

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

Türkiye Garanti Bankası Anonim Şirketi

Unconsolidated Financial Statements

As of and For the Year Ended

31 December 2016

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

With Independent Auditors' Report Thereon

DRT Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik AŞ
30 January 2017

*This report contains "Independent Auditors' Report"
comprising 2 pages and;"Unconsolidated Financial
Statements and Related Disclosures and
Footnotes" comprising 128 pages.*

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying unconsolidated financial statements of Türkiye Garanti Bankası A.Ş. ("the Bank"), which comprise the unconsolidated balance sheet as at 31 December 2016, and the unconsolidated statement of income, statement of income and expense items under shareholders' equity, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Bank Management is responsible for the preparation and fair presentation of the financial statements in accordance with "the Banking Regulation and Supervision Agency ("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 for the matters not regulated by the aforementioned legislations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and Independent Auditing Standards which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

Subsequent to the reversal of TL 30,000 thousands in the current period the accompanying unconsolidated financial statements include a general reserve amounting to TL 300,000 thousands as of the balance sheet date, provided by the Bank Management in prior periods in line with conservatism principle considering the circumstances which may arise from any changes in the economy or market conditions.

Qualified Opinion

In our opinion, except for the effect of the matter described in the basis for qualified opinion paragraph, the unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Garanti Bankası A.Ş. as at 31 December 2016 and the results of its operations and its cash flows for the year then ended in accordance with the BRSA Accounting and Reporting Regulations.

Report on Other Legal and Regulatory Requirements


In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 (“TCC”), nothing has come to our attention that may cause us to believe that the Bank’s set of accounts for the period 1 January-31 December 2016 does not comply with TCC and the provisions of the Bank’s articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

Additional paragraph for English translation

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

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



Müjde Şehsuvaroğlu
Partner

Istanbul, 30 January 2017

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

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

Ferit F. Şahenk
Board of Directors
Chairman

Ali Fuat Erbil
General Manager

Aydın Güler
Financial Reporting
Executive Vice President

Hakan Özdemir
General Accounting
Senior Vice President

Javier Bernal Dionis
Audit Committee Member

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

The authorized contact person for questions on this financial report:

Name-Surname/Title: Handan SAYGIN/Senior Vice President of Investor Relations

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1 General Information

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

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

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

The Bank provides banking services through 959 domestic branches, nine foreign branches and three representative offices abroad. The Bank’s head office is located in Istanbul.

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

As of 31 December 2016, group of companies under BBVA that currently owns 39.90% shares of the Bank, is named the BBVA Group (the Group) and it is the main shareholder.

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

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

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

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

BBVA Group

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

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

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

Doğuş Group

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

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

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

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

Board of Directors Chairman and Members:

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

CEO and Executive Vice Presidents:

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

Changes in the executive board as of 1 January 2017;

- Nafiz Karadere resigned from his duty as EVP-SME Banking.
- Onur Genç resigned from his duty as EVP-Retail Banking and Deputy CEO.

Changes in the executive board as of 17 January 2017;

- Cemal Onaran is assigned as EVP-SME Banking.
- Gökhan Erün is responsible EVP of Financial Institutions, Corporate Banking and Treasury.
- Mahmut Akten is assigned as EVP-Retail Banking and is responsible for Retail Banking, Mass Retail Banking and Affluent Banking Marketing units.
- Didem Dinçer is responsible EVP of Corporate Brand Management and Marketing Communications, Insurance and Pension Coordination, Call Center, Customer Experience and Satisfaction.

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

1.4 Information on the bank's qualified shareholders

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

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

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

1.5 Summary information on the bank's activities and services

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

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

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

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

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

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

None.

2 Unconsolidated Financial Statements

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi Balance Sheet (Statement of Financial Position) At 31 December 2016

ASSETS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD 31 December 2016			PRIOR PERIOD 31 December 2015		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH CENTRAL BANK	(5.1.1)	6,723,703	17,061,431	23,785,134	2,259,664	22,891,859	25,151,523
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	(5.1.2)	2,683,405	823,023	3,506,428	1,359,038	489,429	1,848,467
2.1 Financial assets held for trading		2,683,405	823,023	3,506,428	1,160,920	489,429	1,650,349
2.1.1 Government securities		41,945	29,492	71,437	66,470	21,974	88,444
2.1.2 Equity securities		21,137	-	21,137	45,474	-	45,474
2.1.3 Derivative financial assets held for trading		2,620,323	770,662	3,390,985	1,048,976	434,513	1,483,489
2.1.4 Other securities		-	22,869	22,869	-	32,942	32,942
2.2 Financial assets valued at fair value through profit or loss		-	-	-	198,118	-	198,118
2.2.1 Government securities		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Loans	(5.1.2)	-	-	-	198,118	-	198,118
2.2.4 Other securities		-	-	-	-	-	-
III. BANKS	(5.1.3)	446,654	11,872,272	12,318,926	276,135	11,571,360	11,847,495
IV. INTERBANK MONEY MARKETS		-	351,691	351,691	-	61,069	61,069
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	351,691	351,691	-	61,069	61,069
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	(5.1.4)	18,497,281	1,415,288	19,912,569	19,261,864	1,257,937	20,519,801
5.1 Equity securities		40,985	153,922	194,907	36,852	297,717	334,569
5.2 Government securities		17,669,410	341,720	18,011,130	18,582,761	178,798	18,761,559
5.3 Other securities		786,886	919,646	1,706,532	642,251	781,422	1,423,673
VI. LOANS	(5.1.5)	118,726,991	67,321,237	186,048,228	100,354,365	58,785,558	159,139,923
6.1 Performing loans		117,721,708	67,321,237	185,042,945	99,518,038	58,785,558	158,303,596
6.1.1 Loans to bank's risk group	(5.7)	434,870	2,529,219	2,964,089	767,953	2,364,560	3,132,513
6.1.2 Government securities		-	-	-	-	-	-
6.1.3 Others		117,286,838	64,792,018	182,078,856	98,750,085	56,420,998	155,171,083
6.2 Loans under follow-up		5,272,774	-	5,272,774	4,404,025	-	4,404,025
6.3 Specific provisions (-)		4,267,491	-	4,267,491	3,567,698	-	3,567,698
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. INVESTMENTS HELD-TO-MATURITY (Net)	(5.1.6)	12,139,123	11,501,061	23,640,184	11,980,469	9,775,343	21,755,812
8.1 Government securities		12,122,339	6,986,465	19,108,804	11,966,880	5,810,098	17,776,978
8.2 Other securities		16,784	4,514,596	4,531,380	13,589	3,965,245	3,978,834
IX. INVESTMENTS IN ASSOCIATES (Net)	(5.1.7)	36,698	-	36,698	36,698	-	36,698
9.1 Associates consolidated under equity accounting		-	-	-	-	-	-
9.2 Unconsolidated associates		36,698	-	36,698	36,698	-	36,698
9.2.1 Financial investments in associates		33,032	-	33,032	33,032	-	33,032
9.2.2 Non-financial investments in associates		3,666	-	3,666	3,666	-	3,666
X. INVESTMENTS IN AFFILIATES (Net)	(5.1.8)	2,426,067	2,747,797	5,173,864	2,114,928	2,331,571	4,446,499
10.1 Unconsolidated financial investments in affiliates		2,321,831	2,747,797	5,069,628	2,010,692	2,331,571	4,342,263
10.2 Unconsolidated non-financial investments in affiliates		104,236	-	104,236	104,236	-	104,236
XI. INVESTMENTS IN JOINT-VENTURES (Net)	(5.1.9)	-	-	-	-	-	-
11.1 Joint-ventures consolidated under equity accounting		-	-	-	-	-	-
11.2 Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1 Financial investments in joint-ventures		-	-	-	-	-	-
11.2.2 Non-financial investments in joint-ventures		-	-	-	-	-	-
XII. LEASE RECEIVABLES (Net)	(5.1.10)	-	-	-	-	-	-
12.1 Financial lease receivables		-	-	-	-	-	-
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT	(5.1.11)	79,472	509,742	589,214	89,064	591,933	680,997
13.1 Fair value hedges		73,946	10,420	84,366	60,616	7,483	68,099
13.2 Cash flow hedges		5,526	499,322	504,848	28,448	584,450	612,898
13.3 Net foreign investment hedges		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(5.1.12)	3,388,468	280	3,388,748	3,073,889	336	3,074,225
XV. INTANGIBLE ASSETS (Net)	(5.1.13)	238,996	17	239,013	182,553	37	182,590
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		238,996	17	239,013	182,553	37	182,590
XVI. INVESTMENT PROPERTY (Net)	(5.1.14)	670,370	-	670,370	381,270	-	381,270
XVII. TAX ASSET		127,709	-	127,709	381,541	-	381,541
17.1 Current tax asset		-	-	-	-	-	-
17.2 Deferred tax asset	(5.1.15)	127,709	-	127,709	381,541	-	381,541
XVIII. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(5.1.16)	589,726	-	589,726	346,979	-	346,979
18.1 Assets held for sale		589,726	-	589,726	346,979	-	346,979
18.2 Assets of discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(5.1.17)	2,880,105	896,793	3,776,898	2,353,470	2,134,227	4,487,697
TOTAL ASSETS		169,654,768	114,500,632	284,155,400	144,451,927	109,890,659	254,342,586

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 2016

LIABILITIES AND SHAREHOLDERS' EQUITY		Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD			PRIOR PERIOD		
			31 December 2016			31 December 2015		
		TL	FC	Total	TL	FC	Total	
I. DEPOSITS	(5.2.1)	76,285,152	84,946,445	161,231,597	66,420,824	74,478,508	140,899,332	
1.1 Deposits from bank's risk group	(5.7)	1,473,675	496,796	1,970,471	1,092,221	474,699	1,566,920	
1.2 Others		74,811,477	84,449,649	159,261,126	65,328,603	74,003,809	139,332,412	
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(5.2.2)	2,608,676	887,946	3,496,622	1,669,819	593,818	2,263,637	
III. FUNDS BORROWED	(5.2.3)	2,121,662	38,164,706	40,286,368	2,542,263	30,895,534	33,437,797	
IV. INTERBANK MONEY MARKETS	(5.2.4)	9,769,387	-	9,769,387	12,521,253	2,546,908	15,068,161	
4.1 Interbank money market takings		2,501,180	-	2,501,180	-	-	-	
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-	
4.3 Obligations under repurchase agreements		7,268,207	-	7,268,207	12,521,253	2,546,908	15,068,161	
V. SECURITIES ISSUED (Net)	(5.2.4)	4,769,223	11,667,656	16,436,879	3,405,544	10,793,225	14,198,769	
5.1 Bills		1,213,929	-	1,213,929	790,461	160,472	950,933	
5.2 Asset backed securities		-	-	-	-	-	-	
5.3 Bonds		3,555,294	11,667,656	15,222,950	2,615,083	10,632,753	13,247,836	
VI. FUNDS		-	-	-	-	-	-	
6.1 Borrower funds		-	-	-	-	-	-	
6.2 Others		-	-	-	-	-	-	
VII. MISCELLANEOUS PAYABLES	(5.2.4.3)	8,191,446	896,693	9,088,139	7,132,264	1,204,588	8,336,852	
VIII. OTHER EXTERNAL FUNDINGS PAYABLE		2,155,786	825,526	2,981,312	1,997,940	1,827,125	3,825,065	
IX. FACTORING PAYABLES		-	-	-	-	-	-	
X. LEASE PAYABLES (Net)	(5.2.5)	17,092	-	17,092	10,968	-	10,968	
10.1 Financial lease payables		18,404	-	18,404	11,985	-	11,985	
10.2 Operational lease payables		-	-	-	-	-	-	
10.3 Others		-	-	-	-	-	-	
10.4 Deferred expenses (-)		1,312	-	1,312	1,017	-	1,017	
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	(5.2.6)	26,671	252,865	279,536	10,928	239,563	250,491	
11.1 Fair value hedges		26,671	231,062	257,733	10,928	210,635	221,563	
11.2 Cash flow hedges		-	21,803	21,803	-	28,928	28,928	
11.3 Net foreign investment hedges		-	-	-	-	-	-	
XII. PROVISIONS	(5.2.7)	4,542,015	71,989	4,614,004	4,186,504	63,560	4,250,064	
12.1 General provisions		3,118,954	52,209	3,171,163	2,957,392	44,665	3,002,057	
12.2 Restructuring reserves		-	-	-	-	-	-	
12.3 Reserve for employee benefits		679,871	-	679,871	529,537	-	529,537	
12.4 Insurance technical provisions (Net)		-	-	-	-	-	-	
12.5 Other provisions		743,190	19,780	762,970	699,575	18,895	718,470	
XIII. TAX LIABILITY	(5.2.8)	413,611	1,773	415,384	629,578	31,025	660,603	
13.1 Current tax liability		413,611	1,773	415,384	629,578	31,025	660,603	
13.2 Deferred tax liability		-	-	-	-	-	-	
XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(5.2.9)	-	-	-	-	-	-	
14.1 Assets held for sale		-	-	-	-	-	-	
14.2 Assets of discontinued operations		-	-	-	-	-	-	
XV. SUBORDINATED DEBTS	(5.2.10)	-	-	-	-	159,792	159,792	
XVI. SHAREHOLDERS' EQUITY	(5.2.11)	35,253,222	285,858	35,539,080	30,560,363	420,692	30,981,055	
16.1 Paid-in capital		4,200,000	-	4,200,000	4,200,000	-	4,200,000	
16.2 Capital reserves		2,824,926	57,875	2,882,801	2,642,395	228,221	2,870,616	
16.2.1 Share premium		11,880	-	11,880	11,880	-	11,880	
16.2.2 Share cancellation profits		-	-	-	-	-	-	
16.2.3 Securities value increase fund		630,378	(8,235)	622,143	253,965	187,995	441,960	
16.2.4 Revaluation surplus on tangible assets		1,626,437	-	1,626,437	1,631,907	-	1,631,907	
16.2.5 Revaluation surplus on intangible assets		-	-	-	-	-	-	
16.2.6 Revaluation surplus on investment property		-	-	-	-	-	-	
16.2.7 Bonus shares of associates, affiliates and joint-ventures		1,891	-	1,891	1,891	-	1,891	
16.2.8 Hedging reserves (effective portion)		(114,596)	66,110	(48,486)	46,181	40,226	86,407	
16.2.9 Revaluation surplus on assets held for sale and assets of discontinued operations		-	-	-	-	-	-	
16.2.10 Other capital reserves		668,936	-	668,936	696,571	-	696,571	
16.3 Profit reserves		23,157,747	227,983	23,385,730	20,311,461	192,471	20,503,932	
16.3.1 Legal reserves		1,191,409	14,751	1,206,160	1,155,709	12,620	1,168,329	
16.3.2 Status reserves		-	-	-	-	-	-	
16.3.3 Extraordinary reserves		21,966,338	6,576	21,972,914	19,155,752	3,860	19,159,612	
16.3.4 Other profit reserves		-	206,656	206,656	-	175,991	175,991	
16.4 Profit or loss		5,070,549	-	5,070,549	3,406,507	-	3,406,507	
16.4.1 Prior periods profit/loss		-	-	-	-	-	-	
16.4.2 Current period net profit/loss		5,070,549	-	5,070,549	3,406,507	-	3,406,507	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		146,153,943	138,001,457	284,155,400	131,088,248	123,254,338	254,342,586	

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

Türkiye Garanti Bankası Anonim Şirketi

Off-Balance Sheet Items

At 31 December 2016

OFF-BALANCE SHEET ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD 31 December 2016			PRIOR PERIOD 31 December 2015		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		157,869,378	254,864,074	412,733,452	144,398,889	207,921,722	352,320,611
I. GUARANTEES AND SURETIES	(5.3.1)	17,129,482	37,643,674	54,773,156	14,858,325	33,234,327	48,092,652
1.1. Letters of guarantee		17,101,636	20,378,358	37,479,994	14,826,457	17,332,578	32,159,035
1.1.1. Guarantees subject to State Tender Law		-	1,029,481	1,029,481	-	1,099,700	1,099,700
1.1.2. Guarantees given for foreign trade operations		2,133,194	184,959	2,318,153	1,948,525	220,676	2,169,201
1.1.3. Other letters of guarantee		14,968,442	19,163,918	34,132,360	12,877,932	16,012,202	28,890,134
1.2. Bank acceptances		27,846	2,099,488	2,127,334	20,793	1,517,276	1,538,069
1.2.1. Import letter of acceptance		27,846	2,099,488	2,127,334	20,793	1,517,276	1,538,069
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		-	15,010,812	15,010,812	11,075	14,275,267	14,286,342
1.3.1. Documentary letters of credit		-	-	-	-	-	-
1.3.2. Other letters of credit		-	15,010,812	15,010,812	11,075	14,275,267	14,286,342
1.4. Guaranteed prefinancings		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Underwriting commitments		-	-	-	-	-	-
1.7. Factoring related guarantees		-	-	-	-	-	-
1.8. Other guarantees		-	155,016	155,016	-	109,206	109,206
1.9. Other sureties		-	-	-	-	-	-
II. COMMITMENTS	(5.3.1)	39,351,241	10,239,401	49,590,642	37,406,779	12,908,819	50,315,598
2.1. Irrevocable commitments		39,328,201	5,584,680	44,912,881	37,331,079	7,862,914	45,193,993
2.1.1. Asset purchase and sale commitments		194,033	3,087,739	3,281,772	6,100	3,054,228	3,060,328
2.1.2. Deposit purchase and sale commitments		-	74,040	74,040	-	16,628	16,628
2.1.3. Share capital commitments to associates and affiliates		-	5,266	5,266	-	5,297	5,297
2.1.4. Loan granting commitments		6,995,108	2,329,810	9,324,918	6,142,181	4,423,261	10,565,442
2.1.5. Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Commitments for cheque payments		3,555,087	-	3,555,087	3,063,159	-	3,063,159
2.1.8. Tax and fund obligations on export commitments		24,000	-	24,000	20,529	-	20,529
2.1.9. Commitments for credit card limits		27,849,612	-	27,849,612	26,826,339	-	26,826,339
2.1.10. Commitments for credit cards and banking services related promotions		8,708	-	8,708	8,561	-	8,561
2.1.11. Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12. Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13. Other irrevocable commitments		701,653	87,825	789,478	1,264,210	363,500	1,627,710
2.2. Revocable commitments		23,040	4,654,721	4,677,761	75,700	5,045,905	5,121,605
2.2.1. Revocable loan granting commitments		23,040	4,653,740	4,676,780	75,700	5,044,758	5,120,458
2.2.2. Other revocable commitments		-	981	981	-	1,147	1,147
III. DERIVATIVE FINANCIAL INSTRUMENTS	(5.3.2)	101,388,655	206,980,999	308,369,654	92,133,785	161,778,576	253,912,361
3.1. Derivative financial instruments held for risk management		9,252,323	25,283,122	34,535,445	7,107,440	16,963,601	24,071,041
3.1.1. Fair value hedges		7,307,595	11,982,560	19,290,155	3,439,355	9,266,494	12,705,849
3.1.2. Cash flow hedges		1,944,728	13,300,562	15,245,290	3,668,085	7,697,107	11,365,192
3.1.3. Net foreign investment hedges		-	-	-	-	-	-
3.2. Trading derivatives		92,136,332	181,697,877	273,834,209	85,026,345	144,814,975	229,841,320
3.2.1. Forward foreign currency purchases/sales		12,078,449	15,532,976	27,611,425	13,716,838	19,360,463	33,077,301
3.2.1.1. Forward foreign currency purchases		3,787,239	10,023,975	13,811,214	5,146,127	11,424,014	16,570,141
3.2.1.2. Forward foreign currency sales		8,291,210	5,509,001	13,800,211	8,570,711	7,936,449	16,507,160
3.2.2. Currency and interest rate swaps		60,234,373	123,150,097	183,384,470	33,377,607	61,557,928	94,935,535
3.2.2.1. Currency swaps-purchases		22,670,532	51,279,287	73,949,819	12,532,143	22,148,346	34,680,489
3.2.2.2. Currency swaps-sales		37,069,193	36,646,410	73,715,603	17,199,244	14,610,598	31,809,842
3.2.2.3. Interest rate swaps-purchases		247,324	17,612,200	17,859,524	1,823,110	12,399,492	14,222,602
3.2.2.4. Interest rate swaps-sales		247,324	17,612,200	17,859,524	1,823,110	12,399,492	14,222,602
3.2.3. Currency, interest rate and security options		19,800,600	34,032,828	53,833,428	37,927,519	51,810,681	89,738,200
3.2.3.1. Currency call options		8,553,567	14,398,056	22,951,623	15,244,831	25,062,622	40,307,453
3.2.3.2. Currency put options		11,247,033	12,836,688	24,083,721	22,682,688	20,487,567	43,170,255
3.2.3.3. Interest rate call options		-	5,927,914	5,927,914	-	6,260,492	6,260,492
3.2.3.4. Interest rate put options		-	843,120	843,120	-	-	-
3.2.3.5. Security call options		-	13,525	13,525	-	-	-
3.2.3.6. Security put options		-	13,525	13,525	-	-	-
3.2.4. Currency futures		22,910	130,674	153,584	4,381	283,825	288,206
3.2.4.1. Currency futures-purchases		323	80,808	81,131	3,965	3,463	7,428
3.2.4.2. Currency futures-sales		22,587	49,866	72,453	416	280,362	280,778
3.2.5. Interest rate futures		-	100,121	100,121	-	-	-
3.2.5.1. Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2. Interest rate futures-sales		-	100,121	100,121	-	-	-
3.2.6. Others		-	8,751,181	8,751,181	-	11,802,078	11,802,078
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		610,833,455	492,229,874	1,103,063,329	536,426,059	390,070,974	926,497,033
IV. ITEMS HELD IN CUSTODY		37,633,094	40,122,694	77,755,788	38,537,633	32,580,434	71,118,067
4.1. Customers' securities held		4,451,352	-	4,451,352	4,182,396	-	4,182,396
4.2. Investment securities held in custody		16,489,131	17,080,586	33,569,717	19,795,650	13,838,529	33,634,179
4.3. Checks received for collection		14,019,472	3,108,354	17,127,826	12,220,959	2,540,583	14,761,542
4.4. Commercial notes received for collection		2,550,127	1,161,146	3,711,273	2,233,861	1,214,012	3,447,873
4.5. Other assets received for collection		78,792	16,034,037	16,112,829	71,631	13,060,668	13,132,299
4.6. Assets received through public offering		-	85,344	85,344	-	70,813	70,813
4.7. Other items under custody		44,220	2,653,227	2,697,447	33,136	1,855,829	1,888,965
4.8. Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		573,200,361	452,107,180	1,025,307,541	497,888,426	357,490,540	855,378,966
5.1. Securities		4,360,457	82,069	4,442,526	4,160,352	20,174	4,180,526
5.2. Guarantee notes		37,862,446	12,953,452	50,815,898	39,071,238	11,148,532	50,219,770
5.3. Commodities		19,841	-	19,841	3,142	-	3,142
5.4. Warranties		-	-	-	-	-	-
5.5. Real estates		140,149,925	84,680,100	224,830,025	112,540,277	65,982,195	178,522,472
5.6. Other pledged items		390,807,522	354,391,505	745,199,027	342,113,247	280,339,012	622,452,259
5.7. Pledged items-depository		170	54	224	170	627	797
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		768,702,833	747,093,948	1,515,796,781	680,824,948	597,992,696	1,278,817,644

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

Türkiye Garanti Bankası Anonim Şirketi
Income Statement
For the Year Ended 31 December 2016

INCOME AND EXPENSE ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD 1 January 2016- 31 December 2016	PRIOR PERIOD 1 January 2015- 31 December 2015
I. INTEREST INCOME	(5.4.1)	20,915,217	17,420,007
1.1 Interest income on loans		16,783,444	13,647,803
1.2 Interest income on reserve deposits		237,553	64,591
1.3 Interest income on banks		89,536	73,412
1.4 Interest income on money market transactions		6,417	3,160
1.5 Interest income on securities portfolio		3,577,267	3,457,696
1.5.1 Trading financial assets		17,461	15,331
1.5.2 Financial assets valued at fair value through profit or loss		-	-
1.5.3 Financial assets available-for-sale		1,903,637	1,813,563
1.5.4 Investments held-to-maturity		1,656,169	1,628,802
1.6 Financial lease income		-	-
1.7 Other interest income		221,000	173,345
II. INTEREST EXPENSE	(5.4.2)	9,818,275	8,178,674
2.1 Interest on deposits		6,883,319	5,685,660
2.2 Interest on funds borrowed		945,054	935,579
2.3 Interest on money market transactions		998,553	700,891
2.4 Interest on securities issued		964,300	836,939
2.5 Other interest expenses		27,049	19,605
III. NET INTEREST INCOME (I - II)		11,096,942	9,241,333
IV. NET FEES AND COMMISSIONS INCOME		3,151,738	2,922,551
4.1 Fees and commissions received		4,142,158	3,822,532
4.1.1 Non-cash loans		320,899	278,926
4.1.2 Others		3,821,259	3,543,606
4.2 Fees and commissions paid		990,420	899,981
4.2.1 Non-cash loans		3,138	3,204
4.2.2 Others		987,282	896,777
V. DIVIDEND INCOME	(5.4.3)	6,902	5,102
VI. NET TRADING INCOME/LOSSES (Net)	(5.4.4)	(791,241)	(1,075,618)
6.1 Trading account income/losses		290,027	514,559
6.2 Income/losses from derivative financial instruments		(742,585)	(2,231,685)
6.3 Foreign exchange gains/losses		(338,683)	641,508
VII. OTHER OPERATING INCOME	(5.4.5)	1,364,227	916,689
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		14,828,568	12,010,057
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	(5.4.6)	2,814,864	2,218,194
X. OTHER OPERATING EXPENSES (-)	(5.4.7)	6,118,538	5,883,301
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		5,895,166	3,908,562
XII. INCOME RESULTED FROM MERGERS		-	-
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		398,272	400,315
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-
XV. OPERATING PROFIT/LOSS BEFORE TAXES (XI+XII+XIII+XIV)	(5.4.8)	6,293,438	4,308,877
XVI. PROVISION FOR TAXES (±)	(5.4.9)	1,222,889	902,370
16.1 Current tax charge		884,471	728,172
16.2 Deferred tax charge/(credit)		338,418	174,198
XVII. NET OPERATING PROFIT/LOSS AFTER TAXES (XV±XVI)	(5.4.10)	5,070,549	3,406,507
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1 Income from assets held for sale		-	-
18.2 Income from sale of associates, affiliates 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, affiliates and joint-ventures		-	-
19.3 Others		-	-
XX. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XVIII-XIX)	(5.4.8)	-	-
XXI. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)	(5.4.9)	-	-
21.1 Current tax charge		-	-
21.2 Deferred tax charge/(credit)		-	-
XXII. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XX±XXI)	(5.4.10)	-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	(5.4.11)	5,070,549	3,406,507
Earnings per Share		1.207	0.811

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi

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

For the Year Ended 31 December 2016

INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY	THOUSANDS OF TURKISH LIRA (TL)	
	CURRENT PERIOD 1 January 2016- 31 December 2016	PRIOR PERIOD 1 January 2015- 31 December 2015
I. MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"	(338,406)	(462,665)
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	-	1,467,649
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	497,265	290,260
V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)	12,072	81,849
VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	(180,457)	32,808
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS	-	-
VIII. OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	(20,584)	40,155
IX. DEFERRED TAXES ON VALUE INCREASES/DECREASES	84,586	78,354
X. NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+III+IV+V+VI+VII+VIII+IX)	54,476	1,528,410
XI. CURRENT PERIOD PROFIT/LOSSES	5,070,549	3,406,507
1.1 Net changes in fair value of securities (transferred to income statement)	158,603	62,612
1.2 Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement	(125,898)	96,087
1.3 Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-	-
1.4 Others	5,037,844	3,247,808
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)	5,125,025	4,934,917

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi
Statement of Changes in Shareholders' Equity
For the Year Ended 31 December 2016

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)															
		Paid-In Capital	Capital Reserves from Inflation Adj.s to Paid-In Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Profit/(Loss)	Securities Value Increase Fund	Revaluation Surplus on Tangible and Intangible Assets	Bonus Shares of Equity Participations	Hedging Reserves	Accu. Rev. Surp. on Assets Held for Sale and Assets of Discont. Op.s	Total Shareholders' Equity
PRIOR PERIOD (1 January - 31 December 2015)																	
I. Balances at beginning of the period		4,200,000	772,554	11,880	-	1,131,122	-	16,119,685	71,385	-	3,674,111	460,934	175,034	1,891	(5,458)	-	26,613,138
II. Correction made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1. Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted balances at beginning of the period (I+II)	(5.5)	4,200,000	772,554	11,880	-	1,131,122	-	16,119,685	71,385	-	3,674,111	460,934	175,034	1,891	(5,458)	-	26,613,138
Changes during the period																	
IV. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Market value changes of securities		-	-	-	-	-	-	-	-	-	-	(356,740)	-	-	-	-	(356,740)
VI. Hedging reserves		-	-	-	-	-	-	-	-	-	-	-	-	91,865	-	-	91,865
6.1. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	65,618	-	-	65,618
6.2. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	26,247	-	-	26,247
VII. Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	1,456,873	-	-	-	-	1,456,873
VIII. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares of associates, affiliates and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Translation differences		-	-	-	-	1,507	-	462	20,647	-	267,644	-	-	-	-	-	290,260
XI. Changes resulted from disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Changes resulted from reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	70,122	-	-	-	-	-	70,122
XIV. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2. Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Others		-	-	-	-	-	-	-	(23,970)	-	-	-	-	-	-	-	(23,970)
XIX. Current period net profit/loss		-	-	-	-	-	-	-	3,406,507	-	-	-	-	-	-	-	3,406,507
XX. Profit distribution		-	-	-	-	35,700	-	3,039,465	31,946	-	(3,674,111)	-	-	-	-	-	(567,000)
20.1. Dividends		-	-	-	-	-	-	-	-	-	(567,000)	-	-	-	-	-	(567,000)
20.2. Transfers to reserves		-	-	-	-	35,700	-	2,555,988	-	-	(2,591,688)	-	-	-	-	-	-
20.3. Others		-	-	-	-	-	-	483,477	31,946	-	(515,423)	-	-	-	-	-	-
Balances at end of the period (III+IV+V+.....+XVIII+XIX+XX)		4,200,000	772,554	11,880	-	1,168,329	-	19,159,612	100,008	3,406,507	-	441,960	1,631,907	1,891	86,407	-	30,981,055
CURRENT PERIOD (1 January - 31 December 2016)																	
I. Balances at beginning of the period		4,200,000	772,554	11,880	-	1,168,329	-	19,159,612	100,008	-	3,406,507	441,960	1,631,907	1,891	86,407	-	30,981,055
II. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Market value changes of securities		-	-	-	-	-	-	-	-	-	-	(294,221)	-	-	-	-	(294,221)
IV. Hedging reserves		-	-	-	-	-	-	-	-	-	-	-	-	(134,893)	-	-	(134,893)
4.1. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	9,473	-	-	9,473
4.2. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	(144,366)	-	-	(144,366)
V. Revaluation surplus on tangible assets		-	-	-	-	-	-	8,303	-	-	-	(8,622)	-	-	-	-	(319)
VI. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares of associates, affiliates and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Translation differences		-	-	-	-	2,131	-	949	29,860	-	464,325	-	-	-	-	-	497,265
IX. Changes resulted from disposal of assets		-	-	-	-	-	-	4,200	-	-	-	-	-	-	-	-	4,200
X. Changes resulted from reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	10,079	-	-	-	-	10,079
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		-	-	-	-	-	-	766	(27,635)	-	-	-	(766)	-	-	-	(27,635)
XVII. Current period net profit/loss		-	-	-	-	-	-	-	5,070,549	-	-	-	-	-	-	-	5,070,549
XVIII. Profit distribution		-	-	-	-	35,700	-	2,799,084	805	-	(3,406,507)	-	3,918	-	-	-	(567,000)
18.1. Dividends		-	-	-	-	-	-	-	-	-	(567,000)	-	-	-	-	-	(567,000)
18.2. Transfers to reserves		-	-	-	-	35,700	-	2,799,084	-	-	(2,834,784)	-	-	-	-	-	-
18.3. Others		-	-	-	-	-	-	-	805	-	(4,723)	-	3,918	-	-	-	-
Balances at end of the period (I+II+III+.....+XVI+XVII+XVIII)		4,200,000	772,554	11,880	-	1,206,160	-	21,972,914	103,038	5,070,549	-	622,143	1,626,437	1,891	(48,486)	-	35,539,080

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

Türkiye Garanti Bankası Anonim Şirketi
Statement of Cash Flows
For the Year Ended 31 December 2016

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD 1 January 2016- 31 December 2016	PRIOR PERIOD 1 January 2015- 31 December 2015
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		4,770,050	3,803,213
1.1.1 Interests received		19,229,882	16,613,663
1.1.2 Interests paid		(10,011,667)	(8,577,499)
1.1.3 Dividend received		6,902	5,102
1.1.4 Fees and commissions received		4,142,158	3,822,532
1.1.5 Other income		1,524,254	1,346,248
1.1.6 Collections from previously written-off loans and other receivables		148,649	70,943
1.1.7 Payments to personnel and service suppliers		(5,554,231)	(5,230,373)
1.1.8 Taxes paid		(1,158,390)	(792,338)
1.1.9 Others	(5.6)	(3,557,507)	(3,455,065)
1.2 Changes in operating assets and liabilities		(1,920,647)	(1,899,696)
1.2.1 Net (increase) decrease in financial assets held for trading		51,124	202,861
1.2.2 Net (increase) decrease in financial assets valued at fair value through profit or loss		200,000	-
1.2.3 Net (increase) decrease in due from banks		4,750,956	(2,189,475)
1.2.4 Net (increase) decrease in loans		(29,241,092)	(26,671,137)
1.2.5 Net (increase) decrease in other assets		548,698	(1,885,854)
1.2.6 Net increase (decrease) in bank deposits		(1,805,074)	164,142
1.2.7 Net increase (decrease) in other deposits		22,073,158	20,403,269
1.2.8 Net increase (decrease) in funds borrowed		1,672,475	5,269,469
1.2.9 Net increase (decrease) in matured payables			
1.2.10 Net increase (decrease) in other liabilities	(5.6)	(170,892)	2,807,029
I. Net cash flow from banking operations		2,849,403	1,903,517
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash flow from investing activities		826,972	(1,495,715)
2.1 Cash paid for purchase of associates, affiliates and joint-ventures		(53,484)	-
2.2 Cash obtained from sale of associates, affiliates and joint-ventures		135,173	-
2.3 Purchases of tangible assets		(959,045)	(499,273)
2.4 Sales of tangible assets		90,042	123,369
2.5 Cash paid for purchase of financial assets available-for-sale		(7,154,252)	(4,766,802)
2.6 Cash obtained from sale of financial assets available-for-sale		8,080,258	3,952,604
2.7 Cash paid for purchase of investments held-to-maturity		(498,479)	(3,277,512)
2.8 Cash obtained from sale of investments held-to-maturity		1,186,759	2,971,899
2.9 Others	(5.6)	-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		(305,466)	243,904
3.1 Cash obtained from funds borrowed and securities issued		5,939,235	6,279,433
3.2 Cash used for repayment of funds borrowed and securities issued		(5,661,529)	(5,463,215)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		(567,000)	(567,000)
3.5 Payments for financial leases		(16,172)	(5,314)
3.6 Others (payments for founder shares repurchased)	(5.6)	-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(5.6)	762,550	640,544
V. Net increase/(decrease) in cash and cash equivalents		4,133,459	1,292,250
VI. Cash and cash equivalents at beginning of period		8,878,118	7,585,868
VII. Cash and cash equivalents at end of period		13,011,577	8,878,118

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

Türkiye Garanti Bankası Anonim Şirketi
Statement of Profit Distribution

At 31 December 2016

STATEMENT OF PROFIT DISTRIBUTION		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD (*)	PRIOR PERIOD
		31 December 2016	31 December 2015
I.	DISTRIBUTION OF CURRENT YEAR PROFIT		
1.1	CURRENT PERIOD PROFIT	6,293,438	4,308,877
1.2	TAXES AND LEGAL DUTIES PAYABLE (-)	1,222,889	902,370
1.2.1	Corporate tax (income tax)	1,222,889	902,370
1.2.2	Withholding tax	-	-
1.2.3	Other taxes and duties	-	-
A.	NET PROFIT FOR THE PERIOD (1.1-1.2)	5,070,549	3,406,507
1.3	ACCUMULATED LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	-
1.5	OTHER STATUTORY RESERVES (-)	-	4,723
B.	NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]	-	3,401,784
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	210,000
1.6.1	To owners of ordinary shares	-	210,000
1.6.2	To owners of privileged shares	-	-
1.6.3	To owners of redeemed shares	-	-
1.6.4	To profit sharing bonds	-	-
1.6.5	To holders of profit and loss sharing certificates	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	357,000
1.9.1	To owners of ordinary shares	-	357,000
1.9.2	To owners of privileged shares	-	-
1.9.3	To owners of redeemed shares	-	-
1.9.4	To profit sharing bonds	-	-
1.9.5	To holders of profit and loss sharing certificates	-	-
1.10	SECOND LEGAL RESERVES (-)	-	35,700
1.11	STATUS RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	2,799,084
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
II.	DISTRIBUTION OF RESERVES		
2.1	APPROPRIATED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1	To owners of ordinary shares	-	-
2.3.2	To owners of privileged shares	-	-
2.3.3	To owners of redeemed shares	-	-
2.3.4	To profit sharing bonds	-	-
2.3.5	To holders of profit and loss sharing certificates	-	-
2.4	DIVIDENDS TO PERSONNEL (-)	-	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III.	EARNINGS PER SHARE (per YTL'000 face value each)		
3.1	TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)	1.207	0.811
3.2	TO OWNERS OF ORDINARY SHARES (%)	0.121	0.081
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV.	DIVIDEND PER SHARE		
4.1	TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)	-	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) Decision regarding to the 2016 profit distribution will be held at General Assembly meeting.

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

3 Accounting policies

3.1 Basis of presentation

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

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

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

3.2 Strategy for use of financial instruments and foreign currency transactions

3.2.1 Strategy for use of financial instruments

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

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

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

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

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

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

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

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

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

3.2.2 Foreign currency transactions

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

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

From 1 September 2015, it has been started to apply net investment hedge amounting to EUR 333,487,913 in total among net investments in Garanti Bank International NV and Garanti Holding BV having capitals denominated in foreign currencies and long term foreign currency borrowings. Foreign exchange losses in the amount of TL 147,648 thousands, arising from conversion of both foreign currency net investments and long term foreign currency borrowings are accounted under capital reserves and hedging reserves, respectively under equity as of 31 December 2016. There is no ineffective portion arising from net investment hedge accounting.

3.3 Investments in associates and affiliates

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

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

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

3.4 Forwards, options and other derivative transactions

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

3.4.1 Derivative financial instruments held for trading

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

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

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

3.4.2 Derivative financial instruments held for risk management

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

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

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

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

3.5 Interest income and expenses

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

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

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

3.6 Fees and commissions

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

3.7 Financial assets

3.7.1 Financial assets at fair value through profit or loss

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.8 Impairment of financial assets

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

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

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

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

3.9 Netting and derecognition of financial instruments

3.9.1 Netting of financial instruments

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

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

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

3.9.2 Derecognition of financial assets

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

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

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

3.10 Repurchase and resale agreements and securities lending

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

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

3.11 Assets held for sale, discontinued operations and related liabilities

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

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

3.12 Goodwill and other intangible assets

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

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

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

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

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

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

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

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

3.13 Tangible assets

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

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

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

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

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

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

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 income statement for the period they occurred.

Investment properties accounted at fair value are not depreciated.

3.14 Leasing activities

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

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

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

3.15 Provisions and contingent liabilities

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

3.16 Contingent assets

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

3.17 Liabilities for employee benefits

Severance indemnities and short-term employee benefits

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

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

	31 December 2016	31 December 2015
	%	%
Net Effective Discount Rate	3.43	2.99
Discount Rate	11.50	10.30
Expected Rate of Salary Increase	9.30	8.60
Inflation Rate	7.80	7.10

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

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

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

Retirement benefit obligations

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

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

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

	31 December 2016	
	Employer	Employee
Pension contributions	15.5%	10.0%
Medical benefit contributions	6.0%	5.0%

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

a) Benefits transferable to SSF

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

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

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

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

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

b) Other benefits not transferable to SSF

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

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

3.18 Taxation

3.18.1 Corporate tax

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

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

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

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

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

The tax applications for foreign branches;

NORTHERN CYPRUS

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

MALTA

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

LUXEMBOURG

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

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

3.18.2 Deferred taxes

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

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

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

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

3.18.3 Transfer pricing

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

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

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

3.19 Funds borrowed

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

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

3.20 Share issuances

None.

3.21 Confirmed bills of exchange and acceptances

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

3.22 Government incentives

As of 31 December 2016, the Bank does not have any government incentives or grants.

3.23 Segment reporting

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

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

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

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

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

Information on the business segments is as follows:

<i>Current Period</i>	Retail Banking	Corporate / Commercial Banking	Investment Banking	Other	Total Operations
Total Operating Profit	6,394,734	4,936,333	1,050,130	2,440,469	14,821,666
Other	-	-	-	-	-
Total Operating Profit	6,394,734	4,936,333	1,050,130	2,440,469	14,821,666
Net Operating Profit	2,752,763	1,731,805	711,270	1,090,698	6,286,536
Income from Associates and Affiliates	-	-	-	6,902	6,902
Net Operating Profit	2,752,763	1,731,805	711,270	1,097,600	6,293,438
Provision for Taxes	-	-	-	1,222,889	1,222,889
Net Profit	2,752,763	1,731,805	711,270	(125,289)	5,070,549
Segment Assets	59,084,680	126,963,548	81,188,982	11,707,628	278,944,838
Investments in Associates and Affiliates	-	-	-	5,210,562	5,210,562
Total Assets	59,084,680	126,963,548	81,188,982	16,918,190	284,155,400
Segment Liabilities	106,985,273	61,415,792	74,568,141	5,647,114	248,616,320
Shareholders' Equity	-	-	-	35,539,080	35,539,080
Total Liabilities and Shareholders' Equity	106,985,273	61,415,792	74,568,141	41,186,194	284,155,400

<i>Prior Period</i>	Retail Banking	Corporate / Commercial Banking	Investment Banking	Other	Total Operations
Total Operating Profit	4,858,538	4,049,262	1,337,625	1,759,530	12,004,955
Other	-	-	-	-	-
Total Operating Profit	4,858,538	4,049,262	1,337,625	1,759,530	12,004,955
Net Operating Profit	(158,709)	1,900,294	1,007,811	1,554,379	4,303,775
Income from Associates and Affiliates	-	-	-	5,102	5,102
Net Operating Profit	(158,709)	1,900,294	1,007,811	1,559,481	4,308,877
Provision for Taxes	-	-	-	902,370	902,370
Net Profit	(158,709)	1,900,294	1,007,811	657,111	3,406,507
Segment Assets	53,086,559	106,251,482	79,563,977	10,957,371	249,859,389
Investments in Associates and Affiliates	-	-	-	4,483,197	4,483,197
Total Assets	53,086,559	106,251,482	79,563,977	15,440,568	254,342,586
Segment Liabilities	91,670,983	53,507,379	71,649,459	6,533,710	223,361,531
Shareholders' Equity	-	-	-	30,981,055	30,981,055
Total Liabilities and Shareholders' Equity	91,670,983	53,507,379	71,649,459	37,514,765	254,342,586

3.24 Other disclosures

None.

4 Financial Position and Results of Operations and Risk Management

4.1 Total capital

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

4.1.1 Components of total capital

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014^(*)</i>
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	23,385,730	
Other Comprehensive Income according to TAS	2,759,735	
Profit	5,070,549	
Current Period Profit	5,070,549	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	1,891	
Common Equity Tier I Capital Before Deductions	36,202,339	
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 (-)	732,893	-
Leasehold Improvements on Operational Leases (-)	103,037	-
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	128,006	213,344
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 (-)	1,730	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Mortgage Servicing Rights not deducted (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014^(*)</i>
Total Deductions from Common Equity Tier I Capital	965,666	
Total Common Equity Tier I Capital	35,236,673	
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 (-)	85,338	-
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)	35,151,335	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2,596,082	
Total Deductions from Tier II Capital	2,596,082	
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 (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	2,596,082	
Total Equity (Total Tier I and Tier II Capital)	37,747,417	
Total Tier I Capital and Tier II Capital (Total Equity)		

	Amount	Amount as per the regulation before 1/1/2014 ^(*)
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	31	
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 (-)	55,860	
Other items to be Defined by the BRSA (-)	36,994	
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)	37,654,532	-
Total Risk Weighted Assets	232,322,344	-
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	15.17	-
Tier I Capital Ratio (%)	15.13	-
Capital Adequacy Ratio (%)	16.21	-
BUFFERS		
Bank-specific total CET1 Capital Ratio	4.50	-
Capital Conservation Buffer Ratio (%)	0.625	-
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.01	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	8.21	-
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	153,379	-
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)	3,171,163	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2,596,082	-
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.

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

4.1.2 Items included in capital calculation

None.

4.1.3 Reconciliation of capital items to balance sheet

<i>Current Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the capital report</i>	<i>Explanation of differences</i>
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	2,882,801	(842,188)	2,040,613	
Other Comprehensive Income According to TAS	2,869,030	(842,188)	2,026,842	
Securities Value Increase Fund	622,143	-	622,143	
Revaluation Surplus on Tangible Assets	1,626,437	-	1,626,437	
Revaluation Surplus on Intangible Assets	-	-	-	
Revaluation Surplus on Investment Property	-	-	-	
Hedging Reserves (Effective Portion)	(48,486)	(69,634)	(118,120)	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	668,936	(772,554)	(103,618)	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Affiliates and Joint-Ventures	1,891	-	1,891	
Share Premium	11,880	-	11,880	
Profit Reserves	23,385,730	-	23,385,730	
Profit or Loss	5,070,549	-	5,070,549	
Prior Periods Profit/Loss	-	-	-	
Current Period Net Profit/Loss	5,070,549	-	5,070,549	
Deductions from Common Equity Tier I Capital (-)	-		232,773	Deductions from Common Equity Tier I Capital as per the Regulation
Common Equity Tier I Capital	35,539,080		35,236,673	
Subordinated Debts			-	
Deductions from Tier I Capital (-)			85,338	Deductions from Tier I Capital as per the Regulation
Tier I Capital			35,151,335	
Subordinated Debts			-	
General Provisions			2,596,082	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			2,596,082	
Deductions from Total Capital (-)			92,885	Deductions from Capital as per the Regulation
Total			37,654,532	

4.2 Credit risk

Credit risk is defined as risks and losses that may occur if the counterparty fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set. In compliance with the legislation, the credit limits are set for the financial position and credit requirements of customers within the authorization limits assigned for Branches, Lending Departments, Executive Vice President responsible of Lending, General Manager, Credit Committee and Board of Directors. The limits are subject to revision if necessary.

The debtors or group of debtors are subject to credit risk limits. Sectoral risk concentrations are reviewed on a monthly basis.

Credit worthiness of debtors is reviewed periodically in compliance with the legislation by the internal risk rating models. The credit limits are revised and further collateral is required if the risk level of debtor deteriorates. For unsecured loans, the necessary documentation is gathered in compliance with the legislation.

Geographical concentration of credit customers is reviewed monthly. This is in line with the concentration of industrial and commercial activities in Turkey.

In accordance with the Bank's lending policies, the debtor's creditworthiness is analysed and the adequate collateral is obtained based on the financial position of the company and the type of loan; like cash collateral, bank guarantees, mortgages, pledges, bills and corporate guarantees.

The Bank has control limits on the position held through forwards, options and other similar agreements. Credit risk of such instruments is managed together with the risk from market fluctuations. The Bank follows up the risk arising from such instruments and takes the necessary actions to decrease it when necessary.

The liquidated non-cash loans are subject to the same risk weight with the overdue loans.

The Bank performs foreign trade finance and other interbank credit transactions through widespread correspondents network. Accordingly, the Bank assigns limits to domestic and foreign banks and other financial institutions based on review of their credit worthiness, periodically.

The Bank's largest 100 and 200 cash loan customers compose 25.48% (31 December 2015: 24.93%) and 32.15% (31 December 2015: 31.56%) of the total cash loan portfolio, respectively.

The Bank's largest 100 and 200 non-cash loan customers compose 52.48% (31 December 2015: 54.96%) and 61.81% (31 December 2015: 63.60%) of the total non-cash loan portfolio, respectively.

The Bank's largest 100 ve 200 cash and non-cash loan customers represent 9.26% (31 December 2015: 9.26%) and 11.84% (31 December 2015: 11.78%) of the total "on and off balance sheet" assets, respectively.

The general provision for credit risks amounts to TL 3,171,163 thousands (31 December 2015: TL 3,002,057 thousands).

The Bank developed a statistical-based internal risk rating model for its credit portfolio of corporate/commercial/medium-size companies. This internal risk rating model has been in use for customer credibility assessment since 2003. Risk rating has become a requirement for loan applications, and ratings are used both to determine branch managers' credit authorization limits and in credit assessment process.

The concentration table of the cash and non-cash loans for the Bank according to the risk rating system for its customers defined as corporate, commercial and medium-size enterprises is presented below:

	<i>Current Period</i>	<i>Prior Period</i>
	%	%
Above Average	40.20	39.60
Average	47.99	50.04
Below Average	11.81	10.36
Total	100.00	100.00

Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:

Exposure Categories	Current Period		Prior Period	
	Risk Amount (*)	Average Risk Amount(**)	Risk Amount (*)	Average Risk Amount(**)
Conditional and unconditional exposures to central governments or central banks	63,012,273	70,027,891	65,579,586	58,311,686
Conditional and unconditional exposures to regional governments or local authorities	119,677	75,353	57,405	61,395
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	48,854	47,360	54,708	48,936
Conditional and unconditional exposures to multilateral development banks	1,443,371	1,136,416	1,092,922	135,683
Conditional and unconditional exposures to international organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	42,679,125	37,815,617	41,174,380	24,981,902
Conditional and unconditional exposures to corporates	116,602,947	113,385,121	106,347,841	89,799,499
Conditional and unconditional retail exposures	62,984,633	56,101,792	44,312,464	42,012,670
Conditional and unconditional exposures secured by real estate property	35,952,134	30,167,033	27,318,928	24,460,455
Past due items	705,142	632,390	560,568	470,914
Items in regulatory high-risk categories	512,758	3,354,838	16,531,744	16,488,374
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-
Shares (***)	5,266,254	4,192,217	-	-
Other items	9,044,068	8,998,966	12,509,263	9,528,579

(*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

(**) Average risk amounts are the arithmetical average of the amounts in monthly reports prepared as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

(***) Shares are reported under "Other Items" in the prior period.

4.2.1 Profile of significant exposures in major regions

Current Period (***)	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Items in regulatory high-risk categories	Other	Total
Domestic	61,853,834	11,052,564	107,275,365	62,571,431	35,868,863	495,276	10,111,602	289,228,935
European Union (EU) Countries	672,569	28,379,177	1,969,165	30,689	53,051	14,096	1,443,441	32,562,189
OECD Countries (*)	95	544,225	2,945,951	2,669	5,675	17	1	3,498,632
Off-Shore Banking Regions	-	3,051	305,653	1,290	580	-	1	310,574
USA, Canada	1,131	709,376	1,788,553	3,815	3,165	-	-	2,506,040
Other Countries	484,644	251,168	1,151,653	374,739	20,800	3,369	2,693	2,289,067
Associates, Subsidiaries and Joint –Ventures	-	1,739,564	1,166,607	-	-	-	5,069,628	7,975,799
Unallocated Assets/Liabilities (**)	-	-	-	-	-	-	-	-
Total	63,012,273	42,679,125	116,602,947	62,984,633	35,952,134	512,758	16,627,366	338,371,236

<i>Prior Period</i> (***)	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Items in regulatory high-risk categories	Other	Total
Domestic	64,580,953	12,975,347	98,429,954	44,071,401	27,272,448	16,399,492	8,555,272	272,284,867
European Union (EU) Countries	670,260	24,923,003	1,835,187	38,115	32,475	6,393	1,093,054	28,598,487
OECD Countries (*)	45	258,180	2,111,583	4,496	3,301	361	-	2,377,966
Off-Shore Banking Regions	-	2,483	20	1,544	-	-	-	4,047
USA, Canada	726	1,370,753	1,717,831	2,495	1,459	7	1	3,093,272
Other Countries	327,602	1,007,008	1,007,674	194,413	9,245	125,491	284,276	2,955,709
Associates, Subsidiaries and Joint –Ventures	-	637,606	1,245,592	-	-	-	4,342,263	6,225,461
Unallocated Assets/Liabilities (**)	-	-	-	-	-	-	-	-
Total	65,579,586	41,174,380	106,347,841	44,312,464	27,318,928	16,531,744	14,274,866	315,539,809

(*) Includes OECD countries other than EU countries, USA and Canada.

(**) Includes assets and liability items that can not be allocated on a consistent basis.

(***) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

4.2.2 Risk profile by sectors or counterparties

<i>Current Period</i> ^(*)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	TL	FC	Total
Agriculture	-	-	-	-	-	-	435,612	543,159	432,799	12,950	4,298	-	-	-	-	-	1,151,167	277,651	1,428,818
Farming and Stockbreeding	-	-	-	-	-	-	285,797	502,588	395,558	12,546	4,055	-	-	-	-	-	1,079,632	120,912	1,200,544
Forestry	-	-	-	-	-	-	81,028	19,013	28,632	404	120	-	-	-	-	-	32,248	96,949	129,197
Fishery	-	-	-	-	-	-	68,787	21,558	8,609	-	123	-	-	-	-	-	39,287	59,790	99,077
Manufacturing	5	-	-	-	-	128,678	49,376,204	5,886,803	7,153,576	173,086	106,603	-	-	-	-	-	19,773,085	43,051,870	62,824,955
Mining and Quarrying	-	-	-	-	-	-	2,059,850	248,550	117,122	4,201	1,182	-	-	-	-	-	754,606	1,676,299	2,430,905
Production	-	-	-	-	-	-	26,587,997	5,529,300	4,295,457	130,193	71,217	-	-	-	-	-	15,714,365	20,899,799	36,614,164
Electricity, Gas and Water	5	-	-	-	-	128,678	20,728,357	108,953	2,740,997	38,692	34,204	-	-	-	-	-	3,304,114	20,475,772	23,779,886
Construction	-	-	173	-	-	-	5,887,167	2,881,476	2,370,595	89,145	53,471	-	-	-	-	-	7,212,587	4,069,440	11,282,027
Services	489	-	2,389	1,443,371	-	41,624,542	51,999,308	13,585,101	9,510,218	376,715	268,489	-	-	-	55,693	-	79,962,914	38,903,401	118,866,315
Wholesale and Retail Trade	-	-	268	-	-	-	21,269,667	10,338,394	4,959,252	147,569	79,675	-	-	-	-	-	22,611,794	14,183,031	36,794,825
Accommodation and Dining	-	-	13	-	-	-	2,962,373	774,569	2,689,619	80,017	6,117	-	-	-	-	-	1,753,450	4,759,258	6,512,708
Transportation and Telecom.	-	-	10	-	-	-	12,551,212	1,675,775	602,465	139,447	14,648	-	-	-	-	-	3,059,554	11,924,003	14,983,557
Financial Institutions	-	-	-	1,443,371	-	41,624,542	7,496,410	104,881	65,118	350	162,431	-	-	-	55,693	-	49,697,828	1,254,968	50,952,796
Real Estate and Rental Services	-	-	-	-	-	-	4,932,407	198,883	621,903	5,087	631	-	-	-	-	-	1,307,888	4,451,023	5,758,911
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	1	-	2,098	-	-	-	253,021	144,598	353,320	2,673	1,251	-	-	-	-	-	610,905	146,057	756,962
Health and Social Services	488	-	-	-	-	-	2,534,218	348,001	218,541	1,572	3,736	-	-	-	-	-	921,495	2,185,061	3,106,556
Others	63,011,779	119,677	46,292	-	-	925,905	8,904,656	40,088,094	16,484,946	53,245	79,897	-	-	-	5,210,561	9,044,069	72,851,435	71,117,686	143,969,121
Total	63,012,273	119,677	48,854	1,443,371	-	42,679,125	116,602,947	62,984,633	35,952,134	705,141	512,758	-	-	-	5,266,254	9,044,069	180,951,188	157,420,048	338,371,236

- 1- Conditional and unconditional exposures to central governments or central banks
2- Conditional and unconditional exposures to regional governments or local authorities
3- Conditional and unconditional exposures to administrative bodies and non-commercial undertakings
4- Conditional and unconditional exposures to multilateral development banks
5- Conditional and unconditional exposures to international organisations
6- Conditional and unconditional exposures to banks and brokerage houses
7- Conditional and unconditional exposures to corporates
8- Conditional and unconditional retail exposures
9- Conditional and unconditional exposures secured by real estate property
10- Past due receivables
11- Receivables in regulatory high-risk categories
12- Exposures in the form of bonds secured by mortgages
13- Securitisation positions
14- Short term exposures to banks, brokerage houses and corporates
15- Shares
16- Other receivables

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

Türkiye Garanti Bankası AŞ

Unconsolidated Financial Report as of and
for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

Prior Period (*)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	TL	FC	Total
Agriculture	-	-	-	-	-	-	385,902	436,837	370,282	10,757	46,989	-	-	-	-	-	1,053,624	197,143	1,250,767
Farming and Stockbreeding	-	-	-	-	-	-	281,304	399,193	341,299	10,610	42,047	-	-	-	-	-	972,695	101,758	1,074,453
Forestry	-	-	-	-	-	-	20,912	19,800	17,528	67	693	-	-	-	-	-	28,220	30,780	59,000
Fishery	-	-	-	-	-	-	83,686	17,844	11,455	80	4,249	-	-	-	-	-	52,709	64,605	117,314
Manufacturing	5	-	4	-	-	-	45,736,627	3,971,473	3,734,935	179,773	254,156	-	-	-	-	-	15,180,415	38,696,558	53,876,973
Mining and Quarrying	-	-	-	-	-	-	1,254,599	162,879	134,480	9,969	6,998	-	-	-	-	-	519,091	1,049,834	1,568,925
Production	-	-	3	-	-	-	23,246,702	3,740,300	3,486,457	139,299	242,792	-	-	-	-	-	12,842,253	18,013,300	30,855,553
Electricity, Gas and Water	5	-	1	-	-	-	21,235,326	68,294	113,998	30,505	4,366	-	-	-	-	-	1,819,071	19,633,424	21,452,495
Construction	-	-	209	-	-	-	5,818,221	1,704,248	2,622,197	48,168	146,710	-	-	-	-	-	5,982,438	4,357,315	10,339,753
Services	405	-	4,295	1,092,922	-	34,528,863	51,124,232	10,127,000	10,183,106	254,921	1,159,633	-	-	-	-	50,773	46,628,000	61,898,150	108,526,150
Wholesale and Retail Trade	366	-	319	-	-	-	21,737,572	7,822,263	5,026,445	176,336	555,635	-	-	-	-	-	20,072,674	15,246,262	35,318,936
Accommodation and Dining	-	-	298	-	-	-	3,183,450	506,444	2,239,133	40,623	55,509	-	-	-	-	-	1,748,152	4,277,305	6,025,457
Transportation and Telecom.	-	-	4	-	-	-	8,408,153	1,273,987	833,456	25,281	91,904	-	-	-	-	-	2,807,608	7,825,177	10,632,785
Financial Institutions	-	-	-	1,092,922	-	40,344,863	6,436,560	74,969	59,277	8,373	404,344	-	-	-	-	50,773	19,417,942	29,054,139	48,472,081
Real Estate and Rental Services	-	-	-	-	-	-	3,720,599	128,215	1,532,275	932	12,206	-	-	-	-	-	1,127,657	4,266,570	5,394,227
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	2	-	3,391	-	-	-	387,119	84,326	197,273	904	9,135	-	-	-	-	-	543,829	138,321	682,150
Health and Social Services	37	-	283	-	-	-	1,434,779	236,796	295,247	2,472	30,900	-	-	-	-	-	910,138	1,090,376	2,000,514
Others	65,579,176	57,405	50,200	-	-	829,517	9,098,859	28,072,906	10,408,408	66,949	14,924,256	-	-	-	-	12,458,490	101,670,310	39,875,856	141,546,166
Total	65,579,586	57,405	54,708	1,092,922	-	41,174,380	106,347,841	44,312,464	27,318,928	560,568	16,531,744	-	-	-	-	12,509,263	170,514,787	145,025,022	315,539,809

- 1- Conditional and unconditional exposures to central governments or central banks
2- Conditional and unconditional exposures to regional governments or local authorities
3- Conditional and unconditional exposures to administrative bodies and non-commercial undertakings
4- Conditional and unconditional exposures to multilateral development banks
5- Conditional and unconditional exposures to international organisations
6- Conditional and unconditional exposures to banks and brokerage houses
7- Conditional and unconditional exposures to corporates
8- Conditional and unconditional retail exposures
9- Conditional and unconditional exposures secured by real estate property
10- Past due receivables
11- Receivables in regulatory high-risk categories
12- Exposures in the form of bonds secured by mortgages
13- Securitisation positions
14- Short term exposures to banks, brokerage houses and corporates
15- Shares
16- Other receivables

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

4.2.3 Analysis of maturity-bearing exposures according to remaining maturities

<i>Current Period</i>	<i>Term To Maturity</i>				
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Exposure Categories (*)					
Conditional and unconditional exposures to central governments or central banks	6,877,124	14,069,704	87,825	5,445	36,605,758
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	1,881	117,796
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	394	104	1,500	189	43,973
Conditional and unconditional exposures to multilateral development banks	-	-	-	6,379	1,436,992
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	13,675,680	2,254,641	1,364,836	2,306,504	22,483,788
Conditional and unconditional exposures to corporates	6,445,897	8,331,269	10,638,293	16,181,977	69,832,703
Conditional and unconditional retail exposures	13,507,480	7,465,096	2,334,488	4,820,056	28,830,747
Conditional and unconditional exposures secured by real estate property	226,130	470,653	779,895	1,826,813	30,639,253
Past due items	-	-	-	-	-
Items in regulatory high-risk categories	1,244	162,801	2,350	3,446	42,770
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Shares	-	-	-	-	-
Other items	646,707	-	-	-	-
Total	41,380,656	32,754,268	15,209,187	25,152,690	190,033,780

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

<i>Prior Period</i>	Term To Maturity				
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Exposure Categories ^(*)					
Conditional and unconditional exposures to central governments or central banks	6,612,762	20,527,333	223,550	3,497,122	31,977,550
Conditional and unconditional exposures to regional governments or local authorities	2,000	-	-	-	55,405
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	1,315	2,349	1,761	41,811	6,710
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	1,092,922
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	14,212,426	2,207,557	3,046,810	2,798,437	18,893,862
Conditional and unconditional exposures to corporates	7,415,455	7,084,795	9,918,170	19,117,403	61,800,148
Conditional and unconditional retail exposures	10,716,218	4,049,414	6,122,293	3,984,908	13,340,904
Conditional and unconditional exposures secured by real estate property	672,225	1,283,615	1,799,574	2,537,428	20,973,719
Past due items	-	-	-	-	-
Items in regulatory high-risk categories	2,033	466,630	1,496	1,008,013	14,841,673
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Other items	-	-	-	-	-
Total	39,634,434	35,621,693	21,113,654	32,985,122	162,982,893

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

4.2.4 Exposure categories

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

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

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

In the determination of risk weights for items that are not included in trading book; if a relevant rating is available then such rating, but if it is an unrated exposure then the rating available for the issuer is used.

Fitch Ratings' risk ratings as per the credit quality grades and the risk weights according to exposure categories are presented below:

Credit Quality Grade	Fitch Ratings Long Term Credit Rating	Exposure Categories			
		Exposures to Central Governments or Central Banks	Exposures to Banks and Brokerage Houses		Exposures to Corporates
			Exposures with Original Maturities Less Than 3 Months	Exposures with Original Maturities More Than 3 Months	
1	AAA to AA-	0%	20%	20%	20%
2	A+ to A-	20%	20%	50%	50%
3	BBB+ to BBB-	50%	20%	50%	100%
4	BB+ to BB-	100%	50%	100%	100%
5	B+ to B-	100%	50%	100%	150%
6	CCC+ and below	150%	150%	150%	150%

4.2.5 Exposures by risk weights

Current Period	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Deductions from Equity
Risk Weights											
Exposures before Credit Risk Mitigation	43,202,244	-	11,155,816	18,651,705	78,781,647	62,981,696	123,124,624	320,125	-	153,379	410,963
Exposures after Credit Risk Mitigation	38,772,528	-	7,701,489	18,645,667	59,084,603	62,393,126	120,613,171	320,121	-	153,379	410,963

Prior Period	0%	10%	20%	50%	75%	100%	150%	200%	250%	Deductions from Equity
Risk Weights										
Exposures before Credit Risk Mitigation	61,545,115	-	17,879,816	56,854,873	38,639,041	124,127,113	6,216,968	9,629,940	646,943	488,652
Exposures after Credit Risk Mitigation	55,176,759	-	10,665,220	48,243,166	38,349,975	111,416,563	6,166,690	9,570,865	646,943	488,652

4.2.6 Information by major sectors and type of counterparties

As per the TAS and TFRS;

Impaired Credits; are the credits that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness. For such credits, "specific provisions" are allocated as per the Provisioning Regulation.

Past Due Credits; are the credits that overdue upto 90 days but not impaired. For such credits, "general provisions" are allocated as per the Provisioning Regulation.

<i>Current Period</i>	Credit Risks			
	Impaired Credits	Past Due Credits	Value Adjustments	Provisions
Agriculture	40,139	15,965	509	23,619
Farming and Stockbreeding	36,921	13,265	475	21,313
Forestry	2,077	1,002	14	1,352
Fishery	1,141	1,698	20	954
Manufacturing	658,603	246,348	16,311	428,556
Mining and Quarrying	29,767	3,882	114	23,429
Production	486,364	157,683	9,254	335,728
Electricity, Gas and Water	142,472	84,783	6,943	69,399
Construction	464,155	105,302	4,593	297,577
Services	1,408,404	3,802,304	60,341	882,420
Wholesale and Retail Trade	715,407	275,028	15,039	455,836
Accommodation and Dining	137,599	58,333	3,417	47,625
Transportation and Telecommunication	472,588	3,425,754	39,641	314,073
Financial Institutions	19,101	1,326	43	18,588
Real Estate and Rental Services	13,515	18,330	1,081	7,592
Professional Services	-	-	-	-
Educational Services	31,667	9,181	172	26,644
Health and Social Services	18,527	14,352	948	12,062
Others	3,057,335	4,008,042	93,102	2,769,484
Total	5,628,636	8,177,961	174,856	4,401,656

<i>Prior Period</i>	Credit Risks			
	Impaired Credits	Past Due Credits	Value Adjustments	Provisions
Agriculture	36,937	14,220	336	15,628
Farming and Stockbreeding	32,259	13,013	318	14,812
Forestry	411	781	10	228
Fishery	4,267	426	8	588
Manufacturing	698,449	78,776	1,203	447,654
Mining and Quarrying	32,811	3,348	43	18,935
Production	515,468	73,712	1,126	310,241
Electricity, Gas and Water	150,170	1,716	34	118,478
Construction	246,831	76,734	1,213	116,875
Services	1,165,642	332,927	7,036	683,758
Wholesale and Retail Trade	761,034	167,377	2,418	412,423
Accommodation and Dining	148,421	33,564	466	85,920
Transportation and Telecommunication	203,392	111,408	3,963	156,491
Financial Institutions	30,577	791	12	17,754
Real Estate and Rental Services	3,471	3,616	35	1,972
Professional Services	-	-	-	-
Educational Services	5,653	1,961	40	3,690
Health and Social Services	13,094	14,210	102	5,508
Others	2,570,149	3,037,456	134,043	2,405,892
Total	4,718,908	3,540,113	143,831	3,669,807

4.2.7 Movements in value adjustments and provisions

	<i>Current Period</i>	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1	Specific Provisions	3,669,807	2,822,117	2,090,268	-	4,401,656
2	General Provisions	3,002,057	161,626	64	7,544	3,171,163

	<i>Prior Period</i>	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1	Specific Provisions	2,782,842	1,951,849	1,064,884	-	3,669,807
2	General Provisions	2,434,629	562,604	510	5,334	3,002,057

(*) Includes foreign exchange differences, mergers, acquisitions and disposals of subsidiaries.

4.2.8 Exposures subject to countercyclical capital buffer

Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	167,512,628	350,751	167,863,379
the Netherlands	965,364	-	965,364
Malta	800,187	-	800,187
NCTR	568,033	-	568,033
Cayman Islands	530,529	-	530,529
Switzerland	522,731	73	522,804
USA	155,705	-	155,705
Macedonian Republic	109,574	-	109,574
Sweden	75,583	-	75,583
Romania	66,050	-	66,050
Other	172,526	-	172,526

4.3 Currency risk

Foreign currency position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 31 December 2016, the Bank's net 'on balance sheet' foreign currency short position amounts to TL 17,200,230 thousands (31 December 2015: TL 7,778,023 thousands), net 'off-balance sheet' foreign currency long position amounts to TL 18,461,666 thousands (31 December 2015: TL 9,467,068 thousands), while net foreign currency long open position amounts to TL 1,261,436 thousands (31 December 2015: TL 1,689,045 thousands).

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

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

	USD	EUR
Foreign currency purchase rates at balance sheet date	3.5130	3.7020
<u>Exchange rates for the days before balance sheet date:</u>		
Day 1	3.5130	3.7020
Day 2	3.5250	3.6863
Day 3	3.5370	3.6776
Day 4	3.5170	3.6756
Day 5	3.5020	3.6610
Last 30-days arithmetical average rates	3.4955	3.6814

The Bank's currency risk:

<i>Current Period</i>	EUR	USD	Other FCs	Total
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	5,164,997	10,577,018	1,319,416	17,061,431
Banks	4,695,750	6,561,692	614,830	11,872,272
Financial Assets at Fair Value through Profit/Loss	130,512	305,288	3	435,803
Interbank Money Market Placements	351,691	-	-	351,691
Financial Assets Available-for-Sale	72,795	1,342,492	1	1,415,288
Loans (*)	28,543,720	44,473,359	700,722	73,717,801
Investments in Associates, Affiliates and Joint-Ventures	2,747,797	-	-	2,747,797
Investments Held-to-Maturity	129,789	11,371,272	-	11,501,061
Derivative Financial Assets Held for Risk Management	-	65,495	-	65,495
Tangible Assets	14	266	-	280
Intangible Assets	-	-	-	-
Other Assets	330,013	557,320	5,073	892,406
Total Assets	42,167,078	75,254,202	2,640,045	120,061,325
Liabilities				
Bank Deposits	1,566,570	1,196,588	192,104	2,955,262
Foreign Currency Deposits	22,619,712	55,507,914	1,839,025	79,966,651
Interbank Money Market Takings	-	-	-	-
Other Fundings	9,385,338	28,776,969	2,399	38,164,706
Securities Issued	2,192,240	8,736,764	738,652	11,667,656
Miscellaneous Payables	56,132	835,181	5,380	896,693
Derivative Financial Liabilities Held for Risk Management	19,224	69,112	-	88,336
Other Liabilities (**)	383,664	1,101,357	2,037,230	3,522,251
Total Liabilities	36,222,880	96,223,885	4,814,790	137,261,555
Net 'On Balance Sheet' Position	5,944,198	(20,969,683)	(2,174,745)	(17,200,230)
Net 'Off-Balance Sheet' Position	(4,526,285)	20,945,530	2,042,421	18,461,666
Derivative Assets	14,374,090	58,983,474	4,395,536	77,753,100
Derivative Liabilities	18,900,375	38,037,944	2,353,115	59,291,434
Non-Cash Loans	-	-	-	-
<i>Prior Period</i>				
Total Assets	32,703,430	76,415,779	5,438,306	114,557,515
Total Liabilities	31,085,884	86,871,090	4,378,564	122,335,538
Net 'On Balance Sheet' Position	1,617,546	(10,455,311)	1,059,742	(7,778,023)
Net 'Off-Balance Sheet' Position	(552,341)	11,191,825	(1,172,416)	9,467,068
Derivative Assets	11,681,920	43,870,033	6,336,208	61,888,161
Derivative Liabilities	12,234,261	32,678,208	7,508,624	52,421,093
Non-Cash Loans	-	-	-	-

(*) The foreign currency-indexed loans amounting TL 6,396,564 thousands included under TL loans in the accompanying balance sheet are presented above under the related foreign currency codes.

(**) Other liabilities include gold deposits of TL 2,024,532 thousands.

4.4 Interest rate risk

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

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

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

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

<i>Current Period</i>	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	17,892,432	-	-	-	-	5,892,702	23,785,134
Banks	3,926,271	1,934,196	1,989,280	-	-	4,469,179	12,318,926
Financial Assets at Fair Value through Profit/Loss	7,624	22,679	15,205	26,655	42,663	3,391,602	3,506,428
Interbank Money Market Placements	351,690	-	-	-	-	1	351,691
Financial Assets Available-for-Sale	2,613,361	5,750,771	5,630,419	2,729,802	1,684,778	1,503,438	19,912,569
Loans	43,310,831	22,078,517	55,780,392	48,273,126	12,730,401	3,874,961	186,048,228
Investments Held-to-Maturity	1,025,906	2,002,859	5,554,835	5,329,013	7,297,741	2,429,830	23,640,184
Other Assets	3,886	176	-	16,494	2,306	14,569,378	14,592,240
Total Assets	69,132,001	31,789,198	68,970,131	56,375,090	21,757,889	36,131,091	284,155,400
Liabilities							
Bank Deposits	645,554	9,261	207,533	-	-	2,856,198	3,718,546
Other Deposits	88,684,664	20,652,616	11,479,265	180,101	-	36,516,405	157,513,051
Interbank Money Market Takings	9,763,295	-	-	-	-	6,092	9,769,387
Miscellaneous Payables	-	-	-	-	-	9,088,139	9,088,139
Securities Issued	506,828	1,335,786	4,599,655	7,523,662	2,143,691	327,257	16,436,879
Other Fundings	13,807,571	14,873,592	6,853,254	4,343,480	164,288	244,183	40,286,368
Other Liabilities	6,058	9,469	20,681	1,686	-	47,305,136	47,343,030
Total Liabilities	113,413,970	36,880,724	23,160,388	12,048,929	2,307,979	96,343,410	284,155,400
On Balance Sheet Long Position	-	-	45,809,743	44,326,161	19,449,910	-	109,585,814
On Balance Sheet Short Position	(44,281,969)	(5,091,526)	-	-	-	(60,212,319)	(109,585,814)
Off-Balance Sheet Long Position	8,000,925	10,184,917	12,492,698	4,640,715	4,244,593	-	39,563,848
Off-Balance Sheet Short Position	(1,313,961)	(4,549,173)	(9,696,072)	(12,903,699)	(11,205,806)	-	(39,668,711)
Total Position	(37,595,005)	544,218	48,606,369	36,063,177	12,488,697	(60,212,319)	(104,863)

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

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

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

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

4.4.2 Average interest rates on monetary financial instruments

<i>Current Period</i>	EUR	USD	JPY	TL
	%	%	%	%
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	0.52	-	4.22
Banks	0.05	0.90	-	9.09
Financial Assets at Fair Value through Profit/Loss	2.18	5.77	-	10.16
Interbank Money Market Placements	0.05	-	-	-
Financial Assets Available-for-Sale	-	5.64	-	10.08
Loans	3.92	5.61	3.41	15.26
Investments Held-to-Maturity	0.19	5.53	-	10.22
Liabilities				
Bank Deposits	0.20	1.21	-	9.39
Other Deposits	0.88	1.95	1.22	7.48
Interbank Money Market Takings	-	-	-	8.30
Miscellaneous Payables	-	-	-	-
Securities Issued	3.48	5.13	0.64	10.34
Other Fundings	0.95	2.60	-	10.26

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

4.5 Position risk of equity securities in banking book

4.5.1 Equity shares in associates and affiliates

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

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

<i>Current Period</i>		Comparison		
Equity Securities (shares)		Carrying Value	Fair Value ^(*)	Market Value
1	Investment in Shares- Grade A	5,109,467	4,997,355	83,689
	Quoted Securities	79,275	79,275	83,689
2	Investment in Shares- Grade B	99,371	72,273	82,466
	Quoted Securities	72,273	72,273	82,466
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.

<i>Prior Period</i>		Comparison		
Equity Securities (shares)		Carrying Value	Fair Value ^(*)	Market Value
1	Investment in Shares- Grade A	4,389,688	4,277,576	70,875
	Quoted Securities	70,956	70,956	70,875
2	Investment in Shares- Grade B	91,785	64,688	69,839
	Quoted Securities	64,688	64,688	69,839
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

<i>Current Period</i>		Gains/Losses in Current Period	Revaluation Surpluses		Unrealised Gains and Losses		
			Total	Amount in Tier I Capital ^(*)	Total	Amount in Core Capital	Amount in Tier I Capital ^(*)
Portfolio							
1	Private Equity Investments	-	-	-	-	-	-
2	Quoted Shares	-	66,295	66,295	-	-	-
3	Other Shares	-	2,915,577	2,915,577	-	-	-
Total		-	2,981,873	2,981,873	-	-	-

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

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

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

4.5.4 Capital requirement as per equity shares

<i>Current Period</i>				
Portfolio		Carrying Value	RWA Total	Minimum Capital Requirement
1	Private Equity Investments	-	-	-
2	Quoted Shares	151,548	151,548	12,124
3	Other Shares	5,059,013	5,059,013	404,721
Total		5,210,561	5,210,561	416,845

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

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 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 4.66% cash, 50.58% deposits in central banks and 44.62% 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 68.08% deposits, 21.14% funds borrowed and money market borrowings and 6.94% securities issued.

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

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

<i>Current Period</i>	Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
	TL+FC	FC	TL+FC	FC
High-Quality Liquid Assets			38,835,305	19,540,092
1 Total high-quality liquid assets (HQLA)	46,512,925	25,746,123	38,835,305	19,540,092
Cash Outflows				
2 Retail deposits and deposits from small business customers, of which:	105,424,258	46,163,615	8,669,017	4,286,621
3 Stable deposits	24,131,224	-	1,120,378	-
4 Less stable deposits	81,293,033	46,163,615	7,548,639	4,286,621
5 Unsecured wholesale funding, of which:	43,358,024	23,960,602	22,621,537	12,415,263
6 Operational deposits	-	-	-	-
7 Non-operational deposits	34,102,671	21,343,725	16,418,382	10,064,078
8 Unsecured funding	9,255,353	2,616,877	6,203,155	2,351,184
9 Secured wholesale funding			342,707	342,707
10 Other cash outflows of which:	51,592,370	14,605,068	10,661,642	9,671,066
11 Outflows related to derivative exposures and other collateral requirements	7,987,916	9,169,525	7,417,350	8,514,559
12 Outflows related to restructured financial instruments	-	-	-	-
13 Payment commitments and other off-balance sheet commitments granted for debts to financial markets	43,604,454	5,435,543	3,244,292	1,156,507
14 Other revocable off-balance sheet commitments and contractual obligations	1,451,196	1,444,887	67,377	67,084
15 Other irrevocable or conditionally revocable off-balance sheet obligations	55,210,937	38,427,025	2,563,365	1,784,112
16 Total Cash Outflows			44,925,645	28,566,853
Cash Inflows				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	14,943,851	4,830,047	9,153,351	3,425,254
19 Other cash inflows	1,325,052	5,914,162	1,230,405	5,491,722
20 Total Cash Inflows	16,268,903	10,744,209	10,383,756	8,916,976
			Total Adjusted Value	
21 Total HQLA			38,835,305	19,540,092
22 Total Net Cash Outflows			34,541,889	19,649,877
23 Liquidity Coverage Ratio (%)			113.06	94.26

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

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

<i>Current Period</i>	Highest	Date	Lowest	Date	Average
TL+FC	128.41	21.10.2016	99.22	23.11.2016	113.06
FC	128.99	22.12.2016	71.48	01.01.2017	94.26

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

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

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

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

4.6.2 Contractual maturity analysis of liabilities according to remaining maturities

The remaining maturities table of the contractual liabilities includes the undiscounted future cash outflows for the principal amounts of the Bank's financial liabilities as per their earliest likely contractual maturities.

<i>Current Period</i>	Carrying Value	Gross Nominal Outflows	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over
Bank Deposits	3,718,546	3,711,684	2,849,336	645,554	9,261	207,533	-	-
Other Deposits	157,513,051	156,948,877	35,952,232	88,681,184	20,644,243	11,443,292	219,303	8,623
Other Fundings	40,286,368	40,042,185	-	446,491	1,466,844	17,535,162	13,512,311	7,081,377
Interbank Money Market Takings	9,769,387	9,763,295	-	9,763,295	-	-	-	-
Securities Issued	16,436,879	16,109,622	-	471,698	1,258,500	4,599,655	7,636,078	2,143,691
Total	227,724,231	226,575,663	38,801,568	100,008,222	23,378,848	33,785,642	21,367,692	9,233,691

<i>Prior Period</i>	Carrying Value	Gross Nominal Outflows	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over
Bank Deposits	5,520,979	5,515,577	1,814,011	2,559,671	1,004,933	136,962	-	-
Other Deposits	135,378,353	134,876,900	29,665,353	69,206,976	23,288,593	12,511,667	194,246	10,065
Other Fundings	33,597,589	33,403,617	-	1,000,751	1,312,560	11,554,641	13,604,248	5,931,417
Interbank Money Market Takings	15,068,161	15,050,907	-	12,530,501	242	2,520,164	-	-
Securities Issued	14,198,769	13,894,277	-	124,634	985,455	2,811,388	6,817,441	3,155,359
Total	203,763,851	202,741,278	31,479,364	85,422,533	26,591,783	29,534,822	20,615,935	9,096,841

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	8,284,784	15,500,350	-	-	-	-	-	23,785,134
Banks	4,447,952	2,173,450	1,242,864	884,960	3,569,700	-	-	12,318,926
Financial Assets at Fair Value through Profit/Loss	-	956,423	624,092	1,239,370	364,422	322,121	-	3,506,428
Interbank Money Market Placements	-	351,691	-	-	-	-	-	351,691
Financial Assets Available-for-Sale	194,907	23,065	31,068	498,172	10,102,810	9,062,547	-	19,912,569
Loans	336,437	31,107,678	15,169,005	45,379,745	68,144,813	21,969,347	3,941,203	186,048,228
Investments Held-to-Maturity	-	139,741	452,201	181,994	9,023,268	13,842,980	-	23,640,184
Other Assets	1,965,197	1,300,264	176	5,870	424,349	177,796	10,718,588	14,592,240
Total Assets	15,229,277	51,552,662	17,519,406	48,190,111	91,629,362	45,374,791	14,659,791	284,155,400
Liabilities								
Bank Deposits	2,849,464	648,098	9,275	211,709	-	-	-	3,718,546
Other Deposits	35,952,232	88,989,563	20,761,897	11,579,545	221,134	8,680	-	157,513,051
Other Fundings	-	578,184	1,548,844	17,565,510	13,512,453	7,081,377	-	40,286,368
Interbank Money Market Takings	-	9,769,387	-	-	-	-	-	9,769,387
Securities Issued	-	472,538	1,260,374	4,625,139	7,902,731	2,176,097	-	16,436,879
Miscellaneous Payables	1,152,182	7,935,957	-	-	-	-	-	9,088,139
Other Liabilities (**)	1,800,785	1,056,502	823,203	1,089,573	669,368	646,105	41,257,494	47,343,030
Total Liabilities	41,754,663	109,450,229	24,403,593	35,071,476	22,305,686	9,912,259	41,257,494	284,155,400
Liquidity Gap	(26,525,386)	(57,897,567)	(6,884,187)	13,118,635	69,323,676	35,462,532	(26,597,703)	-
Net Off-Balance Sheet Position	-	568,524	(102,511)	547,321	(14,041)	87,715	-	1,087,008
Derivative Financial Assets	-	57,011,286	23,414,855	29,279,277	7,694,661	967,692	-	118,367,771
Derivative Financial Liabilities	-	56,442,762	23,517,366	28,731,956	7,708,702	879,977	-	117,280,763
Non-Cash Loans	-	5,280,818	3,890,088	5,972,633	136,128	-	89,084,131	104,363,798
Prior Period								
Total Assets	11,849,181	54,008,097	13,649,684	43,790,139	77,418,789	41,432,766	12,193,930	254,342,586
Total Liabilities	35,708,826	93,434,062	27,222,063	30,759,578	21,373,798	9,521,998	36,322,261	254,342,586
Liquidity Gap	(23,859,645)	(39,425,965)	(13,572,379)	13,030,561	56,044,991	31,910,768	(24,128,331)	-
Net Off-Balance Sheet Position	-	(2,435)	(23,324)	(503,480)	9,882	87,117	-	(432,240)
Derivative Financial Assets	-	40,312,873	17,317,421	31,938,167	9,819,947	1,027,585	-	100,415,993
Derivative Financial Liabilities	-	40,315,308	17,340,745	32,441,647	9,810,065	940,468	-	100,848,233
Non-Cash Loans	-	3,916,751	2,668,070	7,640,061	294,530	-	83,888,838	98,408,250

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

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

4.7 Leverage ratio

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

The Bank’s leverage ratio calculated by taking average of end of month leverage ratios for the last three-month period is 8.83% (31 December 2015: 8.42%). Main reason for the variance compared to December 2015, is the increase in Tier I Capital higher than other items. While the capital increased by 14.9% mainly as a result of increase in net profits, the balance sheet exposure increased by 11.33% and the off balance sheet exposure increased by 3.63%. Therefore, the current period leverage ratio increased by 41 basis points compared to prior period.

On-balance sheet assets		<i>Current Period (*)</i>	<i>Prior Period (*)</i>
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	278,685,369	250,277,784
2	(Assets deducted in determining Tier I capital)	(300,326)	(220,586)
3	Total on-balance sheet risks (sum of lines 1 and 2)	278,385,043	250,057,198
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative instruments and credit derivatives	3,285,514	2,353,340
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	8,303,567	7,129,895
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	11,589,080	9,483,235
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	1,586,346	1,038,962
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	1,586,346	1,038,962
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	105,623,641	99,470,017
11	(Adjustments for conversion to credit equivalent amounts)	(2,550,420)	(3,948)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	103,073,221	99,466,069
Capital and total risks			
13	Tier I capital	34,842,798	30,325,091
14	Total risks (sum of lines 3, 6, 9 and 12)	394,633,690	360,045,464
Leverage ratio			
15	Leverage ratio	8.83%	8.42%

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

4.8 Fair values of financial assets and liabilities

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	263,138,119	236,364,856	264,414,464	237,884,362
Interbank Money Market Placements	351,691	61,069	351,691	61,069
Banks (*)	33,185,447	34,690,133	33,185,447	34,690,133
Financial Assets Available-for-Sale	19,912,569	20,519,801	19,912,569	20,519,801
Investments Held-to-Maturity	23,640,184	21,755,812	23,329,795	21,906,006
Loans	186,048,228	159,338,041	187,634,962	160,707,353
Financial Liabilities	227,042,983	197,032,542	227,042,983	197,032,542
Bank Deposits	3,718,546	5,520,979	3,718,546	5,520,979
Other Deposits	157,513,051	135,378,353	157,513,051	135,378,353
Other Fundings	40,286,368	33,597,589	40,286,368	33,597,589
Securities Issued	16,436,879	14,198,769	16,436,879	14,198,769
Miscellaneous Payables	9,088,139	8,336,852	9,088,139	8,336,852

(*) Including the balances at the Central Bank of Turkey

Fair values of financial assets available-for-sale and investments held-to-maturity are derived from market prices or in case of absence of such prices, market prices of other securities quoted in similar qualified markets and having substantially similar characteristics in terms of interest, maturity and other conditions.

Fair values of loans are calculated discounting future cash flows at current market interest rates for fixed-rate loans. The carrying values of floating-rate loans are deemed an approximation for their fair values.

Fair values of other financial assets and liabilities represent the total acquisition costs and accrued interest.

The table below analyses financial instruments carried at fair value, by valuation method:

<i>Current Period</i>	Level 1	Level 2	Level 3	Total
Financial Assets Available-for-Sale	19,104,438	246,183	561,948	19,912,569
Financial Assets Held for Trading	115,443	-	-	115,443
Derivative Financial Assets Held for Trading	12,449	3,378,536	-	3,390,985
Loans	-	-	-	-
Investments in Associates and Subsidiaries	-	-	5,069,628	5,069,628
Derivative Financial Assets Held for Risk Management	-	589,214	-	589,214
Financial Assets at Fair Value	19,232,330	4,213,933	5,631,576	29,077,839
Derivative Financial Liabilities Held for Trading	977	3,495,645	-	3,496,622
Funds Borrowed	-	1,763,177	-	1,763,177
Derivative Financial Liabilities Held for Risk Management	-	279,536	-	279,536
Financial Liabilities at Fair Value	977	5,538,358	-	5,539,335

<i>Prior Period</i>	Level 1	Level 2	Level 3	Total
Financial Assets Available-for-Sale	14,267,634	5,721,163	531,004	20,519,801
Financial Assets Held for Trading	135,535	31,325	-	166,860
Derivative Financial Assets Held for Trading	285	1,483,204	-	1,483,489
Loans	-	198,118	-	198,118
Investments in Associates and Subsidiaries	-	-	4,342,263	4,342,263
Derivative Financial Assets Held for Risk Management	-	680,997	-	680,997
Financial Assets at Fair Value	14,403,454	8,114,807	4,873,267	27,391,528
Derivative Financial Liabilities Held for Trading	3,617	2,260,020	-	2,263,637
Funds Borrowed	-	5,688,704	-	5,688,704
Derivative Financial Liabilities Held for Risk Management	-	250,491	-	250,491
Financial Liabilities at Fair Value	3,617	8,199,215	-	8,202,832

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

None.

4.10 Risk management objectives and policies

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

4.10.1 Risk management strategy and weighted amounts

4.10.1.1 Risk management strategy

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 affiliates, an integrated risk management system is established which 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 affiliates. Policies and procedures are prepared in compliance with applicable legislations that the affiliate subject to and the parent Bank’s risk management strategy, reviewed regularly and revised if necessary. The parent Bank ensures that risk management system is applied in affiliates where risks are defined, measured, monitored and controlled.

Risk management activities are structured under the responsibility of the board of directors. 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 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.

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
		Current Period	Prior Period	Requirements
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR) ^(*)	202,032,520	193,517,157	16,162,602
2	Of which standardised approach (SA)	202,032,520	193,517,157	16,162,602
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	5,270,570	2,378,806	421,646
5	Of which standardised approach for counterparty credit risk (SA-CCR)	5,270,570	2,378,806	421,646
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	5,704,124	6,279,160	456,330
17	Of which standardised approach (SA)	5,704,124	6,279,160	456,330
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	18,931,681	16,906,172	1,514,534
20	Of which basic indicator approach	18,931,681	16,906,172	1,514,534
21	Of which standardised approach	-	-	-
22	Of which advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	383,449	998,611	30,676
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	232,322,344	220,079,906	18,585,788

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

4.10.2 Linkages between financial statements and risk amounts

4.10.2.1 Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation

	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards			
		Subject to credit risk	Subject to counterparty credit risk	Subject to market risk (*)	Not subject to capital requirements or subject to deduction from capital
Assets					
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances With Central Bank of Turkey	23,785,134	23,785,134	-	-	-
Financial Assets Held for Trading	3,506,428	7,840	3,383,147	1,298,044	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-
Banks	12,318,926	12,318,926	-	-	-
Interbank Money Markets Placements	351,691	351,691	-	-	-
Financial Assets Available-for-Sale	19,912,569	18,829,615	5,044,027	1,081,227	1,730
Loans	186,048,228	186,011,235	-	-	36,994
Factoring Receivables	-	-	-	-	-
Investment Held-to-Maturity	23,640,184	23,640,184	8,308,738	-	-
Investment in Associates	36,698	36,698	-	-	-
Investment in Subsidiaries	5,173,864	5,173,864	-	-	-
Investment in Joint-Ventures	-	-	-	-	-
Lease Receivables	-	-	-	-	-
Derivative Financial Assets Held for Risk Management	589,214	-	589,214	-	-
Tangible Assets	3,388,748	3,285,711	-	-	103,037
Intangible Assets	239,013	25,669	-	-	213,344
Investment Property	670,370	670,370	-	-	-
Tax Asset	127,709	127,709	-	-	-
Assets Held for Sale and Assets of Discontinued Operations	589,726	533,866	-	-	55,860
Other Assets	3,776,898	3,776,898	-	-	-
Total Assets	284,155,400	278,575,410	17,325,126	2,379,271	410,965
Liabilities					
Deposits	161,231,597	-	-	-	161,231,597
Derivative Financial Liabilities Held for Trading	3,496,622	-	-	-	3,496,622
Funds Borrowed	40,286,368	-	5,798,862	-	34,487,506
Interbank Money Markets	9,769,387	-	7,268,206	-	2,501,181
Securities Issued	16,436,879	-	-	-	16,436,879
Funds	-	-	-	-	-
Miscellaneous Payables	9,088,139	-	-	-	9,088,139
Other External Fundings Payable	2,981,312	-	-	21,136	2,960,176
Factoring Payables	-	-	-	-	-

Lease Payables	17,092	-	-	-	17,092
Derivative Financial Liabilities Held for Risk Management	279,536	-	-	-	279,536
Provisions	4,614,004	-	-	-	4,614,004
Tax Liability	415,384	-	-	-	415,384
Liabilities for Assets Held for Sale and Assets of Discontinued Operations	-	-	-	-	-
Subordinated Debts	-	-	-	-	-
Shareholders' Equity	35,539,080	-	-	-	35,539,080
Total Liabilities	284,155,400	-	13,067,068	21,136	271,067,196

(*) Disclosed based on gross position amounts subject to general market risk and specific risk.

4.10.2.2 Major items causing differences between assets and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation

		<i>Total</i>	<i>Credit risk</i>	<i>Counterparty credit risk</i>	<i>Market risk (*)</i>
1	Carrying Value of Assets in Accordance with Communiqué "Preparation of Financial Statements"	270,391,670	265,222,644	3,972,361	2,379,271
2	Carrying Value of Debt Instruments that are Subjected to Counterparty Credit Risk as per TAS	13,352,765	13,352,766	13,352,765	-
3	Carrying Value of Liabilities that are Subjected to Counterparty Credit Risk as per TAS	13,067,068	-	13,067,068	-
4	Carrying Value of Other Liabilities as per TAS	21,136	-	-	21,136
5	Total Net Amount	270,656,231	278,575,410	4,258,058	2,358,135
6	Off-balance Sheet Amounts (**)	249,440,858	40,412,624	1,639,214	158,558,970
7	Differences Resulted from the BRSA's Applications		(18,671,213)	(9,751)	-
8	Repurchase Transactions		-	1,479,742	-
9	Risk Amounts		300,316,821	7,367,263	160,917,105

(*) Disclosed based on gross position amounts subject to general market risk and specific risk.

(**) Off-balance sheet amounts subject to capital adequacy ratios.

4.10.2.3 Explanations on differences between carrying values in financial statements and risk amounts in capital adequacy calculation of assets and liabilities

There is no material differences between the carrying values in financial statements and the risk amounts in capital adequacy calculation of assets and liabilities.

4.10.3 Credit risk

4.10.3.1 General information on credit risk

4.10.3.1.1 General qualitative information on credit risk

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

Diversification to avoid concentrations are performed while determining the Bank's credit risk profile. Credit portfolios are evaluated depending upon the credit type, managed aggregately during their life cycle. Customer selection is made in accordance with the policies and strategies, affordability of the borrower to fulfil on a timely basis all financial obligations with his expected cash flows from foreseeable specific transactions or from its regular operations; without depending upon guarantors, 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, as well as an important part of the loan

approval process, but also these models are used measuring the default risk of the customer and the portfolio, doing analysis regarding expected loss, internal capital, risk-based analysis.

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.

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

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

Credit risk is managed on a portfolio basis considering the risk/return balance and asset quality of the Bank in the scope of the principles specified in the credit risk policy documents. Furthermore, loan based assessment, allocation and monitoring are carried out within the framework of related processes by related units in the Credit Group. Credit proposals, on the basis of the determined amount and in the framework of levels of authority, are concluded after being evaluated by the Regional Offices, Loans units of Headquarter, 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 Headquarter and Credit Regional Offices are notified in written and the 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.

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

In this context, organizational structure related to credit risk management and control functions are detailed below: Units within the scope of Credit Risk Management; Corporate and Special Loans, Commercial Loans, Featured Collections, Commercial Products Collection, Bank and Country Risk, Retail and SME Loans Risk Strategies, Retail and SME Loans Evaluation, Retail Products Collection, Risk Planning Monitoring and Reporting, Risk Analytics, Technology and Innovation, 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 Corporate and Commercial Loans Risk Committee, Retail Loans Risk Committee, Risk Management Committee and Board of Risk Committee. Allocated limits and conditions that exceeding the limits with their usage, evaluations regarding major risks and non-performing loans with high risk, information regarding NPLs, the data regarding the portfolios of subsidiaries are reported to senior management on a regular basis.

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

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

4.10.3.1.2 Credit quality of assets

		Gross carrying value as per TAS		Allowances/amortisation and impairments	Net values
		Defaulted	Non-defaulted		
1	Loans	5,272,774	218,543,090	4,267,491	219,548,373
2	Debt securities	-	42,400,852	-	42,400,852
3	Off-balance sheet exposures	355,861	68,200,685	134,609	68,421,937
4	Total	5,628,635	329,144,627	4,402,100	330,371,162

4.10.3.1.3 Changes in stock of default loans and debt securities

	Current Period	
1	Defaulted loans and debt securities at end of the previous reporting period	4,404,024
2	Loans and debt securities defaulted since the last reporting period	3,232,458
3	Receivables back to non-defaulted status	-
4	Amounts written off	1,077,347
5	Other changes	1,286,361
6	Defaulted loans and debt securities at end of the reporting period	5,272,774

4.10.3.1.4 Additional disclosure related to the credit quality of assets

4.10.3.1.4.1 Qualitative disclosures related to the credit quality of assets

Taking into consideration the general economic outlook, sector specific situations and possible regulation changes, the Bank determines the provision rates that will be applied and the collateral types that will be taken into account in the calculations; provided that those rates cannot be lower than what is determined in the related regulation. Related decisions are applied after the approval of the Bank's Risk Management Committee.

A refinancing/restructuring refers to; extending a new loan with the purpose of repayment of a part or whole of the outstanding loans or related interest payments granted previously or, amending the conditions of such outstanding loans in order to facilitate the repayment capacity; due to current or foreseeable financial difficulties of the borrower or the related risk group.

4.10.3.1.4.2 Breakdown of exposures by geographical areas, industry and ageing

Disclosed under section 4.2 credit risk.

4.10.3.1.4.3 Exposures provisioned against by major regions and sectors

Current Period	Loans Under Follow-Up	Specific Provisions	Write-Offs
Domestic	5,140,707	4,144,576	1,073,843
European Union (EU) Countries	4,526	1,409	495
OECD Countries	20	3	-
Off-Shore Banking Regions	74,413	74,413	-
USA, Canada	-	-	1
Other Countries	53,108	47,090	3,008
Total	5,272,774	4,267,491	1,077,347

<i>Current Period</i>	<i>Loans Under Follow-Up</i>	<i>Specific Provisions</i>	<i>Write-Offs</i>
Agriculture	42,998	26,300	10,734
Farming and Stockbreeding	40,477	24,289	10,387
Forestry	1,488	1,084	201
Fishery	1,033	927	146
Manufacturing	659,549	449,476	126,534
Mining and Quarrying	29,091	23,832	4,636
Production	488,299	356,108	121,333
Electricity, Gas and Water	142,159	69,536	565
Construction	404,457	278,947	60,051
Services	1,420,865	946,327	267,685
Wholesale and Retail Trade	734,157	509,407	223,128
Accommodation and Dining	134,656	50,820	9,009
Transportation and Telecommunication	470,766	318,912	29,692
Financial Institutions	18,921	18,553	463
Real Estate and Rental Services	10,713	7,508	1,238
Professional Services	3,894	1,225	21
Educational Services	30,779	27,586	1,472
Health and Social Services	16,979	12,316	2,662
Others	2,744,905	2,566,441	612,343
Total	5,272,774	4,267,491	1,077,347

4.10.3.1.4.4 Ageing of past-due exposures

<i>Current Period</i>	<i>Up to 3 Months</i>	<i>3-12 Months</i>	<i>1-3 Years</i>	<i>3-5 Years</i>	<i>5 Years and Over</i>
Corporate and Commercial Loans	288,599	1,060,817	765,933	414,637	283,861
Retail Loans	211,890	515,627	552,775	139,108	53,015
Credit Cards	130,262	318,213	323,479	110,403	104,155
Others	-	-	-	-	-
Total	630,751	1,894,657	1,642,187	664,148	441,031

4.10.3.2 Credit risk mitigation

4.10.3.2.1 Qualitative disclosure on credit risk mitigation techniques

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

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

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

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

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

4.10.3.2.2 Credit risk mitigation techniques

		<i>Exposures unsecured: carrying amount as per TAS</i>	<i>Exposures secured by collateral</i>	<i>Collateralized amount of exposures secured by collateral</i>	<i>Exposures secured by financial guarantees</i>	<i>Collateralized amount of exposures secured by financial guarantees</i>	<i>Exposures secured by credit derivatives</i>	<i>Collateralized amount of exposures secured by credit derivatives</i>
1	Loans	169,225,213	50,323,160	41,649,191	-	-	-	-
2	Debt securities	42,400,852	-	-	-	-	-	-
3	Total	211,626,065	50,323,160	41,649,191	-	-	-	-
4	Of which defaulted	5,263,721	9,053	3,539	-	-	-	-

4.10.3.3 Credit risk under standardised approach

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

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

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

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

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

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

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

4.10.3.3.2 Credit risk exposure and credit risk mitigation techniques

	Risk classes	<i>Exposures before CCF and CRM</i>		<i>Exposures post-CCF and CRM</i>		<i>RWA and RWA density</i>	
		<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>	<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>	<i>RWA</i>	<i>RWA density</i>
1	Exposures to sovereigns and their central banks	59,026,025	943,275	59,026,025	305,675	12,008,190	20.24%
2	Exposures to regional and local governments	119,617	144	119,617	60	56,248	47.00%
3	Exposures to administrative bodies and non-commercial entities	46,803	5,550	46,803	1,836	48,639	100.00%
4	Exposures to multilateral development banks	190,237	-	190,237	-	55,402	29.12%
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	19,460,274	16,155,852	15,231,090	3,025,652	7,381,825	40.43%
7	Exposures to corporates	90,625,121	50,984,161	88,536,942	20,026,901	105,680,104	97.34%
8	Retail exposures	59,175,832	41,226,791	58,766,787	3,582,135	46,760,767	75.00%
9	Exposures secured by residential property	18,572,321	151,697	18,568,045	77,622	6,525,984	35.00%
10	Exposures secured by commercial property	16,338,647	1,655,679	16,323,202	960,619	11,054,150	63.96%
11	Past-due items	705,142	1,363	705,142	-	596,794	84.63%
12	Exposures in high-risk categories	300,186	129,325	300,186	58,543	509,274	141.97%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-
16	Other exposures	9,044,069	-	9,044,069	-	6,125,946	67.73%
17	Equity share investments	5,266,254	-	5,266,254	-	5,229,197	99.30%
18	Total	278,870,528	111,253,837	272,124,399	28,039,043	202,032,520	67.31%

4.10.3.3 Exposures by asset classes and risk weights

	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	35,315,311	-	25	-	24,016,357	-	7	-	-	-	59,331,700
2	Exposures to regional and local government	-	-	11,970	-	107,707	-	-	-	-	-	119,677
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	48,639	-	-	-	48,639
4	Exposures to multilateral development banks	-	-	132,386	-	57,851	-	-	-	-	-	190,237
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	-	6,040,661	-	12,084,776	-	131,305	-	-	-	18,256,742
7	Exposures to corporates	-	-	479,188	-	5,000,778	-	103,083,877	-	-	-	108,563,843
8	Retail exposures	-	-	630	-	2,307	62,345,985	-	-	-	-	62,348,922
9	Exposures secured by residential property	-	-	-	18,645,667	-	-	-	-	-	-	18,645,667
10	Exposures secured by commercial property	-	-	-	-	12,459,341	-	4,824,480	-	-	-	17,283,821
11	Past-due items	-	-	-	-	216,697	-	488,445	-	-	-	705,142
12	Exposures in high-risk categories	-	-	-	-	19,031	-	19,577	320,121	-	-	358,729
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-
16	Equity share investments	37,057	-	-	-	-	-	5,229,197	-	-	-	5,266,254
17	Other exposures	2,916,168	-	2,444	-	-	-	6,125,457	-	-	-	9,044,069
18	Total	38,268,536	-	6,667,304	18,645,667	53,964,845	62,345,985	119,950,984	320,121	-	-	300,163,442

4.10.4 Counterparty credit risk

4.10.4.1 Qualitative disclosure on counterparty credit risk

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

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

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

4.10.4.2 Counterparty credit risk (CCR) approach analysis

		<i>Replacement cost</i>	<i>Potential future exposure</i>	<i>EEPE(Effective Expected Positive Exposure)</i>	<i>Alpha used for computing regulatory EAD</i>	<i>EAD post-CRM</i>	<i>RWA</i>
1	Standardised Approach - CCR (for derivatives)	3,972,361	1,639,214		-	5,601,824	2,911,950
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)					1,765,439	552,309
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	Total						3,464,259

4.10.4.3 Capital requirement for credit valuation adjustment (CVA)

	<i>EAD post-CRM</i>	<i>RWA</i>
Total portfolios subject to the Advanced CVA capital obligation	-	-
1 (i) VaR component (including the 3×multiplier)		-
2 (ii) Stressed VaR component (including the 3×multiplier)		-
3 All portfolios subject to the Standardised CVA capital obligation	5,601,824	1,806,311
4 Total subject to the CVA capital obligation	5,601,824	1,806,311

4.10.4.4 CCR exposures by risk class and risk weights

<i>Risk weight</i>	<i>0%</i>	<i>10%</i>	<i>20%</i>	<i>50%</i>	<i>75%</i>	<i>100%</i>	<i>150%</i>	<i>Other</i>	<i>Total credit exposure</i>
Regulatory portfolio									
Exposures to sovereigns and their central banks	90,039	-	-	-	-	-	-	-	90,039
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	4	-	-	4
Exposures to multilateral development banks	413,953	-	-	-	-	-	-	-	413,954
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	1,033,639	5,082,247	-	-	-	-	6,115,886
Exposures to corporates	-	-	546	37,511	4	662,183	-	-	700,243
Retail exposures	-	-	-	-	47,137	-	-	-	47,137
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	503,992	-	1,034,185	5,119,758	47,141	662,187	-	-	7,367,263

4.10.4.5 Collaterals for CCR

	<i>Collateral for derivative transactions</i>				<i>Collateral for other transactions</i>	
	<i>Fair value of collateral received</i>		<i>Fair value of collateral given</i>		<i>Fair value of collateral received</i>	<i>Fair value of collateral given</i>
	<i>Segregated</i>	<i>Unsegregated</i>	<i>Segregated</i>	<i>Unsegregated</i>		
Cash-domestic currency	4,944	-	-	-	8,257,240	-
Cash-foreign currency	4,807	-	-	-	4,804,917	-
Domestic sovereign debts	-	-	-	-	-	13,323,129
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	9,751	-	-	-	13,062,157	13,323,129

4.10.4.6 Credit derivatives

	<i>Protection bought</i>	<i>Protection sold</i>
Notionals		
Single-name credit default swaps	87,825	-
Index credit default swaps	-	-
Total return swaps	-	7,026,000
Credit options	-	-
Other credit derivatives	-	-
Total Notionals	87,825	7,026,000
Fair Values		
Positive fair values (asset)	215	6,677
Negative fair values (liability)	-	(401,821)

4.10.5 Securitisations

None.

4.10.6 Market risk

4.10.6.1 Qualitative disclosure on market risk

Market risk is managed in accordance with the strategies and policies defined by the Bank. The Bank takes economic climate, market and liquidity conditions and their effects on market risk, the structure of portfolio subject to market risk, the sufficiency of the Bank's definition, measurement, evaluation, monitoring, reporting, control and mitigation of market risk and the availability of the related processes into account while defining the 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 for internal use, implementation fundamentals and procedures are being developed on bank-only and consolidated level in consideration of the size and complexity of the operations.

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

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

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

4.10.6.2 Market risk under standardised approach

		<i>RWA</i>	
		<i>Current Period</i>	<i>Prior Period</i>
	Outright products	5,266,724	3,821,248
1	Interest rate risk (general and specific)	1,718,225	1,343,063
2	Equity risk (general and specific)	42,274	90,950
3	Foreign exchange risk	3,067,938	2,368,775
4	Commodity risk	438,287	18,460
	Options	437,400	2,457,913
5	Simplified approach	-	-
6	Delta-plus method	437,400	2,457,913
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	5,704,124	6,279,160

4.10.7 Operational risk

The value at operational risk is calculated according to the basic indicator approach as per the Article 14 of “Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks”.

The annual gross income is composed of net interest income and net non-interest income after deducting realised gains/losses from the sale of securities available-for-sale and held-to-maturity, extraordinary income and income derived from insurance claims at year-end.

Basic Indicator Approach Current Period	31 December 2013	31 December 2014	31 December 2015	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	9,180,910	10,054,838	11,052,683	10,096,144	15	1,514,422
Value at Operational Risk (Total x % 12.5)						18,930,270

Basic Indicator Approach Prior Period	31 December 2012	31 December 2013	31 December 2014	Total/ No. of Years of Positive Gross	Rate (%)	Total
Gross Income	7,814,126	9,180,910	10,054,838	9,016,625	15	1,352,494
Value at Operational Risk (Total x % 12.5)						16,906,172

4.10.8 Banking book interest rate risk

4.10.8.1 Nature of interest rate risk resulting from banking book, major assumptions on early repayment of loans and movements in deposits other than term deposits and frequency of measuring interest rate risk

The interest rate risk resulting from the banking book is assessed in terms of repricing risk, yield-curve risk, base risk and option risk, measured as per international standards and managed through limitations and mitigations through hedging transactions.

The interest sensitivity of assets, liabilities and off balance-sheet items are evaluated at the Weekly Review Committee and Monthly Asset-Liability meetings considering also the market developments.

The measurement process of interest rate risk resulting from the banking book, is designed and managed by the Bank on a bank-only basis to include the interest rate positions defined as banking book by the Bank and to consider the relevant repricing and maturity data.

Within the scope of monitoring the re-pricing risk arising from maturity mismatch, the sensitivity of the durations/gap, economic value, economic capital, net interest income, earnings at risk, market price of securities portfolio are measured and the internal early warning and limit levels in this context are monitored and reported regularly. Calculated risk metrics and generated reports are used in the management

of the balance sheet interest risk under the supervision of the Asset and Liability Committee. In the said analyses, the present value and the net interest income are calculated over the cash flows of the sensitive assets and liability items by using the yield curves constructed by using the market interest rates. For non-matured products, maturity is determined based on interest rate determination frequency and customer behaviour. These results are supported by periodic sensitivities and scenario analyses against fluctuations that may be experienced in the markets.

The interest rate risk resulting from the banking book is measured legally as per the “Regulation on Measurement and Evaluation of Interest Rate Risk Resulting from Banking Book as per Standard Shock Method” published in the Official Gazette no.28034 dated 23 August 2011, and the legal limit as per this measurement is monitored and reported monthly. The capital level is maintained considering the interest rate risk resulting from the banking book.

The interest rate risk on the interest-rate-sensitive financial instruments of the trading portfolio is evaluated as part of the market risk.

Branches and lines of business are eliminated from interest rate risk through the transfer pricing system and these risks are transferred to the Asset and Liability Management Department (ALM) and managed by ALM in a central structure.

4.10.8.2 Economic value differences resulted from interest rate instabilities calculated according to Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method

<i>Current Period</i>		Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity- Losses/Equity
Type of Currency				
1	TL	(+) 500bp	(4,209,703)	(11.18)%
2	TL	(-) 400bp	4,052,171	10.76%
3	USD	(+) 200bp	(810,330)	(2.15)%
4	USD	(-) 200bp	1,055,840	2.80%
5	EUR	(+) 200bp	(14,342)	(0.04)%
6	EUR	(-) 200bp	(44,364)	(0.12)%
Total (of negative shocks)			5,063,647	13.44%
Total (of positive shocks)			(5,034,375)	(13.37)%

<i>Prior Period</i>		Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity- Losses/Equity
Type of Currency				
1	TL	(+) 500 bps	(3,581,363)	(10.83)%
2	TL	(-) 400 bps	3,477,727	10.51%
3	USD	(+) 200 bps	(766,486)	(2.32)%
4	USD	(-) 200 bps	1,031,044	3.12%
5	EUR	(+) 200 bps	(52,426)	(0.16)%
6	EUR	(-) 200 bps	50,223	0.15%
Total (of negative shocks)			4,558,994	13.78%
Total (of positive shocks)			(4,400,275)	(13.30)%

4.10.9 Remuneration policy

4.10.9.1 Qualitative disclosures regarding remuneration policies

4.10.9.1.1 Disclosures related with Remuneration Committee

The Bank's Remuneration Committee is comprised of two non-executive directors. The committee has convened for once during the year. The duties and responsibilities of the Committee include the following:

- To conduct the necessary monitoring and audit process in order to ensure that the remuneration policy and practices are implemented in accordance with the related laws and regulations and risk management principles;
- To review and if necessary, revise the remuneration policy at least once a year in order to ensure its compliance with the laws and regulations or market practices in Turkey;
- To determine and approve remuneration packages of the executive and non-executive Board of Directors, Chief Executive Officer and Executive Vice Presidents;
- To follow up the revision requirements of the policies, procedures and regulations related with its areas of responsibility and to take actions in order to ensure that they are kept updated.

The Bank has received consultancy service from Willis Towers Watsons company within the framework of the activities for compliance with the Guidelines on Sound Remuneration Practices in Banks.

The fundamental principles of the remuneration policy are applicable for all bank employees.

The bank board members, senior management and the bank staff deemed to perform the functions having material impact on the bank's risk profile are considered as identified staff; and by the end of 2016, the number of identified staff is 29.

4.10.9.1.2 Information on the design and structure of remuneration process

The Bank relies on the following values while managing its Remuneration Policy. These values are considered in all compensation practices.

- a. Fair
- b. Transparent
- c. Based on measurable and balanced performance targets
- d. Encouraging sustainable success
- e. In line with the Bank Risk Management Principles

The main objective of the Remuneration Policy is to maintain the internal and external balances in the remuneration structure. Internal balance is ensured with the principles of "equal pay for equal work" and performance-based remuneration". As for external balance, the data obtained from employee reward and benefit researches conducted by independent research organizations are taken into account.

In the meeting dated 14 December 2016, the Remuneration Committee evaluated its decisions previously taken with respect to remuneration of the senior managers and members of the board of directors considering the provisions of the Guidelines on Sound Remuneration Practices in Banks.

Increases in the remuneration of employees working in the units responsible for internal systems are determined depending on the basic rate of increase specified by the Bank and their personal performances. In the variable remuneration, only the performance criteria associated with their personal performance or the performance of the unit that they work in are taken into account independently of the performance of the business units that they control.

4.10.9.1.3 Evaluation about how the bank's remuneration processes take the current and future risks into account

The Bank follows the Risk Management Principles while implementing the remuneration processes. It adopts the remuneration policies that are in line with Bank's long-term objectives and risk management structures and avoiding excessive risk-taking.

4.10.9.1.4 Evaluation about how the Bank associates variable remunerations with performance

In the association of variable remunerations with performance, various indicators considered among financial and non-financial performance criteria specified by the Bank such as return on regulatory capital, efficiency, profitability, customer satisfaction (NTS), digital sales are taken into account.

In the variable remuneration for the identified staff, personal performance criteria, the Bank's performance criteria and BBVA Group's performance criteria are collectively taken into account. The weightings of such performances taken into account as such may vary according to the position of the identified staff member.

In case of occurrence of risky situations regarding capital adequacy or if and when necessary, Bank may pursue a more conservative policy in relation to all remuneration issues, particularly regarding variable remunerations. In this context, methodological changes such as deferral, retention, malus and clawback may be applied in relation to variable remunerations in accordance with the principles set out by the applicable laws.

4.10.9.1.5 Evaluation about the bank's methods to adjust remunerations according to long-term performance

Regarding variable remunerations of identified staff, it has been adopted based on the principles in the "Guidelines on Sound Remuneration Practices in Banks" that 40% of variable remunerations will be deferred for at least 3 years and at least 50% of it will be paid in non-cash instruments.

The same rules apply for the ratios of deferral for all identified staff members regarding their variable remunerations. Remuneration Committee decided on that variable remuneration of identified staff is subject to cancellation and clawback.

4.10.9.1.6 Evaluation about the instruments used by the bank for variable remunerations and the purposes of use of such instruments

The variable remunerations of identified staff are paid using cash and share-linked non-cash instruments. Considering the principles in the "Guidelines on Sound Remuneration Practices in Banks" variable remunerations of identified staff are paid both with cash and non-cash(share-linked) instruments. Regarding variable remunerations of identified staff for the financial period of 2016, Banco Bilbao Vizcaya Argentaria S.A. shares are taken as reference for payments based on non-cash instruments.

The type and weight of non-cash instruments used in payment of variable remuneration are same for all identified staff.

5 Disclosures and Footnotes on Unconsolidated Financial Statements

5.1 Assets

5.1.1 Cash and balances with Central Bank

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1,357,688	681,875	1,313,068	750,950
Central Bank of Turkey	5,366,015	15,500,506	946,596	21,896,042
Others	-	879,050	-	244,867
Total	6,723,703	17,061,431	2,259,664	22,891,859

Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	5,366,015	155	946,596	1,556,782
Unrestricted Time Deposits	-	38	-	5
Restricted Time Deposits	-	15,500,313	-	20,339,255
Total	5,366,015	15,500,506	946,596	21,896,042

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

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

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

None.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	257,212	38,001	243,525	41,894
Swap Transactions	1,936,417	702,752	363,131	324,633
Futures	-	1,097	-	34
Options	426,694	28,812	442,320	67,952
Other	-	-	-	-
Total	2,620,323	770,662	1,048,976	434,513

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

None.

5.1.3 Banks

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Banks				
Domestic banks	55,714	746	231,280	247,879
Foreign banks	390,940	11,871,526	44,855	11,323,481
Foreign headoffices and branches	-	-	-	-
Total	446,654	11,872,272	276,135	11,571,360

Due from foreign banks

	Unrestricted Balances		Restricted Balances	
	<i>Current Period</i>	<i>Prior Period</i>	<i>Current Period</i>	<i>Prior Period</i>
EU Countries	4,263,606	2,833,374	6,943,130	6,988,096
USA and Canada	269,751	907,844	400,420	291,511
OECD Countries (*)	6,529	4,210	-	-
Off-Shore Banking Regions	248,595	220,152	96,147	65,059
Other	34,288	58,090	-	-
Total	4,822,769	4,023,670	7,439,697	7,344,666

(*) OECD countries other than the EU countries, USA and Canada

The placements at foreign banks include blocked accounts amounting TL 7,439,697 thousands (31 December 2015: TL 7,344,666 thousands) of which TL 116,841 thousands (31 December 2015: TL 96,799 thousands) and TL 96,147 thousands (31 December 2015: TL 65,058 thousands) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 7,226,709 thousands (31 December 2015: TL 7,182,809 thousands) as collateral against funds borrowed at various banks.

5.1.4 Financial assets available-for-sale

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Collateralised/Blocked Assets	2,976,848	-	2,170,335	-
Assets subject to Repurchase Agreements	4,306,605	-	10,879,108	1,449
Total	7,283,453	-	13,049,443	1,449

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

	<i>Current Period</i>	<i>Prior Period</i>
Debt Securities	18,572,775	19,301,827
Quoted at Stock Exchange	18,035,819	18,699,925
Unquoted at Stock Exchange	536,956	601,902
Common Shares/Investment Funds	155,150	69,704
Quoted at Stock Exchange (*)	82,203	7,669
Unquoted at Stock Exchange	72,947	62,035
Value Increases/Impairment Losses (-)	1,184,644	1,148,270
Total	19,912,569	20,519,801

5.1.5 Loans

5.1.5.1 Loans and advances to shareholders and employees of the Bank

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct Lendings to Shareholders	-	166,331	146	408,529
Corporates	-	166,331	146	408,529
Individuals	-	-	-	-
Indirect Lendings to Shareholders	2,121,617	474,103	2,043,036	263,954
Loans to Employees	222,026	101	185,470	88
Total	2,343,643	640,535	2,228,652	672,571

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

Current Period	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total) ^(*)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other Changes		Extension of Repayment Plan	Other Changes
Loans	175,775,487	3,571,299	428,047	9,267,458	4,128,388	718,164
Working Capital Loans	21,388,726	475,748	-	1,165,695	512,795	175,499
Export Loans	8,998,517	136,762	-	254,813	109,642	23,312
Import Loans	241	-	-	-	-	-
Loans to Financial Sector	4,913,881	318	-	48	-	-
Consumer Loans	40,856,208	2,333,953	-	1,919,430	647,127	55,300
Credit Cards	18,332,885	-	428,047	521,527	-	280,601
Others	81,285,029	624,518	-	5,405,945	2,858,824	183,452
Specialization Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	175,775,487	3,571,299	428,047	9,267,458	4,128,388	718,164

^(*) The loan granted to the shareholder of a strategically important company operating in the telecommunication sector amounting to USD 951,407,360.63 is classified under "Performing Loans and Other Receivables". Discussions between the shareholders of the company, creditor banks and related sovereign institutions have started regarding restructuring of loans granted including a possible change in shareholder structure, and a positive outcome of these discussions is expected.

As of 31 December 2016, loans amounting to TL 5,269,501 thousands (31 December 2015: TL 5,781,904 thousands) are benefited as collateral under funding transactions.

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

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

Collaterals received for loans under follow-up;

<i>Current Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	47,618	4,620	-	52,238
Loans Collateralized by Mortgages	3,995,662	974,409	-	4,970,071
Loans Collateralized by Pledged Assets	1,006,009	69,944	-	1,075,953
Loans Collateralized by Cheques and Notes	12,488	560,040	-	572,528
Loans Collateralized by Other Collaterals	1,370,667	9,058	-	1,379,725
Unsecured Loans	394,057	301,359	521,527	1,216,943
Total	6,826,501	1,919,430	521,527	9,267,458

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

Delinquency periods of loans under follow-up;

<i>Current Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	174,568	740,357	194,622	1,109,547
61-90 days	153,267	261,027	56,740	471,034
Others	6,498,666	918,046	270,165	7,686,877
Total	6,826,501	1,919,430	521,527	9,267,458

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

Loans and other receivables with extended payment plans;

No. of Extensions	<i>Current Period</i>		<i>Prior Period</i>	
	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
1 or 2 times	3,247,551	4,038,596	1,979,491	2,929,711
3, 4 or 5 times	106,419	78,645	111,249	282,660
Over 5 times	217,329	11,147	88,405	15,882

Extention Periods	Current Period		Prior Period	
	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
0-6 months	341,505	702,729	336,391	566,273
6-12 months	442,811	182,553	367,841	149,516
1-2 years	1,406,109	302,040	893,626	393,138
2-5 year	1,219,866	1,753,567	518,336	1,595,092
5 years and over	161,008	1,187,499	62,951	524,234

5.1.5.3 Maturity analysis of cash loans

Current Period	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
Short-term Loans	51,681,248	683,937	1,299,908	492,861
Loans	51,681,248	683,937	1,299,908	492,861
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans	124,094,239	3,315,409	7,967,550	4,353,691
Loans	124,094,239	3,315,409	7,967,550	4,353,691
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-

Prior Period	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
Short-term Loans	44,408,008	508,040	1,110,993	601,823
Loans	44,408,008	508,040	1,110,993	601,823
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans	106,287,411	1,905,081	6,695,302	3,249,393
Loans	106,287,411	1,905,081	6,695,302	3,249,393
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-

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

<i>Current Period</i>	Short-Term	Medium and Long-Term	Total
Consumer Loans – TL	745,039	41,174,705	41,919,744
Housing Loans	29,927	21,414,214	21,444,141
Automobile Loans	66,063	2,133,790	2,199,853
General Purpose Loans	649,049	17,626,701	18,275,750
Other	-	-	-
Consumer Loans – FC-indexed	188	172,014	172,202
Housing Loans	188	171,585	171,773
Automobile Loans	-	2	2
General Purpose Loans	-	427	427
Other	-	-	-
Consumer Loans – FC	141	46,333	46,474
Housing Loans	-	26,918	26,918
Automobile Loans	112	12,136	12,248
General Purpose Loans	29	7,279	7,308
Other	-	-	-
Retail Credit Cards – TL	15,172,949	775,677	15,948,626
With Installment	7,403,316	775,677	8,178,993
Without Installment	7,769,633	-	7,769,633
Retail Credit Cards – FC	45,286	-	45,286
With Installment	16	-	16
Without Installment	45,270	-	45,270
Personnel Loans – TL	21,508	91,980	113,488
Housing Loan	-	1,165	1,165
Automobile Loans	-	90	90
General Purpose Loans	21,508	90,725	112,233
Other	-	-	-
Personnel Loans - FC-indexed	-	378	378
Housing Loans	-	378	378
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans – FC	-	163	163
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	163	163
Other	-	-	-
Personnel Credit Cards – TL	106,354	1,060	107,414
With Installment	43,217	1,060	44,277
Without Installment	63,137	-	63,137
Personnel Credit Cards – FC	583	-	583
With Installment	-	-	-
Without Installment	583	-	583
Deposit Accounts– TL (Real persons)	523,189	-	523,189
Deposit Accounts– FC (Real persons)	-	-	-
Total	16,615,237	42,262,310	58,877,547

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

5.1.5.5 Installment based commercial loans and corporate credit cards

<i>Current Period</i>	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans – TL	1,767,307	11,094,610	12,861,917
Real Estate Loans	3,262	831,376	834,638
Automobile Loans	107,647	2,174,041	2,281,688
General Purpose Loans	1,656,398	8,089,193	9,745,591
Other	-	-	-
Installment-based Commercial Loans - FC-indexed	264,798	2,405,434	2,670,232
Real Estate Loans	-	72,529	72,529
Automobile Loans	8,927	730,518	739,445
General Purpose Loans	255,871	1,602,387	1,858,258
Other	-	-	-
Installment-based Commercial Loans – FC	710	86,457	87,167
Real Estate Loans	-	637	637
Automobile Loans	42	14,356	14,398
General Purpose Loans	668	71,464	72,132
Other	-	-	-
Corporate Credit Cards – TL	2,687,757	53,475	2,741,232
With Installment	1,279,033	53,475	1,332,508
Without Installment	1,408,724	-	1,408,724
Corporate Credit Cards – FC	11,271	-	11,271
With Installment	176	-	176
Without Installment	11,095	-	11,095
Deposit Accounts– TL (Corporates)	881,614	-	881,614
Deposit Accounts– FC (Corporates)	-	-	-
Total	5,613,457	13,639,976	19,253,433

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

5.1.5.6 Allocation of loans by customers

	<i>Current Period</i>	<i>Prior Period</i>
Public Sector	792,965	866,521
Private Sector (*)	184,249,980	157,635,193
Total	185,042,945	158,501,714

(*) As of 31 December 2015, loans amounting to TL 198,118 thousands (31 December 2016: -) included under “Financial Assets at Fair Value through Profit/Loss” in the accompanying balance sheet, are presented above under “Private Sector”.

5.1.5.7 Allocation of domestic and foreign loans

	<i>Current Period</i>	<i>Prior Period</i>
Domestic Loans	181,422,064	156,494,318
Foreign Loans (*)	3,620,881	2,007,396
Total	185,042,945	158,501,714

(*) As of 31 December 2015, loans amounting to TL 198,118 thousands (31 December 2016: -) included under “Financial Assets at Fair Value through Profit/Loss” in the accompanying balance sheet, are presented above under “Foreign Loans”.

5.1.5.8 Loans to associates and affiliates

	<i>Current Period</i>	<i>Prior Period</i>
Direct Lending	842,967	1,089,363
Indirect Lending	-	-
Total	842,967	1,089,363

5.1.5.9 Specific provisions for loans

	<i>Current Period</i>	<i>Prior Period</i>
Substandard Loans and Receivables - Limited Collectibility	451,816	599,750
Doubtful Loans and Receivables	1,126,227	579,036
Uncollectible Loans and Receivables	2,689,448	2,388,912
Total	4,267,491	3,567,698

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

Non-performing loans and other receivables restructured or rescheduled

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
<i>Current Period</i>			
(Gross Amounts before Specific Provisions)	125,617	665,093	717,588
Restructured Loans and Receivables	125,617	665,093	717,588
Rescheduled Loans and Receivables	-	-	-
<i>Prior Period</i>			
(Gross Amounts before Specific Provisions)	252,165	230,646	489,801
Restructured Loans and Receivables	252,165	230,646	489,801
Rescheduled Loans and Receivables	-	-	-

Movements in non-performing loans and other receivables

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
<i>Current Period</i>			
Balances at Beginning of Period	786,183	756,847	2,860,995
Additions during the Period (+)	3,048,885	56,393	127,180
Transfer from Other NPL Categories (+)	-	2,781,448	1,798,932
Transfer to Other NPL Categories (-)	2,781,448	1,798,932	-
Collections during the Period (-)	477,133	317,939	491,290
Write-offs (-) (*)	-	1,328	1,076,019
Corporate and Commercial Loans	-	1,178	515,367
Retail Loans	-	-	289,608
Credit Cards	-	150	271,044
Others	-	-	-
Balances at End of Period	576,487	1,476,489	3,219,798
Specific Provisions (-)	451,816	1,126,227	2,689,448
Net Balance on Balance Sheet	124,671	350,262	530,350

(*) of which TL 1,059,931 thousands is resulted from sale of non-performing loans.

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

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

Movements in specific loan provisions

<i>Current Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Balances at End of Prior Period	1,329,001	1,270,403	968,294	3,567,698
Additions during the Period(+)	1,255,839	897,204	591,817	2,744,860
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-)	152,378	514,410	302,405	969,193
Write-offs (-) (*)	515,810	288,870	271,194	1,075,874
Balances at End of Period	1,916,652	1,364,327	986,512	4,267,491

(*) of which TL 1,058,459 thousands is resulted from sale of non-performing loans.

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

(*) of which TL 80,710 thousands is resulted from sale of non-performing loans.

Non-performing loans and other receivables in foreign currencies

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
<i>Current Period</i>			
Balance at End of Period	34,476	363,587	722,774
Specific Provisions (-)	29,951	234,409	512,422
Net Balance at Balance Sheet	4,525	129,178	210,352
<i>Prior Period</i>			
Balance at End of Period	180,731	37,931	535,189
Specific Provisions (-)	138,781	10,172	422,070
Net Balance at Balance Sheet	41,950	27,759	113,119

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

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
<i>Current Period (Net)</i>			
	124,671	350,262	530,350
Loans to Individuals and Corporates (Gross)	576,487	1,476,489	3,218,482
Specific Provision (-)	451,816	1,126,227	2,688,132
Loans to Individuals and Corporates (Net)	124,671	350,262	530,350
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1,005
Specific Provision (-)	-	-	1,005
Other Loans and Receivables (Net)	-	-	-
<i>Prior Period (Net)</i>			
	186,433	177,811	472,083
Loans to Individuals and Corporates (Gross)	786,183	756,847	2,859,679
Specific Provision (-)	599,750	579,036	2,387,596
Loans to Individuals and Corporates (Net)	186,433	177,811	472,083
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1,005
Specific Provision (-)	-	-	1,005
Other Loans and Receivables (Net)	-	-	-

Collaterals received for non-performing loans

<i>Current Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	3,016	184	-	3,200
Loans Collateralized by Mortgages	1,391,416	142,402	-	1,533,818
Loans Collateralized by Pledged Assets	192,660	47,119	-	239,779
Loans Collateralized by Cheques and Notes	211,665	7,286	-	218,951
Loans Collateralized by Other Collaterals	919,836	861,462	-	1,781,298
Unsecured Loans	95,253	413,963	986,512	1,495,728
Total	2,813,846	1,472,416	986,512	5,272,774

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

5.1.5.11 *Liquidation policy for uncollectible loans and receivables*

Such loans and receivables are collected through legal follow-up and liquidation of collaterals.

5.1.5.12 *Write-off policy*

The Bank's general policy for write-offs of loans and receivables under follow-up is to write off such loans and receivables that are proven to be uncollectible in legal follow-up process.

5.1.6 **Investments held-to-maturity**

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Collateralised/Blocked Investments	5,793,705	4,341,183	4,956,015	2,108,752
Investments subject to Repurchase Agreements	3,147,892	-	4,081,537	317,809
Total	8,941,597	4,341,183	9,037,552	2,426,561

5.1.6.2 *Government securities held-to-maturity*

	<i>Current Period</i>	<i>Prior Period</i>
Government Bonds	19,108,804	17,776,978
Treasury Bills	-	-
Other Government Securities	-	-
Total	19,108,804	17,776,978

5.1.6.3 *Investments held-to-maturity*

	<i>Current Period</i>	<i>Prior Period</i>
Debt Securities	21,236,112	19,961,209
Quoted at Stock Exchange	20,462,344	19,106,455
Unquoted at Stock Exchange	773,768	854,754
Valuation Increase/(Decrease)	2,404,072	1,794,603
Total	23,640,184	21,755,812

5.1.6.4 Movement of investments held-to-maturity

	<i>Current Period</i>	<i>Prior Period</i>
Balances at Beginning of Period	21,755,812	21,014,502
Foreign Currency Differences On Monetary Assets	1,963,183	1,945,865
Purchases during the Period	498,479	1,331,647
Disposals through Sales/Redemptions (*)	(1,186,759)	(2,971,899)
Valuation Effect	609,469	435,697
Balances at End of Period	23,640,184	21,755,812

In the prior period,

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

5.1.7 Investments in associates

5.1.7.1 Investments in associates

	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	5.25	5.28
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	1.75	1.75

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	75,434	44,177	48,085	672	-	14,517	9,605	-
2	885,750	70,170	3,534	12,885	1,102	(3,130)	(791)	-
3	7,494,521	994,440	98,224	216,309	5,881	162,178	132,453	-
4	1,084,281	1,043,795	211,102	27,176	979	223,697	289,559	-
5	185,448	129,648	135,578	2,817	90	16,458	26,782	-
6	450,139,064	54,629,350	684,192	6,120,123	2,238,649	20,736,851	8,529,957	-
7	324,489	298,991	7,562	12,390	-	17,738	19,890	-

(1) Financial information is as of 30 September 2016.

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

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

5.1.7.2 Movement of investments in associates

	<i>Current Period</i>	<i>Prior Period</i>
Balance at Beginning of Period	36,698	36,698
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	36,698	36,698
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

5.1.7.3 Sectoral distribution of investments and associates

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

5.1.7.4 Quoted associates

None.

5.1.7.5 Valuation methods of investments in associates

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

5.1.7.6 Investments in associates sold during the current period

None.

5.1.7.7 Investments in associates acquired during the current period

None.

5.1.8 Investments in affiliates

5.1.8.1 Information on capital adequacy of major affiliates

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

<i>Current Period</i>	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	511,324	357,848	1,426,711
Share Premium	-	-	48,030
Share Cancellation Profits	-	-	-
Reserves	894,029	483,911	(267,654)
Other Comprehensive Income according to TAS	652,504	-	17,074
Current and Prior Periods' Profits	50,997	84,003	9,425
General Reserves for Possible Losses	-	-	-
Common Equity Tier I Capital Before Deductions	2,108,854	925,762	1,233,586
Deductions From Common Equity Tier I Capital			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	76,159	452	317,070
Leasehold Improvements on Operational Leases (-)	-	87	7,930
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	10,193	4,694	131,009
Net Deferred Tax Asset/Liability (-)	-	-	7,129
Total Deductions from Common Equity Tier I Capital	86,352	5,233	463,138
Total Common Equity Tier I Capital	2,022,502	920,529	770,448
Total Deductions From Tier I Capital	6,795	3,129	92,092
Total Tier I Capital	2,015,707	917,400	678,356
TIER II CAPITAL	185,100	-	81,435
CAPITAL BEFORE DEDUCTIONS	2,200,807	917,400	759,791
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	465	-
TOTAL CAPITAL	2,200,807	916,935	759,791

<i>Prior Period</i>	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	438,130	357,848	1,168,942
Share Premium	-	-	41,090
Share Cancellation Profits	-	-	-
Reserves	859,634	329,714	(327,914)
Other Comprehensive Income according to TAS	406,771	75,795	27,141
Current and Prior Periods' Profits	34,395	110,292	58,156
General Reserve for Possible Losses	-	11,814	-
Common Equity Tier I Capital Before Deductions	1,738,930	885,463	967,415
Deductions From Common Equity Tier I Capital			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	92,365	399	231,882
Leasehold Improvements on Operational Leases (-)	-	113	9,131
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	6,285	2,351	73,220
Net Deferred Tax Asset/Liability (-)	-	-	6,768
Total Deductions from Common Equity Tier I Capital	98,650	2,863	321,001
Total Common Equity Tier I Capital	1,640,280	882,600	646,414
Total Deductions From Tier I Capital	9,427	3,527	119,982
Total Tier I Capital	1,630,853	879,073	526,432
TIER II CAPITAL	253,368	-	57,607
CAPITAL BEFORE DEDUCTIONS	1,884,221	879,073	584,039
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	1,884,221	879,073	584,039

5.1.8.2 Investments in affiliates

	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	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	73,520	62,255	59	2,558	182	3,157	8,843	-
2	27,221	14,784	754	579	56	1,270	962	-
3	6,221	3,794	27	486	258	(4,028)	2,306	-
4	2,257	1,591	794	-	74	69	772	-
5	3,094	1,695	52	219	35	694	379	-
6	5,450,502	925,311	9,586	405,126	-	84,003	110,292	-
7	2,899,452	185,453	7,528	246,599	-	19,716	25,430	-
8	111,904	67,490	14,391	1,423	2,417	20,156	6,146	-
9	59,170	52,212	4,303	4,368	-	12,971	8,029	-
10	1,730,004	1,325,118	39,426	151,012	2,409	245,940	194,445	-
11	17,882,527	2,032,031	101,974	551,284	95,796	50,996	34,395	-
12	1,260,553	1,260,407	-	-	-	(252)	(217)	-

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

5.1.8.3 Movement of investments in affiliates

	Current Period	Prior Period
Balance at Beginning of Period	4,446,499	3,708,418
Movements during the Period	727,365	738,081
Acquisitions	53,484	-
Bonus Shares Received	-	-
Earnings from Current Year Profit	398,272	400,315
Sales/Liquidations	(157,635)	-
Reclassification of Shares	-	-
Increase/(Decrease) in Market Values	13,003	70,122
Currency Differences on Foreign Affiliates	420,241	267,644
Impairment Reversals/(Losses)	-	-
Balance at End of Period	5,173,864	4,446,499
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

5.1.8.4 Sectoral distribution of investments in affiliates

Affiliates	Current Period	Prior Period
Banks	2,025,895	1,764,623
Insurance Companies	1,125,108	916,536
Factoring Companies	151,548	135,644
Leasing Companies	925,310	871,165
Finance Companies	841,767	654,295
Other Affiliates	104,236	104,236

5.1.8.5 Quoted affiliates

None.

5.1.8.6 Valuation methods of investments in affiliates

Affiliates	Current Period	Prior Period
Valued at Cost	104,236	104,236
Valued at Fair Value (*)	5,069,628	4,342,263

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

5.1.8.7 Investments in affiliates disposed during the current period

The Bank sold its 1729 shares representing 99.94% of the share capital of GarantiBank Moscow AO to Sovcombank, a bank operating in Russia for a purchase price of USD 38,389,786 and realized a loss of TL 43,243 thousand.

5.1.8.8 Investments in affiliates acquired during the current period

None.

5.1.9 Investments in Joint-Ventures

None.

5.1.10 Lease receivables (net)

None.

5.1.11 Derivative financial assets held for risk management

5.1.11.1 Positive differences on derivative financial instruments held for risk management

Derivative Financial Assets Held for Risk Management	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedges	73,946	10,420	60,616	7,483
Cash Flow Hedges	5,526	499,322	28,448	584,450
Net Foreign Investment Hedges	-	-	-	-
Total	79,472	509,742	89,064	591,933

As of 31 December 2016, the face values and the net fair values, recognised in the balance sheet, of the derivative financial instruments held for risk management purposes, are summarized below:

	Current Period			Prior Period		
	Face Value	Asset	Liability	Face Value	Asset	Liability
Interest Rate Swaps	30,864,971	144,968	115,007	18,791,415	101,340	120,219
-TL	8,307,595	79,472	26,671	5,239,355	89,064	10,928
-FC	22,557,376	65,496	88,336	13,552,060	12,276	109,291
Cross Currency Swaps	3,670,474	444,246	164,529	5,279,626	579,657	130,272
-TL	944,728	-	-	1,868,085	-	-
-FC	2,725,746	444,246	164,529	3,411,541	579,657	130,272
Total	34,535,445	589,214	279,536	24,071,041	680,997	250,491

5.1.11.1.1 Fair value hedge accounting

Current Period						
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item	Net Fair Value Change of Hedging Item		Income Statement Effect (gains/losses from derivative financial instruments)
				Asset	Liability	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	42,431	15,833	(75,781)	(17,517)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(42,169)	48,387	(344)	5,874
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(14,515)	19,803	(17,079)	(11,791)
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	(13,071)	-	(164,529)	(177,600)
Cross Currency Swaps	Fixed-rate commercial loans	Interest rate and foreign currency exchange rate risk	231	343	-	574

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

5.1.11.1.2 Cash flow hedge accounting

Current Period							
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item		Gains/Losses Accounted under Shareholders' Equity in the Period	Gains/Losses Accounted under Income Statement in the Period	Ineffective Portion (net) Accounted under Income Statement
			Asset	Liability			
Interest Rate Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates	66	-	(30)	(100)	-
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	46,611	(21,803)	20,313	(20,654)	(135)
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	14,268	-	14,325	(3,344)	-
Cross Currency Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	-	-	(6,677)	(12,091)	-
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	443,903	-	(17,541)	(89,625)	51

In the current period, the loss reclassified from the shareholders' equity to the income statement due to the ceased hedging transactions amounted to TL 619 thousands (31 December 2015: TL 1,238 thousands). There were no gain/loss recognised in the shareholders' equity in the current period (31 December 2015: a loss of TL 619 thousands).

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

5.1.12 Tangible assets

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
At End of Prior Period:					
Cost	2,496,570	326,195	15,477	1,687,432	4,525,674
Accumulated Depreciation (-)	(2,565)	(305,178)	(11,872)	(1,131,834)	(1,451,449)
Net Book Value at End of Prior Period	2,494,005	21,017	3,605	555,598	3,074,225
At End of Current Period:					
Additions	255,718	17,904	1,302	475,392	750,316
Revaluation Model Difference	-	-	-	-	-
Transfers from Investment Property	-	-	-	-	-
Disposals (Costs)	(127,743)	(62,516)	(677)	(180,393)	(371,329)
Disposals (Accumulated Depreciation)	277	60,145	607	86,929	147,958
Impairment/Reversal of Impairment Losses	-	-	-	-	-
Depreciation Expense for Current Period (-)	(15,828)	(5,464)	(1,384)	(189,746)	(212,422)
Cost at End of Current Period	2,624,545	281,583	16,102	1,982,431	4,904,661
Accumulated Depreciation at End of Current Period	(18,116)	(250,497)	(12,649)	(1,234,651)	(1,515,913)
Net Book Value at End of Current Period	2,606,429	31,086	3,453	747,780	3,388,748

5.1.13 Intangible assets

5.1.13.1 Useful lives and amortisation rates

Intangible assets include softwares and other intangible assets. The estimated useful lives of such assets vary between 3 and 15 years.

5.1.13.2 Amortisation methods

Intangible assets are amortised on a straight-line basis from the date of capitalisation.

5.1.13.3 Balances at beginning and end of current period

	Beginning of Period		End of Period	
	Cost	Accumulated Amortisation	Cost	Accumulated Amortisation
Intangible Assets	487,362	248,349	377,591	195,001

5.1.13.4 Movements of intangible assets for current period

	Current Period	Prior Period
Net Book Value at End of Prior Period	182,590	173,966
Internally Generated Intangibles	-	-
Additions due to Mergers, Transfers and Acquisition	107,247	46,353
Disposals (-)	(180)	(235)
Impairment Losses/Reversals to/from Revaluation Surplus	-	-
Impairment Losses Recorded in Income Statement	-	-
Impairment Losses Reversed from Income Statement	-	-
Amortisation Expense for Current Period (-)	(52,994)	(37,054)
Currency Translation Differences on Foreign Operations	-	(440)
Other Movements	2,350	-
Net Book Value at End of Current Period	239,013	182,590

5.1.13.5 Details for any individually material intangible assets

None.

5.1.13.6 Intangible assets capitalised under government incentives at fair values

None.

5.1.13.7 Revaluation method of intangible assets capitalised under government incentives and valued at fair values at capitalisation dates

None.

5.1.13.8 Net book value of intangible asset that are restricted in usage or pledged

None.

5.1.13.9 Commitments to acquire intangible assets

None.

5.1.13.10 Disclosure on revalued intangible assets

None.

5.1.13.11 Research and development costs expensed during current period

None.

5.1.13.12 Goodwill

None.

5.1.13.13 Movements in goodwill during current period

None.

5.1.14 Investment property

	<i>Current Period</i>	<i>Prior Period</i>
Net Book Value at Beginning Period	381,270	374,945
Additions	231,273	-
Transfers to Tangible Assets	50,110	(22,954)
Fair Value Change (*)	7,717	29,279
Net Book Value at End of Current Period	670,370	381,270

(*) Total gain of TL 7,717 thousands from revaluation of investment property is included in other operating income.

The investment property is held for operational leasing purposes.

5.1.15 Deferred tax asset

As of 31 December 2016, the Bank has a deferred tax asset of TL 127,709 thousands (31 December 2015: TL 381,541 thousands) calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences.

The Bank does not have any deferred tax assets on tax losses carried forward or tax deductions and exemptions as of 31 December 2016. However, there is a deferred tax asset of TL 407,822 thousands (31 December 2015: TL 578,378 thousands) and deferred tax liability of TL 280,113 thousands (31 December 2015: TL 196,837 thousands) presented as net in the accompanying financial statements on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

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

	<i>Current Period</i>		<i>Prior Period</i>	
	Tax Base	Deferred Tax Amount	Tax Base	Deferred Tax Amount
Provisions (*)	944,764	188,953	825,024	165,005
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	(506,334)	(115,638)	691,156	158,867
Revaluation Differences on Real Estates	(1,722,648)	(22,865)	(1,723,078)	(23,459)
Other	386,302	77,259	405,643	81,128
Total Deferred Tax Asset, Net	(897,916)	127,709	198,745	381,541

(*) 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 2016, TL 338,418 thousands of deferred tax expense (31 December 2015: TL 174,198 thousands) and TL 84,586 thousands of deferred tax income (31 December 2015: TL 78,354 thousands) are recognised in the income statement and the shareholders' equity, respectively.

5.1.16 Assets held for sale and assets of discontinued operations

	<i>Current Period</i>	<i>Prior Period</i>
End of Prior Period		
Cost	356,160	178,986
Accumulated Depreciation (-)	(9,181)	(7,970)
Net Book Value	346,979	171,016
End of Current Period		
Additions	335,793	263,352
Disposals (Cost)	(82,753)	(84,386)
Disposals (Accumulated Depreciation)	1,358	3,886
Impairment Losses (-)	(2,820)	(1,792)
Depreciation Expense for Current Period (-)	(8,831)	(5,097)
Currency Translation Differences on Foreign Operations	-	-
Cost	606,380	356,160
Accumulated Depreciation (-)	(16,654)	(9,181)
Net Book Value	589,726	346,979

As of balance sheet date, the net book values of assets held for sale on which rights of repurchase exist amounting to TL 359,660 thousands.

5.1.17 Other assets

5.1.17.1 Receivables from term sale of assets

	<i>Current Period</i>	<i>Prior Period</i>
Sale of Investments in Associates, Affiliates and Joint Ventures	-	-
Sale of Real Estates	-	-
Sale of Financial Assets Available-for-Sale	16,670	-
Sale of Other Assets	2,305	3,127
Total	18,975	3,127

5.1.17.2 Prepaid expenses, taxes and similar items

	<i>Current Period</i>	<i>Prior Period</i>
Prepaid Expenses	477,898	389,443
Prepaid Taxes	-	-

5.1.18 Accrued interest and income

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Central Bank of Turkey	79,969	38	26,710	5
Financial Assets at Fair Value through Profit or Loss	19	599	352	540
Banks	3,611	21,752	672	11,529
Interbank Money Markets	-	1	-	1
Financial Assets Available-for-Sale	1,299,160	9,371	1,036,656	14,863
Loans	2,031,750	837,928	1,439,128	653,153
Investments Held-to-Maturity	2,302,531	127,299	1,670,426	124,392
Other Accruals	3,799	-	8,099	-
Total	5,720,839	996,988	4,182,043	804,483

5.2 Liabilities

5.2.1 Maturity profile of deposits

<i>Current Period</i>	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	9,362,638	-	3,519,154	39,387,584	523,583	360,800	470,517	4,046	53,628,322
Foreign Currency Deposits	15,943,064	-	5,585,618	41,555,186	1,796,018	5,229,260	9,800,564	56,941	79,966,651
Residents in Turkey	15,250,673	-	5,462,031	39,058,254	1,582,659	1,059,641	1,085,221	55,783	63,554,262
Residents in Abroad	692,391	-	123,587	2,496,932	213,359	4,169,619	8,715,343	1,158	16,412,389
Public Sector Deposits	493,327	-	72,724	27,688	116	4,994	24	-	598,873
Commercial Deposits	8,186,591	-	4,193,368	5,320,846	126,355	163,481	872,965	-	18,863,606
Other	212,836	-	140,766	1,023,250	52,904	447,810	553,501	-	2,431,067
Precious Metal Deposits	1,753,776	-	-	82,984	12,264	22,493	153,015	-	2,024,532
Bank Deposits	2,849,464	-	392,429	73,408	183,837	121,962	97,446	-	3,718,546
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	3,619	-	391,559	15,107	16,180	118,267	14,442	-	559,174
Foreign Banks	1,685,663	-	870	58,301	167,657	3,695	83,004	-	1,999,190
Special Financial Institutions	1,160,182	-	-	-	-	-	-	-	1,160,182
Other	-	-	-	-	-	-	-	-	-
Total	38,801,696	-	13,904,059	87,470,946	2,695,077	6,350,800	11,948,032	60,987	161,231,597

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

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

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

	Covered by Deposit Insurance		Over Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	27,807,137	24,378,726	25,449,970	21,652,836
Foreign Currency Saving Deposits	8,323,858	8,175,797	34,340,843	27,111,189
Other Saving Deposits	821,559	590,229	1,114,240	576,940
Deposits held at Foreign Branches Under Foreign Insurance Coverage	-	-	-	-
Deposits held at Off-Shore Branches Under Foreign Insurance Coverage	-	-	-	-

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

None.

5.2.1.3 Saving deposits not covered by insurance limits

	Current Period	Prior Period
Deposits and Other Accounts held at Foreign Branches	860,876	673,677
Deposits and Other Accounts held by Shareholders and their Relatives	-	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	748,443	658,628
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-	-

5.2.2 Negative differences on derivative financial liabilities held for trading

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	242,659	61,117	221,159	124,268
Swap transactions	1,993,468	745,041	1,093,920	350,255
Futures	-	964	-	3,320
Options	372,549	80,824	354,740	115,975
Other	-	-	-	-
Total	2,608,676	887,946	1,669,819	593,818

5.2.3 Funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	1,880,102	-	-
Domestic Banks and Institutions	343,595	502,401	259,222	331,117
Foreign Banks, Institutions and Funds	1,778,067	35,782,203	2,283,041	30,564,417
Total	2,121,662	38,164,706	2,542,263	30,895,534

5.2.3.1 Maturities of funds borrowed

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Short-Term	341,819	2,452,722	259,222	660,528
Medium and Long-Term	1,779,843	35,711,984	2,283,041	30,235,006
Total	2,121,662	38,164,706	2,542,263	30,895,534

The Bank classified certain borrowings obtained through securitisations amounting to USD 2,000,000,000, as financial liability at fair value through profit/loss at the initial recognition. As of 31 December 2016, the accumulated credit risk change and the credit risk change recognised in the income statement amounted to gains of TL 442,139 thousands and of TL 314,843 thousands, respectively. The carrying value of the related financial liability amounted to TL 6,583,861 thousands, and the related current period income amounted to TL 314,843 thousands.

5.2.3.2 Disclosures for concentration areas of bank's liabilities

The Bank finances its ordinary banking activities through deposits and funds borrowed. Its deposit structure has a balanced TL and foreign currency concentration. The Bank's other funding sources specifically consist of foreign currency funds borrowed from abroad, TL funds obtained through repurchase transactions, and TL and foreign currency securities issued.

5.2.4 Other external funds

5.2.4.1 Securities issued

<i>Current Period</i>	TL		FC	
	Short-Term	Medium and Long-Term	Short-Term	Medium and Long-Term
	Nominal	1,240,773	3,756,256	-
Cost	1,197,023	3,477,513	-	12,044,056
Carrying Value (*)	1,213,929	3,555,294	-	11,667,656

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

(*) The Bank repurchased its own TL securities with a total face value of TL 107,896 thousands (31 December 2015: TL 121,998 thousands) and foreign currency securities with a total face value of USD 206,730,000 (31 December 2015: USD 206,730,000) and netted off such securities in the accompanying financial statements.

The Bank classified certain securities amounting to TL 104,473 thousands and RON 34,500,000 as financial liability at fair value through profit/loss at the initial recognition. As of 31 December 2016, the accumulated negative credit risks changes, and the negative and positive credit risk changes recognised in the income statement amounted to TL 144 thousands and TL 2,289 thousands, and TL 144 thousands and TL 722 thousands, respectively. The carrying value of the related financial liability amounted to TL 30,618 thousands and TL 105,368 thousands, and the related current period losses and gains amounted to TL 896 thousands and TL 953 thousands, respectively.

5.2.4.2 Funds provided through repurchase transactions

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Domestic Transactions	7,268,205	-	12,521,178	-
Financial Institutions and Organizations	7,189,589	-	12,474,644	-
Other Institutions and Organizations	31,248	-	14,308	-
Individuals	47,368	-	32,226	-
Foreign Transactions	2	-	75	2,546,908
Financial Institutions and Organizations	-	-	-	2,546,908
Other Institutions and Organizations	-	-	-	-
Individuals	2	-	75	-
Total	7,268,207	-	12,521,253	2,546,908

5.2.4.3 Miscellaneous payables

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Payables from credit card transactions	7,833,260	37,377	6,886,185	54,592
Other	358,186	859,316	246,079	1,149,996
Total	8,191,446	896,693	7,132,264	1,204,588

5.2.5 Lease payables (Net)

5.2.5.1 Financial lease payables

	<i>Current Period</i>		<i>Prior Period</i>	
	Gross	Net	Gross	Net
Up to 1 Year	16,612	15,406	8,835	7,947
1-4 Years	1,792	1,686	3,150	3,021
More than 4 Years	-	-	-	-
Total	18,404	17,092	11,985	10,968

5.2.5.2 Operational lease agreements

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

5.2.6 Derivative financial liabilities held for risk management

Derivative Financial Liabilities held for Risk Management	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Fair Value Hedges	26,671	231,062	10,928	210,635
Cash Flow Hedges	-	21,803	-	28,928
Net Foreign Investment Hedges	-	-	-	-
Total	26,671	252,865	10,928	239,563

5.2.7 Provisions

5.2.7.1 General provisions

	<i>Current Period</i>	<i>Prior Period</i>
General Provision for	3,171,163	3,002,057
Loans and Receivables in Group I	1,713,424	2,298,736
Loans and Receivables in Group II	869,171	350,733
Non-Cash Loans	359,927	151,772
Others	228,641	200,816

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

	<i>Current Period</i>	<i>Prior Period</i>
Short-Term Loans	1,241	29,733
Medium and Long-Term Loans	270	11,412
Total	1,511	41,145

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

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

	<i>Current Period</i>	<i>Prior Period</i>
Substandard Loans and Receivables - Limited Collectibility	27,731	26,570
Doubtful Loans and Receivables	22,716	18,417
Uncollectible Loans and Receivables	84,162	57,122
Total	134,609	102,109

5.2.7.4 Other provisions

5.2.7.4.1 General reserves for possible losses

	<i>Current Period</i>	<i>Prior Period</i>
General Reserves for Possible Losses	300,000	330,000

5.2.7.4.2 Other provisions

	<i>Current Period</i>	<i>Prior Period</i>
Reserve for Employee Benefits	679,871	529,537
Provision for Promotion Expenses of Credit Cards (*)	95,340	86,809
Provision for Lawsuits	53,174	39,530
Other Provisions	179,847	160,022
Total	1,008,232	815,898

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

Recognized liability for defined benefit plan obligations

The Bank obtained an actuarial report dated 5 December 2016 from an independent actuary reflecting the principles and procedures on determining the application of transfer transactions in accordance with the Law and it is determined that the assets of the Plan are above the amount that will be required to be paid to transfer the obligation and the asset surplus amounts to TL 2,772,742 thousands at 31 December 2016 as details are given in the table below.

Furthermore, an actuarial report was prepared as of 31 December 2016 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 5 December 2016 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 1,482,852 thousands remains as of 31 December 2016 as details are given in the table below.

The Bank’s management, acting prudently, did not consider the health premium surplus amounting TL 531,665 thousands as stated above and resulted from the present value of medical benefits and health premiums transferable to SSF as of 31 December 2016. However, despite this treatment there are no excess obligation that needs to be provided against.

	<i>Current Period</i>	<i>Prior Period</i>
Transferable Pension and Medical Benefits:		
Net present value of pension benefits transferable to SSF	(770,448)	(608,796)
Net present value of medical benefits and health premiums transferable to SSF	531,665	528,011
General administrative expenses	(39,405)	(33,702)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(278,188)	(114,487)
Fair Value of Plan Assets (2)	3,050,930	2,522,836
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	2,772,742	2,408,349
Non-Transferable Benefits:		
Other pension benefits	(662,751)	(592,937)
Other medical benefits	(627,139)	(478,453)
Total Non-Transferable Benefits (4)	1,289,890	(1,071,390)
Asset Surplus over Total Benefits ((3)-(4)=(5))	1,482,852	1,336,959
Net Present Value of Medical Benefits and Health Premiums Transferable to SSF – but not considered acting prudently (6)	(531,665)	(528,011)
Present Value of Asset Surplus/(Defined Benefit Obligation) ((5)-(6))	951,187	808,948

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

	<i>Current Period</i>	<i>Prior Period</i>
	<i>%</i>	<i>%</i>
Discount Rate (*)	11.50	10.30
Inflation Rate (*)	7.80	7.10
Future Real Salary Increase Rate	1.50	1.50
Medical Cost Trend Rate	40% above inflation	40% above inflation
Future Pension Increase Rate (*)	7.80	7.10

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

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

5.2.8 Tax liability

5.2.8.1 Current tax liability

5.2.8.1.1 Tax liability

As of 31 December 2016, the Bank had a current tax liability of TL 94,095 thousands (31 December 2015: TL 364,223 thousands) after offsetting with prepaid taxes.

5.2.8.1.2 Taxes payable

	<i>Current Period</i>	<i>Prior Period</i>
Corporate Taxes Payable	94,095	364,223
Taxation on Securities Income	122,010	110,161
Taxation on Real Estates Income	3,752	3,396
Banking Insurance Transaction Tax	114,846	96,852
Foreign Exchange Transaction Tax	86	74
Value Added Tax Payable	10,398	11,037
Others	66,639	71,798
Total	411,826	657,541

5.2.8.1.3 Premiums

	<i>Current Period</i>	<i>Prior Period</i>
Social Security Premiums-Employees	51	45
Social Security Premiums-Employer	62	55
Bank Pension Fund Premium-Employees	21	18
Bank Pension Fund Premium-Employer	21	18
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	1,118	964
Unemployment Insurance-Employer	2,258	1,941
Others	27	21
Total	3,558	3,062

5.2.8.2 Deferred tax liability

None.

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

None.

5.2.10 Subordinated debts

On 23 February 2009, the Bank obtained a subordinated debt of EUR 50 millions from Proparco (Societe de Promotion et de Participation pour la Cooperation Economique SA), a company of the French Development Agency Group with an interest of Euribor+3.5% and maturity of 12 years with a repayment option at the end of the seventh year, to finance the clean energy projects. This debt is qualified as secondary subordinated debt to be included in the supplementary capital by the BRSA in the calculation of the Bank's capital adequacy ratio in compliance with the conditions set forth in the "Regulation on Equities of Banks" issued by the BRSA and published in the Official Gazette no.26333 dated 1 November 2006.

Total amount of the debt was repaid on 31 March 2016, by exercising the call option at the end of 7-year period.

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Domestic Other Institutions	-	-	-	-
Foreign Banks	-	-	-	-
Foreign Other Institutions	-	-	-	159,792
Total	-	-	-	159,792

5.2.11 Shareholders' equity

5.2.11.1 *Paid-in capital*

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

5.2.11.2 *Registered share capital system*

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

5.2.11.3 *Capital increases in current period*

None.

5.2.11.4 *Capital increases from capital reserves in current period*

None.

5.2.11.5 *Capital commitments for current and future financial periods*

None.

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

None.

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

None.

5.2.11.8 *Securities value increase fund*

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Investments in Associates, Affiliates and Joint-Ventures	1,115,043	18,255	681,119	(22,224)
Valuation difference	42,879	18,255	73,280	(22,224)
Exchange rate difference	1,072,164	-	607,839	-
Securities Available-for-Sale	(484,665)	(26,490)	(427,154)	210,219
Valuation difference	(484,665)	(26,490)	(427,154)	210,219
Exchange rate difference	-	-	-	-
Total	630,378	(8,235)	253,965	187,995

5.2.11.9 Revaluation surplus

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Movables	-	-	-	-
Real Estates	1,450,022	-	1,458,644	-
Gain on Sale of Investments in Associates and Affiliates and Real Estates allocated for Capital Increases	176,415	-	173,263	-
Revaluation Surplus on Leasehold Improvements	-	-	-	-

5.2.11.10 Bonus shares of associates, affiliates and joint-ventures

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

5.2.11.11 Legal reserves

	<i>Current Period</i>	<i>Prior Period</i>
I. Legal Reserve	960,320	958,189
II. Legal Reserve	245,840	210,140
Special Reserves	-	-

5.2.11.12 Extraordinary reserves

	<i>Current Period</i>	<i>Prior Period</i>
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	21,972,914	19,159,612
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital	-	-

5.2.12 Accrued interest and expenses

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Deposits	355,115	215,921	347,088	159,767
Funds Borrowed	87,549	156,634	91,800	102,171
Interbank Money Markets	6,092	-	7,314	9,940
Other Accruals	110,766	758,635	63,557	704,653
Total	559,522	1,131,190	509,759	976,531

5.3 Off-Balance Sheet Items

5.3.1 Off-balance sheet contingencies

5.3.1.1 Irrevocable credit commitments

The Bank has term asset purchase and sale commitments of TL 3,281,772 thousands (31 December 2015: TL 3,060,328 thousands), commitments for cheque payments of TL 3,555,087 thousands (31 December 2015: TL 3,063,159 thousands) and commitments for credit card limits of TL 27,849,612 thousands (31 December 2015: TL 26,826,339 thousands).

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

	<i>Current Period</i>	<i>Prior Period</i>
Letters of Guarantee in Foreign Currency	20,378,358	17,332,578
Letters of Guarantee in TL	17,101,636	14,826,457
Letters of Credit	15,010,812	14,286,342
Bills of Exchange and Acceptances	2,127,334	1,538,069
Prefinancings	-	-
Other Guarantees	155,016	109,206
Total	54,773,156	48,092,652

A specific provision of 134,609 TL thousands (31 December 2015: TL 102,109 thousands) is made for unliquidated non-cash loans of TL 355,861 thousands (31 December 2015: TL 313,985 thousands) recorded under the off-balance sheet items in the accompanying financial statements.

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

5.3.1.3 Non-cash loans

	<i>Current Period</i>	<i>Prior Period</i>
Non-Cash Loans against Cash Risks	5,128,893	4,157,201
With Original Maturity of 1 Year or Less	331,380	454,207
With Original Maturity of More Than 1 Year	4,797,513	3,702,994
Other Non-Cash Loans	49,644,263	43,935,451
Total	54,773,156	48,092,652

5.3.1.4 Sectoral risk concentration of non-cash loans

	<i>Current Period</i>				<i>Prior Period</i>			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	70,323	0.41	35,294	0.10	59,203	0.40	20,610	0.06
Farming and Stockbreeding	59,983	0.35	24,619	0.07	53,926	0.36	14,859	0.04
Forestry	8,973	0.05	2,810	0.01	3,897	0.03	5,066	0.02
Fishery	1,367	0.01	7,865	0.02	1,380	0.01	685	-
Manufacturing	4,388,090	25.62	17,478,679	46.43	4,251,238	28.61	16,122,283	48.51
Mining and Quarrying	194,627	1.14	192,037	0.51	151,428	1.02	164,179	0.49
Production	2,432,210	14.20	12,714,045	33.77	2,450,646	16.49	11,100,367	33.40
Electricity, Gas, Water	1,761,253	10.28	4,572,597	12.15	1,649,164	11.10	4,857,737	14.62
Construction	2,767,922	16.16	4,129,403	10.97	2,091,782	14.08	3,665,678	11.03
Services	8,578,393	50.07	13,853,148	36.80	7,313,986	49.22	12,169,678	36.61
Wholesale and Retail Trade	5,889,557	34.38	8,725,717	23.18	5,223,467	35.16	8,053,245	24.23
Accommodation and Dining	236,345	1.38	297,645	0.79	297,037	2.00	215,078	0.65
Transportation and Telecommunication	601,547	3.51	1,649,457	4.38	501,237	3.37	1,047,718	3.15
Financial Institutions	1,442,429	8.42	2,928,416	7.78	930,766	6.26	2,593,893	7.80
Real Estate and Rental Services	251,658	1.47	221,317	0.59	262,149	1.76	236,803	0.71
Professional Services	-	-	-	-	-	-	-	-
Educational Services	24,350	0.14	3,531	0.01	22,140	0.15	10,322	0.03
Health and Social Services	132,507	0.77	27,065	0.07	77,190	0.52	12,619	0.04
Others	1,324,754	7.74	2,147,150	5.70	1,142,116	7.69	1,256,078	3.79
Total	17,129,482	100.00	37,643,674	100.00	14,858,325	100.00	33,234,327	100.00

5.3.1.5 Non-cash loans classified under Group I and II

	Group I		Group II	
	TL	FC	TL	FC
Current Period				
Non-Cash Loans	16,912,826	36,802,927	216,656	840,747
Letters of Guarantee	16,884,980	19,713,157	216,656	665,201
Bills of Exchange and Bank Acceptances	27,846	2,099,488	-	-
Letters of Credit	-	14,835,266	-	175,546
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	-	155,016	-	-

	Group I		Group II	
	TL	FC	TL	FC
Prior Period				
Non-Cash Loans	14,710,093	32,526,428	148,232	707,899
Letters of Guarantee	14,678,225	16,793,372	148,232	539,206
Bills of Exchange and Bank Acceptances	20,793	1,515,117	-	2,159
Letters of Credit	11,075	14,108,733	-	166,534
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	-	109,206	-	-

5.3.2 Financial derivative instruments

<i>Current Period</i>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Derivative Financial Instruments held for Risk Management						
A. Total Derivative Financial Instruments held for Risk Management	-	80,000	1,500,547	19,041,969	13,912,929	34,535,445
Fair Value Hedges	-	80,000	500,547	9,119,275	9,590,333	19,290,155
Cash Flow Hedges	-	-	1,000,000	9,922,694	4,322,596	15,245,290
Net Foreign Investment Hedges	-	-	-	-	-	-
Trading Derivatives						
Foreign Currency related Derivative Transactions (I)	112,982,256	45,942,375	55,050,292	8,490,852	-	222,465,775
Currency Forwards-Purchases	7,727,483	2,486,686	2,824,657	772,388	-	13,811,214
Currency Forwards-Sales	7,712,360	2,427,200	2,875,583	785,068	-	13,800,211
Currency Swaps-Purchases	40,085,771	15,670,209	16,004,366	2,189,473	-	73,949,819
Currency Swaps-Sales	39,802,745	15,711,078	15,823,773	2,378,007	-	73,715,603
Currency Options-Purchases	8,663,673	4,678,793	8,465,924	1,143,233	-	22,951,623
Currency Options-Sales	8,990,224	4,828,242	9,042,572	1,222,683	-	24,083,721
Currency Futures-Purchases	-	72,411	8,720	-	-	81,131
Currency Futures-Sales	-	67,756	4,697	-	-	72,453
Interest Rate related Derivative Transactions (II)	10,624	117,305	6,146,838	17,917,866	18,424,620	42,617,253
Interest Rate Swaps-Purchases	42	337	3,073,419	6,238,093	8,547,633	17,859,524
Interest Rate Swaps-Sales	42	337	3,073,419	6,238,093	8,547,633	17,859,524
Interest Rate Options-Purchases	-	-	-	4,598,560	1,329,354	5,927,914
Interest Rate Options-Sales	-	-	-	843,120	-	843,120
Securities Options-Purchases	5,270	8,255	-	-	-	13,525
Securities Options-Sales	5,270	8,255	-	-	-	13,525
Interest Rate Futures-Purchases	-	-	-	-	-	-
Interest Rate Futures-Sales	-	100,121	-	-	-	100,121
Other Trading Derivatives (III)	170,236	672,615	693,095	1,945,734	5,269,501	8,751,181
B. Total Trading Derivatives (I+II+III)	113,163,116	46,732,295	61,890,225	28,354,452	23,694,121	273,834,209
Total Derivative Transactions (A+B)	113,163,116	46,812,295	63,390,772	47,396,421	37,607,050	308,369,654

<i>Prior Period</i>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Derivative Financial Instruments held for Risk Management						
A. Total Derivative Financial Instruments held for Risk Management	-	800,000	1,482,385	12,130,687	9,657,969	24,071,041
Fair Value Hedges	-	-	2,000	4,457,333	8,246,516	12,705,849
Cash Flow Hedges	-	800,000	1,480,385	7,673,354	1,411,453	11,365,192
Net Foreign Investment Hedges	-	-	-	-	-	-
Trading Derivatives						
Foreign Currency related Derivative Transactions (I)	75,660,824	33,923,846	60,404,687	13,344,189	-	183,333,546
Currency Forwards-Purchases	6,316,719	4,168,863	4,708,540	1,376,019	-	16,570,141
Currency Forwards-Sales	5,710,864	4,289,908	5,041,453	1,464,935	-	16,507,160
Currency Swaps-Purchases	25,553,116	2,474,359	5,021,481	1,631,533	-	34,680,489
Currency Swaps-Sales	22,029,744	2,482,660	5,585,839	1,711,599	-	31,809,842
Currency Options-Purchases	7,907,588	10,018,035	18,935,949	3,445,881	-	40,307,453
Currency Options-Sales	8,142,793	10,486,904	20,910,640	3,629,918	-	43,170,255
Currency Futures-Purchases	-	3,117	4,311	-	-	7,428
Currency Futures-Sales	-	-	196,474	84,304	-	280,778
Interest Rate related Derivative Transactions (II)	140	200,000	5,632,931	17,841,609	11,031,016	34,705,696
Interest Rate Swaps-Purchases	70	100,000	1,624,844	7,244,531	5,253,157	14,222,602
Interest Rate Swaps-Sales	70	100,000	1,624,844	7,244,531	5,253,157	14,222,602
Interest Rate Options-Purchases	-	-	2,383,243	3,352,547	524,702	6,260,492
Interest Rate Options-Sales	-	-	-	-	-	-
Securities Options-Purchases	-	-	-	-	-	-
Securities Options-Sales	-	-	-	-	-	-
Interest Rate Futures-Purchases	-	-	-	-	-	-
Interest Rate Futures-Sales	-	-	-	-	-	-
Other Trading Derivatives (III)	4,694,860	459,682	672,330	1,613,206	4,362,000	11,802,078
B. Total Trading Derivatives (I+II+III)	80,355,824	34,583,528	66,709,948	32,799,004	15,393,016	229,841,320
Total Derivative Transactions (A+B)	80,355,824	35,383,528	68,192,333	44,929,691	25,050,985	253,912,361

5.3.3 Credit derivatives and risk exposures on credit derivatives

As of 31 December 2016, in the Bank's "other irrevocable commitments", there are commitments for "credit linked notes" with a total face value of USD 25,000,000 (31 December 2015: USD 125,000,000).

As of 31 December 2016, there are total return swaps of the Bank with a total face value of USD 2,000,000,000 (31 December 2015: USD 2,000,000,000) classified under "other derivative financial instruments", where the Bank is on the selling side of the protection.

5.3.4 Contingent liabilities and assets

The Bank made a total provision amounting to TL 53,174 thousands (31 December 2015: TL 39,530 thousands) for the lawsuits filed by various customers and institutions against the Bank which are likely to occur and for which cash outflow might be necessary, and disclosed it under Note 5.2.7.4.2, other provisions. The Bank has various other lawsuits which are unlikely to occur and for which cash outflow is not expected to incur.

It is possible that the Bank may be required to provide additional collateral for the derivative transactions involved due to changes in certain financials indicators such as CDS levels, currency exchange rates, interest rates etc. As of 31 December 2016, there was no payment made related with such contingent liabilities.

5.3.5 Services rendered on behalf of third parties

The Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

5.4 Income Statement

5.4.1 Interest income

5.4.1.1 Interest income from loans (*)

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Short-term loans	5,061,808	170,849	4,183,325	159,098
Medium and long-term loans	8,295,879	3,186,033	6,413,920	2,840,011
Loans under follow-up	68,875	-	51,171	278
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	13,426,562	3,356,882	10,648,416	2,999,387

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

5.4.1.2 Interest income from banks

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Central Bank of Turkey	-	16,194	-	3,308
Domestic Banks	16,929	410	30,032	410
Foreign Banks	2,374	53,629	6,382	33,280
Foreign Head Offices and Branches	-	-	-	-
Total	19,303	70,233	36,414	36,998

5.4.1.3 Interest income from securities portfolio

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Financial Assets Held for Trading	15,517	1,944	10,443	4,888
Financial Assets Valued at Fair Value through Profit or Loss	-	-	-	-
Financial Assets Available-for-Sale	1,799,474	104,163	1,728,714	84,849
Investments Held-to-Maturity	1,110,089	546,080	1,128,760	500,042
Total	2,925,080	652,187	2,867,917	589,779

As disclosed in the accounting policies, the Bank values CPI-indexed government bonds in its securities portfolio according to the reference index on the issue date and the index that is calculated according to the expected inflation rate. The inflation rate used during the valuation is being updated during the year when it is considered necessary. As of 31 December 2016, the valuation of such securities was made according to annual inflation rate as of balance sheet date.

5.4.1.4 Interest income received from associates and affiliates

	<i>Current Period</i>	<i>Prior Period</i>
Interest Received from Investments in Associates and Affiliates	38,427	77,954

5.4.2 Interest Expenses

5.4.2.1 Interest expenses on funds borrowed (*)

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	223,254	422,426	313,544	376,344
Central Bank of Turkey	-	-	-	206
Domestic Banks	20,278	6,816	15,541	6,846
Foreign Banks	202,976	415,610	298,003	369,292
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	299,374	-	245,691
Total	223,254	721,800	313,544	622,035

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

5.4.2.2 Interest expenses paid to associates and affiliates

	Current Period	Prior Period
Interest Paid to Investments in Associates and Affiliates	81,420	61,043

5.4.2.3 Interest expenses on securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Paid on Securities Issued	432,604	531,696	329,036	507,903

5.4.2.4 Maturity structure of interest expense on deposits

Current Period	Account Description	Demand Deposits	Time Deposits					Accumulating Deposit Accounts	Total
			Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over		
	Turkish Lira								
	Bank Deposits	1,093	251,424	-	-	-	-	-	252,517
	Saving Deposits	45	244,786	3,700,535	87,873	39,154	48,930	-	4,121,323
	Public Sector Deposits	-	890	4,680	11	86	2	-	5,669
	Commercial Deposits	42	327,543	599,974	47,201	24,968	74,107	-	1,073,835
	Other	9	12,739	81,804	11,671	65,656	29,683	-	201,562
	“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
	Total TL	1,189	837,382	4,386,993	146,756	129,864	152,722	-	5,654,906
	Foreign Currency								
	Foreign Currency Deposits	240	59,078	722,519	46,276	97,238	285,142	825	1,211,318
	Bank Deposits	-	15,601	-	-	-	-	-	15,601
	“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
	Precious Metal Deposits	-	-	69	11	32	1,382	-	1,494
	Total FC	240	74,679	722,588	46,287	97,270	286,524	825	1,228,413
	Grand Total	1,429	912,061	5,109,581	193,043	227,134	439,246	825	6,883,319

<i>Prior Period</i>	Demand Deposits	Time Deposits					Accumulating Deposit Accounts	Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over		
Turkish Lira								
Bank Deposits	804	119,745	-	-	-	-	-	120,549
Saving Deposits	50	302,360	3,022,922	112,344	69,885	52,452	-	3,560,013
Public Sector Deposits	-	610	2,627	9	7	2	-	3,255
Commercial Deposits	15	295,937	491,563	19,507	34,160	44,989	-	886,171
Other	11	11,876	90,201	5,619	4,622	38,832	-	151,161
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Total TL	880	730,528	3,607,313	137,479	108,674	136,275	-	4,721,149
Foreign Currency								
Foreign Currency Deposits	1,184	49,125	528,599	69,531	98,639	182,411	884	930,373
Bank Deposits	-	33,034	-	-	-	-	-	33,034
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	2	-	-	1,102	-	1,104
Total FC	1,184	82,159	528,601	69,531	98,639	183,513	884	964,511
Grand Total	2,064	812,687	4,135,914	207,010	207,313	319,788	884	5,685,660

5.4.2.5 Interest expense on repurchase agreements

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Interest Paid on Repurchase Agreements	969,896	28,657	647,663	53,228

5.4.2.6 Financial lease expenses

	<i>Current Period</i>	<i>Prior Period</i>
Financial Lease Expenses	2,132	746

5.4.2.7 Interest expenses on factoring payables

None.

5.4.3 Dividend income

	<i>Current Period</i>	<i>Prior Period</i>
Trading Financial Assets	-	-
Financial Assets Valued at Fair Value through Profit or Loss	-	-
Financial Assets Available-for-Sale	966	722
Others	5,936	4,380
Total	6,902	5,102

5.4.4 Trading income/losses (Net)

	<i>Current Period</i>	<i>Prior Period</i>
Income	75,155,487	95,127,805
Trading Account Income	564,189	608,134
Gains from Derivative Financial Instruments	10,269,269	11,342,904
Foreign Exchange Gains	64,322,029	83,176,767
Losses (-)	75,946,728	96,203,423
Trading Account Losses	274,162	93,575
Losses from Derivative Financial Instruments	11,011,854	13,574,589
Foreign Exchange Losses	64,660,712	82,535,259
Total	(791,241)	(1,075,618)

TL 3,262,341 thousands (31 December 2015: TL 1,472,398 thousands) of foreign exchange gains and TL 3,879,841 thousands (31 December 2015: TL 1,559,011 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 79,827,027 and EUR 39,473,684 securitization borrowings amounting to USD 102,083,335 and EUR 154,289,472 by designating cross currency swaps with the same face values and terms, and eurobonds with a total nominal value of USD 10,000,000, the collateralised borrowings amounting to TL 500,000 thousands and USD 250,000,000, borrowings amounting to USD 650,000,000, securitizations amounting to USD 500,000,000 and deposits amounting to USD 300,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, gains of TL 46,482 thousands (31 December 2015: TL 70,700 thousands) and TL 39,553 thousands (31 December 2015: gains of TL 70,700 thousands and TL 4,946 thousands) resulting from cross currency and interest rate swap agreements were recognised under shareholders' equity, respectively.

The Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 2,648,197 thousands and USD 1,089,994,701 and EUR 150,619,549, for its fixed-rate loans with a total principal of RON 98,288,042, for its bonds with a total face value of TL 1,005,000 thousands and USD 265,400,000 and fixed-rate coupons by designating interest rate swaps and cross currency swaps with the same face values and terms. Accordingly, in the current period, a gain of TL 492 thousands (31 December 2015: TL 65,397 thousands) and a loss of TL 14,515 thousands (31 December 2015: TL 48,755 thousands) resulted from the related fair value calculations for the hedged loans and bonds were accounted for under net trading income/losses in the income statement, respectively.

In addition, the Bank also entered into cross currency swap agreements in order to hedge its fixed-rate bonds issued for a total principal value of AUD 175,000,000 and, RON 85,500,000 with the same face values and terms. Accordingly, in the current period, a loss of TL 13,071 thousands (31 December 2015: TL 13,669 thousands) resulted from the fair value changes of the securities issued and funds borrowed subject to hedge accounting were accounted for under trading income/losses in the income statement.

5.4.5 Other operating income

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

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

In the current period, a part of non-performing receivables of the Bank amounting to TL 1,059,931 thousands were sold for a consideration of TL 79,774 thousands. Considering the related provision of TL 1,058,459 thousands made in the financial statements, a gain of TL 78,276 thousands is recognized under “Other Operating Income”.

5.4.6 Provision for losses on loans or other receivables

	<i>Current Period</i>	<i>Prior Period</i>
Specific Provisions for Loans and Other Receivables	2,366,782	1,560,847
<i>Loans and Receivables in Group III</i>	420,692	599,593
<i>Loans and Receivables in Group IV</i>	1,127,274	579,183
<i>Loans and Receivables in Group V</i>	818,816	382,071
General Provisions	161,626	562,604
Provision for Possible Losses	100,000	-
Impairment Losses on Securities	19	5,112
<i>Financial Assets at Fair Value through Profit or Loss</i>	19	5,112
<i>Financial Assets Available-for-Sale</i>	-	-
Impairment Losses on Associates, Affiliates and Investments Held-to-Maturity	-	-
<i>Associates</i>	-	-
<i>Affiliates</i>	-	-
<i>Joint Ventures</i>	-	-
<i>Investments Held-to-Maturity</i>	-	-
Others	186,437	89,631
Total	2,814,864	2,218,194

5.4.7 Other operating expenses

	<i>Current Period</i>	<i>Prior Period</i>
Personnel Costs	2,466,135	2,215,481
Reserve for Employee Termination Benefits	37,077	38,820
Defined Benefit Obligation	-	-
Impairment Losses on Tangible Assets	-	55,541
Depreciation Expenses of Tangible Assets	212,422	190,476
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortisation Expenses of Intangible Assets	52,994	37,054
Impairment Losses on Investments Accounted under Equity Method	-	-
Impairment Losses on Assets to be Disposed	2,820	1,792
Depreciation Expenses of Assets to be Disposed	8,831	5,097
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	2,638,821	2,510,202
<i>Operational Lease related Expenses</i>	391,615	347,498
<i>Repair and Maintenance Expenses</i>	58,260	60,144
<i>Advertisement Expenses</i>	178,677	150,743
<i>Other Expenses</i> (*)	2,010,269	1,951,817
Loss on Sale of Assets	1,494	3,241
Others (**)	697,944	825,597
Total	6,118,538	5,883,301

(*) 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 56,209 thousands (31 December 2015: TL 55,340 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 110,146 thousands (31 December 2015: TL 254,480 thousands), as per the decision of the Turkish Competition Board or the related courts.

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

The profit before taxes includes a net interest income of TL 11,096,942 thousands (31 December 2015: TL 9,241,333 thousands), a net fees and commissions income of TL 3,151,738 thousands (31 December 2015: TL 2,922,551 thousands) and operating expenses of TL 6,118,538 thousands (31 December 2015: TL 5,883,301 thousands). The Bank's profit before taxes realized at TL 6,293,438 thousands (31 December 2015: TL 4,038,877 thousands) increasing by 46.06% as compared to prior year.

5.4.9 Information on provision for taxes from continued and discontinued operations

As of 31 December 2016, the Bank recorded a tax charge of TL 884,471 thousands (31 December 2015: TL 728,172 thousands) and a deferred tax expense of TL 338,418 thousands (31 December 2015: TL 174,198 thousands).

Deferred tax benefit/charge on timing differences:

Deferred tax benefit/(charge) on timing differences	<i>Current Period</i>	<i>Prior Period</i>
Increase in tax deductible timing differences (+)	59,516	106,758
Decrease in tax deductible timing differences (-)	(240,479)	(249,002)
Increase in taxable timing differences (-)	(169,619)	(87,954)
Decrease in taxable timing differences (+)	12,164	56,000
Total	(338,418)	(174,198)

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	<i>Current Period</i>	<i>Prior Period</i>
Increase/(decrease) in tax deductible timing differences (net)	(180,963)	(142,244)
Increase/(decrease) in taxable timing differences (net)	(157,455)	(31,954)
Increase/(decrease) in tax losses (net)	-	-
Increase/(decrease) in tax deductions and exemptions (net)	-	-
Total	(338,418)	(174,198)

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

None.

5.4.11 Net profit/loss

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

None.

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

None.

5.4.12 Components of other items in income statement

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

5.5 Statement of Changes in Shareholders' Equity

5.5.1 Any increases arising from application of accounting for financial instruments

5.5.1.1 Increases from valuation of financial assets available-for-sale

None.

5.5.1.2 Increases due to cash flow hedges

The Bank enters into swap contracts to convert variable interest rates on its borrowings to fixed interest rates for cash flow hedging purposes. After netting with the related deferred tax effect, an increase of TL 9,473 thousands (31 December 2015: TL 65,618 thousands) is presented in the shareholders' equity for such hedges assessed as effective.

5.5.1.3 Reconciliation of foreign exchange differences at beginning and end of current period

An increase of TL 497,265 thousands (31 December 2015: TL 290,260 thousands) that was resulted from the foreign currency translation of the Bank, is presented under translation differences in the shareholders' equity

5.5.2 Any decreases arising from application of accounting for financial instruments

5.5.2.1 Decreases from valuation of financial assets available-for-sale

As of 31 December 2016, a decrease of TL 135,618 thousands (31 December 2015: TL 294,128 thousands) resulted from the revaluation of financial assets available-for-sale at fair value after being netted with the related deferred tax liability effect and a gain of TL 158,603 thousands (31 December 2015: TL 62,612 thousands) that was transferred to the income statement from "securities value increase fund" are presented as the current period movements in securities value increase fund in the statement of changes in shareholders' equity.

5.5.2.2 Decreases due to cash flow hedges

None.

5.5.3 Transfers to legal reserves

	<i>Current Period</i>	<i>Prior Period</i>
Transfers to Legal Reserves from Prior Year Profits	35,700	35,700
Transfers to Extraordinary Reserves from Prior Year Profits	2,799,084	3,039,465

5.5.4 Issuance of share certificates

Please refer to Note 5.2.11.3.

5.5.5 Effects of prior years' corrections to beginning balances of current period

Please refer to Note 3.24.

5.5.6 Compensation of prior period losses

None.

5.6 Statement of Cash Flows

5.6.1 Disclosures for “other” items and “effect of change in foreign currency rates cash and cash equivalents” in statement of cash flows

The net cash inflow arising from banking operations amount to TL 2,849,403 thousands (31 December 2015: net cash inflow of TL 1,903,517 thousands). TL 1,920,647 thousands (31 December 2015: TL 1,899,696 thousands) of this amount is generated from the cash outflows resulted from the change in operating assets and liabilities and TL 4,770,050 thousands (31 December 2015: TL 3,803,213 thousands) from the cash inflows resulted from operating profit. The “net increase/(decrease) in other liabilities” under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TL 170,892 thousands (31 December 2015: TL 2,807,029 thousands). The “others” item under operating income composes of fees and commissions paid, foreign exchange gains, other operating income and other operating expenses excluding employee costs, and amounts to TL 3,557,507 thousands (31 December 2015: TL 3,455,065 thousands).

The net cash outflows from financing activities is TL 305,466 thousands (31 December 2015: a net inflows of TL 243,904 thousands).

The effect of changes in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 762,550 thousands (31 December 2015: TL 640,544 thousands).

5.6.2 Cash outflows from acquisition of associates, subsidiaries and joint-ventures

Please refer to Note 5.1.8.2 of investments in subsidiaries.

5.6.3 Cash inflows from disposal of associates, subsidiaries and joint-ventures

None.

5.6.4 Cash and cash equivalents at beginning of period

	<i>Current Period</i>	<i>Prior Period</i>
Cash on Hand	2,064,018	1,678,527
Cash in TL	1,313,068	1,089,201
Cash in Foreign Currency	750,950	589,326
Cash Equivalents	6,814,100	5,907,341
Other	6,814,100	5,907,341
TOTAL	8,878,118	7,585,868

5.6.5 Cash and cash equivalents at end of period

	<i>Current Period</i>	<i>Prior Period</i>
Cash on Hand	2,039,563	2,064,018
Cash in TL	1,357,688	1,313,068
Cash in Foreign Currency	681,875	750,950
Cash Equivalents	10,972,014	6,814,100
Other	10,972,014	6,814,100
TOTAL	13,011,577	8,878,118

5.6.6 Restricted cash and cash equivalents due to legal requirements or other reasons

The placements at foreign banks include blocked accounts amounting TL 7,439,697 thousands (31 December 2015: TL 7,344,666 thousands) of which TL 116,841 thousands (31 December 2015: TL 96,799 thousands) and TL 96,147 thousands (31 December 2015: TL 65,058 thousands) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 7,226,709 thousands (31 December 2015: TL 7,182,809 thousands) as collateral against funds borrowed at various banks.

The blocked account at the Central Bank of Turkey with a principal of TL 13,027,376 thousands (31 December 2015: TL 20,101,723 thousands) is for the reserve deposits in foreign currency and gold against the Banks' liabilities in Turkish Lira, foreign currencies and gold. The Bank also keeps a collateral of EUR 75,000,000 at the Central Bank of Turkey for borrowing activities in TL money market.

5.6.7 Additional information

5.6.7.1 Restrictions on the Bank's potential borrowings

None.

5.6.7.2 Cash inflows presenting increase in operating capacity of the Bank

None.

5.7 Related Party Risks

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

5.7.1.1 Loans and other receivables

Current Period

Bank's Risk Group	Associates, Affiliates and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	3,837,790	2,197,037	52,056	827,462	2,047,670	467,468
Balance at end of period	3,774,509	2,081,628	1,660,775	383,890	2,126,252	723,935
Interest and Commission Income	57,087	597	484	8	110,798	404

Prior Period

Bank's Risk Group	Associates, Affiliates and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	3,318,634	1,522,279	399,748	316,606	1,537,174	702,845
Balance at end of period	3,837,790	2,197,037	52,056	827,462	2,047,670	467,468
Interest and Commission Income	78,697	376	655	8	101,329	282

5.7.1.2 Deposits

Bank's Risk Group	Associates, Affiliates and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at beginning of period	687,407	681,112	336,153	535,204	543,360	349,385
Balance at end of period	900,256	687,407	536,399	336,153	533,816	543,360
Interest Expense	79,288	60,297	774	12,995	5,517	10,193

5.7.1.3 Derivative transactions

Bank's Risk Group	Associates, Affiliates and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at Fair Value Through Profit or (Loss):						
Balance at beginning of period	421,708	848,391	16,146,894	10,292,901	-	5,770
Balance at end of period	557,282	421,708	13,251,152	16,146,894	843,120	-
Total Profit/(Loss)	(22,827)	(327,241)	(398,761)	(50,088)	(4,582)	-
Transactions for Hedging:						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit/(Loss)	-	-	-	-	-	-

5.7.2 The Bank's risk group

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

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

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

The cash loans of the risk group amounting TL 2,964,089 thousands (31 December 2015: TL 3,132,513 thousands) compose 1.59% (31 December 2015: 1.97%) of the Bank's total cash loans and 1.04% (31 December 2015: 1.23%) of the Bank's total assets. The total loans and similar receivables amounting TL 7,561,536 thousands (31 December 2015: TL 5,937,516 thousands) compose 2.66% (31 December 2015: 2.33%) of the Bank's total assets. The non-cash loans of the risk group amounting TL 3,189,453 thousands (31 December 2015: TL 3,491,967 thousands) compose 5.82% (31 December 2015: 7.26%) of the Bank's total non-cash loans.

The deposits of the risk group amounting TL 1,970,471 thousands (31 December 2015: TL 1,566,920 thousands) compose 1.22% (31 December 2015: 1.11%) of the Bank's total deposits. The funds borrowed by the Bank from its risk group amounting TL 11,952,196 thousands (31 December 2015: TL 10,142,189 thousands) compose 29.67% (31 December 2015: 30.33%) of the Bank's total funds borrowed. The pricing in transactions with the risk group companies is set on an arms-length basis.

The credit card (POS) payables to the related parties, amounted to TL 216,508 thousands (31 December 2015: TL 137,353 thousands).

A total rent income of TL 11,585 thousands (31 December 2015: TL 8,859 thousands) was recognized for the real estates rented to the related parties.

Operating expenses for TL 19,585 thousands (31 December 2015: TL 11,494 thousands) were incurred for the IT services rendered by the related parties. Banking services fees of TL 1,820 thousands (31 December 2015: TL 1,098 thousands) were recognized from the related parties.

Insurance brokerage fee of TL 122,070 thousands (31 December 2015: TL 112,082 thousands), shares brokerage fee of TL 24,121 thousands (31 December 2015: TL 67,498 thousands), leasing customer acquisition fee of TL - (31 December 2015: TL 4,872 thousands), factoring customer acquisition fee of TL - (31 December 2015: TL 2,828 thousands), fleet business customer acquisition fee of TL - (31 December 2015: TL 357 thousands), fixed-rate securities brokerage fee of TL 7,297 thousands (31 December 2015: -) and fund brokerage fee of TL 109 thousands (31 December 2015: TL 142 thousands) were recognized as income from the services rendered for the affiliates.

Sale income of TL 18,189 thousands from sale of securities to Garanti Leasing and TL 5,720 thousands from sale of asset to Garanti Bank International are realized in the current period.

Operating expenses of TL 4,892 thousands (31 December 2015: TL 8,952 thousands) for advertisement and broadcasting services, of TL 40,427 thousands (31 December 2015: TL 36,210 thousands) for operational leasing services, and of TL 10,599 thousands (31 December 2015: TL 15,246 thousands) for travelling services rendered by the related parties were recognized as expense.

As of 31 December 2016, the net payment provided or to be provided to the key management of the Bank amounts to TL 101,032 thousands (31 December 2015: TL 120,553 thousands).

5.7.2.3 Other matters not required to be disclosed

None.

5.7.2.4 Transactions accounted for under equity method

Please refer to Note 5.1.8 investments in affiliates.

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

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

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

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

5.8.1 Domestic and foreign branches and representative offices

	Number of Branches	Number Of Employees			
Domestic Branches	959	19,552			
			Country		
Foreign Representative Offices	1	1	1-Germany		
	1	1	2-England		
	1	1	3-China		
				Total Assets	Legal Capital
Foreign Branches	1	17	1- Luxembourg	17,709,986	1,480,800
	1	12	2- Malta	28,536,237	-
	7	105	3- NCTR	1,547,883	15,520

5.8.2 Opening or closing of domestic and foreign branches and representative offices and significant changes in organisational structure

In 2016, 6 domestic branches were opened and 18 branches were closed.

5.9 Matters Arising Subsequent to Balance Sheet Date

None.

6 Other Disclosures on Activities of the Bank

6.1 Bank's latest international risk ratings

MOODY'S (26 September 2016)

Outlook	Stable
Long Term FC Deposit	Ba2
Long Term TL Deposit	Ba1
Short Term FC Deposit	Not prime
Short Term TL Deposit	Not prime
Basic Loan Assessment	ba2
Adjusted Loan Assessment	ba1
Long Term National Scale Rating (NSR)	Aa1.tr
Short Term NSR	TR-1

STANDARD AND POORS (8 November 2016)

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 (25 August 2016)

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

JCR EURASIA RATINGS (6 April 2016)

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

6.2 Dividends

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

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

6.3 Other disclosures

None.

7 Disclosures on Independent Auditors' Report

7.1 Disclosure on independent auditors' report

The unconsolidated financial statements of the Bank as of 31 December 2016, have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (a member of Deloitte Touche Tohmatsu Limited) and the independent auditors' report dated 30 January 2017, is presented before the accompanying financial statements.

7.2 Disclosures and footnotes prepared by independent accountants

None.

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