Gains and Losses**	
Portfolio			**Total**	**Amount in Tier I Capital(*)**	**Total**	**Amount in Tier I Capital(*)**
1	Private Equity Investments	-	-	-	-	-
2	Quoted Shares	-	70,286	70,286	-	70,286
3	Other Shares	-	3,149,700	3,149,700	-	3,149,700
	Total	**-**	**3,219,986**	**3,219,986**	**-**	**3,219,986**

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

(Thousands of Turkish Lira (TL))

Prior Period		Gains/Losses in Current Period	Revaluation Surpluses		Unrealised Gains and Losses	
Portfolio			**Total**	**Amount in Tier I Capital(*)**	**Total**	**Amount in Tier I Capital(*)**
1	Private Equity Investments	-	-	-	-	-
2	Quoted Shares	-	89,124	89,124	89,124	-
3	Other Shares	-	3,863,659	3,863,659	3,863,659	-
	Total	**-**	**3,952,783**	**3,952,783**	**3,952,783**	**-**

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

4.5.4 Capital requirement as per equity shares

	Current Period			
	Portfolio	**Carrying Value**	**RWA Total**	**Minimum Capital Requirement**
1	Private Equity Investments	-	-	-
2	Quoted Shares	155,539	155,539	12,443
3	Other Shares	6,067,054	6,067,054	485,364
	Total	**6,222,593**	**6,222,593**	**497,807**

	Prior Period			
	Portfolio	**Carrying Value**	**RWA Total**	**Minimum Capital Requirement**
1	Private Equity Investments	-	-	-
2	Quoted Shares	174,376	174,376	13,950
3	Other Shares	6,400,253	6,400,253	512,020
	Total	**6,574,629**	**6,574,629**	**525,970**

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

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

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

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

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

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

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

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

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

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

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

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

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

There exists "Liquidity Emergency Plan" in the Bank that was approved by the Board or Directors, including mechanisms to prevent increase in liquidity risk scenarios for different conditions and levels. Available liquidity sources are determined by considering the liquidity squeezes. Within the framework of this plan, the Bank monitors liquidity risk in terms of early warning indicators and probable scenarios where liquidity risk crises and possible actions that can be taken.

The Bank's liabilities consist of TL and foreign currency funding, of which a large portion is USD/EUR. Deposits and capital constitute most of TL funding. For the reasons like real person customers can not use foreign currency credit but are able to deposit foreign currency funds, TL and foreign currency deposit and credit amount may differ. Long term funding obtained from foreign banks and creditors are mainly in foreign currency. For these reasons overall foreign currency liabilities are usually more than foreign currency liabilities. Unused portion of USD and EUR foreign currency funding is turned to TL via currency swap transactions and used in TL funding. Lines extended by CBRT and BİST aren't used to full extent, unused limits and high quality liquid asset stock is held is kept to use in the case of a liquidity scarcity in market. Also T.C. Eurobonds aren't used to secure funding and kept as reserve to use in the case of a foreign currency liquidity scarcity in market. In TL and foreign currency liquidity management, regulatory ratios, internally set warnings, limits and other 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 3.50% cash, 53.20% deposits in central banks and 43.31% 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 70.42% deposits, 17.59% funds borrowed and money market borrowings and 8.28% securities issued.

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

The cash flows from derivative financial instruments are included in 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.

(Thousands of Turkish Lira (TL))

	Current Period	Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
High-Quality Liquid Assets				**69,584,223**	**40,517,248**
1	Total high-quality liquid assets (HQLA)	69,584,223	40,517,248	69,584,223	40,517,248
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:	134,008,384	60,906,603	12,039,418	6,090,660
3	Stable deposits	27,228,402	-	1,361,420	-
4	Less stable deposits	106,779,982	60,906,603	10,677,998	6,090,660
5	Unsecured wholesale funding, of which:	60,873,722	35,336,243	34,757,557	19,952,707
6	Operational deposits	-	-	-	-
7	Non-operational deposits	46,162,318	31,007,252	23,604,234	16,082,441
8	Unsecured funding	14,711,404	4,328,991	11,153,323	3,870,266
9	Secured wholesale funding			-	-
10	Other cash outflows of which:	57,229,238	14,134,561	12,055,787	13,434,935
11	Outflows related to derivative exposures and other collateral requirements	8,870,443	13,004,949	8,870,443	13,004,949
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	48,358,795	1,129,612	3,185,344	429,986
14	Other revocable off-balance sheet commitments and contractual obligations	1,229	1,229	61	61
15	Other irrevocable or conditionally revocable off-balance sheet obligations	66,010,697	45,292,275	3,300,535	2,264,614
16	**Total Cash Outflows**			**62,153,358**	**41,742,977**
Cash Inflows					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	20,715,253	7,139,004	14,303,541	5,745,946
19	Other cash inflows	1,926,057	10,620,690	1,926,057	10,620,690
20	**Total Cash Inflows**	**22,641,310**	**17,759,694**	**16,229,598**	**16,366,636**
				Upper Limit Applied Values	
21	**Total HQLA**			**69,584,223**	**40,517,248**
22	**Total Net Cash Outflows**			**45,923,760**	**25,376,341**
23	**Liquidity Coverage Ratio (%)**			**152.27**	**163.32**

(*) 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 second quarter of 2018:

Current Period	Highest	Date	Lowest	Date	Average
TL+FC	172.26	10.04.2018	131.92	01.07.2018	152.27
FC	236.35	09.04.2018	118.06	01.07.2018	163.32

(Thousands of Turkish Lira (TL))

	Prior Period	**Total Unweighted Value (Average) (*)**		**Total Weighted Value (Average) (*)**	
		TL+FC	**FC**	**TL+FC**	**FC**
High-Quality Liquid Assets				**60,570,265**	**35,888,322**
1	Total high-quality liquid assets (HQLA)	60,570,265	35,888,322	60,570,265	35,888,322
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:	122,987,360	55,053,474	11,000,314	5,505,347
3	Stable deposits	25,968,429	-	1,298,421	-
4	Less stable deposits	97,018,931	55,053,474	9,701,893	5,505,347
5	Unsecured wholesale funding, of which:	52,745,186	28,380,770	29,360,008	15,485,262
6	Operational deposits	-	-	-	-
7	Non-operational deposits	40,723,945	24,558,622	20,482,425	12,213,410
8	Unsecured funding	12,021,241	3,822,148	8,877,583	3,271,852
9	Secured wholesale funding			104,879	104,879
10	Other cash outflows of which:	51,404,512	11,127,147	10,619,737	10,439,764
11	Outflows related to derivative exposures and other collateral requirements	7,735,673	10,061,991	7,735,673	10,061,991
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	43,668,839	1,065,156	2,884,064	377,773
14	Other revocable off-balance sheet commitments and contractual obligations	1,066	1,066	53	53
15	Other irrevocable or conditionally revocable off-balance sheet obligations	59,256,775	40,701,513	2,962,839	2,035,076
16	**Total Cash Outflows**			**54,047,830**	**33,570,381**
Cash Inflows					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	17,463,600	5,236,978	11,444,451	3,937,072
19	Other cash inflows	1,429,820	8,134,626	1,429,820	8,134,626
20	**Total Cash Inflows**	**18,893,420**	**13,371,604**	**12,874,271**	**12,071,698**
				Upper Limit Applied Values	
21	**Total HQLA**			**60,570,265**	**35,888,322**
22	**Total Net Cash Outflows**			**41,173,559**	**21,498,683**
23	**Liquidity Coverage Ratio (%)**			**147.61**	**171.60**

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

The table below presents highest, lowest and average liquidity coverage ratios of the last quarter of 2017:

Prior Period	**Highest**	**Date**	**Lowest**	**Date**	**Average**
TL+FC	172.20	28.12.2017	135.01	27.11.2017	147.61
FC	232.86	16.12.2017	131.86	17.11.2017	171.60

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".

(Thousands of Turkish Lira (TL))

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
Current Period								
Assets								
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	6,102,726	24,661,085	-	-	-	-	-	30,763,811
Banks	10,639,001	3,904,450	2,241	4,832,071	-	-	-	19,377,763
Financial Assets Measured at Fair Value through Profit/Loss	100,753	394	5,701	8,097	131,577	165,190	-	411,712
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Measured at Fair	204,341	46,064	69,121	2,038,705	11,344,222	9,807,966	-	23,510,419
Loans	962,444	36,912,452	21,219,148	56,541,707	88,284,328	22,173,651	2,295,521	228,389,251
Financial Assets Measured at Amortised Cost	-	39,923	39,487	67,335	11,061,631	10,628,421	-	21,836,797
Other Assets	2,572,201	4,399,098	824,337	1,157,578	1,055,057	681,120	14,164,582	24,853,973
Total Assets	**20,581,466**	**69,963,466**	**22,160,035**	**64,645,493**	**111,876,815**	**43,456,348**	**16,460,103**	**349,143,726**
Liabilities								
Bank Deposits	5,184,593	319,774	-	21,822	-	-	-	5,526,189
Other Deposits	50,438,061	112,159,711	22,779,407	14,407,263	739,319	8,639	-	200,532,400
Other Fundings	-	909,366	669,887	21,476,267	14,764,572	8,661,947	-	46,482,039
Money Market Funds	-	4,981,494	76	-	-	-	-	4,981,570
Securities Issued (**)	-	1,474,800	2,556,566	784,349	14,531,317	4,888,133	-	24,235,165
Miscellaneous Payables	791,100	10,074,456	-	-	-	-	-	10,865,556
Other Liabilities (***)	2,010,341	2,023,005	1,140,556	1,354,045	322,303	829,812	48,840,745	56,520,807
Total Liabilities	**58,424,095**	**131,942,606**	**27,146,492**	**38,043,746**	**30,357,511**	**14,388,531**	**48,840,745**	**349,143,726**
Liquidity Gap	**(37,842,629)**	**(61,979,140)**	**(4,986,457)**	**26,601,747**	**81,519,304**	**29,067,817**	**(32,380,642)**	**-**
Net Off-Balance Sheet Position	**-**	**100,167**	**(330,208)**	**(433,472)**	**728,555**	**265,750**	**-**	**330,792**
Derivative Financial Assets	-	76,496,832	32,409,415	37,019,844	6,565,176	2,082,929	-	154,574,196
Derivative Financial Liabilities	-	76,396,665	32,739,623	37,453,316	5,836,621	1,817,179	-	154,243,404
Non-Cash Loans	-	18,418,557	5,266,957	6,361,888	143,825	-	104,958,633	135,149,860
Prior Period								
Total Assets	**18,289,678**	**65,752,159**	**17,928,052**	**55,300,748**	**99,995,740**	**39,593,932**	**28,371,965**	**325,232,274**
Total Liabilities	**47,998,973**	**131,208,850**	**22,638,703**	**33,686,997**	**26,652,588**	**13,771,984**	**49,274,179**	**325,232,274**
Liquidity Gap	**(29,709,295)**	**(65,456,691)**	**(4,710,651)**	**21,613,751**	**73,343,152**	**25,821,948**	**(20,902,214)**	**-**
Net Off-Balance Sheet Position	**-**	**(509,274)**	**(165,205)**	**(361,219)**	**281,607**	**40,314**	**-**	**(713,777)**
Derivative Financial Assets	-	73,493,516	27,063,324	28,432,187	4,679,452	1,023,851	-	134,692,330
Derivative Financial Liabilities	-	74,002,790	27,228,529	28,793,406	4,397,845	983,537	-	135,406,107
Non-Cash Loans	-	7,984,082	3,161,722	5,910,547	48,073	-	93,029,057	110,133,481

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

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

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

(Thousands of Turkish Lira (TL))

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 2017: 9.07%). While the capital increased by 6.65% mainly as a result of increase in net profits, total risk amount increased by 12.52%. Therefore, the current period leverage ratio decreased by 46 basis points compared to prior period.

On-balance sheet assets		***Current Period*** (*)	***Prior Period*** (*)
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	347,200,963	321,385,438
2	(Assets deducted in determining Tier I capital)	(413,121)	(346,406)
3	Total on-balance sheet risks (sum of lines 1 and 2)	346,787,842	321,039,032
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative instruments and credit derivatives	5,075,639	2,913,913
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	11,731,070	11,031,830
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	16,806,709	13,945,743
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	1,300,148	2,432,662
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	1,300,148	2,432,662
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	140,047,619	111,439,135
11	(Adjustments for conversion to credit equivalent amounts)	(4,125,458)	(3,765,170)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	135,922,161	107,673,965
Capital and total risks			
13	Tier I capital	43,069,289	40,383,538
14	Total risks (sum of lines 3, 6, 9 and 12)	500,816,860	445,091,402
Leverage ratio			
15	Leverage ratio	8.60	9.07

(*) 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 communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

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

None.

4.10 Risk management objectives and policies

The notes under this caption are prepared as per the "Regulation on Risk Management Disclosures" published in the Official Gazette no. 29511 dated 23 October 2015.

4.10.1 Risk management strategy and weighted amounts

4.10.1.1 Risk management strategy

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

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

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

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

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

The Bank measures and monitors risks that exposed to, considering methods suitable with international standards, compliant with legislation. Risk measuring and reporting are performed via advanced methods and risk management softwares. Risk based detailed reports are prepared for management of significant risks, in order to determine strategies and take decisions, in this scope, periodic and non-periodic reports are prepared for board of directors, relevant committees and senior management.

The Bank's risk appetite framework determines the risk level that the board of directions is prepared to accept in order to accomplish the goals and strategies with due consideration to the capacity of the institution to safely absorbs those risks and the Bank monitors regularly risk appetite metrics regarding capital, liquidity, income recurrence and risk based limits. Risks that the Bank is exposed, is managed by providing effective control environment and monitoring limits. Unmitigated risks are either accepted with current risk levels or decreasing/ terminating the activity that causes the risk.

The Risk Management function conducts the implementation of internal capital adequacy assessment report to be sent to the BRSA, by coordinating relevant parties. Stress test report is reported to the BRSA, which evaluates how adverse effects on macroeconomic parameters, in the scope of determined scenarios, affect the Bank's three year budget plan and results, and certain ratios, including capital adequacy.

(Thousands of Turkish Lira (TL))

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

4.10.1.2 Risk weighted amounts

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period	*Prior Period*	*Current Period*
1	Credit risk (excluding counterparty credit risk) (CCR) [(*)]	237,947,873	216,037,567	19,035,830
2	Of which standardised approach (SA)	237,947,873	216,037,567	19,035,830
3	Of which internal rating-based (IRB) approach			
4	Counterparty credit risk	6,439,316	3,610,835	515,145
5	Of which standardised approach for counterparty credit risk (SA-CCR)	6,439,316	3,610,835	515,145
6	Of which internal model method (IMM)		-	
7	Equity position in banking book under basic risk weighting or internal rating-based		-	
8	Equity investments in funds – look-through approach	-	-	-
9	Equity investments in funds – mandate-based approach		-	
10	Equity investments in funds – 1250% risk weighting Approach		-	
11	Settlement risk		-	
12	Securitisation exposures in banking book		-	
13	Of which IRB ratings-based approach (RBA)		-	
14	Of which IRB supervisory formula approach (SFA)		-	
15	Of which SA/simplified supervisory formula approach (SSFA)		-	
16	Market risk	8,055,490	6,027,729	644,439
17	Of which standardised approach (SA)	8,055,490	6,027,729	644,439
18	Of which internal model approaches (IMM)		-	
19	Operational risk	25,574,313	21,709,380	2,045,945
20	Of which basic indicator approach	25,574,313	21,709,380	2,045,945
21	Of which standardised approach		-	
22	Of which advanced measurement approach		-	
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	951,770	-
24	Floor adjustment			
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	278,016,992	248,337,281	22,241,359

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

4.10.2 Linkages between financial statements and risk amounts

Not prepared in compliance with the “Regulation on 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 of Directors are created based on the prudence, sustainability and customer credit worthiness principles. Credit risk is managed on a portfolio basis considering the risk/return balance and asset quality of the Bank in the scope of the principles specified in the credit risk policy documents.

Credit risk management is a structured process where credit risks are consistently assessed, quantified and monitored. In order to take the right decision, during the credit process which begins with the application of the customer and includes the phases of determination of the customer's credibility, collateralization, loan configuration, approval and usage, monitoring and closing the exposure, all required financial and non-financial information and documents intended to identify the customer are collected in a centralized database, with this information the customer's financial strength is analyzed, credit risk analysis is done. The customers are graded according to their segment and activity fields and the information is kept updated by inquiring the customers. Thus before a loan is granted, it is ensured that risks are well-understood, sufficient evaluation has been done and after the loan is granted the loan is monitored, controlled and reported.

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

Loan based assessment, allocation and monitoring are carried out within the framework of related processes by related units in the credit group. Credit proposals, on the basis of the determined amount and in the framework of levels of authority, are concluded after being evaluated by the regional offices, loans units of headoffice, if required by the Credit Committee and the Board of Directors. The credit approval authority can be transferred starting from the board of directors. The authorities of the headoffice and credit regional offices are notified in written and transfer of authority is 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.

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

Organizational structure related to credit risk management and control functions is detailed below: Units within the scope of Credit Risk Management; Corporate and 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, Market Risk and Credit Risk Control and Region Coordination.

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

(Thousands of Turkish Lira (TL))

The Risk Management measures, monitors and reports credit risks by using probability of defaults obtained from the Bank's rating models, loss that is caused by defaulted customer and credit conversion factors. The Bank's internal capital is calculated and adequacy is assessed by considering stress tests and scenario analysis. Also, by considering optimum risk return balance, expectations regarding economic outlook the limits are determined for credit portfolios. Risk based analyses are executed, credit concentrations are monitored and the results are presented to senior management.

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, a strategy which covers all branches is implemented. 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

	Current Period	*Gross carrying value as per TAS*		*Allowances/amortisation and impairments*	*Net values*
		Defaulted	*Non-defaulted*		
1	Loans	7,267,568	277,510,264	4,671,608	280,106,224
2	Debt securities	-	45,142,874	-	45,142,874
3	Off-balance sheet exposures	246,955	78,589,005	102,715	78,733,245
4	**Total**	**7,514,523**	**401,242,143**	**4,774,323**	**403,982,343**

	Prior Period	*Gross carrying value as per TAS*		*Allowances/amortisation and impairments*	*Net values*
		Defaulted	*Non-defaulted*		
1	Loans	5,408,114	253,213,814	4,359,237	254,262,691
2	Debt securities	-	47,371,704	-	47,371,704
3	Off-balance sheet exposures	370,339	68,516,128	127,417	68,759,050
4	**Total**	**5,778,453**	**369,101,646**	**4,486,654**	**370,393,445**

4.10.3.1.3 Changes in stock of default loans and debt securities

		Current Period	*Prior Period*
1	**Defaulted loans and debt securities at end of the previous reporting period**	**5,408,114**	**5,272,774**
2	Loans and debt securities defaulted since the last reporting period	2,743,265	2,424,023
3	Receivables back to non-defaulted status	-	-
4	Amounts written off	-	865,771
5	Other changes	883,811	1,422,912
6	**Defaulted loans and debt securities at end of the reporting period**	**7,267,568**	**5,408,114**

4.10.3.1.4 Additional disclosure related to the credit quality of assets

Not prepared in compliance with the communique "Risk Management Related Disclosures to be Announced to Public by Banks".

4.10.3.2 Credit risk mitigation

4.10.3.2.1 Qualitative disclosure on credit risk mitigation techniques

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

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

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

(Thousands of Turkish Lira (TL))

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

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

4.10.3.2.2 Credit risk mitigation techniques

	Current Period	*Exposures unsecured: carrying amount as per TAS*	*Exposures secured by collateral*	*Collateralized amount of exposures secured by collateral*	*Exposures secured by financial guarantees*	*Collateralized amount of exposures secured by financial guarantees*	*Exposures secured by credit derivatives*	*Collateralized amount of exposures secured by credit derivatives*
1	Loans	235,295,499	44,810,725	38,475,829	13,518,057	13,518,057	-	-
2	Debt securities	45,142,874	-	-	-	-	-	-
3	**Total**	**280,438,373**	**44,810,725**	**38,475,829**	**13,518,057**	**13,518,057**	**-**	**-**
4	Of which defaulted	7,267,513	55	1	-	-	-	-

	Prior Period	*Exposures unsecured: carrying amount as per TAS*	*Exposures secured by collateral*	*Collateralized amount of exposures secured by collateral*	*Exposures secured by financial guarantees*	*Collateralized amount of exposures secured by financial guarantees*	*Exposures secured by credit derivatives*	*Collateralized amount of exposures secured by credit derivatives*
1	Loans	216,911,254	37,351,437	32,751,650	11,427,381	11,427,381	-	-
2	Debt securities	47,371,704	-	-	-	-	-	-
3	**Total**	**264,282,958**	**37,351,437**	**32,751,650**	**11,427,381**	**11,427,381**	**-**	**-**
4	Of which defaulted	5,408,114	-	-	-	-	-	-

4.10.3.3 Credit risk under standardised approach

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

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

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

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

(Thousands of Turkish Lira (TL))

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:

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

(Thousands of Turkish Lira (TL))

4.10.3.3.2 Credit risk exposure and credit risk mitigation techniques

	Current Period	*Exposures before CCF and CRM*		*Exposures post-CCF and CRM*		*RWA and RWA density*	
	Risk classes	*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	75,598,666	745,471	89,059,165	233,065	10,379,821	11.62%
2	Exposures to regional and local governments	120,919	112,321	120,919	56,146	88,534	50.00%
3	Exposures to administrative bodies and non-commercial entities	335,203	73,224	335,202	19,628	347,082	97.82%
4	Exposures to multilateral development banks	138,208	-	138,208	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	20,087,923	20,677,822	15,062,807	2,541,054	6,776,090	38.49%
7	Exposures to corporates	112,034,825	60,575,481	103,819,339	23,162,629	124,620,991	98.14%
8	Retail exposures	81,980,188	49,698,498	73,918,594	4,603,283	58,889,158	75.00%
9	Exposures secured by residential property	18,122,932	9,581	18,116,585	4,791	6,342,463	35.00%
10	Exposures secured by commercial property	19,526,903	2,290,634	19,293,829	1,448,340	13,218,440	63.73%
11	Past-due items	1,968,175	91	1,968,175	-	1,207,529	61.35%
12	Exposures in high-risk categories	627,789	143,963	627,789	57,520	1,016,153	148.28%
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	37,307	-	37,307	-	-	-
16	Other exposures	11,757,589	-	11,757,589	-	8,645,062	73.53%
17	Equity share investments	6,416,550	-	6,416,550	-	6,416,550	100.00%
18	**Total**	**348,753,177**	**134,327,086**	**340,672,058**	**32,126,456**	**237,947,873**	**63.85%**

(Thousands of Turkish Lira (TL))

	Prior Period	*Exposures before CCF and CRM*		*Exposures post-CCF and CRM*		*RWA and RWA density*	
	Risk classes	***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	76,980,009	138,844	88,320,867	84,035	12,267,015	13.88%
2	Exposures to regional and local governments	113,340	147	113,340	61	56,701	50.00%
3	Exposures to administrative bodies and non-commercial entities	291,277	65,417	291,274	16,401	307,675	100.00%
4	Exposures to multilateral development banks	202,781	-	202,781	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	17,462,341	17,027,960	13,047,033	2,287,277	7,501,409	48.92%
7	Exposures to corporates	100,214,992	50,521,673	91,934,711	20,611,110	110,717,318	98.38%
8	Retail exposures	72,803,185	45,162,863	66,868,788	4,066,972	53,199,768	75.00%
9	Exposures secured by residential property	19,129,299	103,738	19,116,374	50,215	6,708,289	35.00%
10	Exposures secured by commercial property	16,583,733	2,153,453	16,349,582	1,381,721	10,919,725	61.58%
11	Past-due items	793,659	54	793,659	-	706,423	89.01%
12	Exposures in high-risk categories	255,227	100,946	255,227	45,446	423,550	140.87%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	39,626	-	39,626	-	-	-
16	Other exposures	9,595,351	-	9,595,351	-	6,659,735	69.41%
17	Equity share investments	6,569,959	-	6,569,959	-	6,569,959	100.00%
18	**Total**	**321,034,779**	**115,275,095**	**313,498,572**	**28,543,238**	**216,037,567**	**68.91%**

(Thousands of Turkish Lira (TL))

4.10.3.3.3 Exposures by asset classes and risk weights

	Current Period *Regulatory portfolio*	*0%*	*10%*	*20%*	*35% secured by property mortgage*	*50%*	*75%*	*100%*	*150%*	*200%*	*Others*	*Total risk amount (post-CCF and CRM)*
1	Exposures to sovereigns and their central banks	78,912,365	-	21	-	54	-	10,379,790	-	-	-	89,292,230
2	Exposures to regional and local government	-	-	-	-	177,062	-	3	-	-	-	177,065
3	Exposures to administrative bodies and non-commercial entities	7,748	-	-	-	-	-	347,082	-	-	-	354,830
4	Exposures to multilateral development banks	138,208	-	-	-	-	-	-	-	-	-	138,208
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	-	9,902,738	-	5,811,161	-	1,889,962	-	-	-	17,603,861
7	Exposures to corporates	-	-	542,858	-	3,853,381	-	122,585,729	-	-	-	126,981,968
8	Retail exposures	-	-	-	-	9,067	78,512,810	-	-	-	-	78,521,877
9	Exposures secured by residential property	-	-	-	18,121,376	-	-	-	-	-	-	18,121,376
10	Exposures secured by commercial property	-	-	-	-	15,047,458	-	5,694,711	-	-	-	20,742,169
11	Past-due items	-	-	-	-	1,521,296	-	446,879	-	-	-	1,968,175
12	Exposures in high-risk categories	-	-	-	-	11,486	-	648	673,175	-	-	685,309
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	37,307	-	-	-	-	-	-	-	-	-	37,307
16	Equity share investments	-	-	-	-	-	-	6,416,550	-	-	-	6,416,550
17	Other exposures	3,112,175	-	440	-	-	-	8,644,974	-	-	-	11,757,589
18	**Total**	**82,207,803**	**-**	**10,446,057**	**18,121,376**	**26,430,965**	**78,512,810**	**156,406,328**	**673,175**	**-**	**-**	**372,798,514**

(Thousands of Turkish Lira (TL))

	Prior Period *Regulatory portfolio*	*0%*	*10%*	*20%*	*35% secured by property mortgage*	*50%*	*75%*	*100%*	*150%*	*200%*	*Others*	*Total risk amount (post-CCF and CRM)*
1	Exposures to sovereigns and their central banks	76,137,763	-	102	-	85	-	12,266,952	-	-	-	88,404,902
2	Exposures to regional and local government	-	-	-	-	113,400	-	1	-	-	-	113,401
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	307,675	-	-	-	307,675
4	Exposures to multilateral development banks	202,781	-	-	-	-	-	-	-	-	-	202,781
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	-	7,254,330	-	4,058,875	-	4,021,105	-	-	-	15,334,310
7	Exposures to corporates	-	-	409,435	-	3,001,913	-	109,134,473	-	-	-	112,545,821
8	Retail exposures	-	-	-	-	8,278	70,927,482	-	-	-	-	70,935,760
9	Exposures secured by residential property	-	-	-	19,166,589	-	-	-	-	-	-	19,166,589
10	Exposures secured by commercial property	-	-	-	-	13,623,154	-	4,108,149	-	-	-	17,731,303
11	Past-due items	-	-	-	-	174,473	-	619,186	-	-	-	793,659
12	Exposures in high-risk categories	-	-	-	-	20,015	-	14,890	265,768	-	-	300,673
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	39,626	-	-	-	-	-	-	-	-	-	39,626
16	Equity share investments	-	-	-	-	-	-	6,569,959	-	-	-	6,569,959
17	Other exposures	2,935,372	-	305	-	-	-	6,659,674	-	-	-	9,595,351
18	**Total**	**79,315,542**	**-**	**7,664,172**	**19,166,589**	**21,000,193**	**70,927,482**	**143,702,064**	**265,768**	**-**	**-**	**342,041,810**

4.10.4 Counterparty credit risk

4.10.4.1 Qualitative disclosure on counterparty credit risk

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

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

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

4.10.4.2 Counterparty credit risk (CCR) approach analysis

	Current Period	*Replacement cost*	*Potential future exposure*	*EEPE(Effective Expected Positive Exposure)*	*Alpha used for computing regulatory EAD*	*EAD post-CRM*	*RWA*
1	Standardised Approach - CCR (for derivatives)	5,374,165	2,102,692		1.4	7,407,860	3,818,468
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)					896,918	128,774
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	**Total**						**3,947,242**

(Thousands of Turkish Lira (TL))

	Prior Period	*Replacement cost*	*Potential future exposure*	*EEPE(Effective Expected Positive Exposure)*	*Alpha used for computing regulatory EAD*	*EAD post-CRM*	*RWA*
1	Standardised Approach - CCR (for derivatives)	2,394,687	1,767,029		1.4	4,132,769	2,083,029
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					2,969,606	166,128
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions						
6	**Total**						**2,249,157**

4.10.4.3 Capital requirement for credit valuation adjustment (CVA)

		Current Period		*Prior Period*	
		EAD post-CRM	*RWA*	*EAD post-CRM*	*RWA*
	Total portfolios subject to the Advanced CVA capital obligation	-	-	-	-
1	(i) VaR component (including the 3×multiplier)		-		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-		-
3	All portfolios subject to the Standardised CVA capital obligation	7,407,860	2,492,074	4,132,769	1,361,678
4	**Total subject to the CVA capital obligation**	**7,407,860**	**2,492,074**	**4,132,769**	**1,361,678**

(Thousands of Turkish Lira (TL))

4.10.4.4 CCR exposures by risk class and risk weights

Current Period	*Risk weight*								
Regulatory portfolio	***0%***	***10%***	***20%***	***50%***	***75%***	***100%***	***150 %***	***Other***	***Total credit exposure***
Exposures to sovereigns and their central banks	-	-	-	-	-	167,910	-	-	167,910
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	639,631	-	-	-	-	-	-	-	639,631
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	1,327,303	5,048,968	-	78,784	-	-	6,455,055
Exposures to corporates	-	-	2,341	253,608	-	774,624	-	-	1,030,573
Retail exposures	-	-	-	-	11,610	-	-	-	11,610
Exposures secured by mortgage property	-	-	-	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Total	**639,631**	**-**	**1,329,644**	**5,302,576**	**11,610**	**1,021,318**	**-**	**-**	**8,304,779**

(Thousands of Turkish Lira (TL))

Prior Period	***Risk weight***								
Regulatory portfolio	***0%***	***10%***	***20%***	***50%***	***75%***	***100%***	***150%***	***Other***	***Total credit exposure***
Exposures to sovereigns and their central banks	2,011,499	-	-	-	-	16,689	-	-	2,028,188
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	5	-	-	5
Exposures to multilateral development banks	563,446	-	-	-	-	-	-	-	563,446
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	1,110,969	2,698,564	-	43,008	-	-	3,852,541
Exposures to corporates	-	-	59	74,685	-	572,148	-	-	646,892
Retail exposures	-	-	-	-	11,303	-	-	-	11,303
Exposures secured by mortgage property	-	-	-	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	**2,574,945**	**-**	**1,111,028**	**2,773,249**	**11,303**	**631,850**	**-**	**-**	**7,102,375**

(Thousands of Turkish Lira (TL))

4.10.4.5 Collaterals for CCR

Current Period	*Collateral for derivative transactions*				*Collateral for other transactions*	
	Fair value of collateral received		*Fair value of collateral given*		*Fair value of collateral received*	*Fair value of collateral given*
	Segregated	*Unsegregated*	*Segregated*	*Unsegregated*		
Cash-domestic currency	3,863	-	-	-	5,476,414	-
Cash-foreign currency	65,134	-	-	-	1,875,902	-
Domestic sovereign debts	-	-	-	-	-	7,953,821
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	**68,997**	**-**	**-**	**-**	**7,352,316**	**7,953,821**

Prior Period	*Collateral for derivative transactions*				*Collateral for other transactions*	
	Fair value of collateral received		*Fair value of collateral given*		*Fair value of collateral received*	*Fair value of collateral given*
	Segregated	*Unsegregated*	*Segregated*	*Unsegregated*		
Cash-domestic currency	6,514	-	-	-	10,838,019	-
Cash-foreign currency	22,433	-	-	-	2,059,306	-
Domestic sovereign debts	-	-	-	-	-	14,413,549
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	592,173
Total	**28,947**	**-**	**-**	**-**	**12,897,325**	**15,005,722**

4.10.4.6 Credit derivatives

	Current Period		*Prior Period*	
	Protection bought	*Protection sold*	*Protection bought*	*Protection sold*
Notionals	-	-	-	-
Single-name credit default swaps	-	-	75,516	-
Index credit default swaps	-	-	-	-
Total return swaps	-	10,476,951	-	9,272,286
Credit options	-	-	-	-
Other credit derivatives	-	-	-	-
Total Notionals	**-**	**10,476,951**	**75,516**	**9,272,286**
Fair Values	**-**	**(697,759)**	**(628)**	**(4,093)**
Positive fair values (asset)	-	-	-	38,977
Negative fair values (liability)	-	(697,759)	(628)	(43,070)

(Thousands of Turkish Lira (TL))

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 strategy and policies defined by the Bank. The Bank takes economic climate, market and liquidity conditions and their effects on market risk, the structure of portfolio subject to market risk, the sufficiency of the Bank's definition, measurement, evaluation, monitoring, reporting, control and mitigation of market risk and the availability of the related processes into account while defining the Strategy. Market risk strategies and policies are reviewed by the board of directors and related top management by considering financial performance, capital required for market risk, and the existing market developments. Market risk policy and procedures are being developed on bank-only and consolidated level in consideration of the size and complexity of the operations.

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

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

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

4.10.6.2 Market risk under standardised approach

		RWA	
		Current Period	***Prior Period***
	Outright products	**7,950,215**	**5,849,017**
1	Interest rate risk (general and specific)	1,157,675	859,559
2	Equity risk (general and specific)	55,702	56,232
3	Foreign exchange risk	6,669,388	4,893,112
4	Commodity risk	67,450	40,114
	Options	**105,275**	**178,712**
5	Simplified approach	-	-
6	Delta-plus method	105,275	178,712
7	Scenario approach	-	-
8	Securitisation	-	-
9	**Total**	**8,055,490**	**6,027,729**

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".

(Thousands of Turkish Lira (TL))

5 Disclosures and Footnotes on Unconsolidated Financial Statements

5.1 Assets (Current Period)

5.1.1 Cash and balances with Central Bank

	Current Period	
	TL	**FC**
Cash in TL/Foreign Currency	1,295,857	1,537,219
Central Bank of Turkey	2,727,692	24,661,334
Others	-	541,709
Total	**4,023,549**	**26,740,262**

Balances with the Central Bank of Turkey

	Current Period	
	TL	**FC**
Unrestricted Demand Deposits	2,727,692	249
Unrestricted Time Deposits	-	-
Restricted Time Deposits	-	24,661,085
Total	**2,727,692**	**24,661,334**

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

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

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

None.

5.1.2.2 Positive differences on derivative financial assets held for trading

	Current Period	
	TL	**FC**
Forward Transactions	561,541	19,008
Swap Transactions	2,825,975	561,035
Futures	-	-
Options	347,339	27,568
Other	-	-
Total	**3,734,855**	**607,611**

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

None.

(Thousands of Turkish Lira (TL))

5.1.3 Banks

	Current Period	
	TL	**FC**
Banks		
Domestic banks	1,145,284	1,678
Foreign banks	109,982	18,120,819
Foreign headoffices and branches	-	-
Total	**1,255,266**	**18,122,497**

The placements at foreign banks include blocked accounts amounting TL 11,666,287 thousands of which TL 3,196,095 thousands and TL 161,681 thousands are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 8,308,511 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 measured at fair value through other comprehensive income

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

	Current Period	
	TL	**FC**
Collateralised/Blocked Assets	4,539,841	111,148
Assets subject to Repurchase Agreements	50,721	-
Total	**4,590,562**	**111,148**

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

	Current Period
Debt Securities	**21,891,116**
Quoted at Stock Exchange	21,858,322
Unquoted at Stock Exchange	32,794
Common Shares/Investment Funds	**103,603**
Quoted at Stock Exchange	4,491
Unquoted at Stock Exchange	99,112
Value Increases/Impairment Losses (-)	**1,515,700**
Total	**23,510,419**

5.1.5 Expected credit losses for financial assets

5.1.5.1 Expected credit losses for banks

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Balances at Beginning of Period (1 January 2018)	**7,112**	**-**	**-**	**7,112**
Additions during the Period (+)	9,193	2	-	9,195
Disposals (-)	(4,965)	(4)	-	(4,969)
Transfer to 12 month ECL (Stage1)	-	-	-	-
Transfer to lifetime ECL Significant Increase in Credit Risk (Stage 2)	(5)	5	-	-
Transfer to lifetime ECL Impaired Credits (Stage 3)	-	-	-	-
Foreign Currency Differences	93	-	-	93
Balances at End of Period	**11,428**	**3**	**-**	**11,431**

(Thousands of Turkish Lira (TL))

5.1.5.2 Expected credit losses for financial assets measured at amortised cost

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Balances at Beginning of Period (1 January 2018)	**16,907**	**-**	**-**	**16,907**
Additions during the Period (+)	121	-	-	121
Disposals (-)	(4,947)	-	-	(4,947)
Transfer to 12 month ECL (Stage1)	-	-	-	-
Transfer to lifetime ECL Significant Increase in Credit Risk (Stage 2)	-	-	-	-
Transfer to lifetime ECL Impaired Credits (Stage 3)	-	-		-
Foreign Currency Differences	621	-	-	621
Balances at End of Period	**12,702**	**-**	**-**	**12,702**

5.1.6 Loans

5.1.6.1 Loans and advances to shareholders and employees of the Bank

	Current Period	
	Cash Loans	**Non-Cash Loans**
Direct Lendings to Shareholders	**635**	**492,767**
Corporates	**635**	492,767
Individuals	**-**	**-**
Indirect Lendings to Shareholders	**3,068,503**	**632,605**
Loans to Employees	**245,981**	**6**
Total	**3,315,119**	**1,125,378**

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

Cash Loans	**Performing Loans**	**Loans under Follow-up**		
		Non-restructured (*)	**Restructured**	
			Revised Contract Terms	**Refinanced**
Loans	**189,522,082**	**32,831,402**	**5,654,271**	**2,753,882**
Working Capital Loans	32,980,869	4,053,894	187,779	297,643
Export Loans	12,138,825	860,021	18,112	111,795
Import Loans	-	-	-	-
Loans to Financial Sector	4,692,357	28,152	-	-
Consumer Loans	41,732,978	8,355,073	512,462	9,648
Credit Cards	18,576,835	3,862,500	500,509	-
Others	79,400,218	15,671,762	4,435,409	2,334,796
Specialization Loans	**-**	**-**	**-**	**-**
Other Receivables	**-**	**-**	**-**	**-**
Total	**189,522,082**	**32,831,402**	**5,654,271**	**2,753,882**

(*) The Bank granted loans to the shareholder of a strategically important company operating in the telecommunication sector classified under "Loans Under Follow-Up (Stage 2)" amounting to USD 1,097,099,289.40 and EUR 8,157,255.50 including both principal and interest. All creditors have reached an agreement on restructuring the debts granted within the context of the existing loan agreements. As per the agreed structure, it is contemplated that the telecommunication company's shares owned by the mentioned company, representing 55% of its issued share capital, which have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Republic of Turkey, and owned by directly or indirectly by the creditors. Completion of the transaction is subject to an agreement to be reached on the contracts of the loan to be restructured with the new company, completion of the necessary institutional, administrative and all kinds of approvals and permits, and fulfilling requisite conditions based on the contracts.

(Thousands of Turkish Lira (TL))

Current Period	Performing Loans	Loans under Follow-Up
12-Month ECL (Stage 1)	891,645	-
Lifetime ECL Significant Increase in Credit Risk (Stage 2)	-	4,076,701

As of 30 June 2018, loans amounting to TL 7,598,508 thousands are benefited as collateral under funding transactions.

Collaterals received for loans under follow-up;

Current Period	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	280,492	49,034	-	329,526
Loans Collateralized by Mortgages/Shares	13,627,630	4,754,865	-	18,382,495
Loans Collateralized by Pledged Assets	1,120,367	390,955	-	1,511,322
Loans Collateralized by Cheques and Notes	388,778	8,336	-	397,114
Loans Collateralized by Other Collaterals	8,169,925	3,268,020	-	11,437,945
Unsecured Loans	4,412,171	405,973	4,363,009	9,181,153
Total	**27,999,363**	**8,877,183**	**4,363,009**	**41,239,555**

Delinquency periods of loans under follow-up;

Current Period	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	274,416	823,408	146,410	1,244,234
61-90 days	1,789,011	240,010	56,669	2,085,690
Others	25,935,936	7,813,765	4,159,930	37,909,631
Total	**27,999,363**	**8,877,183**	**4,363,009**	**41,239,555**

Loans with extended payment plans;

No. of Contract Revisions for Extension of Payment Plan	*Current Period*	
	Performing Loans	**Loans under Follow-Up**
1 or 2 times	3,987,951	9,274,927
3, 4 or 5 times	-	113,080
Over 5 times	-	-

Periods extended due to Payment Plan	*Current Period*	
	Performing Loans	**Loans under Follow-Up**
0-6 months	1,347,721	5,246,022
6-12 months	396,309	320,145
1-2 years	887,472	658,864
2-5 years	1,347,208	2,656,022
5 years and over	9,241	506,954

5.1.6.3 Maturity analysis of cash loans

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

(Thousands of Turkish Lira (TL))

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

Current Period	**Short-Term**	**Medium and Long-Term**	**Total**
Consumer Loans – TL	**1,014,373**	**47,823,719**	**48,838,092**
Housing Loans	26,190	23,390,726	23,416,916
Automobile Loans	119,198	2,311,822	2,431,020
General Purpose Loans	868,985	22,121,171	22,990,156
Other	-	-	-
Consumer Loans – FC-indexed	**-**	**189,862**	**189,862**
Housing Loans	-	189,829	189,829
Automobile Loans	-	-	-
General Purpose Loans	-	33	33
Other	-	-	-
Consumer Loans – FC	**500**	**79,580**	**80,080**
Housing Loans	277	47,438	47,715
Automobile Loans	27	18,755	18,782
General Purpose Loans	196	13,387	13,583
Other	-	-	-
Retail Credit Cards – TL	**18,044,283**	**435,249**	**18,479,532**
With Installment	8,696,318	435,249	9,131,567
Without Installment	9,347,965	-	9,347,965
Retail Credit Cards – FC	**99,335**	**-**	**99,335**
With Installment	-	-	-
Without Installment	99,335	-	99,335
Personnel Loans – TL	**20,131**	**116,622**	**136,753**
Housing Loan	-	1,203	1,203
Automobile Loans	-	1	1
General Purpose Loans	20,131	115,418	135,549
Other	-	-	-
Personnel Loans - FC-indexed	**-**	**471**	**471**
Housing Loans	-	471	471
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans – FC	**36**	**95**	**131**
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	36	95	131
Other	-	-	-
Personnel Credit Cards – TL	**106,560**	**686**	**107,246**
With Installment	42,353	686	43,039
Without Installment	64,207	-	64,207
Personnel Credit Cards – FC	**1,380**	**-**	**1,380**
With Installment	-	-	-
Without Installment	1,380	-	1,380
Deposit Accounts– TL (Real persons)	**1,364,772**	**-**	**1,364,772**
Deposit Accounts– FC (Real persons)	**-**	**-**	**-**
Total	**20,651,370**	**48,646,284**	**69,297,654**

(Thousands of Turkish Lira (TL))

5.1.6.5 Installment based commercial loans and corporate credit cards

Current Period	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans – TL	**1,770,060**	**16,300,100**	**18,070,160**
Real Estate Loans	928	779,036	779,964
Automobile Loans	187,710	2,388,588	2,576,298
General Purpose Loans	1,581,422	13,132,476	14,713,898
Other	-	-	-
Installment-based Commercial Loans - FC-indexed	**287,308**	**2,621,691**	**2,908,999**
Real Estate Loans	-	67,592	67,592
Automobile Loans	3,257	927,460	930,717
General Purpose Loans	284,051	1,626,639	1,910,690
Other	-	-	-
Installment-based Commercial Loans – FC	**255**	**119,641**	**119,896**
Real Estate Loans	-	170	170
Automobile Loans	48	22,547	22,595
General Purpose Loans	207	96,924	97,131
Other	-	-	-
Corporate Credit Cards – TL	**4,192,950**	**36,050**	**4,229,000**
With Installment	1,906,440	36,050	1,942,490
Without Installment	2,286,510	-	2,286,510
Corporate Credit Cards – FC	**23,351**	**-**	**23,351**
With Installment	-	-	-
Without Installment	23,351	-	23,351
Deposit Accounts– TL (Corporates)	**1,105,008**	**-**	**1,105,008**
Deposit Accounts– FC (Corporates)	**-**	**-**	**-**
Total	**7,378,932**	**19,077,482**	**26,456,414**

5.1.6.6 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".

5.1.6.7 Allocation of domestic and foreign loans

	Current Period
Domestic Loans	227,332,153
Foreign Loans	3,429,484
Total	**230,761,637**

5.1.6.8 Loans to associates and subsidiaries

	Current Period
Direct Lending	1,472,305
Indirect Lending	-
Total	**1,472,305**

(Thousands of Turkish Lira (TL))

5.1.6.9 Specific provisions for loans

	Current Period
Substandard Loans - Limited Collectibility	682,159
Doubtful Loans	911,753
Uncollectible Loans	3,077,696
Total	**4,671,608**

5.1.6.10 Non-performing (NPLs) (Net)

Non-performing loans and loans restructured from this category

Current Period	**Group III**	**Group IV**	**Group V**
	Substandard Loans	**Doubtful Loans**	**Uncollectible Loans**
(Gross Amounts before Specific Provisions)	613,990	883,292	989,089
Restructured Loans	613,990	883,292	989,089

Movements in non-performing loans groups

Current Period	**Group III**	**Group IV**	**Group V**
	Substandard Loans	**Doubtful Loans**	**Uncollectible Loans**
Balances at Beginning of Period	**714,373**	**998,854**	**3,694,887**
Additions (+)	2,615,142	90,838	37,285
Transfer from Other NPL Categories (+)	-	1,207,667	602,984
Transfer to Other NPL Categories (-)	1,207,667	602,984	-
Collections during the Period (-)	288,403	175,374	420,034
Write-offs (-)	-	-	-
Debt Sale (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Balances at End of Period	**1,833,445**	**1,519,001**	**3,915,122**
Specific Provisions (-)	682,159	911,753	3,077,696
Net Balance on Balance Sheet	**1,151,286**	**607,248**	**837,426**

(Thousands of Turkish Lira (TL))

5.1.6.11 Expected credit loss for loans

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Balances at Beginning of Period (1 January 2018)	**766,696**	**3,254,252**	**3,669,512**	**7,690,460**
Additions during the Period (+)	413,446	954,810	777,900	2,146,156
Disposals (-)	(359,353)	(171,246)	(216,971)	(747,570)
Debt Sales (-)	-	-	-	-
Write-offs (-)	-	-	-	-
Transfer to Stage1	144,196	(143,817)	(379)	-
Transfer to Stage 2	(88,264)	88,590	(326)	-
Transfer to Stage 3	(5,268)	(382,192)	387,460	-
Foreign Currency Differences	20,192	476,304	54,412	550,908
Balances at End of Period	**891,645**	**4,076,701**	**4,671,608**	**9,639,954**

Non-performing loans in foreign currencies

Current Period	**Group III** **Substandard Loans**	**Group IV** **Doubtful Loans**	**Group V** **Uncollectible Loans**
Balance at End of Period	**1,246,262**	**521,738**	**640,424**
Specific Provisions (-)	403,917	334,664	488,073
Net Balance at Balance Sheet	**842,345**	**187,074**	**152,351**

Gross and net non-performing loans as per customer categories

	Group III **Substandard Loans**	**Group IV** **Doubtful Loans**	**Group V** **Uncollectible Loans**
Current Period (Net)	**1,151,286**	**607,248**	**837,426**
Loans to Individuals and Corporates (Gross)	1,833,445	1,519,001	3,915,122
Provision (-)	682,159	911,753	3,077,696
Loans to Individuals and Corporates (Net)	1,151,286	607,248	837,426
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans (gross)	-	-	-
Provision (-)	-	-	-
Other Loans (Net)	-	-	-

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

	Group III **Substandard Loans**	**Group IV** **Doubtful Loans**	**Group V** **Uncollectible Loans**
Current Period (Net)	**41,550**	**14,405**	**2**
Interest accruals and valuation differences	74,673	31,230	3
Provision (-)	33,123	16,825	1

(Thousands of Turkish Lira (TL))

Collaterals received for non-performing loans

Current Period	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	2,647	280	-	2,927
Loans Collateralized by Mortgages	1,647,992	176,610	-	1,824,602
Loans Collateralized by Pledged Assets	774,104	54,291	-	828,395
Loans Collateralized by Cheques and Notes	149,239	6,616	-	155,855
Loans Collateralized by Other Collaterals	1,803,566	1,204,433	-	3,007,999
Unsecured Loans	82,129	313,212	1,052,449	1,447,790
Total	**4,459,677**	**1,755,442**	**1,052,449**	**7,267,568**

5.1.6.12 *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".

5.1.6.13 *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".

5.1.7 Financial assets measured at amortised cost

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

	Current Period	
	TL	**FC**
Collateralised/Blocked Investments	2,562,933	4,835,887
Investments subject to Repurchase Agreements	4,918,203	-
Total	**7,481,136**	**4,835,887**

5.1.7.2 *Government securities measured at amortised cost*

	Current Period
Government Bonds	21,028,265
Treasury Bills	-
Other Government Securities	-
Total	**21,028,265**

5.1.7.3 *Financial assets measured at amortised cost*

	Current Period
Debt Securities	**17,985,907**
Quoted at Stock Exchange	17,264,379
Unquoted at Stock Exchange	721,528
Valuation Increase/(Decrease)	3,850,890
Total	**21,836,797**

(Thousands of Turkish Lira (TL))

5.1.7.4 Movement of financial assets measured at amortised cost

	Current Period
Balances at End of Prior Period	**24,885,343**
TFRS 9 Effect (*)	(2,817,203)
Balances at Beginning of Period (1 January 2018)	**22,068,140**
Foreign Currency Differences On Monetary Assets	1,050,040
Purchases during the Period	289,021
Disposals through Sales/Redemptions	(1,926,643)
Valuation Effect	356,239
Balances at End of Period	**21,836,797**

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

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

5.1.8 Investments in associates

5.1.8.1 Investments in associates

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

	Total Assets	**Shareholders' Equity**	**Total Fixed Assets (*)**	**Interest Income**	**Income on Securities Portfolio**	**Current Period Profit/Loss**	**Company's Fair Value**
1	86,772	53,658	46,023	564	-	4,564	-
2	794,884	86,107	2,260	10,917	198	1,825	-
3	10,069,021	1,355,493	107,192	123,960	1,017	90,884	-
4	1,369,282	1,334,899	253,844	19,428	-	91,345	-
5	287,212	196,196	177,616	2,878	14	12,874	-
6	636,970,484	40,906,830	324,862	17,060,636	3,986,373	18,383,903	-
7	672,324	495,361	12,353	8,591	-	37,381	-

(1) Financial information is as of 31 March 2018.
(2) Financial information is as of 31 December 2017
(*) Total fixed assets include tangible and intangible assets.

(Thousands of Turkish Lira (TL))

5.1.8.2 Movement of investments in associates

	Current Period
Balance at Beginning of Period	**35,158**
Movements during the Period	-
Acquisitions	-
Bonus Shares Received	-
Dividends from Current Year Profit	
Sales	-
Increase in Market Values	-
Impairment Reversals/(Losses)	-
Balance at End of Period	**35,158**
Capital Commitments	-
Share Percentage at the End of Period (%)	-

5.1.8.3 Sectoral distribution of investments and associates

Investments in Associates	*Current Period*
Banks	25,557
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	5,935
Other Associates	3,666

5.1.8.4 Quoted associates

None.

5.1.8.5 Valuation methods of investments in associates

Investments in Associates	*Current Period*
Valued at Cost	35,158
Valued at Fair Value	-

5.1.8.6 Investments in associates sold during the current period

None.

5.1.8.7 Investments in associates acquired during the current period

None.

(Thousands of Turkish Lira (TL))

5.1.9 Investments in subsidiaries

5.1.9.1 Information on capital adequacy of major subsidiaries

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

Current Period	**Garanti Bank International NV**	**Garanti Finansal Kiralama AŞ**	**Garanti Holding BV**
COMMON EQUITY TIER I CAPITAL			
Paid-in Capital to be Entitled for Compensation after All Creditors	733,696	357,848	2,053,007
Share Premium	-	-	69,114
Share Cancellation Profits	-	-	-
Legal Reserves	943,562	455,967	(179,755)
Other Comprehensive Income according to TAS	1,381,691	-	26,607
Current and Prior Periods' Profits	71,671	63,805	74,566
Common Equity Tier I Capital Before Deductions	**3,130,620**	**877,620**	**2,043,539**
Deductions From Common Equity Tier I Capital			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	38,090	555	598,111
Leasehold Improvements on Operational Leases (-)	-	53	4,207
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	22,664	5,130	300,866
Net Deferred Tax Asset/Liability (-)	-	-	9,903
Total Deductions from Common Equity Tier I Capital	**60,754**	**5,738**	**913,087**
Total Common Equity Tier I Capital	**3,069,866**	**871,882**	**1,130,452**
Total Deductions From Tier I Capital	**-**	**-**	**-**
Total Tier I Capital	**3,069,866**	**871,882**	**1,130,452**
TIER II CAPITAL	**266,355**	**-**	**53,244**
TOTAL CAPITAL	**3,336,221**	**871,882**	**1,183,696**

(Thousands of Turkish Lira (TL))

5.1.9.2 Investments in subsidiaries

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

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

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Company's Fair Value
1	93,504	79,365	27	4,619	-	7,603	-
2	37,771	18,510	568	1,269	-	3,173	-
3	3,985	3,523	-	250	3	235	-
4	2,877	1,858	1,044	-	18	15	-
5	4,279	3,337	33	200	-	640	-
6	6,123,508	1,003,882	11,059	219,616	-	57,966	-
7	2,793,197	222,679	8,709	204,747	-	9,693	-
8	245,585	161,939	13,166	2,952	2,446	44,380	-
9	92,418	85,269	3,012	3,412	92	14,181	-
10	2,424,463	652,681	40,761	141,634	979	205,858	-
11	23,503,674	3,098,136	164,833	388,633	20,061	71,666	-
12	1,813,287	1,813,052	-	-	-	(201)	-

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

(Thousands of Turkish Lira (TL))

5.1.9.3 Movement of investments in subsidiaries

	Current Period
Balances at End of Prior Period	**6,539,471**
TFRS 9 Effect	(353,654)
Balances at Beginning of Period (1 January 2018)	**6,185,817**
Movements during the Period	**1,618**
Acquisitions	-
Bonus Shares Received	-
Earnings from Current Year Profit	457,486
Sales/Liquidations	-
Reclassification of Shares	-
Increase/(Decrease) in Market Values (*)	(1,066,891)
Currency Differences on Foreign Subsidiaries	611,023
Impairment Reversals/(Losses)	-
Balance at End of Period	**6,187,435**
Capital Commitments	**-**
Share Percentage at the End of Period (%)	**-**

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

5.1.9.4 Sectoral distribution of investments in subsidiaries

Subsidiaries	*Current Period*
Banks	3,085,981
Insurance Companies	557,140
Factoring Companies	155,539
Leasing Companies	877,019
Finance Companies	1,407,384
Other Subsidiaries	104,372

5.1.9.5 Quoted subsidiaries

None.

5.1.9.6 Valuation methods of investments in subsidiaries

Subsidiaries	*Current Period*
Valued at Cost	104,372
Valued at Fair Value (*)	6,083,063

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

5.1.9.7 Investments in subsidiaries disposed during the current period

None.

5.1.9.8 Investments in subsidiaries acquired during the current period

None.

5.1.10 Investments in Joint-Ventures

None.

5.1.11 Lease receivables (net)

None.

(Thousands of Turkish Lira (TL))

5.1.12 Derivative financial assets held for hedging purpose

5.1.12.1 *Positive differences on derivative financial instruments held for hedging purpose*

Derivative Financial Assets Held for Hedging Purpose	*Current Period*	
	TL	FC
Fair Value Hedges	268,228	69,050
Cash Flow Hedges	503,464	258,215
Net Foreign Investment Hedges	-	-
Total	**771,692**	**327,265**

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

	Current Period		
	Face Value	Asset	Liability
Interest Rate Swaps	48,083,636	605,555	39,563
-TL	4,927,513	280,259	-
-FC	43,156,123	325,296	39,563
Cross Currency Swaps	2,503,985	493,402	19,745
-TL	936,473	491,433	-
-FC	1,567,512	1,969	19,745
Total	**50,587,621**	**1,098,957**	**59,308**

5.1.12.1.1Fair value hedge accounting

Current Period				Net Fair Value Change of Hedging Item		Statement of profit or loss
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item	Asset	Liability	Effect (gains/losses from derivative financial instruments)
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	(83,594)	103,706	(28,630)	(8,518)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(97,551)	97,946	-	395
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(138,490)	133,656	(6,767)	(11,601)
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	29	-	(19,745)	(19,716)
Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	4,352	1,970	-	6,322

(Thousands of Turkish Lira (TL))

5.1.12.1.2 Cash flow hedge accounting

Current Period							
			Fair Value Change of Hedged Item				
Hedging Item	**Hedged Item**	**Type of Risk**	**Asset**	**Liability**	**Gains/Losses Accounted under Shareholders' Equity in the Period**	**Gains/Losses Accounted under Statement of Profit/Loss in the Period**	**Ineffective Portion (net) Accounted under Statement of Profit/Loss**
Interest Rate Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates	-	-	(17)	17	-
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	144,802	(285)	79,389	4,203	1,643
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	125,445	(3,881)	79,297	(7,902)	7,898
Cross Currency Swaps	Floating-rate securities issued	Commitments	-	-	(1,094)	(248)	-
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	491,432	-	27,266	(18,368)	1
Spot Position (*)	Operational Expenses	Cash flow risk resulted from foreign currency exchange rates	178,494	-	28,609	-	-

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

There is no reclassified amount from the shareholders' equity to the statement of profit or loss due to the ceased hedging transactions.

5.1.13 Tangible assets

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

5.1.14 Intangible assets

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

5.1.15 Investment property

	Current Period
Net Book Value at Beginning Period	**690,588**
Additions	2,260
Transfers to Tangible Assets	(6,150)
Fair Value Change	-
Net Book Value at End of Current Period	**686,698**

The investment property is held for operational leasing purposes.

(Thousands of Turkish Lira (TL))

5.1.16 Deferred tax asset

As of 30 June 2018, the Bank has a deferred tax asset of TL 1,292,785 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 2018. However, there is a deferred tax asset of TL 1,716,967 thousands and deferred tax liability of TL 424,182 thousands presented as net in the accompanying financial statements on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

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

	Current Period	
	Tax Base	**Deferred Tax Amount**
Provisions (*)	1,462,535	306,043
Stages 1&2 Credit Losses	5,335,138	1,173,730
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	182,655	30,690
Revaluation Differences on Real Estates	(1,864,352)	(186,435)
Other	(143,084)	(31,243)
Total Deferred Tax Asset, Net	**4,972,892**	**1,292,785**

(*) 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 2018, TL 70,796 thousands and TL 107,587 thousands of deferred tax expense and income are recognised in the statement of profit or loss and the shareholders' equity, respectively.

5.1.17 Assets held for sale and assets of discontinued operations

	Current Period
End of Prior Period	
Cost	**790,182**
Accumulated Depreciation (-)	**(14,754)**
Net Book Value	**775,428**
End of Current Period	
Additions	115,387
Disposals (Cost)	(103,819)
Disposals (Accumulated Depreciation)	911
Impairment Losses (-)	13,327
Depreciation Expense for Current Period (-)	-
Cost	**815,077**
Accumulated Depreciation (-)	**(13,843)**
Net Book Value	**801,234**

As of balance sheet date, the net book value of assets held for sale on which rights of repurchase exist, amounts to TL 210,286 thousands.

5.1.18 Other assets

5.1.18.1 Receivables from term sale of assets

	Current Period
Sale of Real Estates	125,246
Sale of Financial Assets Measured at Fair Value through Other Comprehensive Income	23,987
Sale of Other Assets	1,137
Total	**150,370**

5.1.18.2 Prepaid expenses, taxes and similar items

	Current Period
Prepaid Expenses	150,370
Prepaid Taxes	620,949

(Thousands of Turkish Lira (TL))

5.2 Assets (Prior Period)

5.2.1 Cash and balances with Central Bank

	Prior Period	
	TL	**FC**
Cash in TL/Foreign Currency	1,297,556	1,359,209
Central Bank of Turkey	6,338,400	23,956,821
Others	-	460,517
Total	**7,635,956**	**25,776,547**

Balances with the Central Bank of Turkey

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

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

5.2.2 Information on financial assets at fair value through profit/loss

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

None.

5.2.2.2 Positive differences on derivative financial assets held for trading

	Prior Period	
	TL	**FC**
Forward Transactions	176,400	26,655
Swap Transactions	1,035,676	412,562
Futures	-	561
Options	151,689	10,773
Other	-	-
Total	**1,363,765**	**450,551**

5.2.2.3 Financial assets at fair value through profit/loss

None.

5.2.3 Banks

	Prior Period	
	TL	**FC**
Banks		
Domestic banks	98,907	23,471
Foreign banks	106,728	14,089,367
Foreign headoffices and branches	-	-
Total	**205,635**	**14,112,838**

The placements at foreign banks include blocked accounts amounting TL 8,885,348 thousands of which TL 2,717,355 thousands and TL 134,832 thousands are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 6,033,161 thousands as collateral against funds borrowed at various banks.

(Thousands of Turkish Lira (TL))

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".

5.2.4 Financial assets available-for-sale

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

	Prior Period	
	TL	**FC**
Collateralised/Blocked Assets	11,212,879	7,522
Assets subject to Repurchase Agreements	120,152	-
Total	**11,333,031**	**7,522**

5.2.4.2 Details of financial assets available-for-sale

	Prior Period
Debt Securities	**20,261,926**
Quoted at Stock Exchange	20,163,949
Unquoted at Stock Exchange	97,977
Common Shares/Investment Funds	**174,780**
Quoted at Stock Exchange (*)	7,079
Unquoted at Stock Exchange	167,701
Value Increases/Impairment Losses (-)	**2,307,996**
Total	**22,744,702**

5.2.5 Loans

5.2.5.1 Loans and advances to shareholders and employees of the Bank

	Prior Period	
	Cash Loans	**Non-Cash Loans**
Direct Lendings to Shareholders	**-**	**428,794**
Corporates	-	428,794
Individuals	-	-
Indirect Lendings to Shareholders	**2,401,587**	**653,806**
Loans to Employees	**258,317**	**16**
Total	**2,659,904**	**1,082,616**

(Thousands of Turkish Lira (TL))

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

Prior Period	**Performing Loans and Other Receivables**			**Loans and Other Receivables under Follow-Up**		
Cash Loans	**Loans and Other Receivables (Total)**	**Loans and Receivables with Revised Contract Terms**		**Loans and Other Receivables (Total) (*)**	**Loans and Receivables with Revised Contract Terms**	
		Extension of Repayment Plan	**Other Changes**		**Extension of Repayment Plan**	**Other Changes**
Loans	**192,038,331**	**2,358,195**	**381,873**	**16,592,669**	**5,860,696**	**1,227,012**
Working Capital Loans	33,480,877	44,810	-	1,349,043	732,152	160,376
Export Loans	9,272,666	975	-	213,106	83,336	44,402
Import Loans	3,201	-	-	-	-	-
Loans to Financial Sector	3,808,532	-	-	7	-	-
Consumer Loans	46,426,598	2,177,666	-	1,779,776	519,219	53,035
Credit Cards	21,364,565	-	381,873	382,608	-	140,571
Others	77,681,892	134,744	-	12,868,129	4,525,989	828,628
Specialization Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	**192,038,331**	**2,358,195**	**381,873**	**16,592,669**	**5,860,696**	**1,227,012**

(*) The loans and interest accruals granted to the shareholder of a strategically important company operating in the telecommunication sector amounting to USD 1,060,263,379.13 and EUR 8,059,584.09 are classified under "Loans and Other Receivables Under Follow-Up". Discussions between the shareholders of the company, creditor banks and related sovereign institutions including also a possible change in shareholder structure regarding restructuring of loans granted continue, and a positive outcome of these discussions is expected.

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

Collaterals received for loans under follow-up;

Prior Period	**Corporate/ Commercial Loans**	**Consumer Loans**	**Credit Cards**	**Total**
Loans Collateralized by Cash	39,714	4,244	-	43,958
Loans Collateralized by Mortgages	8,344,382	914,106	-	9,258,488
Loans Collateralized by Pledged Assets	685,338	75,559	-	760,897
Loans Collateralized by Cheques and Notes	63,740	604,763	-	668,503
Loans Collateralized by Other Collaterals	3,633,692	6,810	-	3,640,502
Unsecured Loans	1,663,419	174,294	382,608	2,220,321
Total	**14,430,285**	**1,779,776**	**382,608**	**16,592,669**

Delinquency periods of loans under follow-up;

Prior Period	**Corporate/ Commercial Loans**	**Consumer Loans**	**Credit Cards**	**Total**
31-60 days	168,191	823,072	166,444	1,157,707
61-90 days	127,120	241,228	43,258	411,606
Others	14,134,974	715,476	172,906	15,023,356
Total	**14,430,285**	**1,779,776**	**382,608**	**16,592,669**

(Thousands of Turkish Lira (TL))

Loans and other receivables with extended payment plans;

	Prior Period	
No. of Extensions	**Performing Loans and Other Receivables**	**Loans and Other Receivables under Follow-up**
1 or 2 times	2,342,895	5,747,639
3, 4 or 5 times	14,635	85,253
Over 5 times	665	27,804

	Prior Period	
Extention Periods	**Performing Loans and Other Receivables**	**Loans and Other Receivables under Follow-up**
0-6 months	204,885	1,915,795
6-12 months	228,862	150,892
1-2 years	769,825	431,542
2-5 year	1,134,400	1,775,865
5 years and over	20,223	1,586,602

5.2.5.3 *Maturity analysis of cash loans*

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".

(Thousands of Turkish Lira (TL))

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

Prior Period	Short-Term	Medium and Long-Term	Total
Consumer Loans – TL	**908,935**	**45,957,542**	**46,866,477**
Housing Loans	29,632	23,171,465	23,201,097
Automobile Loans	72,369	2,283,541	2,355,910
General Purpose Loans	806,934	20,502,536	21,309,470
Other	-	-	-
Consumer Loans – FC-indexed	**-**	**165,624**	**165,624**
Housing Loans	-	165,579	165,579
Automobile Loans	-	-	-
General Purpose Loans	-	45	45
Other	-	-	-
Consumer Loans – FC	**643**	**61,408**	**62,051**
Housing Loans	458	33,446	33,904
Automobile Loans	164	16,405	16,569
General Purpose Loans	21	11,557	11,578
Other	-	-	-
Retail Credit Cards – TL	**17,163,201**	**527,872**	**17,691,073**
With Installment	8,452,785	527,872	8,980,657
Without Installment	8,710,416	-	8,710,416
Retail Credit Cards – FC	**92,791**	**-**	**92,791**
With Installment	-	-	-
Without Installment	92,791	-	92,791
Personnel Loans – TL	**19,264**	**115,539**	**134,803**
Housing Loan	-	1,498	1,498
Automobile Loans	-	4	4
General Purpose Loans	19,264	114,037	133,301
Other	-	-	-
Personnel Loans - FC-indexed	**-**	**405**	**405**
Housing Loans	-	405	405
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans – FC	**-**	**33**	**33**
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	33	33
Other	-	-	-
Personnel Credit Cards – TL	**120,550**	**880**	**121,430**
With Installment	50,773	880	51,653
Without Installment	69,777	-	69,777
Personnel Credit Cards – FC	**1,646**	**-**	**1,646**
With Installment	-	-	-
Without Installment	1,646	-	1,646
Deposit Accounts– TL (Real persons)	**976,981**	**-**	**976,981**
Deposit Accounts– FC (Real persons)	**-**	**-**	**-**
Total	**19,284,011**	**46,829,303**	**66,113,314**

(Thousands of Turkish Lira (TL))

5.2.5.5 *Installment based commercial loans and corporate credit cards*

Prior Period	**Short-Term**	**Medium and Long-Term**	**Total**
Installment-based Commercial Loans – TL	**1,621,458**	**14,720,433**	**16,341,891**
Real Estate Loans	850	788,851	789,701
Automobile Loans	138,541	2,283,802	2,422,343
General Purpose Loans	1,482,067	11,647,780	13,129,847
Other	-	-	-
Installment-based Commercial Loans - FC-indexed	**303,531**	**2,426,419**	**2,729,950**
Real Estate Loans	-	74,599	74,599
Automobile Loans	3,644	892,261	895,905
General Purpose Loans	299,887	1,459,559	1,759,446
Other	-	-	-
Installment-based Commercial Loans – FC	**113**	**108,431**	**108,544**
Real Estate Loans	-	284	284
Automobile Loans	86	20,075	20,161
General Purpose Loans	27	88,072	88,099
Other	-	-	-
Corporate Credit Cards – TL	**3,777,393**	**42,624**	**3,820,017**
With Installment	1,800,911	42,624	1,843,535
Without Installment	1,976,482	-	1,976,482
Corporate Credit Cards – FC	**20,216**	**-**	**20,216**
With Installment	15	-	15
Without Installment	20,201	-	20,201
Deposit Accounts– TL (Corporates)	**871,611**	**-**	**871,611**
Deposit Accounts– FC (Corporates)	**-**	**-**	**-**
Total	**6,594,322**	**17,297,907**	**23,892,229**

5.2.5.6 *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".

5.2.5.7 *Allocation of domestic and foreign loans*

	Prior Period
Domestic Loans	204,701,003
Foreign Loans	3,929,997
Total	**208,631,000**

5.2.5.8 *Loans to associates and subsidiaries*

	Prior Period
Direct Lending	1,036,755
Indirect Lending	-
Total	**1,036,755**

(Thousands of Turkish Lira (TL))

5.2.5.9 Specific provisions for loans

	Prior Period
Substandard Loans and Receivables - Limited Collectibility	530,116
Doubtful Loans and Receivables	775,530
Uncollectible Loans and Receivables	3,053,591
Total	**4,359,237**

5.2.5.10 Non-performing loans and other receivables (NPLs) (Net)

Non-performing loans and other receivables restructured or rescheduled

Prior Period	**Group III** Substandard Loans and Receivables	**Group IV** Doubtful Loans and Receivables	**Group V** Uncollectible Loans and Receivables
(Gross Amounts before Specific Provisions)	250,388	501,170	853,454
Restructured Loans and Receivables	250,388	501,170	853,454
Rescheduled Loans and Receivables	-	-	-

Movements in non-performing loans and other receivables

Prior Period	**Group III** Substandard Loans and Receivables	**Group IV** Doubtful Loans and Receivables	**Group V** Uncollectible Loans and Receivables
Balances at Beginning of Period	**576,487**	**1,476,489**	**3,219,798**
Additions during the Period (+)	2,285,166	51,494	87,363
Transfer from Other NPL Categories (+)	-	1,692,781	1,826,171
Transfer to Other NPL Categories (-)	1,692,781	1,826,171	-
Collections during the Period (-)	454,499	379,561	588,852
Write-offs (-) (*)	-	16,178	849,593
Corporate and Commercial Loans	-	15,693	369,827
Retail Loans	-	485	216,518
Credit Cards	-	-	263,248
Others	-	-	-
Balances at End of Period	**714,373**	**998,854**	**3,694,887**
Specific Provisions (-)	530,116	775,530	3,053,591
Net Balance on Balance Sheet	**184,257**	**223,324**	**641,296**

(*) of which TL 865,748 thousands is resulted from sale of non-performing loans.

(Thousands of Turkish Lira (TL))

Movements in specific loan provisions

Prior Period	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Balances at End of Prior Period	**1,916,652**	**1,364,327**	**986,512**	**4,267,491**
Additions during the Period(+)	749,651	797,652	516,519	2,063,822
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-)	307,674	518,973	290,417	1,117,064
Write-offs (-) (*)	375,027	216,737	263,248	855,012
Balances at End of Period	**1,983,602**	**1,426,269**	**949,366**	**4,359,237**

(*) of which TL 854,989 thousands is resulted from sale of non-performing loans.

Non-performing loans and other receivables in foreign currencies

Prior Period	Group III Substandard Loans and Receivables	Group IV Doubtful Loans and Receivables	Group V Uncollectible Loans and Receivables
Balance at End of Period	**173,363**	**350,092**	**720,531**
Specific Provisions (-)	104,334	214,188	483,037
Net Balance at Balance Sheet	**69,029**	**135,904**	**237,494**

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

	Group III Substandard Loans and Receivables	Group IV Doubtful Loans and Receivables	Group V Uncollectible Loans and Receivables
Prior Period (Net)	**184,257**	**223,324**	**641,296**
Loans to Individuals and Corporates (Gross)	714,373	998,854	3,693,572
Specific Provision (-)	530,116	775,530	3,052,276
Loans to Individuals and Corporates (Net)	184,257	223,324	641,296
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1,004
Specific Provision (-)	-	-	1,004
Other Loans and Receivables (Net)	-	-	-

Collaterals received for non-performing loans

Prior Period	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	2,872	260	-	3,132
Loans Collateralized by Mortgages	1,440,331	170,463	-	1,610,794
Loans Collateralized by Pledged Assets	166,121	48,274	-	214,395
Loans Collateralized by Cheques and Notes	146,989	4,666	-	151,655
Loans Collateralized by Other Collaterals	1,055,826	991,579	-	2,047,405
Unsecured Loans	90,426	340,941	949,366	1,380,733
Total	**2,902,565**	**1,556,183**	**949,366**	**5,408,114**

5.2.5.11 *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”.

(Thousands of Turkish Lira (TL))

5.2.5.12 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".

5.2.6 Investments held-to-maturity

5.2.6.1 Investment subject to repurchase agreements and provided as collateral/blocked

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

5.2.6.2 Government securities held-to-maturity

	Prior Period
Government Bonds	20,232,556
Treasury Bills	-
Other Government Securities	-
Total	**20,232,556**

5.2.6.3 Investments held-to-maturity

	Prior Period
Debt Securities	**21,390,419**
Quoted at Stock Exchange	20,799,386
Unquoted at Stock Exchange	591,033
Valuation Increase/(Decrease)	3,494,924
Total	**24,885,343**

5.2.6.4 Movement of investments held-to-maturity

	Prior Period
Balances at Beginning of Period	**23,640,184**
Foreign Currency Differences On Monetary Assets	838,293
Purchases during the Period	302,008
Disposals through Sales/Redemptions	(985,994)
Valuation Effect	1,090,852
Balances at End of Period	**24,885,343**

(Thousands of Turkish Lira (TL))

5.2.7 Investments in associates

5.2.7.1 Investments in associates

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

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

(1) Financial information is as of 30 September 2017.
(2) Financial information is as of 31 December 2016.
(*) Total fixed assets include tangible and intangible assets.

5.2.7.2 Movement of investments in associates

	Prior Period
Balance at Beginning of Period	**36,698**
Movements during the Period	**(1,540)**
Acquisitions	-
Bonus Shares Received	-
Dividends from Current Year Profit	-
Sales	(1,540)
Increase in Market Values	-
Impairment Reversals/(Losses)	-
Balance at End of Period	**35,158**
Capital Commitments	**-**
Share Percentage at the End of Period (%)	**-**

5.2.7.3 Sectoral distribution of investments and associates

Investments in Associates	*Prior Period*
Banks	25,557
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	7,887
Other Associates	1,714

(Thousands of Turkish Lira (TL))

5.2.7.4 Quoted associates

None.

5.2.7.5 Valuation methods of investments in associates

Investments in Associates	***Prior Period***
Valued at Cost	35,158
Valued at Fair Value	-

5.2.7.6 Investments in associates sold during the current period

None.

5.2.7.7 Investments in associates acquired during the current period

None.

5.2.8 Investments in subsidiaries

5.2.8.1 Information on capital adequacy of major subsidiaries

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

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

(Thousands of Turkish Lira (TL))

5.2.8.2 Investments in subsidiaries

	Affiliate	Address (City/ Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1	Garanti Bilişim Teknolojisi ve Tic. 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 AŞ	Istanbul/Turkey	81.84	81.84
8	Garanti Yatırım Menkul Kıymetler AŞ	Istanbul/Turkey	100.00	100.00
9	Garanti Portföy Yönetimi AŞ	Istanbul/Turkey	100.00	100.00
10	Garanti Emeklilik ve Hayat AŞ	Istanbul/Turkey	84.91	84.91
11	Garanti Bank International NV	Amsterdam/the Netherlands	100.00	100.00
12	Garanti Holding BV	Amsterdam/the Netherlands	100.00	100.00

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Prior Period Profit/Loss	Company's Fair Value
1	83,704	71,762	37	7,557	3	9,699	-
2	37,642	15,337	318	938	-	612	-
3	3,764	3,288	-	452	48	(456)	-
4	2,619	1,847	1,132	-	49	247	-
5	3,920	2,696	39	218	-	882	-
6	5,440,877	945,954	10,318	403,026	-	20,747	-
7	3,451,880	212,985	7,430	288,268	-	27,603	-
8	170,260	117,635	13,407	4,897	2,422	49,931	-
9	80,928	71,147	3,408	4,824	-	18,891	-
10	2,164,598	1,648,492	38,969	204,397	1,590	323,576	-
11	19,371,398	2,693,389	140,785	560,541	59,295	103,187	-
12	1,541,868	1,541,596	-	-	-	(343)	-

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

(Thousands of Turkish Lira (TL))

5.2.8.3 Movement of investments in subsidiaries

	Prior Period
Balance at Beginning of Period	**5,173,864**
Movements during the Period	**1,365,607**
Acquisitions	150
Bonus Shares Received	-
Earnings from Current Year Profit	607,953
Sales/Liquidations	-
Reclassification of Shares	-
Increase/(Decrease) in Market Values	118,307
Currency Differences on Foreign Subsidiaries	639,197
Impairment Reversals/(Losses)	-
Balance at End of Period	**6,539,471**
Capital Commitments	-
Share Percentage at the End of Period (%)	-

5.2.8.4 Sectoral distribution of investments in subsidiaries

Subsidiaries	*Prior Period*
Banks	2,686,210
Insurance Companies	1,399,747
Factoring Companies	174,376
Leasing Companies	945,953
Finance Companies	1,228,813
Other Subsidiaries	104,372

5.2.8.5 Quoted subsidiaries

None.

5.2.8.6 Valuation methods of investments in subsidiaries

Subsidiaries	*Prior Period*
Valued at Cost	104,372
Valued at Equity Method of Accounting	6,435,099

5.2.8.7 Investments in subsidiaries disposed during the current period

None.

5.2.8.8 Investments in subsidiaries acquired during the current period

None.

5.2.9 Investments in Joint-Ventures

None.

5.2.10 Lease receivables (net)

None.

(Thousands of Turkish Lira (TL))

5.2.11 Derivative financial assets held for hedging purpose

5.2.11.1 Positive differences on derivative financial instruments held for hedging purpose

Derivative Financial Assets Held for Hedging Purpose	*Prior Period*	
	TL	**FC**
Fair Value Hedges	89,104	13,001
Cash Flow Hedges	446,457	99,713
Net Foreign Investment Hedges	-	-
Total	**535,561**	**112,714**

As of 31 December 2017, the face values and the net fair values, recognised in the balance sheet, of the derivative financial instruments held for hedging purpose, are summarized below:

	Prior Period		
	Face Value	**Asset**	**Liability**
Interest Rate Swaps	36,960,864	204,154	48,808
-TL	5,552,476	91,493	6,227
-FC	31,408,388	112,661	42,581
Cross Currency Swaps	3,068,641	444,121	131,262
-TL	656,908	444,068	-
-FC	2,411,733	53	131,262
Total	**40,029,505**	**648,275**	**180,070**

5.2.11.1.1 Fair value hedge accounting

Prior Period						
				Net Fair Value Change of Hedging Item		**Income Statement Effect (gains/losses from derivative financial instruments)**
Hedging Item	**Hedged Item**	**Type of Risk**	**Fair Value Change of Hedged Item**	**Asset**	**Liability**	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	2,442	30,275	(39,034)	(6,317)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(53,789)	57,887	-	4,098
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(19,552)	13,943	(7,695)	(13,305)
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	(3,527)	-	(131,262)	(134,788)

(Thousands of Turkish Lira (TL))

5.2.11.1.2 Cash flow hedge accounting

Prior Period							
			Fair Value Change of Hedged Item		**Gains/Losses Accounted under Shareholders' Equity in the Period**	**Gains/Losses Accounted under Income Statement in the Period**	**Ineffective Portion (net) Accounted under Income Statement**
Hedging Item	**Hedged Item**	**Type of Risk**	**Asset**	**Liability**			
Interest Rate Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates	39	-	(55)	67	-
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	61,409	(1,745)	34,891	(23,236)	672
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	40,601	(334)	18,621	(7,071)	6,932
Cross Currency Swaps	Floating-rate securities issued	Commitments	53	-	1,094	(1,042)	-
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	444,068	-	45	(60,340)	7

There is no amount reclassified from the shareholders' equity to the income statement due to the ceased hedging transactions.

5.2.12 Tangible assets

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".

5.2.13 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".

5.2.14 Investment property

	Prior Period
Net Book Value at Beginning Period	**670,370**
Additions	4,746
Transfers to Tangible Assets	4,430
Fair Value Change	11,042
Net Book Value at End of Current Period	**690,588**

The investment property is held for operational leasing purposes.

(Thousands of Turkish Lira (TL))

5.2.15 Deferred tax asset

As of 31 December 2017, the Bank has a deferred tax asset of TL 356,684 thousands calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences.

The Bank does not have any deferred tax assets on tax losses carried forward or tax deductions and exemptions as of 31 December 2017. However, there is a deferred tax asset of TL 640,025 thousands and deferred tax liability of TL 283,341 thousands presented as net in the accompanying financial statements on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

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

	Prior Period	
	Tax Base	**Deferred Tax Amount**
Provisions (*)	1,268,109	262,529
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	1,045,923	230,712
Revaluation Differences on Real Estates	(1,864,352)	(186,435)
Other	226,718	49,878
Total Deferred Tax Asset, Net	**676,398**	**356,684**

(*) Consists of reserve for employee benefits, provision for promotion expenses of credit cards and other provisions.
(**) Calculations are performed at the relevant tax rates applicable in the country of the foreign branches' financial assets.

As of 31 December 2017, TL 329,630 thousands and TL 101,516 thousands of deferred tax income are recognised in the income statement and the shareholders' equity, respectively.

5.2.16 Assets held for sale and assets of discontinued operations

	Prior Period
End of Prior Period	
Cost	**606,380**
Accumulated Depreciation (-)	**(16,654)**
Net Book Value	**589,726**
End of Current Period	
Additions	309,218
Disposals (Cost)	(125,470)
Disposals (Accumulated Depreciation)	1,900
Impairment Losses (-)	54
Depreciation Expense for Current Period (-)	-
Cost	**790,182**
Accumulated Depreciation (-)	**(14,754)**
Net Book Value	**775,428**

As of 31 December 2017, the net book values of assets held for sale on which rights of repurchase exist amounting to TL 471,433 thousands.

5.2.17 Other assets

5.2.17.1 Receivables from term sale of assets

	Prior Period
Sale of Investments in Associates, Subsidiaries and Joint Ventures	-
Sale of Real Estates	-
Sale of Financial Assets Available-for-Sale	20,394
Sale of Other Assets	1,136
Total	**21,530**

5.2.17.2 Prepaid expenses, taxes and similar items

	Prior Period
Prepaid Expenses	866,958
Prepaid Taxes	-

(Thousands of Turkish Lira (TL))

5.3 Liabilities (Current Period)

5.3.1 Maturity profile of deposits

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	**12,340,647**	**-**	**3,179,505**	**45,769,469**	**2,259,878**	**538,801**	**1,197,703**	**3,530**	**65,289,533**
Foreign Currency Deposits	**25,371,905**	**-**	**8,814,474**	**47,623,348**	**2,513,120**	**3,259,242**	**13,012,930**	**53,437**	**100,648,456**
Residents in Turkey	24,367,416	-	8,402,241	45,443,991	1,579,386	1,269,623	804,776	52,010	81,919,443
Residents in Abroad	1,004,489	-	412,233	2,179,357	933,734	1,989,619	12,208,154	1,427	18,729,013
Public Sector Deposits	**746,507**	**-**	**59,559**	**25,342**	**4,685**	**1,020**	**-**	**-**	**837,113**
Commercial Deposits	**9,305,157**	**-**	**5,481,595**	**9,201,884**	**371,858**	**394,803**	**1,295,656**	**-**	**26,050,953**
Other	**286,769**	**-**	**397,607**	**938,203**	**480,763**	**214,331**	**2,637,037**	**-**	**4,954,710**
Precious Metal Deposits	**2,387,076**	**-**	**-**	**50,852**	**5,285**	**9,715**	**298,707**	**-**	**2,751,635**
Bank Deposits	**5,184,593**	**-**	**91,149**	**15,335**	**124**	**28,207**	**206,781**	**-**	**5,526,189**
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	2,861	-	-	15,335	124	19,648	10,905	-	48,873
Foreign Banks	2,672,724	-	91,149	-	-	8,559	195,876	-	2,968,308
Special Financial Institutions	2,509,008	-	-	-	-	-	-	-	2,509,008
Other	-	-	-	-	-	-	-	-	-
Total	**55,622,654**	**-**	**18,023,889**	**103,624,433**	**5,635,713**	**4,446,119**	**18,648,814**	**56,967**	**206,058,589**

5.3.1.1 Saving deposits and other deposit accounts insured by Saving Deposit Insurance Fund

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

Current Period	Covered by Deposit Insurance	Over Deposit Insurance Limit
Saving Deposits	30,202,878	34,537,446
Foreign Currency Saving Deposits	11,841,443	40,917,210
Other Saving Deposits	1,487,246	1,179,863
Deposits held at Foreign Branches Under Foreign Insurance Coverage	-	-
Deposits held at Off-Shore Branches Under Foreign Insurance Coverage	-	-

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

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”.

(Thousands of Turkish Lira (TL))

5.3.1.3 Saving deposits not covered by insurance limits

	Current Period
Deposits and Other Accounts held at Foreign Branches	1,188,105
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	204,346
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-

5.3.2 Negative differences on derivative financial liabilities

	Current Period	
	TL	**FC**
Forward transactions	432,858	35,724
Swap transactions	3,150,640	1,000,072
Futures	-	1,053
Options	364,639	22,612
Other	-	-
Total	**3,948,137**	**1,059,461**

5.3.3 Funds borrowed

	Current Period	
	TL	**FC**
Central Bank of Turkey	-	444,910
Domestic Banks and Institutions	367,545	1,075,122
Foreign Banks, Institutions and Funds	504,995	34,254,983
Total	**872,540**	**35,775,015**

5.3.3.1 Maturities of funds borrowed

	Current Period	
	TL	**FC**
Short-Term	364,725	1,040,944
Medium and Long-Term	507,815	34,734,071
Total	**872,540**	**35,775,015**

5.3.3.2 Disclosures for concentration areas of bank's liabilities

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

(Thousands of Turkish Lira (TL))

5.3.4 Other external funds

5.3.4.1 Securities issued

Current Period	TL		FC	
	Short-Term	**Medium and Long-Term**	**Short-Term**	**Medium and Long-Term**
Nominal	4,076,664	1,882,018	-	15,368,563
Cost	3,971,464	1,880,144	-	15,290,359
Carrying Value (*)	4,052,403	1,941,170	-	14,756,087

(*) The Bank repurchased its own TL securities with a total face value of TL 9 thousands and foreign currency securities with a total face value of USD 206,730,000 and netted off such securities in the accompanying financial statements.

5.3.4.2 Funds provided through repurchase transactions

	Current Period	
	TL	**FC**
Domestic Transactions	**4,981,488**	-
Financial Institutions and Organizations	4,930,645	-
Other Institutions and Organizations	19,603	-
Individuals	31,240	-
Foreign Transactions	**82**	-
Financial Institutions and Organizations	-	-
Other Institutions and Organizations	33	-
Individuals	49	-
Total	**4,981,570**	-

5.3.4.3 Financial liabilities measured at fair value through profit/loss

	Current Period	
	TL	**FC**
Funds Borrowed	-	9,834,484
Securities Issued	-	41,433
Total	**-**	**9,875,917**

In accordance with TFRS 9, the Bank classified a part of borrowings obtained through securitisations amounting to USD 2,295,714,286, as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch.

As of 30 June 2018, the accumulated credit risk change and the credit risk change recognised in the statement of profit or loss amounted to TL 752,954 thousands and a gain of TL 709,006 thousands, respectively. The carrying value of the related financial liability amounted to TL 9,834,484 thousands, and the related current period gain amounted to TL 709,006 thousands.

In accordance with TFRS 9, the Bank classified certain securities amounting to RON 34,500,000 as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch.

As of 30 June 2018, the accumulated negative credit risks change, and the positive credit risk changes recognised in the statement of profit or loss amounted to TL 374 thousands and TL 694 thousands. The carrying value of the related financial liability amounted to TL 41,433 thousands, and the related current period gain amounted to TL 893 thousands.

(Thousands of Turkish Lira (TL))

5.3.4.4 Other liabilities

	Current Period	
	TL	FC
Payables from credit card transactions	9,917,204	73,184
Payables from clearing transactions	1,891,630	73,830
Dividend payables to shareholders	725	-
Other	946,690	1,082,402
Total	**12,756,249**	**1,229,416**

5.3.5 Lease payables (Net)

5.3.5.1 Financial lease payables

	Current Period	
	Gross	Net
Up to 1 Year	4,109	3,646
1-4 Years	1,114	1,076
More than 4 Years	-	-
Total	**5,223**	**4,722**

5.3.5.2 Operational lease agreements

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

5.3.6 Derivative financial liabilities held for hedging purpose

Derivative Financial Liabilities held for Hedging Purpose	Current Period	
	TL	FC
Fair Value Hedges	-	55,142
Cash Flow Hedges	-	4,166
Net Foreign Investment Hedges	-	-
Total	**-**	**59,308**

5.3.7 Provisions

5.3.7.1 Reserve for employee severance indemnity

	Current Period
Balances at Beginning of Period	**407,655**
Provision for the Period	42,952
Actuarial Gain/Loss	-
Payments During the Period	-
Balances at End of Period	**450,607**

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

	Current Period
Short-Term Loans	3
Medium and Long-Term Loans	13
Total	**16**

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

(Thousands of Turkish Lira (TL))

5.3.7.3 *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".

5.3.7.4 *Provisions*

	Current Period
Reserve for Employee Benefits	943,254
Provision for Promotion Expenses of Credit Cards	119,659
Provision for Lawsuits	286,441
Provision for Non-Cash Loans	445,862
Other Provisions (*)	1,360,179
Total	**3,155,395**

(*) Includes a general provision of TL 1,160,000 thousands recognized for possible losses in prior periods.

Recognized liability for defined benefit plan obligations

The Bank obtained an actuarial report dated 13 December 2017 from an independent actuary reflecting the principles and procedures on determining the application of transfer transactions in accordance with the Law and it is determined that the assets of the Plan are above the amount that will be required to be paid to transfer the obligation and the asset surplus amounts to TL 3,125,485 thousands at 31 December 2017 as details are given in the table below.

Furthermore, an actuarial report was prepared as of 31 December 2017 as per the requirements of the Law explained in Note 3.17, the accounting policies related with "employee benefits" for the benefits transferable to the SSF and as per TAS 19 for other benefits not transferable to the SSF and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees. Based on the actuary's 13 December 2017 dated report, the asset surplus over the fair value of the plan assets to be used for the payment of the obligations also fully covers the benefits not transferable and still a surplus of TL 1,198,065 thousands remains as of 31 December 2017 as details are given in the table below.

The Bank's management, acting prudently, did not consider the health premium surplus amounting TL 551,028 thousands as stated above and resulted from the present value of medical benefits and health premiums transferable to SSF as of 31 December 2017. However, despite this treatment there are no excess obligation that needs to be provided against.

	31 December 2017
Transferable Pension and Medical Benefits:	
Net present value of pension benefits transferable to SSF	(989,677)
Net present value of medical benefits and health premiums transferable to SSF	551,028
General administrative expenses	(45,215)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	**(483,864)**
Fair Value of Plan Assets (2)	**3,609,349**
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	**3,125,485**
Non-Transferable Benefits:	
Other pension benefits	(846,997)
Other medical benefits	(1,080,423)
Total Non-Transferable Benefits (4)	**(1,927,420)**
Asset Surplus over Total Benefits ((3)-(4)=(5))	**1,198,065**
Net Present Value of Medical Benefits and Health Premiums Transferable to SSF – but not considered acting prudently (6)	**(551,028)**
Present Value of Asset Surplus/(Defined Benefit Obligation) ((5)-(6))	**647,037**

(Thousands of Turkish Lira (TL))

Movement of recognized liability for asset shortage over the Bank's defined benefit plan

	31 December 2017
Balance at Beginning of Period	-
Actual contributions paid during the period	(71,463)
Total expense recognized in the statement of profit or loss	44,052
Amount recognized in the shareholders' equity	27,411
Balance at End of Period	-

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

	31 December2017
	%
Discount Rate (*)	11.70
Inflation Rate (*)	8.40
Future Real Salary Increase Rate	1.50
Medical Cost Trend Rate	50% above inflation
Future Pension Increase Rate (*)	8.40

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

The sensitivity analysis of defined benefit obligation of excess liabilities and retirement indemnities are as follow:

Defined Benefit Obligation	**Pension Benefits Effect**	**Medical Benefits Effect**	**Overall Effect**
Assumption change	**%**	**%**	**%**
Discount rate +1%	(13.90)	(19.00)	(16.80)
Discount rate -1%	17.80	26.10	22.40
Medical inflation (+10% of CPI)	-	20.80	11.60
Medical inflation (-10% of CPI)	-	(16.20)	(9.10)

Retirement Indemnities	**Sensitivity of Past Service Liability**	**Sensitivity of Normal Cost**
Assumption change	**%**	**%**
Discount rate +1%	(12.20)	(16.30)
Discount rate -1%	14.80	20.40
Inflation rate +1%	14.40	20.00
Inflation rate -1%	(11.80)	(15.90)

5.3.8 Tax liability

5.3.8.1 Current tax liability

5.3.8.1.1 Tax liability

As of 30 June 2018, the Bank had a current tax liability of TL 519,491 thousands after offsetting with prepaid taxes.

(Thousands of Turkish Lira (TL))

5.3.8.1.2 Taxes payable

	Current Period
Corporate Taxes Payable	519,491
Taxation on Securities Income	171,267
Taxation on Real Estates Income	4,515
Banking Insurance Transaction Tax	181,325
Foreign Exchange Transaction Tax	93
Value Added Tax Payable	4,662
Others	40,926
Total	**922,279**

5.3.8.1.3 Premiums

	Current Period
Social Security Premiums-Employees	68
Social Security Premiums-Employer	84
Bank Pension Fund Premium-Employees	506
Bank Pension Fund Premium-Employer	642
Pension Fund Membership Fees and Provisions-Employees	-
Pension Fund Membership Fees and Provisions-Employer	-
Unemployment Insurance-Employees	1,384
Unemployment Insurance-Employer	2,788
Others	43
Total	**5,515**

5.3.8.2 Deferred tax liability

None.

5.3.9 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".

5.3.10 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".

5.3.11 Shareholders' equity

5.3.11.1 Paid-in capital

	Current Period
Common Shares	4,200,000
Preference Shares	-

5.3.11.2 Registered share capital system

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

5.3.11.3 Capital increases in current period

None.

(Thousands of Turkish Lira (TL))

5.3.11.4 Capital increases from capital reserves in current period

None.

5.3.11.5 Capital commitments for current and future financial periods

None.

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

None.

5.3.11.7 Information on privileges given to stocks representing the capital

None.

5.3.11.8 Securities value increase fund

	Current Period	
	TL	**FC**
Investments in Associates, Subsidiaries and Joint-Ventures	**2,365,804**	**89,734**
Valuation difference	2,365,804	89,734
Exchange rate difference	-	-
Securities Measured at Fair Value through Other Comprehensive Income	**(349,060)**	**(203,992)**
Valuation difference	(349,060)	(203,992)
Exchange rate difference	-	-
Total	**2,016,744**	**(114,258)**

5.3.11.9 Revaluation surplus

	Current Period	
	TL	**FC**
Movables	-	-
Real Estates	1,431,478	-
Gain on Sale of Investments in Associates and Subsidiaries and Real Estates allocated for Capital Increases	-	-
Revaluation Surplus on Leasehold Improvements	-	-

5.3.11.10 Bonus shares of associates, subsidiaries and joint-ventures

	Current Period
Garanti Yatırım Menkul Değerler AŞ	942
Kredi Kartları Bürosu AŞ	481
Garanti Ödeme Sistemleri AŞ	401
Tat Konserve AŞ	-
Doğuş Gayrimenkul Yatırım Ortaklığı AŞ	22
Yatırım Finansman Menkul Değerler AŞ	9
Total	**1,855**

5.3.11.11 Legal reserves

	Current Period
I. Legal Reserve	961,534
II. Legal Reserve	503,840
Special Reserves	-

5.3.11.12 Extraordinary reserves and other profit reserves

	Current Period
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	30,601,662
Retained Earnings	-
Accumulated Losses	-
Exchange Rate Difference on Foreign Currency Capital	-

(Thousands of Turkish Lira (TL))

5.4 Liabilities (Prior Period)

5.4.1 Maturity profile of deposits

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	**10,899,855**	**-**	**2,591,208**	**42,834,706**	**1,876,797**	**589,939**	**803,336**	**4,104**	**59,599,945**
Foreign Currency Deposits	**21,383,545**	**-**	**7,035,070**	**45,574,240**	**2,282,354**	**3,175,778**	**9,426,930**	**53,388**	**88,931,305**
Residents in Turkey	20,494,963	-	6,870,179	42,503,373	1,614,303	1,478,046	952,124	52,147	73,965,135
Residents in Abroad	888,582	-	164,891	3,070,867	668,051	1,697,732	8,474,806	1,241	14,966,170
Public Sector Deposits	**539,397**	**-**	**2,151**	**23,704**	**5,309**	**10**	**-**	**-**	**570,571**
Commercial Deposits	**9,546,293**	**-**	**5,119,441**	**7,458,863**	**460,815**	**321,390**	**1,236,562**	**-**	**24,143,364**
Other	**240,019**	**-**	**138,566**	**1,351,057**	**93,816**	**406,570**	**2,247,113**	**-**	**4,477,141**
Precious Metal Deposits	**1,845,183**	**-**	**57,205**	**47,640**	**3,777**	**8,013**	**232,897**	**-**	**2,194,715**
Bank Deposits	**894,483**	**-**	**83,799**	**15,090**	**10,240**	**20,474**	**174,878**	**-**	**1,198,964**
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	5,597	-	5,664	15,090	2,048	20,474	10,239	-	59,112
Foreign Banks	604,000	-	78,135	-	8,192	-	164,639	-	854,966
Special Financial Institutions	284,886	-	-	-	-	-	-	-	284,886
Other	-	-	-	-	-	-	-	-	-
Total	**45,348,775**	**-**	**15,027,440**	**97,305,300**	**4,733,108**	**4,522,174**	**14,121,716**	**57,492**	**181,116,005**

5.4.1.1 Saving deposits and other deposit accounts insured by Saving Deposit Insurance Fund

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

Prior Period	Covered by Deposit Insurance	Over Deposit Insurance Limit
Saving Deposits	29,036,944	30,090,207
Foreign Currency Saving Deposits	10,539,819	35,968,349
Other Saving Deposits	1,117,225	946,409
Deposits held at Foreign Branches Under Foreign Insurance Coverage	-	-
Deposits held at Off-Shore Branches Under Foreign Insurance Coverage	-	-

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

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”.

5.4.1.3 Saving deposits not covered by insurance limits

	Prior Period
Deposits and Other Accounts held at Foreign Branches	1,009,774
Deposits and Other Accounts held by Shareholders and their Relatives	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	231,412
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-

(Thousands of Turkish Lira (TL))

5.4.2 Negative differences on derivative financial liabilities held for trading

	Prior Period	
	TL	**FC**
Forward transactions	173,801	30,817
Swap transactions	2,070,861	352,945
Futures	-	91
Options	114,525	9,690
Other	-	-
Total	**2,359,187**	**393,543**

5.4.3 Funds borrowed

	Prior Period	
	TL	**FC**
Central Bank of Turkey	-	685,843
Domestic Banks and Institutions	237,352	905,944
Foreign Banks, Institutions and Funds	505,231	38,470,453
Total	**742,583**	**40,062,240**

5.4.3.1 Maturities of funds borrowed

	Prior Period	
	TL	**FC**
Short-Term	231,700	1,188,679
Medium and Long-Term	510,883	38,873,561
Total	**742,583**	**40,062,240**

In accordance with TAS 39 paragraph 9, the Bank classified a part of borrowings obtained through securitisations amounting to USD 2,455,714,286, as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch.

As of 31 December 2017, the accumulated credit risk change and the credit risk change recognised in the income statement amounted to TL 43,948 thousands and a loss of TL 398,191 thousands, respectively. The carrying value of the related financial liability amounted to TL 9,228,338 thousands, and the related period loss amounted to TL 398,191 thousands.

5.4.3.2 Disclosures for concentration areas of bank's liabilities

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

5.4.4 Other external funds

5.4.4.1 Securities issued

Prior Period	**TL**		**FC**	
	Short-Term	**Medium and Long-Term**	**Short-Term**	**Medium and Long-Term**
Nominal	2,988,767	4,088,187	-	12,842,638
Cost	2,923,775	3,917,598	-	12,775,272
Carrying Value (*)	2,975,784	3,984,835	-	12,330,741

(*) The Bank repurchased its own TL securities with a total face value of TL 111,041 thousands and foreign currency securities with a total face value of USD 206,730,000 and netted off such securities in the accompanying financial statements.

(Thousands of Turkish Lira (TL))

In accordance with TAS 39 paragraph 9, the Bank classified certain securities amounting to RON 34,500,000 as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch.

As of 31 December 2017, the accumulated negative credit risks change, and the positive credit risk changes recognised in the income statement amounted to TL 908 thousands and TL 1,815 thousands. The carrying value of the related financial liability amounted to TL 34,983 thousands, and the related period gains amounted to TL 1,898 thousands.

5.4.4.2 *Funds provided through repurchase transactions*

	Prior Period	
	TL	**FC**
Domestic Transactions	**870,169**	**-**
Financial Institutions and Organizations	750,756	-
Other Institutions and Organizations	78,658	-
Individuals	40,755	-
Foreign Transactions	**296**	**189,433**
Financial Institutions and Organizations	-	189,433
Other Institutions and Organizations	-	-
Individuals	296	-
Total	**870,465**	**189,433**

5.4.4.3 *Miscellaneous payables*

	Prior Period	
	TL	**FC**
Payables from credit card transactions	8,985,632	44,725
Other	504,349	439,190
Total	**9,489,981**	**483,915**

5.4.5 Lease payables (Net)

5.4.5.1 *Financial lease payables*

	Prior Period	
	Gross	**Net**
Up to 1 Year	5,123	5,358
1-4 Years	2,780	1,581
More than 4 Years	-	-
Total	**7,903**	**6,939**

5.4.5.2 *Operational lease agreements*

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

(Thousands of Turkish Lira (TL))

5.4.6 Derivative financial liabilities held for hedging purpose

Derivative Financial Liabilities held for Hedging Purpose	*Prior Period*	
	TL	**FC**
Fair Value Hedges	6,227	171,764
Cash Fow Hedges	-	2,079
Net Foreign Investment Hedges	-	-
Total	**6,227**	**173,843**

5.4.7 Provisions

5.4.7.1 General provisions

	Prior Period
General Provision for	**3,597,720**
Loans and Receivables in Group I	1,622,511
Loans and Receivables in Group II	1,367,940
Non-Cash Loans	368,498
Others	238,771

5.4.7.2 Reserve for employee severance indemnity

	Prior Period
Balances at Beginning of Period	**341,657**
Provision for the Period	86,623
Actuarial Gain/Loss	21,806
Payments During the Period	(42,431)
Balances at End of Period	**407,655**

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

	Prior Period
Short-Term Loans	14,419
Medium and Long-Term Loans	2,800
Total	**17,219**

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

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

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".

5.4.7.5 Other provisions

5.4.7.5.1 General reserves for possible losses

	Prior Period
General Reserves for Possible Losses	1,160,000

(Thousands of Turkish Lira (TL))

5.4.7.5.2 *Other provisions*

	Prior Period
Reserve for Employee Benefits	852,817
Provision for Promotion Expenses of Credit Cards	107,272
Provision for Lawsuits (*)	243,791
Provision for Non-Cash Loans	127,417
Other Provisions (**)	217,637
Total	**1,548,934**

(*) During the period, a provision of EUR 33,000,000 is provided for the ongoing lawsuit against the Bank in Paris, which was disclosed in the Public Disclosure Platform on 20 September 2017.

(**) During the period, a provision of TL 33,887 thousands is allocated for the dormant "other temporary accounts" standing longer than a year within the scope of "TAS 37 Provisions, Contingent Liabilities and Contingent Assets" Standard.

Recognized liability for defined benefit plan obligations

The Bank obtained an actuarial report dated 13 December 2017 from an independent actuary reflecting the principles and procedures on determining the application of transfer transactions in accordance with the Law and it is determined that the assets of the Plan are above the amount that will be required to be paid to transfer the obligation and the asset surplus amounts to TL 3,125,485 thousands at 31 December 2017 as details are given in the table below.

Furthermore, an actuarial report was prepared as of 31 December 2017 as per the requirements of the Law explained in Note 3.17, the accounting policies related with "employee benefits" for the benefits transferable to the SSF and as per TAS 19 for other benefits not transferable to the SSF and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees. Based on the actuary's 13 December 2017 dated report, the asset surplus over the fair value of the plan assets to be used for the payment of the obligations also fully covers the benefits not transferable and still a surplus of TL 1,198,065 thousands remains as of 31 December 2017 as details are given in the table below.

The Bank's management, acting prudently, did not consider the health premium surplus amounting TL 551,028 thousands as stated above and resulted from the present value of medical benefits and health premiums transferable to SSF as of 31 December 2017. However, despite this treatment there are no excess obligation that needs to be provided against.

	31.12.2017
Transferable Pension and Medical Benefits:	
Net present value of pension benefits transferable to SSF	(989,677)
Net present value of medical benefits and health premiums transferable to SSF	551,028
General administrative expenses	(45,215)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	**(483,864)**
Fair Value of Plan Assets (2)	**3,609,349**
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	**3,125,485**
Non-Transferable Benefits:	
Other pension benefits	(846,997)
Other medical benefits	(1,080,423)
Total Non-Transferable Benefits (4)	**(1,927,420)**
Asset Surplus over Total Benefits ((3)-(4)=(5))	**1,198,065**
Net Present Value of Medical Benefits and Health Premiums Transferable to SSF – but not considered acting prudently (6)	**(551,028)**
Present Value of Asset Surplus/(Defined Benefit Obligation) ((5)-(6))	**647,037**

(Thousands of Turkish Lira (TL))

Movement of recognized liability for asset shortage over the Bank's defined benefit plan

	31.12.2017
Balance at Beginning of Period	**-**
Actual contributions paid during the period	(71,463)
Total expense recognized in the income statement	44,052
Amount recognized in the shareholders' equity	27,411
Balance at End of Period	**-**

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

	31.12.2017
	%
Discount Rate (*)	11.70
Inflation Rate (*)	8.40
Future Real Salary Increase Rate	1.50
Medical Cost Trend Rate	50% above
Future Pension Increase Rate (*)	8.40

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

The sensitivity analysis of defined benefit obligation of excess liabilities and retirement indemnities are as follow:

Defined Benefit Obligation	**Pension Benefits Effect**	**Medical Benefits Effect**	**Overall Effect**
Assumption change	**%**	**%**	**%**
Discount rate +1%	(13.90)	(19.00)	(16.80)
Discount rate -1%	17.80	26.10	22.40
Medical inflation (+10% of CPI)	-	20.80	11.60
Medical inflation (-10% of CPI)	-	(16.20)	(9.10)

Retirement Indemnities	**Sensitivity of Past Service Liability**	**Sensitivity of Normal Cost**
Assumption change	**%**	**%**
Discount rate +1%	(12.20)	(16.30)
Discount rate -1%	14.80	20.40
Inflation rate +1%	14.40	20.00
Inflation rate -1%	(11.80)	(15.90)

(Thousands of Turkish Lira (TL))

5.4.8 Tax liability

5.4.8.1 Current tax liability

5.4.8.1.1 Tax liability

As of 31 December 2017, the Bank had a tax liability of TL 739,544 thousands after offsetting with prepaid taxes.

5.4.8.1.2 Taxes payable

	Prior Period
Corporate Taxes Payable	739,544
Taxation on Securities Income	131,422
Taxation on Real Estates Income	4,080
Banking Insurance Transaction Tax	149,122
Foreign Exchange Transaction Tax	89
Value Added Tax Payable	12,321
Others	47,413
Total	**1,083,991**

5.4.8.1.3 Premiums

	Prior Period
Social Security Premiums-Employees	61
Social Security Premiums-Employer	74
Bank Pension Fund Premium-Employees	25
Bank Pension Fund Premium-Employer	25
Pension Fund Membership Fees and Provisions-Employees	-
Pension Fund Membership Fees and Provisions-Employer	-
Unemployment Insurance-Employees	1,252
Unemployment Insurance-Employer	2,523
Others	27
Total	**3,987**

5.4.8.2 Deferred tax liability

None.

5.4.9 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".

5.4.10 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".

5.4.11 Shareholders' equity

5.4.11.1 Paid-in capital

	Prior Period
Common Shares	4,200,000
Preference Shares	-

(Thousands of Turkish Lira (TL))

5.4.11.2 Registered share capital system

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

5.4.11.3 Capital increases in current period

None.

5.4.11.4 Capital increases from capital reserves in current period

None.

5.4.11.5 Capital commitments for current and future financial periods

None.

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

None.

5.4.11.7 Information on privileges given to stocks representing the capital

None.

5.4.11.8 Securities value increase fund

	Prior Period	
	TL	**FC**
Investments in Associates, Subsidiaries and Joint-Ventures	**1,754,416**	**136,482**
Valuation difference	1,754,416	136,482
Exchange rate difference	-	-
Securities Available-for-Sale	**(425,322)**	**55,176**
Valuation difference	(425,322)	55,176
Exchange rate difference	-	-
Total	**1,329,094**	**191,658**

5.4.11.9 Revaluation surplus

	Prior Period	
	TL	**FC**
Movables	-	-
Real Estates	1,431,478	-
Gain on Sale of Investments in Associates and Subsidiaries and Real Estates allocated for Capital Increases	227,994	-
Revaluation Surplus on Leasehold Improvements	-	-

5.4.11.10 Bonus shares of associates, subsidiaries and joint-ventures

	Prior Period
Garanti Yatırım Menkul Değerler AŞ	942
Kredi Kartları Bürosu AŞ	481
Garanti Ödeme Sistemleri AŞ	401
Tat Konserve AŞ	-
Doğuş Gayrimenkul Yatırım Ortaklığı AŞ	22
Yatırım Finansman Menkul Değerler AŞ	9
Total	**1,855**

5.4.11.11 Legal reserves

	Prior Period
I. Legal Reserve	961,534
II. Legal Reserve	349,840
Special Reserves	-

5.4.11.12 Extraordinary reserves

	Prior Period
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	25,659,125
Retained Earnings	-
Accumulated Losses	-
Exchange Rate Difference on Foreign Currency Capital	-

(Thousands of Turkish Lira (TL))

5.5 Off-Balance Sheet Items (Current Period)

5.5.1 Off-balance sheet contingencies

5.5.1.1 Irrevocable credit commitments

The Bank has term asset purchase and sale commitments of TL 16,720,415 thousands, commitments for cheque payments of TL 3,112,235 thousands and commitments for credit card limits of TL 31,720,516 thousands.

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

	Current Period
Letters of Guarantee in Foreign Currency	22,647,496
Letters of Guarantee in TL	21,240,811
Letters of Credit	18,571,840
Bills of Exchange and Acceptances	1,424,514
Prefinancings	-
Other Guarantees	34,639
Total	**63,919,300**

Expected losses for non-cash loans and irrevocable commitments

	Stage 1	*Stage 2*	*Stage 2*	*Total*
Provisions at Beginning of Period (1 January 2018)	**109,432**	**200,441**	**117,557**	**427,430**
Additions during the Period (+)	58,480	60,634	23,818	142,932
Disposals (-)	(48,813)	(47,593)	(55,357)	(151,763)
Sales (-)	-	-	-	-
Write-offs (-)	-	-	-	-
Transfer to Stage 1	27,190	(21,558)	(5,632)	-
Transfer to Stage 2	(9,169)	11,778	(2,609)	-
Transfer to Stage 3	(220)	(16,097)	16,317	-
Foreign Currency Differences	2,445	16,197	8,621	27,263
Provisions at End of Period	**139,345**	**203,802**	**102,715**	**445,862**

A specific provision of TL 102,715 thousands is made for unliquidated non-cash loans of TL 246,955 thousands recorded under the off-balance sheet items.

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

5.5.1.3 Non-cash loans

	Current Period
Non-Cash Loans against Cash Risks	8,814,845
With Original Maturity of 1 Year or Less	880,664
With Original Maturity of More Than 1 Year	7,934,181
Other Non-Cash Loans	55,104,455
Total	**63,919,300**

5.5.1.4 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”.

5.5.1.5 Non-cash loans classified under Group I and II

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

5.5.2 Financial derivative instruments

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

5.5.3 Credit derivatives and risk exposures on credit derivatives

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

5.5.4 Contingent liabilities and assets

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

5.5.5 Services rendered on behalf of third parties

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

(Thousands of Turkish Lira (TL))

5.6 Off-Balance Sheet Items (Prior Period)

5.6.1 Off-balance sheet contingencies

5.6.1.1 Irrevocable credit commitments

The Bank has term asset purchase and sale commitments of TL 7,214,533 thousands, commitments for cheque payments of TL 3,797,901 thousands and commitments for credit card limits of TL 29,021,192 thousands.

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

	Prior Period
Letters of Guarantee in Foreign Currency	19,534,558
Letters of Guarantee in TL	19,404,733
Letters of Credit	13,891,067
Bills of Exchange and Acceptances	1,550,650
Prefinancings	-
Other Guarantees	170,332
Total	**54,551,340**

A specific provision of TL 127,417 thousands is made for unliquidated non-cash loans of TL 370,339 thousands recorded under the off-balance sheet items.

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

5.6.1.3 Non-cash loans

	Prior Period
Non-Cash Loans against Cash Risks	7,327,429
With Original Maturity of 1 Year or Less	644,377
With Original Maturity of More Than 1 Year	6,683,052
Other Non-Cash Loans	47,223,911
Total	**54,551,340**

5.6.1.4 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".

5.6.1.5 Non-cash loans classified under Group I and II

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

5.6.2 Financial derivative instruments

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

5.6.3 Credit derivatives and risk exposures on credit derivatives

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

5.6.4 Contingent liabilities and assets

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

5.6.5 Services rendered on behalf of third parties

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

(Thousands of Turkish Lira (TL))

5.7 Statement of Profit or Loss (Current Period)

5.7.1 Interest income

5.7.1.1 Interest income from loans (*)

	Current Period	
	TL	**FC**
Short-term loans	3,431,840	142,691
Medium and long-term loans	7,001,476	2,134,367
Loans under follow-up	219,583	532
Premiums Received from Resource Utilization Support Fund	-	-
Total	**10,652,899**	**2,277,590**

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

5.7.1.2 Interest income from banks

	Current Period	
	TL	**FC**
Central Bank of Turkey	33,259	30,771
Domestic Banks	38,471	559
Foreign Banks	2,522	55,783
Foreign Head Offices and Branches	-	-
Total	**74,252**	**87,113**

5.7.1.3 Interest income from securities portfolio

	Current Period	
	TL	**FC**
Financial Assets Measured at Fair Value through Profit or Loss	22,600	1,680
Financial Assets Measured at Fair Value through Other Comprehensive Income	929,928	221,998
Financial Assets Measured at Amortised Cost	885,697	103,579
Total	**1,838,225**	**327,257**

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. The estimated inflation rate which was taken as 8% in the first four months of 2018, was updated to 9% as of 1 May 2018, and to 10% as of 6 June 2018. If the valuation of such securities would be made according to the reference index valid as of 30 June 2018, the securities valuation difference under shareholders' equity would decrease by TL 210,533 thousands (as net), and the interest income from securities would increase by TL 588,965 thousands.

5.7.1.4 Interest income received from associates and subsidiaries

	Current Period
Interest Received from Investments in Associates and Subsidiaries	67,534

(Thousands of Turkish Lira (TL))

5.7.2 Interest Expenses

5.7.2.1 Interest expenses on funds borrowed (*)

	Current Period	
	TL	**FC**
Banks	**33,091**	**395,329**
Central Bank of Turkey	-	1,495
Domestic Banks	10,486	9,609
Foreign Banks	22,605	384,225
Foreign Head Offices and Branches	-	-
Other Institutions	-	334,635
Total	**33,091**	**729,964**

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

5.7.2.2 Interest expenses paid to associates and subsidiaries

	Current Period
Interest Paid to Investments in Associates and Subsidiaries	121,833

5.7.2.3 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".

5.7.2.4 Maturity structure of interest expense on deposits

Current Period		**Time Deposits**						
Account Description	**Demand Deposits**	**Up to 1 Month**	**1-3 Months**	**3-6 Months**	**6-12 Months**	**1 Year and Over**	**Accumulating Deposit Accounts**	**Total**
Turkish Lira								
Bank Deposits	286	45,324	-	-	-	-	-	45,610
Saving Deposits	24	125,462	2,691,303	143,296	38,032	64,659	-	3,062,776
Public Sector Deposits	-	799	1,473	347	11	-	-	2,630
Commercial Deposits	15	338,560	531,900	31,987	24,489	84,651	-	1,011,602
Other	8	12,683	47,900	6,398	29,438	170,658	-	267,085
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Total TL	**333**	**522,828**	**3,272,576**	**182,028**	**91,970**	**319,968**	**-**	**4,389,703**
Foreign Currency								
Foreign Currency Deposits	-	50,752	555,036	35,156	58,156	220,510	376	919,986
Bank Deposits	-	10,147	-	-	-	-	-	10,147
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	32	13	33	2,111	-	2,189
Total FC	**-**	**60,899**	**555,068**	**35,169**	**58,189**	**222,621**	**376**	**932,322**
Grand Total	**333**	**583,727**	**3,827,644**	**217,197**	**150,159**	**542,589**	**376**	**5,322,025**

5.7.2.5 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".

(Thousands of Turkish Lira (TL))

5.7.2.6 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".

5.7.2.7 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".

5.7.3 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".

5.7.4 Trading income/losses

	Current Period
Income	**50,241,722**
Trading Account Income	1,091,079
Gains from Derivative Financial Instruments	10,059,268
Foreign Exchange Gains	39,091,375
Losses (-)	**50,657,951**
Trading Account Losses	356,703
Losses from Derivative Financial Instruments	9,831,487
Foreign Exchange Losses	40,469,761
Total	**(416,229)**

TL 3,856,462 thousands of foreign exchange gains and TL 5,037,340 thousands of foreign exchange losses are resulted from the exchange rate changes of derivative financial transactions.

The Bank enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied fair value hedge accounting for the fixed rate eurobonds issued in 2011 with a total face value of USD 500,000,000, maturity of 10 years and maturity date of 20 April 2021 which were priced at 6.375% originally and had a coupon rate of 6.25%, by designating interest rate swaps with the same face values and terms. In June 2012, the Bank ceased to apply hedge accounting and accordingly fair value calculations for these bonds. The accumulated fair value differences incurred starting from the date of hedge accounting up to the date on which it was ceased, are amortized as per the effective interest-rate method in compliance with TFRS 9.

The Bank also enters into interest rate and cross currency swap agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied cash flow hedge accounting for funds borrowed amounting to USD 55,878,919 and EUR 31,578,947 securitization borrowings amounting to USD 14,583,333 and EUR 71,415,785 by designating cross currency swaps with the same face values and terms and the collateralised borrowings amounting to USD 250,000,000, borrowings amounting to USD 650,000,000, securitizations amounting to USD 730,243,904 and EUR 90,000,000 and deposits amounting to TL 150,000 thousands, USD 1,055,000,000 and EUR 350,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, gains of TL 73,792 thousands and TL 251,680 thousands resulting from cross currency and interest rate swap agreements were recognised under shareholders' equity, respectively.

The Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 1,562,394 thousands, USD 812,679,502 and EUR 215,888,549, for its bonds with a total face value of TL 755,000 thousands and USD 487,500,000 and fixed-rate coupons with a total face value of USD 90,000,000 and EUR 13,000,000 by designating interest rate swaps and cross currency swaps with the same face values and terms. Accordingly, in the current period, losses of TL 181,145 thousands and TL 134,138 thousands resulted from the related fair value calculations for the hedged loans and bonds were accounted for under net trading income/losses in the statement of profit or loss, respectively.

(Thousands of Turkish Lira (TL))

In addition, the Bank also entered into cross currency swap agreements in order to hedge its fixed-rate bonds issued for a total principal value of RON 85,500,000 with the same face values and terms. Accordingly, in the current period, a gain of TL 29 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 statement of profit or loss.

5.7.5 Other operating income

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

	Current Period
Reversal of Prior Years' Provisions	**1,248,460**
Stage 1 Provisions	534,267
Stage 2 Provisions	335,674
Stage 3 Provisions	339,627
Other	38,892
Revenues from Term Sale of Assets	**129,674**
Others	**52,283**
Total	**1,430,417**

5.7.6 Provision for losses on loans or other receivables

	Current Period
Expected Credit Losses	**3,275,340**
12-Month ECL (Stage 1)	612,397
Lifetime ECL Significant Increase in Credit Risk (Stage 2)	1,563,104
Lifetime ECL Impaired Credits (Stage 3)	1,099,839
Impairment Losses on Securities	**9,820**
Financial Assets Measured at Fair Value through Profit/Loss	9,820
Financial Assets Measured at Fair Value through Other Comprehensive Income	-
Impairment Losses on Associates, Subsidiaries and Joint-ventures	-
Associates	-
Subsidiaries	-
Joint-ventures	-
Others	**16,790**
Total	**3,301,950**

(Thousands of Turkish Lira (TL))

5.7.7 Other operating expenses

	Current Period
Personnel Costs	1,449,137
Reserve for Employee Termination Benefits	42,952
Defined Benefit Obligation	-
Impairment Losses on Tangible Assets	-
Depreciation Expenses of Tangible Assets	135,859
Impairment Losses on Intangible Assets	-
Impairment Losses on Goodwill	-
Amortisation Expenses of Intangible Assets	35,745
Impairment Losses on Investments Accounted under Equity Method	-
Impairment Losses on Assets to be Disposed	-
Depreciation Expenses of Assets to be Disposed	-
Impairment Losses on Assets Held for Sale	-
Other Operating Expenses	1,528,840
Operational Lease related Expenses	229,067
Repair and Maintenance Expenses	28,548
Advertisement Expenses	93,213
Other Expenses	1,178,012
Loss on Sale of Assets	1,530
Others	319,732
Total	**3,513,795**

5.7.8 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”.

5.7.9 Information on provision for taxes from continued and discontinued operations

As of 30 June 2018, the Bank recorded a tax charge of TL 893,687 thousands and a deferred tax expense of TL 70,796 thousands.

Deferred tax benefit/charge on timing differences:

Deferred tax benefit/(charge) on timing differences	*Current Period*
Increase in tax deductable timing differences (+)	291,522
Decrease in tax deductable timing differences (-)	(227,153)
Increase in taxable timing differences (-)	(164,379)
Decrease in taxable timing differences (+)	29,214
Total	**(70,796)**

Deferred tax benefit/charge in the statement of profit/loss arising on timing differences, tax losses and tax deductions and exemptions:

Deferred tax benefit/(charge) arising on timing differences, tax losses and tax deductions and exemptions	*Current Period*
Increase/(decrease) in tax deductable timing differences (net)	64,369
Increase/(decrease) in taxable timing differences (net)	(135,165)
Increase/(decrease) in tax losses (net)	-
Increase/(decrease) in tax deductions and exemptions (net)	-
Total	**(70,796)**

5.7.10 Net operating profit/loss after taxes including net profit/loss from discontinued operations

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

5.7.11 Net profit/loss

5.7.11.1 Any further explanation on operating results needed for better understanding of the Bank's performance

None.

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

None.

5.7.12 Components of other items in statement of profit/loss

Other items under "Fees and Commissions Recevied" and "Fees and Commissions Paid" in the statement of profit or loss, mainly consist of fees and commissions from credit card transactions and other banking services.

(Thousands of Turkish Lira (TL))

5.8 Income Statement (Prior Period)

5.8.1 Interest income

5.8.1.1 Interest income from loans (*)

	Prior Period	
	TL	**FC**
Short-term loans	2,541,386	123,328
Medium and long-term loans	5,486,846	1,698,711
Loans under follow-up	46,628	-
Premiums Received from Resource Utilization Support Fund	-	-
Total	**8,074,860**	**1,822,039**

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

5.8.1.2 Interest income from banks

	Prior Period	
	TL	**FC**
Central Bank of Turkey	72,085	17,165
Domestic Banks	3,273	119
Foreign Banks	1,750	31,716
Foreign Head Offices and Branches	-	-
Total	**77,108**	**49,000**

5.8.1.3 Interest income from securities portfolio

	Prior Period	
	TL	**FC**
Financial Assets Held for Trading	8,036	1,366
Financial Assets Valued at Fair Value through Profit or Loss	-	-
Financial Assets Available-for-Sale	919,087	55,351
Investments Held-to-Maturity	604,144	319,089
Total	**1,531,267**	**375,806**

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. The estimated inflation rate, which was taken as 7% in the first four months of 2017, has been updated to 9% as of 1 May 2017. If the valuation of such securites was performed according to the reference index valid as of 30 June 2017, the Bank's securities value increase fund under the equity would decrease by TL 319,954 thousands as net, whereas the interest income on securities portfolio would increase by TL 786,838 thousands.

5.8.1.4 Interest income received from associates and subsidiaries

	Prior Period
Interest Received from Investments in Associates and Subsidiaries	31,928

(Thousands of Turkish Lira (TL))

5.8.2 Interest Expenses

5.8.2.1 Interest expenses on funds borrowed (*)

	Prior Period	
	TL	**FC**
Banks	**79,883**	**268,350**
Central Bank of Turkey	-	-
Domestic Banks	11,880	4,813
Foreign Banks	68,003	263,537
Foreign Head Offices and Branches	-	-
Other Institutions	**-**	214,155
Total	**79,883**	**482,505**

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

5.8.2.2 Interest expenses paid to associates and subsidiaries

	Prior Period
Interest Paid to Investments in Associates and Subsidiaries	62,114

5.8.2.3 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".

5.8.2.4 Maturity structure of interest expense on deposits

Prior Period		Time Deposits						
Account Description	**Demand Deposits**	**Up to 1 Month**	**1-3 Months**	**3-6 Months**	**6-12 Months**	**1 Year and Over**	**Accumulating Deposit Accounts**	**Total**
Turkish Lira								
Bank Deposits	573	66,239	-	-	-	-	-	66,812
Saving Deposits	18	114,182	1,950,755	63,574	16,875	26,524	-	2,171,928
Public Sector Deposits	-	1,665	1,389	56	237	1	-	3,348
Commercial Deposits	67	245,541	344,882	8,247	15,096	46,766	-	660,599
Other	-	7,551	35,490	1,110	14,735	48,399	-	107,285
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Total TL	**658**	**435,178**	**2,332,516**	**72,987**	**46,943**	**121,690**	**-**	**3,009,972**
Foreign Currency								
Foreign Currency Deposits	5	46,776	470,234	23,331	66,003	108,650	408	715,407
Bank Deposits	-	13,516	-	-	-	-	-	13,516
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	68	4	107	1,626	-	1,805
Total FC	**5**	**60,292**	**470,302**	**23,335**	**66,110**	**110,276**	**408**	**730,728**
Grand Total	**663**	**495,470**	**2,802,818**	**96,322**	**113,053**	**231,966**	**408**	**3,740,700**

(Thousands of Turkish Lira (TL))

5.8.2.5 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".

5.8.2.6 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".

5.8.2.7 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".

5.8.3 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".

5.8.4 Trading income/losses (Net)

	Prior Period
Income	**29,836,517**
Trading Account Income	215,030
Gains from Derivative Financial Instruments	5,451,746
Foreign Exchange Gains	24,169,741
Losses (-)	**30,772,892**
Trading Account Losses	564,402
Losses from Derivative Financial Instruments	6,539,811
Foreign Exchange Losses	23,668,679
Total	**(936,375)**

TL 2,797,496 thousands of foreign exchange gains and TL 2,465,339 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 71,844,324 and EUR 36,842,105 securitization borrowings amounting to USD 72,916,667 and EUR 129,542,099 and commitments amounting to USD 46,450,000 by designating cross currency swaps with the same face values and terms, and eurobonds with a total nominal value of USD 10,000,000, the collateralised borrowings amounting to USD 250,000,000, borrowings amounting to USD 650,000,000, securitizations amounting to USD 780,000,000 and EUR 90,000,000 and deposits amounting to TL 50,000 thousands, USD 955,000,000 and EUR 89,789,474 by designating interest rate swaps with the same face values and terms. Accordingly, gains of TL 35,978 thousands and TL 15,499 thousands resulting from cross currency and interest rate swap agreements were recognised under shareholders' equity, respectively.

(Thousands of Turkish Lira (TL))

The Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 2,691,516 thousands, USD 1,028,464,625 and EUR 147,303,760, for its fixed-rate loans with a total principal of RON 215,939,842, for its bonds with a total face value of TL 925,000 thousands and USD 106,900,000 and fixed-rate coupons by designating interest rate swaps and cross currency swaps with the same face values and terms. Accordingly, a gain of TL 15,765 thousands and a loss of TL 3,079 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, a loss of TL 10,762 thousands resulted from the fair value changes of the securities issued and funds borrowed subject to hedge accounting were accounted for under trading income/losses in the income statement.

5.8.5 Other operating income

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

A part of non-performing receivables of the Bank amounting to TL 334,214 thousands were sold for a consideration of TL 23,020 thousands. Considering the related provision of TL 333,906 thousands made in the financial statements, a gain of TL 22,712 thousands is recognized under "Other Operating Income".

5.8.6 Provision for losses on loans or other receivables

	Prior Period
Specific Provisions for Loans and Other Receivables	**749,947**
Loans and Receivables in Group III	*336,843*
Loans and Receivables in Group IV	*360,144*
Loans and Receivables in Group V	*52,960*
General Provisions	**136,150**
Provision for Possible Losses	**420,000**
Impairment Losses on Securities	**307**
Financial Assets at Fair Value through Profit or Loss	*307*
Financial Assets Available-for-Sale	-
Impairment Losses on Associates, Subsidiaries and Investments Held-to-Maturity	**-**
Associates	-
Subsidiaries	-
Joint Ventures	-
Investments Held-to-Maturity	-
Others	**30,123**
Total	**1,336,527**

(Thousands of Turkish Lira (TL))

5.8.7 Other operating expenses

	Prior Period
Personnel Costs	1,327,395
Reserve for Employee Termination Benefits	36,069
Defined Benefit Obligation	-
Impairment Losses on Tangible Assets	-
Depreciation Expenses of Tangible Assets	123,864
Impairment Losses on Intangible Assets	-
Impairment Losses on Goodwill	-
Amortisation Expenses of Intangible Assets	31,178
Impairment Losses on Investments Accounted under Equity Method	-
Impairment Losses on Assets to be Disposed	-
Depreciation Expenses of Assets to be Disposed	-
Impairment Losses on Assets Held for Sale	-
Other Operating Expenses	1,347,130
Operational Lease related Expenses	*211,494*
Repair and Maintenance Expenses	*23,075*
Advertisement Expenses	*93,197*
Other Expenses (*)	*1,019,364*
Loss on Sale of Assets	506
Others (**)	340,363
Total	**3,206,505**

(*) Includes lawsuits, execution and other legal expenses beared by the Bank, of fees and commissions income recognized in prior years but reimbursed, in the amount of TL 14,585 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 recognised in prior years in the amount of TL 19,373 thousands, as per the decision of the Turkish Competition Board or the related courts.

5.8.8 Information on profit/loss before taxes from continued and discontinued operations

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

5.8.9 Information on provision for taxes from continued and discontinued operations

As of 30 June 2017, the Bank recorded a tax charge of TL 981,039 thousands and a deferred tax income of TL 155,842 thousands.

Deferred tax benefit/charge on timing differences:

Deferred tax benefit/(charge) on timing differences	***Prior Period***
Increase in tax deductable timing differences (+)	176,235
Decrease in tax deductable timing differences (-)	(78,113)
Increase in taxable timing differences (-)	(99,174)
Decrease in taxable timing differences (+)	156,894
Total	**155,842**

(Thousands of Turkish Lira (TL))

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

Deferred tax benefit/(charge) arising on timing differences, tax losses and tax deductions and exemptions	***Prior Period***
Increase/(decrease) in tax deductable timing differences (net)	98,122
Increase/(decrease) in taxable timing differences (net)	57,720
Increase/(decrease) in tax losses (net)	-
Increase/(decrease) in tax deductions and exemptions (net)	-
Total	**155,842**

5.8.10 Net operating profit/loss after taxes including net profit/loss from discontinued operations

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

5.8.11 Net profit/loss

5.8.11.1 Any further explanation on operating results needed for better understanding of the Bank's performance

None.

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

None.

5.8.12 Components of other items in income statement

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

5.9 Statement of Changes in Shareholders' Equity

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

5.10 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”.

(Thousands of Turkish Lira (TL))

5.11 Related Party Risks

5.11.1 Transactions with the Bank's risk group

5.11.1.1 Loans and other receivables

Current Period

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
Loans and Other Receivables	**Cash**	**Non-cash**	**Cash**	**Non-cash**	**Cash**	**Non-cash**
Balance at beginning of period	4,311,245	1,054,546	1,369,380	1,542,733	2,406,222	896,962
Balance at end of period	4,959,981	1,205,019	2,527,682	1,944,053	2,982,559	901,360
Interest and Commission Income	**77,692**	**6,023**	**5,874**	**73**	**83,197**	**3,026**

Prior Period

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
Loans and Other Receivables	**Cash**	**Non-cash**	**Cash**	**Non-cash**	**Cash**	**Non-cash**
Balance at beginning of period	3,774,509	2,081,628	1,660,775	383,890	2,126,252	723,935
Balance at end of period	4,311,245	1,054,546	1,369,380	1,542,733	2,406,222	896,962
Interest and Commission Income	**43,123**	**421**	**2,699**	**44**	**74,136**	**1,416**

5.11.1.2 Deposits

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
Deposits	***Current Period***	***Prior Period***	***Current Period***	***Prior Period***	***Current Period***	***Prior Period***
Balance at beginning of period	1,414,155	900,256	375,167	536,399	378,773	533,816
Balance at end of period	2,017,088	1,414,155	419,313	375,167	590,645	378,773
Interest Expense	**101,088**	**51,456**	**2,387**	**6,309**	**8,897**	**9,380**

5.11.1.3 Derivative transactions

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	***Prior Period***	***Current Period***	***Prior Period***	***Current Period***	***Prior Period***
Transactions at Fair Value Through Profit/(Loss):						
Balance at beginning of period	942,776	557,282	38,750,954	13,251,152	792,918	843,120
Balance at end of period	866,875	942,776	65,727,763	38,750,954	889,922	792,918
Total Profit/(Loss)	**28,080**	**(6,967)**	**(282,293)**	**24,367**	**(4,488)**	**3,490**
Transactions for Hedging:						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-

5.11.2 The Bank's risk group

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

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

5.11.2.2 Concentration of transaction volumes and balances with risk group and pricing policy

The cash loans of the risk group amounting TL4,541,456 thousands (31 December 2017: TL 3,438,463 thousands) compose 1.99% (31 December 2017: 1.64%) of the Bank's total cash loans and 1.30% (31 December 2017: 1.06%) of the Bank's total assets. The total loans and similar receivables amounting TL 9,873,838 thousands (31 December 2017: TL 8,086,847 thousands) compose 2.83% (31 December 2017: 2.49%) of the Bank's total assets. The non-cash loans of the risk group amounting TL 4,050,432 thousands (31 December 2017: TL 3,494,241 thousands) compose 6.34% (31 December 2017: 6.41%) of the Bank's total non-cash loans.

The deposits of the risk group amounting TL 3,027,046 thousands (31 December 2017: TL 2,168,095 thousands) compose 1.47% (31 December 2017: 1.20%) of the Bank's total deposits. The funds borrowed by the Bank from its risk group amounting TL 15,761,158 thousands (31 December 2017: TL 14,746,149 thousands) compose 43.01% (31 December 2017: 36.14%) of the Bank's total funds borrowed. The pricing in transactions with the risk group companies is set on an arms-length basis.

The credit card (POS) payables to the related parties, amounted to TL 242,103 thousands (31 December 2017: TL 238,956 thousands). A total rent income of TL 6,574 thousands (30 June 2017: TL 6,474 thousands) was recognized for the real estates rented to the related parties.

Operating expenses for TL 13,000 thousands (30 June 2017: TL 12,108 thousands) were incurred for the IT services rendered by the related parties. Banking services fees of TL 23,894 thousands (30 June 2017: TL 12,692 thousands) were recognized from the related parties.

Insurance brokerage fee of TL 85,050 thousands (30 June 2017: TL 72,114 thousands), shares brokerage fee of TL 22,131 thousands (30 June 2017: TL 17,632 thousands), and fixed-rate securities brokerage fee of TL 1,807 thousands (30 June 2017: TL 3,826 thousands) were recognized as income from the services rendered for the subsidiaries.

Operating expenses of TL 51 thousands (30 June 2017: TL 157 thousands) for advertisement and broadcasting services, of TL 28,875 thousands (30 June 2017: TL 23,006 thousands) for financial leasing services, and of TL 9,695 thousands (30 June 2017: TL 4,038 thousands) for travelling services rendered by the related parties were recognized as expense.

The net payment provided or to be provided to the key management of the Bank amounts to TL 46,766 thousands as of 30 June 2018 (30 June 2017: TL 50,192 thousands).

5.11.2.3 Other matters not required to be disclosed

None.

5.11.2.4 Transactions accounted for under equity method

Please refer to Note 5.1.9 investments in subsidiaries.

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

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

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

5.12 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".

5.13 Matters Arising Subsequent to Balance Sheet Date

None.

5.14 Other Disclosures on Activities of the Bank

5.14.1 Bank's latest international risk ratings

MOODY'S *(June 2018)*

Outlook	Under Watch
Long Term FC Deposit	Ba3(*)
Long Term TL Deposit	Ba3(*)
Short Term FC Deposit	Not Prime
Short Term TL Deposit	Not Prime
Basic Loan Assesment	b1
Adjusted Loan Assesment	ba3
Long Term National Scale Rating (NSR)	Aa1.tr
Short Term NSR	TR-1(*)

(*) *Under watch for possible downgrade*

STANDARD AND POORS *(May 2018)*

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

FITCH RATINGS *(July 2018)*

Long Term FC	BB / Negative Outlook
Short Term FC	B
Long Term TL	BB+/ Negative Outlook
Short Term TL	B
Financial Capacity	bb-
Support	3
NSR	AAA(tur)
Long Term National Scale Rating (NSR)	Stable
Senior Unsecured Long Term Notes	BB
Senior Unsecured Short Term Notes	B
Subordinated Notes	BB-

JCR EURASIA RATINGS *(June 2018)*

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

(Thousands of Turkish Lira (TL))

5.14.2 Dividends

As per the decision made at the annual general assembly of shareholders of the Bank on 29 March 2018, the distribution of the net profit of the year 2017, is as follows;-

2017 PROFIT DISTRIBUTION TABLE	
2017 Net Profit	**6,343,920**
A – I. Legal reserve (Turkish Commercial Code 519/1) at 5%	-
Undistributable funds	(1,150)
B – First dividend at 5% of the paid-in capital	(210,000)
C – Extraordinary reserves at 5% after above deductions	(306,696)
D – Second dividend to the shareholders	(1,540,000)
E – Extraordinary reserves	(4,132,074)
F – II. Legal reserve (Turkish Commercial Code 519/2)	(154,000)

5.14.3 Other disclosures

None.

6 Limited Review Report

6.1 Disclosures on limited review report

The unconsolidated financial statements of the Bank as of 30 June 2018, have been reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member of KPMG International Cooperative) and a limited review report dated 26 July 2018, is presented before the accompanying financial statements.

6.2 Disclosures and footnotes prepared by independent auditors

None.

7 Interim Activity Report

(Amounts are expressed in Turkish Lira (TL))

7.1 Introduction

7.1.1 About Garanti

Established in 1946, Garanti Bank is **Turkey's second largest private bank** with unconsolidated assets of more than TL 349 billion (USD 76.5 billion) as of June 30, 2018.

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

As of June 30, 2018, Garanti provides a wide range of financial services to its close to **15.8 million customers with 18,522 employees** through an **extensive distribution network of 922** domestic branches, 7 foreign branches in Cyprus and one in Malta, and 3 international representative offices in London, Düsseldorf and Shanghai. Garanti offers an omni-channel convenience with seamless experience across all channels with **5,055 ATMs**, an award winning Call Center, internet, mobile and social banking platforms, all built on **cutting-edge technological infrastructure**.

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

Implementing an advanced corporate governance model that promotes the Bank's core values, Garanti has Banco Bilbao Vizcaya Argentaria S.A. (BBVA) as its majority shareholder with 49.85% share. Its shares publicly traded in Turkey, and its depositary receipts in the UK and the USA, **Garanti has an actual free float of 50.06% in Borsa Istanbul as of June 30, 2018.**

Garanti's constantly improving business model is driven by its strategic priorities focused on responsible and sustainable development, customer experience, employee happiness, digitalization, optimal capital utilization and efficiency. Its custom-tailored solutions and wide product variety play a key role in reaching **TL 294.7 billion** (USD 64.6 billion) loans and non-cash loans. Garanti's capital generative, disciplined and sustainable growth strategy that strictly adheres to solid asset quality enables the Bank to move forward strongly. Its effective risk management through world-class integrated management of financial and non-financial risks and organizational agility in capturing new opportunities result in sustainable value creation for all its stakeholders.

Moreover, Garanti creates shared value and drives positive change through lending based on impact investment, as well as strategic partnerships and community programs focusing on material issues for both Garanti and its stakeholders.

(Thousands of Turkish Lira (TL))

7.1.2 Capital and shareholding structure

Garanti has paid-in capital of TL 4,200,000,000 as of June 30, 2018.

T.GARANTİ BANKASI A.Ş SHAREHOLDING STRUCTURE			
Shareholders	**Number of shares**	**Nominal (TL)**	**Share %**
BBVA(BANCO BILBAO VIZCAYA ARGENTARIA S.A)	**209,370,000,000**	**2,093,700,000**	**49.85**
OTHERS	**210,630,000,000**	**2,106,300,000**	**50.15**
GRAND TOTAL	**420,000,000,000**	**4,200,000,000**	**100.00**

7.1.3 The amendments in the articles of association during period of 01.04.2018-30.06.2018

There is no change during the period.

7.1.4 Macro Outlook for the first 6 months period of 2018

Robust growth performance continued in 1Q18. GDP grew by 7.4% (YoY) in 1Q18 mainly supported by the boost in private consumption and the recovery in investment. Private consumption grew by 11.0% yoy in 1Q, up from 6.6% in 4Q17 and 6.1% in overall 2017, supported by all subcomponents except for durable goods. Investment expenditures also picked-up by 9.7% yoy growth in 1Q, up from 6.0% in 4Q17 and 7.3% in 2017, on the top of acceleration in construction and ongoing moderate rise in machinery investment. On the other hand, government consumption receded to 3.4% growth in 1Q, down from 5.0% 2017. Thus, domestic demand gave 10.9pp contribution to growth with contribution of stocks by 1pp, while external demand continued to drag down growth by 3.6pp with almost no contribution from exports. On sectorial side, main subsectors kept the high momentum with a positive differentiation from construction whose growth rate rose to 6.9% from 5.8% in 4Q17.

2Q activity data signals a clear moderation. The Industrial Production (IP) grew by 6.4% yoy in calendar adjusted terms in May but the highest monthly deterioration of 1.6% since September 2016 signals the increasing likelihood of a more rapid adjustment than expected. The monthly deterioration in IP was broad-based as capital goods production took the lead (0.7 negative contribution to overall decline) and followed by nondurable consumer goods (-0.5 pp cont.) and intermediate goods production (-0.3 pp cont.),respectively. Accordingly, annual IP growth in the first two months of the 2Q18 decelerated to 6.1% compared to 10% yoy in 1Q18. Hence, May data is still mirroring a positive outlook for growth but signaling a loss in pace. In the sectorial details, both domestic demand and export oriented sectors registered a slow-down but the higher adjustment in exporting ones implies a gloomy outlook for exporters. Also, as financial conditions had become tighter more obviously starting from April; the lagged effects will certainly weigh more from onwards. Thus, the cool-down in the economic activity to become much clearer in the second half of this year as statistical base effects and tightening financial conditions will affect domestic demand negatively. We expect GDP growth to come down to 3.8% in 2018, with downside risks accumulating for 2019.

Deterioration in current account deficit (CAD) continued in 2Q. Current account deficit (CAD) recorded USD57.6bn in annual terms in May (6.6% of GDP, up from 6.3% of GDP in 1Q18), the highest figure since March 2014. However, core CAD (exc. gold and net energy) has started to decelerate which implies a cool-down in economic activity through domestic demand. Though, increasing oil prices will continue to weigh on the energy bill, thus eliminate the positive impact from lower import demand this year. On the financing side, slightly higher than half of the deficit being financed by short term flows raise concerns over the quality of finance. Expected slow-down in the economy, normalization in gold imports and ongoing recovery in tourism revenues will help CAD to decrease at the end of year to USD 54bn levels (c.6.6% of GDP).

Budget figures deteriorated further in 2Q. In the second quarter of 2018, expenditures remained strong, while revenues continued to be supportive. The revenues increased by 18.2% yoy to TL353.6bn while the expenditures expanded by 23.2% yoy to TL399.7bn in June. Hence, the 12m sum budget deficit reached TL 68.2bn and budget deficit to GDP ratio rose to 2.0% in 2Q18 (up from 1.6% in 1Q), while primary surplus of -0.1% GDP decreased significantly due to high retirement bonus payment in June (down from 0.2% in 1Q18)). We expect budget deficit to deteriorate further especially in the third quarter of this year before closing the year at around 1.9% of GDP.

Turkey's gross external debt stock decreased in 1Q. Turkey's external debt stock to GDP ratio decreased to 52.9% in 1Q18 compared to 53.4% of 4Q17 and up from 47.3% by end 2016 mostly due to better growth performance in the first quarter of 2018 although there was a pick-up in both short and long term external debt. On the other hand, EU-defined general government debt stock to GDP ratio slightly rose to 28.4% in 1Q18, up from 28.3% of 4Q17 and the end of 2016.

Historical high food inflation and ongoing pass-thru led inflation to hit the highest level in 2Q. Annual consumer inflation hit 15.4% yoy in June, the highest level since December 2003, up from 10.2% in March due to the broad-based acceleration in core prices and exceptional food inflation as a result of bad weather conditions. Also, the acceleration in exchange rate pass-thru led core inflation to jump up to 14.6% yoy in June from 11.4% in March. Annual domestic producer price inflation skyrocketed to a new peak of 24% in June from 14.3% in March, keeping the cost push factors on the upside. Looking ahead, depending on the level of correction in food inflation and the likely removal of the adjustment in fuel prices, the peak in the headline could still be in July. Assuming no additional negative currency shock, we estimate the year-end inflation to be around 14.0% in 2018.

Central Bank (CBRT) kept its stance tight against worsened inflation expectations in 2Q. The Central Bank of Turkey (CBRT) increased its funding rate by 500 bps to 17.75%, simplified its policy framework and provided some supporting liquidity measures since its March meeting. Thus, the CBRT reinforces its stance on inflation worries in the short term and takes a solid step to restore credibility against rapidly worsening inflation expectations. Given the surprising June inflation data, the likely high deviation in future inflation expectations has to be tackled by tighter monetary policy. Thus, the Central Bank needs to be more effective to anchor inflation expectations by promising a higher real interest rate in an extended period of time.

Turkish financial assets performed worse in 2Q. TL depreciated due to increasing volatility in global financial markets on the back of continued monetary policy normalization and escalated concern on trade wars, geopolitical risks, higher than expected inflation realizations, deterioration in CAD and doubts on CBRT's independence in 2Q. Thus, TL depreciated by 12% to 4.94 against US dollar-Euro currency basket by the end of 2Q from 4.41 by the end of 1Q. 2-year benchmark bond yield which was at 14.07% at the end of 1Q18 climbed up to 19.15% in 2Q18.

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

**With a total contribution of TL 295 billion to the economy,
Garanti supports sustainable development**

Türkiye Garanti Bankası A.Ş., announced its financial statements dated June 30, 2018. Based on the unconsolidated financials, in the first half of 2018, Garanti's **asset size** reached TL 349 billion 143 million 726 thousand, its contribution to the economy through **cash and non-cash loans** increased to TL 294 billion 680 million 937 thousand. The Bank delivered an **ROAE** (Return on Average Equity) of 18.1% and **ROAA** (Return on Average Assets) of 2.3%.

Commenting on the topic, **Garanti Bank Chairman Süleyman Sözen** stated that: "**Garanti continued its uninterrupted contribution to the economy while preserving its solid capital base.** I believe economy will come to an equilibrium with a moderate slowdown in the second half of 2018 and its sustainable growth will continue."

Referring to the value creation for the society and the stakeholders via the synergy created with BBVA, largest shareholder of Garanti Bank, Sözen commented on BBVA Momentum Social Entrepreneurship Support Program and said: "This program was launched to support entrepreneurs who wish to carry their businesses one step further. It has attracted attention for being the first entrepreneurship program supported by a financial institution and for being specifically designed for social entrepreneurship in Turkey." **Sözen also underlined Garanti's support to the future's technologies** and said that: "Garanti became the sponsor of the "1st Blockchain Workshop", organized by the Central Bank and the Scientific and Technological Research Council of Turkey (TÜBİTAK) in Ankara, in April, with the aim of contributing to Turkey's strategy on this area."

Chairman Süleyman Sözen closed his remarks by saying that: "**Garanti Bank will continue to play a leading role in the sector with its strong capital structure, highly qualified human resources and sound balance sheet management.** Addressing the changing needs of our customers in the most effective and innovative way will continue to be our top priority. Taking this opportunity, I would like to thank my colleagues, our esteemed clients, shareholders, and all other stakeholders."

Commenting on the topic, **Garanti Bank's CEO Fuat Erbil** stated that: " In the first half of the year, we could further strengthen our **solid balance sheet** with our stakeholders' trust in us. Through the confidence granted by our **high capital adequacy ratio**, our contribution to the economy increased to TL 295 billion based on the unconsolidated financials. We successfully rolled over our syndicated loan in the second quarter and underlined Garanti's power in **creating sustainable funding**. Adding an innovative product to our foreign funding in June, we issued **Turkey's first social bond** for women entrepreneurs with IFC. In July, we extended **Turkey's first green loan** and once again continued to lead the sector in the area of sustainable finance."

Adding that Garanti was the **only bank from Turkey** among 26 leading banks around the world to prepare **global banking principles** for sustainable development, **Erbil** said; "Supporting **responsible and sustainable development** is one of the strategic priorities of Garanti. We shape our products and services within this context and also manage our customers' environmental and social risks. We support women's participation in the workforce and we work to create an inclusive economy in which all individuals benefit equally from opportunities. With our focus on **customer experience** and **digitalization**, we started a new era in banking and transformed more than 600 branches where our customers receive all kinds of services from a single point of contact in the fastest and easiest way".

(Thousands of Turkish Lira (TL))

Indicating that, it was an honor to see Garanti rewarded for its success, **Erbil** said: “We ranked among the best of Central and Eastern Europe. We were named ‘**Best Bank for Sustainable Finance**’ by Euromoney, ‘**Best Project Finance House**’ and ‘**Best Structured Finance House**’ by EMEA Finance. In Institutional Investor’s Emerging EMEA survey that covers 473 companies, we were recognized among **‘Most Honored’** institutions as the only banking executive team from Turkey. I would like to thank all my colleagues and our stakeholders, who trust and support us.”

You may access the earnings presentation regarding the BRSA unconsolidated financial results as of and for the period ending June 30, 2018 in English from Garanti Bank Investor Relations website at www.garantiinvestorrelations.com

Selected Figures of Garanti Bank’s Unconsolidated Financial Statements (June 30, 2018)

Profit before Taxes and Provisions*	TL 8,213 million	Loans	TL 230,762 million
Profit before Taxes	TL 4,868 million	Non-Cash Loans	TL 63,919 million
Net Income	TL 3,904 million	Total Assets	TL 349,144 million
Deposits	TL 206,059 million	Shareholders’ Equity	TL 44,246 million

Highlights from Garanti Bank's Unconsolidated Financials

- Net income was TL 3 billion 903 million and 566 thousand.
- In compliance with the legal legislation and international regulations, a total amount of TL 4 billion 309 million and 385 thousand was reserved for tax provisions, expected credit losses and other provisions*.
- Total assets reached TL 349 billion 143 million 726 thousand.
- Return on Average Assets (ROAA) reached 2.3%.**
- Shareholders' equity reached TL 44 billion 245 million 881 thousand.
- Return on Average Equity (ROAE) reached 18.1%.**
- Contribution made to the real economy through loans and non-cash lending reached TL 294 billion 680 million 937 thousand as of June 30, 2018.
- Total loans, FC loans and TL loans market shares realized at 11.0%, 10.7% and 11.1% respectively.
- Market share of "consumer mortgage loans" was 12.7% and market share of "consumer loans excluding consumer credit cards" was 12.6%.
- Total customer deposits reached TL 200 billion 532 million and 400 thousand, while market share in total customer deposits realized at 11.2%.
- Capital adequacy ratio (CAR) realized 18.0%.
- Non-performing loan (NPL) ratio realized at 3.05%.

* Reserve for Employee Termination Benefits and Impairment Losses on Assets to be Disposed are included in provisions.

**Excludes non-recurring items (gains on asset sales) when annualizing Net Income for the rest of the year. In the calculation of average assets and equity, 01.01.2018 restated balance sheet has been used.

(Thousands of Turkish Lira (TL))

Garanti With Numbers	**31.12.2017**	**31.03.2018**	**30.06.2018**
Branch Network	948	939	933
+ Domestic	937	928	922
+ Abroad	11	11	11
Personnel	18,851	18,639	18,522
ATM	5,003	4,998	5,055
POS*	670,259	675,788	674,405
Total Customers	15,143,274	15,449,610	15,766,454
Digital Banking Customers**	5,956,609	6,336,695	6,646,922
Mobile Banking Customers**	5,086,833	5,474,072	5,842,134
Credit Card Customers	6,808,211	6,884,154	6,961,802
Credit Cards	10,213,151	10,293,254	10,291,624
Debit Cards	9,796,696	9,999,000	10,273,529

*Includes shared and virtual POS.

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

Selected Sector Figures (TL million)	**29.12.2017**	**30.03.2018**	**29.06.2018**	**YtD ∆**
Total Deposits	**1,694,584**	**1,766,283**	**1,896,590**	**11.9%**
Bank Deposits	83,692	92,207	108,369	29.5%
Customer Deposits	1,610,892	1,674,076	1,788,221	11.0%
TL Deposits	896,621	923,548	942,241	5.1%
FC Deposits (US$ mn)	189,399	190,678	185,542	(2.0%)
Customer Demand Deposits	330,678	336,412	381,294	15.3%
Loans	**1,880,026**	**1,963,831**	**2,102,876**	**11.9%**
TL Loans	1,296,286	1,342,687	1,391,508	7.3%
FC Loans (US$ mn)	154,766	157,764	156,018	0.8%
Consumer Loans (excl. credit cards)	380,424	389,835	401,944	5.7%
Housing	178,486	180,207	186,768	4.6%
Auto	6,243	6,177	6,061	(2.9%)
General Purpose Loans*	195,694	203,450	209,115	6.9%
Credit Cards	112,658	115,262	120,981	7.4%
TL Business Banking Loans	803,204	837,590	868,583	8.1%
Loans/Deposits Ratio	*110.9%*	*111.2%*	*110.9%*	
Non-performing Loans (NPL)	**59,438**	**60,934**	**67,607**	**13.7%**
NPL ratio	*3.1%*	*3.0%*	*3.1%*	
NPL coverage	*79.8%*	*74.6%*	*72.1%*	
Gross NPL in retail loans (excl. CC)	25,292	26,055	27,354	8.2%
NPL ratio in retail loans	*3.4%*	*3.4%*	*3.4%*	
Gross NPL in credit cards	7,299	7,199	7,110	(2.6%)
NPL ratio in credit cards	*6.1%*	*5.9%*	*5.6%*	
F/X Position, net (US$ mn)	**575**	**2,687**	**253**	
on B/S	(46,618)	(47,295)	(50,160)	
off B/S	47,193	49,982	50,413	

Source: BRSA weekly sector data, commercial banks only

*Including other and overdraft loans

(Thousands of Turkish Lira (TL))

Garanti Market Shares* (%)	**30.06.2018**
Total Performing Loans	11.0%
TL Loans	11.1%
FC Loans	10.7%
Credit Cards - Issuing (Cumulative)	19.2%
Credit Cards - Acquiring (Cumulative)	19.1%
Consumer Loans (exc. consumer CCs)	12.6%
Total Customer Deposits	11.2%
TL Customer Deposits	10.3%
FC Customer Deposits	12.2%
Customer Demand Deposits	13.2%

* Based on BRSA weekly data for commercial banks only.

7.1.6 Forward looking statements regarding the expectations

As per the Article 10 of the "Communiqué on Material Events Disclosure" (II-15.1) of Capital Markets Board, T. Garanti Bankası A.Ş has announced its forward looking statements regarding the expectations for the year 2018. You may access the related presentation that was published on the Public Disclosure Platform, the Bank’s website and Garanti Bank Investor Relations’ website at www.garantiinvestorrelations.com in Operating Plan Guidance Presentations section.

As of June 30, 2018, the following revisions were made in 2018 Operating Plan Guidance with changing macroeconomic expectations.

Accordingly, the return on equity and return on asset have been revised upwards.

Despite the expected normalization in non-performing loans and the deterioration of the macroeconomic expectations of the IFRS9 model, fees and commissions revenues, net interest margin and operational expense are better than anticipated, resulting in an upward revisions in profitability ratios.

(Thousands of Turkish Lira (TL))

	2018 GUIDANCE	REVISED 2018YE EXPECTATIONS
TL LOANS (YOY)	~14-15%	<14%
FC LOANS (IN US$, YOY)	Flat	Shrinkage
NPL RATIO	~3.0% (> TL 1bn NPL sale assumed)	4.0-4.5% (No NPL sale assumed)
NET COST OF RISK	~100bps (Under macro assumptions used in initial model)	~150bps (excl. currency impact) [1]
NIM INCLUDING SWAP COST	Flat (excl. CPI impact) [2]	Flat (including CPI impact)
FEE GROWTH (YOY)	Low-teens	>20%
OPEX GROWTH (YOY)	<= CPI	~10%
ROAE	> 16.5%	> 17%
ROAA	> 2.2%	> 2.2%

1 Neutral impact at bottom line, as provisions due to currency depreciation are 100% hedged (FX gain included in Net trading income line).
2 Initial Oct-Oct CPI reading expectation for 2018 was lower vs. 2017 CPI reading of 11.9%

7.2 Information regarding management and corporate governance practices

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

Audit Committee Members:

Name Surname	**Title**	**Board of Director Appointment Date**	**Education**	**Experience in Banking & Business Administration**
Jorge Sáenz-Azcúnaga Carranza	Vice Chairman Independent Board Member	24.03.2016	Undergraduate	24 years
Belkıs Sema Yurdum	Independent Board Member	30.04.2013	Undergraduate	38 years
Ricardo Gomez Barredo	Independent Board Member	08.05.2017	Graduate	26 years

(Thousands of Turkish Lira (TL))

Managers of the Internal Systems Units:

Name Surname	Title	Appointment Date	Education	Experience in Banking & Business Administration
Özlem Ernart	Head of Risk Management	01.07.2018	Graduate	25 years
Osman Bahri Turgut	Head of Internal Audit	01.08.2015	Undergraduate	27 years
Emre Özbek	Head of Compliance	01.08.2015	Undergraduate	19 years
Barış Ersin Gülcan	Head of Internal Control	06.03.2014	Graduate	20 years
Beyza Yapıcı	Internal Capital and Operational Risk Director	01.04.2016	Undergraduate	20 years
Sıdıka Dizdar	Market and Structural Risk Director	01.07.2018	Graduate	22 years

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

7.2.2 You may reach the summary of the Board of Directors' Annual Report presented to Ordinary General Meeting of Shareholders and information about human resources practices, policy and remuneration in the 2017 Integrated Annual Report that was published on the Public Disclosure Platform, the Bank's website and Garanti Bank Investor Relations' website, access at the link below:
www.garantiannualreport.com

7.2.3 You may access information about the transactions with the Bank's risk group under the footnote numbered 5.11 regarding the related party risks.

7.2.4 You may reach information pursuant to the Regulation on the Provision of Support Services to Banks and the Authorization of Support Service Providers, the type of the services and information on the individuals and institutions that provided the support services in the 2017 Integrated Annual Report that was published on the Public Disclosure Platform, the Bank's website and Garanti Bank Investor Relations' website, access at the link below:
www.garantiannualreport.com
You may access the Corporate Governance Principles Compliance Report from Garanti Bank Investor Relations website at www.garantiinvestorrelations.com under the Corporate Governance section.

7.3 Assessment of financial information and risk management

You may find information regarding the assessment of financial position, profitability and debt payment capability, risk management explanations and ratings in the financial statements for the period ended 30 June 2018. Additionally, you may find detailed information in the earnings presentation regarding financial results of the related period published on Garanti Bank Investor Relations website at www.garantiinvestorrelations.com.

You may find financial information on Garanti Bank for the most recent five year period in the 2017 Integrated Annual Report that was published on the Public Disclosure Platform, the Bank's website, Garanti Bank Investor Relations website and at www.garantiannualreport.com.

7.4 Announcements regarding important developments in the period of 01.04.2018 - 30.06.2018

- Garanti Bank's Annual Report, documents regarding ordinary general meeting of shareholders, information on board of directors and senior management, ratings and disclosures regarding important developments and other disclosures during 01.04.2018-30.06.2018 period were announced and the disclosures were uploaded to the Public Disclosure Platform. Disclosures and all of the announcements are available at www.garantiinvestorrelations.com.

7.5 Announcements regarding important developments for debt instruments issuance and redemptions in the period of 01.04.2018 - 30.06.2018

- Important developments regarding debt instruments issuance and redemptions during 01.04.2018-30.06.2018 period were announced and the disclosures were uploaded to the Public Disclosure Platform. Disclosures and all of the announcements are available at www.garantiinvestorrelations.com.