

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

**Türkiye Garanti Bankası Anonim Şirketi
and Its Financial Subsidiaries**

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

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



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

**Independent Auditors' Report on Review of Consolidated Interim Financial
Information**

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

Introduction

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

Scope of Review

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



Basis for Qualified Conclusion

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

Qualified Conclusion

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

Report on Other Legal and Regulatory Requirements

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

Additional paragraph for convenience translation to English:

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

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


Alper Güvenç, SMMM
Partner
26 July 2018
İstanbul, Turkey

**TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ
AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED INTERIM FINANCIAL REPORT AS OF AND
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018**

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The consolidated interim financial report for the six-month period ended 30 June 2018 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 Parent Bank
2. Consolidated Interim Financial Statements of Parent Bank
3. Accounting Policies
4. Consolidated Financial Position and Results of Operations, and Risk Management Applications of Group
5. Disclosures and Footnotes on Consolidated Financial Statements
6. Limited Review Report
7. Interim Activity Report

The consolidated subsidiaries and structured entities in the scope of this consolidated financial report are the followings:

Subsidiaries

1. Garanti Bank International NV
2. Garanti Emeklilik ve Hayat AŞ
3. Garanti Holding BV
4. Garanti Finansal Kiralama AŞ
5. Garanti Faktoring AŞ
6. Garanti Yatırım Menkul Kıymetler AŞ
7. Garanti Portföy Yönetimi AŞ

Structured Entities

1. Garanti Diversified Payment Rights Finance Company
2. RPV Company

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

Süleyman Sözen

Board of Directors
Chairman

Ali Fuat Erbil

General Manager

Aydın Güler

Executive Vice President
Responsible of Financial
Reporting

Aylin Aktürk

Director Responsible
of Consolidation and
International
Accounting

**Jorge Saenz - Azcunaga
Carranza**

Audit Committee Member

Ricardo Gomez Barredo

Audit Committee Member

Belkıs Sema Yurdum

Audit Committee Member

The authorized contact person for questions on this financial report:

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1 General Information

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

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

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

The Bank provides banking services through 922 domestic branches, 8 foreign branches and 3 representative offices (31 December 2017: 937 domestic branches, 8 foreign branches and 3 representative offices). The Bank’s head office is located in Istanbul.

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

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

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

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

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 agreement share transfer had been finalized. After the share transfer BBVA’s interest in the share capital of the Bank is at 49.85%.

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

BBVA Group

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

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

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 parent bank's board of directors chairman and members, audit committee members, chief executive officer, executive vice presidents and their responsibilities and, if any, shareholdings in the bank

Board of Directors Chairman and Members:

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

CEO and Executive Vice Presidents:

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

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

1.4 Information on parent bank's qualified shareholders

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

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

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

1.5 Summary information on parent 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 Information on application differences between consolidation practices as per the Regulation on Preparation of Consolidated Financial Statements of Banks and as per the Turkish Accounting Standards, and entities subject to full or proportional consolidation or deducted from equity or not subject to any of these three methods

As per the Regulation on Preparation of Consolidated Financial Statements of Banks, the investments in financial subsidiaries are subject to consolidation whereas as per the Turkish Accounting Standards, the investments in both financial and non-financial subsidiaries are subject to consolidation. There are no investments in entities subject to proportional consolidation or to deduction from equity.

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

None.

2 Consolidated Financial Statements

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries Consolidated Balance Sheet (Statement of Financial Position) At 30 June 2018

ASSETS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)		
			CURRENT PERIOD		
			30 June 2018		
			TL	FC	Total
I. FINANCIAL ASSETS (Net)			44,566,075	67,368,702	111,934,777
1.1 Cash and Cash Equivalents			5,914,389	52,352,239	58,266,628
1.1.1 Cash and Balances with Central Bank	5.1.1		4,023,581	26,955,936	30,979,517
1.1.2 Banks	5.1.3		1,890,187	25,252,828	27,143,015
1.1.3 Money Market Placements			621	143,475	144,096
1.2 Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)		5.1.2	389,445	199,565	589,010
1.2.1 Government Securities			274,038	40,732	314,770
1.2.2 Equity Securities			87,415	97,599	185,014
1.2.3 Other Financial Assets			27,992	61,234	89,226
1.3 Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)		5.1.4	17,827,942	8,448,389	26,276,331
1.3.1 Government Securities			17,598,991	4,030,937	21,629,928
1.3.2 Equity Securities			21,624	191,750	213,374
1.3.3 Other Financial Assets			207,327	4,225,702	4,433,029
1.4 Financial Assets Measured at Amortised Cost		5.1.7	15,873,353	5,291,944	21,165,297
1.4.1 Government Securities			15,768,664	5,279,556	21,048,220
1.4.2 Other Financial Assets			104,689	12,388	117,077
1.5 Derivative Financial Assets			4,572,582	1,096,294	5,668,876
1.5.1 Derivative Financial Assets Measured at FVTPL			4,009,232	838,404	4,847,636
1.5.2 Derivative Financial Assets Measured at FVOCI			563,350	257,890	821,240
1.6 Non Performing Financial Assets			-	-	-
1.7 Expected Credit Losses (-)			11,636	19,729	31,365
II. LOANS (Net)			159,881,637	100,493,759	260,375,396
2.1 Loans		5.1.6	156,092,736	97,404,039	253,496,775
2.1.1 Loans Measured at Amortised Cost			156,092,736	97,404,039	253,496,775
2.1.2 Loans Measured at FVTPL			-	-	-
2.1.3 Loans Measured at FVOCI			-	-	-
2.2 Lease Receivables		5.1.12	1,510,761	4,730,964	6,241,725
2.2.1 Financial Lease Receivables			1,819,386	5,183,948	7,003,334
2.2.2 Operational Lease Receivables			-	-	-
2.2.3 Unearned Income (-)			308,625	452,984	761,609
2.3 Factoring Receivables		5.1.7	1,984,112	594,814	2,578,926
2.3.1 Factoring Receivables Measured at Amortised Cost			1,984,112	594,814	2,578,926
2.3.2 Factoring Receivables Measured at FVTPL			-	-	-
2.3.3 Factoring Receivables Measured at FVOCI			-	-	-
2.4 Non Performing Receivables			6,416,292	2,734,713	9,151,005
2.5 Expected Credit Losses (-)			6,122,264	4,970,771	11,093,035
2.5.1 12-Month ECL (Stage 1)			760,558	280,664	1,041,222
2.5.2 Lifetime ECL Significant Increase in Credit Risk (Stage 2)			866,546	3,407,430	4,273,976
2.5.3 Lifetime ECL Impaired Credits (Stage 3)			4,495,160	1,282,677	5,777,837
III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)		5.1.18	843,860	13,003	856,863
3.1 Asset Held for Resale			843,860	13,003	856,863
3.2 Assets of Discontinued Operations			-	-	-
IV. OWNERSHIP INVESTMENTS (Net)			150,119	2,992	153,111
4.1 Associates (Net)		5.1.9	35,747	4	35,751
4.1.1 Associates Consolidated Under Equity Accounting			-	-	-
4.1.2 Unconsolidated Associates			35,747	4	35,751
4.2 Subsidiaries (Net)		5.1.10	114,372	2,988	117,360
4.2.1 Unconsolidated Financial Investments in Subsidiaries			-	-	-
4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries			114,372	2,988	117,360
4.3 Joint Ventures (Net)		5.1.11	-	-	-
4.3.1 Joint-Ventures Consolidated Under Equity Accounting			-	-	-
4.3.2 Unconsolidated Joint-Ventures			-	-	-
V. TANGIBLE ASSETS (Net)		5.1.14	3,967,331	210,031	4,177,362
VI. INTANGIBLE ASSETS (Net)		5.1.15	347,562	38,342	385,904
6.1 Goodwill			6,388	-	6,388
6.2 Others			341,174	38,342	379,516
VII. INVESTMENT PROPERTY (Net)		5.1.16	555,498	-	555,498
VIII. CURRENT TAX ASSET			-	71,283	71,283
IX. DEFERRED TAX ASSET		5.1.17	1,450,893	25,426	1,476,319
X. OTHER ASSETS		5.1.19	4,061,616	829,885	4,891,501
TOTAL ASSETS			215,824,591	169,053,423	384,878,014

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

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Balance Sheet (Statement of Financial Position)
At 30 June 2018

LIABILITIES AND SHAREHOLDERS' EQUITY		Footnotes	THOUSANDS OF TURKISH LIRA (TL)		
			CURRENT PERIOD		
			30 June 2018		
			TL	FC	Total
I. DEPOSITS	5.3.1		96,444,360	133,319,636	229,763,996
II. FUNDS BORROWED	5.3.3		1,300,300	36,734,560	38,034,860
III. MONEY MARKET FUNDS			6,288,931	891,726	7,180,657
IV. SECURITIES ISSUED (NET)	5.3.4.1		6,901,772	20,335,489	27,237,261
4.1 Bills			4,861,976	-	4,861,976
4.2 Asset Backed Securities			-	-	-
4.3 Bonds			2,039,796	20,335,489	22,375,285
V. FUNDS			-	-	-
5.1 Borrowers' Funds			-	-	-
5.2 Others			-	-	-
VI. FINANCIAL LIABILITIES MEASURED AT FVTPL	5.3.4.3		-	9,912,102	9,912,102
VII. DERIVATIVE FINANCIAL LIABILITIES			4,036,618	1,349,812	5,386,430
7.1 Derivative Financial Liabilities Measured at FVTPL			4,013,215	1,337,091	5,350,306
7.2 Derivative Financial Liabilities Measured at FVOCI			23,403	12,721	36,124
VIII. FACTORING PAYABLES	5.3.5		-	-	-
IX. LEASE PAYABLES (Net)	5.3.6		-	-	-
9.1 Financial Lease Payables			-	-	-
9.2 Operational Lease Payables			-	-	-
9.3 Others			-	-	-
9.4 Deferred Financial Lease Expenses (-)			-	-	-
X. PROVISIONS	5.3.8		3,107,003	595,072	3,702,075
10.1 Restructuring Reserves			-	-	-
10.2 Reserve for Employee Benefits			901,756	107,165	1,008,921
10.3 Insurance Technical Provisions (Net)			409,388	41,911	451,299
10.4 Other Provisions			1,795,859	445,996	2,241,855
XI. CURRENT TAX LIABILITY	5.3.9		996,189	22,889	1,019,078
XII. DEFERRED TAX LIABILITY	5.3.9		-	3,332	3,332
XIII. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	5.3.10		-	-	-
13.1 Asset Held for Sale			-	-	-
13.2 Assets of Discontinued Operations			-	-	-
XIV. SUBORDINATED DEBTS	5.3.11		-	3,444,072	3,444,072
14.1 Borrowings			-	-	-
14.2 Other Debt Instruments			-	3,444,072	3,444,072
XV. OTHER LIABILITIES	5.3.4.4		13,126,983	1,662,300	14,789,283
XVI. SHAREHOLDERS' EQUITY	5.3.12		43,624,240	780,628	44,404,868
16.1 Paid-in Capital			4,200,000	-	4,200,000
16.2 Capital Reserves			784,434	-	784,434
16.2.1 Share Premium			11,880	-	11,880
16.2.2 Share Cancellation Profits			-	-	-
16.2.3 Other Capital Reserves			772,554	-	772,554
16.3 Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			1,364,422	108,754	1,473,176
16.4 Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss			579,056	369,177	948,233
16.5 Profit Reserves			32,627,528	302,697	32,930,225
16.5.1 Legal Reserves			1,540,983	28,074	1,569,057
16.5.2 Status Reserves			-	-	-
16.5.3 Extraordinary Reserves			30,857,401	-	30,857,401
16.5.4 Other Profit Reserves			229,144	274,623	503,767
16.6 Profit/Loss			3,901,414	-	3,901,414
16.6.1 Prior Periods' Profit/Loss			-	-	-
16.6.2 Current Period's Net Profit/Loss			3,901,414	-	3,901,414
16.7 Minority Interest			167,386	-	167,386
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			175,826,396	209,051,618	384,878,014

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

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Off-Balance Sheet Items
At 30 June 2018

OFF-BALANCE SHEET ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)		
		CURRENT PERIOD		
		30 June 2018		
		TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		221,943,465	353,866,320	575,809,785
I. GUARANTEES AND SURETIES	5.5.1	21,291,097	44,457,051	65,748,148
1.1 Letters of guarantee		21,240,811	23,569,417	44,810,228
1.1.1 Guarantees subject to State Tender Law		-	981,914	981,914
1.1.2 Guarantees given for foreign trade operations		1,842,819	365,818	2,208,637
1.1.3 Other letters of guarantee		19,397,992	22,221,685	41,619,677
1.2 Bank acceptances		44,353	1,380,161	1,424,514
1.2.1 Import letter of acceptance		44,353	1,380,161	1,424,514
1.2.2 Other bank acceptances		-	-	-
1.3 Letters of credit		5,933	19,444,640	19,450,573
1.3.1 Documentary letters of credit		-	-	-
1.3.2 Other letters of credit		5,933	19,444,640	19,450,573
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		-	62,833	62,833
1.9 Other sureties		-	-	-
II. COMMITMENTS		55,886,840	18,512,830	74,399,670
2.1 Irrevocable commitments		55,532,292	13,277,319	68,809,611
2.1.1 Asset purchase and sale commitments		6,770,710	11,443,085	18,213,795
2.1.2 Deposit purchase and sale commitments		-	-	-
2.1.3 Share capital commitments to associates and subsidiaries		198	5,913	6,111
2.1.4 Loan granting commitments		13,881,855	1,123,037	15,004,892
2.1.5 Securities issuance brokerage commitments		-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-
2.1.7 Commitments for cheque payments		3,112,235	-	3,112,235
2.1.8 Tax and fund obligations on export commitments		40,633	-	40,633
2.1.9 Commitments for credit card limits		31,720,173	659,664	32,379,837
2.1.10 Commitments for credit cards and banking services related promotions		6,488	-	6,488
2.1.11 Receivables from "short" sale commitments on securities		-	-	-
2.1.12 Payables from "short" sale commitments on securities		-	-	-
2.1.13 Other irrevocable commitments		-	45,620	45,620
2.2 Revocable commitments		354,548	5,235,511	5,590,059
2.2.1 Revocable loan granting commitments		76,550	4,546,329	4,622,879
2.2.2 Other revocable commitments		277,998	689,182	967,180
III. DERIVATIVE FINANCIAL INSTRUMENTS	5.5.2	144,765,528	290,896,439	435,661,967
3.1 Derivative financial instruments held for risk management		7,342,779	49,160,739	56,503,518
3.1.1 Fair value hedges		5,117,018	16,463,933	21,580,951
3.1.2 Cash flow hedges		2,225,761	32,696,806	34,922,567
3.1.3 Net foreign investment hedges		-	-	-
3.2 Trading derivatives		137,422,749	241,735,700	379,158,449
3.2.1 Forward foreign currency purchases/sales		24,552,874	29,231,372	53,784,246
3.2.1.1 Forward foreign currency purchases		7,681,632	19,207,697	26,889,329
3.2.1.2 Forward foreign currency sales		16,871,242	10,023,675	26,894,917
3.2.2 Currency and interest rate swaps		84,897,036	157,266,775	242,163,811
3.2.2.1 Currency swaps-purchases		28,923,191	70,926,883	99,850,074
3.2.2.2 Currency swaps-sales		55,496,309	40,177,294	95,673,603
3.2.2.3 Interest rate swaps-purchases		238,768	23,081,299	23,320,067
3.2.2.4 Interest rate swaps-sales		238,768	23,081,299	23,320,067
3.2.3 Currency, interest rate and security options		27,672,231	38,558,680	66,230,911
3.2.3.1 Currency call options		15,652,361	11,845,242	27,497,603
3.2.3.2 Currency put options		11,968,348	17,429,958	29,398,306
3.2.3.3 Interest rate call options		-	7,889,678	7,889,678
3.2.3.4 Interest rate put options		-	1,393,802	1,393,802
3.2.3.5 Security call options		20,801	-	20,801
3.2.3.6 Security put options		30,721	-	30,721
3.2.4 Currency futures		280,562	329,230	609,792
3.2.4.1 Currency futures-purchases		1,575	304,725	306,300
3.2.4.2 Currency futures-sales		278,987	24,505	303,492
3.2.5 Interest rate futures		-	59,887	59,887
3.2.5.1 Interest rate futures-purchases		-	30,130	30,130
3.2.5.2 Interest rate futures-sales		-	29,757	29,757
3.2.6 Others		20,046	16,289,756	16,309,802
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		750,624,632	736,355,640	1,486,980,272
IV. ITEMS HELD IN CUSTODY		50,038,649	41,284,283	91,322,932
4.1 Customers' securities held		12,701,426	-	12,701,426
4.2 Investment securities held in custody		15,306,082	14,312,514	29,618,596
4.3 Checks received for collection		18,492,253	5,317,340	23,809,593
4.4 Commercial notes received for collection		3,145,640	1,174,913	4,320,553
4.5 Other assets received for collection		135,793	16,613,535	16,749,328
4.6 Assets received through public offering		-	111,713	111,713
4.7 Other items under custody		257,455	3,754,268	4,011,723
4.8 Custodians		-	-	-
V. PLEDGED ITEMS		700,585,983	695,071,357	1,395,657,340
5.1 Securities		2,462,547	288,976	2,751,523
5.2 Guarantee notes		35,892,333	19,772,889	55,665,222
5.3 Commodities		16,078	-	16,078
5.4 Warranties		-	312,427	312,427
5.5 Real estates		168,297,088	131,184,716	299,481,804
5.6 Other pledged items		493,917,937	543,512,272	1,037,430,209
5.7 Pledged items-depository		-	77	77
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		972,568,097	1,090,221,960	2,062,790,057

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

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Statement of Profit or Loss
At 30 June 2018

INCOME AND EXPENSE ITEMS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
			CURRENT PERIOD 1 January 2018- 30 June 2018	CURRENT PERIOD 1 April 2018- 30 June 2018
I. INTEREST INCOME	5.7.1		16,656,566	8,774,161
1.1 Interest income on loans			13,671,098	7,217,671
1.2 Interest income on reserve deposits			157,681	85,776
1.3 Interest income on banks			237,304	133,953
1.4 Interest income on money market transactions			7,868	4,511
1.5 Interest income on securities portfolio			2,188,841	1,123,169
1.5.1 Financial assets measured at FVTPL			27,515	13,289
1.5.2 Financial assets measured at FVOCI			1,189,839	593,513
1.5.3 Financial assets measured at amortised cost			971,487	516,367
1.6 Financial lease income			246,532	130,900
1.7 Other interest income			147,242	78,181
II. INTEREST EXPENSE	5.7.2		8,056,712	4,285,269
2.1 Interest on deposits			5,336,242	2,802,124
2.2 Interest on funds borrowed			963,375	549,839
2.3 Interest on money market transactions			621,618	330,306
2.4 Interest on securities issued			1,088,873	569,312
2.5 Other interest expenses			46,604	33,688
III. NET INTEREST INCOME (I - II)			8,599,854	4,488,892
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES			2,425,350	1,187,124
4.1 Fees and commissions received			3,142,253	1,575,248
4.1.1 Non-cash loans			251,751	132,135
4.1.2 Others			2,890,502	1,443,113
4.2 Fees and commissions paid			716,903	388,124
4.2.1 Non-cash loans			6,600	3,569
4.2.2 Others			710,303	384,555
V. PERSONNEL EXPENSES (-)	5.7.7		1,718,108	903,665
VI. DIVIDEND INCOME	5.7.3		5,188	4,368
VII. NET TRADING INCOME/LOSSES (Net)	5.7.4		(332,157)	(49,696)
7.1 Trading account income/losses			737,035	517,427
7.2 Income/losses from derivative financial instruments			69,745	(218,280)
7.3 Foreign exchange gains/losses			(1,138,937)	(348,843)
VIII. OTHER OPERATING INCOME	5.7.5		2,066,046	713,642
IX. TOTAL OPERATING PROFIT (III+IV+V+VI+VII+VIII)			11,046,173	5,440,665
X. EXPECTED CREDIT LOSSES (-)			3,595,783	1,792,956
X. OTHER OPERATING EXPENSES (-)	5.7.6		2,412,547	1,184,459
XII. NET OPERATING PROFIT/LOSS (IX-X-XI)	5.7.7		5,037,843	2,463,250
XIII. INCOME RESULTED FROM MERGERS			-	-
XIV. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING			-	-
XV. GAIN/LOSS ON NET MONETARY POSITION			-	-
XVI. OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV)	5.7.8		5,037,843	2,463,250
XVII. PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)	5.7.9		1,101,853	538,462
17.1 Current tax charge			1,067,538	592,928
17.2 Deferred tax charge (+)			415,599	100,653
17.3 Deferred tax credit (-)			(381,284)	(155,119)
XVIII. NET OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)	5.7.10		3,935,990	1,924,788
XIX. INCOME FROM DISCONTINUED OPERATIONS			-	-
19.1 Income from assets held for sale			-	-
19.2 Income from sale of associates, subsidiaries and joint-ventures			-	-
19.3 Others			-	-
XX. EXPENSES FROM DISCONTINUED OPERATIONS (-)			-	-
20.1 Expenses on assets held for sale			-	-
20.2 Expenses on sale of associates, subsidiaries and joint-ventures			-	-
20.3 Others			-	-
XXI. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX+XX)	5.7.8		-	-
XXII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)	5.7.9		-	-
22.1 Current tax charge			-	-
22.2 Deferred tax charge (+)			-	-
22.3 Deferred tax credit (-)			-	-
XXIII. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXI±XXII)	5.7.10		-	-
XXIV. NET PROFIT/LOSS (XVIII+XXIII)	5.7.11		3,935,990	1,924,788
24.1 Equity holders of the bank			3,901,414	1,907,343
24.2 Minority interest			34,576	17,445
Earnings per Share			0.00929	0.00454

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

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

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		THOUSANDS OF TURKISH LIRA (TL)
		CURRENT PERIOD 1 January 2018 - 30 June 2018
I.	CURRENT PERIOD PROFIT/LOSS	3,935,990
II.	OTHER COMPREHENSIVE INCOME	(73,066)
2.1	Other Income/Expense Items not to be Recycled to Profit or Loss	36,712
2.1.1	Revaluation Surplus on Tangible Assets	4,439
2.1.2	Revaluation Surplus on Intangible Assets	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	-
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	33,735
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(1,462)
2.2	Other Income/Expense Items to be Recycled to Profit or Loss	(109,778)
2.2.1	Translation Differences	619,950
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(784,811)
2.2.3	Gains/losses from Cash Flow Hedges	220,259
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	(282,305)
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	-
2.2.6	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	117,129
III.	TOTAL COMPREHENSIVE INCOME (I+II)	3,862,924

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Statement of Changes in Shareholders' Equity
At 30 June 2018

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)																
		Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss			Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Shareholders' Equity Before Minority Interest	Minority Interest	Total Shareholders' Equity	
						Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others							
CURRENT PERIOD - 1 January 2018 - 30 June 2018																		
I. Balances at Beginning of Period		4,200,000	11,880	-	772,554	1,519,875	(144,269)	60,858	1,583,793	(266,597)	(655,448)	27,869,150	6,332,056	-	41,283,852	322,149	41,606,001	
II. Correction made as per TAS 8	3.29	-	-	-	-	-	-	-	-	396,257	-	-	433,666	-	829,923	(7,809)	822,114	
2.1. Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2. Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	396,257	-	-	433,666	-	829,923	(7,809)	822,114	
III. Adjusted Balances at Beginning of Period (I+II)	5.9	4,200,000	11,880	-	772,554	1,519,875	(144,269)	60,858	1,583,793	129,660	(655,448)	27,869,150	6,765,722	-	42,113,775	314,340	42,428,115	
IV. Total Comprehensive Income		-	-	-	-	4,439	-	32,273	619,950	(503,878)	(225,844)	-	-	3,901,414	3,828,354	34,570	3,862,924	
V. Capital Increase in Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Capital Increase from Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Capital Reserves from Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Others Changes		-	-	-	-	-	-	-	-	-	-	45,353	-	-	45,353	-	45,353	
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	5,015,722	(6,765,722)	-	(1,750,000)	(181,524)	(1,931,524)	
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	(1,750,000)	-	(1,750,000)	(181,524)	(1,931,524)	
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	5,014,572	(5,014,572)	-	-	-	-	
11.3 Others		-	-	-	-	-	-	-	-	-	-	1,150	(1,150)	-	-	-	-	
Balances at end of the period (III+IV...+X+XI)		4,200,000	11,880	-	772,554	1,524,314	(144,269)	93,131	2,203,743	(374,218)	(881,292)	32,930,225	-	3,901,414	44,237,482	167,386	44,404,868	

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiari
Consolidated Statement of Cash Flows
At 30 June 2018

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)
		CURRENT PERIOD 1 January 2018- 30 June 2018
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities	5.10	4,233,945
1.1.1 Interests received		14,885,375
1.1.2 Interests paid		(8,077,203)
1.1.3 Dividend received		5,188
1.1.4 Fees and commissions received		3,142,253
1.1.5 Other income		3,018,758
1.1.6 Collections from previously written-off receivables		224,141
1.1.7 Cash payments to personnel and service suppliers		(3,561,837)
1.1.8 Taxes paid		(1,441,849)
1.1.9 Others		(3,960,881)
1.2 Changes in operating assets and liabilities	5.10	(5,571,170)
1.2.1 Net (increase) decrease in financial assets measured at FVTPL		575,698
1.2.2 Net (increase) decrease in due from banks		(875,469)
1.2.3 Net (increase) decrease in loans		(28,704,946)
1.2.4 Net (increase) decrease in other assets		(794,774)
1.2.5 Net increase (decrease) in bank deposits		5,199,839
1.2.6 Net increase (decrease) in other deposits		23,439,381
1.2.7 Net increase (decrease) in financial liabilities measured at FVTPL		-
1.2.8 Net increase (decrease) in funds borrowed		(5,522,164)
1.2.9 Net increase (decrease) in matured payables		-
1.2.10 Net increase (decrease) in other liabilities		1,111,265
I. Net cash flow from banking operations	5.10	(1,337,225)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash flow from investing activities	5.10	4,282,386
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		-
2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures		-
2.3 Purchases of tangible assets		(320,887)
2.4 Sales of tangible assets		173,188
2.5 Cash paid for purchase of financial assets measured at FVOCI		(4,952,083)
2.6 Cash obtained from sale of financial assets measured at FVOCI		7,764,501
2.7 Cash paid for purchase of financial assets measured at amortised cost		(308,976)
2.8 Cash obtained from sale of financial assets measured at amortised cost		1,926,643
2.9 Others		-
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash flow from financing activities		566,324
3.1 Cash obtained from funds borrowed and securities issued		13,743,461
3.2 Cash used for repayment of funds borrowed and securities issued		(11,427,137)
3.3 Equity instruments issued		-
3.4 Dividends paid		(1,750,000)
3.5 Payments for financial leases		-
3.6 Others		-
IV. Effect of translation differences on cash and cash equivalents		809,584
V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)	5.10	4,321,069
VI. Cash and cash equivalents at beginning of period	5.10	14,952,512
VII. Cash and cash equivalents at end of period (V+VI)	5.10	19,273,581

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

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

ASSETS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)		
			PRIOR PERIOD		
			31 December 2017		
			TL	FC	Total
I. CASH AND BALANCES WITH CENTRAL BANK		5.2.1	7,635,968	25,967,673	33,603,641
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)		5.2.2	2,290,900	586,913	2,877,813
2.1 Financial assets held for trading			2,290,900	586,913	2,877,813
2.1.1 Government securities			803,974	16,604	820,578
2.1.2 Equity securities			68,173	-	68,173
2.1.3 Derivative financial assets held for trading			1,379,769	567,220	1,946,989
2.1.4 Other securities			38,984	3,089	42,073
2.2 Financial assets valued at fair value through profit or loss			-	-	-
2.2.1 Government securities			-	-	-
2.2.2 Equity securities			-	-	-
2.2.3 Loans		5.2.5	-	-	-
2.2.4 Other securities			-	-	-
III. BANKS		5.2.3	1,010,727	18,459,616	19,470,343
IV. INTERBANK MONEY MARKETS			3,353	-	3,353
4.1 Interbank money market placements			-	-	-
4.2 Istanbul Stock Exchange money market placements			-	-	-
4.3 Receivables from reverse repurchase agreements			3,353	-	3,353
V. FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)		5.2.4	22,222,532	4,055,456	26,277,988
5.1 Equity securities			41,760	233,112	274,872
5.2 Government securities			21,912,629	666,591	22,579,220
5.3 Other securities			268,143	3,155,753	3,423,896
VI. LOANS		5.2.5	144,323,034	85,030,251	229,353,285
6.1 Loans			143,274,157	84,718,455	227,992,612
6.1.1 Loans to bank's risk group		5.11	521,307	2,141,026	2,662,333
6.1.2 Government securities			-	-	-
6.1.3 Other			142,752,850	82,577,429	225,330,279
6.2 Loans under follow-up			5,408,114	768,871	6,176,985
6.3 Specific provisions (-)			4,359,237	457,075	4,816,312
VII. FACTORING RECEIVABLES		5.2.6	2,261,812	1,117,956	3,379,768
VIII. INVESTMENTS HELD-TO-MATURITY (Net)		5.2.7	12,900,962	11,413,578	24,314,540
8.1 Government securities			12,815,088	7,417,468	20,232,556
8.2 Other securities			85,874	3,996,110	4,081,984
IX. INVESTMENTS IN ASSOCIATES (Net)		5.2.8	35,747	4	35,751
9.1 Associates consolidated under equity accounting			-	-	-
9.2 Unconsolidated associates			35,747	4	35,751
9.2.1 Financial investments in associates			31,789	-	31,789
9.2.2 Non-financial investments in associates			3,958	4	3,962
X. INVESTMENTS IN SUBSIDIARIES (Net)		5.2.9	114,372	2,309	116,681
10.1 Unconsolidated financial investments in subsidiaries			-	-	-
10.2 Unconsolidated non-financial investments in subsidiaries			114,372	2,309	116,681
XI. INVESTMENTS IN JOINT-VENTURES (Net)		5.2.10	-	-	-
11.1 Joint-ventures consolidated under equity accounting			-	-	-
11.2 Unconsolidated joint-ventures			-	-	-
11.2.1 Financial investments in joint-ventures			-	-	-
11.2.2 Non-financial investments in joint-ventures			-	-	-
XII. LEASE RECEIVABLES (Net)		5.2.11	1,471,740	4,316,696	5,788,436
12.1 Financial lease receivables			1,740,146	4,730,823	6,470,969
12.2 Operational lease receivables			-	-	-
12.3 Others			-	-	-
12.4 Unearned income (-)			268,406	414,127	682,533
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING PURPOSE		5.2.12	554,605	116,115	670,720
13.1 Fair value hedges			89,104	14,158	103,262
13.2 Cash flow hedges			465,501	101,957	567,458
13.3 Net foreign investment hedges			-	-	-
XIV. TANGIBLE ASSETS (Net)		5.2.13	3,910,647	186,004	4,096,651
XV. INTANGIBLE ASSETS (Net)		5.2.14	346,016	33,292	379,308
15.1 Goodwill			6,388	-	6,388
15.2 Other intangibles			339,628	33,292	372,920
XVI. INVESTMENT PROPERTY (Net)		5.2.15	559,388	-	559,388
XVII. TAX ASSET			436,799	30,899	467,698
17.1 Current tax asset			6,697	19,069	25,766
17.2 Deferred tax asset		5.2.16	430,102	11,830	441,932
XVIII. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)		5.2.17	823,000	12,552	835,552
18.1 Asset held for resale			823,000	12,552	835,552
18.2 Assets of discontinued operations			-	-	-
XIX. OTHER ASSETS		5.2.18	3,656,882	443,869	4,100,751
TOTAL ASSETS			204,558,484	151,773,183	356,331,667

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

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

LIABILITIES AND SHAREHOLDERS' EQUITY		Footnotes	THOUSANDS OF TURKISH LIRA (TL)		
			PRIOR PERIOD		
			31 December 2017		
			TL	FC	Total
I. DEPOSITS	5.4.1		88,203,932	112,569,628	200,773,560
1.1 Deposits from bank's risk group	5.11		359,077	522,879	881,956
1.2 Other			87,844,855	112,046,749	199,891,604
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	5.4.2		2,381,287	517,535	2,898,822
III. FUNDS BORROWED	5.4.3		1,134,258	45,970,461	47,104,719
IV. INTERBANK MONEY MARKETS			13,886,785	4,751,071	18,637,856
4.1 Interbank money market takings			11,712,429	3,892,365	15,604,794
4.2 Istanbul Stock Exchange money market takings			1,286,649	-	1,286,649
4.3 Obligations under repurchase agreements	5.4.4		887,707	858,706	1,746,413
V. SECURITIES ISSUED (Net)	5.4.4		8,162,999	12,631,453	20,794,452
5.1 Bills			4,003,253	-	4,003,253
5.2 Asset backed securities			-	-	-
5.3 Bonds			4,159,746	12,631,453	16,791,199
VI. FUNDS			-	-	-
6.1 Borrower funds			-	-	-
6.2 Other			-	-	-
VII. MISCELLANEOUS PAYABLES	5.4.4		9,585,571	790,775	10,376,346
VIII. OTHER EXTERNAL FUNDINGS PAYABLE			2,191,547	888,803	3,080,350
IX. FACTORING PAYABLES	5.4.5		-	-	-
X. LEASE PAYABLES (Net)	5.4.6		-	-	-
10.1 Financial lease payables			-	-	-
10.2 Operational lease payables			-	-	-
10.3 Others			-	-	-
10.4 Deferred expenses (-)			-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING PURPOSES	5.4.7		7,252	191,574	198,826
11.1 Fair value hedges			6,227	188,528	194,755
11.2 Cash flow hedges			1,025	3,046	4,071
11.3 Net foreign investment hedges			-	-	-
XII. PROVISIONS	5.4.8		6,453,922	394,180	6,848,102
12.1 General provisions			3,597,720	75,949	3,673,669
12.2 Restructuring reserves			-	-	-
12.3 Reserve for employee benefits			822,958	86,830	909,788
12.4 Insurance technical provisions (Net)			355,827	34,059	389,886
12.5 Other provisions			1,677,417	197,342	1,874,759
XIII. TAX LIABILITY	5.4.9		1,103,072	60,090	1,163,162
13.1 Current tax liability			1,103,072	45,725	1,148,797
13.2 Deferred tax liability			-	14,365	14,365
XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	5.4.10		-	-	-
14.1 Asset held for sale			-	-	-
14.2 Assets of discontinued operations			-	-	-
XV. SUBORDINATED DEBTS	5.4.11		-	2,849,471	2,849,471
XVI. SHAREHOLDERS' EQUITY	5.4.12		41,142,135	463,866	41,606,001
16.1 Paid-in capital			4,200,000	-	4,200,000
16.2 Capital reserves			1,320,292	206,555	1,526,847
16.2.1 Share premium			11,880	-	11,880
16.2.2 Share cancellation profits			-	-	-
16.2.3 Securities value increase fund			(425,824)	108,010	(317,814)
16.2.4 Revaluation surplus on tangible assets			1,722,980	24,889	1,747,869
16.2.5 Revaluation surplus on intangible assets			-	-	-
16.2.6 Revaluation surplus on investment property			-	-	-
16.2.7 Bonus shares of associates, subsidiaries and joint-ventures			912	-	912
16.2.8 Hedging reserves (effective portion)			(617,941)	73,656	(544,285)
16.2.9 Revaluation surplus on assets held for sale and assets of discontinued operations			-	-	-
16.2.10 Other capital reserves			628,285	-	628,285
16.3 Profit reserves			28,967,638	257,311	29,224,949
16.3.1 Legal reserves			1,368,395	23,864	1,392,259
16.3.2 Status reserves			-	-	-
16.3.3 Extraordinary reserves			25,901,360	-	25,901,360
16.3.4 Other profit reserves			1,697,883	233,447	1,931,330
16.4 Profit or loss			6,332,056	-	6,332,056
16.4.1 Prior periods profit/loss			-	-	-
16.4.2 Current period net profit/loss			6,332,056	-	6,332,056
16.5 Minority interest			322,149	-	322,149
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			174,252,760	182,078,907	356,331,667

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

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Off-Balance Sheet Items
At 31 December 2017

OFF-BALANCE SHEET ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)		
		PRIOR PERIOD		
		31 December 2017		
		TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I-II+III)		189,643,830	301,352,970	490,996,800
I. GUARANTEES AND SURETIES	5.6.1	19,424,930	36,770,464	56,195,394
1.1 Letters of guarantee		19,405,859	20,283,642	39,689,501
1.1.1 Guarantees subject to State Tender Law		-	981,914	981,914
1.1.2 Guarantees given for foreign trade operations		1,842,819	395,767	2,238,586
1.1.3 Other letters of guarantee		17,563,040	18,905,961	36,469,001
1.2 Bank acceptances		14,273	1,536,377	1,550,650
1.2.1 Import letter of acceptance		14,273	1,536,377	1,550,650
1.2.2 Other bank acceptances		-	-	-
1.3 Letters of credit		4,798	14,764,718	14,769,516
1.3.1 Documentary letters of credit		-	-	-
1.3.2 Other letters of credit		4,798	14,764,718	14,769,516
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		-	185,727	185,727
1.9 Other sureties		-	-	-
II. COMMITMENTS		44,879,991	12,711,898	57,591,889
2.1 Irrevocable commitments		44,532,503	7,539,747	52,072,250
2.1.1 Asset purchase and sale commitments		2,205,254	5,742,735	7,947,989
2.1.2 Deposit purchase and sale commitments		-	-	-
2.1.3 Share capital commitments to associates and subsidiaries		-	6,443	6,443
2.1.4 Loan granting commitments		9,468,364	1,231,571	10,699,935
2.1.5 Securities issuance brokerage commitments		-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-
2.1.7 Commitments for cheque payments		3,797,901	-	3,797,901
2.1.8 Tax and fund obligations on export commitments		31,365	-	31,365
2.1.9 Commitments for credit card limits		29,020,761	521,288	29,542,049
2.1.10 Commitments for credit cards and banking services related promotions		8,273	-	8,273
2.1.11 Receivables from "short" sale commitments on securities		-	-	-
2.1.12 Payables from "short" sale commitments on securities		-	-	-
2.1.13 Other irrevocable commitments		585	37,710	38,295
2.2 Revocable commitments		347,488	5,172,151	5,519,639
2.2.1 Revocable loan granting commitments		156,116	4,796,577	4,952,693
2.2.2 Other revocable commitments		191,372	375,574	566,946
III. DERIVATIVE FINANCIAL INSTRUMENTS	5.6.2	125,338,909	251,870,608	377,209,517
3.1 Derivative financial instruments held for risk management		7,255,392	38,177,132	45,432,524
3.1.1 Fair value hedges		5,452,476	12,916,842	18,369,318
3.1.2 Cash flow hedges		1,802,916	25,260,290	27,063,206
3.1.3 Net foreign investment hedges		-	-	-
3.2 Trading derivatives		118,083,517	213,693,476	331,776,993
3.2.1 Forward foreign currency purchases/sales		15,358,246	19,209,970	34,568,216
3.2.1.1 Forward foreign currency purchases		5,427,014	11,771,096	17,198,110
3.2.1.2 Forward foreign currency sales		9,931,232	7,438,874	17,370,106
3.2.2 Currency and interest rate swaps		88,816,561	153,895,967	242,712,528
3.2.2.1 Currency swaps-purchases		32,307,469	73,063,850	105,371,319
3.2.2.2 Currency swaps-sales		55,840,060	45,238,049	101,078,109
3.2.2.3 Interest rate swaps-purchases		334,516	17,797,034	18,131,550
3.2.2.4 Interest rate swaps-sales		334,516	17,797,034	18,131,550
3.2.3 Currency, interest rate and security options		13,831,781	25,562,957	39,394,738
3.2.3.1 Currency call options		7,234,150	7,153,660	14,387,810
3.2.3.2 Currency put options		6,565,822	8,172,614	14,738,436
3.2.3.3 Interest rate call options		-	9,247,686	9,247,686
3.2.3.4 Interest rate put options		-	988,997	988,997
3.2.3.5 Security call options		9,414	-	9,414
3.2.3.6 Security put options		22,395	-	22,395
3.2.4 Currency futures		62,874	92,187	155,061
3.2.4.1 Currency futures-purchases		20,293	44,824	65,117
3.2.4.2 Currency futures-sales		42,581	47,363	89,944
3.2.5 Interest rate futures		-	18,879	18,879
3.2.5.1 Interest rate futures-purchases		-	-	-
3.2.5.2 Interest rate futures-sales		-	18,879	18,879
3.2.6 Others		14,055	14,913,516	14,927,571
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		715,477,686	614,013,443	1,329,491,129
IV. ITEMS HELD IN CUSTODY		52,856,646	38,573,970	91,430,616
4.1 Customers' securities held		18,138,585	-	18,138,585
4.2 Investment securities held in custody		15,042,103	16,314,890	31,356,993
4.3 Checks received for collection		16,558,278	3,885,992	20,444,270
4.4 Commercial notes received for collection		2,824,586	900,585	3,725,171
4.5 Other assets received for collection		98,797	13,830,800	13,929,597
4.6 Assets received through public offering		-	92,625	92,625
4.7 Other items under custody		194,297	3,549,078	3,743,375
4.8 Custodians		-	-	-
V. PLEDGED ITEMS		662,621,040	575,439,473	1,238,060,513
5.1 Securities		4,123,200	260,868	4,384,068
5.2 Guarantee notes		36,609,095	16,584,613	53,193,708
5.3 Commodities		14,095	-	14,095
5.4 Warranties		-	242,502	242,502
5.5 Real estates		159,488,241	116,578,695	276,066,936
5.6 Other pledged items		462,386,409	441,772,729	904,159,138
5.7 Pledged items-depository		-	66	66
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		905,121,516	915,366,413	1,820,487,929

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Income Statement
At 30 June 2017

INCOME AND EXPENSE ITEMS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
			PRIOR PERIOD 1 January 2017- 30 June 2017	PRIOR PERIOD 1 April 2017- 30 June 2017
I. INTEREST INCOME	5.8.1		13,000,399	6,768,285
1.1 Interest income on loans			10,284,519	5,323,417
1.2 Interest income on reserve deposits			102,861	48,226
1.3 Interest income on banks			196,199	136,912
1.4 Interest income on money market transactions			6,993	3,804
1.5 Interest income on securities portfolio			1,942,981	1,024,441
1.5.1 Trading financial assets			10,741	5,769
1.5.2 Financial assets valued at fair value through profit or loss			-	-
1.5.3 Financial assets available-for-sale			1,022,454	545,528
1.5.4 Investments held-to-maturity			909,786	473,144
1.6 Financial lease income			217,443	106,312
1.7 Other interest income			249,403	125,173
II. INTEREST EXPENSE	5.8.2		5,757,216	2,996,604
2.1 Interest on deposits			3,778,729	1,978,614
2.2 Interest on funds borrowed			655,015	321,503
2.3 Interest on money market transactions			642,412	345,797
2.4 Interest on securities issued			663,778	347,256
2.5 Other interest expenses			17,282	3,434
III. NET INTEREST INCOME (I - II)			7,243,183	3,771,681
IV. NET FEES AND COMMISSIONS INCOME			1,833,659	912,620
4.1 Fees and commissions received			2,404,404	1,204,548
4.1.1 Non-cash loans			204,083	105,597
4.1.2 Others			2,200,321	1,098,951
4.2 Fees and commissions paid			570,745	291,928
4.2.1 Non-cash loans			2,394	1,058
4.2.2 Others			568,351	290,870
V. DIVIDEND INCOME	5.8.3		7,338	7,226
VI. NET TRADING INCOME/LOSSES (Net)	5.8.4		(889,240)	(622,468)
6.1 Trading account income/losses (Net)			(312,466)	(80,599)
6.2 Income/losses from derivative financial instruments (Net)			(1,028,702)	(857,201)
6.3 Foreign exchange gains/losses (Net)			451,928	315,332
VII. OTHER OPERATING INCOME	5.8.5		1,072,189	446,837
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)			9,267,129	4,515,896
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	5.8.6		1,504,643	662,236
X. OTHER OPERATING EXPENSES (-)	5.8.7		3,742,510	1,829,333
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)			4,019,976	2,024,327
XII. INCOME RESULTED FROM MERGERS			-	-
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING			-	-
XIV. GAIN/LOSS ON NET MONETARY POSITION			-	-
XV. PROFIT/LOSS BEFORE TAXES (XI+XII+XIII+XIV)	5.8.8		4,019,976	2,024,327
XVI. PROVISION FOR TAXES (±)	5.8.9		919,703	460,690
16.1 Current tax charge			1,060,679	445,531
16.2 Deferred tax charge/(credit)			(140,976)	15,159
XVII. NET OPERATING PROFIT/LOSS AFTER TAXES (XV±XVI)	5.8.10		3,100,273	1,563,637
XVIII. INCOME FROM DISCONTINUED OPERATIONS			-	-
18.1 Income from assets held for sale			-	-
18.2 Income from sale of associates, subsidiaries and joint-ventures			-	-
18.3 Others			-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)			-	-
19.1 Expenses on assets held for sale			-	-
19.2 Expenses on sale of associates, subsidiaries and joint-ventures			-	-
19.3 Others			-	-
XX. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XVIII-XIX)	5.8.8		-	-
XXI. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)	5.8.9		-	-
21.1 Current tax charge			-	-
21.2 Deferred tax charge/(credit)			-	-
XXII. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XX±XXI)	5.8.10		-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	5.8.11		3,100,273	1,563,637
23.1 Equity holders of the bank			3,073,175	1,549,636
23.2 Minority interest			27,098	14,001
Earnings per Share			0.00732	0.00369

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Statement of Income/Expense Items Accounted for under
Shareholders' Equity
At 30 June 2017

INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY		THOUSANDS OF TURKISH LIRA (TL)
		PRIOR PERIOD 1 January 2017 - 30 June 2017
I. MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"		614,075
II. REVALUATION SURPLUS ON TANGIBLE ASSETS		-
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS		-
IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES		247,361
V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)		(34,395)
VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)		(103,036)
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS		-
VIII. OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS		-
IX. DEFERRED TAXES ON VALUE INCREASES/DECREASES		(90,509)
X. NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+III+IV+V+VI+VII+VIII+IX)		633,496
XI. CURRENT PERIOD PROFIT/LOSSES		3,100,273
1.1 Net changes in fair value of securities (transferred to income statement)		(3,979)
1.2 Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement		(51,406)
1.3 Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement		-
1.4 Others		3,155,658
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)		3,733,769

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Statement of Changes in Shareholders' Equity
At 30 June 2017

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)																	
		Paid-In Capital	Inflation Adjustment 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	Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity
PRIOR PERIOD - 1 January-30 June 2017																			
I. Balances at beginning of the period		4,200,000	772,554	11,880	-	1,271,522	-	22,192,305	1,179,839	-	5,105,291	(543,625)	1,691,062	947	(353,676)	-	35,528,099	267,808	35,795,907
Changes during the period	5.9																		
II. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Market value changes of securities		-	-	-	-	-	-	-	-	-	-	496,073	-	-	-	-	496,073	8	496,081
IV. Hedging reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	(109,946)	-	(109,946)	-	(109,946)
4.1. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(27,516)	-	(27,516)	-	(27,516)
4.2. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	(82,430)	-	(82,430)	-	(82,430)
V. Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Bonus shares of associates, subsidiaries and joint-ventures		-	-	-	-	2,358	-	491	244,057	-	-	-	500	-	(45)	-	247,361	-	247,361
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2. Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Others		-	-	-	-	-	-	170,294	-	-	-	-	(170,294)	-	-	-	-	-	-
XVII. Current period net profit/loss		-	-	-	-	-	-	-	-	3,073,175	-	-	-	-	-	-	3,073,175	27,098	3,100,273
XVIII. Profit distribution		-	-	-	-	110,468	-	3,517,212	5,738	-	(5,105,291)	-	221,873	-	-	-	(1,250,000)	(1,500)	(1,251,500)
18.1. Dividends		-	-	-	-	-	-	-	-	-	(1,250,000)	-	-	-	-	-	(1,250,000)	(1,500)	(1,251,500)
18.2. Transfers to reserves		-	-	-	-	110,468	-	3,517,212	-	-	(3,627,680)	-	-	-	-	-	-	-	-
18.3. Others		-	-	-	-	-	-	-	5,738	-	(227,611)	-	221,873	-	-	-	-	-	-
Balances at end of the period (I+II+III+.....+XVI+XVII+XVIII)		4,200,000	772,554	11,880	-	1,384,348	-	25,880,302	1,429,634	3,073,175	-	(47,552)	1,743,141	947	(463,667)	-	37,984,762	293,414	38,278,176

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Statement of Cash Flows
At 30 June 2017

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)
		PRIOR PERIOD 1 January 2017 30 June 2017
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities	5.10	4,622,331
1.1.1 Interests received		12,115,903
1.1.2 Interests paid		(5,356,432)
1.1.3 Dividend received		7,338
1.1.4 Fees and commissions received		2,404,404
1.1.5 Other income		743,258
1.1.6 Collections from previously written-off loans and other receivables		94,764
1.1.7 Payments to personnel and service suppliers		(3,127,054)
1.1.8 Taxes paid		(870,922)
1.1.9 Others		(1,388,928)
1.2 Changes in operating assets and liabilities	5.10	(10,910,227)
1.2.1 Net (increase) decrease in financial assets held for trading		(305,564)
1.2.2 Net (increase) decrease in financial assets valued at fair value through profit or loss		-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		(9,321,563)
1.2.4 Net (increase) decrease in loans		(17,648,906)
1.2.5 Net (increase) decrease in other assets		(274,099)
1.2.6 Net increase (decrease) in bank deposits		1,273,383
1.2.7 Net increase (decrease) in other deposits		12,829,691
1.2.8 Net increase (decrease) in funds borrowed		831,902
1.2.9 Net increase (decrease) in matured payables		-
1.2.10 Net increase (decrease) in other liabilities		1,704,929
I. Net cash flow from banking operations	5.10	(6,287,896)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash flow from investing activities	5.10	1,190,090
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		(29)
2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures		-
2.3 Purchases of tangible assets		(323,723)
2.4 Sales of tangible assets		148,639
2.5 Cash paid for purchase of financial assets available-for-sale, net		(4,521,549)
2.6 Cash obtained from sale of financial assets available-for-sale, net		5,259,457
2.7 Cash paid for purchase of investments held-to-maturity		(191,787)
2.8 Cash obtained from sale of investments held-to-maturity		819,082
2.9 Others		-
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash flow from financing activities		3,662,404
3.1 Cash obtained from funds borrowed and securities issued		12,420,237
3.2 Cash used for repayment of funds borrowed and securities issued		(7,506,333)
3.3 Equity instruments issued		-
3.4 Dividends paid		(1,251,500)
3.5 Payments for financial leases		-
3.6 Others		-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		(172,073)
V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)	5.10	(1,607,475)
VI. Cash and cash equivalents at beginning of period	5.10	15,692,142
VII. Cash and cash equivalents at end of period (V+VI)	5.10	14,084,667

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

3 Accounting Policies

3.1 Basis of presentation

The Bank and its consolidated financial subsidiaries prepare their consolidated 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 consolidated financial statements are prepared in accordance with the historical cost basis except for financial instruments at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and real estates which are presented on a fair value basis.

3.1.1 Changes in Accounting policies and disclosures

3.1.1.1 Major new and amended standards and interpretations

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

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

Besides, the adoption process continues regarding TFRS 16 Leases (“TFRS 16”) which will be in effect starting from 1 January 2019.

3.1.1.2 The standards which are effective as of 1 January 2018

TFRS 9 Financial Instruments

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

The Bank and its consolidated financial subsidiaries have not restated comparative information for 2017 for financial instruments in the scope of TFRS 9 and the total difference arising from the adoption of TFRS 9 has been recognised directly in prior periods’ profit or loss as of 1 January 2018 in the current period’s statement of changes in shareholders’ equity. In this context, the accompanying financial statements are not presented on a comparative basis and the prior period financial statements, the annulled accounting policies in accordance with TAS 39 and the prior period disclosures and footnotes are included consecutive to the corresponding current period information. The transition impact on the financial statements regarding first time adoption of TFRS 9 as of 1 January 2018 is presented in Note 3.29.

Changes regarding classification and measurement of financial instruments

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

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

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

The details regarding classification and measurement of financial assets and liabilities is explained in note 3.7.

Besides, the impact on the statement of financial position regarding adoption of TFRS 9 as of 1 January 2018 is explained in note 3.29.

Impairment

TFRS 9 has changed the accounting for loan loss impairments by replacing TAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. It is formed an impairment model having 3 stages based on the change in credit quality since initial recognition. The approach of regarding measurement of credit impairment is presented in note 3.8.

TFRS 15 Revenue from contracts with customers

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

3.1.1.3 The new standards not effective as of 1 January 2018

TFRS 16 Leases

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

The accounting policies and the valuation principles applied in the preparation of the accompanying current period consolidated financial statements are explained in Notes 3.2 to 3.28. The accounting policies related with TAS 39 and TAS 18 annulled in the current period but valid for the prior period's financial statements are presented in Note 3.30.

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 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 and its financial subsidiaries have 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 and its financial subsidiaries are 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 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.

It may classified the 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 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 the management of the interest and liquidity risk 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 for the parent Bank and with the Central Bank of Turkey's spot purchase rates for domestic financial subsidiaries, and the differences are recorded as foreign exchange gain or loss in the income statement.

During the consolidation of foreign subsidiaries, the assets and liabilities are translated into TL at exchange rates ruling at the balance sheet date, the income and expenses in income statement are translated into TL using monthly average exchange rates. Foreign exchange differences arising from the translation of income and expenses and other equity items, are recognized in "other comprehensive income/expense items to be recycled to profit or loss under the shareholders' equity.

The foreign currency risk arising from net investments in foreign subsidiaries are hedged with long-term foreign currency borrowings and the currency translation differences arising from the conversion of net investments in foreign subsidiaries and long-term foreign currency borrowings into TL are accounted in "other comprehensive income/expense items to be recycled to profit or loss under the shareholders' equity.

3.3 Information on consolidated subsidiaries

As of 30 June 2018, Türkiye Garanti Bankası Anonim Şirketi and the following financial subsidiaries are consolidated in the accompanying consolidated financial statements; Garanti Bank International (GBI), Garanti Finansal Kiralama AŞ (Garanti Finansal Kiralama), Garanti Yatırım Menkul Kıymetler AŞ (Garanti Yatırım), Garanti Portföy Yönetimi AŞ (Garanti Portföy), Garanti Emeklilik ve Hayat AŞ (Garanti Emeklilik), Garanti Faktoring AŞ (Garanti Faktoring) and Garanti Holding BV (Garanti Holding).

Garanti Finansal Kiralama was established in 1990 to perform financial lease activities and all related transactions and contracts. The company's head office is in Istanbul. The Bank increased its shareholding to 100% through a further acquisition of 0.04% of the company's shares on 21 October 2014.

Garanti Faktoring was established in 1990 to perform import, export and domestic factoring activities. The company's head office is in Istanbul. The Bank owns 81.84% of Garanti Faktoring shares including the shares acquired in the market, T. İhracat Kredi Bankası AŞ owns 9.78% of the company's shares and the remaining 8.38% shares are held by public.

GBI was established in October 1990 to perform banking activities abroad. The head office of this bank is in Amsterdam. It is wholly owned by the Bank.

Garanti Yatırım was established in 1991 to perform brokerage activities for marketable securities, valuable papers and documents representing financial values or financial commitments of issuing parties other than securities. The company's head office is in Istanbul. It is wholly owned by the Bank. Garanti Yatırım Ortaklığı AŞ that Garanti Yatırım participated by 3.30%, has been consolidated in the accompanying consolidated financial statements due to the company's right to elect all the members of the board of directors as resulted from its privilege in election of board members.

In 1992, it was decided to operate life and health branches under a different company and accordingly Garanti Hayat Sigorta AŞ was established. Garanti Hayat Sigorta AŞ was converted into a private pension company in compliance with the legislation early in 2003 and its name was changed as Garanti Emeklilik ve Hayat AŞ. Following the sale transactions that took place on 21 June 2007, the Bank's ownership in Garanti Emeklilik decreased to 84.91%. The head office of this company is in Istanbul.

Garanti Portföy was established in June 1997 to manage the customer portfolios by using the capital market products in compliance with the principles and rules of the regulations regarding the company's purpose of establishment and the portfolio management agreements signed with the customers. The company's head office is in Istanbul. It is wholly owned by the Bank.

Garanti Holding was established in December 2007 in Amsterdam and all its shares was purchased by the Bank from Doğu Holding AŞ in May 2010. As of 27 January 2011 the consolidated subsidiary's legal named changed to Garanti Holding BV from D Netherlands BV.

Garanti Diversified Payment Rights Finance Company and RPV Company are structured entities established for the parent Bank's securitization transactions, and consolidated in the accompanying consolidated financial statements. The Bank or any of its subsidiaries does not have any shareholding interests in these companies.

3.4 Forwards, options and other derivative transactions

3.4.1 Derivative financial assets

Derivative financial assets measured at fair value through profit or loss

The 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 "the portion of derivative financial assets measured at fair value through profit and loss" or "the portion of derivative financial liabilities measured at fair value through profit and loss", respectively depending on the fair values being positive or negative. Fair value changes for derivatives are recorded in the account of "income / losses from derivative transactions under 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 followed in the off-balance sheet accounts at their contractual values.

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

Credit derivatives; are capital market tools designed to transfer credit risk from one party to another. The 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. It is entered into total return swap contract for the purpose of generating long-term funding.

3.4.2 Derivative financial instruments held for hedging purpose

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

The Bank and its consolidated financial subsidiaries enter into interest rate and cross currency swap transactions in order to hedge the changes in fair values of fixed-rate financial instruments. The changes in fair values of derivative 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 the fixed-rate financial assets at fair value through other comprehensive income, such changes are reclassified from shareholders' equity to income statement.

Derivative financial assets measured at fair value through other comprehensive income

The Bank and its consolidated financial subsidiaries enter 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 "accumulated other comprehensive income or expense to be reclassified to profit or loss" in shareholders' equity, and the ineffective portion is recognised in income statement. The changes recognized in shareholders' equity is removed and included in income statement in the same period when the hedged cash flows effect the income or loss.

Effectiveness tests are performed 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 "accumulated other comprehensive income or expense to be reclassified to profit or loss" are continued to be kept in this account. When the cash flows of hedged item incur, the gain/losses accounted for under shareholders' equity are recognised in income statement considering the original maturity.

3.5 Interest income and expenses

General

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

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

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

If the expectations for the cash flows in the financial asset are revised for reasons other than the credit risk, the amendment is reflected in the carrying amount of the asset and in the related income statement line and is amortized over the estimated life of the financial asset.

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

Financial lease activities

Total of minimum rental payments including interests and principals are recorded under "financial lease receivables" as gross. The difference, i.e. the interest, between the total of rental payments and the cost of the related tangible asset is recorded under "unearned income". When the rent payment incurs, the rent amount is deducted from "financial lease receivables"; and the interest portion is recorded as interest income in the income statement.

3.6 Fees and commissions

Fees that are not an integral part of the effective interest rate of a financial instrument are accounted for in accordance with TFRS 15 Revenue from Contracts with Customers. Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period. The income derived from agreements or asset purchases from real-person or corporate third parties are recognized as income when realized.

3.7 Financial assets

3.7.1 Initial recognition of financial instruments

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

3.7.2 Initial measurement of financial instruments

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

3.7.3 Classification of financial instruments

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

3.7.3.1 Assessment of the business model

As per TFRS 9, the business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The business model does not depend on management's intentions for an individual instrument. Accordingly, this condition is not an instrument-by-instrument approach to classification and should be determined on a higher level of aggregation.

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

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

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

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

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

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

3.7.3.2 Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding

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

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

3.7.4 Measurement categories of financial assets and liabilities

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

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

Financial investments and loans measured at amortised cost

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Loans: financial assets other than those held for trading in short term or generated through providing money, commodity and services to debtors. Loans are financial assets with fixed or determinable payments and not quoted in an active market.

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

Financial assets measured at fair value through other comprehensive income

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

The Bank also owns in its securities portfolio; consumer price indexed government bonds (CPI) reclassified as both financial assets measured at fair value through other comprehensive income and measured at amortised cost. CPI's are valued and accounted based on 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 guideline. The estimated inflation rate according to the Central Bank of Turkey and the Bank's expectations, maybe updated during the year when it is considered necessary.

Equity instruments measured at fair value through other comprehensive income

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

Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. However, the cumulative gain or loss shall be transferred to prior period's profit or loss. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. TFRS 9 impairment requirements are not applicable for equity instruments.

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

Financial assets valued at fair value through profit or loss are valued at their fair values and gain/loss arising on those assets is recorded in the 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.

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

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

3.8 Disclosures on impairment of financial assets

As of 1 January 2018, loss allowance for expected credit losses is recognised on financial assets and loans measured at amortised cost, financial assets measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit or loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with "Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans" which came into force starting from 1 January 2018. TFRS 9 impairment requirements are not applicable for equity instruments.

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

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

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

It is constituted a policy in order to make an assessment whether the credit risk on a financial instrument has increased significantly since initial recognition by taking into consideration change in the risk of a default occurring over the expected life of the financial instrument. The aforementioned policy is presented in note 3.8.

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

3.8.1 Calculation of expected credit losses

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

Probability of Default (PD): PD refers to the likelihood that a loan will default, which is usually set at 12 months, given certain characteristics. Based on TFRS 9, it is used two different PDs in order to calculate expected credit losses:

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

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

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

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

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

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

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

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

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

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

It is considered a debt as default on these two below conditions;

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

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

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

In addition, a certain portion of commercial and corporate loans is assessed individually in accordance with the internal policies in the calculation of the expected credit losses based on TFRS 9. Such calculations are made by discounting the expected cash flows from the individual financial instrument to its present value using the effective interest rate.

When measuring expected credit losses, it shall be considered the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. Such assessment is made by reflecting the estimate of expected credit loss which is unbiased and probability-weighted determined by evaluating a range of possible outcomes.

3.8.1.1 *Loan commitments and non-cash loans*

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

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

3.8.1.2 *Debt instruments measured at fair value through other comprehensive income*

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

3.8.1.3 *Credit cards and other revolving loans*

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

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

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

It is calculated expected credit losses on the revolving products of retail and corporate customers by considering 3 to 5 years.

It is made assessment of significant increase in credit risk of revolving loans by considering qualitative and quantitative criteria considered for other credit products as explained in disclosure 3.8.3.

3.8.2 Forward-looking macroeconomic information

Forward-looking macroeconomic information is incorporated into credit risk parameters during assessment of significant increase in credit risk and expected credit loss calculation. The incorporation of forward-looking information into the credit risk parameters consists of the following steps:

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

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

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

3.8.3 Significant increase in credit risk

Qualitative and quantitative assessments are performed regarding assessment of significant increase in credit risk.

Qualitative assessment:

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

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

Quantitative assessment:

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

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

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

3.8.4 Low credit risk

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

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

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

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

- Receivables from the Central Bank of the Republic of Turkey (required reserves, free reserves, placement, etc.)
- Loans with counterparty of Treasury of the Republic of Turkey,
- Receivables (reserves, free reserves, placements, etc.) from the central banks of the branches of the Bank or its subsidiaries, securities issued or guaranteed by these central banks and securities issued / guaranteed by the treasury of these countries,
- Loans granted to the treasury of countries having rating note of AA- and above and the securities issued or guaranteed by the treasury of these countries,
- Local currency loans granted to the treasury of countries having rating below AA-, and securities in local currency issued or guaranteed by the treasury of these countries,
- Securities exported or guaranteed by multilateral development banks or international organizations having rating of AA- and above.

3.9 Disclosures about netting and derecognition of financial instruments

3.9.1 Netting of financial instruments

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

3.9.2 Derecognition of financial instruments

3.9.2.1 *Derecognition of financial assets due to change in the contractual terms*

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

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

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

Where all risks and rewards of ownership of the asset have not been transferred to another party and it is retained control of the asset, it is continued to recognize the remaining portion of the asset and liabilities arising from such asset.

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

3.9.2.2 *Derecognition of a financial asset without any change in the contractual terms*

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

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

3.9.2.3 *Derecognition of financial liabilities*

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

3.9.3 *Reclassification of financial instruments*

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

It is fulfilled the requirements of reclassification during transition to TFRS 9 and such reclassification details are presented in the disclosure 3.29.

3.9.4 *Restructuring and refinancing of financial instruments*

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

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

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

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

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

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

- Recovery in debt service,
- At least 1 year should pass over the date of restructuring,
- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring /refinancing or the date when the debtor is classified as non-performing (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring /refinancing,

- Collection of all overdue amounts, disappearance of the reasons for classification as non-performing receivable (based on the conditions mentioned above) and having no overdue more than 30 days as of the date of reclassification.

During the follow-up period of at least two years following the date of restructuring / refinancing, if there is a new restructuring / refinancing or a delay of more than 30 days, the transactions which were non-performing at the beginning of the follow-up period are classified as non-performing loans again. The performing or non-performing retail loans being subject to restructuring shall be removed from the watchlist only if the debt is paid in full.

3.10 Repurchase and resale agreements and securities lending

Securities sold under repurchase agreements are recorded on the balance sheet in compliance with the Uniform Chart of Accounts. Accordingly, government bonds and treasury bills sold to customers under repurchase agreements are classified as “Investments Subject to Repurchase Agreements” and valued based on the management’s future intentions, either at market prices or using discounting method with

internal rate of return. 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, assets of discontinued operations and related liabilities

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

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

3.12 Goodwill and other intangible assets

The intangible assets consist of goodwill, softwares, intangible rights and other intangible assets.

Goodwill and other intangible assets are recorded at cost in accordance 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 and its financial subsidiaries’ 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 over their estimated useful lives based on their inflation adjusted costs on a straight-line basis.

Goodwill represents the excess of the total acquisition costs over the shares owned in the net assets of the acquired company at the date of acquisition. The “net goodwill” resulted from the acquisition of the investment and to be included in the consolidated balance sheet, is calculated based on the financial statements of the investee company as adjusted according to the required accounting principles.

If any goodwill is computed at consolidation, it is recorded under intangible assets on the asset side of the consolidated balance sheet as an asset. It is assessed to identify whether there is any indication of impairment. If any such indication exists, the necessary provision is recorded as an expense in the income statement. The goodwill is not amortized.

Estimated useful lives of the intangible assets except for goodwill, 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 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 the 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 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 or its financial subsidiaries. If an inflow of economic benefits 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 entities are 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 and its financial subsidiaries subject to the labour law, 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
Net Effective Discount Rate	3.04%
Discount Rate	11.70%
Expected Rate of Salary Increase	9.90%
Inflation Rate	8.40%

In the above table, the effective rates are presented for the Bank and its financial subsidiaries subject to the labour law, whereas the rates applied for the calculations differ according to the employee's 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 TAS19.

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 no. 506. These contributions are as follows:

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

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

a) Benefits transferable to SSF

The first paragraph of the provisional article 23 of Banking Law no. 5411, published in the Official Gazette on 1 November 2005, no. 25983, which requires the transfer of the members of the funds subject to the provisional article 20 of the Social Security Law no.506, and the persons who are paid under insurance coverage for disablement, old-age and mortality and their right-holders to the SSF within three years following the effective date of the related article was cancelled with the decision of the Constitutional Court dated 22 March 2007, no. 2007/33. The reasoned ruling regarding the cancellation of the Constitutional Court was published in the Official Gazette no. 26731, dated 15 December 2007. The Constitutional Court stated that the reason behind this cancellation was the possible loss of antecedent rights of the fund members. Following the publication of the verdict, the Turkish Grand National Assembly ("Turkish Parliament") started to work on the new legal arrangements by taking the cancellation reasoning into account and the articles of the Law no.5754 regulating the principles related with such transfers were accepted and approved by Turkish Parliament on 17 April 2008, and enacted on 8 May 2008 after being published in the Official Gazette no.26870.

As per the Law, the present value of post-employment benefits as at the transfer date for the fund members to be transferred, are to be calculated by a commission composing from the representatives of the SSF, the Ministry of Finance, the Undersecretariat of Treasury, the Undersecretariat of State Planning Organisation, the BRSA, the Savings Deposit Insurance Fund ("SDIF"), the banks and the funds, by using a technical discount rate of 9.80% taking into account the funds' income and expenses as per insurance classes and the transferable contributions and payments of the funds including any salary and income differences paid by the funds above the limits of SSF for such payments. The transfers are to take place within the three-year period starting from 1 January 2008.

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

On 19 June 2008, Cumhuriyet Halk Partisi (“CHP”) had 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 article 73 and the first paragraph of the provisional Article 20 added to the law no. 5510 are 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 explained above, 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 TAS19.

The consolidated subsidiaries do not have retirement benefit plans for their employees. The retirement related benefits of the employees of the consolidated subsidiaries are subject to the Social Security Institution in case of domestic investees and to the legislations of the related countries in case of foreign investee companies. There are no obligations not reflected in the accompanying consolidated financial statements.

3.18 Insurance technical reserves and technical income and expense

3.18.1 Insurance technical reserves

The Group’s insurance subsidiaries adopted TFRS 4, Insurance Contracts (“TFRS 4”). TFRS 4 requires that all contracts issued by insurance companies be classified as either insurance contracts or investment contracts. Contracts with significant insurance risk are considered insurance contracts. Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. TFRS 4 permits a company to continue with its previously adopted accounting policies with regard to recognition and measurement of insurance contracts. Only in case of presentation of more reliable figures a change in accounting policy shall be carried out. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TFRS 9 Financial Instruments standard.

Insurance technical provisions on the consolidated financial statements consist of, reserve for unearned premiums, reserve for unexpired risk, and provision for outstanding claims and mathematical provisions.

3.18.2 Insurance technical income and expense

In insurance companies, premium income is obtained subsequent to the share of reinsurers in policy income is diminished.

Claims are recorded in expense on accrual basis. Outstanding loss provisions are recognized for the claims reported but not paid yet and for the claims that incurred but not reported. Reinsurers’ share of claims paid and outstanding loss are offset in these provisions.

3.19 Taxation

3.19.1 Corporate tax

While the corporate tax rate was at the rate of 20% since 1 January 2006, for all companies, such rate has been set as 22% for the tax bases of the years 2018, 2019, and 2020 based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down to 20%. This rate is applied to tax base which is calculated by adding certain non deductible expenses for tax purposes and deducting certain exemptions (like dividend income) and other deductions on accounting income. If there is no dividend distribution, no further tax charges are made.

Dividends paid to the resident institutions and the institutions working through local offices or representatives in Turkey are not subject to withholding tax. As per the decisions no. 2009/14593 and 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 Turkish tax legislation, the tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

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

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

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.

Tax applications for foreign financial subsidiaries

THE NETHERLANDS

In the Netherlands, corporate income tax is levied at the rate of 20% for tax profits up to EUR 200,000 and 25% for the excess part over this amount on the worldwide income of resident companies, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the related year. A unilateral decree for the avoidance of double taxation provides relief for resident companies from Dutch tax on income, such as foreign business profits derived through a permanent establishment abroad, if no tax treaty applies. In general, there is an additional dividend tax of 5% computed only on the amounts of dividend distribution at the time of such payments. Under the Dutch taxation system, tax losses can be carried forward to offset against future taxable income for nine years. Tax losses can be carried back to the prior year. Companies must file their tax returns within nine months following the end of the tax year to which they relate, unless the company applies for an extension (normally an additional nine months). Tax returns are open for five years from the date of final assessment of the tax return during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. The corporate income tax for the Germany branch is 30%.

ROMANIA

The applicable corporate tax rate in Romania is 16%. The taxation system in Romania is continuously developing and is subject to varying interpretations and constant changes, which may become rarely retroactive. In Romania, tax periods remain open for tax audits for seven years. Tax losses can be carried forward to offset against future taxable income for seven years.

3.19.2 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 of the Bank and its consolidated subsidiaries are reported as net in their individual financial statements.

In compliance with TAS 12, the deferred tax assets and liabilities of the consolidated subsidiaries are presented on the asset and liability sides of financial statements separately, without any offsetting.

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.

3.19.3 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.

3.20 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.

3.21 Shares and 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.

3.22 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.

3.23 Government incentives

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

3.24 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 name of Visa and Mastercard, virtual cards and also American Express credit cards and “Paracard” debit cards with Maestro, Electron, Visa and Mastercard brand names, are available.

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

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

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

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

Information on the business segments on a consolidated basis is as follows:

<i>Current Period</i>	Retail Banking	Corporate / Commercial Banking	Investment Banking	Other	Total Operations
Total Operating Profit	3,862,386	4,372,399	(776,322)	3,582,522	11,040,985
Other	-	-	-	-	-
Total Operating Profit	3,862,386	4,372,399	(776,322)	3,582,522	11,040,985
Net Operating Profit	1,993,031	2,309,719	(817,309)	1,547,214	5,032,655
Income from Associates and Subsidiaries			-	5,188	5,188
Net Operating Profit	1,993,031	2,309,719	(817,309)	1,552,402	5,037,843
Provision for Taxes	-	-	-	1,101,853	1,101,853
Net Profit	1,993,031	2,309,719	(817,309)	450,549	3,935,990
Segment Assets	72,254,714	179,007,790	97,255,315	36,207,084	384,724,903
Investments in Associates and Subsidiaries	-	-	-	153,111	153,111
Total Assets	72,254,714	179,007,790	97,255,315	36,360,195	384,878,014
Segment Liabilities	143,218,639	87,162,944	85,876,606	24,214,957	340,473,146
Shareholders' Equity	-	-	-	44,404,868	44,404,868
Total Liabilities and Shareholders' Equity	143,218,639	87,162,944	85,876,606	68,619,825	384,878,014

<i>Prior Period</i>	Retail Banking	Corporate / Commercial Banking	Investment Banking	Other	Total Operations
Total Operating Profit	3,760,720	3,375,669	(284,673)	2,408,075	9,259,791
Other	-	-	-	-	-
Total Operating Profit	3,760,720	3,375,669	(284,673)	2,408,075	9,259,791
Net Operating Profit	1,511,870	1,923,972	(328,449)	905,245	4,012,638
Income from Associates and Subsidiaries	-	-	-	7,338	7,338
Net Operating Profit	1,511,870	1,923,972	(328,449)	912,583	4,019,976
Provision for Taxes	-	-	-	919,703	919,703
Net Profit	1,511,870	1,923,972	(328,449)	(7,120)	3,100,273
Segment Assets	69,610,939	159,744,598	95,004,662	31,819,036	356,179,235
Investments in Associates and Subsidiaries	-	-	-	152,432	152,432
Total Assets	69,610,939	159,744,598	95,004,662	31,971,468	356,331,667
Segment Liabilities	128,802,347	81,145,621	83,621,821	21,155,877	314,725,666
Shareholders' Equity	-	-	-	41,606,001	41,606,001
Total Liabilities and Shareholders' Equity	128,802,347	81,145,621	83,621,821	62,761,878	356,331,667

3.25 Profit reserves and profit appropriation

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

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

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

3.26 Earnings per share

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

	<i>Current Period</i>	<i>Prior Period</i>
Distributable net profit/loss	3,901,414	3,073,175
Average number of issued common shares (thousand)	420,000,000	420,000,000
Earnings per share (amounts presented full TL)	0.00929	0.00732

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

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

3.27 Related parties

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

3.28 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.

3.29 Reclassifications

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

ASSETS	Note	31.12.2017	TFRS 9 Reclassification Effect	TFRS 9 Measurement Effect	01.01.2018
FINANCIAL ASSETS (Net)		107,218,398	(160,346)	586,217	107,644,269
Cash and Cash Equivalents		53,077,337	-	-	53,077,337
-Cash and Balances with Central Bank		33,603,641	-	-	33,603,641
-Banks		19,470,343	-	-	19,470,343
-Money Market Placements		3,353	-	-	3,353
Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	(1),(2)	2,877,813	(1,788,474)	(5,665)	1,083,674
Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	(2)	-	28,806,639	589,805	29,396,444
Financial Assets Measured at Amortised Cost	(3)	-	21,627,374	(130,037)	21,497,337
Derivative Financial Assets	(1)	-	2,617,709	-	2,617,709
Non Performing Financial Assets		-	-	-	-
Expected Credit Losses (-)	(7)	-	160,346	(132,114)	28,232
Financial Assets Available for Sale (Net)	(2)	26,277,988	(26,277,988)	-	-
Investments Held to Maturity (Net)	(2),(3)	24,314,540	(24,314,540)	-	-
Derivative Financial Assets Held for Hedging Purpose	(1)	670,720	(670,720)	-	-
LOANS (Net)		238,521,489	(3,065,811)	(735,170)	234,720,508
Loans	(4)	227,992,612	(7,015)	-	227,985,597
-Performing Loans	(4)	210,937,017	(19,247,411)	-	191,689,606
-Loans under Follow-up (*)	(4)	17,055,595	19,240,396	-	36,295,991
Lease Receivables		5,788,436	(350,014)	-	5,438,422
Factoring Receivables		3,379,768	(19,782)	-	3,359,986
Non Performing Receivables		6,176,985	711,471	-	6,888,456
Expected Credit Losses (-)	(7)	4,816,312	3,400,471	735,170	8,951,953
-12-Month ECL (Stage 1)	(7)	-	1,654,925	(746,715)	908,210
-Significant Increase in Credit Risk (Stage 2) (*)	(7)	-	1,404,367	2,127,021	3,531,388
-Impaired Credits (Stage 3)	(7)	4,816,312	341,179	(645,136)	4,512,355
ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)		835,552	-	-	835,552
EQUITY INVESTMENTS (Net)		152,432	-	-	152,432
Associates (Net)		35,751	-	-	35,751
Subsidiaries (Net)	(7)	116,681	-	-	116,681
Joint Ventures (Net)		-	-	-	-
TANGIBLE ASSETS (Net)		4,096,651	-	-	4,096,651
INTANGIBLE ASSETS (Net)		379,308	-	-	379,308
INVESTMENT PROPERTIES (Net)		559,388	-	-	559,388
CURRENT TAX ASSET	(8)	25,766	-	33,674	59,440
DEFERRED TAX ASSET	(8)	441,932	-	956,373	1,398,305
OTHER ASSETS	(7)	4,100,751	(12,660)	8,701	4,096,792
TOTAL ASSETS		356,331,667	(3,238,817)	849,795	353,942,645

(*) Loans under follow up for leasing and factoring receivables are presented in the corresponding balance sheet line item.

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31.12.2017	TFRS9 Reclassification Effect	TFRS9 Measurement Effect	01.01.2018
DEPOSITS		200,773,560	-	-	200,773,560
FUNDS BORROWED	(5)	47,104,719	(9,332,392)	-	37,772,327
INTERBANK MONEY MARKET FUNDS		18,637,856	-	-	18,637,856
SECURITIES ISSUED (NET)	(5)	20,794,452	(34,983)	-	20,759,469
FUNDS		-	-	-	-
FINANCIAL LIABILITIES MEASURED AT FVTPL	(5)	-	9,367,375	-	9,367,375
DERIVATIVE FINANCIAL LIABILITIES	(6)	-	3,097,648	-	3,097,648
Derivative Financial Liabilities Measured at FVTPL		-	3,095,569	-	3,095,569
Derivative Financial Liabilities Measured at FVOCI		-	2,079	-	2,079
DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(6)	2,898,822	(2,898,822)	-	-
DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING PURPOSE	(6)	198,826	(198,826)	-	-
FACTORING PAYABLES		-	-	-	-
LEASE PAYABLES (Net)		-	-	-	-
PROVISIONS		6,848,102	(3,238,817)	(122,885)	3,486,400
General Provisions	(7)	3,673,669	(3,673,669)	-	-
Restructuring Reserves		-	-	-	-
Reserve for Employee Benefits		909,788	-	-	909,788
Insurance Technical Provisions (Net)		389,886	-	-	389,886
Other Provisions	(7)	1,874,759	434,852	(122,885)	2,186,726
CURRENT TAX LIABILITY	(8)	1,148,797	-	150,566	1,299,363
DEFERRED TAX LIABILITY		14,365	-	-	14,365
LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)		-	-	-	-
SUBORDINATED DEBTS		2,849,471	-	-	2,849,471
OTHER LIABILITIES	(9)	-	13,456,696	-	13,456,696
MISCELLANEOUS PAYABLES	(9)	10,376,346	(10,376,346)	-	-
OTHER EXTERNAL FUNDINGS PAYABLE	(9)	3,080,350	(3,080,350)	-	-
SHAREHOLDERS' EQUITY	(8)	41,606,001	-	822,114	42,428,115
Paid-in Capital		4,200,000	-	-	4,200,000
Capital Reserves		1,526,847	1,355,799	396,257	3,278,903
-Share Premium		11,880	-	-	11,880
-Share Cancellation Profits		-	-	-	-
-Other Capital Reserves		628,285	144,269	-	772,554
-Other Comprehensive Income/Expense Items not to be Recycled to Profit and Loss		-	1,436,464	-	1,436,464
-Other Comprehensive Income/Expense Items to be Recycled to Profit and Loss		-	661,748	396,257	1,058,005
Securities Value Increase Fund		(317,814)	317,814	-	-
Revaluation Surplus on Tangible Assets		1,747,869	(1,747,869)	-	-
Bonus Shares of Associates, Subsidiaries and Joint-ventures		912	(912)	-	-
Hedging Reserves (effective portion)		(544,285)	544,285	-	-
Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations		-	-	-	-
Profit Reserves		29,224,949	(1,355,799)	-	27,869,150
-Legal Reserves		1,392,259	-	-	1,392,259
-Status Reserves		-	-	-	-
-Extraordinary Reserves		25,901,360	-	-	25,901,360
-Other Profit Reserves		1,931,330	(1,355,799)	-	575,531
Profit/Loss		6,332,056	-	433,666	6,765,722
-Prior Periods Profit/Loss		-	-	433,666	433,666
-Current Period's Net Profit/Loss		6,332,056	-	-	6,332,056
Minority Interests		322,149	-	(7,809)	314,340
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		356,331,667	(3,238,817)	849,795	353,942,645

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

- As of 1 January 2018, "Derivative Financial Assets Held for Trading" and "Derivative Financial Assets Held for Hedging Purpose" amounting to TL 1,946,989 thousands and TL 670,720 thousands, respectively in the prior year financial statements are classified into "Derivative Financial Assets". Besides, investment funds amounting to TL 110,860 thousands classified as "Available for Sale Financial Assets" in the prior year financial statements are classified into "Financial Assets at Fair Value through Profit or Loss" as of 1 January 2018, and the corresponding allowance allocated for such investment funds amounting to TL 5,665 thousands is also classified into the same line item.

- (2) As of 1 January 2018, debt securities classified as “Available for Sale Financial Assets” and “Investments Held to Maturity” in the prior year financial statements amounting to TL 26,119,473 thousands and TL 2,687,166 thousands, respectively are classified into “Financial Assets Measured at Fair Value through Other Comprehensive Income” due to the fact that they are assessed within the scope of a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of such financial assets meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Besides, as of 1 January 2018, financial asset amounting to TL 47,655 thousands is classified from “Available for Sale Financial Assets” into “Financial Assets at Fair Value through Profit or Loss” due to the fact that the contractual terms of such financial asset does not meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. On the other hand, some equity instruments classified as “Available-for-Sale Financial Assets” in the prior period are also classified as “Financial Assets Measured at Fair Value through Other Comprehensive Income” irrevocably.
- (3) As of 1 January 2018, debt securities amounting to TL 21,627,374 thousands classified as “Investments Held to Maturity” in the prior year financial statements are classified into “Financial Assets Measured at Amortised Cost” due to the fact that they are assessed within the scope of a business model whose objective is to hold assets in order to collect contractual payments and the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- (4) As of 1 January 2018, there exists no loan balance that does not meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Loans amounting to TL 19,247,411 thousands classified as “Performing Loans” in the prior year financial statements are classified as “Loans under Follow-up” due to having significant increase in credit risk as explained in the accounting policies section in a detailed manner. Besides, as of 1 January 2018, loans amounting to TL 7,015 thousands classified as “Loans under Follow-up” in the prior year financial statements are classified into “Non-performing Receivables” category.
- (5) As of 1 January 2018, securitisation loans amounting to TL 9,332,392 thousands previously classified under “Funds Borrowed” and “Securities Issued” amounting to TL 34,983 thousands in the prior year financial statements are classified into “Financial Liabilities Measured at Fair Value through Profit or Loss”.
- (6) As of 1 January 2018, “Derivative Financial Liabilities Held for Trading” and “Derivative Financial Liabilities Held for Hedging Purpose” amounting to TL 2,898,822 thousands and TL 198,826 thousands, respectively in the prior year financial statements are classified into “Derivative Financial Liabilities”.
- (7) As of 1 January 2018, expected losses calculated based on TFRS 9 are classified into the relevant line items through reversing “General Provision”. While expected losses calculated for financial assets and loans are classified in the relevant expected losses line items under assets, expected losses calculated for non-cash loans are classified as “Other Provisions” under liabilities. As of 1 January 2018, non-performing leasing and factoring receivables classified within “Leasing Receivables” and “Factoring Receivables” on a net basis in the prior year financial statements are classified under “Non-performing receivables” and “Expected Credit Losses” on a gross basis. Expected losses allocated for other assets are also classified on the relevant line item on a net basis.
- (8) As of 1 January 2018, due to first time adoption of TFRS 9, total shareholders’ equity figure increased by TL 822,114 (after tax) thousands composing of positive classification impact of financial assets amounting to TL 454,103 thousands, negative expected credit losses calculation impact amounting to TL 471,470 thousands and positive current and deferred tax impact amounting to TL 839,481 thousands.
- (9) As of 1 January 2018, “Miscellaneous Payables” amounting to TL 10,376,346 thousands and “Other External Fundings” amounting to TL 3,080,350 thousands are classified into “Other Liabilities”.

3.30 Other disclosures

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

3.30.1 Forwards, options and other derivative transactions

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

3.30.1.1 Derivative financial instruments held for trading

The derivative transactions mainly consist of foreign currency and interest rate swaps, foreign currency options and forward foreign currency purchase/sale contracts.

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 followed in 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. There are no embedded derivatives separated from the host contracts.

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.

3.30.1.2 Derivative financial instruments held for hedging purpose

The Bank and its consolidated financial subsidiaries enter into interest rate and cross currency swap transactions in order to hedge the changes in fair values of fixed-rate financial instruments. The changes in fair values of derivative 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 the fixed-rate financial assets available for sale, such changes are reclassified from shareholders’ equity to income statement.

The Bank and its consolidated financial subsidiaries enter 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 recognized in shareholders' equity is removed and included in income statement in the same period when the hedged cash flows effect the income or loss.

Effectiveness tests are performed 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.

3.30.2 Interest income and expenses

General

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 income 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.

Financial lease operations

Total of minimum rental payments including interests and principals are recorded under "financial lease receivables" as gross. The difference, i.e. the interest, between the total of rental payments and the cost of the related tangible asset is recorded under "unearned income". When the rent payment incurs, the rent amount is deducted from "financial lease receivables"; and the interest portion is recorded as interest income in the income statement.

3.30.3 Fees and commissions

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

3.30.4 Financial assets

3.30.4.1 Financial assets at fair value through profit or loss

Financial assets valued at fair value through profit or loss are valued at their fair values and gain/loss arising on those assets is recorded in the 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.

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

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

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

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

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

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

Financial assets available-for-sale are measured at their fair values subsequently. However, assets for which fair values could not be determined reliably are valued at amortized costs by using the 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 value 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 accumulated 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 the Uniform Chart of Accounts and the sale price and the recognized interest income is transferred to “trading 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.

3.30.5 Impairment of financial assets

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

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

If there is an objective evidence that certain loans will not be collected, for such loans; the Bank makes reclassification and provides specific and general allowances 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 and TAS. The allowances are recorded in the 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.”

3.30.6 Netting and derecognition of financial instruments

3.30.6.1 Netting of financial instruments

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

3.30.6.2 Derecognition of financial assets

A financial asset is derecognized only when the contractual rights to the cash flows from this asset expire, or when the financial asset and substantially all its risks and rewards of ownership are transferred to another party. If all the risks and rewards of ownership are neither transferred nor retained substantially and the control of the transferred asset is maintained, the retained interest in asset and associated liability for amounts that may have to be paid, is recognized. If all the risks and rewards of ownership of a transferred financial asset is retained substantially the financial asset is continued to be recognized and a collateralized borrowing for the proceeds received is also recognized.

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 the 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 the income statement.

4 Consolidated Financial Position and Results of Operations and Risk Management

4.1 Consolidated total capital

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

4.1.1 Components of consolidated 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	32,930,225	
Other Comprehensive Income according to TAS	4,354,445	
Profit	3,901,414	
Current Period Profit	3,901,414	
Prior Period Profit	-	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	913	
Minority Interest	78,482	
Common Equity Tier I Capital Before Deductions	46,249,913	
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 (-)	2,217,026	-
Leasehold Improvements on Operational Leases (-)	160,645	-
Goodwill Netted with Deferred Tax Liabilities	6,388	6,388
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	315,831	315,831
Net Deferred Tax Asset/Liability (-)	9,903	9,903
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	2,053	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding 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 (-)	-	-

	Amount	Amount as per the regulation before 1/1/2014 (*)
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 (-)	-	-
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	2,711,846	
Total Common Equity Tier I Capital	43,538,067	
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)	-	
Shares of Third Parties in Additional Tier I Capital		
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Items to be Deducted from Tier I Capital During the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)		-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	43,538,067	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	3,422,775	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	3,398,226	
Total Deductions from Tier II Capital	6,821,001	
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	-	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	6,821,001	
Total Equity (Total Tier I and Tier II Capital)	50,359,068	
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	11	
Other items to be Defined by the BRSA (-)	18,151	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) during the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	50,340,906	-
Total Risk Weighted Assets	310,341,042	-
CAPITAL ADEQUACY RATIOS		
Consolidated CET1 Capital Ratio (%)	14.03	-
Consolidated Tier I Capital Ratio (%)	14.03	-
Consolidated Capital Adequacy Ratio (%)	16.22	-
BUFFERS		
Total Additional CET1 Capital Requirement Ratio (a+b+c)	3.465	-
a) Capital Conservation Buffer Ratio (%)	1.875	-
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.090	-
c) Systemically Important Banks Buffer Ratio (%)	1.500	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	8.221	-
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	1,491,007	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 ^(*)</i>
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	5,315,198	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3,398,226	-
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.
- (**) According to “Bank Capital Regulation” article 10 paragraph 4, which published on Official Gazette dated 5th September 2013 and numbered 28756, banks also calculate their consolidated capital with their consolidated insurance company investments as unconsolidated financial institutions if 9th article’s 4th paragraph’s (c) and (ç) items apply. Lesser of consolidated capital calculated according to 1st and 4th paragraphs is considered the consolidated capital according to this regulation. As the consolidated capital calculated including the insurance subsidiary is lesser, the consolidated capital is calculated according to consolidated financial statements including the insurance subsidiary.

<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	27,527,097	
Other Comprehensive Income according to TAS	4,045,373	
Profit	6,332,056	
Period Profit	6,332,056	
Prior Period Profit	-	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Period's Profit	912	
Minority Interest	122,991	
Common Equity Tier I Capital Before Deductions	43,012,863	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Period's and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	1,717,191	-
Leasehold Improvements on Operational Leases (-)	130,913	-
Goodwill Netted with Deferred Tax Liabilities	5,110	6,388
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	274,695	343,368
Net Deferred Tax Asset/Liability (-)	5,905	7,381
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 (-)	-	-

	Amount	Amount as per the regulation before 1/1/2014 (*)
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 (-)	-	-
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	2,135,208	
Total Common Equity Tier I Capital	40,877,655	
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)	-	
Shares of Third Parties in Additional Tier I Capital		
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-	
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 (-)	69,951	-
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 (-)	1,476	-
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)	40,806,228	
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)	3,078,025	
Total Deductions from Tier II Capital	5,909,875	
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	-	-

	Amount	Amount as per the regulation before 1/1/2014 (*)
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	5,909,875	
Total Equity (Total Tier I and Tier II Capital)	46,716,103	
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	5	
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)	46,685,224	-
Total Risk Weighted Assets	278,024,586	-
CAPITAL ADEQUACY RATIOS		
Consolidated CET1 Capital Ratio (%)	14.70	-
Consolidated Tier I Capital Ratio (%)	14.68	-
Consolidated Capital Adequacy Ratio (%)	16.79	-
BUFFERS		
Total Additional CET1 Capital Requirement Ratio (a+b+c)	2.312	-
a) Capital Conservation Buffer Ratio (%)	1.250	-
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.062	-
c) Systemically Important Banks Buffer Ratio (%)	1.000	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	8.792	-
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	459,775	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 ^(*)</i>
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)	3,673,669	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3,078,025	-
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.

(**) According to “Bank Capital Regulation” article 10 paragraph 4, which published on Official Gazette dated 5th September 2013 and numbered 28756, banks also calculate their consolidated capital with their consolidated insurance company investments as unconsolidated financial institutions if 9th article’s 4th paragraph’s (c) and (ç) items apply. Lesser of consolidated capital calculated according to 1st and 4th paragraphs is considered the consolidated capital according to this regulation. As the consolidated capital calculated including the insurance subsidiary is lesser, the consolidated capital is calculated according to consolidated financial statements including the insurance subsidiary.

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)	3,423 (31 December 2017: 2,832)
Nominal value of instrument (TL million)	3,423 (31 December 2017: 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 incompliance 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 at 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	784,434	(772,554)	11,880	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
<i>Other Capital Reserves</i>	772,554	(772,554)	-	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
<i>Bonus Shares of Associates, Subsidiaries and Joint-Ventures</i>	-	-	-	
<i>Share Premium</i>	11,880	-	11,880	
Other Comprehensive Income/Expenses in Shareholders' Equity as per TMS	2,421,409	(283,077)	2,138,332	Items not included in the calculation as per Regulation's Article 9-1-f and Gain on sale of associate/subsidiaries' shares and real estate classified as different in the value of the capital report
<i>Other Comprehensive Income/Expense Items not to be Recycled to Profit/Loss</i>	1,473,176	-	1,473,176	
<i>Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss</i>	948,233	(283,077)	665,156	Items not included in the calculation as per Regulation's Article 9-1-f
Profit Reserves	32,930,225	-	32,930,225	
Profit or Loss	3,901,414	-	3,901,414	
<i>Prior Periods' Profit/Loss</i>	-	-	-	
<i>Current Period Net Profit/Loss</i>	3,901,414	-	3,901,414	
Minority Interest	167,386	(88,904)	78,482	Items are calculated as per Regulation's Article 12
Deductions from Common Equity Tier I Capital (-)	-		494,820	Deductions from Common Equity Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	44,404,868		43,538,067	
Subordinated Debts			-	
Deductions from Tier I Capital (-)			-	Deductions from Tier 1 Capital as per the Regulation
Tier I Capital			43,538,067	
Subordinated Debts			3,422,775	
General Provisions			3,398,226	General Loan Provision added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
Tier II Capital			6,821,001	
Deductions from Total Capital (-)			18,162	Deductions from Capital as per the Regulation
Total			50,340,906	

<i>Prior Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value at capital report</i>	<i>Explanation of the 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	1,526,847	(883,725)	643,122	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
Other Comprehensive Income According to TAS	1,514,055	(883,725)	630,330	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
<i>Securities Value Increase Fund</i>	<i>(317,814)</i>	<i>10,504</i>	<i>(307,310)</i>	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
<i>Revaluation Surplus on Tangible Assets</i>	<i>1,747,869</i>	-	<i>1,747,869</i>	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
<i>Revaluation Surplus on Intangible Assets</i>	-	-	-	
<i>Revaluation Surplus on Investment Property</i>	-	-	-	
<i>Hedging Reserves (Effective Portion)</i>	<i>(544,285)</i>	<i>(121,675)</i>	<i>(665,960)</i>	Items not included in the calculation as per Regulation's Article 9-1-f
<i>Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations</i>	-	-	-	
<i>Other Capital Reserves</i>	<i>628,285</i>	<i>(772,554)</i>	<i>(144,269)</i>	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4; and Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	912	-	912	
Share Premium	11,880	-	11,880	
Profit Reserves	29,224,949	-	29,224,949	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
Profit or Loss	6,332,056	-	6,332,056	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
<i>Prior Periods Profit/Loss</i>	-	-	-	
<i>Current Period Net Profit/Loss</i>	<i>6,332,056</i>	-	<i>6,332,056</i>	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
Minority Interest	322,149	(199,158)	122,991	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
Deductions from Common Equity Tier I Capital (-)	-		418,017	Deductions from Common Equity Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	41,606,001		40,877,655	
Subordinated Debts			-	
Deductions from Tier I Capital (-)			71,427	Deductions from Tier I Capital as per the Regulation
Tier I Capital			40,806,228	
Subordinated Debts			2,831,850	
General Provisions			3,078,025	General Loan Provision added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
Tier II Capital			5,909,875	
Deductions from Total Capital (-)			30,879	Deductions from Capital as per the Regulation
Total			46,685,224	

4.2 Consolidated credit risk

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

4.3 Consolidated currency risk

Foreign currency open position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 30 June 2018, the Bank and its financial subsidiaries’ net ‘on balance sheet’ foreign currency short position amounts to TL 29,355,384 thousands (31 December 2017: TL 23,229,929 thousands), net ‘off-balance sheet’ foreign currency long position amounts to TL 28,831,598 thousands (31 December 2017: TL 25,574,862 thousands), while net foreign currency short open position amounts to TL 523,786 thousands (31 December 2017: TL 2,344,933 thousands of net foreign currency long open position).

The foreign currency position risk 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 for the Bank. 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
The Bank’s foreign currency purchase rate at balance sheet date	4.5637	5.3271
<u>Foreign currency rates for the days before balance sheet date:</u>		
Day 1	4.5637	5.3271
Day 2	4.5864	5.3119
Day 3	4.5908	5.3257
Day 4	4.6171	5.3868
Day 5	4.6691	5.4549
Last 30-days arithmetical average rate	4.6019	5.3836

The Bank's consolidated currency risk

	EUR	USD	Other FCs	Total
Current Period				
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	3,932,078	15,815,114	7,208,744	26,955,936
Banks	14,387,683	9,575,999	1,289,146	25,252,828
Financial Assets Measured at Fair Value through Profit/Loss	89,756	109,809	-	199,565
Money Market Placements	143,475	-	-	143,475
Financial Assets Measured at FVOCI	2,041,466	6,057,557	349,366	8,448,389
Loans ^(*) ^(**)	49,395,106	54,796,639	6,157,623	110,349,368
Investments in Associates, Subsidiaries and Joint-Ventures	2,188	-	804	2,992
Financial Assets Measured at Amortised Cost	12,388	5,279,556	-	5,291,944
Derivative Financial Assets Held for Hedging Purpose	1,899	327,122	1,628	330,649
Tangible Assets	142,169	289	63,363	205,821
Intangible Assets	-	-	-	-
Other Assets	487,914	810,809	94,264	1,392,987
Total Assets	70,636,122	92,772,894	15,164,938	178,573,954
Liabilities				
Bank Deposits	4,485,853	1,416,570	227,714	6,130,137
Foreign Currency Deposits	43,769,138	71,997,954	8,670,772	124,437,864
Money Market Funds	692,523	199,080	123	891,726
Other Fundings	13,606,751	22,921,858	205,951	36,734,560
Securities Issued ^(***)	4,511,122	28,691,962	488,579	33,691,663
Miscellaneous Payables	123,877	353,195	114,562	591,634
Derivative Financial Liabilities Held for Hedging Purpose	56,299	15,415	13,309	85,023
Other Liabilities ^(****)	901,763	1,601,738	2,863,230	5,366,731
Total Liabilities	68,147,326	127,197,772	12,584,240	207,929,338
Net 'On Balance Sheet' Position	2,488,796	(34,424,878)	2,580,698	(29,355,384)
Net 'Off-Balance Sheet' Position	(346,090)	30,710,490	(1,532,802)	28,831,598
Derivative Assets	18,560,965	86,116,286	5,131,768	109,809,019
Derivative Liabilities	(18,907,055)	(55,405,796)	(6,664,570)	(80,977,421)
Non-Cash Loans	-	-	-	-
Prior Period				
Total Assets	67,304,347	77,110,589	13,540,900	157,955,836
Total Liabilities	54,617,991	115,526,334	11,041,440	181,185,765
Net 'On Balance Sheet' Position	12,686,356	(38,415,745)	2,499,460	(23,229,929)
Net 'Off-Balance Sheet' Position	(9,949,701)	37,114,158	(1,589,595)	25,574,862
Derivative Assets	11,968,644	79,250,502	5,366,884	96,586,030
Derivative Liabilities	(21,918,345)	(42,136,344)	(6,956,479)	(71,011,168)
Non-Cash Loans	-	-	-	-

(*) The foreign currency-indexed loans amounting TL 6,033,729 thousands included under TL loans in the accompanying consolidated financial statements are presented above under the related foreign currency code.

(**) The foreign currency indexed factoring receivables amounting TL 133,786 thousands included under TL assets in the accompanying consolidated financial statements are presented above under the related foreign currency code.

(***) Includes securities issued having qualification of subordinated loan presented under subordinated debts and financial liabilities measured at FVTPL in the balance sheet.

(****) The gold deposits of TL 2,751,635 thousands included under deposits in the accompanying consolidated financial statements are presented above under other liabilities.

4.4 Consolidated interest rate risk

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

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

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

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

<i>Current Period</i>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing ^(*)	Total
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	17,553,846	-	-	-	-	13,425,671	30,979,517
Banks	11,262,813	1,535,521	2,563,324	212,872	21,539	11,546,946	27,143,015
Financial Assets Measured at Fair Value through Profit/Loss	19,257	10,367	16,004	198,998	163,568	180,816	589,010
Money Market Placements	144,096	-	-	-	-	-	144,096
Financial Assets Measured at FVOCI	2,134,988	6,299,686	4,306,931	5,504,710	5,732,469	2,297,547	26,276,331
Loans	60,599,013	32,131,141	78,665,717	72,046,914	14,143,189	2,789,422	260,375,396
Financial Assets Measured at Amortised Cost	1,459,017	1,340,441	8,891,122	354,779	5,276,272	3,843,666	21,165,297
Other Assets	19,157	43,483	27,917	172,012	253	17,942,530	18,205,352
Total Assets	93,192,187	41,360,639	94,471,015	78,490,285	25,337,290	52,026,598	384,878,014
Liabilities							
Bank Deposits	1,352,315	138,512	194,196	-	-	5,146,737	6,831,760
Other Deposits	124,111,009	24,664,693	18,322,969	2,638,552	12,131	53,182,882	222,932,236
Money Market Funds	6,255,224	120,276	25,000	692,523	61,883	25,751	7,180,657
Miscellaneous Payables	-	-	-	-	-	11,641,043	11,641,043
Securities Issued ^(**)	16,604,789	3,353,837	970,007	14,487,532	4,501,570	675,700	40,593,435
Other Fundings	4,599,106	14,163,740	17,184,623	1,592,729	255,650	239,012	38,034,860
Other Liabilities	248	5,751	5,169	765	-	57,652,090	57,664,023
Total Liabilities	152,922,691	42,446,809	36,701,964	19,412,101	4,831,234	128,563,215	384,878,014
On Balance Sheet Long Position	-	-	57,769,051	59,078,184	20,506,056	-	137,353,291
On Balance Sheet Short Position	(59,730,504)	(1,086,170)	-	-	-	(76,536,617)	(137,353,291)
Off-Balance Sheet Long Position	15,237,853	10,914,303	16,060,693	4,272,381	8,153,777	-	54,639,007
Off-Balance Sheet Short Position	(1,692,517)	(3,303,448)	(14,298,595)	(19,418,172)	(15,502,090)	-	(54,214,822)
Total Position	(46,185,168)	6,524,685	59,531,149	43,932,393	13,157,743	(76,536,617)	424,185

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

(**) Includes securities issued having qualification of subordinated loan presented under subordinated debts and financial liabilities measured at FVTPL in the 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	15,356,607	-	-	-	-	18,247,034	33,603,641
Banks	6,674,295	1,086,847	2,853,022	141,516	19,206	8,695,457	19,470,343
Financial Assets at Fair Value through Profit/Loss	43,819	327,933	155,989	373,685	18,939	1,957,448	2,877,813
Interbank Money Market Placements	3,350	-	-	-	-	3	3,353
Financial Assets Available-for-Sale	3,369,418	5,915,862	6,882,925	3,610,964	3,818,557	2,680,262	26,277,988
Loans	56,204,934	26,102,731	68,187,866	61,641,322	12,394,601	4,821,831	229,353,285
Investments Held-to-Maturity	417,769	2,557,519	6,615,860	3,706,564	7,446,829	3,569,999	24,314,540
Other Assets	1,468,583	1,466,149	2,586,527	2,849,491	272,430	11,787,524	20,430,704
Total Assets	83,538,775	37,457,041	87,282,189	72,323,542	23,970,562	51,759,558	356,331,667
Liabilities							
Bank Deposits	412,502	139,085	259,559	-	-	814,676	1,625,822
Other Deposits	111,791,881	21,066,467	18,103,418	1,527,939	15,910	46,642,123	199,147,738
Interbank Money Market Takings	17,589,151	227,161	151,400	588,770	51,133	30,241	18,637,856
Miscellaneous Payables	-	-	-	-	-	10,376,346	10,376,346
Securities Issued (**)	1,882,236	3,084,627	2,058,452	10,437,488	5,762,814	418,306	23,643,923
Other Fundings	19,202,561	9,712,955	11,732,040	5,769,689	485,789	201,685	47,104,719
Other Liabilities	5,719	7,353	11,699	862	-	55,769,630	55,795,263
Total Liabilities	150,884,050	34,237,648	32,316,568	18,324,748	6,315,646	114,253,007	356,331,667
On Balance Sheet Long Position	-	3,219,393	54,965,621	53,998,794	17,654,916	-	129,838,724
On Balance Sheet Short Position	(67,345,275)	-	-	-	-	(62,493,449)	(129,838,724)
Off-Balance Sheet Long Position	11,872,825	9,119,489	15,792,731	3,922,311	5,154,466	-	45,861,822
Off-Balance Sheet Short Position	(2,115,278)	(4,562,046)	(12,408,103)	(15,905,631)	(10,911,130)	-	(45,902,188)
Total Position	(57,587,728)	7,776,836	58,350,249	42,015,474	11,898,252	(62,493,449)	(40,366)

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

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

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	-	1.44	-	4.58
Banks	0.07-3.80	1.00-6.00	-	11.74-19.40
Financial Assets at Fair Value through Profit/Loss	3.54	6.57	-	2.99-17.24
Interbank Money Market Placements	-	-	-	15.05-16.35
Financial Assets Measured at FVOCI	0.65-4.63	3.46-11.88	-	14.49
Loans	0.68-10.56	1.50-18.98	-	12.00-21.60
Financial Assets Measured at Amortised Cost	0.25	5.23	-	15.00
Liabilities				
Bank Deposits	-	1.85-3.10	-	13.26
Other Deposits	0.01-7.00	0.01-7.00	1.50	7.00-16.50
Interbank Money Market Takings	0.05-0.15	2.45-2.62	-	11.80-19.75
Miscellaneous Payables	-	-	-	-
Securities Issued	3.65	5.63	-	14.60-19.25
Other Fundings	0.25-6.25	0.25-5.95	-	8.19-21.50

<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	-	1.32	-	2.54
Banks	(0.36)-1.90	1.42-3.98	-	8.56-14.80
Financial Assets at Fair Value through Profit/Loss	1.99	5.77	-	4.16-16.11
Interbank Money Market Placements	-	-	-	9.75-12.30
Financial Assets Available-for-Sale	0.65-4.63	2.20-11.88	-	12.31
Loans	0.12-10.93	1.25-10.69	-	11.00-17.35
Investments Held-to-Maturity	-	5.57	-	12.81
Liabilities				
Bank Deposits	0.05-0.12	1.00-2.20	-	11.39
Other Deposits	0.01-7.00	0.01-3.75	1.45	7.00-15.87
Interbank Money Market Takings	-	1.50-2.65	-	10.00-15.20
Miscellaneous Payables	-	-	-	-
Securities Issued	3.65	5.67	-	13.08-15.00
Other Fundings	0.16-4.55	0.25-5.84	-	8.43-17.50

4.5 Consolidated position risk of equity securities

4.5.1 Equity shares in associates and subsidiaries

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

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

<i>Current Period</i>		Comparison		
Equity Securities (shares)		Carrying Value	Fair Value	Market Value
1	Investment in Shares- Grade A	125,672	-	-
	Quoted Securities	-	-	-
2	Investment in Shares- Grade B	25,555	-	-
	Quoted Securities	-	-	-
3	Investment in Shares- Grade C	822	-	-
	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	-	-	-

<i>Prior Period</i>		Comparison		
Equity Securities (shares)		Carrying Value	Fair Value	Market Value
1	Investment in Shares- Grade A	124,993	-	-
	Quoted Securities	-	-	-
2	Investment in Shares- Grade B	25,555	-	-
	Quoted Securities	-	-	-
3	Investment in Shares- Grade C	822	-	-
	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	-	-	-

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		Unrealized 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	-	-	-	13,706	-	13,706
3	Other Shares	-	83,605	83,605	-	-	-
	Total	-	83,605	83,605	13,706	-	13,706

<i>Prior Period</i>		Gains/Losses in Current Period	Revaluation Surpluses		Unrealized 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	-	-	-	14,905	-	14,905
3	Other Shares	-	48,372	48,372	-	-	-
	Total	-	48,372	48,372	14,905	-	14,905

4.5.4 Capital requirement as per equity shares

<i>Current Period</i>				
Portfolio		Carrying Value	RWA Total	Minimum Capital Requirement
1	Private Equity Investments	-	-	-
2	Quoted Shares	-	-	-
3	Other Shares	153,111	153,111	12,249
	Total	153,111	153,111	12,249

<i>Prior Period</i>				
Portfolio		Carrying Value	RWA Total	Minimum Capital Requirement
1	Private Equity Investments	-	-	-
2	Quoted Shares	-	-	-
3	Other Shares	152,432	152,432	12,195
	Total	152,432	152,432	12,195

4.6 Consolidated liquidity risk

Liquidity risk is managed by asset and liability management department (ALMD) and asset and liability Committee (ALCO) in line with liquidity and funding 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 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 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.

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 cash flows regarding assets and liabilities are monitored and the required liquidity in future periods is forecasted. 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 crisis 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

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 both bank-only and consolidated LCR calculations 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. High quality liquid assets are composed of 3.56% cash, 53.00% deposits in central banks and 43.44% securities considered as high quality liquid assets.

The Bank's main funding sources are deposits, funds borrowed, money market borrowings and securities issued. Consolidated funding source composition as of report date is 70.22% deposits, 13.82% funds borrowed and money market borrowings and 12.41% securities issued.

In consolidated LCR calculations, 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 consolidated LCR calculations according to the Regulation's terms. The Bank also considers changes in fair value of the liabilities that result in margin calls when calculating cash outflows.

There was an increase in high quality liquid assets in items included in LCR calculations during the period.

Current Period	Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
	TL+FC	FC	TL+FC	FC
High-Quality Liquid Assets			74,497,616	45,394,180
1 Total high-quality liquid assets (HQLA)			74,497,616	45,394,180
Cash Outflows				
2 Retail deposits and deposits from small business customers, of which:	148,511,820	74,074,925	13,473,837	7,391,653
3 Stable deposits	27,546,905	316,786	1,377,345	15,839
4 Less stable deposits	120,964,915	73,758,139	12,096,492	7,375,814
5 Unsecured wholesale funding, of which:	70,077,437	43,924,900	41,386,328	24,675,606
6 Operational deposits	-	-	-	-
7 Non-operational deposits	51,427,799	36,468,753	26,037,696	18,739,896
8 Unsecured funding	18,649,638	7,456,147	15,348,632	5,935,710
9 Secured wholesale funding			-	-
10 Other cash outflows of which:	59,907,954	15,944,092	12,931,683	14,216,407
11 Outflows related to derivative exposures and other collateral requirements	9,066,439	13,194,420	9,066,439	13,194,420
12 Outflows related to restructured financial instruments	-	-	-	-
13 Payment commitments and other off-balance sheet commitments granted for debts to financial markets	50,841,515	2,749,672	3,865,244	1,021,987
14 Other revocable off-balance sheet commitments and contractual obligations	1,025,072	660,192	51,254	33,010
15 Other irrevocable or conditionally revocable off-balance sheet obligations	65,940,342	45,233,832	3,297,017	2,261,692
16 Total Cash Outflows			71,140,119	48,578,368
Cash Inflows				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	27,438,847	12,277,426	18,902,484	9,162,978
19 Other cash inflows	2,085,791	10,636,537	2,062,226	10,636,430
20 Total Cash Inflows	29,524,638	22,913,963	20,964,710	19,799,408
			Upper Limit Applied Values	
21 Total HQLA			74,497,616	45,394,180
22 Total Net Cash Outflows			50,175,409	28,778,960
23 Liquidity Coverage Ratio (%)			149.10%	160.18%

(*) The average of last three months' month-end consolidated liquidity ratios.

The table below presents the last three months' consolidated Liquidity Ratios:

Period	TL+FC	FC
30 April 2018	150.85%	160.14%
31 May 2018	146.85%	158.68%
30 June 2018	149.60%	161.73%

<i>Prior Period</i>	Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
	TL+FC	FC	TL+FC	FC
High-Quality Liquid Assets				
1	Total high-quality liquid assets (HQLA)		64,790,253	40,139,185
Cash Outflows				
2	Retail deposits and deposits from small business customers, of which:	135,642,321	66,124,346	12,251,062
3	Stable deposits	26,263,389	266,749	1,313,169
4	Less stable deposits	109,378,932	65,857,597	10,937,893
5	Unsecured wholesale funding, of which:	61,137,592	37,122,946	34,871,826
6	Operational deposits	-	-	-
7	Non-operational deposits	44,548,861	28,938,651	21,421,150
8	Unsecured funding	16,588,731	8,184,295	13,450,676
9	Secured wholesale funding			-
10	Other cash outflows of which:	53,605,853	13,861,660	11,511,430
11	Outflows related to derivative exposures and other collateral requirements	8,160,609	10,645,765	8,160,609
12	Outflows related to restructured financial instruments	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	45,445,244	3,215,895	3,350,821
14	Other revocable off-balance sheet commitments and contractual obligations	659,719	452,474	32,986
15	Other irrevocable or conditionally revocable off-balance sheet obligations	59,639,580	40,843,912	2,981,979
16	Total Cash Outflows		61,649,283	39,866,907
Cash Inflows				
17	Secured receivables	7,145	-	-
18	Unsecured receivables	23,650,905	9,432,284	15,575,537
19	Other cash inflows	1,636,498	8,248,238	1,631,773
20	Total Cash Inflows	25,294,548	17,680,522	17,207,310
			Upper Limit Applied Values	
21	Total HQLA		64,790,253	40,139,185
22	Total Net Cash Outflows		44,441,973	24,939,412
23	Liquidity Coverage Ratio (%)		146.12	164.58

(*) The average of last three months' month-end consolidated liquidity ratios.

The table below presents the last three months' consolidated Liquidity Ratios of the year 2017:

Period	TL+FC	FC
31 October 2017	140.63%	151.78%
30 November 2017	157.44%	205.74%
31 December 2017	140.28%	136.20%

4.6.2 Contractual maturity analysis of liabilities according to remaining maturities

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

4.6.3 Maturity analysis of 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	6,318,432	24,661,085	-	-	-	-	-	30,979,517
Banks	15,326,288	5,250,523	556,201	5,772,133	203,709	34,161	-	27,143,015
Financial Assets Measured at Fair Value through Profit/Loss	174,602	7,020	12,579	7,730	219,508	167,571	-	589,010
Money Market Placements	-	144,096	-	-	-	-	-	144,096
Financial Assets Measured at FVOCI	204,343	46,064	69,121	2,038,705	12,300,759	11,608,308	9,031	26,276,331
Loans	1,155,017	41,567,657	25,284,156	63,634,554	99,653,093	26,198,676	2,882,243	260,375,396
Financial Assets Measured at Amortised Cost	-	39,923	39,487	67,335	11,081,569	9,936,983	-	21,165,297
Other Assets	2,572,111	3,797,247	972,681	310,664	1,168,877	703,322	8,680,450	18,205,352
Total Assets	25,750,793	75,513,615	26,934,225	71,831,121	124,627,515	48,649,021	11,571,724	384,878,014
Liabilities								
Bank Deposits	5,215,611	1,281,197	138,833	196,119	-	-	-	6,831,760
Other Deposits	60,482,235	116,218,768	24,883,284	18,589,905	2,737,113	20,931	-	222,932,236
Other Fundings	89	1,869,135	1,200,957	20,781,479	12,203,281	1,979,919	-	38,034,860
Money Market Funds	122	6,277,432	122,397	25,643	692,523	62,540	-	7,180,657
Securities Issued (**)	127,413	1,662,777	2,798,317	4,775,504	20,078,022	11,151,402	-	40,593,435
Miscellaneous Payables	799,293	10,349,185	6,642	196,897	-	303	288,723	11,641,043
Other Liabilities (***)	2,010,341	2,448,860	1,224,736	1,504,128	391,741	857,661	49,226,556	57,664,023
Total Liabilities	68,635,104	140,107,354	30,375,166	46,069,675	36,102,680	14,072,756	49,515,279	384,878,014
Liquidity Gap	(42,884,311)	(64,593,739)	(3,440,941)	25,761,446	88,524,835	34,576,265	(37,943,555)	-
Net Off-Balance Sheet Position	-	79,002	(359,076)	(455,480)	861,742	262,502	-	388,690
Derivative Financial Assets	-	81,667,774	34,538,135	39,762,913	7,676,811	3,117,998	-	166,763,631
Derivative Financial Liabilities	-	81,588,772	34,897,211	40,218,393	6,815,069	2,855,496	-	166,374,941
Non-Cash Loans	-	19,067,574	6,878,093	6,946,689	1,976,310	320,519	104,958,633	140,147,818
Prior Period								
Total Assets	20,861,306	70,663,534	21,932,527	63,847,791	110,661,376	45,250,095	23,115,038	356,331,667
Total Liabilities	56,948,033	137,194,518	25,940,033	40,373,833	31,259,135	14,544,538	50,071,577	356,331,667
Liquidity Gap	(36,086,727)	(66,530,984)	(4,007,506)	23,473,958	79,402,241	30,705,557	(26,956,539)	-
Net Off-Balance Sheet Position	-	(498,276)	(173,639)	(352,946)	275,705	37,607	-	(711,549)
Derivative Financial Assets	-	77,833,182	28,433,105	32,107,432	5,638,883	1,881,475	-	145,894,077
Derivative Financial Liabilities	-	78,331,458	28,606,744	32,460,378	5,363,178	1,843,868	-	146,605,626
Non-Cash Loans	-	8,082,943	4,478,582	6,769,545	1,186,726	246,692	93,022,795	113,787,283

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

(**) Includes securities issued having qualification of subordinated loan presented under subordinated debts and financial liabilities measured at FVTPL in the balance sheet.

(***) Shareholders Equity is included in "Other liabilities" line under "Undistributed" column.

4.7 Consolidated 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 consolidated leverage ratio calculated by taking simple average of end of month leverage ratios for the last three-month periods, is 7.97% (31 December 2017: 8.41%). Main reason for the variance compared to prior period is the increase in especially on balance and off-balance sheet exposures more than the increase in capital. While the capital increased by 6.68% as a result of increase in net profits, the balance sheet exposure increased by 8.56% and the off balance sheet exposure increased by 25.34%. Therefore, the current period leverage ratio decreased by 44 basis points compared to prior period.

		<i>Current Period^(***)</i>	<i>Prior Period^(***)</i>
1	Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards (*) (**)	358,192,489	336,616,872
2	The difference between total assets prepared in accordance with Turkish Accounting Standards (*) and total assets in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements”	1,689,511	3,062,255
3	The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	(11,858,526)	(10,547,347)
4	The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	8,429,952	12,921,783
5	The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	4,125,458	3,765,170
6	Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	-	-
7	Total risk amount	540,774,816	480,096,821

(*) Consolidated financial statements prepared in compliance with the paragraph 6 of article 5 of the communiqué “Preparation of Consolidated Financial Statements.”

(**) The consolidated financial statements prepared in accordance with Turkish Accounting Standards as of 31 March 2018 for the current period and 30 September 2017 for the prior period, are considered.

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

		<i>Current Period^(*)</i>	<i>Prior Period^(*)</i>
On-balance sheet assets			
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	382,395,732	352,252,554
2	(Assets deducted in determining Tier I capital)	(500,985)	(455,111)
3	Total on-balance sheet risks (sum of lines 1 and 2)	381,894,747	351,797,443
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative financial instruments and credit derivatives	5,253,542	3,061,421
5	Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	11,896,438	11,169,170
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 and 5)	17,149,980	14,230,591
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	1,377,892	2,561,479
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 and 8)	1,377,892	2,561,479
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	144,477,656	115,272,482
11	(Adjustments for conversion to credit equivalent amounts)	(4,125,459)	(3,765,174)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	140,352,197	111,507,308
Capital and total risks			
13	Tier I capital	43,050,544	40,355,639
14	Total risks (sum of lines 3, 6, 9 and 12)	540,774,816	480,096,821
Leverage ratio			
15	Leverage ratio	7.97%	8.41%

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

4.8 Fair values of financial assets and liabilities

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

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

None.

4.10 Risk management objectives and policies

The notes under this caption 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 Parent 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 subsidiaries, an integrated risk management system is established which determines the risk level consistent with risk appetite approved by board of directors, compliant with legislation, bank strategy and policies, and pursues risk-return-capital relationship. Essential principles are adopted in order to ensure that policies determined to assess and manage risks the Bank is exposed to, are kept updated, adapted to changing conditions, applied and managed.

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

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

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

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

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

The Bank's risk appetite framework determines the risk level that the board of directors 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) ^(*)	265,121,336	241,262,479	21,209,707
2	Of which standardised approach (SA)	265,121,336	241,262,479	21,209,707
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	6,726,688	3,837,586	538,135
5	Of which standardised approach for counterparty credit risk (SA-CCR)	6,726,688	3,837,586	538,135
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	10,049	4,890	804
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	9,035,888	6,748,950	722,871
17	Of which standardised approach (SA)	9,035,888	6,748,950	722,871
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	29,447,081	25,033,623	2,355,766
20	Of which basic indicator approach	29,447,081	25,033,623	2,355,766
21	Of which standardised approach	-	-	-
22	Of which advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	1,137,058	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	310,341,042	278,024,586	24,827,283

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

4.10.2 Linkages between financial statements and risk amounts

Not prepared in compliance with the “Regulation on disclosures regarding risk management to be Announced to Public by Banks”.

4.10.3 Consolidated credit risk

4.10.3.1 General information on consolidated credit risk

4.10.3.1.1 General qualitative information on consolidated credit risk

The parent Bank's credit risk management policies; under the relevant legislation in line with the Bank's credit strategy approved by the board of directors are created based on the prudence, sustainability and customer credit worthiness principles. Credit risk is managed on a portfolio basis considering the risk/return balance and asset quality of the Bank in the scope of the principles specified in the credit risk policy documents.

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

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

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

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

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

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

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

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

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

4.10.3.1.2 Credit quality of consolidated assets

	<i>Current Period</i>	<i>Gross carrying value in consolidated financial statements prepared as perTAS</i>		<i>Allowances/amortisation and impairments</i>	<i>Net values</i>
		<i>Defaulted</i>	<i>Non-defaulted</i>		
1	Loans	9,151,005	316,831,305	5,777,837	320,204,473
2	Debt securities	-	47,274,839	-	47,274,839
3	Off-balance sheet exposures	251,316	80,468,364	104,626	80,615,054
4	Total	9,402,321	444,574,508	5,882,463	448,094,366

	<i>Prior Period</i>	<i>Gross carrying value in consolidated financial statements prepared as perTAS</i>		<i>Allowances/amortisation and impairments</i>	<i>Net values</i>
		<i>Defaulted</i>	<i>Non-defaulted</i>		
1	Loans	6,865,295	286,541,848	5,150,970	288,256,173
2	Debt securities	-	50,317,658	-	50,317,658
3	Off-balance sheet exposures	370,339	70,349,735	127,417	70,592,657
4	Total	7,235,634	407,209,241	5,278,387	409,166,488

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	6,865,295	6,910,833
2 Loans and debt securities defaulted since the last reporting period	3,406,538	3,049,823
3 Receivables back to non-defaulted status	-	-
4 Amounts written off	22,970	1,295,891
5 Other changes	1,097,858	1,799,470
6 Defaulted loans and debt securities at end of the reporting period	9,151,005	6,865,295

4.10.3.1.4 Additional information on credit quality of consolidated assets

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

4.10.3.2 Consolidated credit risk mitigation

4.10.3.2.1 Qualitative disclosure on consolidated credit risk mitigation techniques

Parent 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 Consolidated 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	272,916,505	47,287,967	40,285,268	13,518,057	13,518,057	-	-
2	Debt securities	47,274,839	-	-	-	-	-	-
3	Total	320,191,344	47,287,967	40,285,268	13,518,057	13,518,057	-	-
4	Of which defaulted	9,029,217	121,788	9,375	-	-	-	-

		<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	248,903,161	39,353,012	34,304,927	11,427,381	11,427,381	-	-
2	Debt securities	50,317,658	-	-	-	-	-	-
3	Total	299,220,819	39,353,012	34,304,927	11,427,381	11,427,381	-	-
4	Of which defaulted	6,755,250	110,045	8,520	-	-	-	-

4.10.3.3 Consolidated 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 Consolidated 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>	
	Risk Classes	<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>	<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>	RWA	RWA density
1	Exposures to sovereigns and their central banks	82,708,537	791,091	96,167,077	242,189	10,870,990	11%
2	Exposures to regional and local governments	132,090	112,825	127,697	56,398	92,049	50%
3	Exposures to administrative bodies and non-commercial entities	339,422	73,224	339,421	19,628	351,301	98%
4	Exposures to multilateral development banks	138,208	-	138,207	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	23,592,582	21,586,881	18,567,466	2,584,348	8,883,266	42%
7	Exposures to corporates	133,994,819	63,534,262	126,468,254	24,814,527	148,902,224	98%
8	Retail exposures	87,591,566	50,771,786	79,524,796	4,709,376	63,173,132	75%
9	Exposures secured by residential property	19,787,703	15,751	19,780,228	10,961	6,926,897	35%
10	Exposures secured by commercial property	19,526,903	2,290,634	19,293,829	1,448,340	13,218,440	64%
11	Past-due items	2,403,382	91	2,403,027	-	1,554,122	65%
12	Exposures in high-risk categories	1,050,013	148,498	1,049,986	57,586	1,498,939	135%
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	47,356	-	47,356	-	10,049	21%
16	Shares	370,388	-	370,388	-	370,388	100%
17	Other exposures	12,607,820	-	12,607,820	-	9,279,588	74%
18	Total	384,290,789	139,325,043	376,885,552	33,943,353	265,131,385	

	<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>
	Risk Classes						
1	Exposures to sovereigns and their central banks	81,704,085	176,554	93,044,942	91,577	12,733,203	14%
2	Exposures to regional and local governments	122,898	3,415	119,620	1,695	60,658	50%
3	Exposures to administrative bodies and non-commercial entities	299,434	65,505	299,431	16,419	315,849	100%
4	Exposures to multilateral development banks	202,781	-	202,781	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	20,702,340	17,085,257	16,279,490	2,228,308	9,811,319	53%
7	Exposures to corporates	121,902,879	53,142,446	114,143,606	22,189,719	134,334,858	99%
8	Retail exposures	77,406,533	46,090,805	71,466,831	4,143,535	56,705,522	75%
9	Exposures secured by residential property	20,531,592	110,465	20,517,716	56,942	7,201,113	35%
10	Exposures secured by commercial property	16,583,733	2,153,453	16,349,582	1,381,721	10,919,725	62%
11	Past-due items	1,161,094	54	1,160,452	-	1,028,608	89%
12	Exposures in high-risk categories	590,381	100,946	590,312	45,446	830,703	131%
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	44,516	-	44,516	-	4,890	11%
16	Shares	164,293	-	164,293	-	164,293	100%
17	Other exposures	10,283,383	-	10,283,383	-	7,156,628	70%
18	Total	351,699,942	118,928,900	344,666,955	30,155,362	241,267,369	

4.10.3.3 Consolidated exposures by asset classes and risk weights

	Regulatory portfolio Current Period	0%	10%	20%	35% secured by property mortgage	50%	75%	100%	150%	200%	Others	Total risk amount (post-CCF and CRM)
1	Exposures to sovereigns and their central banks	85,535,629	-	21	-	9,178	-	10,864,438	-	-	-	96,409,266
2	Exposures to regional and local government	-	-	-	-	184,092	-	3	-	-	-	184,095
3	Exposures to administrative bodies and non-commercial entities	7,748	-	-	-	-	-	351,301	-	-	-	359,049
4	Exposures to multilateral development banks	138,207	-	-	-	-	-	-	-	-	-	138,207
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	-	11,644,853	-	5,905,335	-	3,601,626	-	-	-	21,151,814
7	Exposures to corporates	-	-	791,805	-	3,490,303	-	147,000,673	-	-	-	151,282,781
8	Retail exposures	-	-	-	-	10,054	84,224,118	-	-	-	-	84,234,172
9	Exposures secured by residential property	-	-	-	19,791,189	-	-	-	-	-	-	19,791,189
10	Exposures secured by commercial property	-	-	-	-	15,047,458	-	5,694,711	-	-	-	20,742,169
11	Past-due items	-	-	-	-	1,697,814	-	705,213	-	-	-	2,403,027
12	Exposures in high-risk categories	-	-	-	-	83,246	-	158,343	865,983	-	-	1,107,572
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	37,307	-	-	-	-	-	10,049	-	-	-	47,356
16	Shares	-	-	-	-	-	-	370,388	-	-	-	370,388
17	Other exposures	3,327,880	-	440	-	-	-	9,279,500	-	-	-	12,607,820
18	Total	89,046,771	-	12,437,119	19,791,189	26,427,480	84,224,118	178,036,245	865,983	-	-	410,828,905

	Regulatory portfolio Prior Period	0%	10%	20%	35% secured by property mortgage	50%	75%	100%	150%	200%	Others	Total risk amount (post-CCF and CRM)
1	Exposures to sovereigns and their central banks	80,351,650	-	33,729	-	49,365	-	12,701,775	-	-	-	93,136,519
2	Exposures to regional and local government	-	-	-	-	121,314	-	1	-	-	-	121,315
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	315,850	-	-	-	315,850
4	Exposures to multilateral development banks	202,781	-	-	-	-	-	-	-	-	-	202,781
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	-	7,669,767	-	5,121,332	-	5,716,699	-	-	-	18,507,798
7	Exposures to corporates	-	-	479,348	-	3,229,975	-	132,624,002	-	-	-	136,333,325
8	Retail exposures	-	-	-	-	9,078	75,601,288	-	-	-	-	75,610,366
9	Exposures secured by residential property	-	-	-	20,574,658	-	-	-	-	-	-	20,574,658
10	Exposures secured by commercial property	-	-	-	-	13,623,154	-	4,108,149	-	-	-	17,731,303
11	Past-due items	-	-	-	-	263,688	-	896,764	-	-	-	1,160,452
12	Exposures in high-risk categories	-	-	-	-	91,175	-	63,520	481,063	-	-	635,758
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	-	-	-	-	-	4,890	-	-	-	44,516
16	Shares	-	-	-	-	-	-	164,293	-	-	-	164,293
17	Other exposures	3,126,512	-	305	-	-	-	7,156,566	-	-	-	10,283,383
18	Total	83,720,569	-	8,183,149	20,574,658	22,509,081	75,601,288	163,752,509	481,063	-	-	374,822,317

4.10.4 Consolidated counterparty credit risk

4.10.4.1 Qualitative disclosure on consolidated counterparty credit risk

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

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

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

4.10.4.2 Consolidated 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)	5,565,858	2,296,115		1.4	7,792,976	4,043,550
2	Internal Model Method (for derivative financial instruments, 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)					919,255	141,004
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	Total						4,184,554

	<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)	2,516,682	1,911,559		1.4	4,399,294	2,225,032
2	Internal Model Method (for derivative financial instruments, 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)					3,176,304	179,160
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	Total						2,404,192

4.10.4.3 Consolidated 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	7,681,973	2,542,134	4,359,261	1,433,394
4	Total subject to the CVA capital obligation	7,681,973	2,542,134	4,359,261	1,433,394

4.10.4.4 Consolidated CCR exposures by risk class and risk weights

<i>Current Period</i>	Risk weight								<i>Total credit exposure</i>
Regulatory portfolio	<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	119	-	-	-	-	169,870	-	-	169,989
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	639,631	-	-	-	-	-	-	-	639,631
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	1,412,844	5,252,379	-	82,486	-	-	6,747,709
Exposures to corporates	-	-	1,591	253,601	-	886,147	-	-	1,141,339
Retail exposures	-	-	-	-	13,563	-	-	-	13,563
Exposures secured by property mortgages	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	639,750	-	1,414,435	5,505,980	13,563	1,138,503	-	-	8,712,231

<i>Prior Period</i>	Risk weight								<i>Total credit exposure</i>
Regulatory portfolio	<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	2,192,204	-	-	-	-	16,689	-	-	2,208,893
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	-	-	1,172,619	2,873,700	-	51,732	-	-	4,098,051
Exposures to corporates	-	-	59	74,278	-	616,356	-	-	690,693
Retail exposures	-	-	-	-	14,510	-	-	-	14,510
Exposures secured by property mortgages	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	2,755,650	-	1,172,678	2,947,978	14,510	684,782	-	-	7,575,598

4.10.4.5 Collaterals for consolidated CCR

<i>Current Period</i>	<i>Collateral for derivative transactions</i>				<i>Collateral for other transactions</i>	
	<i>Fair value of collateral received</i>		<i>Fair value of collateral given</i>		<i>Fair value of collateral received</i>	<i>Fair value of collateral given</i>
	<i>Segregated</i>	<i>Unsegregated</i>	<i>Segregated</i>	<i>Unsegregated</i>		
Cash-domestic currency	3,863	-	-	-	5,500,346	25,538
Cash-foreign currency	65,134	-	-	-	2,767,506	143,475
Domestic sovereign debts	-	-	-	-	25,538	7,975,488
Other sovereign debts	-	-	-	-	118,869	814,498
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	68,997	-	-	-	8,412,259	8,958,999

	<i>Collateral for derivative transactions</i>				<i>Collateral for other transactions</i>	
<i>Prior Period</i>	<i>Fair value of collateral received</i>		<i>Fair value of collateral given</i>		<i>Fair value of collateral received</i>	<i>Fair value of collateral given</i>
	<i>Segregated</i>	<i>Unsegregated</i>	<i>Segregated</i>	<i>Unsegregated</i>		
Cash-domestic currency	6,514	-	-	-	10,855,261	16,474
Cash-foreign currency	22,433	-	-	-	2,728,579	-
Domestic sovereign debts	-	-	-	-	16,474	14,428,461
Other sovereign debts	-	-	-	-	-	794,108
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	592,173
Total	28,947	-	-	-	13,600,314	15,831,216

4.10.4.6 Consolidated credit derivatives

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

4.10.5 Consolidated securitisations

Not prepared in compliance with the “Regulation on disclosures regarding risk management to be Announced to Public by Banks”.

4.10.6 Consolidated market risk

4.10.6.1 Qualitative disclosure on consolidated market risk

Market risk is managed in accordance with the strategy and policies defined by the Parent 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 market risk management. Market risk strategy and policies are reviewed by the board of directors and related top management by considering financial performance, capital required for market risk, and the existing market developments. Market risk policy and procedures are being developed on bank-only and consolidated level in consideration of the size and complexity of the operations.

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

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

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

4.10.6.2 Consolidated market risk under standardised approach

		RWA	
		Current Period ^(*)	Prior Period
	Outright products	8,929,125	6,570,025
1	Interest rate risk (general and specific)	1,161,999	922,187
2	Equity risk (general and specific)	170,163	132,675
3	Foreign exchange risk	7,374,488	5,437,825
4	Commodity risk	222,475	77,338
	Options	106,763	178,925
5	Simplified approach	-	-
6	Delta-plus method	106,763	178,925
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	9,035,888	6,748,950

(*) According to “Bank Capital Regulation” article 10 paragraph 4, which published on Official Gazette dated 5th September 2013 and numbered 28756, banks calculated their consolidated capital with their consolidated insurance company investments as unconsolidated financial institutions if 9th article’s 4th paragraph’s (c) and (ç) items apply. Lesser of consolidated capital calculated according to 1st and 4th paragraphs is considered the consolidated capital according to this regulation. As the consolidated capital calculated including the insurance subsidiary is lesser, consolidated equity and the amounts subject to the market risk are calculated based on the consolidated financial statements including the insurance subsidiary.

4.10.7 Consolidated operational risk

Not prepared in compliance with the “Regulation on disclosures regarding risk management to be Announced to Public by Banks”.

4.10.8 Consolidated banking book interest rate risk

Not prepared in compliance with the “Regulation on disclosures regarding risk management to be Announced to Public by Banks”.

5 Disclosures and Footnotes on Consolidated Financial Statements

5.1 Consolidated assets (Current Period)

5.1.1 Cash and balances with Central Bank

	<i>Current Period</i>	
	TL	FC
Cash in TL/Foreign Currency	1,295,889	1,752,893
Central Bank of Turkey	2,727,692	24,661,334
Others	-	541,709
Total	4,023,581	26,955,936

Balances with the Central Bank of Turkey

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

The reserve deposits kept as per the 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 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

	<i>Current Period</i>	
	TL	FC
Collateralised/Blocked Assets	14,675	-
Assets Subject to Repurchase Agreements	13,701	-
Total	28,376	-

5.1.2.2 Positive differences on derivative financial assets held for trading

Information on positive differences on derivative financial assets held for trading classified in derivative financial assets is as follows;

	<i>Current Period</i>	
	TL	FC
Forward Transactions	561,386	26,686
Swap Transactions	2,831,019	621,408
Futures	1,036	11
Options	347,563	106,863
Others	-	10,181
Total	3,741,004	765,149

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

None.

5.1.3 Banks

	<i>Current Period</i>	
	TL	FC
Banks		
Domestic banks	1,780,194	1,152,999
Foreign banks	109,993	24,099,829
Foreign headoffices and branches	-	-
Total	1,890,187	25,252,828

The placements at foreign banks include blocked accounts amounting TL 11,800,414 thousands of which TL 3,196,095 thousands and TL 161,681 thousands are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 8,442,638 thousands as collateral against funds borrowed at various banks.

Furthermore, there are restricted deposits at various domestic banks amounting TL 359,292 as required for insurance activities

Due from foreign banks

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

5.1.4 Financial assets measured at fair value through other comprehensive income

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

	<i>Current Period</i>	
	TL	FC
Collateralised/Blocked Assets	4,539,841	128,270
Assets subject to Repurchase Agreements	50,721	814,497
Total	4,590,562	942,767

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

	<i>Current Period</i>
Debt Securities	24,640,475
Quoted at Stock Exchange	24,607,681
Unquoted at Stock Exchange	32,794
Common Shares/Investment Fund	103,605
Quoted at Stock Exchange	4,491
Unquoted at Stock Exchange	99,114
Value Increase/Impairment Losses (-)	1,532,251
Total	26,276,331

5.1.5 Expected credit losses for financial assets

5.1.5.1 Expected credit loss for banks

	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period (1 January 2018)	11,325	-	-	11,325
Additions during the Period (+)	11,577	2	-	11,579
Disposal (-)	(7,499)	(5)	-	(7,504)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	(5)	5	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	3,246	-	-	3,246
Balances at End of Period	18,644	2	-	18,646

5.1.5.2 Expected credit loss for securities

	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period (1 January 2018)	16,907	-	-	16,907
Additions during the Period (+)	139	-	-	139
Disposal (-)	(4,947)	-	-	(4,947)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	620	-	-	620
Balances at End of Period	12,719	-	-	12,719

5.1.6 Loans

5.1.6.1 Loans and advances to shareholders and employees of the Bank

	Current Period	
	Cash Loans	Non-Cash Loans
Direct Lendings to Shareholders	635	503,217
Corporates	635	503,217
Individuals	-	-
Indirect Lendings to Shareholders	3,068,503	632,605
Loans to Employees	325,447	84
Total	3,394,585	1,135,906

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

Cash Loans	Performing Loans	Loans under Follow-up		
		Non-restructured (*)	Restructured	
			Revised Contract Terms	Refinanced
Loans	210,002,688	34,723,870	5,792,180	2,978,037
Working Capital Loans	38,190,988	4,816,501	187,779	297,643
Export Loans	15,140,539	860,021	18,112	111,795
Import Loans	793,014	-	-	-
Loans to Financial Sector	6,166,493	28,161	-	-
Consumer Loans	44,941,844	9,463,514	524,450	31,766
Credit Cards	18,775,079	3,871,273	500,509	-
Others	85,994,731	15,684,400	4,561,330	2,536,833
Specialization Loans	-	-	-	-
Other Receivables	7,767,642	731,741	313,149	8,119
Total	217,770,330	35,455,611	6,105,329	2,986,156

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

<i>Current Period</i>	Performing Loans	Loans Under Follow-Up
12-Month ECL (Stage 1)	1,041,222	-
Significant Increase in Credit Risk (Stage 2)	-	4,273,976

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

Collaterals received for loans under follow-up

<i>Current Period</i>	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	297,077	49,034	-	346,111
Loans Collateralized by Mortgages / Shares	13,860,097	4,754,902	-	18,614,999
Loans Collateralized by Pledged Assets	1,390,363	390,955	-	1,781,318
Loans Collateralized by Cheques and Notes	388,778	8,336	-	397,114
Loans Collateralized by Other Collaterals	8,935,209	4,386,578	-	13,321,787
Unsecured Loans	5,284,060	429,925	4,371,782	10,085,767
Total	30,155,584	10,019,730	4,371,782	44,547,096

Delinquency periods of loans under follow-up

<i>Current Period</i>	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	1,558,388	1,915,079	153,688	3,627,155
61-90 days	2,009,460	257,929	57,581	2,324,970
Other	26,587,736	7,846,722	4,160,513	38,594,971
Total	30,155,584	10,019,730	4,371,782	44,547,096

Loans with extended payment plans

<i>Current Period</i>	Performing Loans	Loans under Follow-up
No. of Contract Revisions for Extension of Payment Plan		
1 or 2 times	3,987,951	9,555,813
3, 4 or 5 times	-	211,841
Over 5 times	-	71,410
Total	3,987,951	9,839,064

<i>Current Period</i>	Performing Loans	Loans under Follow-up
Periods extended due to Payment Plan		
0 - 6 months	1,347,721	5,425,985
6 - 12 months	396,309	387,157
1 - 2 years	887,472	735,005
2 - 5 year	1,347,208	2,716,884
5 years and over	9,241	574,033
Total	3,987,951	9,839,064

5.1.6.3 Maturity analysis of cash loans

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

5.1.6.4 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	1,014,605	47,823,719	48,838,324
Housing Loans	26,190	23,390,726	23,416,916
Automobile Loans	119,198	2,311,822	2,431,020
General Purpose Loans	868,985	22,121,171	22,990,156
Others	232	-	232
Consumer Loans – FC-indexed	-	189,862	189,862
Housing Loans	-	189,829	189,829
Automobile Loans	-	-	-
General Purpose Loans	-	33	33
Others	-	-	-
Consumer Loans – FC	460,279	3,895,404	4,355,683
Housing Loans	5,669	2,214,876	2,220,545
Automobile Loans	36	18,755	18,791
General Purpose Loans	15,461	1,196,466	1,211,927
Others	439,113	465,307	904,420
Retail Credit Cards – TL	18,044,283	435,249	18,479,532
With Installment	8,696,318	435,249	9,131,567
Without Installment	9,347,965	-	9,347,965
Retail Credit Cards – FC	155,648	146,816	302,464
With Installment	-	-	-
Without Installment	155,648	146,816	302,464
Personnel Loans – TL	20,131	116,622	136,753
Housing Loan	-	1,203	1,203
Automobile Loans	-	1	1
General Purpose Loans	20,131	115,418	135,549
Others	-	-	-
Personnel Loans - FC-indexed	-	471	471
Housing Loans	-	471	471
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Personnel Loans – FC	1,545	74,164	75,709
Housing Loans	101	33,412	33,513
Automobile Loans	-	-	-
General Purpose Loans	573	32,897	33,470
Others	871	7,855	8,726
Personnel Credit Cards – TL	106,560	686	107,246
With Installment	42,353	686	43,039
Without Installment	64,207	-	64,207
Personnel Credit Cards – FC	1,990	3,278	5,268
With Installment	-	-	-
Without Installment	1,990	3,278	5,268
Deposit Accounts– TL (Real Persons)	1,364,772	-	1,364,772
Deposit Accounts– FC (Real Persons)	-	-	-
Total	21,169,813	52,686,271	73,856,084

5.1.6.5 Installment based commercial loans and corporate credit cards

<i>Current Period</i>	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans – TL	1,770,060	16,300,100	18,070,160
Real Estate Loans	928	779,036	779,964
Automobile Loans	187,710	2,388,588	2,576,298
General Purpose Loans	1,581,422	13,132,476	14,713,898
Others	-	-	-
Installment-based Commercial Loans - FC-indexed	287,308	2,621,691	2,908,999
Real Estate Loans	-	67,592	67,592
Automobile Loans	3,257	927,460	930,717
General Purpose Loans	284,051	1,626,639	1,910,690
Others	-	-	-
Installment-based Commercial Loans – FC	1,578,044	2,980,939	4,558,983
Real Estate Loans	-	170	170
Automobile Loans	48	22,547	22,595
General Purpose Loans	207	96,924	97,131
Others	1,577,789	2,861,298	4,439,087
Corporate Credit Cards – TL	4,192,950	36,050	4,229,000
With Installment	1,906,440	36,050	1,942,490
Without Installment	2,286,510	-	2,286,510
Corporate Credit Cards – FC	23,351	-	23,351
With Installment	-	-	-
Without Installment	23,351	-	23,351
Deposit Accounts– TL (Corporates)	1,105,008	-	1,105,008
Deposit Accounts– FC (Corporates)	-	-	-
Total	8,956,721	21,938,780	30,895,501

5.1.6.6 Allocation of loans by customers

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

5.1.6.7 Allocation of domestic and foreign loans

	<i>Current Period</i>
Domestic Loans	241,651,657
Foreign Loans	20,665,769
Total	262,317,426

5.1.6.8 Loans to associates and subsidiaries

	<i>Current Period</i>
Direct Lending	43,455
Indirect Lending	-
Total	43,455

5.1.6.9 Provision allocated for non-performing loans (Stage 3)

	<i>Current Period</i>
Substandard Loans- Limited Collectibility	927,123
Doubtful Loans	1,031,752
Uncollectible Loans	3,818,962
Total	5,777,837

5.1.6.10 Non-performing loans (NPLs) (net)

Non-performing loans and loans restructured from this category

	Group III	Group IV	Group V
	Substandard Loans	Doubtful Loans	Uncollectible Loans
<i>Current Period</i>			
Gross amounts before provisions	738,606	951,868	1,310,183
Restructured Loans	738,606	951,868	1,310,183

Movements in non-performing loan groups

	Group III	Group IV	Group V
<i>Current Period</i>	Substandard Loans	Doubtful Loans	Uncollectible Loans
1 January 2018	1,048,935	1,382,104	4,457,417
Additions during the Period (+)	3,088,437	122,414	195,690
Transfer from Other NPL Categories (+)	14,830	1,310,322	912,114
Transfer to Other NPL Categories (-)	1,333,598	894,023	9,645
Collections during the Period (-)	413,155	215,192	492,675
Write-offs (-)	20,526	-	2,444
Debt Sale (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Others	-	-	-
Balances at End of Period	2,384,923	1,705,625	5,060,457
Provisions (-)	927,123	1,031,752	3,818,962
Net Balance on Balance Sheet	1,457,800	673,873	1,241,495

5.1.6.11 Expected credit loss for loans

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balances at Beginning of Period (1 January 2018)	908,210	3,531,388	4,512,355	8,951,953
Additions during the Period (+)	488,448	1,043,098	886,989	2,418,535
Disposal (-)	(468,372)	(236,484)	(292,141)	(996,997)
Debt Sale (-)	-	-	-	-
Write-offs (-)	-	-	(22,432)	(22,432)
Transfer to Stage1	175,686	(172,325)	(3,361)	-
Transfer to Stage 2	(100,162)	111,845	(11,683)	-
Transfer to Stage 3	(5,684)	(520,132)	525,816	-
Foreign Currency Differences	43,096	516,586	182,294	741,976
Balances at End of Period	1,041,222	4,273,976	5,777,837	11,093,035

Non-performing loans 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	1,723,855	640,121	1,518,004
Provisions (-)	614,881	419,083	1,056,734
Net Balance at Balance Sheet	1,108,974	221,038	461,270

Gross and net non-performing loans as per customer categories

	Group III	Group IV	Group V
	Substandard Loans	Doubtful Loans	Uncollectible Loans
<i>Current Period (Net)</i>	1,457,800	673,873	1,241,495
Loans to Individuals and Corporates (Gross)	2,363,054	1,699,112	5,051,508
Provision (-)	916,249	1,029,511	3,810,902
Loans to Individuals and Corporates (Net)	1,446,805	669,601	1,240,606
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	21,869	6,513	8,949
Provision (-)	10,874	2,241	8,060
Other Loans (Net)	10,995	4,272	889

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

	Group III	Group IV	Group V
	Substandard Loans	Doubtful Loans	Uncollectible Loans
<i>Current Period (Net)</i>	90,691	49,296	206,139
Interest accruals and valuation differences	80,232	35,294	66,023
Provision (-)	170,923	84,590	272,162

Collaterals received for non-performing loans

	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
<i>Current Period</i>				
Loans Collateralized by Cash	2,647	280	-	2,927
Loans Collateralized by Mortgages	2,007,118	176,610	-	2,183,728
Loans Collateralized by Pledged Assets	967,977	54,291	-	1,022,268
Loans Collateralized by Cheques and Notes	149,239	6,616	-	155,855
Loans Collateralized by Other Collaterals	2,376,242	1,378,348	-	3,754,590
Unsecured Loans	657,774	316,808	1,057,055	2,031,637
Total	6,160,997	1,932,953	1,057,055	9,151,005

5.1.6.12 Liquidation policy for uncollectible loans

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

5.1.6.13 Write-off policy

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

5.1.7 Factoring receivables

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

5.1.8 Financial assets measured at amortised cost

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

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

5.1.8.2 Government securities measured at amortised cost

	<i>Current Period</i>
Government Bonds	21,048,220
Treasury Bills	-
Other Government Securities	-
Total	21,048,220

5.1.8.3 Financial assets measured at amortised cost

	<i>Current Period</i>
Debt Securities	17,321,723
Quoted at Stock Exchange	17,284,334
Unquoted at Stock Exchange	37,389
Valuation Increase / (Decrease)	3,843,574
Total	21,165,297

5.1.8.4 Movement of financial assets measured at amortised cost

	<i>Current Period</i>
Balance at Beginning of Period	24,314,540
TFRS 9 Effect ^{(*)(**)}	(2,817,203)
Balances as of 1 January 2018	21,497,337
Foreign Currency Differences on Monetary Assets	936,704
Purchases during the Period	308,976
Disposals through Sales/Redemptions	(1,926,643)
Valuation Effect	348,923
Balances at End of Period	21,165,297

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

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

5.1.9 Investments in associates

5.1.9.1 Unconsolidated investments in associates

	Associates	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Emeklilik Gözetim Merkezi AŞ ⁽¹⁾	İstanbul/Turkey	-	5.26
2	Bankalararası Kart Merkezi AŞ ⁽¹⁾	İstanbul/Turkey	10.15	10.15
3	Yatırım Finansman Menkul Değerler AŞ ⁽¹⁾	İstanbul/Turkey	0.77	0.77
4	İstanbul Takas ve Saklama Bankası AŞ ⁽¹⁾	İstanbul/Turkey	4.95	4.97
5	Borsa İstanbul AŞ ⁽¹⁾	İstanbul/Turkey	0.30	0.34
6	KKB Kredi Kayıt Bürosu AŞ ⁽¹⁾	İstanbul/Turkey	9.09	9.09
7	Türkiye Cumhuriyet Merkez Bankası AŞ ⁽²⁾	Ankara/ Turkey	2.48	2.48
8	Kredi Garanti Fonu AŞ ⁽¹⁾	Ankara/ Turkey	1.54	1.54

	Total Assets	Shareholders' Equity	Total Fixed Assets ^(*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Company's Fair Value
1	11,066	8,853	1,413	202	2	981	-
2	86,772	53,658	46,023	564	-	4,564	-
3	794,884	86,107	2,260	10,917	198	1,825	-
4	10,069,021	1,355,493	107,192	123,960	1,017	90,884	-
5	1,369,282	1,334,899	253,844	19,428	-	91,345	-
6	287,212	196,196	177,616	2,878	14	12,874	-
7	636,970,484	40,906,830	324,862	17,060,636	3,986,373	18,383,903	-
8	672,324	495,361	12,353	8,591	-	37,381	-

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

(1) Financial information is as of 31 March 2018.

(2) Financial information is as of 31 December 2017.

Unconsolidated investments in associates sold during the current period

None.

Unconsolidated investments in associates acquired during the current period

None.

5.1.9.2 Consolidated investments in associates

	Associates	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Garanti Yatırım Ortaklığı AŞ	İstanbul / Turkey	-	3.30

	Total Assets	Shareholders' Equity	Total Fixed Assets ^(*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Company's Fair Value
1	36,101	35,605	78	393	791	189	20,480

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

Garanti Yatırım Ortaklığı AŞ that Garanti Yatırım participated by 3.30%, is consolidated in the accompanying consolidated financial statements under full consolidation method due to the company's right to elect all the members of the board of directors as resulted from its privilege in election of board members.

5.1.9.3 Movement of consolidated investments in associates

	<i>Current Period</i>
Balance at Beginning of Period	792
Movements during the Period	(116)
Acquisitions and Capital Increases	-
Bonus Shares Received	-
Allocation from Current Period Profit	-
Sales	-
Reclassifications	-
Increase/Decrease in Fair Values	(116)
Currency Differences on Foreign Associates	-
Impairment Losses (-)	-
Balance at End of Period	676
Capital Commitments	-
Share Percentage at the End of Period (%)	-

Valuation methods of consolidated investments in associates

Associates	<i>Current Period</i>
Valued at Cost	-
Valued at Fair Value	676
Valued by Equity Method of Accounting	-

Sectoral distribution of consolidated investments and associates

Associates	<i>Current Period</i>
Banks	-
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	676
Other Associates	-

Quoted consolidated investments in associates

	<i>Current Period</i>
Quoted at Domestic Stock Exchanges	676
Quoted at International Stock Exchanges	-

Investments in associates sold during the current period

None.

Investments in associates acquired during the current period

None.

5.1.10 Investments in subsidiaries

Information on capital adequacy of major subsidiaries

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

The parent Bank does not have any capital needs for its subsidiaries included in the calculation of its consolidated capital adequacy standard ratio.

5.1.10.1 Unconsolidated investments in subsidiaries

	Subsidiaries	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Garanti Bilişim Teknolojisi ve Tic. TAŞ	Istanbul/Turkey	100.00	100.00
2	Garanti Ödeme Sistemleri AŞ	Istanbul/Turkey	99.96	100.00
3	Garanti Hizmet Yönetimi AŞ	Istanbul/Turkey	100.00	100.00
4	Garanti Kültür AŞ	Istanbul/Turkey	100.00	100.00
5	Garanti Konut Finansmanı Danışmanlık Hiz. AŞ	Istanbul/Turkey	100.00	100.00
6	Trifoi Real Esteate Company	Bucharest/Romania	-	100.00
7	Garanti Filo Yönetim Hizmetleri AŞ	Istanbul/Turkey	-	100.00
8	Garanti Filo Sigorta Aracılık Hizmetleri AŞ	Istanbul/Turkey	-	100.00

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Company's Fair Value	Amount of Equity Requirement
1	93,504	79,365	27	4,619	-	7,603	-	-
2	37,771	18,510	568	1,269	-	3,173	-	-
3	3,985	3,523	-	250	3	235	-	-
4	2,877	1,858	1,044	-	18	15	-	-
5	4,279	3,337	33	200	-	640	-	-
6	5,384	5,384	5,378	-	-	(2)	-	-
7	1,889,578	23,376	1,609,554	334	-	18,070	-	-
8	2,855	1,966	-	46	-	510	-	-

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

Unconsolidated subsidiaries, reasons for not consolidating such investments and accounting treatments applied for such investments

The non-financial investments excluded from the consolidation scope, are accounted at cost.

5.1.10.2 Movement of consolidated investments in subsidiaries

	Current Period
Balance at Beginning of Period	6,435,099
TFRS 9 Effect	(353,654)
Balance at 1 January 2018	6,081,445
Movements during the Period	1,618
Acquisitions and Capital Increases	-
Bonus Shares Received	-
Dividends from Current Year Profit	457,486
Sales/Liquidations	-
Reclassifications	-
Value Increase/Decrease (*) (**)	(1,066,891)
Currency Differences on Foreign Subsidiaries	611,023
Reversal of Impairment Losses / Impairment Losses (-)	-
Balance at End of Period	6,083,063
Capital Commitments	-
Share Percentage at the End of Period (%)	-

(*) Except for quoted subsidiaries, value increases / (decreases) are based on the results of equity accounting application.

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

Valuation methods of consolidated investments in subsidiaries

	Current Period
Valued at Cost	-
Valued at Fair Value (*)	6,083,063

(*) Except for quoted subsidiaries, the balances are as per the results of equity accounting application.

Sectoral distribution of consolidated investments in subsidiaries

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

Quoted consolidated investments in subsidiaries

	Current Period
Quoted at Domestic Stock Exchanges	155,539
Quoted at International Stock Exchanges	-

Other information on consolidated investments in subsidiaries

	Subsidiaries	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Shares of Other Consolidated Subsidiaries (%)	Method of Consolidation
1	Garanti Finansal Kiralama AŞ (*)	Istanbul/Turkey	100.00	-	Full Consolidation
2	Garanti Faktoring AŞ (*)	Istanbul/Turkey	81.84	-	Full Consolidation
3	Garanti Yatırım Menkul Kıymetler AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
4	Garanti Portföy Yönetimi AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
5	Garanti Emeklilik ve Hayat AŞ	Istanbul/Turkey	84.91	-	Full Consolidation
6	Garanti Bank International NV	Amsterdam/the Netherlands	100.00	-	Full Consolidation
7	Garanti Holding BV	Amsterdam/the Netherlands	100.00	-	Full Consolidation
8	G Netherlands BV	Amsterdam/the Netherlands	-	100.00	Full Consolidation
9	Garanti Bank SA	Bucharest/Romania	-	100.00	Full Consolidation
10	Motoractive IFN SA	Bucharest/Romania	-	100.00	Full Consolidation
11	Ralfi IFN SA	Bucharest/Romania	-	100.00	Full Consolidation

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

	Total Assets	Shareholders' Equity	Total Fixed Assets (**)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Company's Fair Value
1	6,123,508	1,003,882	11,059	219,616	-	57,966	-
2	2,793,197	222,679	8,709	204,747	-	9,693	-
3	245,585	161,939	13,166	2,952	2,446	44,380	-
4	92,418	85,269	3,012	3,412	92	14,181	-
5	2,424,463	652,681	40,761	141,634	979	205,858	-
6	23,503,674	3,098,136	164,833	388,633	20,061	71,666	-
7	1,813,287	1,813,052	-	-	-	(201)	-
8	1,840,627	1,584,844	-	1	-	(8,443)	-
9	11,544,941	1,460,658	356,434	201,867	17,185	68,160	-
10	955,665	138,733	4,886	26,508	-	7,771	-
11	681,819	91,034	7,119	35,758	-	5,663	-

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

Consolidated investments in subsidiaries disposed during the current period

None.

Consolidated investments in subsidiaries acquired during the current period

None.

5.1.11 Investments in joint-ventures

None.

5.1.12 Lease receivable

5.1.12.1 Financial lease receivables according to remaining maturities

	<i>Current Period</i>	
	Gross	Net
Less than 1 Year	3,005,357	2,623,852
Between 1-5 Years	3,768,320	3,399,662
Longer than 5 Years	229,657	218,211
Total	7,003,334	6,241,725

5.1.12.2 Net financial lease receivables

	<i>Current Period</i>
Gross Financial Lease Receivables	7,003,334
Unearned Income on Financial Lease Receivables (-)	(761,609)
Terminated Lease Contracts (-)	-
Net Financial Lease Receivables	6,241,725

5.1.12.3 Financial lease agreements

Criteria applied for financial lease agreements

The customer applied for a financial lease is evaluated based on the lending policies and criteria taking into account the legal legislation. A “customer analysis report” according to the type and amount of the application is prepared for the evaluation of the customer by the Credit Committee and certain risk rating models such as “customer risk rating” and “equipment rating/scoring” are applied.

In compliance with the legal legislation and the authorization limits of the general manager, credit committee and board of directors, it is decided whether the loan will be granted considering the financial position and the qualitative characteristics of the customer and the criterias mentioned above, if yes, which conditions will be applied. At this stage, collateral such as bank guarantees, mortgages, asset pledges, promissory notes or the personal or corporate guarantees, may be required depending on the creditworthiness of the customer and the characteristics of the product to be sold.

The sectoral, equipment type and pledged asset concentration of the customers are monitored regularly.

Details monitored subsequent to signing of financial lease agreements

Subsequent to granting of loan, the fulfillment of monetary aspects such as lending procedures, timely collection of rental payments are monitored. Furthermore, updated information on the performance of companies is reported by the credit monitoring unit even for the performing customers.

The reports prepared by the credit monitoring unit for the performing companies and the assessments made by the administration follow-up and the legal units for the problematic companies, are presented to the top management following the assessments made by the related internal committees and the necessary actions are taken.

5.1.13 Derivative financial assets held for hedging purpose

Information on derivative financial assets held for hedging purposes classified in derivative financial assets is as follows.

5.1.13.1 Positive differences on derivative financial instruments held for hedging purpose

Derivative Financial Assets Held for Hedging Purpose	Current Period	
	TL	FC
Fair Value Hedges	268,228	73,255
Cash Flow Hedges	563,350	257,890
Net Foreign Investment Hedges	-	-
Total	831,578	331,145

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

	Current Period		
	Face Value	Asset	Liability
Interest Rate Swaps	49,642,225	607,611	62,725
-TL	4,927,513	280,259	-
-FC	44,714,712	327,352	62,725
Cross Currency Swaps	6,861,293	555,113	65,006
-TL	2,415,266	551,320	23,403
-FC	4,446,027	3,793	41,603
Total	56,503,518	1,162,724	127,731

5.1.13.1.1 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	(83,594)	103,706	(28,630)	(8,518)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(97,551)	97,946	-	395
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(130,652)	137,187	(29,926)	(19,508)
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	29	-	(19,744)	(19,715)
Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	9,793	2,644	(13,307)	(870)

5.1.13.1.2 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	-	-	(17)	17	-
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	144,802	(285)	78,431	5,009	1,643
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	125,445	(3,881)	79,297	(7,902)	7,898
Cross Currency Swaps	Mile payments	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	-	-	(1,094)	(248)	-
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	489,957	-	27,266	(18,368)	1
Cross Currency Swaps	Fixed-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	61,036	(31,958)	7,767	(7,447)	-
Spot Position(*)	Operational Expenses	Cash flow risk resulted from foreign currency exchange rates	178,494	-	28,609	-	-

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

As of 30 June 2018, there is not any reclassified amounts from the shareholders' equity to the profit or loss due to the ceased hedging transactions during the current period.

5.1.14 Tangible assets

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

5.1.15 Intangible assets

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

5.1.16 Investment property

	Current Period
Net Book Value at Beginning of Period	559,388
Additions	2,260
Disposals	-
Transfers to Tangible Assets	(6,150)
Fair Value Change	-
Net Currency Translation Differences on Foreign Subsidiaries	-
Net Book Value at End of Period	555,498

The investment property is held for operational leasing purposes.

5.1.17 Deferred tax asset

As of 30 June 2018, on a consolidated basis the Bank has a deferred tax asset of TL 1,476,319 thousands calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences in its consolidated financial statements.

As of 30 June 2018, deferred tax assets of TL 1,926,303 thousands are reduced by deferred tax liabilities of TL 449,984 thousands with offsetting characteristics and presented as net in the accompanying consolidated 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 the differences between the carrying values and the taxable values of assets subject to tax 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>	
	Tax Base	Deferred Tax Amount
Provisions (*)	1,979,012	404,692
Stages 1&2 Credit Losses	5,541,943	1,215,991
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	236,002	42,233
Revaluation Differences on Real Estates	(1,864,352)	(186,435)
Other	(4,714)	(162)
Deferred Tax Asset, Net	5,887,891	1,476,319

(*) 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 and subsidiaries' financial assets.

As of 30 June 2018, TL 34,315 thousands of deferred tax expense and TL 115,667 thousands of deferred tax income were recognised in the income statement and the shareholders' equity, respectively.

5.1.18 Assets held for sale and assets of discontinued operations

	<i>Current Period</i>
Balances at Beginning of Period	
Cost	850,308
Accumulated Depreciation	(14,756)
Net Book Value	835,552
End of Current Period	
Additions	129,257
Disposals (Cost)	(125,924)
Disposals (Accumulated Depreciation)	911
Reversal of Impairment / Impairment Losses (-)	14,807
Depreciation Expense for Current Period (-)	-
Currency Translation Differences on Foreign Operations	2,260
Cost	870,708
Accumulated Depreciation (-)	(13,845)
Net Book Value	856,863

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

5.1.19 Other Assets

5.1.19.1 Receivables from term sale of assets

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

5.1.19.2 Prepaid expenses

	<i>Current Period</i>
Prepaid Expenses	205,306
Prepaid Taxes	692,714

5.2 Consolidated assets (Prior Period)

5.2.1 Cash and balances with Central Bank

	<i>Prior Period</i>	
	TL	FC
Cash in TL/Foreign Currency	1,297,568	1,550,335
Central Bank of Turkey	6,338,400	23,956,821
Others	-	460,517
Total	7,635,968	25,967,673

Balances with the Central Bank of Turkey

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

The reserve deposits kept as per the 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.

5.2.2 Financial assets at fair value through profit/loss

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

	<i>Prior Period</i>	
	TL	FC
Collateralised/Blocked Assets	15,522	-
Assets Subject to Repurchase Agreements	2,834	-
Total	18,356	-

5.2.2.2 Positive differences on derivative financial assets held for trading

	<i>Prior Period</i>	
	TL	FC
Forward Transactions	176,147	25,663
Swap Transactions	1,051,330	485,361
Futures	151	561
Options	152,137	47,002
Others	4	8,633
Total	1,379,769	567,220

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

None.

5.2.3 Banks

	<i>Prior Period</i>	
	TL	FC
Banks		
Domestic banks	903,988	1,145,363
Foreign banks	106,739	17,314,253
Foreign headoffices and branches	-	-
Total	1,010,727	18,459,616

The placements at foreign banks include blocked accounts amounting TL 8,944,602 thousands of which TL 2,717,355 thousands and TL 134,832 thousands are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 6,092,415 thousands as collateral against funds borrowed at various banks.

Furthermore, there are restricted deposits at various domestic banks amounting TL 334,998 thousands as required for insurance activities.

Due from foreign banks

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

5.2.4 Financial assets available-for-sale

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

	<i>Prior Period</i>	
	TL	FC
Collateralised/Blocked Assets	11,212,879	28,206
Assets subject to Repurchase Agreements	120,152	794,108
Total	11,333,031	822,314

5.2.4.2 Details of financial assets available-for-sale

	<i>Prior Period</i>
Debt Securities	23,698,918
Quoted at Stock Exchange	23,563,231
Unquoted at Stock Exchange	135,687
Common Shares/Investment Fund	193,164
Quoted at Stock Exchange	7,079
Unquoted at Stock Exchange	186,085
Value Increase/Impairment Losses (-)	2,385,906
Total	26,277,988

5.2.5 Loans

5.2.5.1 Loans and advances to shareholders and employees of the Bank

	<i>Prior Period</i>	
	Cash Loans	Non-Cash Loans
Direct Lendings to Shareholders	-	434,931
Corporates	-	434,931
Real Persons	-	-
Indirect Lendings to Shareholders	2,628,582	653,806
Loans to Employees	330,049	74
Total	2,958,631	1,088,811

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

<i>Prior Period</i>	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total) ^(*)	Loans and Receivables with Revised Contract Terms	
Cash Loans		Extension of Repayment Plan	Other Changes		Extension of Repayment Plan	Other Changes
Loans	210,937,017	2,403,089	610,269	17,055,595	5,981,456	1,343,252
Working Capital Loans	38,249,643	44,814	32,685	1,354,101	732,152	160,376
Export Loans	11,585,535	975	-	239,737	83,336	44,402
Import Loans	618,440	-	-	9,311	-	-
Loans to Financial Sector	5,743,384	-	2	7	-	-
Consumer Loans	49,995,050	2,222,556	134,895	1,841,647	522,600	58,283
Credit Cards	21,551,114	-	381,876	384,074	-	140,571
Others	83,193,851	134,744	60,811	13,226,718	4,643,368	939,620
Specialization Loans	-	1,322	39,332	-	-	-
Other Receivables	-	-	-	-	-	-
Total	210,937,017	2,404,411	649,601	17,055,595	5,981,456	1,343,252

(*) 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" in the prior financial statements.

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

Collaterals received for loans under follow-up

<i>Prior Period</i>	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	39,714	4,244	-	43,958
Loans Collateralized by Mortgages	8,654,722	914,106	-	9,568,828
Loans Collateralized by Pledged Assets	713,659	75,559	-	789,218
Loans Collateralized by Cheques and Notes	63,740	604,763	-	668,503
Loans Collateralized by Other Collaterals	3,640,331	41,067	-	3,681,398
Unsecured Loans	1,717,708	201,908	384,074	2,303,690
Total	14,829,874	1,841,647	384,074	17,055,595

Delinquency periods of loans under follow-up

<i>Prior Period</i>	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	532,802	827,264	166,444	1,526,510
61-90 days	132,531	287,760	44,206	464,497
Other	14,164,541	726,623	173,424	15,064,588
Total	14,829,874	1,841,647	384,074	17,055,595

Loans and other receivables with extended payment plans

<i>Prior Period</i>	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
No. of Extensions		
1 or 2 times	2,383,270	5,807,350
3, 4 or 5 times	16,902	85,571
Over 5 times	4,239	88,535
Total	2,404,411	5,981,456

<i>Prior Period</i>	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
Extension Periods		
0 - 6 months	238,617	1,928,567
6 - 12 months	228,908	150,892
1 - 2 years	769,955	431,542
2 - 5 year	1,137,027	1,828,686
5 years and over	29,904	1,641,769
Total	2,404,411	5,981,456

5.2.5.3 Maturity analysis of cash loans

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

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

<i>Prior Period</i>	Short-Term	Medium and Long-Term	Total
Consumer Loans – TL	911,100	45,957,542	46,868,642
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
Others	2,165	-	2,165
Consumer Loans – FC-indexed	-	165,624	165,624
Housing Loans	-	165,579	165,579
Automobile Loans	-	-	-
General Purpose Loans	-	45	45
Others	-	-	-
Consumer Loans – FC	230,965	3,390,858	3,621,823
Housing Loans	4,410	1,818,532	1,822,942
Automobile Loans	179	16,405	16,584
General Purpose Loans	14,054	1,030,940	1,044,994
Others	212,322	524,981	737,303
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	148,211	129,249	277,460
With Installment	-	-	-
Without Installment	148,211	129,249	277,460
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
Others	-	-	-
Personnel Loans - FC-indexed	-	405	405
Housing Loans	-	405	405
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Personnel Loans – FC	1,534	66,885	68,419
Housing Loans	90	29,448	29,538
Automobile Loans	-	-	-
General Purpose Loans	436	30,683	31,119
Others	1,008	6,754	7,762
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	2,244	2,748	4,992
With Installment	-	-	-
Without Installment	2,244	2,748	4,992
Deposit Accounts– TL (Real Persons)	976,981	-	976,981
Deposit Accounts– FC (Real Persons)	-	-	-
Total	19,574,050	50,357,602	69,931,652

5.2.5.5 Installment based commercial loans and corporate credit cards

<i>Prior 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
Others	-	-	-
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
Others	-	-	-
Installment-based Commercial Loans – FC	1,313,672	2,058,957	3,372,629
Real Estate Loans	-	284	284
Automobile Loans	86	20,075	20,161
General Purpose Loans	27	88,072	88,099
Others	1,313,559	1,950,526	3,264,085
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	7,907,881	19,248,433	27,156,314

5.2.5.6 Allocation of loans by customers

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

5.2.5.7 Allocation of domestic and foreign loans

	<i>Prior Period</i>
Domestic Loans	209,895,952
Foreign Loans	18,096,660
Total	227,992,612

5.2.5.8 Loans to associates and Subsidiaries

	<i>Prior Period</i>
Direct Lending	33,435
Indirect Lending	-
Total	33,435

5.2.5.9 Specific provisions for loans

Specific Provisions	Prior Period
Substandard Loans and Receivables - Limited Collectibility	591,928
Doubtful Loans and Receivables	841,974
Uncollectible Loans and Receivables	3,382,410
Total	4,816,312

5.2.5.10 Non-performing loans (NPLs) (net)

Non-performing loans and other receivables restructured or rescheduled

Prior Period	Group III Substandard Loans and Receivables	Group IV Doubtful Loans and Receivables	Group V Uncollectible Loans and Receivables
(Gross amounts before specific provisions)			
Restructured Loans and Receivables	352,136	576,421	1,083,196
Rescheduled Loans and Receivables	5,122	2,953	23,764
Total	357,258	579,374	1,106,960

Movements in non-performing loan groups

Prior Period	Group III Substandard Loans and Receivables	Group IV Doubtful Loans and Receivables	Group V Uncollectible Loans and Receivables
Balances at Beginning of Period	782,833	1,571,137	3,770,491
Additions during the Period (+)	2,444,401	121,472	211,178
Transfer from Other NPL Categories (+)	10,965	1,816,674	1,961,874
Transfer to Other NPL Categories (-)	1,809,918	1,968,030	11,565
Collections during the Period (-)	559,637	409,649	653,337
Write-offs (-) ^(*)	3,362	16,178	1,082,364
Corporate and Commercial Loans	1,348	15,693	567,094
Retail Loans	1,037	485	250,991
Credit Cards	977	-	264,279
Others	-	-	-
Balances at End of Period	865,282	1,115,426	4,196,277
Specific Provisions (-)	591,928	841,974	3,382,410
Net Balance on Balance Sheet	273,354	273,452	813,867

(*) Includes also the sale of non-performing loans.

Movements in specific loan provisions

Prior Period	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
Balances at End of Prior Period	2,320,019	1,483,459	987,611	4,791,089
Additions during the Period (+)	914,288	881,889	519,891	2,316,068
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-) ^(*)	349,968	569,077	290,393	1,209,438
Write-Offs (-) ^(**)	564,969	251,182	265,256	1,081,407
Balances at End of Period	2,319,370	1,545,089	951,853	4,816,312

(*) Foreign subsidiaries' foreign exchange rate changes are included in the collections during the period line.

(**) Includes also the sale of non-performing loans.

Non-performing loans in foreign currencies

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
<i>Prior Period</i>			
Balance at End of Period	324,278	466,661	1,221,918
Specific Provisions (-)	166,146	280,632	811,856
Net Balance at Balance Sheet	158,132	186,029	410,062

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>Prior Period (Net)</i>	273,354	273,452	813,867
Loans to Individuals and Corporates (Gross)	865,282	1,115,426	4,194,961
Specific Provision (-)	591,928	841,974	3,381,094
Loans to Individuals and Corporates (Net)	273,354	273,452	813,867
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

	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
<i>Prior Period</i>				
Loans Collateralized by Cash	2,872	260	-	3,132
Loans Collateralized by Mortgages	1,595,170	170,498	-	1,765,668
Loans Collateralized by Pledged Assets	312,249	48,274	-	360,523
Loans Collateralized by Cheques and Notes	147,639	4,666	-	152,305
Loans Collateralized by Other Collaterals	1,113,964	1,144,994	-	2,258,958
Unsecured Loans	288,701	395,784	951,914	1,636,399
Total	3,460,595	1,764,476	951,914	6,176,985

5.2.5.11 Liquidation policy for uncollectible loans and receivables

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

5.2.5.12 Write-off policy

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

5.2.6 Factoring receivables

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

5.2.7 Investments held-to-maturity

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

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

5.2.7.2 Government securities held-to-maturity

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

5.2.7.3 Investments held-to-maturity

	<i>Prior Period</i>
Debt Securities	20,819,616
Quoted at Stock Exchange	20,799,386
Unquoted at Stock Exchange	20,230
Valuation Increase / (Decrease)	3,494,924
Total	24,314,540

5.2.7.4 Movement of investments held-to-maturity

	<i>Prior Period</i>
Balances at Beginning of Period	23,109,696
Foreign Currency Differences on Monetary Assets	802,639
Purchases during the Period	302,008
Disposals through Sales/Redemptions	(985,994)
Valuation Effect	1,086,191
Balances at End of Period	24,314,540

5.2.8 Investments in associates

5.2.8.1 Unconsolidated investments in associates

	Associates	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Emeklilik Gözetim Merkezi AŞ	İstanbul/Turkey	-	5.26
2	Bankalararası Kart Merkezi AŞ ⁽¹⁾	İstanbul/Turkey	10.15	10.15
3	Yatırım Finansman Menkul Değerler AŞ ⁽¹⁾	İstanbul/Turkey	0.77	0.77
4	İstanbul Takas ve Saklama Bankası AŞ ⁽¹⁾	İstanbul/Turkey	4.95	4.97
5	Borsa İstanbul AŞ ⁽¹⁾	İstanbul/Turkey	0.30	0.34
6	KKB Kredi Kayıt Bürosu AŞ ⁽¹⁾	İstanbul/Turkey	9.09	9.09
7	Türkiye Cumhuriyet Merkez Bankası AŞ ⁽²⁾	Ankara/ Turkey	2.48	2.48
8	Kredi Garanti Fonu AŞ ⁽¹⁾	Ankara/ Turkey	1.54	1.54

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Prior Period Profit/Loss	Company's Fair Value
1	11,249	7,873	1,544	916	6	578	-
2	80,677	46,880	47,322	1,043	-	6,983	-
3	650,558	79,102	2,500	23,448	560	7,079	-
4	9,913,087	1,170,007	92,594	281,518	7,404	201,251	-
5	1,280,167	1,237,174	241,246	38,556	156	221,156	-
6	259,153	175,797	172,992	4,049	95	36,919	-
7	522,864,251	71,767,643	685,646	8,726,740	2,744,355	23,115,976	-
8	486,557	462,323	10,969	21,449	-	127,873	-

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

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

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

Unconsolidated investments in associates sold during the current period

None.

Unconsolidated investments in associates acquired during the current period

None.

5.2.8.2 Consolidated investments in associates

	Associates	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Garanti Yatırım Ortaklığı AŞ	İstanbul / Turkey	-	3.30

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Prior Period Profit/Loss	Company's Fair Value
1	36,730	35,915	67	836	1,520	2,119	24,000

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

Garanti Yatırım Ortaklığı AŞ that Garanti Yatırım participated by 3.30%, is consolidated in the accompanying consolidated financial statements under full consolidation method due to the company's right to elect all the members of the board of directors as resulted from its privilege in election of board members.

5.2.8.3 Movement of consolidated investments in associates

	<i>Prior Period</i>
Balance at Beginning of Period	708
Movements during the Period	84
Acquisitions and Capital Increases	-
Bonus Shares Received	-
Allocation from Current Period Profit	-
Sales	-
Reclassifications	-
Increase/Decrease in Fair Values	84
Currency Differences on Foreign Associates	-
Impairment Losses (-)	-
Balance at End of Period	792
Capital Commitments	-
Share Percentage at the End of Period (%)	-

Valuation methods of consolidated investments in associates

Associates	<i>Prior Period</i>
Valued at Cost	-
Valued at Fair Value	792
Valued by Equity Method of Accounting	-

Sectoral distribution of consolidated investments and associates

Associates	<i>Prior Period</i>
Banks	-
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	792
Other Associates	-

Quoted consolidated investments in associates

	<i>Prior Period</i>
Quoted at Domestic Stock Exchanges	792
Quoted at International Stock Exchanges	-

Investments in associates sold during the current period

None.

Investments in associates acquired during the current period

None.

5.2.9 Investments in subsidiaries

Information on capital adequacy of major subsidiaries

<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	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
TOTAL CAPITAL	2,900,846	936,958	1,096,588

The parent Bank does not have any capital needs for its subsidiaries included in the calculation of its consolidated capital adequacy standard ratio.

5.2.9.1 Unconsolidated investments in subsidiaries

	Subsidiaries	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's 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	Trifoi Real Estate Company	Bucharest/Romania	-	100.00
7	Garanti Filo Yönetim Hizmetleri AŞ	Istanbul/Turkey	-	100.00
8	Garanti Filo Sigorta Aracılık Hizmetleri AŞ	Istanbul/Turkey	-	100.00

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Prior Period Profit/Loss	Company's Fair Value	Amount of Equity Requirement
1	83,704	71,762	37	7,557	3	9,699	-	-
2	37,642	15,337	318	938	-	612	-	-
3	3,764	3,288	-	452	48	(456)	-	-
4	2,619	1,847	1,132	-	49	247	-	-
5	3,920	2,696	39	218	-	882	-	-
6	4,578	4,578	4,571	-	-	(2)	-	-
7	1,741,416	30,702	1,537,941	213	-	21,287	-	-
8	2,048	1,456	-	-	-	1,589	-	-

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

Unconsolidated subsidiaries, reasons for not consolidating such investments and accounting treatments applied for such investments

The non-financial investments excluded from the consolidation scope, are accounted at cost.

5.2.9.2 *Movement of consolidated investments in subsidiaries*

	Prior Period
Balance at Beginning of Period	5,069,629
Movements during the Period	1,365,470
Acquisitions and Capital Increases	150
Bonus Shares Received	-
Dividends from Current Year Profit	-
Sales/Liquidations	-
Reclassifications	-
Value Increase/Decrease (*)	726,123
Currency Differences on Foreign Subsidiaries	639,197
Reversal of Impairment Losses / Impairment Losses (-)	-
Balance at End of Period	6,435,099
Capital Commitments	-
Share Percentage at the End of Period (%)	-

(*) Except for quoted subsidiaries, value increases/(decreases) are based on the results of equity accounting application.

Valuation methods of consolidated investments in subsidiaries

	Prior Period
Valued at Cost	-
Valued at Fair Value (*)	6,435,099

(*) Except for quoted subsidiaries, the balances are as per the results of equity accounting application.

Sectoral distribution of consolidated investments in subsidiaries

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

Quoted consolidated investments in subsidiaries

	<i>Prior Period</i>
Quoted at Domestic Stock Exchanges	174,376
Quoted at International Stock Exchanges	-

Other information on consolidated investments in subsidiaries

	Subsidiaries	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Shares of Other Consolidated Subsidiaries (%)	Method of Consolidation
1	Garanti Finansal Kiralama AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
2	Garanti Faktoring AŞ	Istanbul/Turkey	81.84	-	Full Consolidation
3	Garanti Yatırım Menkul Kıymetler AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
4	Garanti Portföy Yönetimi AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
5	Garanti Emeklilik ve Hayat AŞ	Istanbul/Turkey	84.91	-	Full Consolidation
6	Garanti Bank International NV	Amsterdam/the Netherlands	100.00	-	Full Consolidation
7	Garanti Holding BV	Amsterdam/the Netherlands	100.00	-	Full Consolidation
8	G Netherlands BV	Amsterdam/the Netherlands	-	100.00	Full Consolidation
9	Garanti Bank SA	Bucharest/Romania	-	100.00	Full Consolidation
10	Motoractive IFN SA	Bucharest/Romania	-	100.00	Full Consolidation
11	Ralfi IFN SA	Bucharest/Romania	-	100.00	Full Consolidation

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Prior Period Profit/Loss	Company's Fair Value
1	5,440,877	945,954	10,318	403,026	-	20,747	-
2	3,451,880	212,985	7,430	288,268	-	27,603	-
3	170,260	117,635	13,407	4,897	2,422	49,931	-
4	80,928	71,147	3,408	4,824	-	18,891	-
5	2,164,598	1,648,492	38,969	204,397	1,590	323,576	-
6	19,371,398	2,693,389	140,785	560,541	59,295	103,187	-
7	1,541,868	1,541,596	-	-	-	(343)	-
8	1,564,918	1,354,946	-	221	-	(8,777)	-
9	9,792,647	1,253,382	309,429	315,858	24,235	95,237	-
10	798,100	112,674	5,063	42,667	-	12,386	-
11	593,204	80,410	6,158	59,922	-	17,092	-

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

Consolidated investments in subsidiaries disposed during the current period

None.

Consolidated investments in subsidiaries acquired during the current period

None.

5.2.10 Investments in joint-ventures

None.

5.2.11 Lease receivables

5.2.11.1 Financial lease receivables according to remaining maturities

	<i>Prior Period</i>	
	Gross	Net
Less than 1 Year	2,629,003	2,327,886
Between 1-5 Years	3,489,030	3,129,480
Longer than 5 Years	352,936	331,070
Total	6,470,969	5,788,436

5.2.11.2 Net financial lease receivables

	<i>Prior Period</i>
Gross Financial Lease Receivables	6,470,969
Unearned Income on Financial Lease Receivables (-)	(682,533)
Terminated Lease Contracts (-)	-
Net Financial Lease Receivables	5,788,436

5.2.11.3 Financial lease agreements

Criteria applied for financial lease agreements

The customer applied for a financial lease is evaluated based on the lending policies and criteria taking into account the legal legislation. A “customer analysis report” according to the type and amount of the application is prepared for the evaluation of the customer by the Credit Committee and certain risk rating models such as “customer risk rating” and “equipment rating/scoring” are applied.

In compliance with the legal legislation and the authorization limits of the general manager, credit committee and board of directors, it is decided whether the loan will be granted considering the financial position and the qualitative characteristics of the customer and the criterias mentioned above, if yes, which conditions will be applied. At this stage, collateral such as bank guarantees, mortgages, asset pledges, promissory notes or the personal or corporate guarantees, may be required depending on the creditworthiness of the customer and the characteristics of the product to be sold.

The sectoral, equipment type and pledged asset concentration of the customers are monitored regularly.

Details monitored subsequent to signing of financial lease agreements

Subsequent to granting of loan, the fulfillment of monetary aspects such as lending procedures, timely collection of rental payments are monitored. Furthermore, updated information on the performance of companies is reported by the credit monitoring unit even for the performing customers.

The reports prepared by the credit monitoring unit for the performing companies and the assessments made by the administration follow-up and the legal units for the problematic companies, are presented to the top management following the assessments made by the related internal committees and the necessary actions are taken.

5.2.12 Derivative financial assets held for hedging purpose

5.2.12.1 Positive differences on derivative financial instruments held for hedging purpose

Derivative Financial Assets Held for Hedging Purpose	<i>Prior Period</i>	
	TL	FC
Fair Value Hedges	89,104	14,158
Cash Flow Hedges	465,501	101,957
Net Foreign Investment Hedges	-	-
Total	554,605	116,115

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:

	<i>Prior Period</i>		
	Face Value	Asset	Liability
Interest Rate Swaps	40,090,490	205,317	65,947
-TL	5,552,476	91,493	6,227
-FC	34,538,014	113,824	59,720
Cross Currency Swaps	5,342,034	465,403	132,879
-TL	1,702,916	463,112	1,025
-FC	3,639,118	2,291	131,854
Total	45,432,524	670,720	198,826

5.2.12.1.1 Fair value hedge accounting

<i>Prior Period</i>						
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	(18,235)	15,100	(24,459)	(14,528)
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	(3,527)	-	(131,262)	(134,789)
Cross Currency Swaps	Fixed-rate commercial loans	Interest rate and foreign currency exchange rate risk	-	-	-	-

5.2.12.1.2 Cash flow hedge accounting

<i>Prior Period</i>							
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	61,415	(2,120)	34,087	(22,643)	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	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	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
Cross Currency Swaps	Fixed-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	21,282	(1,617)	2,242	(2,031)	-

As of 31 December 2017, there is not any reclassified amounts from the shareholders' equity to the profit or loss due to the ceased hedging transactions.

5.2.13 Tangible assets

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

5.2.14 Intangible assets

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

5.2.15 Investment property

	<i>Prior Period</i>
Net Book Value at Beginning of Period	543,825
Additions	4,746
Disposals	-
Transfers to Tangible Assets	4,430
Fair Value Change	6,387
Net Currency Translation Differences on Foreign Subsidiaries	-
Net Book Value at End of Period	559,388

The investment property is held for operational leasing purposes.

5.2.16 Deferred tax asset

As of 31 December 2017, on a consolidated basis the Bank has a deferred tax asset of TL 441,932 thousands calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences in its consolidated financial statements.

As of 31 December 2017, deferred tax assets of TL 750,677 thousands are reduced by deferred tax liabilities of TL 308,745 thousands with offsetting characteristics and presented as net in the accompanying consolidated 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 the differences between the carrying values and the taxable values of assets subject to tax are related with certain items on the shareholders' equity accounts, the deferred taxes are charged or credited directly to these accounts.

	<i>Prior Period</i>	
	Tax Base	Deferred Tax Amount
Provisions (*)	1,313,504	271,477
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	997,852	222,966
Revaluation Differences on Real Estates	(1,864,352)	(186,435)
Other	649,259	133,924
Deferred Tax Asset, Net	1,096,263	441,932

(*) 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 and subsidiaries' financial assets.

As of 30 June 2017, TL 140,976 thousands of deferred tax income and TL 90,509 thousands of deferred tax expense were recognised in the income statement and the shareholders' equity, respectively.

5.2.17 Assets held for sale and assets of discontinued operations

	<i>Prior Period</i>
End of Prior Period	
Cost	621.671
Accumulated Depreciation	(16,656)
Net Book Value	605,015
End of Current Period	
Additions	393,729
Disposals (Cost)	(167,095)
Disposals (Accumulated Depreciation)	1,900
Reversal of Impairment / Impairment Losses (-)	(615)
Depreciation Expense for Current Period (-)	-
Currency Translation Differences on Foreign Operations	2,618
Cost	850,308
Accumulated Depreciation (-)	(14,756)
Net Book Value	835,552

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.

5.2.18 Other Assets

5.2.18.1 Receivables from term sale of assets

	<i>Prior Period</i>
Sale of Investments in Associates, Subsidiaries and Joint – Ventures	-
Sale of Real Estates	-
Sale of Available for Sale Assets	20,394
Sale of Other Assets	1,136
Total	21,530

5.2.18.2 Prepaid expenses

	<i>Prior Period</i>
Prepaid Expenses	911,395
Prepaid Taxes	25,766

5.3 Consolidated liabilities (Current Period)

5.3.1 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	Total
Saving Deposits	12,351,909	-	3,248,804	45,774,795	2,296,963	547,500	1,197,701	3,530	65,421,202
Foreign Currency	35,425,748	-	10,075,045	50,231,206	4,473,396	7,162,759	17,016,273	53,437	124,437,864
Residents in Turkey	24,890,674	-	9,022,705	45,591,376	1,903,556	1,370,371	879,467	52,010	83,710,159
Residents in Abroad	10,535,074	-	1,052,340	4,639,830	2,569,840	5,792,388	16,136,806	1,427	40,727,705
Public Sector Deposits	746,507	-	59,559	25,342	4,685	1,020	-	-	837,113
Commercial Deposits	9,284,226	-	5,471,510	8,837,259	337,386	398,278	201,053	-	24,529,712
Others	286,769	-	397,607	938,203	480,763	214,331	2,637,037	-	4,954,710
Precious Metal	2,387,076	-	-	50,852	5,285	9,715	298,707	-	2,751,635
Bank Deposits	5,215,611	-	912,396	141,527	129,574	172,535	260,117	-	6,831,760
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	3,203	-	27,372	15,335	124	19,648	10,908	-	76,590
Foreign Banks	2,703,397	-	885,024	126,192	129,450	152,887	249,209	-	4,246,159
Special Financial	2,509,011	-	-	-	-	-	-	-	2,509,011
Others	-	-	-	-	-	-	-	-	-
Total	65,697,846	-	20,164,921	105,999,184	7,728,052	8,506,138	21,610,888	56,967	229,763,996

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

5.3.1.1.1 Deposits exceeding insurance limit

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

	Covered by Deposit Insurance Over Deposit Insurance Limit	Over Deposit Insurance Limit
	<i>Current Period</i>	<i>Current Period</i>
Saving Deposits	30,244,878	34,625,675
Foreign Currency Saving Deposits	24,595,639	47,587,235
Other Saving Deposits	1,487,246	1,228,653
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-
Off-Shore Branches' Deposits Under Foreign Insurance Coverage	-	-

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

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

5.3.1.2 Saving deposits not covered by insurance limits

5.3.1.3.1 Saving deposits of individuals not covered by insurance limits:

	<i>Current Period</i>
Deposits and Other Accounts held at Foreign Branches	1,188,105
Deposits and Other Accounts held by Shareholders and their Relatives	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	213,613
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-

5.3.2 Negative differences on derivative financial liabilities held for trading

Information on negative differences on derivative financial liabilities held for trading classified in derivative financial liabilities is as follows;

Trading Derivatives	<i>Current Period</i>	
	TL	FC
Forward Transactions	432,337	48,828
Swap Transactions	3,215,906	1,083,600
Futures	13	1,059
Options	364,959	101,907
Others	-	10,090
Total	4,013,215	1,245,484

5.3.3 Funds borrowed

Information on funds borrowed is as follows;

	<i>Current Period</i>	
	TL	FC
Central Bank of Turkey	-	444,910
Domestic Banks and Institutions	382,804	1,691,840
Foreign Banks, Institutions and Funds	917,496	34,597,810
Total	1,300,300	36,734,560

5.3.3.1 Maturities of funds borrowed

	<i>Current Period</i>	
	TL	FC
Short-Term	776,382	5,658,936
Medium and Long-Term	523,918	31,075,624
Total	1,300,300	36,734,560

5.3.3.2 Disclosures for concentration areas of bank's liabilities

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

5.3.4 Other external funds

5.3.4.1 Securities issued

<i>Current Period</i>	TL		FC	
	Short-Term	Medium and Long-Term	Short-Term	Medium and Long-Term
Nominal	4,921,879	1,976,912	-	20,903,350
Cost	4,763,364	1,975,045	-	20,824,654
Carrying Value (*)	4,861,976	2,039,796	-	20,335,489

(*) The Bank and/or its financial subsidiaries repurchased the Bank's own TL securities with a total face value of TL 116 thousands and foreign currency securities with a total face value of TL 943,454 thousands and netted off such securities in the accompanying consolidated financial statements.

As of 30 June 2018, funds obtained abroad through collateralized payment orders including SWIFT MT 103 and similar foreign currency funds amounting to TL 5,234,791 thousands, are reclassified from "funds borrowed" into "securities issued (net)" based on reassessment of the contractual characteristics of such transactions.

5.3.4.2 Funds provided through repurchase transactions

Information on obligations under repurchase agreements classified in money market funds is as follows;

	<i>Current Period</i>	
	TL	FC
Domestic Transactions	5,005,420	-
Financial Institutions and Organizations	4,930,645	-
Other Institutions and Organizations	40,955	-
Individuals	33,820	-
Foreign Transactions	82	891,603
Financial Institutions and Organizations	-	891,603
Other Institutions and Organizations	33	-
Individuals	49	-
Total	5,005,502	891,603

5.3.4.3 Information about financial liabilities measured at fair value through profit or loss

	<i>Current Period</i>	
	TL	FC
Securities Issued	-	9,912,102
Other	-	-
Total	-	9,912,102

It includes securities issued by the Bank through structured entities amounting to TL 9,870,669 thousands which are classified as "Financial Liabilities at Fair Value Through Profit or Loss" in the accompanying consolidated financial statements in order to eliminate accounting mismatch and another security issued by the parent Bank amounting to TL 41,433 thousands which is also classified as "Financial Liabilities at Fair Value Through Profit or Loss" in the accompanying financial statements in order to eliminate an accounting mismatch.

5.3.4.4 Other liabilities

	<i>Current Period</i>	
	TL	FC
Payables from credit card transactions	9,917,204	81,169
Payables from clearing transactions	1,891,630	73,830
Dividend payables to shareholders	154,766	-
Other	1,163,383	1,507,301
Total	13,126,983	1,662,300

5.3.5 Factoring payables

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

5.3.6 Lease payables

5.3.6.1 Financial lease payables

None.

5.3.6.2 Operational lease agreements

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

5.3.7 Derivative financial liabilities held for hedging purpose

Information on negative differences on derivative financial liabilities held for hedging purposes classified in derivative financial liabilities is as follows;

Derivative Financial Liabilities Held for Hedging Purpose	<i>Current Period</i>	
	TL	FC
Fair Value Hedges	-	91,607
Cash Flow Hedges	23,403	12,721
Net Foreign Investment Hedges	-	-
Total	23,403	104,328

Please refer to Note 5.1.13.1 for financial liabilities resulted from derivatives held for hedging purpose.

5.3.8 Provisions

The movement of reserve for employee severance indemnity classified in reserve for employee benefits line of note 5.3.8.4 is presented as below:

5.3.8.1 Reserve for employee severance indemnity

	<i>Current Period</i>
Balances at Beginning of Period	423,872
Provision for the Period	44,213
Actuarial Gain/Loss	-
Payments During the Period	-
Balances at End of Period	468,085

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

	<i>Current Period</i>
Short-Term Loans	3
Medium and Long Term Loans	13
Total	16

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

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

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

5.3.8.4 Provisions

	<i>Current Period</i>
Reserve for Employee Benefits	1,008,921
Insurance Technical Provisions, Net	451,299
Provision for Promotion Expenses of Credit Cards	125,866
Provision for Lawsuits	294,090
Provision for Non-Cash Loans	455,449
Other Provisions ^(*)	1,366,450
Total	3,702,075

^(*) It includes a general reserve of TL 1,160,000 thousands allocated in prior periods for possible risks.

Recognized liability for defined benefit plan obligations

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

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

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

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

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

	31 December 2017
	%
Discount Rate (*)	11.60
Inflation Rate (*)	8.40
Future Real Salary Increase Rate	1.50
Medical Cost Trend Rate	50% above inflation
Future Pension Increase Rate (*)	8.40

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

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

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

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

5.3.9 Tax liability

5.3.9.1 Current tax liability

5.3.9.1.1 Tax liability

As of 30 June 2018, the corporate tax liability amounts to TL 574,034 thousands after offsetting with prepaid taxes.

5.3.9.1.2 Taxes payable

	Current Period
Corporate Taxes Payable	574,034
Taxation on Securities Income	171,267
Taxation on Real Estates Income	4,515
Banking Insurance Transaction Tax	185,239
Foreign Exchange Transaction Tax	93
Value Added Tax Payable	12,341
Others	57,291
Total	1,004,780

5.3.9.1.3 Premiums payable

	<i>Current Period</i>
Social Security Premiums-Employees	4,786
Social Security Premiums-Employer	3,701
Bank Pension Fund Premium-Employees	506
Bank Pension Fund Premium-Employer	642
Fund Membership Fees and Provisions-Employees	-
Fund Membership Fees and Provisions-Employer	-
Unemployment Insurance-Employees	1,508
Unemployment Insurance-Employer	3,112
Others	43
Total	14,298

5.3.9.2 Deferred tax liability

As of 30 June 2018, the deferred tax liability amounts to TL 3,332 thousands.

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

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

5.3.11 Subordinated debts

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

5.3.12 Shareholders’ equity

5.3.12.1 Paid-in capital

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

5.3.12.2 Registered share capital system

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

5.3.12.3 Capital increases in current period

None.

5.3.12.4 Capital increases from capital reserves in current period

None.

5.3.12.5 Capital commitments for current and future financial periods

None.

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

None.

5.3.12.7 Information on privileges given to stocks representing the capital

None.

5.3.12.8 Securities value increase fund

Information on securities value increase fund classified as a part of income/expenses from valuation and/or reclassification of financial assets measured at FVOCI in the statement of changes in shareholders' equity, is as follows;

	<i>Current Period</i>	
	TL	FC
Investments in Associates, Subsidiaries and Joint-Ventures	-	-
Valuation Difference	-	-
Exchange Rate Difference	-	-
Securities measured at Fair Value through Other Comprehensive Income	(441,188)	(216,110)
Valuation Difference	(441,188)	(177,190)
Exchange Rate Difference	-	(38,920)
Total	(441,188)	(216,110)

5.3.12.9 Revaluation surplus

	<i>Current Period</i>	
	TL	FC
Movables	-	-
Real Estates	1,494,985	29,329
Revaluation Surplus on Leasehold Improvements	-	-
Total	1,494,985	29,329

5.3.12.10 Bonus shares of associates, subsidiaries and joint-ventures

Bonus shares resulted from non-cash capital increases from the following investee companies; Doğuş Gayrimenkul Yatırım Ortaklığı AŞ by TL 22 thousands, Garanti Ödeme Sistemleri AŞ by TL 401 thousands, Kredi Kartları Bürosu by TL 481 thousands and Yatırım Finansman Menkul Değerler AŞ by TL 9 thousands.

5.3.12.11 Legal reserves

	<i>Current Period</i>
I. Legal Reserve	1,061,793
II. Legal Reserve	507,264
Special Reserves	-
Total	1,569,057

5.3.12.12 Extraordinary reserves and other profit reserves

	<i>Current Period</i>
Legal Reserves allocated in compliance with the Decisions Made on the Annual General Assembly	31,361,168
Retained Earnings	-
Accumulated Losses	-
Exchange Rate Difference on Foreign Currency Capital	-
Total	31,361,168

5.3.12.13 Minority interest

	<i>Current Period</i>
Balance at Beginning of Period	314,340
Profit Share of Subsidiaries Net Profits	34,570
Prior Period Dividend Payment	(181,524)
Increase/(Decrease) in Minority Interest due to Sales	-
Others	-
Balance at End of Period	167,386

5.4 Consolidated liabilities (Prior Period)

5.4.1 Maturity profile of deposits

<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	Total
Saving Deposits	10,913,763	-	2,604,119	42,872,344	1,928,240	595,160	803,336	4,104	59,721,066
Foreign Currency	30,305,453	-	8,539,990	47,538,061	4,135,845	5,981,841	12,632,465	53,388	109,187,043
Residents in Turkey	21,122,458	-	7,355,971	42,563,359	1,770,505	1,540,387	1,015,526	52,147	75,420,353
Residents in Abroad	9,182,995	-	1,184,019	4,974,702	2,365,340	4,441,454	11,616,939	1,241	33,766,690
Public Sector Deposits	539,397	-	2,151	23,704	5,309	10	-	-	570,571
Commercial Deposits	9,522,579	-	5,035,348	7,460,350	498,176	325,742	155,007	-	22,997,202
Others	240,019	-	138,566	1,351,057	93,816	406,570	2,247,113	-	4,477,141
Precious Metal	1,845,183	-	57,205	47,640	3,777	8,013	232,897	-	2,194,715
Bank Deposits	918,215	-	249,417	97,700	55,486	84,811	220,193	-	1,625,822
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	6,139	-	5,658	15,090	2,049	20,474	10,239	-	59,649
Foreign Banks	627,190	-	243,759	82,610	53,437	64,337	209,954	-	1,281,287
Special Financial	284,886	-	-	-	-	-	-	-	284,886
Others	-	-	-	-	-	-	-	-	-
Total	54,284,609	-	16,626,796	99,390,856	6,720,649	7,402,147	16,291,011	57,492	200,773,560

5.4.1.1 Saving deposits and other deposit accounts insured by Saving Deposit Insurance Fund Deposits exceeding insurance limit

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

Saving Deposits – Prior Period	Covered by Deposit Insurance	Over Deposit Insurance Limit
Saving Deposits	29,074,468	30,170,165
Foreign Currency Saving Deposits	20,980,170	41,525,053
Other Saving Deposits	1,117,225	1,016,387
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-
Off-Shore Branches' Deposits Under Foreign Insurance Coverage	-	-

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

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

5.4.1.3 Saving deposits not covered by insurance limits

5.4.1.3.1 Saving deposits of individuals not covered by insurance limits:

	<i>Prior Period</i>
Deposits and Other Accounts held at Foreign Branches	1,009,774
Deposits and Other Accounts held by Shareholders and their Relatives	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	236,559
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	-

5.4.2 Negative differences on derivative financial liabilities held for trading

Trading Derivatives	Prior Period	
	TL	FC
Forward Transactions	163,550	36,335
Swap Transactions	2,102,812	426,848
Futures	44	96
Options	114,881	45,917
Others	-	8,339
Total	2,381,287	517,535

5.4.3 Funds borrowed

	Prior Period	
	TL	FC
Central Bank of Turkey	-	685,843
Domestic Banks and Institutions	477,119	1,605,139
Foreign Banks, Institutions and Funds	657,139	43,679,479
Total	1,134,258	45,970,461

5.4.3.1 Maturities of funds borrowed

	Prior Period	
	TL	FC
Short-Term	866,182	5,590,833
Medium and Long-Term	268,076	40,379,628
Total	1,134,258	45,970,461

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 in the first six months of 2017 the credit risk change recognised in the income statement amounted to TL 43,948 thousands and a loss of TL 381,655 thousands, respectively. The carrying value of the related financial liability amounted to TL 9,228,338 thousands.

5.4.3.2 Disclosures for concentration areas of bank's liabilities

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

5.4.4 Other external funds

5.4.4.1 Securities issued

Prior Period	TL		FC	
	Short-Term	Medium and Long-Term	Short-Term	Medium and Long-Term
Nominal	4,065,669	4,258,267	-	13,133,935
Cost	3,926,455	4,087,678	-	13,065,899
Carrying Value (*)	4,003,253	4,159,746	-	12,631,453

(*) The Bank and/or its financial subsidiaries repurchased the Bank's own TL securities with a total face value of TL 111,041 thousands and foreign currency securities with a total face value of TL 780,571 thousands and netted off such securities in the accompanying consolidated 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 and 30 June 2017, the accumulated negative credit risks change, and the positive credit risk change recognised in the income statement for the first half of 2017 amounted to TL 908 thousands and TL 728 thousands, respectively. The carrying value of the related financial liability amounted to TL 34,983 thousands as of 31 December 2017 and the related income for the first half of 2017 amounted to TL 723 thousands.

5.4.4.2 Funds provided through repurchase transactions

	<i>Prior Period</i>	
	TL	FC
Domestic Transactions	887,411	-
Financial Institutions and Organizations	750,756	-
Other Institutions and Organizations	92,302	-
Individuals	44,353	-
Foreign Transactions	296	858,706
Financial Institutions and Organizations	-	858,706
Other Institutions and Organizations	-	-
Individuals	296	-
Total	887,707	858,706

5.4.4.3 Miscellaneous payables

	<i>Prior Period</i>	
	TL	FC
Payables from credit card transactions	8,985,632	48,506
Payables from insurance transactions	40,290	6
Other	559,649	742,263
Total	9,585,571	790,775

5.4.5 Factoring payables

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

5.4.6 Lease payables

5.4.6.1 Financial lease payables

None.

5.4.6.2 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.

5.4.7 Derivative financial liabilities held for hedging purpose

Derivative Financial Liabilities Held for Hedging Purpose	<i>Prior Period</i>	
	TL	FC
Fair Value Hedges	6,227	188,528
Cash Flow Hedges	1,025	3,046
Net Foreign Investment Hedges	-	-
Total	7,252	191,574

Please refer to Note 5.2.12.1 for derivative financial instruments held for hedging purpose.

5.4.8 Provisions

5.4.8.1 General provisions

	<i>Prior Period</i>
General Provision for	3,673,669
Loans and Receivables in Group I	1,694,874
Loans and Receivables in Group II	1,370,937
Non-Cash Loans	369,087
Others	238,771

5.4.8.2 Reserve for employee severance indemnity

	<i>Prior Period</i>
Balances at Beginning of Period	355,535
Provision for the Period	92,055
Actuarial Gain/Loss	22,045
Payments During the Period	(45,764)
Balances at End of Period	423,871

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

	<i>Prior Period</i>
Short-Term Loans	14,419
Medium and Long Term Loans	2,800
Total	17,219

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

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

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

5.4.8.5 Other provisions

5.4.8.5.1 General reserves for possible losses

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

5.4.8.5.2 Other provisions for possible losses

	<i>Prior Period</i>
Reserve for Employee Benefits	909,788
Insurance Technical Provisions, Net	389,886
Provision for Promotion Expenses of Credit Cards ^(*)	112,434
Provision for Lawsuits ^(**)	250,115
Provision for Non-Cash Loans	127,417
Other Provisions ^(***)	224,793
Total	2,014,433

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

^(**) 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.

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

Recognized liability for defined benefit plan obligations

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

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

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

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

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

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

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

	<i>31 December 2017</i>
	%
Discount Rate (*)	11.60
Inflation Rate (*)	8.40
Future Real Salary Increase Rate	1.50
Medical Cost Trend Rate	50% above inflation
Future Pension Increase Rate (*)	8.40

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

The sensitivity analysis of defined benefit obligation of excess liabilities and retirement indemnities of the Bank 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)

5.4.9 Tax liability

5.4.9.1 Current tax liability

5.4.9.1.1 Tax liability

As of 31 December 2017, the corporate tax liability amounts to TL 763,079 thousands after offsetting with prepaid taxes.

5.4.9.1.2 Taxes payable

	Prior Period
Corporate Taxes Payable	763,079
Taxation on Securities Income	131,422
Taxation on Real Estates Income	4,080
Banking Insurance Transaction Tax	155,555
Foreign Exchange Transaction Tax	89
Value Added Tax Payable	14,842
Others	66,171
Total	1,135,238

5.4.9.1.3 Premiums payable

	Prior Period
Social Security Premiums-Employees	4,892
Social Security Premiums-Employer	4,309
Bank Pension Fund Premium-Employees	25
Bank Pension Fund Premium-Employer	25
Fund Membership Fees and Provisions-Employees	-
Fund Membership Fees and Provisions-Employer	-
Unemployment Insurance-Employees	1,470
Unemployment Insurance-Employer	2,802
Others	36
Total	13,559

5.4.9.2 Deferred tax liability

As of 31 December 2017, the deferred tax liability amounts to TL 14,365 thousands.

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

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

5.4.11 Subordinated debts

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

5.4.12 Shareholders’ equity

5.4.12.1 Paid-in capital

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

5.4.12.2 Registered share capital system

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

5.4.12.3 Capital increases in current period

None.

5.4.12.4 Capital increases from capital reserves in current period

None.

5.4.12.5 Capital commitments for current and future financial periods

None.

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

None.

5.4.12.7 Information on privileges given to stocks representing the capital

None.

5.4.12.8 Securities value increase fund

	<i>Prior Period</i>	
	TL	FC
Investments in Associates, Subsidiaries and Joint-Ventures	-	-
Valuation Difference	-	-
Exchange Rate Difference	-	-
Securities Available-for-Sale	(425,824)	108,010
Valuation Difference	(425,824)	108,010
Exchange Rate Difference	-	-
Total	(425,824)	108,010

5.4.12.9 Revaluation surplus

	<i>Prior Period</i>	
	TL	FC
Movables	-	-
Real Estates	1,494,986	24,889
Gain on Sale of Investments in Associates and Subsidiaries and Real Estates to be used for Capital Increases	227,994	-
Revaluation Surplus on Leasehold Improvements	-	-
Total	1,722,980	24,889

5.4.12.10 Bonus shares of associates, subsidiaries and joint-ventures

Bonus shares resulted from non-cash capital increases from the following investee companies; Doğuş Gayrimenkul Yatırım Ortaklığı AŞ by TL 21 thousands, Garanti Ödeme Sistemleri AŞ by TL 401 thousands, Kredi Kartları Bürosu by TL 481 thousands and Yatırım Finansman Menkul Değerler AŞ by TL 9 thousands.

5.4.12.11 Legal reserves

	<i>Prior Period</i>
I. Legal Reserve	1,038,987
II. Legal Reserve	353,272
Special Reserves	-
Total	1,392,259

5.4.12.12 Extraordinary reserves

	<i>Prior Period</i>
Legal Reserves allocated in compliance with the Decisions Made on the Annual General Assembly	25,901,360
Retained Earnings	-
Accumulated Losses	-
Exchange Rate Difference on Foreign Currency Capital	-
Total	25,901,360

5.4.12.13 Minority interest

	<i>Prior Period</i>
Balance at Beginning of Period	267,808
Profit Share of Subsidiaries Net Profits	55,918
Prior Period Dividend Payment	(1,500)
Increase/(Decrease) in Minority Interest due to Sales	-
Others	(77)
Balance at End of Period	322,149

5.5 Consolidated off-balance sheet items (Current Period)

5.5.1 Off-balance sheet contingencies

5.5.1.1 Irrevocable credit commitments

The Bank and its consolidated financial subsidiaries have term asset purchase and sale commitments of TL 18,213,795 thousands, commitments for cheque payments of TL 3,112,235 thousands and commitments for credit card limits of TL 32,379,837 thousands.

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

	<i>Current Period</i>
Letters of Guarantee in Foreign Currency	23,569,417
Letters of Guarantee in TL	21,240,811
Letters of Credit	19,450,573
Bills of Exchange and Acceptances	1,424,514
Prefinancings	-
Other Guarantees	62,833
Total	65,748,148

Expected losses for non-cash loans and irrevocable commitments

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balances at Beginning of Period (1 January 2018)	115,145	205,417	118,820	439,382
Additions during the Period (+)	60,193	60,731	24,444	145,368
Disposal (-)	(51,671)	(51,682)	(55,399)	(158,752)
Sales	-	-	-	-
Write-off	-	-	-	-
Transfer to Stage 1	27,349	(21,605)	(5,744)	-
Transfer to Stage 2	(9,175)	11,864	(2,689)	-
Transfer to Stage 3	(221)	(16,126)	16,347	-
Foreign Currency Differences	3,451	17,153	8,847	29,451
Balances at End of Period	145,071	205,752	104,626	455,449

A specific provision of TL 104,626 thousands is made for unliquidated non-cash loans of TL 251,316 thousands recorded under the off-balance sheet items.

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

5.5.1.3 Non-cash loans

	<i>Current Period</i>
Non-Cash Loans against Cash Risks	8,814,845
<i>With Original Maturity of 1 Year or Less</i>	<i>880,664</i>
<i>With Original Maturity of More Than 1 Year</i>	<i>7,934,181</i>
Other Non-Cash Loans	56,933,303
Total	65,748,148

5.5.1.4 Other information on non-cash loans

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

5.5.1.5 Non-cash loans classified under Group I and II:

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

5.5.2 Financial derivative instruments

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

5.5.3 Credit derivatives and risk exposures on credit derivatives

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

5.5.4 Contingent liabilities and assets

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

5.5.5 Services rendered on behalf of third parties

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

5.6 Consolidated off-balance sheet items (Prior Period)

5.6.1 Off-balance sheet contingencies

5.6.1.1 Irrevocable credit commitments

The Bank and its consolidated financial subsidiaries have term asset purchase and sale commitments of TL 7,947,989 thousands, commitments for cheque payments of TL 3,797,901 thousands and commitments for credit card limits of TL 29,542,049 thousands.

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

	<i>Prior Period</i>
Letters of Guarantee in Foreign Currency	20,283,642
Letters of Guarantee in TL	19,405,859
Letters of Credit	14,769,516
Bills of Exchange and Acceptances	1,550,650
Prefinancings	-
Other Guarantees	185,727
Total	56,195,394

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

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

5.6.1.3 Non-cash loans

	<i>Prior Period</i>
Non-Cash Loans against Cash Risks	7,327,429
<i>With Original Maturity of 1 Year or Less</i>	<i>644,377</i>
<i>With Original Maturity of More Than 1 Year</i>	<i>6,683,052</i>
Other Non-Cash Loans	48,867,965
Total	56,195,394

5.6.1.4 Other information on non-cash loans

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

5.6.1.5 Non-cash loans classified under Group I and II:

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

5.6.2 Financial derivative instruments

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

5.6.3 Credit derivatives and risk exposures on credit derivatives

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

5.6.4 Contingent liabilities and assets

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

5.6.5 Services rendered on behalf of third parties

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

5.7 Consolidated statement of profit or loss (Current Period)

5.7.1 Interest income

5.7.1.1 Interest income from loans (*)

	<i>Current Period</i>	
	TL	FC
Interest Income from Loans		
Short-term loans	3,652,796	259,979
Medium and long-term loans	7,077,124	2,457,058
Loans under follow-up	220,253	3,888
Premiums Received from Resource Utilization Support Fund	-	-
Total	10,950,173	2,720,925

(*) Includes also fees and commissions income on cash loans

5.7.1.2 Interest income from banks

	<i>Current Period</i>	
	TL	FC
Central Bank of Turkey	33,259	30,771
Domestic Banks	90,889	13,822
Foreign Banks	2,515	66,048
Foreign Head Offices and Branches	-	-
Total	126,663	110,641

5.7.1.3 Interest income from securities portfolio

	<i>Current Period</i>	
	TL	FC
Financial Assets Measured at Fair Value through Profit or Loss	25,836	1,679
Financial Assets Measured at Fair Value through Other Comprehensive Income	929,928	259,911
Financial Assets Measured at Amortised Cost	885,789	85,698
Total	1,841,553	347,288

As disclosed in the accounting policies, the parent Bank values CPI-indexed government bonds in its securities portfolio according to the reference index on the issue date and the index that is calculated according to the expected inflation rate. The inflation rate used during the valuation is being updated during the year when it is considered necessary. The estimated inflation rate which was taken as 8% in the first four months of 2018, was updated to 9% as of 1 May 2018, and to 10% as of 6 June 2018. If the valuation of such securities was performed according to the reference index valid as of 30 June 2018, the parent Bank's securities value increase fund under the equity would decrease by TL 210,533 thousands (net), whereas the interest income on securities portfolio would increase by TL 588,965 thousands.

5.7.1.4 Interest income received from associates and subsidiaries

	<i>Current Period</i>
Interest Received from Investments in Associates and Subsidiaries	1,858

5.7.2 Interest expenses

5.7.2.1 Interest expenses on funds borrowed (*)

	<i>Current Period</i>	
	TL	FC
Banks	53,489	575,251
Central Bank of Turkey	-	1,495
Domestic Banks	18,324	34,337
Foreign Banks	35,165	539,419
Foreign Head Offices and Branches	-	-
Other Institutions	-	334,635
Total	53,489	909,886

(*) Includes also fees and commissions expenses on borrowings

5.7.2.2 Interest expenses paid to associates and subsidiaries

	<i>Current Period</i>
Interest Paid to Investments in Associates and Subsidiaries	6,680

5.7.2.3 Interest expenses on securities issued

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

5.7.2.4 Maturity structure of interest expense on deposits

Current Period	Demand Deposits	Time Deposits						Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year	Accumulating Deposit Accounts	
Turkish Lira								
Bank Deposits	310	45,306	5	242	59	-	-	45,922
Saving Deposits	1,203	126,778	2,693,764	146,767	38,272	64,659	-	3,071,443
Public Sector Deposits	-	799	1,473	347	11	-	-	2,630
Commercial Deposits	68	308,153	484,470	29,878	22,267	77,230	-	922,066
Others	8	12,683	47,900	6,398	29,438	170,658	-	267,085
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Total TL	1,589	493,719	3,227,612	183,632	90,047	312,547	-	4,309,146
Foreign Currency								
Foreign Currency Deposits	24,159	59,329	569,614	43,430	72,503	240,388	376	1,009,799
Bank Deposits	-	11,239	364	608	1,037	1,860	-	15,108
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	32	13	33	2,111	-	2,189
Total FC	24,159	70,568	570,010	44,051	73,573	244,359	376	1,027,096
Grand Total	25,748	564,287	3,797,622	227,683	163,620	556,906	376	5,336,242

5.7.2.5 Interest expense on repurchase agreements

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

5.7.2.6 Financial lease expenses

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

5.7.2.7 Interest expenses on factoring payables

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

5.7.3 Dividend income

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

5.7.4 Trading income/losses (net)

	<i>Current Period</i>
Income	51,932,898
Trading Account Income	1,144,869
Derivative Financial Instruments	10,505,240
Foreign Exchange Gain	40,282,789
Losses (-)	52,265,055
Trading Account Losses	407,834
Derivative Financial Instruments	10,435,495
Foreign Exchange Losses	41,421,726
Total	(332,157)

TL 4,075,943 thousands of foreign exchange gains and TL 5,256,988 thousands of foreign exchange losses are resulted from the exchange rate changes of derivative 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.

In this respect; the Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 1,562,394 USD 812,679,502 and EUR 215,888,549 for its bonds with a total face value of TL 755,000 thousands and USD 487,500,000 and fixed-rate coupons by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, losses of TL 181,145 thousands and TL 134,138 thousands resulted from the related fair value calculations for the hedged loans and bonds were accounted for under 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 RON 85,500,000 with the same face values and terms. Accordingly, in the current period, a gain of TL 29 thousands resulted from the fair value changes of the securities issued and funds borrowed subject to hedge accounting were accounted for under trading income/losses in the income statement.

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 its funds borrowed amounting to USD 55,878,919 and EUR 31,578,947, securitization borrowings amounting to USD 14,583,333 and EUR 71,415,785 and collateralized borrowings amounting to USD 250,000,000 and eurobonds with a total nominal value of USD 650,000,000, securitizations amounting to USD 730,243,904 and EUR 90,000,000 and deposits amounting to TL 150,000 thousands, USD 1,055,000,000 and EUR 350,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, gains of TL 73,792 thousands and TL 251,680 thousands resulting from cross currency and interest rate swap agreements were recognised under shareholders' equity.

One of the Bank's consolidated subsidiary 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 subsidiary applied fair value hedge accounting for fixed rate eurobonds with a total face value of USD 30,000,000 and EUR 65,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a net loss of TL 5,930 thousands resulting from the related fair value calculations for the hedged bonds were accounted for under trading income/losses in the income statement.

One of the Bank's consolidated subsidiary enters into interest rate 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 subsidiary applied cash flow hedge accounting for its funds borrowed amounting to USD 30,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a net gain of TL 604 thousands resulting from interest rate swap agreements were recognised under shareholders' equity.

One of the Bank's consolidated subsidiary enters into foreign currency derivative contracts to hedge the foreign currency risk of its expected future cash flows. In this respect, the subsidiary applied cash flow hedge accounting for its loans granted in Turkish Lira by designating swaps with the same face value amount and similar terms; TL 1,486,205,273 thousands sell and EUR 274,173,081 buy, RON 135,000,000 sell and EUR 29,015,412 buy, USD 31,000,000 sell and EUR 24,812,518 buy. Accordingly, in the current period, a net loss of TL 5,585 thousands resulting from currency derivative contracts were recognized under shareholder's equity.

5.7.5 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 and income on custody services.

	<i>Current Period</i>
Prior Year Reversals	1,464,561
<i>Stage 1</i>	629,348
<i>Stage 2</i>	390,247
<i>Stage 3</i>	405,956
<i>Others</i>	39,010
Income from term sale of assets	129,674
Others^(*)	471,811
Total	2,066,046

(*) Premium income from insurance business amounting to TL 392,919 thousands which is included in other operating income in the accompanying financial statements is presented in "others" line item.

5.7.6 Provision for losses on loans or other receivables

	<i>Current Period</i>
Expected Credit Losses	3,560,254
<i>12-Month ECL (Stage 1)</i>	695,843
<i>Significant Increase in Credit Risk (Stage 2)</i>	1,561,307
<i>Impaired Credits(Stage 3)</i>	1,303,104
Impairment Losses on Securities	10,876
<i>Financial Assets Measured at Fair Value through Profit or Loss</i>	10,876
<i>Financial Assets Measured at Fair Value through Other Comprehensive Income</i>	-
Impairment Losses on Associates, Subsidiaries and Joint-ventures	-
<i>Associates</i>	-
<i>Subsidiaries</i>	-
<i>Joint-ventures (business partnership)</i>	-
Others	24,653
Total	3,595,783

5.7.7 Other operating expenses

	<i>Current Period</i>
Personnel Costs	1,718,108
Reserve for Employee Termination Benefits	44,213
Defined Benefit Plan Obligations	-
Impairment Losses on Tangible Assets	-
Depreciation Expenses of Tangible Assets	154,430
Impairment Losses on Intangible Assets	-
Impairment Losses on Goodwill	-
Amortisation Expenses of Intangible Assets	59,586
Decrease in Value of Equity Accounting Shares	-
Impairment Losses on Assets to be Disposed	-
Depreciation Expenses of Assets to be Disposed	-
Impairment Losses on Assets Held for Sale and Discontinued Assets	-
Other Operating Expenses	1,684,668
<i>Operational lease related expenses</i>	252,227
<i>Repair and maintenance expenses</i>	37,399
<i>Advertisement expenses</i>	101,272
<i>Other expenses</i>	1,293,770
Loss on Sale of Assets	2,779
Others (*)	466,871
Total	4,130,655

(*) Includes saving-deposits-insurance-fund related expenses of TL 141,633 thousands and insurance-business claim losses of TL 116,104 thousands in the current period.

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

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

5.7.9 Information on provision for taxes for continued and discontinued operations

As of 30 June 2018, on a consolidated basis, the Bank recorded a current tax expense of TL 1,067,538 thousands and a deferred tax expense of TL 34,315 thousands.

Deferred tax benefit/charge on timing differences

Deferred tax (benefit)/charge on timing differences	<i>Current Period</i>
Increase in Tax Deductable Timing Differences (+)	(347,172)
Decrease in Tax Deductable Timing Differences (-)	242,153
Increase in Taxable Timing Differences (-)	173,446
Decrease in Taxable Timing Differences (+)	(34,112)
Total	34,315

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>
(Increase)/Decrease in Tax Deductable Timing Differences (net)	(116,543)
(Increase)/Decrease in Taxable Timing Differences (net)	139,334
(Increase)/Decrease in Tax Losses (net)	11,524
(Increase)/Decrease in Tax Deductions and Exemptions (net)	-
Total	34,315

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

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

5.7.11 Net profit/loss

5.7.11.1 Any further explanation on operating results needed for better understanding of bank’s performance

None.

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

None.

5.7.11.3 Minority interest’s profit/loss

	<i>Current Period</i>
Net Profit/(Loss) of Minority Interest	34,576

5.7.12 Components of other items in income statement

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

5.8 Consolidated income statement (Prior Period)

5.8.1 Interest income

5.8.1.1 Interest income from loans (*)

	<i>30 June 2017</i>	
	TL	FC
Interest Income from Loans		
Short-term loans	2,579,516	202,675
Medium and long-term loans	5,517,611	1,935,280
Loans under follow-up	46,628	2,809
Premiums Received from Resource Utilization Support Fund	-	-
Total	8,143,755	2,140,764

(*) Includes also fees and commissions income on cash loans

5.8.1.2 Interest income from banks

	<i>30 June 2017</i>	
	TL	FC
Central Bank of Turkey	72,085	17,165
Domestic Banks	50,967	12,642
Foreign Banks	1,521	41,819
Foreign Head Offices and Branches	-	-
Total	124,573	71,626

5.8.1.3 Interest income from securities portfolio

	<i>30 June 2017</i>	
	TL	FC
Financial Assets Held for Trading	9,375	1,366
Financial Assets Valued at Fair Value Through Profit	-	-
Financial Assets Available-for-Sale	919,087	103,367
Investments Held-to-Maturity	604,144	305,642
Total	1,532,606	410,375

As disclosed in the accounting policies, the parent Bank values CPI-indexed government bonds in its securities portfolio according to the reference index on the issue date and the index that is calculated according to the expected inflation rate. The inflation rate used during the valuation is being updated during the year when it is considered necessary. The estimated inflation rate, which was taken as 7% in the first four months of 2017, has been updated to 9% as of 1 May 2017. If the valuation of such securities was performed according to the reference index valid as of 30 June 2017, the parent Bank's securities value increase fund under the equity would decrease by TL 319,954 thousands as net, whereas the interest income on securities portfolio would increase by TL 786,838 thousands.

5.8.1.4 Interest income received from associates and subsidiaries

	<i>30 June 2017</i>
Interest Received from Investments in Associates and Subsidiaries	886

5.8.2 Interest expenses

5.8.2.1 Interest expenses on funds borrowed (*)

	30 June 2017	
	TL	FC
Banks		
Central Bank of Turkey	-	-
Domestic Banks	28,833	20,656
Foreign Banks	81,665	309,706
Foreign Head Offices and Branches	-	-
Other Institutions	-	214,155
Total	110,498	544,517

(*) Includes also fees and commissions expenses on borrowings

5.8.2.2 Interest expenses paid to associates and subsidiaries

	30 June 2017
Interest Paid to Investments in Associates and Subsidiaries	4,042

5.8.2.3 Interest expenses on securities issued

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

5.8.2.4 Maturity structure of interest expense on deposits

30 June 2017	Demand Deposits	Time Deposits						Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year	Accumulating Deposit Accounts	
Turkish Lira								
Bank Deposits	577	66,302	176	230	256	-	-	67,541
Saving Deposits	2,405	115,896	1,951,810	65,199	16,974	26,524	-	2,178,808
Public Sector Deposits	-	1,665	1,389	56	237	1	-	3,348
Commercial Deposits	397	228,599	329,788	8,356	14,048	46,621	-	627,809
Others	-	7,551	35,490	1,110	14,735	48,399	-	107,285
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Total TL	3,379	420,013	2,318,653	74,951	46,250	121,545	-	2,984,791
Foreign Currency								
Foreign Currency Deposits	15,149	49,980	475,680	28,827	76,332	129,512	408	775,888
Bank Deposits	40	13,506	99	576	569	1,455	-	16,245
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	68	4	107	1,626	-	1,805
Total FC	15,189	63,486	475,847	29,407	77,008	132,593	408	793,938
Grand Total	18,568	483,499	2,794,500	104,358	123,258	254,138	408	3,778,729

5.8.2.5 Interest expense on repurchase agreements

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

5.8.2.6 Financial lease expenses

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

5.8.2.7 Interest expenses on factoring payables

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

5.8.3 Dividend income

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

5.8.4 Trading income/losses (net)

	30 June 2017
Income	33,884,666
Trading Account Income	1,442,487
Derivative Financial Instruments	5,918,792
Foreign Exchange Gain	26,523,387
Losses (-)	34,773,906
Trading Account Losses	1,754,953
Derivative Financial Instruments	6,947,494
Foreign Exchange Losses	26,071,459
Total	(889,240)

TL 3,476,751 thousands of foreign exchange gains and TL 3,278,157 thousands of foreign exchange losses are resulted from the exchange rate changes of derivative 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.

In this respect; the Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 2,691,516, USD 1,028,464,625 and EUR 147,303,760, for its fixed-rate loans with a total principal of RON 215,939,842, for its bonds with a total face value of TL 925,000 thousands and USD 106,900,000 and fixed-rate coupons by designating interest rate swaps and cross currency swaps with the same face values and terms. Accordingly, a gain of TL 15,765 thousands and a loss of TL 3,079 thousands resulted from the related fair value calculations for the hedged loans and bonds were accounted for under trading income/losses in the income statement, respectively.

In addition; the Bank also entered into cross currency swap agreements in order to hedge its fixed-rate bonds issued for a total principal value of AUD 175,000,000 and RON 85,500,000 with the same face values and terms. Accordingly, a loss of TL 10,762 thousands resulted from the fair value changes of the securities issued and funds borrowed subject to hedge accounting were accounted for under trading income/losses in the income statement.

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 its funds borrowed amounting to USD 71,844,324 and EUR 36,842,105, securitization borrowings amounting to USD 72,916,667 and EUR 129,542,099 and commitments amounting to USD 46,450,000 by designating cross currency swaps with the same face values and terms, and eurobonds with a total nominal value of USD 10,000,000, the collateralised borrowings amounting to USD 250,000,000, borrowings amounting to USD 650,000,000,

securitizations amounting to USD 780,000,000 and EUR 90,000,000 and deposits amounting to TL 50,000 thousands, USD 955,000,000 and EUR 89,789,474 by designating interest rate swaps with the same face values and terms. Accordingly, gains of TL 35,978 thousands and TL 15,499 thousands resulting from cross currency and interest rate swap agreements were recognised under shareholders' equity.

One of the Bank's consolidated affiliate 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 affiliate applied fair value hedge accounting for fixed rate eurobonds with a total face value of USD 74,528,715 and EUR 137,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, a net loss of TL 3,069 thousands resulting from the related fair value calculations for the hedged bonds were accounted for under trading income/losses in the income statement.

One of the Bank's consolidated affiliate enters into interest rate 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 affiliate applied cash flow hedge accounting for its funds borrowed amounting to USD 249,807,000 by designating interest rate swaps with the same face values and terms. Accordingly, a net gain of TL 133 thousands resulting from interest rate swap agreements were recognised under shareholders' equity.

One of the Bank's consolidated affiliate enters into foreign currency derivative contracts to hedge the foreign currency risk of its expected future cash flows. In this respect, the affiliate applied cash flow hedge accounting for its loans granted in Turkish Lira by designating swaps with the same face value amount and similar terms; TL 551,490,000 sell and EUR 135,630,710 buy, CHF 487,510 sell and EUR 447,983 buy, RON 45,000,000 sell and EUR 9,838,216 buy, GBP 40,509,218 sell and EUR 46,985,911 buy, USD 194,000,000 sell and EUR 177,670,867 buy, ZAR 46,663,945 sell and EUR 2,997,986 buy. Accordingly, a net gain of TL 402 thousands resulting from currency derivative contracts were recognized under shareholder's equity.

5.8.5 Other operating income

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

A part of non-performing receivables of the Bank amounting to TL 334,214 thousands were sold for a consideration of TL 23,020 thousands. Considering the related provisions of TL 333,906 thousands in the financial statements, a gain of TL 22,712 thousands is recognized under "other operating income".

A part of written-off non-performing loans, lease receivables and factoring receivables of certain consolidated financial affiliates of the Bank amounting to TL 243,089 thousands were sold for a total consideration of TL 22,308 thousands. A gain from these sales amounting to TL 21,516 thousands is recognized under "other operating income" considering the related provision of TL 242,297 thousands had been provided against in the accompanying consolidated financial statements in prior periods. A revenue earned from subsequent collections of such receivables sold in prior periods, amounting to TL 76 thousands is recognized in the income statement under "other operating income".

5.8.6 Provision for losses on loans or other receivables

	30 June 2017
Specific Provisions for Loans and Other Receivables	811,478
<i>Loans and receivables in Group III</i>	<i>348,510</i>
<i>Loans and receivables in Group IV</i>	<i>361,289</i>
<i>Loans and receivables in Group V</i>	<i>101,679</i>
General Provisions	165,277
Provision for Possible Losses	420,000
Impairment Losses on Financial Assets	947
<i>Financial assets at fair value through profit or loss</i>	<i>947</i>
<i>Financial assets available-for-sale</i>	-
Impairment Losses on Associates, Subsidiaries and Investments Held-to-Maturity	-
<i>Associates</i>	-
<i>Subsidiaries</i>	-
<i>Joint ventures (business partnership)</i>	-
<i>Investments held-to-maturity</i>	-
Others	106,941
Total	1,504,643

5.8.7 Other operating expenses

	30 June 2017
Personnel Costs	1,564,456
Reserve for Employee Termination Benefits	38,451
Defined Benefit Plan Obligations	-
Impairment Losses on Tangible Assets	5
Depreciation Expenses of Tangible Assets	140,480
Impairment Losses on Intangible Assets	-
Impairment Losses on Goodwill	-
Amortisation Expenses of Intangible Assets	52,686
Decrease in Value of Equity Accounting Shares	-
Impairment Losses on Assets to be Disposed	525
Depreciation Expenses of Assets to be Disposed	-
Impairment Losses on Assets Held for Sale and Discontinued Assets	-
Other Operating Expenses	1,455,233
<i>Operational lease related expenses</i>	<i>233,264</i>
<i>Repair and maintenance expenses</i>	<i>29,994</i>
<i>Advertisement expenses</i>	<i>99,264</i>
<i>Other expenses (*)</i>	<i>1,092,711</i>
Loss on Sale of Assets	561
Others (**)(***)	490,113
Total	3,742,510

(*) Includes lawsuit, execution and other legal expenses beared by the Bank of fees and commissions income recognized in prior years but reimbursed, in the amount of TL 14,585 thousands, as per the decision of the Turkish Competition Board or the related courts.

(**) Includes saving-deposits-insurance-fund related expenses of TL 153,274 thousands and insurance-business claim losses of TL 74,937 thousands.

(***) Includes repayments, by the Bank, of fees and commissions income recognised in prior years in the amount of TL 19,373 thousands as per the decision of the Turkish Competition Board or the related courts.

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

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

5.8.9 Information on provision for taxes for continued and discontinued operations

As of 30 June 2017, on a consolidated basis, the Bank recorded a current tax expense of TL 1,060,679 thousands and a deferred tax income of TL 140,976 thousands.

Deferred tax benefit/charge on timing differences

Deferred tax (benefit)/charge on timing differences	30 June 2017
Increase in Tax Deductable Timing Differences (+)	(195,911)
Decrease in Tax Deductable Timing Differences (-)	108,351
Increase in Taxable Timing Differences (-)	106,003
Decrease in Taxable Timing Differences (+)	(159,419)
Total	(140,976)

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	30 June 2017
(Increase)/Decrease in Tax Deductable Timing Differences (net)	(77,805)
(Increase)/Decrease in Taxable Timing Differences (net)	(53,416)
(Increase)/Decrease in Tax Losses (net)	(9,755)
(Increase)/Decrease in Tax Deductions and Exemptions (net)	-
Total	(140,976)

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

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

5.8.11 Net profit/loss

5.8.11.1 Any further explanation on operating results needed for better understanding of bank’s performance

None.

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

None.

5.8.11.3 Minority interest’s profit/loss

	30 June 2017
Net Profit/(Loss) of Minority Interest	27,098

5.8.12 Components of other items in income statement

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

5.9 Consolidated statement of changes in shareholders' equity

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

5.10 Consolidated statement of cash flows

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

5.11 Related party risks

5.11.1 Transactions with parent bank's risk group;

5.11.1.1 Loans and other receivables

Current Period:

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	84,052	3,530	1,398,195	1,548,939	2,710,219	896,963
Balance at end of period	94,966	3,680	2,536,186	1,954,505	3,057,785	901,360
Interest and Commission Income	2,575	5	5,881	73	97,589	3,026

Prior Period:

Bank's Risk Group	Associates, Subsidiaries 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	31,850	3,476	1,660,778	385,799	2,320,156	735,944
Balance at end of period	84,052	3,530	1,398,195	1,548,939	2,710,219	896,963
Interest and Commission Income	1,485	5	2,705	44	83,949	1,416

5.11.1.2 Deposits

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at beginning of period	97,361	46,726	375,171	545,105	409,424	554,648
Balance at end of period	101,815	97,361	425,842	375,171	632,537	409,424
Interest Expenses	6,680	4,042	2,402	6,315	8,897	9,341

5.11.1.3 Derivative transactions

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at Fair Value Through Profit/(Loss)						
Balance at beginning of period	7,239	13,344	39,433,377	13,797,354	792,918	843,120
Balance at end of period	-	7,239	66,532,348	39,433,377	889,922	792,918
Total Profit/(Loss)	55	(12)	(288,550)	20,682	(4,488)	3,490
Transactions for Hedging						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit/(Loss)	-	-	-	-	-	-

5.11.2 Bank's risk group

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

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

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

The cash loans of the risk group amounting TL 3,111,958 thousands (31 December 2017: TL 2,662,333 thousands) compose 1.20% (31 December 2017: 1.16%) of the Bank's total consolidated cash loans and 0.81% (31 December 2017: 0.75%) of the Bank's total consolidated assets. In the current period, there is no securities purchased from the risk group (31 December 2017: TL 21,757 thousands). The total loans and similar receivables amounting TL 5,688,937 thousands (31 December 2017: TL 4,192,466 thousands) compose 1.48% (31 December 2017: 1.18%) of the Bank's total consolidated assets. The non-cash loans of the risk group amounting TL 2,859,545 thousands (31 December 2017: TL 2,449,432 thousands) compose 4.35% (31 December 2017: 4.36%) of the Bank's total consolidated non-cash loans. The deposits of the risk group amounting TL 1,160,194 thousands (31 December 2017: TL 881,956 thousands) compose 0.50% (31 December 2017: 0.44%) of the Bank's total consolidated deposits. There are no funds borrowed by the Bank and its consolidated financial subsidiaries from their risk group of the Bank's total consolidated 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 84,362 thousands (31 December 2017: TL 97,932 thousands). A total rent income of TL 1,998 thousands (30 June 2017: TL 2,238 thousands) was recognized for the real estates rented to the related parties.

Operating expenses for TL 2,190 thousands (30 June 2017: TL 2,303 thousands) as of 30 June 2018 were incurred for the IT services rendered by the related parties. Other income of TL 2,138 thousands (30 June 2017: TL 1,428 thousands) for the IT services rendered and banking services fee income of TL 21,562 thousands (30 June 2017: TL 10,866 thousands) were recognized from the related parties.

Operating expenses of TL 52 thousands (30 June 2017: TL 165 thousands) for advertisement and broadcasting services, of TL 29,242 thousands (30 June 2017: TL 25,871 thousands) for operational leasing services, and of TL 9,195 thousands (30 June 2017: TL 4,697 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 and its consolidated financial subsidiaries amounts to TL 63,571 thousands as of 30 June 2018 (30 June 2017: TL 66,515 thousands) including compensations paid to key management personnel who left their position during the year.

5.11.2.3 Other matters not required to be disclosed

None.

5.11.2.4 Transactions accounted for under equity method

None.

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

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

Purchase of equipments for internal use are partly arranged through financial leasing.

5.12 Domestic, foreign and off-shore branches or equity investments, and foreign representative offices of parent bank

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

5.13 Matters arising subsequent to the balance sheet date

None.

5.14 Other disclosures on parent bank's activities

5.14.1 Information on international risk ratings

5.14.1.1 Parent bank's international risk ratings

MOODY'S (June 2018)^(*)(**)

Outlook	<i>Under Watch</i>
Long Term FC Deposit	Ba3 ^(**)
Long Term TL Deposit	Ba3 ^(**)
Short Term FC Deposit	Not prime
Short Term TL Deposit	Not prime
Basic Loan Assessment	b1
Adjusted Loan Assessment	ba3
Long Term National Scale Rating (NSR)	Aa1.tr
Short Term NSR	TR-1 ^(**)

STANDARD AND POORS (May 2018)^(*)

Long Term FC ICR	BB-
Long Term TL ICR	BB-
Outlook	Stable
Stand-alone Credit Profile (SACP)	bb

FITCH RATINGS (July 2018)^(*)

Long Term FC	BB / Negative Outlook
Short Term FC	B
Long Term TL	BB+/ Negative Outlook
Short Term TL	B
Financial Capacity	bb-
Support	3
NSR	AAA(tur)
Long Term National Scale Rating (NSR)	Stable
Senior Unsecured Long Term Notes	BB
Senior Unsecured Short Term Notes	B
Subordinated Notes	BB-

JCR EURASIA RATINGS (June 2018)^(*)

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

^(*) Latest date in risk ratings or outlooks

^(**) Under watch for possible downgrade

5.14.1.2 International risk ratings of Garanti Bank International NV, a consolidated subsidiary

MOODY'S (June 2018) (*)

Long Term FC Deposit	Baa1(**)
Short Term FC Deposit	Prime-2(**)
Baseline Credit Assessment	baa3(**)
Adjusted Baseline Credit Assessment	baa2(**)
Outlook	Stable
Long Term Credit Assessment	A2
Short Term Credit Assessment	Prime-1

(*) Latest date in risk ratings or outlooks

(**) Under watch for possible downgrade

5.14.1.3 International risk ratings of Garanti Faktoring, a consolidated subsidiary

FITCH RATINGS (July 2018) (*)

Foreign Currency	
Long Term	BB
Short Term	B
Outlook	Negative
Turkish Lira	
Long Term	BB+
Short Term	B
Outlook	Negative
National	AAA (tur)
Outlook	Stable
Support	3

(*) Latest date in risk ratings or outlooks

5.14.1.4 International risk ratings of Garanti Finansal Kiralama, a consolidated subsidiary

FITCH RATINGS (July 2018) (*)

Foreign Currency	
Long Term	BB
Short Term	B
Outlook	Negative
Turkish Lira	
Long Term	BB+
Short Term	B
Outlook	Negative
National	AAA (tur)
Outlook	Stable
Support	3

(*) Latest date in risk ratings or outlooks

STANDARD AND POORS (May 2018) (*)

Foreign Currency	
Long Term	BB-
Short Term	B
Outlook	Stable
Turkish Lira	
Long Term	BB
Short Term	B
Outlook	Stable

(*) Latest date in risk ratings or outlooks

5.14.1.5 International risk ratings of Garanti Bank SA, a consolidated subsidiary

FITCH RATINGS (April 2018) (*)

Foreign Currency	
Long Term	BBB-
Short Term	F3
Financial Capacity	bb-
Support	2
Outlook	Stable

(*) Latest date in risk ratings or outlooks

5.14.2 Dividend

As per the decision made at the annual general assembly of shareholders of the parent Bank on 29 March 2018, the distribution of the net profit of the year 2017, was as follows;

2017 PROFIT DISTRIBUTION TABLE	
2017 Net Profit	6,343,920
A – I. Legal reserve (Turkish Commercial Code 519/1) at 5%	-
Undistributable funds	(1,150)
B – First dividend at 5% of the paid-in capital	(210,000)
C – Extraordinary reserves at 5% after above deductions	(306,696)
D – Second dividend to the shareholders	(1,540,000)
E – Extraordinary reserves	(4,132,074)
F – II. Legal reserve (Turkish Commercial Code 519/2)	(154,000)

5.14.3 Other disclosures

None.

6 Limited Review Report

6.1 Disclosure on limited review report

The consolidated financial statements of the Bank and its financial subsidiaries as of 30 June 2018, have been reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member of KPMG International Cooperative) and a limited review report dated 26 July 2018, is presented before the accompanying consolidated financial statements.

6.2 Disclosures and footnotes prepared by independent auditors

None.

7 Interim Activity Report

(Amounts are expressed in Turkish Lira (TL))

7.1 Introduction

7.1.1 About Garanti

Established in 1946, Garanti Bank is **Turkey's second largest private bank** with consolidated assets of nearly TL 385 billion (USD 84.3 billion) as of June 30, 2018.

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

As of June 30, 2018, Garanti provides a wide range of financial services to its close to **15.8 million customers with 18,522 employees** through an **extensive distribution network** of 922 domestic branches, 7 foreign branches in Cyprus and one in Malta, and 3 international representative offices in London, Düsseldorf and Shanghai. Garanti offers an omni-channel convenience with seamless experience across all channels with **5,055 ATMs**, an award winning Call Center, internet, mobile and social banking platforms, all built on **cutting-edge technological infrastructure**.

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

Implementing an advanced corporate governance model that promotes the Bank's core values, Garanti has Banco Bilbao Vizcaya Argentaria S.A. (BBVA) as its majority shareholder with 49.85% share. Its shares publicly traded in Turkey, and its depositary receipts in the UK and the USA, **Garanti has an actual free float of 50.06% in Borsa Istanbul as of June 30, 2018.**

Garanti's constantly improving business model is driven by its strategic priorities focused on responsible and sustainable development, customer experience, employee happiness, digitalization, optimal capital utilization and efficiency. Its custom-tailored solutions and wide product variety play a key role in reaching **TL 319.2 billion** (USD 70.0 billion) loans and non-cash loans. Garanti's capital generative, disciplined and sustainable growth strategy that strictly adheres to solid asset quality enables the Bank to move forward strongly. Its effective risk management through world-class integrated management of financial and non-financial risks and organizational agility in capturing new opportunities result in sustainable value creation for all its stakeholders.

Moreover, Garanti creates shared value and drives positive change through lending based on impact investment, as well as strategic partnerships and community programs focusing on material issues for both Garanti and its stakeholders.

7.1.2 Capital and shareholding structure

Garanti has paid-in capital of TL 4,200,000,000 as of June 30, 2018.

T.GARANTİ BANKASI A.Ş. SHAREHOLDING STRUCTURE			
Shareholders	Number of shares	Nominal (TL)	Share %
BBVA(BANCO BILBAO VIZCAYA ARGENTARIA S.A)	209,370,000,000	2,093,700,000	49.85
OTHERS	210,630,000,000	2,106,300,000	50.15
GRAND TOTAL	420,000,000,000	4,200,000,000	100.00

7.1.3 The amendments in the articles of association during period of 01.04.2018-30.06.2018

There is no change during the period.

7.1.4 Macro Outlook for the first 6 months period of 2018

Robust growth performance continued in 1Q18. GDP grew by 7.4% (YoY) in 1Q18 mainly supported by the boost in private consumption and the recovery in investment. Private consumption grew by 11.0% yoy in 1Q, up from 6.6% in 4Q17 and 6.1% in overall 2017, supported by all subcomponents except for durable goods. Investment expenditures also picked-up by 9.7% yoy growth in 1Q, up from 6.0% in 4Q17 and 7.3% in 2017, on the top of acceleration in construction and ongoing moderate rise in machinery investment. On the other hand, government consumption receded to 3.4% growth in 1Q, down from 5.0% 2017. Thus, domestic demand gave 10.9pp contribution to growth with contribution of stocks by 1pp, while external demand continued to drag down growth by 3.6pp with almost no contribution from exports. On sectorial side, main subsectors kept the high momentum with a positive differentiation from construction whose growth rate rose to 6.9% from 5.8% in 4Q17.

2Q activity data signals a clear moderation. The Industrial Production (IP) grew by 6.4% yoy in calendar adjusted terms in May but the highest monthly deterioration of 1.6% since September 2016 signals the increasing likelihood of a more rapid adjustment than expected. The monthly deterioration in IP was broad-based as capital goods production took the lead (0.7 negative contribution to overall decline) and followed by nondurable consumer goods (-0.5 pp cont.) and intermediate goods production (-0.3 pp cont.), respectively. Accordingly, annual IP growth in the first two months of the 2Q18 decelerated to 6.1% compared to 10% yoy in 1Q18. Hence, May data is still mirroring a positive outlook for growth but signaling a loss in pace. In the sectorial details, both domestic demand and export oriented sectors registered a slow-down but the higher adjustment in exporting ones implies a gloomy outlook for exporters. Also, as financial conditions had become tighter more obviously starting from April; the lagged effects will certainly weigh more from onwards. Thus, the cool-down in the economic activity to become much clearer in the second half of this year as statistical base effects and tightening financial conditions will affect domestic demand negatively. We expect GDP growth to come down to 3.8% in 2018, with downside risks accumulating for 2019.

Deterioration in current account deficit (CAD) continued in 2Q. Current account deficit (CAD) recorded USD57.6bn in annual terms in May (6.6% of GDP, up from 6.3% of GDP in 1Q18), the highest figure since March 2014. However, core CAD (exc. gold and net energy) has started to decelerate which implies a cool-down in economic activity through domestic demand. Though, increasing oil prices will continue to weigh on the energy bill, thus eliminate the positive impact from lower import demand this year. On the financing side, slightly higher than half of the deficit being financed by short term flows raise concerns over the quality of finance. Expected slow-down in the economy, normalization in gold imports and ongoing recovery in tourism revenues will help CAD to decrease at the end of year to USD 54bn levels (c.6.6% of GDP).

Budget figures deteriorated further in 2Q. In the second quarter of 2018, expenditures remained strong, while revenues continued to be supportive. The revenues increased by 18.2% yoy to TL353.6bn while the expenditures expanded by 23.2% yoy to TL399.7bn in June. Hence, the 12m sum budget deficit reached TL 68.2bn and budget deficit to GDP ratio rose to 2.0% in 2Q18 (up from 1.6% in 1Q), while primary surplus of -0.1% GDP decreased significantly due to high retirement bonus payment in June (down from 0.2% in 1Q18). We expect budget deficit to deteriorate further especially in the third quarter of this year before closing the year at around 1.9% of GDP.

Turkey's gross external debt stock decreased in 1Q. Turkey's external debt stock to GDP ratio decreased to 52.9% in 1Q18 compared to 53.4% of 4Q17 and up from 47.3% by end 2016 mostly due to better growth performance in the first quarter of 2018 although there was a pick-up in both short and long term external debt. On the other hand, EU-defined general government debt stock to GDP ratio slightly rose to 28.4% in 1Q18, up from 28.3% of 4Q17 and the end of 2016.

Historical high food inflation and ongoing pass-thru led inflation to hit the highest level in 2Q. Annual consumer inflation hit 15.4% yoy in June, the highest level since December 2003, up from 10.2% in March due to the broad-based acceleration in core prices and exceptional food inflation as a result of bad weather conditions. Also, the acceleration in exchange rate pass-thru led core inflation to jump up to 14.6% yoy in June from 11.4% in March. Annual domestic producer price inflation skyrocketed to a new peak of 24% in June from 14.3% in March, keeping the cost push factors on the upside. Looking ahead, depending on the level of correction in food inflation and the likely removal of the adjustment in fuel prices, the peak in the headline could still be in July. Assuming no additional negative currency shock, we estimate the year-end inflation to be around 14.0% in 2018.

Central Bank (CBRT) kept its stance tight against worsened inflation expectations in 2Q. The Central Bank of Turkey (CBRT) increased its funding rate by 500 bps to 17.75%, simplified its policy framework and provided some supporting liquidity measures since its March meeting. Thus, the CBRT reinforces its stance on inflation worries in the short term and takes a solid step to restore credibility against rapidly worsening inflation expectations. Given the surprising June inflation data, the likely high deviation in future inflation expectations has to be tackled by tighter monetary policy. Thus, the Central Bank needs to be more effective to anchor inflation expectations by promising a higher real interest rate in an extended period of time.

Turkish financial assets performed worse in 2Q. TL depreciated due to increasing volatility in global financial markets on the back of continued monetary policy normalization and escalated concern on trade wars, geopolitical risks, higher than expected inflation realizations, deterioration in CAD and doubts on CBRT's independence in 2Q. Thus, TL depreciated by 12% to 4.94 against US dollar-Euro currency basket by the end of 2Q from 4.41 by the end of 1Q. 2-year benchmark bond yield which was at 14.07% at the end of 1Q18 climbed up to 19.15% in 2Q18.

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

**With a total contribution of TL 319 billion to the economy,
Garanti supports sustainable development**

Türkiye Garanti Bankası A.Ş., announced its financial statements dated June 30, 2018. Based on the consolidated financials, in the first half of 2018, Garanti's **asset size** reached TL 384 billion 878 million, its contribution to the economy through **cash and non-cash loans** increased to TL 319 billion 244 million 923 thousand. The Bank delivered an **ROAE** (Return on Average Equity) of 18.1% and **ROAA** (Return on Average Assets) of 2.1%.

Commenting on the topic, **Garanti Bank Chairman Süleyman Sözen** stated that: “**Garanti continued its uninterrupted contribution to the economy while preserving its solid capital base.** I believe economy will come to an equilibrium with a moderate slowdown in the second half of 2018 and its sustainable growth will continue.”

Referring to the value creation for the society and the stakeholders via the synergy created with BBVA, largest shareholder of Garanti Bank, Sözen commented on BBVA Momentum Social Entrepreneurship Support Program and said: “This program was launched to support entrepreneurs who wish to carry their businesses one step further. It has attracted attention for being the first entrepreneurship program supported by a financial institution and for being specifically designed for social entrepreneurship in Turkey.” **Sözen also underlined Garanti's support to the future's technologies** and said that: “Garanti became the sponsor of the “1st Blockchain Workshop”, organized by the Central Bank and the Scientific and Technological Research Council of Turkey (TÜBİTAK) in Ankara, in April, with the aim of contributing to Turkey's strategy on this area.”

Chairman Süleyman Sözen closed his remarks by saying that: “**Garanti Bank will continue to play a leading role in the sector with its strong capital structure, highly qualified human resources and sound balance sheet management.** Addressing the changing needs of our customers in the most effective and innovative way will continue to be our top priority. Taking this opportunity, I would like to thank my colleagues, our esteemed clients, shareholders, and all other stakeholders.”

Commenting on the topic, **Garanti Bank's CEO Fuat Erbil** stated that: “ In the first half of the year, we could further strengthen our **solid balance sheet** with our stakeholders' trust in us. Through the confidence granted by our **high capital adequacy ratio**, our contribution to the economy increased to TL 319 billion. We successfully rolled over our syndicated loan in the second quarter and underlined Garanti's power in **creating sustainable funding**. Adding an innovative product to our foreign funding in June, we issued **Turkey's first social bond** for women entrepreneurs with IFC. In July, we extended **Turkey's first green loan** and once again continued to lead the sector in the area of sustainable finance.”

Adding that Garanti was the **only bank from Turkey** among 26 leading banks around the world to prepare **global banking principles** for sustainable development, **Erbil** said; “Supporting **responsible and sustainable development** is one of the strategic priorities of Garanti. We shape our products and services within this context and also manage our customers' environmental and social risks. We support women's participation in the workforce and we work to create an inclusive economy in which all individuals benefit equally from opportunities. With our focus on **customer experience** and **digitalization**, we started a new era in banking and transformed more than 600 branches where our customers receive all kinds of services from a single point of contact in the fastest and easiest way”.

Indicating that, it was an honor to see Garanti rewarded for its success, **Erbil** said: “We ranked among the best of Central and Eastern Europe. We were named ‘**Best Bank for Sustainable Finance**’ by Euromoney, ‘**Best Project Finance House**’ and ‘**Best Structured Finance House**’ by EMEA Finance. In Institutional Investor’s Emerging EMEA survey that covers 473 companies, we were recognized among ‘**Most Honored**’ institutions as the only banking executive team from Turkey. I would like to thank all my colleagues and our stakeholders, who trust and support us.”

You may access the earnings presentation regarding the BRSA consolidated financial results as of and for the period ending June 30, 2018 in English from Garanti Bank Investor Relations website at www.garantiinvestorrelations.com

Selected Figures of Garanti Bank’s Consolidated Financial Statements (June 30, 2018)

Profit before Taxes and Provisions*	TL 8,678 million	Loans	TL 253,497 million
Profit before Taxes	TL 5,038 million	Non-Cash Loans	TL 65,748 million
Net Income	TL 3,936 million	Total Assets	TL 384,878 million
Deposits	TL 229,764 million	Shareholders’ Equity	TL 44,405 million

Highlights from Garanti Bank's Consolidated Financials

- Net income was TL 3 billion 935 million and 990 thousand.
- In compliance with the legal legislation and international regulations, a total amount of TL 4 billion 741 million and 849 thousand was reserved for tax provisions, expected credit losses and other provisions*.
- Total assets reached TL 384 billion 878 million.
- Return on Average Assets (ROAA) reached 2.1%. **
- Shareholders' equity reached TL 44 billion 404 million 868 thousand.
- Return on Average Equity (ROAE) reached 18.1%. **
- Contribution made to the real economy through loans and non-cash lending reached TL 319 billion 244 million 923 thousand as of June 30, 2018.
- Total loans, FC loans and TL loans market shares realized at 11.0%, 10.7% and 11.1% respectively.
- Market share of "consumer mortgage loans" was 12.7% and market share of "consumer loans excluding credit cards" was 12.6 %.
- Total customer deposits reached TL 222 billion 932 million and 236 thousand, while market share in total customer deposits realized at 11.2%.
- Capital adequacy ratio (CAR) realized 16.2%.
- Non-performing loan (NPL) ratio realized at 3.37%.

* Reserve for Employee Termination Benefits and Impairment Losses on Assets to be Disposed are included in provisions.

**Excludes non-recurring items (gains on asset sales) when annualizing Net Income for the rest of the year. In the calculation of average assets and equity, 01.01.2018 restated balance sheet has been used

Note: Bank-only figures are used in market share calculations for fair comparison.

Garanti With Numbers	31.12.2017	31.03.2018	30.06.2018
Branch Network	948	939	933
+ Domestic	937	928	922
+ Abroad	11	11	11
Personnel	18,851	18,639	18,522
ATM	5,003	4,998	5,055
POS*	670,259	675,788	674,405
Total Customers	15,143,274	15,449,610	15,766,454
Digital Banking Customers**	5,956,609	6,336,695	6,646,922
Mobile Banking Customers**	5,086,833	5,474,072	5,842,134
Credit Card Customers	6,808,211	6,884,154	6,961,802
Credit Cards	10,213,151	10,293,254	10,291,624
Debit Cards	9,796,696	9,999,000	10,273,529

*Includes shared and virtual POS.

** Active customers only -- min. 1 login or call per quarter.

Selected Sector Figures (TL million)	29.12.2017	30.03.2018	29.06.2018	YtD Δ
Total Deposits	1,694,584	1,766,283	1,896,590	11.9%
Bank Deposits	83,692	92,207	108,369	29.5%
Customer Deposits	1,610,892	1,674,076	1,788,221	11.0%
TL Deposits	896,621	923,548	942,241	5.1%
FC Deposits (US\$ mn)	189,399	190,678	185,542	(2.0%)
Customer Demand Deposits	330,678	336,412	381,294	15.3%
Loans	1,880,026	1,963,831	2,102,876	11.9%
TL Loans	1,296,286	1,342,687	1,391,508	7.3%
FC Loans (US\$ mn)	154,766	157,764	156,018	0.8%
Consumer Loans (excl. credit cards)	380,424	389,835	401,944	5.7%
Housing	178,486	180,207	186,768	4.6%
Auto	6,243	6,177	6,061	(2.9%)
General Purpose Loans *	195,694	203,450	209,115	6.9%
Credit Cards	112,658	115,262	120,981	7.4%
TL Business Banking Loans	803,204	837,590	868,583	8.1%
<i>Loans/Deposits Ratio</i>	<i>110.9%</i>	<i>111.2%</i>	<i>110.9%</i>	
Non-performing Loans (NPL)	59,438	60,934	67,607	13.7%
<i>NPL ratio</i>	<i>3.1%</i>	<i>3.0%</i>	<i>3.1%</i>	
<i>NPL coverage</i>	<i>79.8%</i>	<i>74.6%</i>	<i>72.1%</i>	
Gross NPL in retail loans (excl. CC)	25,292	26,055	27,354	8.2%
<i>NPL ratio in retail loans</i>	<i>3.4%</i>	<i>3.4%</i>	<i>3.4%</i>	
Gross NPL in credit cards	7,299	7,199	7,110	(2.6%)
<i>NPL ratio in credit cards</i>	<i>6.1%</i>	<i>5.9%</i>	<i>5.6%</i>	
F/X Position, net (US\$ mn)	575	2,687	253	
on B/S	(46,618)	(47,295)	(50,160)	
off B/S	47,193	49,982	50,413	

Source: BRSA weekly sector data, commercial banks only

*Including other and overdraft loans

Garanti Market Shares* (%)	30.06.2018
Total Performing Loans	11.0%
TL Loans	11.1%
FC Loans	10.7%
Credit Cards - Issuing (Cumulative)	19.2%
Credit Cards - Acquiring (Cumulative)	19.1%
Consumer Loans (exc. consumer CCs)	12.6%
Total Customer Deposits	11.2%
TL Customer Deposits	10.3%
FC Customer Deposits	12.2%
Customer Demand Deposits	13.2%

* Based on BRSA weekly data for commercial banks only.

7.1.6 Forward looking statements regarding the expectations

As per the Article 10 of the "Communiqué on Material Events Disclosure" (II-15.1) of Capital Markets Board, T. Garanti Bankası A.Ş has announced its forward looking statements regarding the expectations for the year 2018. You may access the related presentation that was published on the Public Disclosure Platform, the Bank's website and Garanti Bank Investor Relations' website at www.garantiinvestorrelations.com in [Operating Plan Guidance Presentations](#) section.

As of June 30, 2018, the following revisions were made in 2018 Operating Plan Guidance with changing macroeconomic expectations.

Accordingly, the return on equity and return on asset have been revised upwards.

Despite the expected normalization in non-performing loans and the deterioration of the macroeconomic expectations of the IFRS9 model, fees and commissions revenues, net interest margin and operational expense are better than anticipated, resulting in an upward revisions in profitability ratios.

	2018 GUIDANCE	REVISED 2018YE EXPECTATIONS
TL LOANS (YOY)	~14-15%	<14%
FC LOANS (IN US\$, YOY)	Flat	Shrinkage
NPL RATIO	~3.0% (> TL 1bn NPL sale assumed)	4.0-4.5% (No NPL sale assumed)
NET COST OF RISK	~100bps (Under macro assumptions used in initial model)	~150bps (excl. currency impact) ¹
NIM INCLUDING SWAP COST	Flat (excl. CPI impact) ²	Flat (including CPI impact)
FEE GROWTH (YOY)	Low-teens	>20%
OPEX GROWTH (YOY)	<= CPI	~10%
ROAE	> 16.5%	> 17%
ROAA	> 2.2%	> 2.2%

1 Neutral impact at bottom line, as provisions due to currency depreciation are 100% hedged (FX gain included in Net trading income line).

2 Initial Oct-Oct CPI reading expectation for 2018 was lower vs. 2017 CPI reading of 11.9%

7.2 Information regarding management and corporate governance practices

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

Audit Committee Members:

Name Surname	Title	Board of Director Appointment Date	Education	Experience in Banking & Business Administration
Jorge Sáenz-Azcúnaga Carranza	Vice Chairman Independent Board Member	24.03.2016	Undergraduate	24 years
Belkis Sema Yurdum	Independent Board Member	30.04.2013	Undergraduate	38 years
Ricardo Gomez Barredo	Independent Board Member	08.05.2017	Graduate	26 years

Managers of the Internal Systems Units:

Name Surname	Title	Appointment Date	Education	Experience in Banking & Business Administration
Özlem Ernart	Head of Risk Management	01.07.2018	Graduate	25 years
Osman Bahri Turgut	Head of Internal Audit	01.08.2015	Undergraduate	27 years
Emre Özbek	Head of Compliance	01.08.2015	Undergraduate	19 years
Barış Ersin Gülcan	Head of Internal Control	06.03.2014	Graduate	20 years
Beyza Yapıcı	Internal Capital and Operational Risk Director	01.04.2016	Undergraduate	20 years
Sıdıka Dizdar	Market and Structural Risk Director	01.07.2018	Graduate	22 years

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

7.2.2 You may reach the summary of the Board of Directors' Annual Report presented to Ordinary General Meeting of Shareholders and information about human resources practices, policy and remuneration in the 2017 Annual Report that was published on the Public Disclosure Platform, the Bank's website and Garanti Bank Investor Relations' website, access at the link below:

www.garantiannualreport.com

7.2.3 You may access information about the transactions with the Bank's risk group under the footnote numbered 5.11 regarding the related party risks.

7.2.4 You may reach information pursuant to the Regulation on the Provision of Support Services to Banks and the Authorization of Support Service Providers, the type of the services and information on the individuals and institutions that provided the support services in the 2017 Integrated Annual Report that was published on the Public Disclosure Platform, the Bank's website and Garanti Bank Investor Relations' website, access at the link below:

www.garantiannualreport.com

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

7.3 Assessment of financial information and risk management

You may find information regarding the assessment of financial position, profitability and debt payment capability, risk management explanations and ratings in the financial statements for the period ended 30 June 2018 and the independent accountants' limited review report. Additionally, you may find detailed information in the earnings presentation regarding financial results of the related period published on Garanti Bank Investor Relations website at www.garantiinvestorrelations.com.

You may find financial information on Garanti Bank for the most recent five year period in the 2017 Annual Report that was published on the Public Disclosure Platform, the Bank's website, Garanti Bank Investor Relations website and at www.garantiannualreport.com.

7.4 Announcements regarding important developments in the period of 01.04.2018 - 30.06.2018

- Garanti Bank's Annual Report, documents regarding ordinary general meeting of shareholders, information on board of directors and senior management, ratings and disclosures regarding important developments and other disclosures during 01.04.2018-30.06.2018 period were announced and the disclosures were uploaded to the Public Disclosure Platform. Disclosures and all of the announcements are available at www.garantiinvestorrelations.com.

7.5 Announcements regarding important developments for debt instruments issuance and redemptions in the period of 01.04.2018 - 30.06.2018

- Important developments regarding debt instruments issuance and redemptions during 01.04.2018-30.06.2018 period were announced and the disclosures were uploaded to the Public Disclosure Platform. Disclosures and all of the announcements are available at www.garantiinvestorrelations.com.