

*(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 2017

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

With Independent Auditors' Report Thereon

31 January 2018

*This report contains "Independent Auditors' Report"
comprising 5 pages and;"Unconsolidated Financial
Statements and Related Disclosures and
Footnotes" comprising 143 pages.*



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

Convenience Translation of the Independent Auditors' Report Originally Prepared
and Issued in Turkish to English (See Note I in Section Three)

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

A) Report on the Audit of the Unconsolidated Financial Statements

Qualified Opinion

We have audited the accompanying unconsolidated financial statements of Türkiye Garanti Bankası A.Ş. ("the Bank") which comprise the unconsolidated statement of financial position as at 31 December 2017 and the unconsolidated statement of income, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effect of the matter described in the Basis For Qualified Opinion section of our report, the unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Garanti Bankası A.Ş. as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations.

Basis for Qualified Opinion

The accompanying unconsolidated financial statements as at 31 December 2017 include a general provision of total of TL 1,160,000 thousands, of which TL 860,000 thousands was recognized as expense in the current period and TL 300,000 thousands had been recognized as expense in prior periods, which is provided by the Bank management for the possible effects of the negative circumstances which may arise in the economy or market conditions.



We conducted our audit in accordance with the "Regulation on Independent Audit of the Banks" published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Independent Standards on Auditing which is a component of the Turkish Auditing Standards ("TSA"s) published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the POA's Code of Ethics for Independent Auditors ("Code of Ethics") together with the ethical requirements that are relevant to our audit of the financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of loans

Refer to Section III, No: VIII to the unconsolidated financial statements relating to the details of accounting policies and significant judgments of for impairment of loans.

<i>Key audit matter</i>	<i>How the matter is addressed in our audit</i>
<p>As of 31 December 2017, loans comprise 64% of the Bank's total assets.</p> <p>The Bank recognizes its loans in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the "Regulation") published on the Official Gazette No. 26333 dated 1 November 2006.</p> <p>In accordance with the mentioned Regulation, the assessment of impairment is basically related to the proper classification of loans.</p> <p>The classification of loans is performed in accordance with the criteria in the Regulation.</p> <p>Those include both objective and subjective criteria which management judgment is applied.</p> <p>There is a potential risk of impaired loans cannot be detected and loan loss provisions are inaccurate due to subjectivity.</p> <p>Disclosures related to credit risk are presented in Section Four, No II Credit Risk.</p>	<p>Our procedures for testing the classification of loans in accordance with the Regulation and key assumptions made by management include below:</p> <ul style="list-style-type: none">• We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures.• We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information. In this context, the current status of the loan customer has been evaluated.• We tested the appropriateness of the provisions in accordance with the Regulation.• Additionally, we also evaluated the adequacy of financial statement disclosures related to impairment provisions.



Pension plan

Refer to Section III No: XVII to the unconsolidated financial statements relating to the details of accounting policies and significant judgments of for pension plan.

Key audit matter	How the matter was addressed in our audit
<p>The Bank's defined benefit pension plan (the "Plan") is managed by "Türkiye Garanti Bankası A.Ş. 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.</p> <p>As disclosed in the Note 3.17 to the unconsolidated financial statements, the Plan is composed of benefits which are subject to transfer to Social Security Foundation ("SSF") as per the Social Security Law no.5510 provisional article 20, and other social rights and pension benefits provided by the Bank that are not transferable to SSF. The Council of Ministers has been authorized to determine the transfer date.</p> <p>Following the transfer, the non-transferable social rights and pension benefits provided under the Plan will be covered by the funds and the institutions that employ the funds' members.</p> <p>As of 31 December 2017, the Bank's transferrable liabilities are calculated by an independent actuary using the actuarial assumptions regulated by Law, and in accordance with the Decision of the Council of Ministers announced in the Official Gazette dated 15 December 2006 and No.26377.</p> <p>As of 31 December 2017, the Bank's non-transferrable liabilities are also calculated by independent actuary in accordance with TAS 19.</p> <p>The valuation of the Pension Fund liabilities requires judgment in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, inflation levels, demographic assumptions, and the impact of changes in Pension Plan.</p> <p>Management uses independent actuaries to assist in assessing the uncertainty around these assumptions.</p> <p>Considering the subjectivity of key judgments and assumptions, plus the uncertainty around the transfer date and basis of the transfer calculation given the fact that the technical interest rate is prescribed under the law, we considered this to be a key audit matter.</p>	<ul style="list-style-type: none">• We have assessed whether there have been any significant changes in actuarial assumptions, methods and underlying regulations used in calculations.• Significant changes during the period in pension plan benefits, plan assets or membership profiles which affect liabilities have been evaluated.• We have involved our own actuarial specialist to assess the appropriateness of the actuarial assumptions and calculations performed by the external actuary.• We have evaluated whether the plan assets are adequate to cover the Pension Plan liabilities, under the methods and assumptions used.• Additionally, the adequacy of financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities have been evaluated.



Other Matter

The unconsolidated financial statements of the Bank as at and for the year ended 31 December 2016 was audited by another auditor who expressed a qualified opinion due to the general reserve provisions provided by the Bank on 30 January 2017.

Responsibilities of Management and Those Charged with Governance for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with the "BRSA Accounting and Reporting Legislation", and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with TSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2017 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

Additional paragraph for convenience translation to English:

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

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

Murat Alsan, SMMM
Partner

31 January 2018
İstanbul, Turkey

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2017

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

The unconsolidated 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)**.

Süleyman Sözen
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

Phone no: 90 212 318 23 50

Fax no: 90 212 216 59 02

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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 reached to 39.90% and BBVA become the main shareholder. Accordingly, the Bank was moved to the “Foreign Deposit Banks” category from the “Private Deposit Bank” category by the Banking Regulation and Supervision Agency (the BRSA).

The Bank provides banking services through 937 domestic branches, eight foreign branches and three representative offices abroad (31 December 2016: 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 2017, group of companies under BBVA that currently owns 49.85% shares of the Bank, is defined as the BBVA Group (the Group) and it is the main shareholder.

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

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

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

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

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

BBVA Group

BBVA is operating for more than 150 years, providing variety of wide spread financial and non-financial services to 70 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 and the market leader in South America, operates in more than 35 countries with more than 130 thousand employees.

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

Board of Directors Chairman and Members:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Süleyman Sözen	Chairman	29.05.1997	University	35 years
Sait Ergun Özen	Member	14.05.2003	University	30 years
Jorge Saenz Azcunaga Carranza	Vice Chairman Independent Member and Member of Audit Committee	24.03.2016	University	23 years
Dr. Muammer Cüneyt Sezgin	Member	30.06.2004	PhD	29 years
Belkis Sema Yurdum	Independent Member	30.04.2013	University	37 years
Jaime Saenz de Tejada Pulido	Member	02.10.2014	University	24 years
Javier Bernal Dionis	Independent Member and Member of Audit Committee	27.07.2015	Master	27 years
Ali Fuat Erbil	Member and CEO	02.09.2015	PhD	25 years
Rafael Salinas Martinez de Lecea	Member	08.05.2017	Master	27 years
Ricardo Gomez Barredo	Member	08.05.2017	Master	25 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	25 years
Gökhan Erün	EVP-Corporate Banking and Treasury Deputy CEO	01.09.2005	Master	23 years
Halil Hüsnü Erel	EVP-Technology, Operation Center, Marketing and Business Development	16.06.1997	University	42 years
Avni Aydın Düren	EVP-Legal Services and Collection	01.02.2009	Master	23 years
Betül Ebru Edin	EVP-Project Finance	25.11.2009	University	23 years
Didem Başer	EVP-Digital Banking	20.03.2012	Master	22 years
Recep Baştuğ	EVP-Commercial Banking	01.01.2013	University	27 years
Osman Nuri Tüzün	EVP- Human Resources and Support Services	19.08.2015	Master	25 years
Aydın Güler	EVP-Finance and Accounting	03.02.2016	University	27 years
Ali Temel	Head of Credit Risk Management	03.02.2016	University	27 years
Mahmut Akten	EVP-Retail Banking	17.01.2017	Master	17 years
Cemal Onaran	EVP-SME Banking	17.01.2017	University	26 years

Gökhan Erün resigned his position as “EVP responsible from Corporate Banking and Treasury and Deputy CEO” on 15 January 2018.

As of 31 January 2018, Betül Ebru Edin’s responsibility was revised as “EVP responsible from Corporate Banking, Treasury and Project Finance” and Didem Başer’s responsibility was revised as “EVP responsible from Digital Banking, Customer Experience, Corporate Brand Management and Marketing Communication”.

The top management listed above does not hold any material 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	2,093,700	49,85%	2,093,700	-
Doğuş Holding AŞ	2,107	0,05%	2,107	-

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 2017

ASSETS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD 31 December 2017			PRIOR PERIOD 31 December 2016		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH CENTRAL BANK	(5.1.1)	7,635,956	25,776,547	33,412,503	6,723,703	17,061,431	23,785,134
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	(5.1.2)	2,179,906	470,244	2,650,150	2,683,405	823,023	3,506,428
2.1 Financial assets held for trading		2,179,906	470,244	2,650,150	2,683,405	823,023	3,506,428
2.1.1 Government securities		785,296	16,604	801,900	41,945	29,492	71,437
2.1.2 Equity securities		28,116	-	28,116	21,137	-	21,137
2.1.3 Derivative financial assets held for trading		1,363,765	450,551	1,814,316	2,620,323	770,662	3,390,985
2.1.4 Other securities		2,729	3,089	5,818	-	22,869	22,869
2.2 Financial assets valued at fair value through profit or loss		-	-	-	-	-	-
2.2.1 Government securities		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Loans	(5.1.2)	-	-	-	-	-	-
2.2.4 Other securities		-	-	-	-	-	-
III. BANKS	(5.1.3)	205,635	14,112,838	14,318,473	446,654	11,872,272	12,318,926
IV. INTERBANK MONEY MARKETS		-	-	-	-	351,691	351,691
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	351,691	351,691
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	(5.1.4)	22,222,532	522,170	22,744,702	18,497,281	1,415,288	19,912,569
5.1 Equity securities		41,760	216,581	258,341	40,985	153,922	194,907
5.2 Government securities		21,912,629	231,769	22,144,398	17,669,410	341,720	18,011,130
5.3 Other securities		268,143	73,820	341,963	786,886	919,646	1,706,532
VI. LOANS	(5.1.5)	142,937,709	66,742,168	209,679,877	118,726,991	67,321,237	186,048,228
6.1 Performing loans		141,888,832	66,742,168	208,631,000	117,721,708	67,321,237	185,042,945
6.1.1 Loans to bank's risk group	(5.7)	747,475	2,690,988	3,438,463	434,870	2,529,219	2,964,089
6.1.2 Government securities		-	-	-	-	-	-
6.1.3 Others		141,141,357	64,051,180	205,192,537	117,286,838	64,792,018	182,078,856
6.2 Loans under follow-up		5,408,114	-	5,408,114	5,272,774	-	5,272,774
6.3 Specific provisions (-)		4,359,237	-	4,359,237	4,267,491	-	4,267,491
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. INVESTMENTS HELD-TO-MATURITY (Net)	(5.1.6)	12,900,962	11,984,381	24,885,343	12,139,123	11,501,061	23,640,184
8.1 Government securities		12,815,088	7,417,468	20,232,556	12,122,339	6,986,465	19,108,804
8.2 Other securities		85,874	4,566,913	4,652,787	16,784	4,514,596	4,531,380
IX. INVESTMENTS IN ASSOCIATES (Net)	(5.1.7)	35,158	-	35,158	36,698	-	36,698
9.1 Associates consolidated under equity accounting		-	-	-	-	-	-
9.2 Unconsolidated associates		35,158	-	35,158	36,698	-	36,698
9.2.1 Financial investments in associates		31,492	-	31,492	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)	2,813,701	3,725,770	6,539,471	2,426,067	2,747,797	5,173,864
10.1 Unconsolidated financial investments in affiliates		2,709,329	3,725,770	6,435,099	2,321,831	2,747,797	5,069,628
10.2 Unconsolidated non-financial investments in affiliates		104,372	-	104,372	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 HEDGING PURPOSE	(5.1.11)	535,561	112,714	648,275	79,472	509,742	589,214
13.1 Fair value hedges		89,104	13,001	102,105	73,946	10,420	84,366
13.2 Cash flow hedges		446,457	99,713	546,170	5,526	499,322	504,848
13.3 Net foreign investment hedges		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(5.1.12)	3,769,116	263	3,769,379	3,388,468	280	3,388,748
XV. INTANGIBLE ASSETS (Net)	(5.1.13)	285,654	-	285,654	238,996	17	239,013
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		285,654	-	285,654	238,996	17	239,013
XVI. INVESTMENT PROPERTY (Net)	(5.1.14)	690,588	-	690,588	670,370	-	670,370
XVII. TAX ASSET		356,684	-	356,684	127,709	-	127,709
17.1 Current tax asset		-	-	-	-	-	-
17.2 Deferred tax asset	(5.1.15)	356,684	-	356,684	127,709	-	127,709
XVIII. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(5.1.16)	775,428	-	775,428	589,726	-	589,726
18.1 Assets held for sale		775,428	-	775,428	589,726	-	589,726
18.2 Assets of discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(5.1.17)	3,513,511	927,078	4,440,589	2,880,105	896,793	3,776,898
TOTAL ASSETS		200,858,101	124,374,173	325,232,274	169,654,768	114,500,632	284,155,400

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

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

LIABILITIES AND SHAREHOLDERS' EQUITY		Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD			PRIOR PERIOD		
			31 December 2017			31 December 2016		
		TL	FC	Total	TL	FC	Total	
I. DEPOSITS	(5.2.1)	89,230,296	91,885,709	181,116,005	76,285,152	84,946,445	161,231,597	
1.1 Deposits from bank's risk group	(5.7)	1,591,710	576,385	2,168,095	1,473,675	496,796	1,970,471	
1.2 Others		87,638,586	91,309,324	178,947,910	74,811,477	84,449,649	159,261,126	
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(5.2.2)	2,359,187	393,543	2,752,730	2,608,676	887,946	3,496,622	
III. FUNDS BORROWED	(5.2.3)	742,583	40,062,240	40,804,823	2,121,662	38,164,706	40,286,368	
IV. INTERBANK MONEY MARKETS	(5.2.4)	12,582,894	4,081,694	16,664,588	9,769,387	-	9,769,387	
4.1 Interbank money market takings		11,712,429	3,892,261	15,604,690	2,501,180	-	2,501,180	
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-	
4.3 Obligations under repurchase agreements		870,465	189,433	1,059,898	7,268,207	-	7,268,207	
V. SECURITIES ISSUED (Net)	(5.2.4)	6,960,619	12,330,741	19,291,360	4,769,223	11,667,656	16,436,879	
5.1 Bills		2,975,784	-	2,975,784	1,213,929	-	1,213,929	
5.2 Asset backed securities		-	-	-	-	-	-	
5.3 Bonds		3,984,835	12,330,741	16,315,576	3,555,294	11,667,656	15,222,950	
VI. FUNDS		-	-	-	-	-	-	
6.1 Borrower funds		-	-	-	-	-	-	
6.2 Others		-	-	-	-	-	-	
VII. MISCELLANEOUS PAYABLES	(5.2.4.3)	9,489,981	483,915	9,973,896	8,191,446	896,693	9,088,139	
VIII. OTHER EXTERNAL FUNDINGS PAYABLE		2,124,799	741,751	2,866,550	2,155,786	825,526	2,981,312	
IX. FACTORING PAYABLES		-	-	-	-	-	-	
X. LEASE PAYABLES (Net)	(5.2.5)	6,939	-	6,939	17,092	-	17,092	
10.1 Financial lease payables		7,903	-	7,903	18,404	-	18,404	
10.2 Operational lease payables		-	-	-	-	-	-	
10.3 Others		-	-	-	-	-	-	
10.4 Deferred expenses (-)		964	-	964	1,312	-	1,312	
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING PURPOSE	(5.2.6)	6,227	173,843	180,070	26,671	252,865	279,536	
11.1 Fair value hedges		6,227	171,764	177,991	26,671	231,062	257,733	
11.2 Cash flow hedges		-	2,079	2,079	-	21,803	21,803	
11.3 Net foreign investment hedges		-	-	-	-	-	-	
XII. PROVISIONS	(5.2.7)	6,054,358	252,296	6,306,654	4,542,015	71,989	4,614,004	
12.1 General provisions		3,597,720	-	3,597,720	3,118,954	52,209	3,171,163	
12.2 Restructuring reserves		-	-	-	-	-	-	
12.3 Reserve for employee benefits		785,778	67,039	852,817	679,871	-	679,871	
12.4 Insurance technical provisions (Net)		-	-	-	-	-	-	
12.5 Other provisions		1,670,860	185,257	1,856,117	743,190	19,780	762,970	
XIII. TAX LIABILITY	(5.2.8)	1,059,984	27,994	1,087,978	413,611	1,773	415,384	
13.1 Current tax liability		1,059,984	27,994	1,087,978	413,611	1,773	415,384	
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)	-	2,849,471	2,849,471	-	-	-	
XVI. SHAREHOLDERS' EQUITY	(5.2.11)	40,832,869	498,341	41,331,210	35,253,222	285,858	35,539,080	
16.1 Paid-in capital		4,200,000	-	4,200,000	4,200,000	-	4,200,000	
16.2 Capital reserves		3,318,450	264,862	3,583,312	2,824,926	57,875	2,882,801	
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		1,329,094	191,658	1,520,752	630,378	(8,235)	622,143	
16.2.4 Revaluation surplus on tangible assets		1,659,472	-	1,659,472	1,626,437	-	1,626,437	
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		1,856	-	1,856	1,891	-	1,891	
16.2.8 Hedging reserves (effective portion)		(313,414)	73,204	(240,210)	(114,596)	66,110	(48,486)	
16.2.9 Revaluation surplus on assets held for sale and assets of discontinued operations		-	-	-	-	-	-	
16.2.10 Other capital reserves		629,562	-	629,562	668,936	-	668,936	
16.3 Profit reserves		26,970,499	233,479	27,203,978	23,157,747	227,983	23,385,730	
16.3.1 Legal reserves		1,311,374	-	1,311,374	1,191,409	14,751	1,206,160	
16.3.2 Status reserves		-	-	-	-	-	-	
16.3.3 Extraordinary reserves		25,659,125	-	25,659,125	21,966,338	6,576	21,972,914	
16.3.4 Other profit reserves		-	233,479	233,479	-	206,656	206,656	
16.4 Profit or loss		6,343,920	-	6,343,920	5,070,549	-	5,070,549	
16.4.1 Prior periods profit/loss		-	-	-	-	-	-	
16.4.2 Current period net profit/loss		6,343,920	-	6,343,920	5,070,549	-	5,070,549	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		171,450,736	153,781,538	325,232,274	146,153,943	138,001,457	284,155,400	

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

Türkiye Garanti Bankası Anonim Şirketi**Off-Balance Sheet Items**

At 31 December 2017

OFF-BALANCE SHEET ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD 31 December 2017			PRIOR PERIOD 31 December 2016		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		185,560,203	279,381,530	464,941,733	157,869,378	254,864,074	412,733,452
I. GUARANTEES AND SURETIES	(5.3.1)	19,423,804	35,127,536	54,551,340	17,129,482	37,643,674	54,773,156
1.1. Letters of guarantee		19,404,733	19,534,558	38,939,291	17,101,636	20,378,358	37,479,994
1.1.1. Guarantees subject to State Tender Law		-	981,914	981,914	-	1,029,481	1,029,481
1.1.2. Guarantees given for foreign trade operations		1,842,819	214,343	2,057,162	2,133,194	184,959	2,318,153
1.1.3. Other letters of guarantee		17,561,914	18,338,301	35,900,215	14,968,442	19,163,918	34,132,360
1.2. Bank acceptances		14,273	1,536,377	1,550,650	27,846	2,099,488	2,127,334
1.2.1. Import letter of acceptance		14,273	1,536,377	1,550,650	27,846	2,099,488	2,127,334
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		4,798	13,886,269	13,891,067	-	15,010,812	15,010,812
1.3.1. Documentary letters of credit		-	-	-	-	-	-
1.3.2. Other letters of credit		4,798	13,886,269	13,891,067	-	15,010,812	15,010,812
1.4. Guaranteed prefinancings		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Underwriting commitments		-	-	-	-	-	-
1.7. Factoring related guarantees		-	-	-	-	-	-
1.8. Other guarantees		-	170,332	170,332	-	155,016	155,016
1.9. Other sureties		-	-	-	-	-	-
II. COMMITMENTS	(5.3.1)	44,705,472	10,876,669	55,582,141	39,351,241	10,239,401	49,590,642
2.1. Irrevocable commitments		44,549,356	6,079,029	50,628,385	39,328,201	5,584,680	44,912,881
2.1.1. Asset purchase and sale commitments		2,193,999	5,020,534	7,214,533	194,033	3,087,739	3,281,772
2.1.2. Deposit purchase and sale commitments		-	-	-	-	74,040	74,040
2.1.3. Share capital commitments to associates and affiliates		-	6,443	6,443	-	5,266	5,266
2.1.4. Loan granting commitments		9,496,041	1,052,052	10,548,093	6,995,108	2,329,810	9,324,918
2.1.5. Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Commitments for cheque payments		3,797,901	-	3,797,901	3,555,087	-	3,555,087
2.1.8. Tax and fund obligations on export commitments		31,365	-	31,365	24,000	-	24,000
2.1.9. Commitments for credit card limits		29,021,192	-	29,021,192	27,849,612	-	27,849,612
2.1.10. Commitments for credit cards and banking services related promotions		8,273	-	8,273	8,708	-	8,708
2.1.11. Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12. Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13. Other irrevocable commitments		585	-	585	701,653	87,825	789,478
2.2. Revocable commitments		156,116	4,797,640	4,953,756	23,040	4,654,721	4,677,761
2.2.1. Revocable loan granting commitments		156,116	4,796,577	4,952,693	23,040	4,653,740	4,676,780
2.2.2. Other revocable commitments		-	1,063	1,063	-	981	981
III. DERIVATIVE FINANCIAL INSTRUMENTS	(5.3.2)	121,430,927	233,377,325	354,808,252	101,388,655	206,980,999	308,369,654
3.1. Derivative financial instruments held for risk management		6,209,384	33,820,121	40,029,505	9,252,323	25,283,122	34,535,445
3.1.1. Fair value hedges		5,452,476	10,917,068	16,369,544	7,307,595	11,982,560	19,290,155
3.1.2. Cash flow hedges		756,908	22,903,053	23,659,961	1,944,728	13,300,562	15,245,290
3.1.3. Net foreign investment hedges		-	-	-	-	-	-
3.2. Trading derivatives		115,221,543	199,557,204	314,778,747	92,136,332	181,697,877	273,834,209
3.2.1. Forward foreign currency purchases/sales		15,469,233	18,172,329	33,641,562	12,078,449	15,532,976	27,611,425
3.2.1.1. Forward foreign currency purchases		5,314,366	11,414,992	16,729,358	3,787,239	10,023,975	13,811,214
3.2.1.2. Forward foreign currency sales		10,154,867	6,757,337	16,912,204	8,291,210	5,509,001	13,800,211
3.2.2. Currency and interest rate swaps		86,887,004	142,571,587	229,458,591	60,234,373	123,150,097	183,384,470
3.2.2.1. Currency swaps-purchases		31,299,492	68,076,807	99,376,299	22,670,532	51,279,287	73,949,819
3.2.2.2. Currency swaps-sales		54,918,480	40,199,456	95,117,936	37,069,193	36,646,410	73,715,603
3.2.2.3. Interest rate swaps-purchases		334,516	17,147,662	17,482,178	247,324	17,612,200	17,859,524
3.2.2.4. Interest rate swaps-sales		334,516	17,147,662	17,482,178	247,324	17,612,200	17,859,524
3.2.3. Currency, interest rate and security options		12,818,794	23,902,493	36,721,287	19,800,600	34,032,828	53,833,428
3.2.3.1. Currency call options		6,743,561	6,323,428	13,066,989	8,553,567	14,398,056	22,951,623
3.2.3.2. Currency put options		6,075,233	7,342,382	13,417,615	11,247,033	12,836,688	24,083,721
3.2.3.3. Interest rate call options		-	9,247,686	9,247,686	-	5,927,914	5,927,914
3.2.3.4. Interest rate put options		-	988,997	988,997	-	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		46,512	76,172	122,684	22,910	130,674	153,584
3.2.4.1. Currency futures-purchases		3,931	44,824	48,755	323	80,808	81,131
3.2.4.2. Currency futures-sales		42,581	31,348	73,929	22,587	49,866	72,453
3.2.5. Interest rate futures		-	18,879	18,879	-	100,121	100,121
3.2.5.1. Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2. Interest rate futures-sales		-	18,879	18,879	-	100,121	100,121
3.2.6. Others		-	14,815,744	14,815,744	-	8,751,181	8,751,181
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		698,186,647	572,923,608	1,271,110,255	610,833,455	492,229,874	1,103,063,329
IV. ITEMS HELD IN CUSTODY		40,177,428	37,149,126	77,326,554	37,633,094	40,122,694	77,755,788
4.1. Customers' securities held		5,730,394	-	5,730,394	4,451,352	-	4,451,352
4.2. Investment securities held in custody		15,042,103	16,314,890	31,356,993	16,489,131	17,080,586	33,569,717
4.3. Checks received for collection		16,452,460	3,834,041	20,286,501	14,019,472	3,108,354	17,127,826
4.4. Commercial notes received for collection		2,823,300	896,170	3,719,470	2,550,127	1,161,146	3,711,273
4.5. Other assets received for collection		98,797	13,827,897	13,926,694	78,792	16,034,037	16,112,829
4.6. Assets received through public offering		-	92,625	92,625	-	85,344	85,344
4.7. Other items under custody		30,374	2,183,503	2,213,877	44,220	2,653,227	2,697,447
4.8. Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		658,009,219	535,774,482	1,193,783,701	573,200,361	452,107,180	1,025,307,541
5.1. Securities		3,875,306	56,565	3,931,871	4,360,547	82,069	4,442,526
5.2. Guarantee notes		36,573,477	13,944,069	50,517,546	37,862,446	12,953,452	50,815,898
5.3. Commodities		14,095	-	14,095	19,841	-	19,841
5.4. Warranties		-	-	-	-	-	-
5.5. Real estates		158,916,114	106,935,147	265,851,261	140,149,925	84,680,100	224,830,025
5.6. Other pledged items		458,630,227	414,838,635	873,468,862	390,807,522	354,391,505	745,199,027
5.7. Pledged items-depository		-	66	66	170	54	224
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		883,746,850	852,305,138	1,736,051,988	768,702,833	747,093,948	1,515,796,781

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 2017

INCOME AND EXPENSE ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD 1 January 2017- 31 December 2017	PRIOR PERIOD 1 January 2016- 31 December 2016
I. INTEREST INCOME	(5.4.1)	26,607,782	20,915,217
1.1 Interest income on loans		21,094,311	16,783,444
1.2 Interest income on reserve deposits		222,102	237,553
1.3 Interest income on banks		304,106	89,536
1.4 Interest income on money market transactions		12,496	6,417
1.5 Interest income on securities portfolio		4,732,483	3,577,267
1.5.1 Trading financial assets		37,278	17,461
1.5.2 Financial assets valued at fair value through profit or loss		-	-
1.5.3 Financial assets available-for-sale		2,464,782	1,903,637
1.5.4 Investments held-to-maturity		2,230,423	1,656,169
1.6 Financial lease income		-	-
1.7 Other interest income		242,284	221,000
II. INTEREST EXPENSE	(5.4.2)	12,139,432	9,818,275
2.1 Interest on deposits		8,375,847	6,883,319
2.2 Interest on funds borrowed		1,136,474	945,054
2.3 Interest on money market transactions		1,165,445	998,553
2.4 Interest on securities issued		1,438,464	964,300
2.5 Other interest expenses		23,202	27,049
III. NET INTEREST INCOME (I - II)		14,468,350	11,096,942
IV. NET FEES AND COMMISSIONS INCOME		3,680,204	3,151,738
4.1 Fees and commissions received		4,876,857	4,142,158
4.1.1 Non-cash loans		402,978	320,899
4.1.2 Others		4,473,879	3,821,259
4.2 Fees and commissions paid		1,196,653	990,420
4.2.1 Non-cash loans		3,055	3,138
4.2.2 Others		1,193,598	987,282
V. DIVIDEND INCOME	(5.4.3)	6,873	6,902
VI. NET TRADING INCOME/LOSSES (Net)	(5.4.4)	(1,916,031)	(791,241)
6.1 Trading account income/losses		(387,211)	290,027
6.2 Income/losses from derivative financial instruments		(3,230,603)	(742,585)
6.3 Foreign exchange gains/losses		1,701,783	(338,683)
VII. OTHER OPERATING INCOME	(5.4.5)	981,952	1,364,227
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		17,221,348	14,828,568
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	(5.4.6)	3,160,328	2,814,864
X. OTHER OPERATING EXPENSES (-)	(5.4.7)	6,517,649	6,118,538
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		7,543,371	5,895,166
XII. INCOME RESULTED FROM MERGERS		-	-
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		607,953	398,272
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-
XV. OPERATING PROFIT/LOSS BEFORE TAXES (XI+XII+XIII+XIV)	(5.4.8)	8,151,324	6,293,438
XVI. PROVISION FOR TAXES (±)	(5.4.9)	1,807,404	1,222,889
16.1 Current tax charge		2,137,034	884,471
16.2 Deferred tax charge/(credit)		(329,630)	338,418
XVII. NET OPERATING PROFIT/LOSS AFTER TAXES (XV±XVI)	(5.4.10)	6,343,920	5,070,549
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)	6,343,920	5,070,549
Earnings per Share		0.01510	0.01207

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 2017

INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY	THOUSANDS OF TURKISH LIRA (TL)	
	CURRENT PERIOD 1 January 2017- 31 December 2017	PRIOR PERIOD 1 January 2016- 31 December 2016
I. MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"	147,736	(338,406)
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	130,772	-
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	688,571	497,265
V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)	54,596	12,072
VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	(291,003)	(180,457)
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS	-	-
VIII. OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	69,054	(20,584)
IX. DEFERRED TAXES ON VALUE INCREASES/DECREASES	(101,516)	84,586
X. NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+III+IV+V+VI+VII+VIII+IX)	698,210	54,476
XI. CURRENT PERIOD PROFIT/LOSSES	6,343,920	5,070,549
1.1 Net changes in fair value of securities (transferred to income statement)	(51,958)	158,603
1.2 Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement	(84,011)	(125,898)
1.3 Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-	-
1.4 Others	6,479,889	5,037,844
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)	7,042,130	5,125,025

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 2017

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 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. 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	-	1,168,329	-	19,159,612	100,008	-	3,406,507	441,960	1,631,907	1,891	86,407	-	30,981,055
Changes during the period																	
IV. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Market value changes of securities		-	-	-	-	-	-	-	-	-	-	(294,221)	-	-	-	-	(294,221)
VI. Hedging reserves		-	-	-	-	-	-	-	-	-	-	-	-	(134,893)	-	-	(134,893)
6.1. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	9,473	-	-	9,473
6.2. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	(144,366)	-	-	(144,366)
VII. Revaluation surplus on tangible assets		-	-	-	-	-	-	8,303	-	-	-	-	(8,622)	-	-	-	(319)
VIII. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares of associates, affiliates and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Translation differences		-	-	-	-	2,131	-	949	29,860	-	-	464,325	-	-	-	-	497,265
XI. Changes resulted from disposal of assets		-	-	-	-	-	-	4,200	-	-	-	-	-	-	-	-	4,200
XII. Changes resulted from reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	10,079	-	-	-	-	10,079
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		-	-	-	-	-	-	766	(27,635)	-	-	-	(766)	-	-	-	(27,635)
XIX. Current period net profit/loss		-	-	-	-	-	-	-	-	5,070,549	-	-	-	-	-	-	5,070,549
XX. Profit distribution		-	-	-	-	35,700	-	2,799,084	805	-	(3,406,507)	-	3,918	-	-	-	(567,000)
20.1. Dividends		-	-	-	-	-	-	-	-	-	(567,000)	-	-	-	-	-	(567,000)
20.2. Transfers to reserves		-	-	-	-	35,700	-	2,799,084	-	-	(2,834,784)	-	-	-	-	-	-
20.3. Others		-	-	-	-	-	-	-	805	-	(4,723)	-	3,918	-	-	-	-
Balances at end of the period (III+IV+V+.....+XVIII+XIX+XX)		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
CURRENT PERIOD (1 January - 31 December 2017)																	
I. Balances at beginning of the period		4,200,000	772,554	11,880	-	1,206,160	-	21,972,914	103,038	-	5,070,549	622,143	1,626,437	1,891	(48,486)	-	35,539,080
II. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Market value changes of securities		-	-	-	-	-	-	-	-	-	-	141,009	-	-	-	-	141,009
IV. Hedging reserves		-	-	-	-	-	-	-	-	-	-	-	-	(191,724)	-	-	(191,724)
4.1. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	41,079	-	-	41,079
4.2. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	(232,803)	-	-	(232,803)
V. Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	(18,544)	-	-	-	-	(18,544)
VI. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares of associates, affiliates and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	(35)	-	-	(35)
VIII. Translation differences		-	-	-	-	1,214	-	617	47,447	-	-	639,293	-	-	-	-	688,571
IX. Changes resulted from disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes resulted from reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase		-	-	-	-	-	-	-	-	-	-	118,307	-	-	-	-	118,307
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		-	-	-	-	-	-	196,656	(65,736)	-	-	-	(170,294)	-	-	-	(39,374)
XVII. Current period net profit/loss		-	-	-	-	-	-	-	-	6,343,920	-	-	-	-	-	-	6,343,920
XVIII. Profit distribution		-	-	-	-	104,000	-	3,488,938	5,738	-	(5,070,549)	-	221,873	-	-	-	(1,250,000)
18.1. Dividends		-	-	-	-	-	-	-	-	-	(1,250,000)	-	-	-	-	-	(1,250,000)
18.2. Transfers to reserves		-	-	-	-	104,000	-	3,488,938	-	-	(3,592,938)	-	-	-	-	-	(0)
18.3. Others		-	-	-	-	-	-	-	5,738	-	(227,611)	-	221,873	-	-	-	(0)
Balances at end of the period (I+II+III+.....+XVI+XVII+XVIII)		4,200,000	772,554	11,880	-	1,311,374	-	25,659,125	90,487	6,343,920	-	1,520,752	1,659,472	1,856	(240,210)	-	41,331,210

Türkiye Garanti Bankası Anonim Şirketi
Statement of Cash Flows
For the Year Ended 31 December 2017

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD 1 January 2017- 31 December 2017	PRIOR PERIOD 1 January 2016- 31 December 2016
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		6,534,574	4,770,050
1.1.1 Interests received		23,115,971	19,229,882
1.1.2 Interests paid		(11,453,366)	(10,011,667)
1.1.3 Dividend received		6,873	6,902
1.1.4 Fees and commissions received		4,876,857	4,142,158
1.1.5 Other income		594,741	1,524,254
1.1.6 Collections from previously written-off loans and other receivables		141,713	148,649
1.1.7 Payments to personnel and service suppliers		(5,906,017)	(5,554,231)
1.1.8 Taxes paid		(1,494,053)	(1,158,390)
1.1.9 Others	(5.6)	(3,348,145)	(3,557,507)
1.2 Changes in operating assets and liabilities		(10,739,782)	(1,920,647)
1.2.1 Net (increase) decrease in financial assets held for trading		(718,547)	51,124
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		(11,936,973)	4,750,956
1.2.4 Net (increase) decrease in loans		(24,918,044)	(29,241,092)
1.2.5 Net (increase) decrease in other assets		(820,026)	548,698
1.2.6 Net increase (decrease) in bank deposits		(2,527,244)	(1,805,074)
1.2.7 Net increase (decrease) in other deposits		22,165,746	22,073,158
1.2.8 Net increase (decrease) in funds borrowed		7,009,966	1,672,475
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	(5.6)	1,005,340	(170,892)
I. Net cash flow from banking operations		(4,205,208)	2,849,403
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash flow from investing activities		(1,440,215)	826,972
2.1 Cash paid for purchase of associates, affiliates and joint-ventures		(150)	(53,484)
2.2 Cash obtained from sale of associates, affiliates and joint-ventures		1,540	135,173
2.3 Purchases of tangible assets		(543,481)	(959,045)
2.4 Sales of tangible assets		245,269	90,042
2.5 Cash paid for purchase of financial assets available-for-sale		(9,428,962)	(7,154,252)
2.6 Cash obtained from sale of financial assets available-for-sale		7,601,584	8,080,258
2.7 Cash paid for purchase of investments held-to-maturity		(302,008)	(498,479)
2.8 Cash obtained from sale of investments held-to-maturity		985,993	1,186,759
2.9 Others	(5.6)	-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		4,401,577	(305,466)
3.1 Cash obtained from funds borrowed and securities issued		20,037,570	5,939,235
3.2 Cash used for repayment of funds borrowed and securities issued		(14,368,795)	(5,661,529)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		(1,250,000)	(567,000)
3.5 Payments for financial leases		(17,198)	(16,172)
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)	592,678	762,550
V. Net increase/(decrease) in cash and cash equivalents		(651,168)	4,133,459
VI. Cash and cash equivalents at beginning of period		13,011,577	8,878,118
VII. Cash and cash equivalents at end of period		12,360,409	13,011,577

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

Türkiye Garanti Bankası Anonim Şirketi
Statement of Profit Distribution

At 31 December 2017

STATEMENT OF PROFIT DISTRIBUTION		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD (*)	PRIOR PERIOD
		31 December 2017	31 December 2016
I.	DISTRIBUTION OF CURRENT YEAR PROFIT		
1.1	CURRENT PERIOD PROFIT	8,151,324	6,293,438
1.2	TAXES AND LEGAL DUTIES PAYABLE (-)	1,807,404	1,222,889
1.2.1	Corporate tax (income tax)	1,807,404	1,222,889
1.2.2	Withholding tax	-	-
1.2.3	Other taxes and duties	-	-
A.	NET PROFIT FOR THE PERIOD (1.1-1.2)	6,343,920	5,070,549
1.3	ACCUMULATED LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	-
1.5	OTHER STATUTORY RESERVES (-)	-	227,611
B.	NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]	-	4,842,938
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 (-)	-	1,040,000
1.9.1	To owners of ordinary shares	-	1,040,000
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 (-)	-	104,000
1.11	STATUS RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	3,488,938
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)	0.015	0.01207
3.2	TO OWNERS OF ORDINARY SHARES (%)	151.046	120.73
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)	-	0.00298
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	29.76
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) Decision regarding to the 2017 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.

New and revised Turkish Accounting Standards effective for annual periods beginning on or after 1 January 2017 have no material effect on the financial statements, financial performance and on Bank’s accounting policies and accounting estimates. New and revised Turkish Accounting Standards issued but not yet effective have no material effect on the financial statements, financial performance and on Bank’s accounting policies and accounting estimates, except for IFRS9 which will be effective from periods beginning on or after 1 January 2018. The Bank continues to work in order to comply with TFRS9 standard, and the related studies are summarized in Note 3.29 Other disclosures.

The accounting policies and the valuation principles applied in the preparation of the accompanying financial statements are explained in Notes 3.2 to 3.29.

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 investment hedge amounting to EUR 366,532,341 (31 December 2016: EUR 333,487,913) in total among investments in Garanti Bank International NV and Garanti Holding BV having capitals denominated in foreign currencies and long term foreign currency borrowings. Foreign exchange losses in the amount of TL 438,651 thousands (31 December 2016: TL 147,648 thousands), arising from conversion of both foreign currency investments and long term foreign currency borrowings are accounted under capital reserves and hedging reserves, respectively under equity as of 31 December 2017. There is no ineffective portion arising from 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 TAS 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 Bank’s derivative transactions mainly consist of foreign currency and interest rate swaps, foreign currency options and forward foreign currency purchase/sale contracts.

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

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

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

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

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

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

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

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

3.4.2 Derivative financial instruments held for hedging purpose

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

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

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

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

3.5 Interest income and expenses

Interest is recorded according to the effective interest rate method (rate equal to the rate in calculation of present value of future cash flows of financial assets or liabilities) defined in the 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 and held by the intent and ability to hold until maturity, excluding originated loans and receivables.

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

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

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

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

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

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

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

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

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

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

3.8 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.26333 dated 1 November 2006. The allowances are recorded in income statement of the related period.

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

3.9 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.

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

3.9.2 Derecognition of financial 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 on such securities.

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

3.11 Assets held for sale, discontinued operations and related liabilities

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

A discontinued operation is a part of the Bank’s business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in 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 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 than the carrying value of the related asset, a provision for impairment loss is provided.

3.13 Tangible assets

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

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

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

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

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

3.15 Provisions and contingent liabilities

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

3.16 Contingent assets

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

3.17 Liabilities for employee benefits

Severance indemnities and short-term employee benefits

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

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

	31 December 2017	31 December 2016
	%	%
Net Effective Discount Rate	3.04	3.43
Discount Rate	11.70	11.20
Expected Rate of Salary Increase	9.90	9.30
Inflation Rate	8.40	7.80

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 2017	
	Employer	Employee
Pension contributions	15.5%	10.0%
Medical benefit contributions	6.0%	5.0%

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

a) Benefits transferable to SSF

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

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

As per the Law, the present value of post-employment benefits as at the transfer date for the fund members to be transferred, are to be calculated by a commission composing from the representatives of the SSF, the Ministry of Finance, the Undersecretariat of Treasury, the Undersecretariat of State Planning Organisation, the BRSA, the Savings Deposit Insurance Fund (“SDIF”), the banks and the funds, by using a technical discount rate of 9.80% taking into account the funds’ income and expenses as per insurance

classes and the transferable contributions and payments of the funds including any salary and income differences paid by the funds above the limits of SSF for such payments. The transfers are to take place within the three-year period starting from 1 January 2008. Subsequently, the transfer of the contributors and the persons receiving monthly or regular income and their right-holders from such funds established for employees of the banks, insurance and reinsurance companies, trade chambers, stock markets and unions that are part of these organizations subject to the provisional article 20 of the Social Security Law no.506 to the SSF, has been postponed for two years. The decision was made by the Council of Ministers on 14 March 2011 and published in the Official Gazette no. 27900 dated 9 April 2011 as per the decision of the Council of Ministers, no.2011/1559, and as per the letter no. 150 of the Ministry of Labor and Social Security dated 24 February 2011 and according to the provisional article 20 of the Social Security and Public Health Insurance Law no.5510.

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

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

b) Other benefits not transferable to SSF

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

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

3.18 Taxation

3.18.1 Corporate tax

While the corporate tax rate was at the rate of 20% since 1 January 2016, for all companies, such rate has been set as 22% for the tax bases of the years 2018, 2019, and 2020 based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down to 20%. This rate is applied to tax base which is calculated by adding certain non deductible expenses for tax purposes and deducting certain exemptions (like dividend income) and other deductions on accounting income. If there is no dividend distribution, no further tax charges are made.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. As per the decisions no.2009/14593 and no.2009/14594 of the Council of Ministers published in the Official Gazette no.27130 dated 3 February 2009, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no.5520 are revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the nonresident institutions generating income in Turkey through

their operations or permanent representatives and the resident institutions is 15%. In applying the withholding tax rates on dividend payments to the nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

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

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

Effective between 1 January 2017 and 4 December 2017, earnings generated through transfer of real estates, equity shares, founders' shares, redeemed shares and pre-emption rights owned by the companies being under legal proceedings due to their debts to the banks or liable to the Savings Deposit Insurance Fund or by their guarantors and mortgage providers and earnings generated by the banks through sale of such assets are exempt from corporate tax at the rate of 75%.

Effective between 1 January 2017 and 4 December 2017, 75% of earnings generated through sale of real estates, equity shares, founders' shares, redeemed shares and pre-emption rights held as asset at least for two years by the institutions are exempt from the corporate tax with the conditions that such earnings shall be held in a special reserve account under equity until the end of five years following the year of sale and shall be collected as cash until the end of the following two fiscal years.

On the other hand, based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061, effective from 5 December 2017, the aforementioned exemption rate is set as 50% for the earnings generated through sale of real estates and 75% for the earnings generated through sale of other items.

he 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 presented in the tax declaration form that is due till the following year's month of November.

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.

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

3.18.3 Transfer pricing

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

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

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

3.19 Funds borrowed

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

In cases where such funds are valued at their amortised costs but this application results in measurement or accounting mismatch due to having the related financial instruments valued using different methods or the related gains or losses are recognized differently, such fundings

are reclassified as financial liabilities at their fair values through profit or loss at initial recognition in order to prevent such mismatch. The interest expenses paid during holding the related financial liabilities and the difference between the amortized cost and the acquisition cost are recorded as interest expense in income statement and the difference between the fair values and the amortized costs of the financial liabilities are recorded under trading account income/losses.

3.20 Share issuances

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

3.21 Confirmed bills of exchange and acceptances

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

3.22 Government incentives

As of 31 December 2017, the Bank does not have any government incentives or grants (2016: none).

3.23 Segment reporting

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

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

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

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

Retail banking customers form a wide-spread and sustainable deposit base for the Bank. Individual customers’ needs are met by diversified consumer banking products through branches and 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	7,724,130	6,464,771	333,916	2,691,658	17,214,475
Other	-	-	-	-	-
Total Operating Profit	7,724,130	6,464,771	333,916	2,691,658	17,214,475
Net Operating Profit	3,433,663	3,410,157	132,855	1,167,776	8,144,451
Income from Associates and Affiliates	-	-	-	6,873	6,873
Net Operating Profit	3,433,663	3,410,157	132,855	1,174,649	8,151,324
Provision for Taxes	-	-	-	1,807,404	1,807,404
Net Profit	3,433,663	3,410,157	132,855	(632,755)	6,343,920
Segment Assets	66,341,786	143,338,091	95,545,885	13,431,883	318,657,645
Investments in Associates and Affiliates	-	-	-	6,574,629	6,574,629
Total Assets	66,341,786	143,338,091	95,545,885	20,006,512	325,232,274
Segment Liabilities	118,171,969	74,209,246	84,161,479	7,358,370	283,901,064
Shareholders' Equity	-	-	-	41,331,210	41,331,210
Total Liabilities and Shareholders' Equity	118,171,969	74,209,246	84,161,479	48,689,580	325,232,274

<i>Prior 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

3.24 Profit reserves and profit appropriation

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

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

In the ordinary general assembly dated 30 March 2017, it was decided to distribute cash dividend from the net profit of the Bank amounting to TL 5,070,549 thousands from its 2016 operations to the shareholders as disclosed in Note 6.2.

3.25 Earnings per share

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

	<i>Current Period</i>	<i>Prior Period</i>
Distributable net profit for the year	6,343,920	5,070,549
Average number of issued common shares (thousand)	420,000,000	420,000,000
Earnings per share (amounts presented full TL)	0.01510	0.01207

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

There are no bonus shares issued in 2017 (2016: none).

3.26 Related parties

For the purpose of these financial statements, shareholders having control shares of the Bank, key management personnel and board members together with their families and companies controlled by/affiliated with them, associated companies and joint ventures and the Fund providing post employment benefits are considered and referred to as related parties in accordance with TAS 24 “Related Parties”. The transactions with related parties are disclosed in detail in Note 5.7.

3.27 Cash and cash equivalents

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

3.28 Reclassifications

None.

3.29 Other disclosures

In January 2017, Public Oversight Accounting and Auditing Standards Authority (“POA”) published the final version of TFRS 9 which replaces TAS 39. TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. In this context, it became compulsory for banks to adopt TFRS 9 effective from 1 January 2018 based on the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with procedures and principals regarding classification of loans and allowances allocated for such loans.

The Bank has been analysing the potential impact of the new standard on both in the classification of portfolios and in the valuation models of financial instruments ever since publication of the initial drafts of the standard.

During 2016 and 2017, the Bank conducted an extensive project to implement TFRS 9 with the participation of finance, risk, technology, economic research departments and business areas. In this project, it is established the definition of the processes regarding implementation of the

corresponding accounting policies and standards and made necessary preparations in connection with the presentation of the financial statements.

The impact assessment regarding three phases of TFRS 9 is explained below:

Measurement and Classification of Financial Instruments:

Financial Assets:

TFRS 9 contains a new approach regarding the classification and measurement of financial assets that reflects the business model in which the assets are managed and their cash flow characteristics. TFRS 9 contains three main categories of classification for financial assets: valued at amortized cost, valued at fair value with changes in other comprehensive income, and valued at fair value through profit or loss.

It is anticipated that the financial assets valued at fair value through profit or loss will continue to be measured at fair value. On the other hand, there might be classifications among the financial assets classified as financial assets valued at amortized cost or valued at fair value with changes in other comprehensive income depending on the characteristics of their business models.

Loans and receivables are held to collect contractual cash flows and such cash flows consist of principal and interest collections. The Bank analysed contractual cash flow characteristics of these financial instruments and decided to classify such instruments as financial assets valued at amortised cost. Accordingly, it shall not be possible to classify these financial instruments into a different category.

Based on the analysis carried out up until today, the Bank considers that the new classification requirements under TFRS 9 will not have a significant impact on the balance sheet of the Bank.

Financial Liabilities:

TFRS 9 maintains the requirements in TAS 39 for the classification of financial liabilities except for allowing accounting of the fair value changes occurred as a result of changes in a financial liability's own credit risk under other comprehensive income for the liabilities designated for fair value option (applicable for instances not affecting the accounting mismatch at large extent). Based on the evaluation of the Bank, it is not anticipated a significant impact regarding accounting of financial liabilities based on the scope of TFRS 9.

Impairment:

TFRS 9 replaces the "incurred losses" model in TAS 39 with a model of "expected credit loss". The new standard establishes three stages impairment model (general model) based on the change in credit quality subsequent to initial recognition.

Stage 1: Includes financial assets not having significant increase in their credit risk from initial recognition till the following reporting date or financial assets having low credit risk at the reporting date. It is recognized 12-month expected credit losses for such financial assets.

Stage 2: Includes financial assets having significant increase in their credit risk subsequent to the initial recognition, but not having objective evidence about impairment. It is recognized life time expected credit losses for such financial assets.

Stage 3: Includes financial assets having objective evidence about impairment at the reporting date. It is recognized life time expected credit losses for such financial assets.

The matters which have the most significant impact on TFRS 9 implementation and may change impairment calculations considerably are presented below:

- Assessment of under which conditions there may be significant increase in credit risk
- Macroeconomic factors, forward looking information and multiple scenarios

- Maximum contractual period over which it is exposed to credit risk to be considered during measurement of expected credit losses
- Definition of default

It is not anticipated a significant impact on the total equity as a result of the impairment calculation based expected credit loss model in accordance with TFRS 9. The impact of implementation for this standard is based on the assessments made so far. As of the transition date, it is still ongoing the revisions on the accounting policies, relevant processes and internal controls. Accordingly, there might be changes in the anticipated impact of TFRS 9 on the financials until announcement of the first time adoption financial statement including the opening balance sheet as of 1 January 2018. Besides, the Bank will calculate deferred tax on the expected credit losses calculated on stage 1 and 2 loans and the impact regarding calculated deferred tax asset will be accounted under equity during transition.

Hedge Accounting:

TFRS 9 also includes new hedge accounting rules regarding alignment of the risk management strategies with hedge accounting. During selection of the accounting policies, TFRS 9 gives option of continuing with TAS 39 hedge accounting principles and deferring hedge accounting rules in accordance with TFRS 9.

Accordingly, the Bank will continue to apply TAS 39 rules regarding hedge accounting applications.

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>Current Period</i>	<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	27,203,978	
Other Comprehensive Income according to TAS	3,605,548	
Profit	6,343,920	
Current Period Profit	6,343,920	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	1,856	
Common Equity Tier I Capital Before Deductions	42,139,736	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	919,235	-
Leasehold Improvements on Operational Leases (-)	120,406	-
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	209,304	261,630
Net Deferred Tax Asset/Liability (-)	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	1,394	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding 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	1,250,339	
Total Common Equity Tier I Capital	40,889,397	
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	52,326	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	40,837,071	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	2,831,850	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2,757,502	
Total Deductions from Tier II Capital	5,589,352	
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	5,589,352	
Total Equity (Total Tier I and Tier II Capital)	46,426,423	
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	5	

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014^(*)</i>
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	
Other items to be Defined by the BRSA (-)	30,874	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	46,395,544	-
Total Risk Weighted Assets	248,337,281	-
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	16.47	-
Tier I Capital Ratio (%)	16.44	-
Capital Adequacy Ratio (%)	18.68	-
BUFFERS		
Total Additional CET1 Capital Requirement Ratio (a+b)	1.27	
a) Bank-specific total CET1 Capital Ratio	1.250	-
b) Capital Conservation Buffer Ratio (%)	0.02	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	10.29	-
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	380,708	-
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	3,597,720	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2,757,502	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

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

<i>Prior Period</i>	<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 (-)	-	
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	-	

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014^(*)</i>
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 (-)	-	-
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)		
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	

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014^(*)</i>
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	5.635	-
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

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

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

<i>Prior 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 (-)			-	
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 24.36% (31 December 2016: 25.48%) and 30.21% (31 December 2016: 32.15%) of the total cash loan portfolio, respectively.

The Bank's largest 100 and 200 non-cash loan customers compose 46.35% (31 December 2016: 52.48%) and 55.49% (31 December 2016: 61.81%) of the total non-cash loan portfolio, respectively.

The Bank's largest 100 ve 200 cash and non-cash loan customers represent 8.31% (31 December 2016: 9.26%) and 10.51% (31 December 2016: 11.84%) of the total "on and off balance sheet" assets, respectively.

The general provision for credit risks amounts to TL 3,597,720 thousands (31 December 2016: TL 3,171,163 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	39.01	40.20
Average	47.68	47.99
Below Average	13.31	11.81
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	88,112,162	80,372,235	63,012,273	70,027,891
Conditional and unconditional exposures to regional governments or local authorities	113,400	112,365	119,677	75,353
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	315,690	200,995	48,854	47,360
Conditional and unconditional exposures to multilateral development banks	1,816,462	1,660,442	1,443,371	1,136,416
Conditional and unconditional exposures to international organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	34,665,400	35,503,213	42,679,125	37,815,617
Conditional and unconditional exposures to corporates	125,855,298	120,486,125	116,602,947	113,385,121
Conditional and unconditional retail exposures	77,175,976	71,565,466	62,984,633	56,101,792
Conditional and unconditional exposures secured by real estate property	37,150,411	39,049,473	35,952,134	30,167,033
Past due items	793,659	759,777	705,142	632,390
Items in regulatory high-risk categories	681,813	642,191	512,758	3,354,838
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	39,626	26,307	-	-
Shares	6,569,959	6,701,828	5,266,254	4,192,217
Other items	9,595,351	7,895,649	9,044,068	8,998,966

(*) 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.

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	84,465,522	7,456,880	116,528,022	76,713,046	37,034,573	676,390	10,985,865	333,860,298
European Union (EU) Countries	2,717,376	23,081,160	1,677,292	42,353	78,642	3,160	1,803,333	29,403,316
OECD Countries (*)	139	1,010,355	2,586,752	5,042	6,971	65	92	3,609,416
Off-Shore Banking Regions	-	68,088	15	1,074	480	-	-	69,657
USA, Canada	1,079	1,863,326	1,403,416	5,122	4,124	-	13,368	3,290,435
Other Countries	928,046	127,842	1,623,427	409,339	25,621	2,198	6,390	3,122,863
Associates, Subsidiaries and Joint –Ventures	-	1,057,749	2,036,374	-	-	-	6,435,099	9,529,222
Unallocated Assets/Liabilities (**)	-	-	-	-	-	-	-	-
Total	88,112,162	34,665,400	125,855,298	77,175,976	37,150,411	681,813	19,244,147	382,885,207

<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	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	32,562,188
OECD Countries (*)	95	544,225	2,945,951	2,669	5,675	17	1	3,498,633
Off-Shore Banking Regions	-	3,051	305,653	1,290	580	-	1	310,575
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	2,289,066
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

(*) 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	17	TL	FC	Total
Agriculture	-	-	-	-	-	-	680,037	683,752	415,965	13,589	5,540	-	-	-	-	-	-	1,373,783	425,100	1,798,883
Farming and Stockbreeding	-	-	-	-	-	-	397,722	629,391	381,732	12,723	5,464	-	-	-	-	-	-	1,290,628	136,404	1,427,032
Forestry	-	-	-	-	-	-	78,184	24,740	24,253	611	2	-	-	-	-	-	-	34,251	93,539	127,790
Fishery	-	-	-	-	-	-	204,131	29,621	9,980	255	74	-	-	-	-	-	-	48,904	195,157	244,061
Manufacturing	-	-	107,372	-	-	-	55,930,020	7,434,500	7,788,100	173,880	100,839	-	-	-	-	-	-	26,858,650	44,676,061	71,534,711
Mining and Quarrying	-	-	-	-	-	-	2,122,445	324,062	85,733	3,142	224	-	-	-	-	-	-	847,521	1,688,085	2,535,606
Production	-	-	7	-	-	-	30,765,051	6,949,402	4,292,711	131,367	66,102	-	-	-	-	-	-	21,063,106	21,141,534	42,204,640
Electricity, Gas and Water	-	-	107,365	-	-	-	23,042,524	161,036	3,409,656	39,371	34,513	-	-	-	-	-	-	4,948,023	21,846,442	26,794,465
Construction	-	-	128	-	-	-	6,756,896	3,982,784	2,621,920	41,874	45,459	-	-	-	-	-	-	9,928,298	3,520,763	13,449,061
Services	455	-	996	1,816,462	-	34,665,400	58,882,526	17,418,591	9,225,215	495,160	466,120	-	-	-	39,626	30,487	-	48,732,214	74,308,824	123,041,038
Wholesale and Retail Trade	-	-	203	-	-	-	24,636,071	13,396,945	4,557,943	190,899	65,610	-	-	-	-	-	-	28,141,422	14,706,249	42,847,671
Accommodation and Dining	-	-	89	-	-	-	3,386,673	918,674	2,627,360	90,249	4,836	-	-	-	-	-	-	2,209,157	4,818,724	7,027,881
Transportation and Telecom.	-	-	177	-	-	-	14,674,487	2,063,072	491,204	204,775	10,667	-	-	-	-	-	-	4,789,912	12,654,470	17,444,382
Financial Institutions	-	-	-	1,816,462	-	34,665,400	7,962,180	166,044	72,063	628	380,813	-	-	-	39,626	30,487	-	10,391,685	34,742,018	45,133,703
Real Estate and Rental Services	-	-	-	-	-	-	4,583,648	241,093	911,885	5,849	487	-	-	-	-	-	-	1,369,018	4,373,944	5,742,962
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	9	-	355	-	-	-	333,960	191,016	380,895	127	534	-	-	-	-	-	-	741,116	165,780	906,896
Health and Social Services	446	-	177	-	-	-	3,305,507	441,747	183,865	2,633	3,173	-	-	-	-	-	-	1,089,904	2,847,639	3,937,543
Others	88,111,707	113,400	207,194	-	-	-	3,605,819	47,656,349	17,099,211	69,156	63,855	-	-	-	-	6,539,472	9,595,351	129,034,531	44,026,983	173,061,514
Total	88,112,162	113,400	315,690	1,816,462	-	34,665,400	125,855,298	77,175,976	37,150,411	793,659	681,813	-	-	-	39,626	6,569,959	9,595,351	215,927,476	166,957,731	382,885,207

- 1- Conditional and unconditional exposures to central governments or central banks
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3- Conditional and unconditional exposures to administrative bodies and non-commercial undertakings
4- Conditional and unconditional exposures to multilateral development banks
5- Conditional and unconditional exposures to international organisations
6- Conditional and unconditional exposures to banks and brokerage houses
7- Conditional and unconditional exposures to corporates
8- Conditional and unconditional retail exposures
9- Conditional and unconditional exposures secured by real estate property
10- Past due receivables
11- Receivables in regulatory high-risk categories
12- Exposures in the form of bonds secured by mortgages
13- Securitisation positions
14- Short term exposures to banks, brokerage houses and corporates
15- Exposures in the form of collective investment undertakings
16- Shares
17- 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 2017

(Thousands of Turkish Lira (TL))

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

<i>Prior Period</i> (*)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	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
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(*) 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>	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	14,819,696	23,751,196	1,645,356	115,625	39,430,461
Conditional and unconditional exposures to regional governments or local authorities	320	30	-	264	112,786
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	434	355	44,651	15,451	243,591
Conditional and unconditional exposures to multilateral development banks	1,613,682	13,369	51,562	71,012	66,837
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	9,075,891	1,502,142	622,784	1,130,952	19,290,918
Conditional and unconditional exposures to corporates	4,798,543	5,841,628	7,011,413	14,830,314	75,458,475
Conditional and unconditional retail exposures	8,258,338	4,679,762	2,144,115	4,833,107	39,812,993
Conditional and unconditional exposures secured by real estate property	141,451	284,719	629,636	1,567,403	31,566,099
Past due items	-	-	-	-	-
Items in regulatory high-risk categories	614	384,119	1,057	4,085	36,712
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	36,363	775,428	-	-	-
Total	38,745,332	37,232,748	12,150,574	22,568,213	206,018,872

(*) 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	6,877,124	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.

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	80,619,794	-	9,682,767	19,181,402	42,691,253	77,167,698	152,895,816	265,769	-	380,708	414,309
Exposures after Credit Risk Mitigation	81,890,487	-	8,775,200	19,166,589	23,773,442	70,938,785	144,333,914	265,768	-	380,708	414,309

Prior 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

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	39,101	20,594	1,012	20,741
Farming and Stockbreeding	35,266	13,328	464	18,117
Forestry	2,146	229	9	1,438
Fishery	1,689	7,037	539	1,186
Manufacturing	607,299	215,972	21,165	393,054
Mining and Quarrying	23,662	4,201	84	19,276
Production	427,043	207,558	19,692	291,227
Electricity, Gas and Water	156,594	4,213	1,389	82,551
Construction	459,871	173,779	7,634	347,822
Services	1,560,475	4,326,232	338,674	937,691
Wholesale and Retail Trade	726,262	258,032	9,914	434,914
Accommodation and Dining	156,435	308,270	5,623	57,730
Transportation and Telecommunication	596,997	3,679,145	321,824	380,224
Financial Institutions	18,421	46,471	384	17,489
Real Estate and Rental Services	13,777	12,101	229	7,182
Professional Services	-	-	-	-
Educational Services	30,401	8,548	151	28,721
Health and Social Services	18,182	13,665	549	11,431
Others	3,111,708	3,862,016	85,834	2,787,346
Total	5,778,454	8,598,593	454,319	4,486,654

<i>Prior 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

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	4,401,656	2,111,667	2,026,669	-	4,486,654
2	General Provisions	3,171,163	422,935	(3,622)	-	3,597,720

	<i>Prior 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

4.2.8 Exposures subject to countercyclical capital buffer

Country <i>Current Period</i>	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	178,738,435	576,857	179,315,292
the Netherlands	827,431	-	827,431
NCTR	664,051	-	664,051
Cayman Islands	602,595	-	602,595
Malta	581,547	-	581,547
UAE	472,994	-	472,994
Switzerland	438,653	-	438,653
Macedonian Republic	134,583	-	134,583
England	80,783	14,192	94,975
Sweden	94,362	-	94,362
Other	224,511	-	224,511

Country <i>Prior Period</i>	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 2017, the Bank's net 'on balance sheet' foreign currency short position amounts to TL 22,552,332 thousands (31 December 2016: TL 17,200,230 thousands), net 'off-balance sheet' foreign currency long position amounts to TL 24,944,380 thousands (31 December 2016: TL 18,461,666 thousands), while net foreign currency long open position amounts to TL 2,392,048 thousands (31 December 2016: TL 1,261,436 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	3.7758	4.5290
<u>Exchange rates for the days before balance sheet date;</u>		
Day 1	3.7758	4.5290
Day 2	3.7649	4.4987
Day 3	3.8137	4.5400
Day 4	3.7999	4.5116
Day 5	3.7983	4.5070
Last 30-days arithmetical average rates	3.8327	4.5376

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	8,367,558	10,535,836	6,873,153	25,776,547
Banks	7,576,481	5,689,326	847,031	14,112,838
Financial Assets at Fair Value through Profit/Loss	106,733	288,846	-	395,579
Interbank Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	89,152	433,018	-	522,170
Loans (*)	31,144,750	40,908,589	833,973	72,887,312
Investments in Associates, Affiliates and Joint-Ventures	3,725,770	-	-	3,725,770
Investments Held-to-Maturity	-	11,984,381	-	11,984,381
Derivative Financial Assets Held for Hedging Purpose	4,165	108,496	-	112,661
Tangible Assets	-	260	-	260
Intangible Assets	-	-	-	-
Other Assets	227,217	692,600	5,790	925,607
Total Assets	51,241,826	70,641,352	8,559,947	130,443,125
Liabilities				
Bank Deposits	256,306	337,511	165,873	759,690
Foreign Currency Deposits	23,758,512	63,078,519	2,094,274	88,931,305
Interbank Money Market Takings	-	4,081,694	-	4,081,694
Other Fundings	11,139,125	28,916,588	6,527	40,062,240
Securities Issued (**)	2,500,436	12,023,550	656,226	15,180,212
Miscellaneous Payables	60,896	412,480	10,539	483,915
Derivative Financial Liabilities Held for Hedging Purpose	21,244	21,338	-	42,582
Other Liabilities (***)	495,525	752,078	2,206,216	3,453,819
Total Liabilities	38,232,044	109,623,758	5,139,655	152,995,457
Net 'On Balance Sheet' Position	13,009,782	(38,982,406)	3,420,292	(22,552,332)
Net 'Off-Balance Sheet' Position	(10,350,797)	38,733,837	(3,438,660)	24,944,380
Derivative Assets	8,549,883	77,928,229	2,448,005	88,926,117
Derivative Liabilities	18,900,680	39,194,392	5,886,665	63,981,737
Non-Cash Loans	-	-	-	-
Prior Period				
Total Assets	42,167,078	75,254,202	2,640,045	120,061,325
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	-	-	-	-

(*) The foreign currency-indexed loans amounting TL 6,145,144 thousands included under TL loans in the accompanying balance sheet are presented above under the related foreign currency codes.

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

(***) Other liabilities include gold deposits of TL 2,194,714 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	15,356,607	-	-	-	-	18,055,896	33,412,503
Banks	4,018,738	836,682	1,435,693	-	-	8,027,360	14,318,473
Financial Assets at Fair Value through Profit/Loss	7,228	319,649	146,181	342,960	17,355	1,816,777	2,650,150
Interbank Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	3,369,418	5,915,862	6,784,329	3,014,432	1,089,034	2,571,627	22,744,702
Loans	48,291,162	21,944,937	63,901,442	58,658,807	12,516,361	4,367,168	209,679,877
Investments Held-to-Maturity	983,796	2,557,519	6,615,860	3,706,564	7,446,829	3,574,775	24,885,343
Other Assets	7,699	-	-	21,530	-	17,511,997	17,541,226
Total Assets	72,034,648	31,574,649	78,883,505	65,744,293	21,069,579	55,925,600	325,232,274
Liabilities							
Bank Deposits	106,924	-	195,414	-	-	896,626	1,198,964
Other Deposits	100,799,685	18,720,599	15,112,628	15,217	32	45,268,880	179,917,041
Interbank Money Market Takings	16,650,220	-	-	-	-	14,368	16,664,588
Miscellaneous Payables	-	-	-	-	-	9,973,896	9,973,896
Securities Issued (**)	1,882,236	2,903,078	1,161,863	10,051,508	5,762,095	380,051	22,140,831
Other Fundings	18,534,278	7,575,524	9,486,746	4,700,259	338,258	169,758	40,804,823
Other Liabilities	5,887	8,317	14,954	2,581	-	54,500,392	54,532,131
Total Liabilities	137,979,230	29,207,518	25,971,605	14,769,565	6,100,385	111,203,971	325,232,274
On Balance Sheet Long Position	-	2,367,131	52,911,900	50,974,728	14,969,194	-	121,222,953
On Balance Sheet Short Position	(65,944,582)	-	-	-	-	(55,278,371)	(121,222,953)
Off-Balance Sheet Long Position	11,194,041	8,478,415	15,792,731	3,027,985	5,154,466	-	43,647,638
Off-Balance Sheet Short Position	(1,436,494)	(3,920,972)	(12,408,103)	(15,011,305)	(10,911,130)	-	(43,688,004)
Total Position	(56,187,035)	6,924,574	56,296,528	38,991,408	9,212,530	(55,278,371)	(40,366)

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

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

<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	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.

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	-	1.32	-	2.54
Banks	0.02	1.43	-	8.56
Financial Assets at Fair Value through Profit/Loss	1.99	5.77	-	12.06
Interbank Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	-	5.31	-	12.31
Loans	4.15	6.21	-	16.58
Investments Held-to-Maturity	-	5.57	-	12.81
Liabilities				
Bank Deposits	-	1.00	-	11.39
Other Deposits	0.76	2.23	1.45	9.30
Interbank Money Market Takings	-	1.50	-	12.68
Miscellaneous Payables	-	-	-	-
Securities Issued	3.65	5.67	-	13.08
Other Fundings	1.37	3.29	-	8.43

<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	-	0.52	-	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	-	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

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	6,464,188	6,351,939	130,538
	Quoted Securities	91,216	91,216	130,538
2	Investment in Shares- Grade B	108,717	83,160	128,632
	Quoted Securities	83,160	83,160	128,632
3	Investment in Shares- Grade C	662	-	-
	Quoted Securities	-	-	-
4	Investment in Shares- Grade D	-	-	-
	Quoted Securities	-	-	-
5	Investment in Shares- Grade E	1,014	-	-
	Quoted Securities	-	-	-
6	Investment in Shares- Grade F	48	-	-
	Quoted Securities	-	-	-

(*) In current period, 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	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	-	-	-

(*) In prior period, the balances are as per the results of equity accounting application.

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

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

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

<i>Prior Period</i>		Gains/Losses in Current Period	Revaluation Surpluses		Unrealised Gains and Losses		
Portfolio			Total	Amount in Tier I Capital	Total	Amount in Core Capital	Amount in Tier I Capital ^(*)
1	Private Equity Investments	-	-	-	-	-	-
2	Quoted Shares	-	66,295	66,295	-	-	-
3	Other Shares	-	2,915,577	2,915,577	-	-	-
Total		-	2,981,872	2,981,872	-	-	-

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

4.5.4 Capital requirement as per equity shares

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

<i>Prior Period</i>		Carrying Value	RWA Total	Minimum Capital Requirement
Portfolio				
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

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 3.30% cash, 55.21% deposits in central banks and 41.48% 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 66.91% deposits, 21.23% funds borrowed and money market borrowings and 8.18% securities issued.

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

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

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

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

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

<i>Current Period</i>	Highest	Date	Lowest	Date	Average
TL+FC	172.20	28.12.2017	135.01	27.11.2017	147.61
FC	232.86	16.12.2017	131.86	17.11.2017	171.60

<i>Prior 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	81,293,034	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	2,351,185
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
			Upper Limit Applied Values	
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 quarter of 2016:

<i>Prior 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

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	1,198,964	1,196,609	894,272	106,923	-	195,414	-	-
Other Deposits	179,917,041	179,102,455	44,454,292	100,796,323	18,712,875	15,087,540	44,155	7,270
Other Fundings	40,804,823	40,691,789	-	853,721	240,580	15,741,314	16,150,219	7,705,955
Interbank Money Market Takings	16,664,588	16,650,220	-	16,650,220	-	-	-	-
Securities Issued ^(*)	22,140,831	21,760,780	-	1,844,478	2,763,373	1,301,567	10,089,266	5,762,096
Total	260,726,247	259,401,853	45,348,564	120,251,665	21,716,828	32,325,835	26,283,640	13,475,321

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

<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	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

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	7,175,777	26,236,726	-	-	-	-	-	33,412,503
Banks	8,018,481	2,138,511	82,685	77,036	4,001,760	-	-	14,318,473
Financial Assets at Fair Value through Profit/Loss	-	462,256	592,336	564,976	713,797	316,785	-	2,650,150
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	258,341	545,142	16,315	1,203,581	12,185,082	8,536,241	-	22,744,702
Loans	589,195	35,079,114	17,081,297	52,224,720	79,368,763	20,962,906	4,373,882	209,679,877
Investments Held-to-Maturity	-	1,730	155,380	1,106,532	3,310,421	9,648,108	10,663,172	24,885,343
Other Assets	2,247,884	1,288,680	39	123,903	415,917	129,892	13,334,911	17,541,226
Total Assets	18,289,678	65,752,159	17,928,052	55,300,748	99,995,740	39,593,932	28,371,965	325,232,274
Liabilities								
Bank Deposits	894,483	107,087	-	197,394	-	-	-	1,198,964
Other Deposits	44,454,292	101,238,101	18,845,804	15,327,004	44,530	7,310	-	179,917,041
Other Fundings	-	977,542	211,170	15,759,937	16,150,219	7,705,955	-	40,804,823
Interbank Money Market Takings	-	16,664,588	-	-	-	-	-	16,664,588
Securities Issued (**)	-	1,853,586	2,783,299	1,325,924	10,343,342	5,834,680	-	22,140,831
Miscellaneous Payables	868,354	9,105,542	-	-	-	-	-	9,973,896
Other Liabilities (***)	1,781,844	1,262,404	798,430	1,076,738	114,497	224,039	49,274,179	54,532,131
Total Liabilities	47,998,973	131,208,850	22,638,703	33,686,997	26,652,588	13,771,984	49,274,179	325,232,274
Liquidity Gap	(29,709,295)	(65,456,691)	(4,710,651)	21,613,751	73,343,152	25,821,948	(20,902,214)	-
Net Off-Balance Sheet Position								
Derivative Financial Assets	-	73,493,516	27,063,324	28,432,187	4,679,452	1,023,851	-	134,692,330
Derivative Financial Liabilities	-	74,002,790	27,228,529	28,793,406	4,397,845	983,537	-	135,406,107
Non-Cash Loans	-	7,984,082	3,161,722	5,910,547	48,073	-	93,029,057	110,133,481
Prior Period								
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
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

(*) 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.

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

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

4.7 Leverage ratio

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

The Bank’s leverage ratio calculated by taking average of end of month leverage ratios for prior three-month period is 9.07% (31 December 2016: 8.83%). Main reason for the variance compared to December 2017, is the high increase in capital. While the capital increased by 15.90% mainly as a result of increase in net profits, the balance sheet exposure increased by 15.32% and the off balance sheet exposure increased by 5.51%. Therefore, the current period leverage ratio increased by 24 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)	321,385,438	278,685,369
2	(Assets deducted in determining Tier I capital)	(346,406)	(300,326)
3	Total on-balance sheet risks (sum of lines 1 and 2)	321,039,032	278,385,043
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative instruments and credit derivatives	2,913,913	3,285,514
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	11,031,830	8,303,567
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	13,945,743	11,589,081
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	2,432,662	1,586,346
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	2,432,662	1,586,346
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	111,439,135	105,623,641
11	(Adjustments for conversion to credit equivalent amounts)	(3,765,170)	(2,550,420)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	107,673,965	103,073,221
Capital and total risks			
13	Tier I capital	40,383,538	34,842,798
14	Total risks (sum of lines 3, 6, 9 and 12)	445,091,402	394,633,691
Leverage ratio			
15	Leverage ratio	9.07	8.83

(*) 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	301,923,616	263,138,119	303,834,351	264,414,464
Interbank Money Market Placements	-	351,691	-	351,691
Banks (*)	44,613,694	33,185,447	44,613,694	33,185,447
Financial Assets Available-for-Sale	22,744,702	19,912,569	22,744,702	19,912,569
Investments Held-to-Maturity	24,885,343	23,640,184	25,171,056	23,329,795
Loans	209,679,877	186,048,228	211,304,899	187,634,962
Financial Liabilities	254,035,555	227,042,983	254,035,555	227,042,983
Bank Deposits	1,198,964	3,718,546	1,198,964	3,718,546
Other Deposits	179,917,041	157,513,051	179,917,041	157,513,051
Other Fundings	40,804,823	40,286,368	40,804,823	40,286,368
Securities Issued (**)	22,140,831	16,436,879	22,140,831	16,436,879
Miscellaneous Payables	9,973,896	9,088,139	9,973,896	9,088,139

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

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

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:

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets Available-for-Sale	20,301,220	2,384,564	58,918	22,744,702
Financial Assets Held for Trading	833,030	87	2,717	835,834
Derivative Financial Assets Held for Trading	1,205	1,813,111	-	1,814,316
Derivative Financial Assets Held for Risk Management	-	648,275	-	648,275
Financial Assets at Fair Value	21,135,455	4,846,037	61,635	26,043,127
Derivative Financial Liabilities Held for Trading	230	2,752,500	-	2,752,730
Funds Borrowed	-	9,228,338	-	9,228,338
Derivative Financial Liabilities Held for Risk Management	-	180,070	-	180,070
Financial Liabilities at Fair Value	230	12,160,908	-	12,161,138

<i>Prior 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
Derivative Financial Assets Held for Risk Management	-	589,214	-	589,214
Financial Assets at Fair Value	19,232,330	4,213,933	561,948	24,008,211
Derivative Financial Liabilities Held for Trading	977	3,495,645	-	3,496,622
Funds Borrowed	-	6,583,861	-	6,583,861
Derivative Financial Liabilities Held for Risk Management	-	279,536	-	279,536
Financial Liabilities at Fair Value	977	10,359,042	-	10,360,019

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)

The movement of financial assets in Level 3 is presented below.

	<i>Current Period</i>	<i>Prior Period</i>
Balances at Beginning of Period	561,948	531,004
Purchases during the Period	41,085	96,517
Disposals through Sale/Redemptions	(495,861)	(83,451)
Valuation Effect	3,221	(18,322)
Transfers	(48,758)	36,200
Balances at End of Period	61,635	561,948

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

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

4.10.1.2 Risk weighted amounts

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR) ^(*)	216,037,567	202,032,520	17,283,005
2	Of which standardised approach (SA)	216,037,567	202,032,520	17,283,005
3	Of which internal rating-based (IRB) approach		-	
4	Counterparty credit risk	3,610,835	5,270,570	288,867
5	Of which standardised approach for counterparty credit risk (SA-CCR)	3,610,835	5,270,570	288,867
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	6,027,729	5,704,124	482,218
17	Of which standardised approach (SA)	6,027,729	5,704,124	482,218
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	21,709,380	18,931,681	1,736,750
20	Of which basic indicator approach	21,709,380	18,931,681	1,736,750
21	Of which standardised approach	-	-	-
22	Of which advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	951,770	383,449	76,142
24	Floor adjustment		-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	248,337,281	232,322,344	19,866,982

^(*) 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

Current Period	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	33,412,503	33,412,503	-	-	-
Financial Assets Held for Trading	2,650,150	67,904	1,746,412	1,970,772	
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-
Banks	14,318,473	14,318,293	-	-	-
Interbank Money Markets Placements	-	-	-	-	-
Financial Assets Available-for-Sale	22,744,702	22,571,524	13,994,778	171,784	1,394
Loans	209,679,877	209,648,998	-	-	30,879
Factoring Receivables	-	-	-	-	-
Investment Held-to-Maturity	24,885,343	24,885,343	1,010,967	-	-
Investment in Associates	35,158	35,158	-	-	-
Investment in Subsidiaries	6,539,471	6,539,471	-	-	-
Investment in Joint-Ventures	-	-	-	-	-
Lease Receivables	-	-	-	-	-
Derivative Financial Assets Held for Risk Management	648,275	-	648,275	-	-
Tangible Assets	3,769,379	3,648,973	-	-	120,406
Intangible Assets	285,654	24,024	-	-	261,630
Investment Property	690,588	690,588	-	-	-
Tax Asset	356,684	356,684	-	-	-
Assets Held for Sale and Assets of Discontinued Operations	775,428	775,428	-	-	-
Other Assets	4,440,589	4,440,589	-	-	-
Total Assets	325,232,274	321,415,480	17,400,432	2,142,556	414,309
Liabilities					
Deposits	181,116,005	-	-	-	181,116,005
Derivative Financial Liabilities Held for Trading	2,752,730	-	-	-	2,752,730
Funds Borrowed	40,804,823	-	11,838,445	-	28,966,378
Interbank Money Markets	16,664,588	-	1,059,898	-	15,604,690
Securities Issued	19,291,360	-	-	-	19,291,360
Funds	-	-	-	-	-
Miscellaneous Payables	9,973,896	-	-	-	9,973,896
Other External Fundings Payable	2,866,550	-	-	28,116	2,838,434
Factoring Payables	-	-	-	-	-

Lease Payables	6,939	-	-	-	6,939
Derivative Financial Liabilities Held for Risk Management	180,070	-	-	-	180,070
Provisions	6,306,654	-	-	-	6,306,654
Tax Liability	1,087,978	-	-	-	1,087,978
Liabilities for Assets Held for Sale and Assets of Discontinued Operations	-	-	-	-	-
Subordinated Debts	2,849,471	-	-	-	2,849,471
Shareholders' Equity	41,331,210	-	-	-	41,331,210
Total Liabilities	325,232,274	-	12,898,343	28,116	312,305,815

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

<i>Priod Period</i>	<i>Carrying values in financial statements prepared as per TAS</i>	<i>Carrying values of items in accordance with Turkish Accounting Standards</i>			
		<i>Subject to credit risk</i>	<i>Subject to counterparty credit risk</i>	<i>Subject to market risk (*)</i>	<i>Not subject to capital requirements or subject to deduction from capital</i>
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>Current Period</i>	<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"	309,812,220	306,409,740	2,394,687	2,142,556
2	Carrying Value of Debt Instruments that are Subjected to Counterparty Credit Risk as per TAS	15,005,745	15,005,740	15,005,745	-
3	Carrying Value of Liabilities that are Subjected to Counterparty Credit Risk as per TAS	12,898,343	-	12,898,343	-
4	Carrying Value of Other Liabilities as per TAS	28,116	-	-	28,116
5	Total Net Amount	311,891,506	321,415,480	4,502,089	2,114,440
6	Off-balance Sheet Amounts (**)	285,642,143	42,302,266	1,767,029	172,634,319
7	Differences Resulted from the BRSA's Applications		(21,295,228)	(28,947)	-
8	Repurchase Transactions		-	862,204	-
9	Risk Amounts		342,422,518	7,102,375	174,748,759

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

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

	<i>Priod Period</i>	<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 function 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

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

	<i>Prior Period</i>	<i>Gross carrying value as per TAS</i>		<i>Allowances/amortisation and impairments</i>	<i>Net values</i>
		<i>Defaulted</i>	<i>Non-defaulted</i>		
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

	<i>Current Period</i>	<i>Prior Period</i>
1 Defaulted loans and debt securities at end of the previous reporting period	5,272,774	4,404,024
2 Loans and debt securities defaulted since the last reporting period	2,424,023	3,232,458
3 Receivables back to non-defaulted status	-	-
4 Amounts written off	865,771	1,077,347
5 Other changes	1,422,912	1,286,361
6 Defaulted loans and debt securities at end of the reporting period	5,408,114	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

	<i>Current Period</i>			<i>Prior Period</i>		
	<i>Loans Under Follow-Up</i>	<i>Specific Provisions</i>	<i>Write-Offs</i>	<i>Loans Under Follow-Up</i>	<i>Specific Provisions</i>	<i>Write-Offs</i>
Domestic	5,279,274	4,239,256	863,504	5,140,707	4,144,576	1,073,843
European Union (EU) Countries	21,369	18,298	60	4,526	1,409	495
OECD Countries	201	44	1	20	3	-
Off-Shore Banking Regions	71,710	71,710	-	74,413	74,413	-
USA, Canada	-	-	-	-	-	1
Other Countries	35,560	29,929	2,206	53,108	47,090	3,008
Total	5,408,114	4,359,237	865,771	5,272,774	4,267,491	1,077,347

	<i>Current Period</i>			<i>Prior Period</i>		
	<i>Loans Under Follow-Up</i>	<i>Specific Provisions</i>	<i>Write-Offs</i>	<i>Loans Under Follow-Up</i>	<i>Specific Provisions</i>	<i>Write-Offs</i>
Agriculture	44,581	25,580	498,116	42,998	26,300	10,734
Farming and Stockbreeding	41,047	22,911	497,540	40,477	24,289	10,387
Forestry	2,058	1,448	91	1,488	1,084	201
Fishery	1,476	1,221	485	1,033	927	146
Manufacturing	609,406	415,320	54,348	659,549	449,476	126,534
Mining and Quarrying	22,997	19,831	1,301	29,091	23,832	4,636
Production	430,133	312,793	52,651	488,299	356,108	121,333
Electricity, Gas and Water	156,276	82,696	396	142,159	69,536	565
Construction	395,126	326,358	26,364	404,457	278,947	60,051
Services	1,595,135	1,021,467	162,911	1,420,865	946,327	267,685
Wholesale and Retail Trade	760,481	505,401	137,383	734,157	509,407	223,128
Accommodation and Dining	155,871	62,517	5,465	134,656	50,820	9,009
Transportation and Telecommunication	599,696	386,460	15,847	470,766	318,912	29,692
Financial Institutions	18,069	17,438	531	18,921	18,553	463
Real Estate and Rental Services	10,824	7,221	985	10,713	7,508	1,238
Professional Services	3,876	1,174	24	3,894	1,225	21
Educational Services	29,323	29,094	972	30,779	27,586	1,472
Health and Social Services	16,995	12,162	1,704	16,979	12,316	2,662
Others	2,763,866	2,570,512	124,032	2,744,905	2,566,441	612,343
Total	5,408,114	4,359,237	865,771	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	415,984	284,729	1,514,804	284,263	402,784
Retail Loans	213,161	456,258	613,329	180,774	92,660
Credit Cards	96,004	260,175	345,478	112,714	134,997
Others	-	-	-	-	-
Total	725,149	1,001,162	2,473,611	577,751	630,441

<i>Prior 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 cash equivalents, real estate mortgages, high quality securities and Credit Guarantee Fund suretyship having Treasury guarantee, have been used in credit risk mitigation.

4.10.3.2.2 Credit risk mitigation techniques

	<i>Current Period</i>	<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	216,911,254	37,351,437	32,751,650	11,427,381	11,427,381	-	-
2	Debt securities	47,371,704	-	-	-	-	-	-
3	Total	264,282,958	37,351,437	32,751,650	11,427,381	11,427,381	-	-
4	Of which defaulted	5,408,114	-	-	-	-	-	-

	<i>Prior Period</i>	<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

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

	<i>Prior Period</i>	<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>
	<i>Risk classes</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

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

	<i>Regulatory portfolio</i>	<i>0%</i>	<i>10%</i>	<i>20%</i>	<i>35% secured by property mortgage</i>	<i>50%</i>	<i>75%</i>	<i>100%</i>	<i>150%</i>	<i>200%</i>	<i>Others</i>	<i>Total risk amount (post-CCF and CRM)</i>
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>Current Period</i>	<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)	2,394,687	1,767,029		1.4	4,132,769	2,083,029
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					2,969,606	166,128
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions						
6	Total						2,249,157

	<i>Prior Period</i>	<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		1.4	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>Current Period</i>		<i>Prior Period</i>	
	<i>EAD post-CRM</i>	<i>RWA</i>	<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	4,132,769	1,361,678	5,601,824	1,806,311
4 Total subject to the CVA capital obligation	4,132,769	1,361,678	5,601,824	1,806,311

4.10.4.4 CCR exposures by risk class and risk weights

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

<i>Prior Period</i>	<i>Risk weight</i>								<i>Total credit exposure</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>	
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

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

Prior Period	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	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

	Current Period		Prior Period	
	Protection bought	Protection sold	Protection bought	Protection sold
Notionals				
Single-name credit default swaps	75,516	-	87,825	-
Index credit default swaps	-	-	-	-
Total return swaps	-	9,272,286	-	7,026,000
Credit options	-	-	-	-
Other credit derivatives	-	-	-	-
Total Notionals	75,516	9,272,286	87,825	7,026,000
Fair Values	(628)	(4,093)	215	(395,144)
Positive fair values (asset)	-	38,977	215	6,677
Negative fair values (liability)	(628)	(43,070)	-	(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	5,849,017	5,266,724
1	Interest rate risk (general and specific)	859,559	1,718,225
2	Equity risk (general and specific)	56,232	42,274
3	Foreign exchange risk	4,893,112	3,067,938
4	Commodity risk	40,114	438,287
	Options	178,712	437,400
5	Simplified approach	-	-
6	Delta-plus method	178,712	437,400
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	6,027,729	5,704,124

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	31 December 2014	31 December 2015	31 December 2016	Total/ No. of Years of Positive Gross	Rate (%)	Total
<i>Current Period</i>						
Gross Income	10,097,151	11,101,647	13,536,209	11,578,336	15	1,736,750
Value at Operational Risk (Total x % 12.5)						21,709,380

Basic Indicator Approach Prior 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

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

	Current Period	Shocks Applied	Gains/Losses	Gains/Equity- Losses/Equity
	Type of Currency	(+/- basis points)		
1	TL	(+) 500bp	(4,855,405)	(10.47)%
2	TL	(-) 400bp	4,598,875	9.91%
3	USD	(+) 200bp	(98,558)	(0.21)%
4	USD	(-) 200bp	256,656	0.55%
5	EUR	(+) 200bp	(36,553)	(0.08)%
6	EUR	(-) 200bp	158,193	0.34%
	Total (of negative shocks)		5,013,724	10.81%
	Total (of positive shocks)		(4,990,516)	(10.76)%

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

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 members of the board. 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 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 2017, the number of identified staff is 30.

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 7 December 2017, 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 at least 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.

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	1,297,556	1,359,209	1,357,688	681,875
Central Bank of Turkey	6,338,400	23,956,821	5,366,015	15,500,506
Others	-	460,517	-	879,050
Total	7,635,956	25,776,547	6,723,703	17,061,431

Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	2,407,115	1,651,380	5,366,015	155
Unrestricted Time Deposits	-	-	-	38
Restricted Time Deposits	3,931,285	22,305,441	-	15,500,313
Total	6,338,400	23,956,821	5,366,015	15,500,506

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	176,400	26,655	257,212	38,001
Swap Transactions	1,035,676	412,562	1,936,417	702,752
Futures	-	561	-	1,097
Options	151,689	10,773	426,694	28,812
Other	-	-	-	-
Total	1,363,765	450,551	2,620,323	770,662

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	98,907	23,471	55,714	746
Foreign banks	106,728	14,089,367	390,940	11,871,526
Foreign headoffices and branches	-	-	-	-
Total	205,635	14,112,838	446,654	11,872,272

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	2,604,794	4,263,606	8,671,970	6,943,130
USA and Canada	1,678,693	269,751	78,546	400,420
OECD Countries (*)	190,142	6,529	-	-
Off-Shore Banking Regions	790,826	248,595	134,832	96,147
Other	46,292	34,288	-	-
Total	5,310,747	4,822,769	8,885,348	7,439,697

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

The placements at foreign banks include blocked accounts amounting TL 8,885,348 thousands (31 December 2016: TL 7,439,697 thousands) of which TL 2,717,355 thousands (31 December 2016: TL 116,841 thousands) and TL 134,832 thousands (31 December 2016: TL 96,147 thousands) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 6,033,161 thousands (31 December 2016: TL 7,226,709 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	11,212,879	7,522	2,976,848	-
Assets subject to Repurchase Agreements	120,152	-	4,306,605	-
Total	11,333,031	7,522	7,283,453	-

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

	<i>Current Period</i>	<i>Prior Period</i>
Debt Securities	20,261,926	18,572,775
Quoted at Stock Exchange	20,163,949	18,035,819
Unquoted at Stock Exchange	97,977	536,956
Common Shares/Investment Funds	174,780	155,150
Quoted at Stock Exchange (*)	7,079	7,669
Unquoted at Stock Exchange	167,701	147,481
Value Increases/Impairment Losses (-)	2,307,996	1,184,644
Total	22,744,702	19,912,569

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	-	428,794	-	166,331
Corporates	-	428,794	-	166,331
Individuals	-	-	-	-
Indirect Lendings to Shareholders	2,401,587	653,806	2,121,617	474,103
Loans to Employees	258,317	16	222,026	101
Total	2,659,904	1,082,616	2,343,643	640,535

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

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

As of 31 December 2017, loans amounting to TL 6,861,412 thousands (31 December 2016: TL 5,269,501 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	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 loans and interest accruals granted to the shareholder of a strategically important company operating in the telecommunication sector amounting to USD 996,291,045.41 were classified under "Performing Loans and Other Receivables".

Collaterals received for loans under follow-up;

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

<i>Prior Period</i>	Corporate/ Commercial	Consumer Loans	Credit Cards	Total
	Loans			
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

Delinquency periods of loans under follow-up;

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

<i>Prior Period</i>	Corporate/ Commercial	Consumer Loans	Credit Cards	Total
	Loans			
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

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	2,342,895	5,747,639	3,247,551	4,038,596
3, 4 or 5 times	14,635	85,253	106,419	78,645
Over 5 times	665	27,804	217,329	11,147

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	204,885	1,915,795	341,505	702,729
6-12 months	228,862	150,892	442,811	182,553
1-2 years	769,825	431,542	1,406,109	302,040
2-5 year	1,134,400	1,775,865	1,219,866	1,753,567
5 years and over	20,223	1,586,602	161,008	1,187,499

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	55,285,094	443,974	1,157,156	354,352
Loans	55,285,094	443,974	1,157,156	354,352
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans	136,753,237	2,296,094	15,435,513	6,733,356
Loans	136,753,237	2,296,094	15,435,513	6,733,356
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	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	-	-	-	-

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

<i>Prior 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

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

<i>Prior 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

5.1.5.6 Allocation of loans by customers

	<i>Current Period</i>	<i>Prior Period</i>
Public Sector	674,605	792,965
Private Sector (*)	207,956,395	184,249,980
Total	208,631,000	185,042,945

5.1.5.7 Allocation of domestic and foreign loans

	<i>Current Period</i>	<i>Prior Period</i>
Domestic Loans	204,701,003	181,422,064
Foreign Loans	3,929,997	3,620,881
Total	208,631,000	185,042,945

5.1.5.8 Loans to associates and affiliates

	<i>Current Period</i>	<i>Prior Period</i>
Direct Lending	1,036,755	842,967
Indirect Lending	-	-
Total	1,036,755	842,967

5.1.5.9 Specific provisions for loans

	<i>Current Period</i>	<i>Prior Period</i>
Substandard Loans and Receivables - Limited Collectibility	530,116	451,816
Doubtful Loans and Receivables	775,530	1,126,227
Uncollectible Loans and Receivables	3,053,591	2,689,448
Total	4,359,237	4,267,491

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)	250,388	501,170	853,454
Restructured Loans and Receivables	250,388	501,170	853,454
Rescheduled Loans and Receivables	-	-	-
<i>Prior 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	-	-	-

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

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

<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	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.

Movements in specific loan provisions

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

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

<i>Prior 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.

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	173,363	350,092	720,531
Specific Provisions (-)	104,334	214,188	483,037
Net Balance at Balance Sheet	69,029	135,904	237,494
<i>Prior 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

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>			
	184,257	223,324	641,296
Loans to Individuals and Corporates (Gross)	714,373	998,854	3,693,572
Specific Provision (-)	530,116	775,530	3,052,276
Loans to Individuals and Corporates (Net)	184,257	223,324	641,296
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1,004
Specific Provision (-)	-	-	1,004
Other Loans and Receivables (Net)	-	-	-
<i>Prior 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)	-	-	-

Collaterals received for non-performing loans

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

<i>Prior 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

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	9,251,733	3,701,943	5,793,705	4,341,183
Investments subject to Repurchase Agreements	784,006	212,280	3,147,892	-
Total	10,035,739	3,914,223	8,941,597	4,341,183

5.1.6.2 *Government securities held-to-maturity*

	<i>Current Period</i>	<i>Prior Period</i>
Government Bonds	20,232,556	19,108,804
Treasury Bills	-	-
Other Government Securities	-	-
Total	20,232,556	19,108,804

5.1.6.3 *Investments held-to-maturity*

	<i>Current Period</i>	<i>Prior Period</i>
Debt Securities	21,390,419	21,236,112
Quoted at Stock Exchange	20,799,386	20,462,344
Unquoted at Stock Exchange	591,033	773,768
Valuation Increase/(Decrease)	3,494,924	2,404,072
Total	24,885,343	23,640,184

5.1.6.4 Movement of investments held-to-maturity

	<i>Current Period</i>	<i>Prior Period</i>
Balances at Beginning of Period	23,640,184	21,755,812
Foreign Currency Differences On Monetary Assets	838,293	1,963,183
Purchases during the Period	302,008	498,479
Disposals through Sales/Redemptions	(985,994)	(1,186,759)
Valuation Effect	1,090,852	609,469
Balances at End of Period	24,885,343	23,640,184

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	4.95	4.97
4	Borsa İstanbul AŞ ⁽¹⁾	İstanbul/Turkey	0.30	0.34
5	KKB Kredi Kayıt Bürosu AŞ ⁽¹⁾	İstanbul/Turkey	9.09	9.09
6	Türkiye Cumhuriyet Merkez Bankası AŞ ⁽²⁾	Ankara /Turkey	2.48	2.48
7	Kredi Garanti Fonu AŞ ⁽¹⁾	Ankara /Turkey	1.54	1.54

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	80,677	46,880	47,322	1,043	-	6,983	14,517	-
2	650,558	79,102	2,500	23,448	560	7,079	(3,130)	-
3	9,913,087	1,170,007	92,594	281,518	7,404	201,251	162,178	-
4	1,280,167	1,237,174	241,246	38,556	156	221,156	223,697	-
5	259,153	175,797	172,992	4,049	95	36,919	16,458	-
6	522,864,251	71,767,643	685,646	8,726,740	2,744,355	23,115,976	20,736,851	-
7	486,557	462,323	10,969	21,449	-	127,873	17,738	-

⁽¹⁾ Financial information is as of 30 September 2017.

⁽²⁾ Financial information is as of 31 December 2016.

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

5.1.7.2 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	(1,540)	-
Acquisitions	-	-
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Sales	(1,540)	-
Increase in Market Values	-	-
Impairment Reversals/(Losses)	-	-
Balance at End of Period	35,158	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	25,557	27,097
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	7,887	7,887
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	35,158	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	624,487	357,848	1,745,428
Share Premium	-	-	58,760
Share Cancellation Profits	-	-	-
Legal Reserves	945,023	567,914	(254,424)
Other Comprehensive Income according to TAS	1,047,870	-	42,356
Current and Prior Periods' Profits	103,187	20,747	117,599
Common Equity Tier I Capital Before Deductions	2,720,567	946,509	1,709,719
Deductions From Common Equity Tier I Capital			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	27,631	555	464,476
Leasehold Improvements on Operational Leases (-)	-	66	5,298
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	14,832	7,144	205,736
Net Deferred Tax Asset/Liability (-)	-	-	5,905
Total Deductions from Common Equity Tier I Capital	42,463	7,765	681,415
Total Common Equity Tier I Capital	2,678,104	938,744	1,028,304
Total Deductions From Tier I Capital	3,708	1,786	52,910
Total Tier I Capital	2,674,396	936,958	975,394
TIER II CAPITAL	226,450	-	121,194
CAPITAL BEFORE DEDUCTIONS	2,900,846	936,958	1,096,588
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	-	-
TOTAL CAPITAL	2,900,846	936,958	1,096,588

<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	511,324	357,848	1,426,711
Share Premium	-	-	48,030
Share Cancellation Profits	-	-	-
Legal 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
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 Movable and Immovable 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

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	83,704	71,762	37	7,557	3	9,699	3,157	-
2	37,642	15,337	318	938	-	612	1,270	-
3	3,764	3,288	-	452	48	(456)	(4,028)	-
4	2,619	1,847	1,132	-	49	247	69	-
5	3,920	2,696	39	218	-	882	694	-
6	5,440,877	945,954	10,318	403,026	-	20,747	84,003	-
7	3,451,880	212,985	7,430	288,268	-	27,603	19,716	-
8	170,260	117,635	13,407	4,897	2,422	49,931	20,156	-
9	80,928	71,147	3,408	4,824	-	18,891	12,971	-
10	2,164,598	1,648,492	38,969	204,397	1,590	323,576	245,940	-
11	19,371,398	2,693,389	140,785	560,541	59,295	103,187	50,996	-
12	1,541,868	1,541,596	-	-	-	(343)	(252)	-

(*) 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	5,173,864	4,446,499
Movements during the Period	1,365,607	727,365
Acquisitions	150	53,484
Bonus Shares Received	-	-
Earnings from Current Year Profit	607,953	398,272
Sales/Liquidations	-	(157,635)
Reclassification of Shares	-	-
Increase/(Decrease) in Market Values	118,307	13,003
Currency Differences on Foreign Affiliates	639,197	420,241
Impairment Reversals/(Losses)	-	-
Balance at End of Period	6,539,471	5,173,864
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	2,686,210	2,025,895
Insurance Companies	1,399,747	1,125,108
Factoring Companies	174,376	151,548
Leasing Companies	945,953	925,310
Finance Companies	1,228,813	841,767
Other Affiliates	104,372	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	104,372	104,236
Valued at Equity Method of Accounting	6,435,099	5,069,628

5.1.8.7 Investments in affiliates disposed during the current period

None.

5.1.8.8 Investments in affiliates acquired during the current period

None.

5.1.9 Investments in Joint-Ventures

None.

5.1.10 Lease receivables (net)

None.

5.1.11 Derivative financial assets held for hedging purpose

5.1.11.1 Positive differences on derivative financial instruments held for hedging purpose

Derivative Financial Assets Held for Hedging Purpose	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedges	89,104	13,001	73,946	10,420
Cash Flow Hedges	446,457	99,713	5,526	499,322
Net Foreign Investment Hedges	-	-	-	-
Total	535,561	112,714	79,472	509,742

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

	Current Period			Prior Period		
	Face Value	Asset	Liability	Face Value	Asset	Liability
Interest Rate Swaps	36,960,864	204,154	48,808	30,864,971	144,968	115,007
-TL	5,552,476	91,493	6,227	8,307,595	79,472	26,671
-FC	31,408,388	112,661	42,581	22,557,376	65,496	88,336
Cross Currency Swaps	3,068,641	444,121	131,262	3,670,474	444,246	164,529
-TL	656,908	444,068	-	944,728	-	-
-FC	2,411,733	53	131,262	2,725,746	444,246	164,529
Total	40,029,505	648,275	180,070	34,535,445	589,214	279,536

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	2,442	30,275	(39,034)	(6,317)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(53,789)	57,887	-	4,098
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(19,552)	13,943	(7,695)	(13,305)
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	(3,527)	-	(131,262)	(134,788)

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	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)

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	39	-	(55)	67	-
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	61,409	(1,745)	34,891	(23,236)	672
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	40,601	(334)	18,621	(7,071)	6,932
Cross Currency Swaps	Floating-rate securities issued	Commitments	53	-	1,094	(1,042)	-
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	444,068	-	45	(60,340)	7

As of 31 December 2016, the loss reclassified from the shareholders' equity to the income statement due to the ceased hedging transactions amounted to TL 619 thousands (31 December 2017: nil).

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	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

5.1.12 Tangible assets

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
At End of Prior Period:					
Cost	2,624,545	281,583	16,102	1,982,431	4,904,661
Accumulated Depreciation (-)	(18,116)	(250,497)	(12,649)	(1,234,651)	(1,515,913)
Net Book Value at End of Prior Period	2,606,429	31,086	3,453	747,780	3,388,748
At End of Current Period:					
Additions	317,883	1,573	3,720	319,539	642,715
Revaluation Model Difference	101,434	-	-	-	101,434
Transfers from Investment Property	-	-	-	-	-
Disposals (Costs)	(83,483)	(18,585)	(2,466)	(113,990)	(218,524)
Disposals (Accumulated Depreciation)	29,968	18,525	2,303	46,029	96,825
Impairment/Reversal of Impairment Losses	9,981	-	-	-	9,981
Depreciation Expense for Current Period (-)	(15,971)	(7,414)	(1,641)	(226,774)	(251,800)
Cost at End of Current Period	2,970,360	264,571	17,356	2,187,980	5,440,267
Accumulated Depreciation at End of Current Period	(4,119)	(239,386)	(11,987)	(1,415,396)	(1,670,888)
Net Book Value at End of Current Period	2,966,241	25,185	5,369	772,584	3,769,379

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	590,449	304,795	487,362	248,349

5.1.13.4 Movements of intangible assets for current period

	Current Period	Prior Period
Net Book Value at End of Prior Period	239,013	182,590
Internally Generated Intangibles	-	-
Additions due to Mergers, Transfers and Acquisition	113,412	107,247
Disposals (-)	(5,196)	(180)
Impairment Losses/Reversals to/from Revaluation Surplus	-	-
Impairment Losses Recorded in Income Statement	-	-
Impairment Losses Reversed from Income Statement	-	-
Amortisation Expense for Current Period (-)	(61,575)	(52,994)
Currency Translation Differences on Foreign Operations	-	-
Other Movements	-	2,350
Net Book Value at End of Current Period	285,654	239,013

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	670,370	381,270
Additions	4,746	231,273
Transfers to Tangible Assets	4,430	50,110
Fair Value Change	11,042	7,717
Net Book Value at End of Current Period	690,588	670,370

The investment property is held for operational leasing purposes.

5.1.15 Deferred tax asset

As of 31 December 2017, the Bank has a deferred tax asset of TL 356,684 thousands (31 December 2016: TL 127,709 thousands) calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences.

The Bank does not have any deferred tax assets on tax losses carried forward or tax deductions and exemptions as of 31 December 2017. However, there is a deferred tax asset of TL 640,025 thousands (31 December 2016: TL 407,822 thousands) and deferred tax liability of TL 283,341 thousands (31 December 2016: TL 280,113 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 (*)	1,268,109	262,529	944,764	188,953
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	1,045,923	230,712	(506,334)	(115,638)
Revaluation Differences on Real Estates	(1,864,352)	(186,435)	(1,722,648)	(22,865)
Other	226,718	49,878	386,302	77,259
Total Deferred Tax Asset, Net	676,398	356,684	(897,916)	127,709

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

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

As of 31 December 2017, TL 329,630 thousands of deferred tax income (31 December 2016: TL 338,418 thousands of deferred tax expense) and TL 101,516 thousands of deferred tax income (31 December 2016: TL 84,586 thousands of deferred tax expense) 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	606,380	356,160
Accumulated Depreciation (-)	(16,654)	(9,181)
Net Book Value	589,726	346,979
End of Current Period		
Additions	309,218	335,793
Disposals (Cost)	(125,470)	(82,753)
Disposals (Accumulated Depreciation)	1,900	1,358
Impairment Losses (-)	54	(2,820)
Depreciation Expense for Current Period (-)	-	(8,831)
Cost	790,182	606,380
Accumulated Depreciation (-)	(14,754)	(16,654)
Net Book Value	775,428	589,726

As of balance sheet date, the net book values of assets held for sale on which rights of repurchase exist amounting to TL 471,433 thousands (31 December 2016: 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	20,394	16,670
Sale of Other Assets	1,136	2,305
Total	21,530	18,975

5.1.17.2 Prepaid expenses, taxes and similar items

	<i>Current Period</i>	<i>Prior Period</i>
Prepaid Expenses	866,958	477,898
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	83,712	-	79,969	38
Financial Assets at Fair Value through Profit or Loss	2,273	189	19	599
Banks	2,120	12,662	3,611	21,752
Interbank Money Markets	-	-	-	1
Financial Assets Available-for-Sale	2,305,646	7,640	1,299,160	9,371
Loans	2,196,470	1,121,821	2,031,750	837,928
Investments Held-to-Maturity	3,436,933	137,842	2,302,531	127,299
Other Accruals	4,173	3,402	3,799	-
Total	8,031,327	1,283,556	5,720,839	996,988

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

<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	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

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	29,036,944	27,807,137	30,090,207	25,449,970
Foreign Currency Saving Deposits	10,539,819	8,323,858	35,968,349	34,340,843
Other Saving Deposits	1,117,225	821,559	946,409	1,114,240
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	1,009,774	860,876
Deposits and Other Accounts held by Shareholders and their Relatives	-	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	231,412	748,443
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	173,801	30,817	242,659	61,117
Swap transactions	2,070,861	352,945	1,993,468	745,041
Futures	-	91	-	964
Options	114,525	9,690	372,549	80,824
Other	-	-	-	-
Total	2,359,187	393,543	2,608,676	887,946

5.2.3 Funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	685,843	-	1,880,102
Domestic Banks and Institutions	237,352	905,944	343,595	502,401
Foreign Banks, Institutions and Funds	505,231	38,470,453	1,778,067	35,782,203
Total	742,583	40,062,240	2,121,662	38,164,706

5.2.3.1 Maturities of funds borrowed

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Short-Term	231,700	1,188,679	341,819	2,452,722
Medium and Long-Term	510,883	38,873,561	1,779,843	35,711,984
Total	742,583	40,062,240	2,121,662	38,164,706

In accordance with TAS 39 paragraph 9, the Bank classified a part of borrowings obtained through securitisations amounting to USD 2,455,714,286, as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch. As of 31 December 2017, the accumulated credit risk change and the credit risk change recognised in the income statement amounted to TL 43,948 thousands and a loss of TL 398,191 thousands, respectively. The carrying value of the related financial liability amounted to TL 9,228,338 thousands, and the related current period loss amounted to TL 398,191 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	2,988,767	4,088,187	-
Cost	2,923,775	3,917,598	-	12,775,272
Carrying Value (*)	2,975,784	3,984,835	-	12,330,741

<i>Prior 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

(*) The Bank repurchased its own TL securities with a total face value of TL 111,041 thousands (31 December 2016: TL 107,896 thousands) and foreign currency securities with a total face value of USD 206,730,000 (31 December 2016: USD 206,730,000) and netted off such securities in the accompanying financial statements.

In accordance with TAS 39 paragraph 9, the Bank classified certain securities amounting to RON 34,500,000 as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch. As of 31 December 2017, the accumulated negative credit risks change, and the positive credit risk changes recognised in the income statement amounted to TL 908 thousands and TL 1,815 thousands. The carrying value of the related financial liability amounted to TL 34,983 thousands, and the related current period gains amounted to TL 1,898 thousands.

5.2.4.2 Funds provided through repurchase transactions

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Domestic Transactions	870,169	-	7,268,205	-
Financial Institutions and Organizations	750,756	-	7,189,589	-
Other Institutions and Organizations	78,658	-	31,248	-
Individuals	40,755	-	47,368	-
Foreign Transactions	296	189,433	2	-
Financial Institutions and Organizations	-	189,433	-	-
Other Institutions and Organizations	-	-	-	-
Individuals	296	-	2	-
Total	870,465	189,433	7,268,207	-

5.2.4.3 Miscellaneous payables

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Payables from credit card transactions	8,985,632	44,725	7,833,260	37,377
Other	504,349	439,190	358,186	859,316
Total	9,489,981	483,915	8,191,446	896,693

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	5,123	5,358	16,612	15,406
1-4 Years	2,780	1,581	1,792	1,686
More than 4 Years	-	-	-	-
Total	7,903	6,939	18,404	17,092

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 hedging purpose

Derivative Financial Liabilities held for Hedging Purpose	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Fair Value Hedges	6,227	171,764	26,671	231,062
Cash Flow Hedges	-	2,079	-	21,803
Net Foreign Investment Hedges	-	-	-	-
Total	6,227	173,843	26,671	252,865

5.2.7 Provisions

5.2.7.1 General provisions

	<i>Current Period</i>	<i>Prior Period</i>
General Provision for	3,597,720	3,171,163
Loans and Receivables in Group I	1,622,511	1,713,424
Loans and Receivables in Group II	1,367,940	869,171
Non-Cash Loans	368,498	359,927
Others	238,771	228,641

5.2.7.2 Reserve for employee severance indemnity

	<i>Current Period</i>	<i>Prior Period</i>
Balances at Beginning of Period	341,657	296,776
Provision for the Period	86,623	63,237
Actuarial Gain/Loss	21,806	7,804
Payments During the Period	(42,431)	(26,160)
Balances at End of Period	407,655	341,657

5.2.7.3 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	14,419	1,241
Medium and Long-Term Loans	2,800	270
Total	17,219	1,511

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

5.2.7.4 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	16,649	27,731
Doubtful Loans and Receivables	13,593	22,716
Uncollectible Loans and Receivables	97,175	84,162
Total	127,417	134,609

5.2.7.5 Other provisions

5.2.7.5.1 General reserves for possible losses

	<i>Current Period</i>	<i>Prior Period</i>
General Reserves for Possible Losses	1,160,000	300,000

5.2.7.5.2 Other provisions

	<i>Current Period</i>	<i>Prior Period</i>
Reserve for Employee Benefits	852,817	679,871
Provision for Promotion Expenses of Credit Cards	107,272	95,340
Provision for Lawsuits (*)	243,791	53,174
Provision for Non-Cash Loans	127,417	134,609
Other Provisions (**)	217,637	179,847
Total	1,548,934	1,142,841

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

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

Recognized liability for defined benefit plan obligations

The Bank obtained an actuarial report dated 13 December 2017 from an independent actuary reflecting the principles and procedures on determining the application of transfer transactions in accordance with the Law and it is determined that the assets of the Plan are above the amount that will be required to be paid to transfer the obligation and the asset surplus amounts to TL 3,125,485 thousands (31 December 2016: TL 2,772,742 thousands) at 31 December 2017 as details are given in the table below.

Furthermore, an actuarial report was prepared as of 31 December 2017 as per the requirements of the Law explained in Note 3.17, the accounting policies related with “employee benefits” for the benefits transferable to the SSF and as per TAS 19 for other benefits not transferable to the SSF and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees. Based on the actuary’s 13 December 2017 dated report, the asset surplus over the fair value of the plan assets to be used for the payment of the obligations also fully covers the benefits not transferable and still a surplus of TL 1,198,065 thousands (31 December 2016: TL 1,482,852 thousands) remains as of 31 December 2017 as details are given in the table below.

The Bank’s management, acting prudently, did not consider the health premium surplus amounting TL 551,028 thousands (31 December 2016: 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 2017. 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	(989,677)	(770,448)
Net present value of medical benefits and health premiums transferable to SSF	551,028	531,665
General administrative expenses	(45,215)	(39,405)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(483,864)	(278,188)
Fair Value of Plan Assets (2)	3,609,349	3,050,930
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	3,125,485	2,772,742
Non-Transferable Benefits:		
Other pension benefits	(846,997)	(662,751)
Other medical benefits	(1,080,423)	(627,139)
Total Non-Transferable Benefits (4)	(1,927,420)	(1,289,890)
Asset Surplus over Total Benefits ((3)-(4)=(5))	1,198,065	1,482,852
Net Present Value of Medical Benefits and Health Premiums Transferable to SSF – but not considered acting prudently (6)	(551,028)	531,665
Present Value of Asset Surplus/(Defined Benefit Obligation) ((5)-(6))	647,037	951,187

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

	<i>Current Period</i>	<i>Prior Period</i>
Balance at Beginning of Period	-	-
Actual contributions paid during the period	(71,463)	(63,291)
Total expense recognized in the income statement	44,052	36,552
Amount recognized in the shareholders’ equity	27,411	26,739
Balance at End of Period	-	-

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

	<i>Current Period</i>	<i>Prior Period</i>
	<i>%</i>	<i>%</i>
Discount Rate (*)	11.70	11.50
Inflation Rate (*)	8.40	7.80
Future Real Salary Increase Rate	1.50	1.50
Medical Cost Trend Rate	50% above inflation	40% above inflation
Future Pension Increase Rate (*)	8.40	7.80

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

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

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

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

5.2.8 Tax liability

5.2.8.1 Current tax liability

5.2.8.1.1 Tax liability

As of 31 December 2017, the Bank had a current tax liability of TL 739,544 thousands (31 December 2016: TL 94,095 thousands) after offsetting with prepaid taxes.

5.2.8.1.2 Taxes payable

	<i>Current Period</i>	<i>Prior Period</i>
Corporate Taxes Payable	739,544	94,095
Taxation on Securities Income	131,422	122,010
Taxation on Real Estates Income	4,080	3,752
Banking Insurance Transaction Tax	149,122	114,846
Foreign Exchange Transaction Tax	89	86
Value Added Tax Payable	12,321	10,398
Others	47,413	66,639
Total	1,083,991	411,826

5.2.8.1.3 Premiums

	<i>Current Period</i>	<i>Prior Period</i>
Social Security Premiums-Employees	61	51
Social Security Premiums-Employer	74	62
Bank Pension Fund Premium-Employees	25	21
Bank Pension Fund Premium-Employer	25	21
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	1,252	1,118
Unemployment Insurance-Employer	2,523	2,258
Others	27	27
Total	3,987	3,558

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Domestic Other Institutions	-	-	-	-
Foreign Banks	-	-	-	-
Foreign Other Institutions	-	2,849,471	-	-
Total	-	2,849,471	-	-

Disclosures on subordinated debts are reported in Note 4.1.2.

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	1,754,416	136,482	1,115,043	18,255
Valuation difference	1,754,416	136,482	1,115,043	18,255
Exchange rate difference	-	-	-	-
Securities Available-for-Sale	(425,322)	55,176	(484,665)	(26,490)
Valuation difference	(425,322)	55,176	(484,665)	(26,490)
Exchange rate difference	-	-	-	-
Total	1,329,094	191,658	630,378	(8,235)

5.2.11.9 Revaluation surplus

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Movables	-	-	-	-
Real Estates	1,431,478	-	1,450,022	-
Gain on Sale of Investments in Associates and Affiliates and Real Estates allocated for Capital Increases	227,994	-	176,415	-
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
Doğuş Gayrimenkul Yatırım Ortaklığı AŞ	22	22
Yatırım Finansman Menkul Değerler AŞ	9	9
Total	1,855	1,891

5.2.11.11 Legal reserves

	<i>Current Period</i>	<i>Prior Period</i>
I. Legal Reserve	961,534	960,320
II. Legal Reserve	349,840	245,840
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	25,659,125	21,972,914
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	586,987	229,954	355,115	215,921
Funds Borrowed	15,075	229,028	87,549	156,634
Interbank Money Markets	13,295	1,073	6,092	-
Other Accruals	146,052	524,181	110,766	758,635
Total	761,409	984,236	559,522	1,131,190

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 7,214,533 thousands (31 December 2016: TL 3,281,772 thousands), commitments for cheque payments of TL 3,797,901 thousands (31 December 2016: TL 3,555,087 thousands) and commitments for credit card limits of TL 29,021,192 thousands (31 December 2016: TL 27,849,612 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	19,534,558	20,378,358
Letters of Guarantee in TL	19,404,733	17,101,636
Letters of Credit	13,891,067	15,010,812
Bills of Exchange and Acceptances	1,550,650	2,127,334
Prefinancings	-	-
Other Guarantees	170,332	155,016
Total	54,551,340	54,773,156

A specific provision of TL 127,417 thousands (31 December 2016: TL 134,609 thousands) is made for unliquidated non-cash loans of TL 370,339 thousands (31 December 2016: TL 355,861 thousands) recorded under the off-balance sheet items.

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

5.3.1.3 Non-cash loans

	<i>Current Period</i>	<i>Prior Period</i>
Non-Cash Loans against Cash Risks	7,327,429	5,128,893
With Original Maturity of 1 Year or Less	644,377	331,380
With Original Maturity of More Than 1 Year	6,683,052	4,797,513
Other Non-Cash Loans	47,223,911	49,644,263
Total	54,551,340	54,773,156

5.3.1.4 Sectoral risk concentration of non-cash loans

	<i>Current Period</i>				<i>Prior Period</i>			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	69,304	0.36	56,214	0.16	70,323	0.41	35,294	0.10
Farming and Stockbreeding	58,351	0.30	42,554	0.12	59,983	0.35	24,619	0.07
Forestry	9,214	0.05	10,981	0.03	8,973	0.05	2,810	0.01
Fishery	1,739	0.01	2,679	0.01	1,367	0.01	7,865	0.02
Manufacturing	5,509,578	28.37	17,451,653	49.68	4,388,090	25.62	17,478,679	46.43
Mining and Quarrying	170,850	0.88	215,217	0.61	194,627	1.14	192,037	0.51
Production	3,013,861	15.52	13,398,195	38.14	2,432,210	14.20	12,714,045	33.77
Electricity, Gas, Water	2,324,867	11.97	3,838,241	10.93	1,761,253	10.28	4,572,597	12.15
Construction	3,541,815	18.23	3,753,635	10.69	2,767,922	16.16	4,129,403	10.97
Services	8,857,539	45.61	12,337,562	35.12	8,578,393	50.07	13,853,148	36.80
Wholesale and Retail Trade	5,966,692	30.72	7,497,467	21.34	5,889,557	34.38	8,725,717	23.18
Accommodation and Dining	232,237	1.20	509,408	1.45	236,345	1.38	297,645	0.79
Transportation and Telecommunication	738,939	3.80	1,401,543	3.99	601,547	3.51	1,649,457	4.38
Financial Institutions	1,502,741	7.74	2,644,788	7.53	1,442,429	8.42	2,928,416	7.78
Real Estate and Rental Services	224,964	1.16	222,647	0.63	251,658	1.47	221,317	0.59
Professional Services	-	-	-	-	-	-	-	-
Educational Services	25,522	0.13	1,015	-	24,350	0.14	3,531	0.01
Health and Social Services	166,444	0.86	60,694	0.17	132,507	0.77	27,065	0.07
Others	1,445,568	7.43	1,528,472	4.35	1,324,754	7.74	2,147,150	5.70
Total	19,423,804	100.00	35,127,536	100.00	17,129,482	100.00	37,643,674	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	19,020,240	34,496,599	403,564	630,937
Letters of Guarantee	19,001,169	19,092,052	403,564	442,506
Bills of Exchange and Bank Acceptances	14,273	1,536,377	-	-
Letters of Credit	4,798	13,697,838	-	188,431
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	-	170,332	-	-

	Group I		Group II	
	TL	FC	TL	FC
Prior 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 Surities	-	155,016	-	-

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	57,218	75,516	4,909,643	23,804,155	11,182,973	40,029,505
Fair Value Hedges	-	-	1,439,191	7,691,889	7,238,464	16,369,544
Cash Flow Hedges	57,218	75,516	3,470,452	16,112,266	3,944,509	23,659,961
Net Foreign Investment Hedges	-	-	-	-	-	-
Trading Derivatives						
Foreign Currency related Derivative Transactions (I)	142,262,557	54,133,652	54,335,561	3,865,472	145,843	254,743,085
Currency Forwards-Purchases	9,779,015	3,316,845	3,009,953	623,545	-	16,729,358
Currency Forwards-Sales	9,801,560	3,322,793	3,091,290	696,561	-	16,912,204
Currency Swaps-Purchases	58,989,694	20,433,707	18,773,237	1,107,479	72,182	99,376,299
Currency Swaps-Sales	54,303,076	20,617,972	19,104,290	1,018,937	73,661	95,117,936
Currency Options-Purchases	4,580,437	3,181,984	5,112,068	192,500	-	13,066,989
Currency Options-Sales	4,801,114	3,225,621	5,164,430	226,450	-	13,417,615
Currency Futures-Purchases	3,931	7,066	37,758	-	-	48,755
Currency Futures-Sales	3,730	27,664	42,535	-	-	73,929
Interest Rate related Derivative Transactions (II)	60,000	18,879	5,137,249	17,834,188	22,169,602	45,219,918
Interest Rate Swaps-Purchases	30,000	-	1,351,963	5,671,198	10,429,017	17,482,178
Interest Rate Swaps-Sales	30,000	-	1,351,963	5,671,198	10,429,017	17,482,178
Interest Rate Options-Purchases	-	-	2,433,323	5,502,795	1,311,568	9,247,686
Interest Rate Options-Sales	-	-	-	988,997	-	988,997
Securities Options-Purchases	-	-	-	-	-	-
Securities Options-Sales	-	-	-	-	-	-
Interest Rate Futures-Purchases	-	-	-	-	-	-
Interest Rate Futures-Sales	-	18,879	-	-	-	18,879
Other Trading Derivatives (III)	5,351,180	58,816	52,208	2,611,040	6,742,500	14,815,744
B. Total Trading Derivatives (I+II+III)	147,673,737	54,211,347	59,525,018	24,310,700	29,057,945	314,778,747
Total Derivative Transactions (A+B)	147,730,955	54,286,863	64,434,661	48,114,855	40,240,918	354,808,252

<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	-	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

5.3.3 Credit derivatives and risk exposures on credit derivatives

As of 31 December 2017, there are total return swaps of the Bank with a total face value of USD 2,455,714,286 (31 December 2016: 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 243,791 thousands (31 December 2016: TL 53,174 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 5.2.7.5.2, other provisions. The Bank has various other lawsuits which are unlikely to occur and for which cash outflow is not expected to incur.

It is possible that the Bank may be required to provide additional collateral for the derivative transactions involved due to changes in certain financial indicators such as CDS levels, currency exchange rates, interest rates etc. As of 31 December 2017, 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	5,360,099	244,394	5,061,808	170,849
Medium and long-term loans	11,869,730	3,523,631	8,295,879	3,186,033
Loans under follow-up	96,457	-	68,875	-
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	17,326,286	3,768,025	13,426,562	3,356,882

(*) 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	183,942	40,641	-	16,194
Domestic Banks	12,780	291	16,929	410
Foreign Banks	2,965	63,487	2,374	53,629
Foreign Head Offices and Branches	-	-	-	-
Total	199,687	104,419	19,303	70,233

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	35,212	2,066	15,517	1,944
Financial Assets Valued at Fair Value through Profit or Loss	-	-	-	-
Financial Assets Available-for-Sale	2,373,490	91,292	1,799,474	104,163
Investments Held-to-Maturity	1,599,271	631,152	1,110,089	546,080
Total	4,007,973	724,510	2,925,080	652,187

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 2017, the valuation of such securities was made according to annual inflation as o 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	75,698	38,427

5.4.2 Interest Expenses

5.4.2.1 Interest expenses on funds borrowed (*)

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	111,204	570,947	223,254	422,426
Central Bank of Turkey	-	289	-	-
Domestic Banks	20,147	11,308	20,278	6,816
Foreign Banks	91,057	559,350	202,976	415,610
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	454,323	-	299,374
Total	111,204	1,025,270	223,254	721,800

(*) 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	139,017	81,420

5.4.2.3 Interest expenses on securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Paid on Securities Issued	650,877	787,587	432,604	531,696

5.4.2.4 Maturity structure of interest expense on deposits

Current Period	Demand Deposits	Time Deposits					Accumulating Deposit Accounts	Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over		
Turkish Lira								
Bank Deposits	990	105,486	-	-	-	-	-	106,476
Saving Deposits	48	219,953	4,368,920	142,877	38,301	61,578	-	4,831,677
Public Sector Deposits	-	1,808	2,800	376	261	1	-	5,246
Commercial Deposits	81	564,310	868,337	31,643	52,016	96,286	-	1,612,673
Other	4	17,708	94,131	19,304	23,829	147,150	-	302,126
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Total TL	1,123	909,265	5,334,188	194,200	114,407	305,015	-	6,858,198
Foreign Currency								
Foreign Currency Deposits	19	86,742	987,520	55,880	116,997	247,794	779	1,495,731
Bank Deposits	-	17,827	-	-	-	-	-	17,827
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	13	42	-	16	4,020	-	4,091
Total FC	19	104,582	987,562	55,880	117,013	251,814	779	1,517,649
Grand Total	1,142	1,013,847	6,321,750	250,080	231,420	556,829	779	8,375,847

<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	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

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	1,147,506	17,939	969,896	28,657

5.4.2.6 Financial lease expenses

	<i>Current Period</i>	<i>Prior Period</i>
Financial Lease Expenses	1,295	2,132

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	2,116	966
Others	4,757	5,936
Total	6,873	6,902

5.4.4 Trading income/losses (Net)

	<i>Current Period</i>	<i>Prior Period</i>
Income	60,495,638	75,155,487
Trading Account Income	257,805	564,189
Gains from Derivative Financial Instruments	9,151,286	10,269,269
Foreign Exchange Gains	51,086,547	64,322,029
Losses (-)	62,411,669	75,946,728
Trading Account Losses	645,016	274,162
Losses from Derivative Financial Instruments	12,381,889	11,011,854
Foreign Exchange Losses	49,384,764	64,660,712
Total	(1,916,031)	(791,241)

TL 4,455,305 thousands (31 December 2016: TL 3,262,341 thousands) of foreign exchange gains and TL 3,169,253 thousands (31 December 2016: TL 3,879,841 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 63,861,622 and EUR 34,210,526 securitization borrowings amounting to USD 43,750,000 and EUR 104,794,733 and commitments amounting to USD 7,857,183 by designating cross currency swaps with the same face values and terms, and eurobonds with a total nominal value of USD 10,000,000, the collateralised borrowings amounting to USD 250,000,000, borrowings amounting to USD 650,000,000, securitizations amounting to USD 755,121,951 and EUR 90,000,000 and deposits amounting to TL 50,000 thousands, USD 955,000,000 and EUR 136,473,684 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, gains of TL 47,621 thousands (31 December 2016: TL 46,482 thousands) and TL 93,010 thousands (31 December 2016: TL 39,553 thousands) resulting from cross currency and interest rate swap agreements were recognised under shareholders' equity, respectively.

The Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 1,876,938 thousands, USD 957,763,108 and EUR 225,212,078, for its bonds with a total face value of TL 855,000 thousands and USD 59,900,000 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, losses of TL 51,347 thousands (31 December 2016: a gain of TL 492 thousands) and TL 19,552 thousands (31 December 2016: TL 14,515 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 3,527 thousands (31 December 2016: TL 13,071 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.

In the current period, a part of non-performing receivables of the Bank amounting to TL 865,748 thousands were sold for a consideration of TL 56,015 thousands. Considering the related provision of TL 854,989 thousands made in the financial statements, a gain of TL 45,256 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	1,605,865	2,366,782
<i>Loans and Receivables in Group III</i>	530,087	420,692
<i>Loans and Receivables in Group IV</i>	579,386	1,127,274
<i>Loans and Receivables in Group V</i>	496,392	818,816
General Provisions	422,935	161,626
Provision for Possible Losses	860,000	100,000
Impairment Losses on Securities	-	19
<i>Financial Assets at Fair Value through Profit or Loss</i>	-	19
<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	271,528	186,437
Total	3,160,328	2,814,864

5.4.7 Other operating expenses

	<i>Current Period</i>	<i>Prior Period</i>
Personnel Costs	2,716,304	2,466,135
Reserve for Employee Termination Benefits	44,191	37,077
Defined Benefit Obligation	-	-
Impairment Losses on Tangible Assets	-	-
Depreciation Expenses of Tangible Assets	251,800	212,422
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortisation Expenses of Intangible Assets	61,575	52,994
Impairment Losses on Investments Accounted under Equity Method	-	-
Impairment Losses on Assets to be Disposed	-	2,820
Depreciation Expenses of Assets to be Disposed	-	8,831
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	2,831,949	2,638,821
<i>Operational Lease related Expenses</i>	<i>426,713</i>	<i>391,615</i>
<i>Repair and Maintenance Expenses</i>	<i>50,738</i>	<i>58,260</i>
<i>Advertisement Expenses</i>	<i>191,482</i>	<i>178,677</i>
<i>Other Expenses (*)</i>	<i>2,163,016</i>	<i>2,010,269</i>
Loss on Sale of Assets	12,372	1,494
Others (**)	599,458	697,944
Total	6,517,649	6,118,538

(*) Includes lawsuits, execution and other legal expenses borne by the Bank, of fees and commissions income recognized in prior years but reimbursed, in the amount of TL 30,715 thousands (31 December 2016: TL 56,209 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 31,330 thousands (31 December 2016: TL 110,146 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 14,468,350 thousands (31 December 2016: TL 11,096,942 thousands), a net fees and commissions income of TL 3,680,204 thousands (31 December 2016: TL 3,151,738 thousands) and operating expenses of TL 6,517,649 thousands (31 December 2016: TL 6,118,538 thousands). The Bank's profit before taxes realized at TL 8,151,324 thousands (31 December 2016: TL 6,293,438 thousands) increasing by 29.52% as compared to prior year.

5.4.9 Information on provision for taxes from continued and discontinued operations

As of 31 December 2017, the Bank recorded a tax charge of TL 2,137,034 thousands (31 December 2016: TL 884,471 thousands) and a deferred tax income of TL 329,630 thousands (31 December 2016: a deferred tax expense of TL 338,418 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 (+)	288,325	59,516
Decrease in tax deductible timing differences (-)	(53,559)	(240,479)
Increase in taxable timing differences (-)	(93,165)	(169,619)
Decrease in taxable timing differences (+)	188,029	12,164
Total	329,630	(338,418)

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)	234,766	(180,963)
Increase/(decrease) in taxable timing differences (net)	94,864	(157,455)
Increase/(decrease) in tax losses (net)	-	-
Increase/(decrease) in tax deductions and exemptions (net)	-	-
Total	329,630	(338,418)

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

The items in others under "Fees and commissions received" and "Fees and commissions paid" in the income statement include mainly fees and commissions related with credit card transactions and other banking services.

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 41,079 thousands (31 December 2016: TL 9,473 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 688,571 thousands (31 December 2016: TL 497,265 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 2017, an increase of TL 89,051 thousands (31 December 2016: a decrease of TL 135,618 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 51,958 thousands (31 December 2016: a loss of TL 158,603 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	104,000	35,700
Transfers to Extraordinary Reserves from Prior Year Profits	3,488,938	2,799,084

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 outflow arising from banking operations amount to TL 4,205,208 thousands (31 December 2016: a net cash inflow of TL 2,849,403 thousands). TL 10,739,782 thousands (31 December 2016: TL 1,920,647 thousands) of this amount is generated from the cash outflows resulted from the change in operating assets and liabilities and TL 6,534,574 thousands (31 December 2016: TL 4,770,050 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 a net inflow of TL 1,005,340 thousands (31 December 2016: a net outflow of TL 170,892 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 3,348,145 thousands (31 December 2016: TL 3,557,507 thousands).

The net cash inflows from financing activities is TL 4,401,577 thousands (31 December 2016: a net cash outflows of TL 305,466 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 592,678 thousands (31 December 2016: TL 762,550 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>31 December 2016</i>	<i>Prior Period</i> <i>31 December 2015</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

5.6.5 Cash and cash equivalents at end of period

	<i>Current Period</i> <i>31 December 2017</i>	<i>Prior Period</i> <i>31 December 2016</i>
Cash on Hand	2,656,765	2,039,563
Cash in TL	1,297,556	1,357,688
Cash in Foreign Currency	1,359,209	681,875
Cash Equivalents	9,703,644	10,972,014
Other	9,703,644	10,972,014
TOTAL	12,360,409	13,011,577

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 8,885,348 thousands (31 December 2016: TL 7,439,697 thousands) of which TL 2,717,355 thousands (31 December 2016: TL 116,841 thousands) and TL 134,832 thousands (31 December 2016: TL 96,147 thousands) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 6,033,161 thousands (31 December 2016: TL 7,226,709 thousands) as collateral against funds borrowed at various banks.

The blocked account at the Central Bank of Turkey with a principal of TL 19,280,068 thousands (31 December 2016: TL 13,027,376 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 668,000,000 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	3,774,509	2,081,628	1,660,775	383,890	2,126,252	723,935
Balance at end of period	4,311,245	1,054,546	1,369,380	1,542,733	2,406,222	896,962
Interest and Commission Income	94,037	4,502	3,701	93	155,698	3,981

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	3,837,790	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

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	900,256	687,407	536,399	336,153	533,816	543,360
Balance at end of period	1,414,155	900,256	375,167	536,399	378,773	533,816
Interest Expense	118,174	79,288	14,846	774	19,722	5,517

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	557,282	421,708	13,251,152	16,146,894	843,120	-
Balance at end of period	942,776	557,282	38,750,954	13,251,152	792,918	843,120
Total Profit/(Loss)	(34,389)	(22,827)	32,235	(398,761)	2,269	(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 3,438,463 thousands (31 December 2016: TL 2,964,089 thousands) compose 1.64% (31 December 2016: 1.59%) of the Bank's total cash loans and 1.06% (31 December 2016: 1.04%) of the Bank's total assets. The total loans and similar receivables amounting TL 8,086,847 thousands (31 December 2016: TL 7,561,536 thousands) compose 2.49% (31 December 2016: 2.66%) of the Bank's total assets. The non-cash loans of the risk group amounting TL 3,494,241 thousands (31 December 2016: TL 3,189,453 thousands) compose 6.41% (31 December 2016: 5.82%) of the Bank's total non-cash loans.

The deposits of the risk group amounting TL 2,168,095 thousands (31 December 2016: TL 1,970,471 thousands) compose 1.20% (31 December 2016: 1.22%) of the Bank's total deposits. The funds borrowed by the Bank from its risk group amounting TL 14,746,149 thousands (31 December 2016: TL 11,952,196 thousands) compose 36.14% (31 December 2016: 29.67%) 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 238,956 thousands (31 December 2016: TL 216,508 thousands). A total rent income of TL 12,746 thousands (31 December 2016: TL 11,585 thousands) was recognized for the real estates rented to the related parties.

Operating expenses for TL 26,074 thousands (31 December 2016: TL 19,585 thousands) were incurred for the IT services rendered by the related parties. Banking services fees of TL 27,585 thousands (31 December 2016: TL 1,820 thousands) were recognized from the related parties.

Insurance brokerage fee of TL 146,351 thousands (31 December 2016: TL 122,070 thousands), shares brokerage fee of TL 34,248 thousands (31 December 2016: TL 24,121 thousands), and fixed-rate securities brokerage fee of TL 7,999 thousands (31 December 2016: TL 7,297 thousands) and no fund brokerage fee (31 December 2016: TL 109 thousands) were recognized as income from the services rendered for the affiliates.

Operating expenses of TL 408 thousands (31 December 2016: TL 4,892 thousands) for advertisement and broadcasting services, of TL 51,396 thousands (31 December 2016: TL 40,427 thousands) for financial leasing services, and of TL 15,908 thousands (31 December 2016: TL 10,599 thousands) for travelling services rendered by the related parties were recognized as expense.

The net payment provided or to be provided to the key management of the Bank amounts to TL 111,505 thousands as of 31 December 2017 (31 December 2016: TL 101,032 thousands) including compensations paid to key management personnel who left their position during the year.

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 insurance products to customers. Agency services for trading of securities on behalf of the Bank's customers are rendered by specialized branches (Investment Centers).

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

5.8 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	937	18,750			
			Country		
Foreign Representative Offices	1	1	1-Germany		
	1	1	2-England		
	1	1	3-China		
				Total Assets	Legal Capital
Foreign Branches	1	14	1- Malta	38,057,395	-
	7	73	2- NCTR	2,391,963	15,520

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

In 2017, two domestic branches were opened and 25 branches were closed. In addition, the banking activities of the Luxembourg branch abroad were ceased.

5.9 Matters Arising Subsequent to Balance Sheet Date

At the board of directors meeting held on 31 January 2018, the Bank decided to distribute TL 1,750,000 thousands of the net profit of the year 2017 as dividend to its shareholders at the annual general assembly for the approval of shareholders.

6 Other Disclosures on Activities of the Bank

6.1 Bank's latest international risk ratings

MOODY'S (March 2017)

Outlook	Negative
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 (September 2017)

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

FITCH RATINGS (June 2017)

Outlook	Stable
Long Term FC Outlook	BBB-
Short Term FC Outlook	F3
Long Term TL Outlook	BBB-
Short Term TL Outlook	F3
Financial Capacity	bb+
Support	2
NSR	AAA(tur)
Long Term National Scale Rating (NSR)	Stable

JCR EURASIA RATINGS (April 2017)

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 30 March 2017, the distribution of the net profit of the year 2016, was as follows:

2016 PROFIT DISTRIBUTION TABLE	
2016 Net Profit	5,070,549
A – I. Legal reserve (Turkish Commercial Code 519/1) at 5%	-
Undistributable funds	(227,611)
B – First dividend at 5% of the paid-in capital	(210,000)
C – Extraordinary reserves at 5% after above deductions	(243,028)
D – Second dividend to the shareholders	(1,040,000)
E – Extraordinary reserves	(3,245,910)
F – II. Legal reserve (Turkish Commercial Code 519/2)	(104,000)

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 2017, have been audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member of KPMG International Cooperative) and the independent auditors' report dated 31 January 2018, is presented before the accompanying financial statements.

7.2 Disclosures and footnotes prepared by independent auditors

None.