

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

Türkiye Garanti Bankası Anonim Şirketi

And Its Financial Affiliates

Consolidated Financial Statements

As of and For the Six-Month Period Ended

30 June 2017

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

With Independent Auditors’

Limited Review Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik AŞ

27 July 2017

*This report contains “Independent Auditors’ Limited
Review Report” comprising 2 pages and;*

*“Consolidated Financial Statements and Related
Disclosures and Footnotes” comprising 135 pages.*



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

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 2017 and the related consolidated statement of income, consolidated statement of income and expense items under shareholders' equity, 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 2017 include a general provision of total TL 720,000 thousands, of which TL 420,000 thousands had been recognized as expense in the current period, and TL 300,000 thousands had been recognized as expense in prior periods, which is provided by the Bank management for the possible effects of the negative circumstances which may arise in 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 2017, 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.

Other Matter

The consolidated financial statements of the Bank as at and for the year ended 31 December 2016 and as at and for the six-month period ended 30 June 2016 were audited and reviewed by another auditor who expressed a qualified opinion and a qualified conclusion due to the general reserve provisions provided by the Bank on 30 January 2017 and 28 July 2016 respectively.

Report on Other Legal and Regulatory Requirements

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

Additional paragraph for convenience translation to English:

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

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of KPMG International Cooperative

Murat Alsan
Partner, SMMM

27 July 2017
İstanbul, Turkey

**TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ
AND ITS FINANCIAL AFFILIATES
CONSOLIDATED INTERIM FINANCIAL REPORT AS OF AND
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

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The consolidated interim financial report for the six-month period ended 30 June 2017 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 affiliates and special purpose entities in the scope of this consolidated financial report are the followings:

Affiliates

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

Special Purpose 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 independent review, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidances and in compliance with the financial records of our Bank and, unless stated otherwise, presented in **thousands of Turkish Lira (TL)**.

Ferit F. Şahenk

Board of Directors Chairman

Ali Fuat Erbil

General Manager

Aydın Güler

Executive Vice President

Responsible of Financial Reporting

Aylin Aktürk

Coordinator

Javier Bernal Dionis

Audit Committee Member

**Jorge Saenz - Azcunaga
Carranza**

Audit Committee Member

The authorized contact person for questions on this financial report:

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	Page No:
<u>SECTION ONE</u>	
General Information	
I. History of parent bank including its incorporation date, initial legal status, amendments to legal status	1
II. Parent bank's shareholder structure, management and internal audit, direct and indirect shareholders, change in shareholder structure during the year and information on its risk group	1
III. 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	2
IV. Information on parent bank's qualified shareholders	3
V. Summary information on parent bank's activities and services	3
VI. Information on application differences between consolidation practices as per the Regulation on Preparation of Consolidated Financial Statements of Banks 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	4
VII. Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between parent bank and its affiliates	4
<u>SECTION TWO</u>	
Consolidated Interim Financial Statements	
I. Consolidated balance sheet-Assets	5
II. Consolidated balance sheet-Liabilities	6
III. Consolidated off-balance sheet items	7
IV. Consolidated income statement	8
V. Consolidated statement of income/expense items accounted under shareholders' equity	9
VI. Consolidated statement of changes in shareholders' equity	10
VII. Consolidated statement of cash flows	11
<u>SECTION THREE</u>	
Accounting Policies	
I. Basis of presentation	12
II. Strategy for use of financial instruments and foreign currency transactions	12
III. Information on consolidated affiliates	13
IV. Forwards, options and other derivative transactions	14
V. Interest income and expenses	15
VI. Fees and commissions	16
VII. Financial assets	16
VIII. Impairment of financial assets	17
IX. Netting and derecognition of financial instruments	17
X. Repurchase and resale agreements and securities lending	18
XI. Assets held for sale, assets of discontinued operations and related liabilities	18
XII. Goodwill and other intangible assets	18
XIII. Tangible assets	19
XIV. Leasing activities	20
XV. Provisions and contingent liabilities	20
XVI. Contingent assets	21
XVII. Liabilities for employee benefits	21
XVIII. Taxation	23
XIX. Funds borrowed	25
XX. Share issuances	25
XXI. Confirmed bills of exchange and acceptances	25
XXII. Government incentives	25
XXIII. Segment reporting	26
XXIV. Profit reserves and profit appropriation	27
XXV. Earnings per share	27
XXVI. Related parties	28
XXVII. Cash and cash equivalents	28
XXVIII. Reclassifications	28
XXIX. Other disclosures	28
<u>SECTION FOUR</u>	
Consolidated Financial Position and Results of Operations and Risk Management	
I. Consolidated capital	29
II. Consolidated credit risk	41
III. Consolidated currency risk	41
IV. Consolidated interest rate risk	43
V. Consolidated position risk of equity securities	46
VI. Consolidated liquidity risk	47
VII. Consolidated leverage ratio	53
VIII. Fair values of financial assets and liabilities	54
IX. Transactions carried out on behalf of customers and items held in trust	54
X. Risk management objectives and policies	54
<u>SECTION FIVE</u>	
Disclosures and Footnotes on Consolidated Financial Statements	
I. Consolidated assets	71
II. Consolidated liabilities	97
III. Consolidated off-balance sheet items	106
IV. Consolidated income statement	108
V. Consolidated statement of changes in shareholders' equity	115
VI. Consolidated statement of cash flows	116
VII. Related party risks	117
VIII. Domestic, foreign and off-shore branches or equity investments, and foreign representative offices of parent bank	119
IX. Matters arising subsequent to balance sheet date	120
X. Other disclosures on activities	121
<u>SECTION SIX</u>	
Limited Review Report	
I. Disclosure on limited review report	124
II. Disclosures and footnotes prepared by independent auditors	124
<u>SECTION SEVEN</u>	
Interim Activity Report	
I. Introduction	125
II. Information regarding management and corporate governance practices	131
III. Assessment of financial information and risk management	133
IV. Announcements regarding important developments during 01.04.2017-30.06.2017 period	133
V. Announcements regarding important developments for debt instruments issuance and redemptions during 01.04.2017-30.06.2017 period	134

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 948 domestic branches, 9 foreign branches and three representative offices abroad (31 December 2016: 959 domestic branches, nine foreign branches and three representative offices abroad). The Bank’s head office is located in Istanbul.

1.2 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 2017, group of companies under BBVA that currently owns 49.85% shares of the Bank, is defined as the BBVA Group (the Group) and it is the main shareholder.

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

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

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 70 million retail and commercial customers.

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

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

Doğuş Group

The Doğuş Group that was established in 1951 initially for investments in construction sector, under the umbrella of Doğuş Holding established in 1975, operates in eight sectors namely financial services, automotive, construction, real estate, tourism, media, energy ve food-beverage-entertainment with 339 companies and more than 45 thousand employees.

The Doğuş Group has agreements with well-known international brands for distribution, management and voting right (privilege) such as; Banco Bilbao Vizcaya Argentaria S.A. ("BBVA"), Volkswagen AG, Volkswagen Financial Services AG, Audi AG, Dr.Ing.h.c. F.Porsche Aktiengesellschaft, Bentley Motors Limited, Seat SA, Scania CV AB, Automobili Lamborghini S.p.A., Thermo King, Hyatt International Ltd., Soho House, Eden Rock St. Barths, Raleigh, Hilton, Chenot, Bodyism, Crate and Barrel, Messika Group S.A, Emporio Armani, Gucci, Loro Piana, Orlebar Brown, Capritouch, Armani Jeans, Giorgio Armani, Armani Junior, Kiko, Under Armour, Hublot, Arnold&Son S.A., Bell and Ross, Breitling, Vacheron Constantin, M Missoni, HYT, Döttling, Condé Nast ("Vogue-GQ-Traveller"), National Geographic Society ("NG-NG Kids"), Curtco Robb Media LLC ("Robb Report"), Tom's Deli, Tom's Kitchen, Kitchenette, Zuma, Roka, Mezzaluna, Mezzaluna Express, Coya, Oblix, La Petite Maison and L'Atelier.

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
Ferit Faik Şahenk	Chairman	18.04.2001	University	27 years
Sait Ergun Özen	Member	14.05.2003	University	30 years
Süleyman Sözen	Vice Chairman	08.07.2003	University	35 years
Dr. Muammer Cüneyt Sezgin	Member	30.06.2004	PhD	29 years
Belkıs Sema Yurdum	Independent Member	30.04.2013	University	37 years
Jaime Saenz de Tejada Pulido	Member	02.10.2014	University	24 years
Javier Bernal Dionis	Independent Member of BOD and Audit Committee	27.07.2015	Master	27 years
Ali Fuat Erbil	Member and CEO	02.09.2015	PhD	25 years
Jorge Saenz Azcunaga Carranza	Independent Member of BOD and Audit Committee	31.03.2016	University	23 years
Rafael Salinas Martinez de Lecea	Member	08.05.2017	Master	27 years
Ricardo Gomez Barredo	Member	08.05.2017	Master	25 years

CEO and Executive Vice Presidents:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Ali Fuat Erbil	CEO	02.09.2015	PhD	25 years
Gökhan Erün	EVP-Corporate Banking and Treasury Deputy CEO	01.09.2005	Master	23 years
Halil Hüsni Erel	EVP-Technology, Operation Center, Marketing and Business Development	16.06.1997	University	42 years
Avni Aydın Düren	EVP-Legal Services	01.02.2009	Master	23 years
Betül Ebru Edin	EVP-Project Finance	25.11.2009	University	23 years
Didem Başer	EVP-Digital Banking	20.03.2012	Master	22 years
Recep Baştuğ	EVP-Commercial Banking	01.01.2013	University	27 years
Osman Nuri Tüzün	EVP- Human Resources and Support Services	19.08.2015	Master	25 years
Aydın Güler	EVP-Finance and Accounting	03.02.2016	University	27 years
Ali Temel	Head of Credit Risk Management	03.02.2016	University	27 years
Mahmut Akten	EVP-Retail Banking	17.01.2017	Master	17 years
Cemal Onaran	EVP-SME Banking	17.01.2017	University	26 years

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	-
Doğuş Holding AŞ	2,107	0.05%	2,107	-

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

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

1.5 Summary information on 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 setforth by the Banking Law;
- Providing attorneyship, insurance agency, brokerage and freight services in relation with banking activities,

- Purchasing/selling debt securities, treasury bills, government bonds and other share certificates issued by Turkish government and other official and private institutions,
- Developing economical and financial relations with foreign organizations,
- Dealing with all economic operations in compliance with the Banking Law.

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

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

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

1.6 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 affiliates 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 affiliates

None.

2 Consolidated Financial Statements

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates

Consolidated Balance Sheet (Statement of Financial Position)

At 30 June 2017

ASSETS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD			PRIOR PERIOD		
			30 June 2017			31 December 2016		
			TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH CENTRAL BANK		5.1.1	7,420,525	28,963,566	36,384,091	6,723,712	17,227,762	23,951,474
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)		5.1.2	2,083,461	662,876	2,746,337	2,801,058	1,004,483	3,805,541
2.1 Financial assets held for trading			2,083,461	643,985	2,727,446	2,801,058	1,004,483	3,805,541
2.1.1 Government securities			363,164	33,736	396,900	73,157	29,492	102,649
2.1.2 Equity securities			60,950	-	60,950	60,379	-	60,379
2.1.3 Derivative financial assets held for trading			1,645,377	590,725	2,236,102	2,661,587	952,126	3,613,713
2.1.4 Other securities			13,970	19,524	33,494	5,935	22,865	28,800
2.2 Financial assets valued at fair value through profit or loss			-	18,891	18,891	-	-	-
2.2.1 Government securities			-	-	-	-	-	-
2.2.2 Equity securities			-	-	-	-	-	-
2.2.3 Loans		5.1.5	-	-	-	-	-	-
2.2.4 Other securities			-	18,891	18,891	-	-	-
III. BANKS		5.1.3	933,714	11,597,849	12,531,563	1,214,509	15,666,535	16,881,044
IV. INTERBANK MONEY MARKETS			14,585	-	14,585	22,180	351,691	373,871
4.1 Interbank money market placements			-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements			-	-	-	-	351,691	351,691
4.3 Receivables from reverse repurchase agreements			14,585	-	14,585	22,180	-	22,180
V. FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)		5.1.4	19,892,331	4,121,117	24,013,448	18,497,281	5,486,167	23,983,448
5.1 Equity securities			39,252	213,525	252,777	40,985	177,828	218,813
5.2 Government securities			18,996,974	690,647	19,687,621	17,669,410	722,603	18,392,013
5.3 Other securities			856,105	3,216,945	4,073,050	786,886	4,585,736	5,372,622
VI. LOANS		5.1.5	136,211,448	82,086,376	218,297,824	119,985,680	81,423,416	201,409,096
6.1 Loans			135,177,034	81,778,030	216,955,064	118,980,397	81,095,327	200,075,724
6.1.1 Loans to bank's risk group		5.7	627,476	1,965,300	2,592,776	402,351	1,814,479	2,216,830
6.1.2 Government securities			-	-	-	-	-	-
6.1.3 Other			134,549,558	79,812,730	214,362,288	118,578,046	79,280,848	197,858,894
6.2 Loans under follow-up			5,290,468	839,342	6,129,810	5,272,774	851,687	6,124,461
6.3 Specific provisions (-)			4,256,054	530,996	4,787,050	4,267,491	523,598	4,791,089
VII. FACTORING RECEIVABLES		5.1.6	1,823,098	895,345	2,718,443	1,912,128	939,095	2,851,223
VIII. INVESTMENTS HELD-TO-MATURITY (Net)		5.1.7	12,101,455	10,726,013	22,827,468	12,139,123	10,970,573	23,109,696
8.1 Government securities			12,048,061	6,927,829	18,975,890	12,122,339	6,986,465	19,108,804
8.2 Other securities			53,394	3,798,184	3,851,578	16,784	3,984,108	4,000,892
IX. INVESTMENTS IN ASSOCIATES (Net)		5.1.8	37,287	4	37,291	37,258	3	37,261
9.1 Associates consolidated under equity accounting			-	-	-	-	-	-
9.2 Unconsolidated associates			37,287	4	37,291	37,258	3	37,261
9.2.1 Financial investments in associates			33,329	-	33,329	33,329	-	33,329
9.2.2 Non-financial investments in associates			3,958	4	3,962	3,929	3	3,932
X. INVESTMENTS IN SUBSIDIARIES (Net)		5.1.9	114,236	1,879	116,115	114,236	1,622	115,858
10.1 Unconsolidated financial investments in affiliates			-	-	-	-	-	-
10.2 Unconsolidated non-financial investments in affiliates			114,236	1,879	116,115	114,236	1,622	115,858
XI. INVESTMENTS IN JOINT-VENTURES (Net)		5.1.10	-	-	-	-	-	-
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)		5.1.11	1,410,726	4,224,113	5,634,839	1,399,086	4,395,174	5,794,260
12.1 Financial lease receivables			1,661,158	4,647,196	6,308,354	1,655,755	4,843,852	6,499,607
12.2 Operational lease receivables			-	-	-	-	-	-
12.3 Others			-	-	-	-	-	-
12.4 Unearned income (-)			250,432	423,083	673,515	256,669	448,678	705,347
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT		5.1.12	471,199	104,078	575,277	79,472	586,823	666,295
13.1 Fair value hedges			55,529	5,340	60,869	73,946	11,534	85,480
13.2 Cash flow hedges			415,670	98,738	514,408	5,526	575,289	580,815
13.3 Net foreign investment hedges			-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)		5.1.13	3,587,408	154,172	3,741,580	3,533,533	147,088	3,680,621
XV. INTANGIBLE ASSETS (Net)		5.1.14	300,737	32,231	332,968	296,078	31,575	327,653
15.1 Goodwill			6,388	-	6,388	6,388	-	6,388
15.2 Other intangibles			294,349	32,231	326,580	289,690	31,575	321,265
XVI. INVESTMENT PROPERTY (Net)		5.1.15	546,008	-	546,008	543,825	-	543,825
XVII. TAX ASSET			280,087	32,976	313,063	199,330	61,348	260,678
17.1 Current tax asset			12,645	13,042	25,687	679	26,657	27,336
17.2 Deferred tax asset		5.1.16	267,442	19,934	287,376	198,651	34,691	233,342
XVIII. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)		5.1.17	797,847	16,970	814,817	591,738	13,277	605,015
18.1 Asset held for resale			797,847	16,970	814,817	591,738	13,277	605,015
18.2 Assets of discontinued operations			-	-	-	-	-	-
XIX. OTHER ASSETS		5.1.18	3,900,495	395,973	4,296,468	3,015,207	709,873	3,725,080
TOTAL ASSETS			191,926,647	144,015,538	335,942,185	173,105,434	139,016,505	312,121,939

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 Affiliates
Consolidated Balance Sheet (Statement of Financial Position)
At 30 June 2017

LIABILITIES AND SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD			PRIOR PERIOD		
		30 June 2017			31 December 2016		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	5.2.1	78,835,478	113,981,293	192,816,771	76,025,777	102,664,036	178,689,813
1.1 Deposits from bank's risk group	5.7	592,450	880,398	1,472,848	675,720	470,759	1,146,479
1.2 Other		78,243,028	113,100,895	191,343,923	75,350,057	102,193,277	177,543,334
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	5.2.2	1,921,272	513,396	2,434,668	2,639,416	1,074,569	3,713,985
III. FUNDS BORROWED	5.2.3	1,356,973	41,948,762	43,305,735	3,127,679	43,454,174	46,581,853
IV. INTERBANK MONEY MARKETS		10,255,943	5,425,280	15,681,223	10,704,025	526,168	11,230,193
4.1 Interbank money market takings		8,751,872	3,868,126	12,619,998	2,501,180	87	2,501,267
4.2 Istanbul Stock Exchange money market takings		1,197,863	-	1,197,863	915,105	-	915,105
4.3 Obligations under repurchase agreements	5.2.4	306,208	1,557,154	1,863,362	7,287,740	526,081	7,813,821
V. SECURITIES ISSUED (Net)	5.2.4	6,177,190	13,866,469	20,043,659	5,871,646	11,874,002	17,745,648
5.1 Bills		2,391,091	-	2,391,091	2,240,063	-	2,240,063
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		3,786,099	13,866,469	17,652,568	3,631,583	11,874,002	15,505,585
VI. FUNDS		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. MISCELLANEOUS PAYABLES	5.2.4	8,846,438	611,109	9,457,547	8,260,088	1,079,660	9,339,748
VIII. OTHER EXTERNAL FUNDINGS PAYABLE		3,535,170	916,598	4,451,768	2,204,123	966,216	3,170,339
IX. FACTORING PAYABLES	5.2.5	-	-	-	-	-	-
X. LEASE PAYABLES (Net)	5.2.6	-	-	-	-	-	-
10.1 Financial lease payables		-	-	-	-	-	-
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	5.2.7	24,136	256,021	280,157	26,671	316,643	343,314
11.1 Fair value hedges		24,136	213,555	237,691	26,671	250,273	276,944
11.2 Cash flow hedges		-	42,466	42,466	-	66,370	66,370
11.3 Net foreign investment hedges		-	-	-	-	-	-
XII. PROVISIONS	5.2.8	5,600,647	159,798	5,760,445	4,851,864	181,009	5,032,873
12.1 General provisions		3,310,935	53,410	3,364,345	3,118,954	96,579	3,215,533
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		775,167	40,812	815,979	710,204	20,321	730,525
12.4 Insurance technical provisions (Net)		307,974	35,033	343,007	274,375	32,400	306,775
12.5 Other provisions		1,206,571	30,543	1,237,114	748,331	31,709	780,040
XIII. TAX LIABILITY	5.2.9	754,921	27,042	781,963	466,400	11,866	478,266
13.1 Current tax liability		754,881	25,232	780,113	466,400	11,866	478,266
13.2 Deferred tax liability		40	1,810	1,850	-	-	-
XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	5.2.10	-	-	-	-	-	-
14.1 Asset held for sale		-	-	-	-	-	-
14.2 Assets of discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED DEBTS	5.2.11	-	2,650,073	2,650,073	-	-	-
XVI. SHAREHOLDERS' EQUITY	5.2.12	37,939,269	338,907	38,278,176	35,540,653	255,254	35,795,907
16.1 Paid-in capital		4,200,000	-	4,200,000	4,200,000	-	4,200,000
16.2 Capital reserves		1,843,490	69,040	1,912,530	1,461,875	12,494	1,474,369
16.2.1 Share premium		11,880	-	11,880	11,880	-	11,880
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Securities value increase fund		(99,836)	52,284	(47,552)	(484,900)	(58,725)	(543,625)
16.2.4 Revaluation surplus on tangible assets		1,736,869	6,272	1,743,141	1,685,290	5,772	1,691,062
16.2.5 Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6 Revaluation surplus on investment property		-	-	-	-	-	-
16.2.7 Bonus shares of associates, affiliates and joint-ventures		947	-	947	947	-	947
16.2.8 Hedging reserves (effective portion)		(474,151)	10,484	(463,667)	(419,123)	65,447	(353,676)
16.2.9 Revaluation surplus on assets held for sale and assets of discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		667,781	-	667,781	667,781	-	667,781
16.3 Profit reserves		28,529,190	269,867	28,799,057	24,505,679	242,760	24,748,439
16.3.1 Legal reserves		1,352,430	31,918	1,384,348	1,241,962	29,560	1,271,522
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		25,872,180	8,122	25,880,302	22,185,729	6,576	22,192,305
16.3.4 Other profit reserves		1,304,580	229,827	1,534,407	1,077,988	206,624	1,284,612
16.4 Profit or loss		3,073,175	-	3,073,175	5,105,291	-	5,105,291
16.4.1 Prior periods profit/loss		-	-	-	-	-	-
16.4.2 Current period net profit/loss		3,073,175	-	3,073,175	5,105,291	-	5,105,291
16.5 Minority interest		293,414	-	293,414	267,808	-	267,808
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		155,247,437	180,694,748	335,942,185	149,718,342	162,403,597	312,121,939

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 Affiliates

Consolidated Off-Balance Sheet Items

At 30 June 2017

OFF-BALANCE SHEET ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD			PRIOR PERIOD		
		30 June 2017			31 December 2016		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		174,501,593	271,172,945	445,674,538	162,878,081	280,614,485	443,492,566
I. GUARANTEES AND SURETIES	5.3.1	18,526,415	36,156,123	54,682,538	17,138,984	38,946,496	56,085,480
1.1 Letters of guarantee		18,506,795	21,044,373	39,551,168	17,111,138	20,901,575	38,012,713
1.1.1 Guarantees subject to State Tender Law		-	981,914	981,914	-	1,029,481	1,029,481
1.1.2 Guarantees given for foreign trade operations		1,843,695	360,739	2,204,434	2,134,070	332,444	2,466,514
1.1.3 Other letters of guarantee		16,663,100	19,701,720	36,364,820	14,977,068	19,539,650	34,516,718
1.2 Bank acceptances		17,665	1,449,943	1,467,608	27,846	2,099,488	2,127,334
1.2.1 Import letter of acceptance		17,665	1,449,943	1,467,608	27,846	2,099,488	2,127,334
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		1,955	13,486,619	13,488,574	-	15,754,367	15,754,367
1.3.1 Documentary letters of credit		-	-	-	-	-	-
1.3.2 Other letters of credit		1,955	13,486,619	13,488,574	-	15,754,367	15,754,367
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		-	175,188	175,188	-	191,066	191,066
1.9 Other sureties		-	-	-	-	-	-
II. COMMITMENTS		45,279,200	13,498,257	58,777,457	39,448,303	10,404,168	49,852,471
2.1 Irrevocable commitments		44,904,566	8,808,989	53,713,555	39,310,120	5,369,433	44,679,553
2.1.1 Asset purchase and sale commitments		3,840,605	7,155,199	10,995,804	204,021	3,752,040	3,956,061
2.1.2 Deposit purchase and sale commitments		-	-	-	-	74,040	74,040
2.1.3 Share capital commitments to associates and affiliates		-	5,699	5,699	-	5,266	5,266
2.1.4 Loan granting commitments		8,036,668	1,074,192	9,110,860	6,967,401	1,037,722	8,005,123
2.1.5 Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheque payments		3,724,252	-	3,724,252	3,555,087	-	3,555,087
2.1.8 Tax and fund obligations on export commitments		31,440	-	31,440	24,000	-	24,000
2.1.9 Commitments for credit card limits		29,129,640	450,996	29,580,636	27,849,250	377,443	28,226,693
2.1.10 Commitments for credit cards and banking services related promotions		8,273	-	8,273	8,708	-	8,708
2.1.11 Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12 Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		133,688	122,903	256,591	701,653	122,922	824,575
2.2 Revocable commitments		374,634	4,689,268	5,063,902	138,183	5,034,735	5,172,918
2.2.1 Revocable loan granting commitments		195,832	4,183,715	4,379,547	23,040	4,653,740	4,676,780
2.2.2 Other revocable commitments		178,802	505,553	684,355	115,143	380,995	496,138
III. DERIVATIVE FINANCIAL INSTRUMENTS	5.3.2	110,695,978	221,518,565	332,214,543	106,290,794	231,263,821	337,554,615
3.1 Derivative financial instruments held for risk management		8,834,690	38,012,261	46,846,951	10,145,282	34,208,867	44,354,149
3.1.1 Fair value hedges		7,233,388	12,488,555	19,721,943	7,307,595	14,701,424	22,009,019
3.1.2 Cash flow hedges		1,601,302	25,523,706	27,125,008	2,837,687	19,507,443	22,345,130
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Trading derivatives		101,861,288	183,506,304	285,367,592	96,145,512	197,054,954	293,200,466
3.2.1 Forward foreign currency purchases/sales		12,226,805	18,540,324	30,767,129	11,723,664	16,145,274	27,868,938
3.2.1.1 Forward foreign currency purchases		6,078,232	9,351,021	15,429,253	3,833,951	10,111,495	13,945,446
3.2.1.2 Forward foreign currency sales		6,148,573	9,189,303	15,337,876	7,889,713	6,033,779	13,923,492
3.2.2 Currency and interest rate swaps		77,354,480	128,362,889	205,717,369	62,027,010	133,439,424	195,466,434
3.2.2.1 Currency swaps-purchases		21,309,972	64,788,996	86,098,968	23,993,140	55,350,676	79,343,816
3.2.2.2 Currency swaps-sales		55,503,980	26,601,427	82,105,407	37,539,222	41,571,364	79,110,586
3.2.2.3 Interest rate swaps-purchases		270,264	18,486,233	18,756,497	247,324	18,258,692	18,506,016
3.2.2.4 Interest rate swaps-sales		270,264	18,486,233	18,756,497	247,324	18,258,692	18,506,016
3.2.3 Currency, interest rate and security options		12,075,543	23,712,250	35,787,793	22,338,459	38,228,684	60,567,143
3.2.3.1 Currency call options		5,992,622	6,818,860	12,811,482	9,793,681	16,465,095	26,258,776
3.2.3.2 Currency put options		6,050,988	7,543,054	13,594,042	12,487,141	14,903,735	27,390,876
3.2.3.3 Interest rate call options		-	8,553,339	8,553,339	-	5,927,914	5,927,914
3.2.3.4 Interest rate put options		-	789,975	789,975	-	843,120	843,120
3.2.3.5 Security call options		8,600	3,511	12,111	10,871	44,410	55,281
3.2.3.6 Security put options		23,333	3,511	26,844	46,766	44,410	91,176
3.2.4 Currency futures		189,934	272,130	462,064	37,173	144,751	181,924
3.2.4.1 Currency futures-purchases		14,372	200,433	214,805	14,586	80,808	95,394
3.2.4.2 Currency futures-sales		175,562	71,697	247,259	22,587	63,943	86,530
3.2.5 Interest rate futures		-	10,533	10,533	-	100,121	100,121
3.2.5.1 Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sales		-	10,533	10,533	-	100,121	100,121
3.2.6 Others		14,526	12,608,178	12,622,704	19,206	8,996,700	9,015,906
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		682,940,763	548,745,205	1,231,685,968	631,736,919	528,278,312	1,160,015,231
IV. ITEMS HELD IN CUSTODY		51,354,563	36,381,839	87,736,402	48,564,102	41,691,499	90,255,601
4.1 Customers' securities held		15,566,296	-	15,566,296	15,065,124	-	15,065,124
4.2 Investment securities held in custody		17,198,206	15,366,844	32,565,050	16,489,131	17,080,586	33,569,717
4.3 Checks received for collection		15,485,368	3,367,433	18,852,801	14,117,779	3,153,993	17,271,772
4.4 Commercial notes received for collection		2,801,336	998,825	3,800,161	2,551,368	1,165,068	3,716,436
4.5 Other assets received for collection		84,236	12,877,151	12,961,387	78,792	16,103,427	16,182,219
4.6 Assets received through public offering		-	85,795	85,795	-	85,344	85,344
4.7 Other items under custody		219,121	3,685,791	3,904,912	261,908	4,103,081	4,364,989
4.8 Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		631,586,200	512,363,366	1,143,949,566	583,172,817	486,586,813	1,069,759,630
5.1 Securities		4,046,188	221,150	4,267,338	4,588,155	315,976	4,904,131
5.2 Guarantee notes		37,171,836	15,209,129	52,380,965	37,868,541	14,996,659	52,865,200
5.3 Commodities		11,687	-	11,687	-	-	19,841
5.4 Warranties		-	217,744	217,744	-	206,513	206,513
5.5 Real estates		151,473,723	102,832,047	254,305,770	140,621,890	92,300,194	232,922,084
5.6 Other pledged items		438,882,766	393,883,238	832,766,004	400,074,220	378,767,417	778,841,637
5.7 Pledged items-depository		-	58	58	170	54	224
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		857,442,356	819,918,150	1,677,360,506	794,615,000	808,892,797	1,603,507,797

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 Affiliates
Consolidated Income Statement
At 30 June 2017

INCOME AND EXPENSE ITEMS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)			
			CURRENT PERIOD 1 January 2017- 30 June 2017	PRIOR PERIOD 1 January 2016- 30 June 2016	CURRENT PERIOD 1 April 2017- 30 June 2017	PRIOR PERIOD 1 April 2016- 30 June 2016
I. INTEREST INCOME		5.4.1	13,000,399	10,876,919	6,768,285	5,554,983
1.1 Interest income on loans			10,284,519	8,331,387	5,323,417	4,279,423
1.2 Interest income on reserve deposits			102,861	97,932	48,226	55,046
1.3 Interest income on banks			196,199	95,710	136,912	54,307
1.4 Interest income on money market transactions			6,993	2,727	3,804	1,741
1.5 Interest income on securities portfolio			1,942,981	1,906,183	1,024,441	940,921
1.5.1 Trading financial assets			10,741	9,781	5,769	3,664
1.5.2 Financial assets valued at fair value through profit or loss			-	-	-	-
1.5.3 Financial assets available-for-sale			1,022,454	1,063,644	545,528	520,225
1.5.4 Investments held-to-maturity			909,786	832,758	473,144	417,032
1.6 Financial lease income			217,443	215,224	106,312	108,666
1.7 Other interest income			249,403	227,756	125,173	114,879
II. INTEREST EXPENSE		5.4.2	5,757,216	5,061,356	2,996,604	2,505,155
2.1 Interest on deposits			3,778,729	3,444,070	1,978,614	1,711,191
2.2 Interest on funds borrowed			655,015	547,328	321,503	265,174
2.3 Interest on money market transactions			642,412	528,961	345,797	256,511
2.4 Interest on securities issued			663,778	521,825	347,256	267,681
2.5 Other interest expenses			17,282	19,172	3,434	4,598
III. NET INTEREST INCOME (I - II)			7,243,183	5,815,563	3,771,681	3,049,828
IV. NET FEES AND COMMISSIONS INCOME			1,833,659	1,613,417	912,620	791,801
4.1 Fees and commissions received			2,404,404	2,121,448	1,204,548	1,058,910
4.1.1 Non-cash loans			204,083	163,551	105,597	83,130
4.1.2 Others			2,200,321	1,957,897	1,098,951	975,780
4.2 Fees and commissions paid			570,745	508,031	291,928	267,109
4.2.1 Non-cash loans			2,394	1,519	1,058	776
4.2.2 Others			568,351	506,512	290,870	266,333
V. DIVIDEND INCOME		5.4.3	7,338	9,062	7,226	8,961
VI. NET TRADING INCOME/LOSSES (Net)		5.4.4	(889,240)	(542,546)	(622,468)	(291,300)
6.1 Trading account income/losses (Net)			(312,466)	114,381	(80,599)	79,489
6.2 Income/losses from derivative financial instruments (Net)			(1,028,702)	(1,035,966)	(857,201)	(643,635)
6.3 Foreign exchange gains/losses (Net)			451,928	379,039	315,332	272,846
VII. OTHER OPERATING INCOME		5.4.5	1,072,189	1,379,008	446,837	873,626
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)			9,267,129	8,274,504	4,515,896	4,432,916
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)		5.4.6	1,504,643	1,677,427	662,236	862,644
X. OTHER OPERATING EXPENSES (-)		5.4.7	3,742,510	3,365,782	1,829,333	1,676,771
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)			4,019,976	3,231,295	2,024,327	1,893,501
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)		5.4.8	4,019,976	3,231,295	2,024,327	1,893,501
XVI. PROVISION FOR TAXES (±)		5.4.9	919,703	626,009	460,690	345,348
16.1 Current tax charge			1,060,679	773,473	445,531	394,834
16.2 Deferred tax charge/(credit)			(140,976)	(147,464)	15,159	(49,486)
XVII. NET OPERATING PROFIT/LOSS AFTER TAXES (XV±XVI)		5.4.10	3,100,273	2,605,286	1,563,637	1,548,153
XVIII. INCOME FROM DISCONTINUED OPERATIONS			-	-	-	-
18.1 Income from assets held for sale			-	-	-	-
18.2 Income from sale of associates, affiliates and joint-ventures			-	-	-	-
18.3 Others			-	-	-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)			-	-	-	-
19.1 Expenses on assets held for sale			-	-	-	-
19.2 Expenses on sale of associates, affiliates and joint-ventures			-	-	-	-
19.3 Others			-	-	-	-
XX. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XVIII-XIX)		5.4.8	-	-	-	-
XXI. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)		5.4.9	-	-	-	-
21.1 Current tax charge			-	-	-	-
21.2 Deferred tax charge/(credit)			-	-	-	-
XXII. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XX±XXI)		5.4.10	-	-	-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)		5.4.11	3,100,273	2,605,286	1,563,637	1,548,153
23.1 Equity holders of the bank			3,073,175	2,582,657	1,549,636	1,536,312
23.2 Minority interest			27,098	22,629	14,001	11,841
Earnings per Share			0.00732	0.00615	0.00369	0.00366

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 Affiliates

**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)	
		CURRENT PERIOD 1 January 2017 - 30 June 2017	PRIOR PERIOD 1 January 2016 - 30 June 2016
I.	MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"	614,075	235,302
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS	-	579
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV.	TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	247,361	31,834
V.	GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)	(34,395)	(160,268)
VI.	GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	(103,036)	(10,393)
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)	(37,237)
X.	NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+III+IV+V+VI+VII+VIII+IX)	633,496	59,817
XI.	CURRENT PERIOD PROFIT/LOSSES	3,100,273	2,605,286
1.1	Net changes in fair value of securities (transferred to income statement)	(3,979)	238,882
1.2	Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement	(51,406)	(69,465)
1.3	Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-	-
1.4	Others	3,155,658	2,435,869
XII.	TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)	3,733,769	2,665,103

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 Affiliates
Consolidated Statement of Changes in Shareholders' Equity
At 30 June 2017

THOUSANDS OF TURKISH LIRA (TL)																			
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes	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 2016																			
I. Balances at beginning of the period		4,200,000	772,554	11,880	-	1,226,628	-	19,168,165	751,943	-	3,580,901	(283,642)	1,765,883	947	(218,120)	-	30,977,139	226,617	31,203,756
II. Correction made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1. Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted balances at beginning of the period (I+II)		4,200,000	772,554	11,880	-	1,226,628	-	19,168,165	751,943	-	3,580,901	(283,642)	1,765,883	947	(218,120)	-	30,977,139	226,617	31,203,756
Changes during the period	5.5																		
IV. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Market value changes of securities		-	-	-	-	-	-	-	-	-	-	164,059	-	-	-	-	164,059	(11)	164,048
VI. Hedging reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	(136,528)	-	(136,528)	-	(136,528)
6.1. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(128,214)	-	(128,214)	-	(128,214)
6.2. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	(8,314)	-	(8,314)	-	(8,314)
VII. Revaluation surplus on tangible assets		-	-	-	-	-	-	8,303	-	-	-	-	(7,840)	-	-	-	463	-	463
VIII. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares of associates, affiliates and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Translation differences		-	-	-	-	531	-	(186)	31,423	-	-	-	-	-	66	-	31,834	-	31,834
XI. Changes resulted from disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Changes resulted from reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2. Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Others		-	-	-	-	-	-	766	-	-	-	-	(766)	-	-	-	-	-	-
XIX. Current period net profit/loss		-	-	-	-	-	-	-	-	2,582,657	-	-	-	-	-	-	2,582,657	22,629	2,605,286
XX. Profit distribution		-	-	-	-	42,629	-	2,966,549	805	-	(3,580,901)	-	3,918	-	-	-	(567,000)	(1,210)	(568,210)
20.1. Dividends		-	-	-	-	-	-	-	-	-	(567,000)	-	-	-	-	-	(567,000)	(1,210)	(568,210)
20.2. Transfers to reserves		-	-	-	-	42,629	-	2,966,549	-	-	(3,009,178)	-	-	-	-	-	-	-	-
20.3. Others		-	-	-	-	-	-	-	805	-	(4,723)	-	3,918	-	-	-	-	-	-
Balances at end of the period (III+IV+V+.....+XVIII+XIX+XX)		4,200,000	772,554	11,880	-	1,269,788	-	22,143,597	784,171	2,582,657	-	(119,583)	1,761,195	947	(354,582)	-	33,052,624	248,025	33,300,649
CURRENT 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	5.5																		
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, affiliates and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Translation differences		-	-	-	-	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 Affiliates
Consolidated Statement of Cash Flows
At 30 June 2017

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		1 January 2017 30 June 2017	1 January 2016 30 June 2016
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities	5.6	4,622,331	3,704,150
1.1.1 Interests received		12,115,903	9,709,746
1.1.2 Interests paid		(5,356,432)	(5,070,723)
1.1.3 Dividend received		7,338	9,062
1.1.4 Fees and commissions received		2,404,404	2,121,448
1.1.5 Other income		743,258	1,334,402
1.1.6 Collections from previously written-off loans and other receivables		94,764	91,049
1.1.7 Payments to personnel and service suppliers		(3,127,054)	(2,742,064)
1.1.8 Taxes paid		(870,922)	(927,461)
1.1.9 Others		(1,388,928)	(821,309)
1.2 Changes in operating assets and liabilities	5.6	(10,910,227)	(3,769,310)
1.2.1 Net (increase) decrease in financial assets held for trading		(305,564)	62,434
1.2.2 Net (increase) decrease in financial assets valued at fair value through profit or loss		-	200,000
1.2.3 Net (increase) decrease in due from banks and other financial institutions		(9,321,563)	2,502,394
1.2.4 Net (increase) decrease in loans		(17,648,906)	(10,989,283)
1.2.5 Net (increase) decrease in other assets		(274,099)	30,001
1.2.6 Net increase (decrease) in bank deposits		1,273,383	(2,865,969)
1.2.7 Net increase (decrease) in other deposits		12,829,691	17,300,327
1.2.8 Net increase (decrease) in funds borrowed		831,902	(10,765,229)
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		1,704,929	756,015
I. Net cash flow from banking operations	5.6	(6,287,896)	(65,160)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash flow from investing activities	5.6	1,190,090	2,310,873
2.1 Cash paid for purchase of associates, affiliates and joint-ventures		(29)	-
2.2 Cash obtained from sale of associates, affiliates and joint-ventures		-	-
2.3 Purchases of tangible assets		(323,723)	(235,026)
2.4 Sales of tangible assets		148,639	61,431
2.5 Cash paid for purchase of financial assets available-for-sale, net		(4,521,549)	(2,215,164)
2.6 Cash obtained from sale of financial assets available-for-sale, net		5,259,457	4,175,152
2.7 Cash paid for purchase of investments held-to-maturity		(191,787)	(253,344)
2.8 Cash obtained from sale of investments held-to-maturity		819,082	777,824
2.9 Others		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		3,662,404	(179,701)
3.1 Cash obtained from funds borrowed and securities issued		12,420,237	4,801,211
3.2 Cash used for repayment of funds borrowed and securities issued		(7,506,333)	(4,412,702)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		(1,251,500)	(568,210)
3.5 Payments for financial leases		-	-
3.6 Others		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		(172,073)	(46,710)
V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)	5.6	(1,607,475)	2,019,302
VI. Cash and cash equivalents at beginning of period	5.6	15,692,142	11,740,582
VII. Cash and cash equivalents at end of period (V+VI)	5.6	14,084,667	13,759,884

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

3 Accounting Policies

3.1 Basis of presentation

The Bank prepares its 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 available for sale, real estates and investments in associates and affiliates valued at equity basis of accounting or that are quoted on the stock exchanges which are presented on a fair value basis.

Accounting policies and accounting estimates on which the accompanying consolidated financial statements based are in compliance with “The Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Regulation” and other regulations, circulars and pronouncements published by the BRSA and with Turkish Accounting Standards issued by Public Oversight Agency for the matters not regulated by the aforementioned legislations and have been applied consistently by the Bank and its affiliates as in the consolidated financial statements prepared for the year ended 31 December 2016.

New and revised Turkish Accounting Standards effective for annual periods beginning on or after 1 January 2017 have no material effect on the consolidated financial statements, consolidated financial performance and on the Bank’s accounting policies and accounting estimates. New and revised Turkish Accounting Standards issued but not yet effective have no material effect on the consolidated financial statements, consolidated financial performance and on the Bank’s accounting policies and accounting estimates, except for IFRS9 which will be effective from periods beginning on or after 1 January 2018. The Bank has started projects to comply with IFRS9.

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

3.2 Strategy for use of financial instruments and foreign currency transactions

3.2.1 Strategy for use of financial instruments

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

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

The fundamental strategy to manage the liquidity risk that may incur due to short-term structure of funding, is to expand the deposit base through customer-oriented banking philosophy, and to increase customer transactions and retention rates. The 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 affiliates, and the differences are recorded as foreign exchange gain or loss in the income statement.

During the consolidation of foreign affiliates, 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 under other profit reserves of the shareholders' equity.

The foreign currency risk arising from net investments in foreign affiliates are hedged with long-term foreign currency borrowings and the currency translation differences arising from the conversion of net investments in foreign affiliates and long-term foreign currency borrowings into TL are accounted for other profit reserves and hedging reserves, respectively in equity.

3.3 Information on consolidated affiliates

As of 30 June 2017, Türkiye Garanti Bankası Anonim Şirketi and the following financial affiliates 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 affiliate's legal named changed to Garanti Holding BV from D Netherlands BV.

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

The Bank and its financial affiliates do not consider the bonus shares received through capital increases of their affiliates from their own equities as income in accordance with TAS 18, as such capital increases do not create any differences in the financial position or economic interest of the Bank or its financial affiliates and it is not certain that there is an economic benefit associated with such transactions that will flow to the Bank or its financial affiliates.

3.4 Forwards, options and other derivative transactions

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

3.4.1 Derivative financial instruments held for trading

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

Derivatives are initially recorded at their fair values. Subsequently, derivative transactions are valued at their fair values and the related transaction costs are included in their acquisition costs. 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 the reference asset.

3.4.2 Derivative financial instruments held for risk management

The Bank and its consolidated financial affiliates 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 affiliates 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 nolonger effective the cumulative gains/losses recognised in shareholders' equity and presented under hedging reserves are continued to be kept in this account. When the cash flows of hedged item incur, the gain/losses accounted for under shareholders' equity are recognised in income statement considering the original maturity.

3.5 Interest income and expenses

General

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

In case an interest was accrued on a security before its acquisition, the collected interest is divided into two parts as interest before and after the acquisition and only the interest 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.

3.6 Fees and commissions

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

3.7 Financial assets

3.7.1 Financial assets at fair value through profit or loss

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

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

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

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

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

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

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

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

Financial assets available-for-sale are measured at their fair values subsequently. However, assets for which fair values 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 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.

3.8 Impairment of financial assets

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

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

If there is an objective evidence that certain loans will not be collected, for such loans; the Bank 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.2633 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 relased in the current year are recorded under “other operating income.”

3.9 Netting and derecognition of financial instruments

3.9.1 Netting of financial instruments

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

Specific allowances for non-performing loan and other receivables are provided in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables. Such allowances are deducted from loans under follow-up on the asset side.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank and its financial affiliates 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 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.

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 resale" only when the sale is highly probable and the asset (or a group of assets to be disposed) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value. Assets held for sale consist of tangible assets 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 affiliates 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 affiliates' intention to complete and use the intangible asset,
- The ability to use the intangible asset,
- Clarity in probable future economic benefits to be generated from the intangible asset,
- The availability of adequate technical, financial and other resources to complete the development phase and to start using the intangible asset,
- The availability to measure reliably the expenditure attributable to the intangible asset during the development phase.

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

The intangible assets are amortised 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 then the carrying value of the related asset, a provision for impairment loss is provided.

3.13 Tangible assets

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

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

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

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

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

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

The depreciation rates and 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 affiliates. 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 affiliates 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:

	30 June 2017	31 December 2016
Net Effective Discount Rate	3.43%	3.43%
Discount Rate	11.50%	11.50%
Expected Rate of Salary Increase	9.30%	9.30%
Inflation Rate	7.80%	7.80%

In the above table, the ranges of effective rates are presented for the Bank and its financial affiliates 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 2017	
	Employer	Employee
Pension contributions	15.5%	10.0%
Medical benefit contributions	6.0%	5.0%

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

a) Benefits transferable to SSF

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

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

As per the Law, the present value of post-employment benefits as at the transfer date for the fund members to be transferred, are to be calculated by a commission composing from the representatives of the SSF, the Ministry of Finance, the Undersecretariat of Treasury, the Undersecretariat of State Planning Organisation, the BRSA, the Savings Deposit Insurance Fund, 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 affiliates do not have retirement benefit plans for their employees. The retirement related benefits of the employees of the consolidated affiliates 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 Taxation

3.18.1 Corporate tax

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

Dividends paid to the resident institutions and the institutions working through local offices or representatives 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 income on sales of equity shares and real estates held at least for two years are tax-exempt in cases where such income is used in capital increases or held under shareholders' equity for five years as required by the Corporate Tax Law.

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

Tax applications for foreign branches

NORTHERN CYPRUS

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

MALTA

The corporate earnings are subject to a 35% corporate tax. This rate is determined by modifying accounting income for certain exclusions and allowances for tax purposes. The earnings of the foreign corporations' branches in Malta are also subject to the same tax rate that the resident corporations in Malta are subject to. The earnings of such branches that are transferred to their head offices are not

subject to an additional tax. The taxes payable is calculated by the obligating firm and the calculation is shown at the tax declaration form that is due till the following year's September and the payment is done till this date.

LUXEMBOURG

The corporate earnings are subject to a 21% corporate tax. This rate is determined by modifying accounting income for certain exclusions and allowances for tax purposes. An additional 7% of the calculated corporate income tax is paid as a contribution to unemployment insurance fund. 3% of the taxable income is paid as municipality tax in addition to corporate tax. The municipalities have the right to increase this rate up to 200%-350%. The municipality commerce tax, which the Bank's Luxembourg branch subject to currently is applied as 7.50% of the taxable income. The tax returns do not include any tax amounts to be paid. The tax calculation is done by the tax office and the amount to be paid is declared to corporate through an official letter called Note. The amounts and the payment dates of prepaid taxes are determined and declared by the tax office at the beginning of the taxation period. The corporations whose head offices are outside Luxembourg, are allowed to transfer the rest of their net income after tax following the allocation of 5% of it for legal reserves, to their head offices.

Tax applications for foreign financial affiliates

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.

3.18.2 Deferred taxes

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

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

The deferred tax assets and liabilities of the Bank and its consolidated affiliates are reported as net in their individual financial statements.

In compliance with TAS 12, the deferred tax assets and liabilities of the consolidated affiliates 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.

3.18.3 Transfer pricing

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

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

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

3.19 Funds borrowed

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

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

3.20 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.

3.21 Confirmed bills of exchange and acceptances

Confirmed bills of exchange and acceptances are recorded in "off-balance sheet accounts" as possible debt commitment, if any.

3.22 Government incentives

As of 30 June 2017, the Bank or its financial affiliates do not have any government incentives or grants (2016: none).

3.23 Segment reporting

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

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	3,760,720	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 Affiliates	-	-	-	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	64,637,075	153,692,358	88,640,694	28,818,652	335,788,779
Investments in Associates and Affiliates	-	-	-	153,406	153,406
Total Assets	64,637,075	153,692,358	88,640,694	28,972,058	335,942,185
Segment Liabilities	125,458,911	71,606,144	80,704,310	19,894,644	297,664,009
Shareholders’ Equity	-	-	-	38,278,176	38,278,176
Total Liabilities and Shareholders’ Equity	125,458,911	71,606,144	80,704,310	58,172,820	335,942,185

<i>Prior Period</i>	Retail Banking	Corporate / Commercial Banking	Investment Banking	Other	Total Operations
Total Operating Profit	3,283,863	2,504,066	124,217	2,353,296	8,265,442
Other	-	-	-	-	-
Total Operating Profit	3,283,863	2,504,066	124,217	2,353,296	8,265,442
Net Operating Profit	814,934	813,682	3,139	1,590,478	3,222,233
Income from Associates and Affiliates	-	-	-	9,062	9,062
Net Operating Profit	814,934	813,682	3,139	1,599,540	3,231,295
Provision for Taxes	-	-	-	626,009	626,009
Net Profit	814,934	813,682	3,139	973,531	2,605,286
Segment Assets	61,499,413	140,924,123	80,712,705	28,832,579	311,968,820
Investments in Associates and Affiliates	-	-	-	153,119	153,119
Total Assets	61,499,413	140,924,123	80,712,705	28,985,698	312,121,939
Segment Liabilities	116,243,213	67,671,139	74,092,285	18,319,395	276,326,032
Shareholders' Equity	-	-	-	35,795,907	35,795,907
Total Liabilities and Shareholders' Equity	116,243,213	67,671,139	74,092,285	54,115,302	312,121,939

3.24 Profit reserves and profit appropriation

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

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

In the ordinary general assembly dated 30 March 2017, it was decided to distribute cash dividend from the net profit of the Bank amounting to TL 5,070,549 thousands from its 2016 operations to the shareholders as disclosed in Note 5.10.2.

3.25 Earnings per share

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

	<i>Current Period</i>	<i>Prior Period</i>
Distributable net profit for the year	3,079,565	2,580,262
Average number of issued common shares (thousand)	420,000,000	420,000,000
Earnings per share (amounts presented full TL)	0.00733	0.00614

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

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

3.26 Related parties

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

3.27 Cash and cash equivalents

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

3.28 Reclassifications

None.

3.29 Other disclosures

None.

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	27,522,354	
Other Comprehensive Income according to TAS	3,474,471	
Profit	3,075,352	
Current Period Profit	3,075,352	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	947	
Minority Interest	51,110	
Common Equity Tier I Capital Before Deductions	39,108,668	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	1,105,617	-
Leasehold Improvements on Operational Leases (-)	112,892	-
Goodwill Netted with Deferred Tax Liabilities	5,111	6,388
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	212,010	265,013
Net Deferred Tax Asset/Liability (-)	9,668	12,085
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 (-)	2,083	-
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	1,447,381	
Total Common Equity Tier I Capital	37,661,287	
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 (-)	54,280	-
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 (-)	2,417	-
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)	37,604,590	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	2,633,250	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2,891,399	
Total Deductions from Tier II Capital	5,524,649	
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	5,524,649	
Total Equity (Total Tier I and Tier II Capital)	43,129,239	
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	54	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	69,691	
Other items to be Defined by the BRSA (-)	33,964	
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)	43,025,530	-
Total Risk Weighted Assets	261,565,334	-
CAPITAL ADEQUACY RATIOS		
Consolidated CET1 Capital Ratio (%)	14.40	-
Consolidated Tier I Capital Ratio (%)	14.38	-
Consolidated Capital Adequacy Ratio (%)	16.45	-
BUFFERS		
Bank-specific total CET1 Capital Ratio (%)	6.811	-
Capital Conservation Buffer Ratio (%)	1.250	-
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	1.061	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	8.449	-
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 ^(**)	1,257,556	-
Remaining Mortgage Servicing Rights	-	-

	Amount	Amount as per the regulation before 1/1/2014 ^(*)
Net Deferred Tax Assets arising from Temporary Differences	292,501	-
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)	3,364,345	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2,891,399	-
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.

(**) 250% risk weight is applied to TL 1,257,556 thousands according to Regulation on “Capital Adequacy Ratio” Annex-1 Paragraph 73, which is not deducted from Common Equity Tier 1 Capital.

<i>Prior Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	23,704,951	
Other Comprehensive Income according to TAS	3,090,208	
Profit	5,114,182	
Current Period Profit	5,114,182	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	947	
Minority Interest	52,513	
Common Equity Tier I Capital Before Deductions	36,947,235	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	1,429,152	-
Leasehold Improvements on Operational Leases (-)	116,307	-
Goodwill Netted with Deferred Tax Liabilities	3,833	6,388
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	156,911	261,520
Net Deferred Tax Asset/Liability (-)	7,129	11,881
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	1,730	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
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	1,715,062	
Total Common Equity Tier I Capital	35,232,173	

	Amount	Amount as per the regulation before 1/1/2014 ^(*)
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 (-)	107,163	-
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 (-)	4,752	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	35,120,258	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2,889,903	
Total Deductions from Tier II Capital	2,889,903	
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	2,889,903	
Total Equity (Total Tier I and Tier II Capital)	38,010,161	

	Amount	Amount as per the regulation before 1/1/2014 (*)
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	31	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	56,325	
Other items to be Defined by the BRSA (-)	36,994	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) during the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	37,916,811	-
Total Risk Weighted Assets	258,425,540	-
CAPITAL ADEQUACY RATIOS		
Consolidated CET1 Capital Ratio (%)	13.63	-
Consolidated Tier I Capital Ratio (%)	13.59	-
Consolidated Capital Adequacy Ratio (%)	14.67	-
BUFFERS		
Bank-specific total CET1 Capital Ratio (%)	5.658	-
Capital Conservation Buffer Ratio (%)	0.625	-
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.533	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	6.672	-
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 (**)	1,125,107	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	245,522	-
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)	3,215,533	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2,889,903	-
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	-	-

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

(**) 250% risk weight is applied to TL 1,125,107 thousands according to Regulation on “Capital Adequacy Ratio” Annex-1 Paragraph 73, which is not deducted from Common Equity Tier 1 Capital.

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

4.1.2 Items included in capital calculation

<i>Information about instruments included in total capital calculation</i>	
Issuer	T. Garanti Bankası A.Ş.
Identifier (CUSIP, ISIN vb.)	Reg S: ISIN: XS1617531063 Common Code: 161753106 144A: CUSIP: 900148 AE7 ISIN: US900148AE73 Common Code: 161752479
Governing law (s) of the instrument	Subject to English Law and in terms of certain articles to Turkish Regulations. It is issued within the scope of the Communiqué VII-128.8 on Debt Instruments of the Capital Markets Board and the Regulation on Bank Capital of the BRSA.
<i>Regulatory treatment</i>	
Subject to 10% deduction as of 1/1/2015	No
Eligible on unconsolidated and /or consolidated basis	Eligible on unconsolidated and consolidated
Instrument type	Subordinated debt instruments (Notes)
Amount recognized in regulatory capital (Currency in TL million, as of most recent reporting date)	2,633
Nominal value of instrument (TL million)	2,633
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 of the 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	1,912,530	(850,957)	1,061,573	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Other Comprehensive Income According to TAS	1,899,703	(850,957)	1,048,746	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Securities Value Increase Fund	(47,552)	6,820	(40,732)	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Revaluation Surplus on Tangible Assets	1,743,141	(36,807)	1,706,334	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Revaluation Surplus on Intangible Assets	-	-	-	
Revaluation Surplus on Investment Property	-	-	-	
Hedging Reserves (Effective Portion)	(463,667)	(48,532)	(512,199)	Items not included in the calculation as per Regulation's Article 9-1-f
Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	-	-	-	
Other Capital Reserves	667,781	(772,438)	(104,657)	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, Affiliates and Joint-Ventures	947	-	947	
Share Premium	11,880	-	11,880	
Profit Reserves	28,799,057	43,405	28,842,462	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Profit or Loss	3,073,175	2,177	3,075,352	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Prior Periods Profit/Loss	-	-	-	
Current Period Net Profit/Loss	3,073,175	2,177	3,075,352	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Minority Interest	293,414	(242,304)	51,110	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Deductions from Common Equity Tier I Capital (-)	-		341,764	Deductions from Common Equity Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	38,278,176		37,661,287	

<i>Current Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the capital report ^(*)</i>	<i>Explanation of the differences</i>
Subordinated Debts			-	
Deductions from Tier I Capital (-)			56,697	Deductions from Tier I Capital as per the Regulation
<i>Tier I Capital</i>			37,604,590	
Subordinated Debts			2,633,250	
General Provisions			2,891,399	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
<i>Tier II Capital</i>			5,524,649	
Deductions from Total Capital (-)			103,709	Deductions from Capital as per the Regulation
<i>Total</i>			43,025,530	

(*) 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 without including insurance subsidiary is lesser than the consolidated capital calculated with including insurance subsidiary, when proceeding from consolidated financial statements to consolidated capital report there is an adjustment for excluding insurance company from consolidation.

<i>Prior Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the 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	1,474,369	(878,442)	595,927	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Other Comprehensive Income According to TAS	1,461,542	(878,442)	583,100	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Securities Value Increase Fund	(543,625)	9,161	(534,464)	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Revaluation Surplus on Tangible Assets	1,691,062	(36,807)	1,654,255	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Revaluation Surplus on Intangible Assets	-	-	-	
Revaluation Surplus on Investment Property	-	-	-	
Hedging Reserves (Effective Portion)	(353,676)	(78,370)	(432,046)	Items not included in the calculation as per Regulation's Article 9-1-f
Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	-	-	-	
Other Capital Reserves	667,781	(772,426)	(104,645)	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, Affiliates and Joint-Ventures	947	-	947	
Share Premium	11,880	-	11,880	
Profit Reserves	24,748,439	34,468	24,782,907	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Profit or Loss	5,105,291	8,891	5,114,182	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Prior Periods Profit/Loss	-	-	-	
Current Period Net Profit/Loss	5,105,291	8,891	5,114,182	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Minority Interest	267,808	(215,295)	52,513	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Deductions from Common Equity Tier I Capital (-)	-		285,910	Deductions from Common Equity Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	35,795,907		35,232,173	

<i>Prior Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the capital report (*)</i>	<i>Explanation of the differences</i>
Subordinated Debts			-	
Deductions from Tier I Capital (-)			111,915	Deductions from Tier I Capital as per the Regulation
Tier I Capital			35,120,258	
Subordinated Debts			-	
General Provisions			2,889,903	General Loan Provision added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
Tier II Capital			2,889,903	
Deductions from Total Capital (-)			93,350	Deductions from Capital as per the Regulation
Total			37,916,811	

(*) 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 without including insurance subsidiary is lesser than the consolidated capital calculated with including insurance subsidiary, when proceeding from consolidated financial statements to consolidated capital report there is an adjustment for excluding insurance company from consolidation.

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 2017, the Bank and its financial affiliates' net 'on balance sheet' foreign currency short position amounts to TL 30,394,907 thousands (31 December 2016: TL 16,885,902 thousands), net 'off-balance sheet' foreign currency long position amounts to TL 33,793,763 thousands (31 December 2016: TL 18,057,131 thousands), while net foreign currency long open position amounts to TL 3,398,856 thousands (31 December 2016: TL 1,171,229 thousands).

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	3.5110	4.0064
<u>Foreign currency rates for the days before balance sheet date:</u>		
Day 1	3.5090	4.0061
Day 2	3.5080	3.9912
Day 3	3.4970	3.9175
Day 4	3.5100	3.9165
Day 5	3.5210	3.9233
Last 30-days arithmetical average rate	3.5102	3.9413

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	5,036,514	17,827,135	6,099,917	28,963,566
Banks	5,414,549	4,485,331	1,697,969	11,597,849
Financial Assets at Fair Value through Profit/Loss	61,367	400,754	4,813	466,934
Interbank Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	2,678,717	1,442,400	-	4,121,117
Loans (*)	37,977,107	45,801,909	3,896,310	87,675,326
Investments in Associates, Affiliates and Joint-Ventures	1,264	-	619	1,883
Investments Held-to-Maturity	-	10,726,013	-	10,726,013
Derivative Financial Assets Held for Risk Management	51,669	52,409	-	104,078
Tangible Assets	90,066	250	57,229	147,545
Intangible Assets	-	-	-	-
Other Assets (**)	4,066,926	1,559,742	135,419	5,762,087
Total Assets	55,378,179	82,295,943	11,892,276	149,566,398
Liabilities				
Bank Deposits	948,865	2,885,527	164,266	3,998,658
Foreign Currency Deposits	39,488,793	62,100,924	6,052,827	107,642,544
Interbank Money Market Takings	1,509,158	3,916,028	94	5,425,280
Other Fundings	13,750,338	28,068,505	129,919	41,948,762
Securities Issued (***)	2,314,550	13,279,510	922,482	16,516,542
Miscellaneous Payables	133,555	405,618	71,936	611,109
Derivative Financial Liabilities Held for Risk Management	26,945	88,483	-	115,428
Other Liabilities (****)	519,002	759,196	2,424,784	3,702,982
Total Liabilities	58,691,206	111,503,791	9,766,308	179,961,305
Net 'On Balance Sheet' Position	(3,313,027)	(29,207,848)	2,125,968	(30,394,907)
Net 'Off-Balance Sheet' Position	5,878,323	29,125,413	(1,209,973)	33,793,763
Derivative Assets	18,742,492	62,783,641	6,277,985	87,804,118
Derivative Liabilities	(12,864,169)	(33,658,228)	(7,487,958)	(54,010,355)
Non-Cash Loans	-	-	-	-
Prior Period				
Total Assets	54,860,658	83,730,189	6,039,332	144,630,179
Total Liabilities	50,388,448	102,038,005	9,089,628	161,516,081
Net 'On Balance Sheet' Position	4,472,210	(18,307,816)	(3,050,296)	(16,885,902)
Net 'Off-Balance Sheet' Position	(3,601,299)	18,158,120	3,500,310	18,057,131
Derivative Assets	18,444,171	61,491,621	6,826,814	86,762,606
Derivative Liabilities	(22,045,470)	(43,333,501)	(3,326,504)	(68,705,475)
Non-Cash Loans	-	-	-	-

(*) The foreign currency-indexed loans amounting TL 5,588,950 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 274,997 thousands included under TL assets in the accompanying consolidated financial statements are presented above under the related foreign currency code.

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

(****) The gold deposits of TL 2,340,091 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	19,554,867	-	-	-	-	16,829,224	36,384,091
Banks	4,942,879	1,528,935	2,300,210	17,296	-	3,742,243	12,531,563
Financial Assets at Fair Value through Profit/Loss	56,658	19,601	102,026	163,227	155,970	2,248,855	2,746,337
Interbank Money Market Placements	14,580	-	-	-	-	5	14,585
Financial Assets Available-for-Sale	3,245,998	5,724,918	7,145,010	1,884,799	3,693,142	2,319,581	24,013,448
Loans	48,703,836	29,403,691	61,218,074	61,963,476	12,611,247	4,397,500	218,297,824
Investments Held-to-Maturity	387,218	1,563,743	7,305,376	3,672,159	7,107,542	2,791,430	22,827,468
Other Assets	722,587	1,135,453	2,769,338	2,837,729	308,954	11,352,808	19,126,869
Total Assets	77,628,623	39,376,341	80,840,034	70,538,686	23,876,855	43,681,646	335,942,185
Liabilities							
Bank Deposits	2,275,230	145,030	118,128	-	-	3,226,176	5,764,564
Other Deposits	103,003,003	26,345,729	12,526,113	2,405,621	14,203	42,757,538	187,052,207
Interbank Money Market Takings	14,825,145	257,500	10,000	520,832	47,495	20,251	15,681,223
Miscellaneous Payables	-	-	-	-	-	9,457,547	9,457,547
Securities Issued (**)	512,586	4,402,501	3,481,754	6,862,586	7,029,205	405,100	22,693,732
Other Fundings	15,819,213	11,596,631	10,219,842	5,089,292	331,640	249,117	43,305,735
Other Liabilities	197	10,593	7,340	-	-	51,969,047	51,987,177
Total Liabilities	136,435,374	42,757,984	26,363,177	14,878,331	7,422,543	108,084,776	335,942,185
On Balance Sheet Long Position	-	-	54,476,857	55,660,355	16,454,312	-	126,591,524
On Balance Sheet Short Position	(58,806,751)	(3,381,643)	-	-	-	(64,403,130)	(126,591,524)
Off-Balance Sheet Long Position	12,033,777	10,072,369	15,291,732	4,451,048	4,733,488	-	46,582,414
Off-Balance Sheet Short Position	(2,202,294)	(4,952,967)	(11,602,032)	(16,604,983)	(11,224,168)	-	(46,586,444)
Total Position	(48,975,268)	1,737,759	58,166,557	43,506,420	9,963,632	(64,403,130)	(4,030)

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

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

<i>Prior Period</i>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing (*)	Total
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	17,892,432	-	-	-	-	6,059,042	23,951,474
Banks	6,642,107	2,287,260	3,103,033	21,108	-	4,827,536	16,881,044
Financial Assets at Fair Value through Profit/Loss	63,776	34,448	17,241	43,336	44,247	3,602,493	3,805,541
Interbank Money Market Placements	373,860	-	-	-	-	11	373,871
Financial Assets Available-for-Sale	2,613,361	5,753,708	5,630,419	3,956,191	4,512,684	1,517,085	23,983,448
Loans	49,351,478	25,521,684	59,026,227	50,347,703	12,807,805	4,354,199	201,409,096
Investments Held-to-Maturity	499,275	2,002,859	5,554,835	5,329,013	7,297,741	2,425,973	23,109,696
Other Assets	1,296,742	1,263,427	2,189,367	2,932,780	300,882	10,624,571	18,607,769
Total Assets	78,733,031	36,863,386	75,521,122	62,630,131	24,963,359	33,410,910	312,121,939
Liabilities							
Bank Deposits	1,253,814	94,014	322,916	-	-	2,817,202	4,487,946
Other Deposits	98,198,502	22,668,701	13,539,995	1,640,164	13,467	38,141,038	174,201,867
Interbank Money Market Takings	10,487,135	207,001	218,766	259,140	47,531	10,620	11,230,193
Miscellaneous Payables	-	-	-	-	-	9,339,748	9,339,748
Securities Issued	676,307	1,760,759	5,012,872	7,843,021	2,098,303	354,386	17,745,648
Other Fundings	14,334,313	17,633,891	8,921,661	5,207,247	179,075	305,666	46,581,853
Other Liabilities	4,296	5,577	11,463	-	-	48,513,348	48,534,684
Total Liabilities	124,954,367	42,369,943	28,027,673	14,949,572	2,338,376	99,482,008	312,121,939
On Balance Sheet Long Position	-	-	47,493,449	47,680,559	22,624,983	-	117,798,991
On Balance Sheet Short Position	(46,221,336)	(5,506,557)	-	-	-	(66,071,098)	(117,798,991)
Off-Balance Sheet Long Position	8,702,855	11,799,365	12,492,698	5,452,678	4,244,593	-	42,692,189
Off-Balance Sheet Short Position	(2,015,891)	(6,163,621)	(9,696,072)	(13,715,662)	(11,205,806)	-	(42,797,052)
Total Position	(39,534,372)	129,187	50,290,075	39,417,575	15,663,770	(66,071,098)	(104,863)

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

4.4.2 Average interest rates on monetary financial instruments (%)

Current Period	EUR	USD	JPY	TL
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	1.10	-	2.20
Banks	(0.36)-2.25	0.54-4.40	-	7.92-15.00
Financial Assets at Fair Value through Profit/Loss	3.16	5.03	-	4.16-15.90
Interbank Money Market Placements	-	-	-	11.94-11.95
Financial Assets Available-for-Sale	0.65-4.63	3.25-11.88	-	9.89-11.59
Loans	0.18-10.89	1.20-10.59	-	10.00-15.81
Investments Held-to-Maturity	-	5.55	-	11.04
Liabilities				
Bank Deposits	0.05-0.25	1.00-1.34	-	12.02
Other Deposits	0.01-5.50	0.01-2.25	1.66	7.00-13.15
Interbank Money Market Takings	-	1.25-2.62	-	9.50-14.60
Miscellaneous Payables	-	-	-	-
Securities Issued	3.58	5.44	0.46	11.00-14.02
Other Fundings	0.25-4.55	1.53-5.46	-	8.75-16.00

Prior Period	EUR	USD	JPY	TL
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	0.52	-	4.22
Banks	(0.35)-2.00	0.66-3.65	-	9.09-12.00
Financial Assets at Fair Value through Profit/Loss	2.18	5.77	-	7.16-14.56
Interbank Money Market Placements	0.05	-	-	8.33-8.43
Financial Assets Available-for-Sale	0.65-4.88	3.24-11.88	-	9.89-14.47
Loans	0.21-13.00	1.16-10.35	3.41	10.25-15.26
Investments Held-to-Maturity	0.19	5.53	-	10.22
Liabilities				
Bank Deposits	0.20-0.42	0.80-1.60	-	9.39-9.58
Other Deposits	0.01-6.70	0.01-2.31	1.22	7.00-15.00
Interbank Money Market Takings	-	2.05-2.62	-	5.00-11.20
Miscellaneous Payables	-	-	-	-
Securities Issued	3.48	5.13	0.64	10.09-11.24
Other Fundings	0.25-4.55	1.15-4.86	-	10.19-25.00

4.5 Consolidated position risk of equity securities

4.5.1 Equity shares in associates and affiliates

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

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

<i>Current Period</i>		Comparison		
Equity Securities (shares)		Carrying Value	Fair Value	Market Value
1	Investment in Shares- Grade A	124,425	-	-
	Quoted Securities	-	-	-
2	Investment in Shares- Grade B	27,097	-	-
	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	124,138	-	-
	Quoted Securities	-	-	-
2	Investment in Shares- Grade B	27,097	-	-
	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

Current Period		Gains/Losses in Current Period	Revaluation Surpluses		Unrealized Gains and Losses		
			Total	Amount in Tier I Capital	Total	Amount in Core Capital	Amount in Tier I Capital
Portfolio							
1	Private Equity Investments	-	-	-	-	-	-
2	Quoted Shares	-	-	-	14,163	-	14,163
3	Other Shares	-	22,703	22,703	-	-	-
Total		-	22,703	22,703	14,163	-	14,163

<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	-	-	-	13,997	-	13,997
3	Other Shares	-	7,080	7,080	-	-	-
Total		-	7,080	7,080	13,997	-	13,997

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	153,406	153,113	12,249
	Total	153,406	153,113	12,249

<i>Prior Period</i>				
	Portfolio	Carrying Value	RWA Total ^(*)	Minimum Capital Requirement
1	Private Equity Investments	-	-	-
2	Quoted Shares	-	-	-
3	Other Shares	153,120	152,857	12,229
	Total	153,120	152,857	12,229

(*) Additional to total RWA as of 30 June 2017, 250% risk weight is applied to TL 1,257,556 thousands (31 December 2016: TL 1,125,107 thousands) according to Regulation on "Capital Adequacy Ratio" Annex-1 Paragraph 73 and Regulation on "Bank Capital" Article 9 Paragraph 4 (ç), which is not deducted from Common Equity Tier 1 Capital.

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 liquidity and funding metrics are monitored.

4.6.1 Liquidity coverage ratio

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

Items in balance sheet and off balance sheet items are taken into account after being multiplied by the coefficients advised in the Regulation. In 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. As of the reporting date, high quality liquid assets are composed of 4.07% cash, 53.64% deposits in central banks and 42.29% 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 68.54% deposits, 20.97% funds borrowed and money market borrowings and 7.13% 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				50,840,885	32,573,118
1	Total high-quality liquid assets (HQLA)			50,840,885	32,573,118
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:	131,087,700	67,703,517	11,847,138	6,759,233
3	Stable deposits	25,232,635	222,366	1,261,632	11,118
4	Less stable deposits	105,855,065	67,481,151	10,585,506	6,748,115
5	Unsecured wholesale funding, of which:	53,324,502	35,871,775	30,023,026	18,740,396
6	Operational deposits	-	-	-	-
7	Non-operational deposits	39,543,847	27,363,889	19,257,175	13,488,380
8	Unsecured funding	13,780,655	8,507,886	10,765,851	5,252,016
9	Secured wholesale funding			224,549	224,549
10	Other cash outflows of which:	51,826,613	13,789,630	10,925,860	10,765,728
11	Outflows related to derivative exposures and other collateral requirements	7,300,850	9,222,728	7,300,850	9,222,728
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	44,525,763	4,566,902	3,625,010	1,543,000
14	Other revocable off-balance sheet commitments and contractual obligations	648,624	476,061	32,431	23,803
15	Other irrevocable or conditionally revocable off-balance sheet obligations	58,766,111	40,277,348	2,938,306	2,013,867
16	Total Cash Outflows			55,991,310	38,527,576
Cash Inflows					
17	Secured receivables	20,404	-	-	-
18	Unsecured receivables	21,213,125	8,764,001	14,078,794	6,265,076
19	Other cash inflows	1,015,481	8,983,864	1,012,618	8,981,729
20	Total Cash Inflows	22,249,010	17,747,865	15,091,412	15,246,805
				Total Adjusted Values	
21	Total HQLA			50,840,885	32,573,118
22	Total Net Cash Outflows			40,899,898	23,280,771
23	Liquidity Coverage Ratio (%)			125.05%	141.33%

(*) 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 2017	108.51%	125.39%
31 May 2017	127.10%	145.04%
30 June 2017	139.53%	153.57%

<i>Prior Period</i>	Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
	TL+FC	FC	TL+FC	FC
High-Quality Liquid Assets			45,090,574	22,119,347
1 Total high-quality liquid assets (HQLA)			45,090,574	22,119,347
Cash Outflows				
2 Retail deposits and deposits from small business customers, of which:	116,761,030	56,119,861	10,456,146	5,602,111
3 Stable deposits	24,399,138	197,514	1,219,957	9,876
4 Less stable deposits	92,361,892	55,922,347	9,236,189	5,592,235
5 Unsecured wholesale funding, of which:	52,366,443	31,129,537	30,831,694	17,157,234
6 Operational deposits	-	-	-	-
7 Non-operational deposits	37,094,336	24,296,740	18,652,878	12,182,976
8 Unsecured funding	15,272,107	6,832,797	12,178,816	4,974,258
9 Secured wholesale funding			367,422	367,422
10 Other cash outflows of which:	51,791,461	15,362,666	12,104,797	11,314,382
11 Outflows related to derivative exposures and other collateral requirements	9,048,417	10,460,072	9,048,417	10,460,072
12 Outflows related to restructured financial instruments	-	-	-	-
13 Payment commitments and other off-balance sheet commitments granted for debts to financial markets	42,743,044	4,902,594	3,056,380	854,310
14 Other revocable off-balance sheet commitments and contractual obligations	2,145,910	2,004,151	107,296	100,208
15 Other irrevocable or conditionally revocable off-balance sheet obligations	55,273,763	38,426,973	2,763,688	1,921,349
16 Total Cash Outflows			56,631,043	36,462,706
Cash Inflows				
17 Secured receivables	19,528	-	-	-
18 Unsecured receivables	20,265,164	7,568,440	13,532,742	5,254,539
19 Other cash inflows	1,744,748	5,749,639	1,738,284	5,743,356
20 Total Cash Inflows	22,029,440	13,318,079	15,271,026	10,997,895
			Total Adjusted Values	
21 Total HQLA			45,090,574	22,119,347
22 Total Net Cash Outflows			41,360,017	25,464,811
23 Liquidity Coverage Ratio (%)			108.97	86.72

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

Period	TL+FC	FC
31 October 2016	109.44%	83.64%
30 November 2016	112.29%	95.90%
31 December 2016	105.17%	80.63%

4.6.2 Contractual maturity analysis of liabilities according to remaining maturities

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

4.6.3 Maturity analysis of assets and liabilities according to remaining maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
Current Period								
Assets								
Cash (Cash on Hand, Money in Transit, Purchased Cheques) And Balances with the Central Bank	10,345,799	26,038,292	-	-	-	-	-	36,384,091
Banks	4,938,558	1,970,178	857,859	1,102,988	3,661,980	-	-	12,531,563
Financial Assets at Fair Value through Profit/Loss	40,804	460,855	421,116	1,045,413	340,951	437,198	-	2,746,337
Interbank Money Market Placements	-	14,585	-	-	-	-	-	14,585
Financial Assets Available-for-Sale	252,776	19,749	18,327	2,084,057	10,752,354	10,886,185	-	24,013,448
Loans	509,731	32,889,744	21,121,244	50,567,126	85,360,532	23,717,579	4,131,868	218,297,824
Investments Held-to-Maturity	-	28,113	89,377	1,945,490	8,175,142	12,589,346	-	22,827,468
Other Assets	2,611,941	1,550,410	1,197,226	2,507,859	3,576,045	559,480	7,123,908	19,126,869
Total Assets	18,699,609	62,971,926	23,705,149	59,252,933	111,867,004	48,189,788	11,255,776	335,942,185
Liabilities								
Bank Deposits	3,339,683	2,155,884	148,420	120,577	-	-	-	5,764,564
Other Deposits	48,639,305	96,836,068	26,449,328	12,611,869	2,494,390	21,247	-	187,052,207
Other Fundings	-	2,296,737	2,540,493	15,607,598	15,908,239	6,952,668	-	43,305,735
Interbank Money Market Takings	94	14,842,207	259,817	10,277	520,832	47,996	-	15,681,223
Securities Issued (**)	-	486,658	4,270,652	3,683,370	7,145,191	7,107,861	-	22,693,732
Miscellaneous Payables	689,769	8,698,840	14,053	53,875	-	430	580	9,457,547
Other Liabilities (***)	3,104,295	1,388,724	512,824	1,160,147	215,854	270,757	45,334,576	51,987,177
Total Liabilities	55,773,146	126,705,118	34,195,587	33,247,713	26,284,506	14,400,959	45,335,156	335,942,185
Liquidity Gap	(37,073,537)	(63,733,192)	(10,490,438)	26,005,220	85,582,498	33,788,829	(34,079,380)	-
Net Off-Balance Sheet Position	-	(364,838)	131,634	173,752	420,655	77,571	-	438,774
Derivative Financial Assets	-	62,577,732	24,809,507	30,584,554	6,530,396	1,631,467	-	126,133,656
Derivative Financial Liabilities	-	62,942,570	24,677,873	30,410,802	6,109,741	1,553,896	-	125,694,882
Non-Cash Loans	-	8,890,624	6,553,562	7,593,528	1,650,191	159,877	107,246	24,955,028
Prior Period								
Total Assets	17,662,498	56,025,807	21,128,903	54,849,372	101,224,879	50,385,570	10,844,910	312,121,939
Total Liabilities	49,705,179	116,180,029	27,639,427	40,524,381	26,819,626	9,348,265	41,905,032	312,121,939
Liquidity Gap	(32,042,681)	(60,154,222)	(6,510,524)	14,324,991	74,405,253	41,037,305	(31,060,122)	-
Net Off-Balance Sheet Position	-	526,190	(104,836)	547,096	5,636	87,715	-	1,061,801
Derivative Financial Assets	-	60,394,076	27,198,909	34,159,810	9,584,052	1,610,733	-	132,947,580
Derivative Financial Liabilities	-	59,867,886	27,303,745	33,612,714	9,578,416	1,523,018	-	131,885,779
Non-Cash Loans	-	4,255,623	4,910,315	6,374,916	1,089,367	223,599	89,084,131	105,937,951

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

(**) Includes subordinated securities issued and presented under subordinated loans debt 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 average of end of month leverage ratios for the last three-month period is 8.05% (31 December 2016: 8.23%). Main reason for the variance compared to prior period is the increase in balance sheet and off balance sheet exposures higher than the increase in capital. While the capital increased by 6.40% as a result of increase in net profits, the balance sheet exposure increased by 8.63% and the off balance sheet exposure increased by 11.22%. Therefore, the current period leverage ratio decreased by 18 basis points compared to prior period.

		Current Period^(***)	Prior Period^(***)
1	Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards ^(*) ^(**)	324,294,098	308,318,527
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” ^(**)	4,397,684	3,803,412
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	(8,770,683)	(8,436,784)
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 instruments	15,928,673	14,523,665
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	4,026,198	2,550,420
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	460,711,583	423,189,090

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

^(**) For the current period consolidated financial statements prepared in accordance with Turkish Accounting Standards as of 31 March 2017 and for the prior period consolidated financial statements prepared in accordance with Turkish Accounting Standards as of 31 December 2016 are used.

^(***) 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)	331,809,934	305,441,515
2	(Assets deducted in determining Tier I capital)	(397,311)	(380,379)
3	Total on-balance sheet risks (sum of lines 1 and 2)	331,412,623	305,061,136
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative financial instruments and credit derivatives	2,982,778	3,494,125
5	Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	8,804,459	8,482,319
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 and 5)	11,787,237	11,976,444
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	2,470,567	1,645,458
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 and 8)	2,470,567	1,645,458
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	119,067,354	107,056,472
11	(Adjustments for conversion to credit equivalent amounts)	(4,026,198)	(2,550,420)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	115,041,156	104,506,052
Capital and total risks			
13	Tier I capital	37,065,041	34,836,155
14	Total risks (sum of lines 3, 6, 9 and 12)	460,711,583	423,189,090
Leverage ratio			
15	Leverage ratio	8.05%	8.23%

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

4.8 Fair values of financial assets and liabilities

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

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

None.

4.10 Risk management objectives and policies

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

4.10.1 Risk management strategy and weighted amounts

4.10.1.1 Risk management strategy

The Bank’s risk management strategy is to ensure that risk management culture is recognized and risk management principles are widely embraced throughout the Bank and its affiliates, an integrated risk management system is established which pursues risk-return-capital relationship. Essential principles are adopted in order to ensure that policies determined to assess and manage risks the Bank is exposed to, are kept updated, adapted to changing conditions, applied and managed.

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

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

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

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

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

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

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

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

4.10.1.2 Risk weighted amounts

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR) (*)	223,407,086	222,091,394	17,872,567
2	Of which standardised approach (SA)	223,407,086	222,091,394	17,872,567
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	4,036,237	5,680,859	322,899
5	Of which standardised approach for counterparty credit risk (SA-CCR)	4,036,237	5,680,859	322,899
6	Of which internal model method (IMM)	-	-	-
7	Equity position in banking book under basic risk weighting or internal rating-based	-	-	-
8	Equity investments in funds – look-through approach	-	-	-
9	Equity investments in funds – mandate-based approach	-	-	-
10	Equity investments in funds – 1250% risk weighting approach	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB supervisory formula approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	6,105,763	6,136,375	488,461
17	Of which standardised approach (SA)	6,105,763	6,136,375	488,461
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	24,147,629	21,096,899	1,931,810
20	Of which basic indicator approach	24,147,629	21,096,899	1,931,810
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)	3,868,619	3,420,013	309,490
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	261,565,334	258,425,540	20,925,227

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

4.10.2 Consolidated financial statements and regulatory exposures reconciliation

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

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 are created based on the prudence, sustainability and customer's credit worthiness principles.

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

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

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

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

Credit risk is managed on a portfolio basis considering the risk/return balance and asset quality of the Bank in the scope of the principles specified in the credit risk policy documents. Furthermore, loan based assessment, allocation and monitoring are carried out within the framework of related processes by related units in the Credit Group. Credit proposals, on the basis of the determined amount and in the framework of levels of authority, are concluded after being evaluated by the Regional Offices, Loans units of Headquarter, if required by the credit committee and the board of directors. The credit approval authority can be transferred starting from the board of directors. The authorities of the Headquarter and Credit Regional Offices are notified in written and transfer of authority is done.

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

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

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

Credit risks are measured, monitored and reported by the Risk Management.

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

Internal control functions are based on three line of defence approach and performed as per the internal control model. In this content, control activities are carried out under the control programs prepared for the designated checkpoints and the methodologies by business units responsible in the first line of defence. For credit risk, centralized controls of guarantees and contracts are carried out by the staff of head office's Marketing Units according to a strategy which covers all branches. In the second line of defence, the existence, adequacy and appropriateness of the first level controls are evaluated by Internal Control Center via conducted branch visits.

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	6,787,312	270,358,646	5,042,731	272,103,227
2	Debt securities	-	46,095,389	-	46,095,389
3	Off-balance sheet exposures	345,506	66,571,944	121,901	66,795,549
4	Total	7,132,818	383,025,979	5,164,632	384,994,165

	<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	6,910,833	245,574,041	5,135,502	247,349,372
2	Debt securities	-	45,895,535	-	45,895,535
3	Off-balance sheet exposures	355,861	68,228,310	134,609	68,449,562
4	Total	7,266,694	359,697,886	5,270,111	361,694,469

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	6,910,833	6,090,168
2 Loans and debt securities defaulted since the last reporting period	1,324,748	4,227,196
3 Receivables back to non-defaulted status	-	-
4 Amounts written off (-)	494,255	1,687,658
5 Other changes (-)	954,014	1,718,873
6 Defaulted loans and debt securities at end of the reporting period	6,787,312	6,910,833

4.10.3.1.4 Additional information on credit quality of consolidated assets

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

4.10.3.2 Consolidated credit risk mitigation

4.10.3.2.1 Qualitative disclosure on consolidated credit risk mitigation techniques

The 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 similar assets and instruments of a high credit quality as well as real estate mortgages have been used in credit risk mitigation.

4.10.3.2.2 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	249,979,189	22,124,038	19,493,202	-	-	-	-
2	Debt securities	46,095,389	-	-	-	-	-	-
3	Total	296,074,578	22,124,038	19,493,202	-	-	-	-
4	Of which defaulted	6,681,023	106,289	22,536	-	-	-	-

	<i>Prior Period</i>	<i>Exposures unsecured: carrying amount as per TAS</i>	<i>Exposures secured by collateral</i>	<i>Collateralized amount of exposures secured by collateral</i>	<i>Exposures secured by financial guarantees</i>	<i>Collateralized amount of exposures secured by financial guarantees</i>	<i>Exposures secured by credit derivatives</i>	<i>Collateralized amount of exposures secured by credit derivatives</i>
1	Loans	195,545,999	51,803,373	42,649,778	-	-	-	-
2	Debt securities	45,895,535	-	-	-	-	-	-
3	Total	241,441,534	51,803,373	42,649,778	-	-	-	-
4	Of which defaulted	6,866,835	43,998	14,357	-	-	-	-

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>	<i>RWA</i>	<i>RWA density</i>
1	Exposures to sovereigns and their central banks	88,494,569	817,464	88,494,569	250,617	8,931,015	10%
2	Exposures to regional and local governments	113,615	2,783	110,336	1,379	55,857	50%
3	Exposures to administrative bodies and non-commercial entities	165,801	6,955	165,801	2,170	167,971	100%
4	Exposures to multilateral development banks	257,936	15,714	257,936	15,714	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	17,727,971	18,002,882	13,614,755	2,317,828	9,061,666	57%
7	Exposures to corporates	108,365,314	50,522,387	106,234,155	20,996,983	125,033,924	98%
8	Retail exposures	65,628,232	44,796,433	65,181,990	4,031,792	51,906,608	75%
9	Exposures secured by residential property	20,427,047	140,750	20,422,299	75,596	7,174,263	35%
10	Exposures secured by commercial property	18,044,516	2,391,658	18,025,120	1,404,092	12,328,689	63%
11	Past-due items	974,367	10	973,904	-	855,253	88%
12	Exposures in high-risk categories	873,620	105,427	873,197	46,818	1,261,352	137%
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	39,504	-	39,504	-	-	-
16	Shares	962,515	-	962,515	-	962,515	100%
17	Other exposures	8,270,610	-	8,270,610	-	5,667,973	69%
18	Total	330,345,617	116,802,463	323,626,691	29,142,989	223,407,086	

	<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	62,991,190	978,372	62,991,190	312,694	12,214,626	19%
2	Exposures to regional and local governments	131,400	2,534	128,824	1,255	61,449	47%
3	Exposures to administrative bodies and non-commercial entities	62,244	5,646	62,244	1,884	64,128	100%
4	Exposures to multilateral development banks	190,237	-	190,237	-	55,402	29%
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	22,550,426	14,968,656	18,321,242	2,249,912	8,408,466	41%
7	Exposures to corporates	109,256,649	53,142,207	107,264,656	21,288,372	125,080,583	97%
8	Retail exposures	62,900,760	41,762,190	62,488,339	3,636,124	49,592,183	75%
9	Exposures secured by residential property	19,318,279	151,697	19,313,597	77,622	6,786,927	35%
10	Exposures secured by commercial property	16,338,647	1,655,679	16,323,202	960,619	11,054,150	64%
11	Past-due items	1,065,373	1,363	1,064,645	-	884,208	83%
12	Exposures in high-risk categories	837,314	159,743	836,664	69,524	1,296,815	143%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-
16	Shares	218,991	-	218,991	-	181,935	83%
17	Other exposures	9,494,987	-	9,494,987	-	6,410,522	68%
18	Total	305,356,497	112,828,087	298,698,818	28,598,006	222,091,394	

4.10.3.3 Consolidated exposures by asset classes and risk weights
Current Period

	Regulatory portfolio	0%	10%	20%	35% secured by property mortgage	50%	75%	100%	150%	200%	Others	Total risk amount (post-CCF and CRM)
1	Exposures to sovereigns and their central banks	79,725,600	-	29,824	-	129,427	-	8,860,335	-	-	-	88,745,186
2	Exposures to regional and local government	-	-	-	-	111,714	-	1	-	-	-	111,715
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	167,971	-	-	-	167,971
4	Exposures to multilateral development banks	273,650	-	-	-	-	-	-	-	-	-	273,650
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	-	5,162,002	-	5,482,631	-	5,287,950	-	-	-	15,932,583
7	Exposures to corporates	-	-	749,199	-	3,195,710	-	123,286,229	-	-	-	127,231,138
8	Retail exposures	-	-	928	-	12,897	69,199,933	24	-	-	-	69,213,782
9	Exposures secured by residential property	-	-	-	20,497,895	-	-	-	-	-	-	20,497,895
10	Exposures secured by commercial property	-	-	-	-	14,201,046	-	5,228,166	-	-	-	19,429,212
11	Past-due items	-	-	-	-	237,301	-	736,603	-	-	-	973,904
12	Exposures in high-risk categories	-	-	-	-	88,781	-	59,778	771,456	-	-	920,015
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	39,504	-	-	-	-	-	-	-	-	-	39,504
16	Shares	-	-	-	-	-	-	962,515	-	-	-	962,515
17	Other exposures	2,602,413	-	280	-	-	-	5,667,917	-	-	-	8,270,610
18	Total	82,641,167	-	5,942,233	20,497,895	23,459,507	69,199,933	150,257,489	771,456	-	-	352,769,680

Prior Period

	Regulatory portfolio	0%	10%	20%	35% secured by property mortgage	50%	75%	100%	150%	200%	Others	Total risk amount (post-CCF and CRM)
1	Exposures to sovereigns and their central banks	38,851,453	-	38,642	-	24,413,782	-	7	-	-	-	63,303,884
2	Exposures to regional and local government	-	-	11,970	-	118,109	-	-	-	-	-	130,079
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	64,128	-	-	-	64,128
4	Exposures to multilateral development banks	-	-	132,386	-	57,851	-	-	-	-	-	190,237
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	-	6,476,701	-	13,962,653	-	131,800	-	-	-	20,571,154
7	Exposures to corporates	-	-	573,924	-	6,026,629	-	121,952,475	-	-	-	128,553,028
8	Retail exposures	-	-	630	-	3,265	66,120,568	-	-	-	-	66,124,463
9	Exposures secured by residential property	-	-	-	19,391,219	-	-	-	-	-	-	19,391,219
10	Exposures secured by commercial property	-	-	-	-	12,459,341	-	4,824,480	-	-	-	17,283,821
11	Past-due items	-	-	-	-	360,873	-	703,772	-	-	-	1,064,645
12	Exposures in high-risk categories	-	-	-	-	30,017	-	64,897	811,274	-	-	906,188
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-
16	Shares	37,057	-	-	-	-	-	181,934	-	-	-	218,991
17	Other exposures	3,082,509	-	2,444	-	-	-	6,410,034	-	-	-	9,494,987
18	Total	41,971,019	-	7,236,697	19,391,219	57,432,520	66,120,568	134,333,527	811,274	-	-	327,296,824

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.

Regulatory counterparty credit risk for derivative transactions, repurchase transactions, security and commodity lending/borrowing transactions is calculated according to Fair Value Method per “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks Annex II”.

In addition, in the process of monitoring counterparty credit risk, the Bank also apply calculations in accordance with Internal Model Method (IMM). Potential Future Exposure (PFE) and Effective Expected Positive Exposure (EEPE) are calculated for internal measurement of counterparty credit risk. The contractual agreements with counterparties are also taken into consideration in PFE calculations. Internal capital for counterparty credit risk is calculated based upon internal model method.

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

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)	2,739,687	1,745,946		1.4	4,451,840	2,376,691
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)					2,824,326	204,942
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	Total						2,581,633

	<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)	4,220,220	1,802,817		1.4	6,013,287	3,165,331
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)					1,936,086	594,068
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	Total						3,759,399

4.10.4.3 Consolidated capital requirement for credit valuation adjustment (CVA)

	<i>Current Period</i>	<i>EAD post-CRM</i>	<i>RWA</i>
	Total portfolios subject to the Advanced CVA capital obligation	-	-
1	(i) VaR component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital obligation	4,416,262	1,454,604
4	Total subject to the CVA capital obligation	4,416,262	1,454,604

	<i>Prior Period</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	6,013,287	1,921,460
4	Total subject to the CVA capital obligation	6,013,287	1,921,460

4.10.4.4 Consolidated CCR exposures by risk class and risk weights

Current Period

Risk weight	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure
Regulatory portfolio									
Exposures to sovereigns and their central banks	1,706,495	-	-	-	-	-	-	-	1,706,495
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	1	-	-	1
Exposures to multilateral development banks	542,071	-	-	-	-	-	-	-	542,071
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	1,135,456	3,041,079	-	34,259	-	-	4,210,794
Exposures to corporates	-	-	-	356	-	716,801	-	-	717,157
Retail exposures	-	-	-	-	88,942	-	-	-	88,942
Exposures secured by property mortgages	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	10,705	-	10,705
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	2,248,566	-	1,135,456	3,041,435	88,942	751,061	10,705	-	7,276,165

Prior Period

Risk weight	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure
Regulatory portfolio									
Exposures to sovereigns and their central banks	177,436	-	-	-	-	-	-	-	177,436
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	4	-	-	4
Exposures to multilateral development banks	413,954	-	-	-	-	-	-	-	413,954
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	1,102,626	5,400,596	-	1,116	-	-	6,504,338
Exposures to corporates	-	-	546	20,882	4	769,901	-	-	791,333
Retail exposures	-	-	-	-	48,608	-	-	-	48,608
Exposures secured by property mortgages	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	13,700	-	13,700
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	591,390	-	1,103,172	5,421,478	48,612	771,021	13,700	-	7,949,373

4.10.4.5 Collaterals for consolidated CCR

	Collateral for derivative transactions				Collateral for other transactions	
Current Period	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	3,579	-	-	-	9,562,899	25,815
Cash-foreign currency	30,214	-	-	-	3,386,420	-
Domestic sovereign debts	-	-	-	-	25,815	13,535,897
Other sovereign debts	-	-	-	-	-	687,923
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	556,173
Total	33,793	-	-	-	12,975,134	14,805,808

	<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	4,944	-	-	-	8,276,773	26,027
Cash-foreign currency	4,807	-	-	-	5,330,999	-
Domestic sovereign debts	-	-	-	-	26,027	13,342,612
Other sovereign debts	-	-	-	-	-	655,413
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	9,751	-	-	-	13,633,799	14,024,052

4.10.4.6 Consolidated credit derivatives

	<i>Current Period</i>		<i>Prior Period</i>	
	<i>Protection bought</i>	<i>Protection sold</i>	<i>Protection bought</i>	<i>Protection sold</i>
Notionals				
Single-name credit default swaps	175,550	-	87,825	-
Index credit default swaps	-	-	-	-
Total return swaps	-	7,022,000	-	7,026,000
Credit options	-	-	-	-
Other credit derivatives	-	-	-	-
Total Notionals	175,550	7,022,000	87,825	7,026,000
Fair Values				
Positive fair values (asset)	-	24,374	215	6,677
Negative fair values (liability)	3,469	45,817	-	401,821

4.10.5 Consolidated securitisations

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

4.10.6 Consolidated market risk

4.10.6.1 Qualitative disclosure on consolidated market risk

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

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

Market Risk Function under Market Risk and Credit Risk Control Department monitors the activities of Treasury Department via risk reports and the limits approved by the board of directors. The Bank establishes the Market Risk appetite in accordance with VaR, internal capital, and Stop/Loss.

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. VaR calculation is used in internal capital and monitored by limit setting regarding risk management. Hypothetical and actual variance based backtesting is conducted to measure the reliability and performance of the VaR model.

Concentration analyses are conducted in accordance with VaR analysis. Sensitivities on basis of product and risk factor are determined with these analyses.

4.10.6.2 Consolidated market risk under standardised approach

		RWA	
		Current Period	Prior Period
	Outright products	5,939,375	5,698,712
1	Interest rate risk (general and specific)	1,253,574	1,774,024
2	Equity risk (general and specific)	142,375	144,125
3	Foreign exchange risk	4,393,888	3,249,988
4	Commodity risk	149,538	530,575
	Options	166,388	437,663
5	Simplified approach	-	-
6	Delta-plus method	166,388	437,663
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	6,105,763	6,136,375

4.10.7 Consolidated operational risk

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

4.10.8 Consolidated banking book interest rate risk

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

5 Disclosures and Footnotes on Consolidated Financial Statements

5.1 Consolidated assets

5.1.1 Cash and balances with Central Bank

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1,295,283	911,603	1,357,697	848,206
Central Bank of Turkey	6,125,242	27,656,158	5,366,015	15,500,506
Others	-	395,805	-	879,050
Total	7,420,525	28,963,566	6,723,712	17,227,762

Balances with the Central Bank of Turkey

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Unrestricted Demand Deposits	2,254,304	5,488,804	5,366,015	155
Unrestricted Time Deposits	-	-	-	38
Restricted Time Deposits	3,870,938	22,167,354	-	15,500,313
Total	6,125,242	27,656,158	5,366,015	15,500,506

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

5.1.2 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>		<i>Prior Period</i>	
	TL	FC	TL	FC
Collateralised/Blocked Assets	17,522	-	13,777	-
Assets Subject to Repurchase Agreements	1,418	-	3,983	-
Total	18,940	-	17,760	-

5.1.2.2 Positive differences on derivative financial assets held for trading

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Forward Transactions	159,463	46,297	249,419	51,101
Swap Transactions	1,365,424	498,859	1,985,329	803,335
Futures	2	-	3	1,097
Options	120,481	42,808	426,836	92,514
Others	7	2,761	-	4,079
Total	1,645,377	590,725	2,661,587	952,126

5.1.2.3 Financial assets at fair value through profit/loss

None.

5.1.3 Banks

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Banks				
Domestic banks	839,675	740,789	823,557	831,980
Foreign banks	94,039	10,857,060	390,952	14,834,555
Foreign headoffices and branches	-	-	-	-
Total	933,714	11,597,849	1,214,509	15,666,535

The placements at foreign banks include blocked accounts amounting TL 6,083,121 thousands (31 December 2016: TL 7,557,761 thousands) of which TL 147,833 thousands (31 December 2016: TL 116,841 thousands) and TL 104,330 thousands (31 December 2016: TL 96,147 thousands) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 5,830,958 thousands (31 December 2016: TL 7,344,773 thousands) as collateral against funds borrowed at various banks.

Furthermore, there are restricted deposits at various domestic banks amounting TL 270,515 thousands (31 December 2016: TL 254,130 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”.

5.1.4 Financial assets available-for-sale

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Collateralised/Blocked Assets	11,986,998	26,453	2,976,848	21,803
Assets subject to Repurchase Agreements	309,034	687,923	4,306,605	655,413
Total	12,296,032	714,376	7,283,453	677,216

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

	<i>Current Period</i>	<i>Prior Period</i>
Debt Securities	21,746,817	22,639,523
Quoted at Stock Exchange	21,163,443	22,067,470
Unquoted at Stock Exchange	583,374	572,053
Common Shares/Investment Fund	188,017	174,953
Quoted at Stock Exchange	81,570	82,203
Unquoted at Stock Exchange	106,447	92,750
Value Increase/Impairment Losses (-)	2,078,614	1,168,972
Total	24,013,448	23,983,448

5.1.5 Loans

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

	<i>Current Period</i>		<i>Prior Period</i>	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct Lendings to Shareholders	-	358,144	-	168,241
Corporates	-	358,144	-	168,241
Real Persons	-	-	-	-
Indirect Lendings to Shareholders	2,575,553	644,318	2,204,037	474,103
Loans to Employees	314,480	76	293,178	146
Total	2,890,033	⁷² 1,002,538	2,497,215	642,490

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

<i>Current Period</i>	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total) ^(*)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other Changes		Extension of Repayment Plan	Other Changes
Cash Loans						
Loans	205,976,733	2,931,171	574,715	10,978,331	4,472,217	1,151,379
Working Capital Loans	37,193,317	269,506	25,087	1,276,104	685,828	228,027
Export Loans	11,781,194	61,633	-	307,330	92,441	40,117
Import Loans	367,800	-	-	8,394	-	-
Loans to Financial Sector	5,980,957	10	-	25	-	-
Consumer Loans	46,283,121	2,273,442	51,951	1,794,968	606,414	52,866
Credit Cards	19,516,857	-	436,490	392,134	-	191,149
Others	84,853,487	326,580	61,187	7,199,376	3,087,534	639,220
Specialization Loans	-	1,263	14,547	-	-	-
Other Receivables	-	-	-	-	-	-
Total	205,976,733	2,932,434	589,262	10,978,331	4,472,217	1,151,379

<i>Prior Period</i>	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other Changes		Extension of Repayment Plan	Other Changes
Cash Loans						
Loans	190,302,117	3,654,915	535,712	9,773,607	4,228,489	909,186
Working Capital Loans	25,036,594	475,760	31,611	1,188,910	512,795	175,499
Export Loans	10,392,159	136,762	-	293,705	109,642	23,312
Import Loans	273,584	-	-	83,269	-	-
Loans to Financial Sector	6,324,341	14,517	-	48	-	-
Consumer Loans	43,381,988	2,359,246	47,346	1,957,402	649,987	55,300
Credit Cards	18,485,865	-	428,089	522,710	-	280,601
Others	86,407,586	668,630	28,666	5,727,563	2,956,065	374,474
Specialization Loans	-	1,252	12,739	-	-	-
Other Receivables	-	-	-	-	-	-
Total	190,302,117	3,656,167	548,451	9,773,607	4,228,489	909,186

(*) The loans granted to the shareholder of a strategically important company operating in the telecommunication sector amounting to USD 951,407,360.63 and EUR 7,836,818.70 (31 December 2016: USD 951,407,360.63 and EUR 7,656,878) are classified under "Performing Loans and Other Receivables". Discussions between the shareholders of the company, creditor banks and related sovereign institutions have started regarding restructuring of loans granted including a possible change in shareholder structure and a positive outcome of these discussions is expected.

As of 30 June 2017, loans amounting to TL 5,611,774 thousands (31 December 2016: TL 5,269,501 thousands) are benefited as collateral under funding transactions.

Collaterals received for loans under follow-up

Current Period	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	44,737	3,238	-	47,975
Loans Collateralized by Mortgages	5,581,696	936,692	-	6,518,388
Loans Collateralized by Pledged Assets	202,067	63,999	-	266,066
Loans Collateralized by Cheques and Notes	58,778	500,441	-	559,219
Loans Collateralized by Other Collaterals	2,461,815	32,898	-	2,494,713
Unsecured Loans	442,136	257,700	392,134	1,091,970
Total	8,791,229	1,794,968	392,134	10,978,331

Prior Period	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	47,618	4,620	-	52,238
Loans Collateralized by Mortgages	4,322,929	974,409	-	5,297,338
Loans Collateralized by Pledged Assets	1,043,152	69,944	-	1,113,096
Loans Collateralized by Cheques and Notes	12,488	560,040	-	572,528
Loans Collateralized by Other Collaterals	1,376,107	35,134	-	1,411,241
Unsecured Loans	491,201	313,255	522,710	1,327,166
Total	7,293,495	1,957,402	522,710	9,773,607

Delinquency periods of loans under follow-up

Current Period	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	469,885	715,043	135,715	1,320,643
61-90 days	116,844	301,004	58,259	476,107
Other	8,204,500	778,921	198,160	9,181,581
Total	8,791,229	1,794,968	392,134	10,978,331

Prior Period	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	598,949	745,107	194,622	1,538,678
61-90 days	164,408	287,597	57,501	509,506
Other	6,530,138	924,698	270,587	7,725,423
Total	7,293,495	1,957,402	522,710	9,773,607

Loans and other receivables with extended payment plans

Current Period	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
No. of Extensions		
1 or 2 times	2,881,593	4,230,842
3, 4 or 5 times	36,868	105,457
Over 5 times	13,973	135,918
Total	2,932,434	4,472,217

<i>Prior Period</i>	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
No. of Extensions		
1 or 2 times	3,313,489	4,074,970
3, 4 or 5 times	108,157	115,311
Over 5 times	234,521	38,208
Total	3,656,167	4,228,489

<i>Current Period</i>	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
Extention Periods		
0 - 6 months	251,780	748,610
6 - 12 months	194,462	173,911
1 - 2 years	1,100,140	438,265
2 - 5 year	1,218,422	1,909,741
5 years and over	167,630	1,201,690
Total	2,932,434	4,472,217

<i>Prior Period</i>	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
Extention Periods		
0 - 6 months	361,795	722,811
6 - 12 months	442,831	235,537
1 - 2 years	1,464,535	315,417
2 - 5 year	1,221,799	1,753,567
5 years and over	165,207	1,201,157
Total	3,656,167	4,228,489

5.1.5.3 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”.

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

<i>Current Period</i>	Short-Term	Medium and Long-Term	Total
Consumer Loans – TL	767,639	43,365,593	44,133,232
Housing Loans	31,137	22,382,046	22,413,183
Automobile Loans	48,911	2,104,903	2,153,814
General Purpose Loans	687,085	18,878,644	19,565,729
Others	506	-	506
Consumer Loans – FC-indexed	71	152,515	152,586
Housing Loans	71	152,301	152,372
Automobile Loans	-	2	2
General Purpose Loans	-	212	212
Others	-	-	-
Consumer Loans – FC	226,132	2,744,996	2,971,128
Housing Loans	3,249	1,417,522	1,420,771
Automobile Loans	261	13,674	13,935
General Purpose Loans	10,203	928,136	938,339
Others	212,419	385,664	598,083
Retail Credit Cards – TL	15,797,163	654,577	16,451,740
With Installment	7,574,530	654,577	8,229,107
Without Installment	8,222,633	-	8,222,633
Retail Credit Cards – FC	104,627	111,499	216,126
With Installment	-	-	-
Without Installment	104,627	111,499	216,126
Personnel Loans – TL	19,888	108,538	128,426
Housing Loan	-	1,732	1,732
Automobile Loans	-	24	24
General Purpose Loans	19,888	106,782	126,670
Others	-	-	-
Personnel Loans - FC-indexed	-	377	377
Housing Loans	-	377	377
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Personnel Loans – FC	1,202	65,929	67,131
Housing Loans	92	27,918	28,010
Automobile Loans	-	-	-
General Purpose Loans	322	30,225	30,547
Others	788	7,786	8,574
Personnel Credit Cards – TL	113,610	1,007	114,617
With Installment	47,638	1,007	48,645
Without Installment	65,972	-	65,972
Personnel Credit Cards – FC	1,584	2,345	3,929
With Installment	-	-	-
Without Installment	1,584	2,345	3,929
Deposit Accounts– TL (Real Persons)	625,209	-	625,209
Deposit Accounts– FC (Real Persons)	-	-	-
Total	17,657,125	47,207,376	64,864,501

Prior Period	Short-Term	Medium and Long-Term	Total
Consumer Loans – TL	745,039	41,174,705	41,919,744
Housing Loans	29,927	21,414,214	21,444,141
Automobile Loans	66,063	2,133,790	2,199,853
General Purpose Loans	649,049	17,626,701	18,275,750
Others	-	-	-
Consumer Loans – FC-indexed	188	172,014	172,202
Housing Loans	188	171,585	171,773
Automobile Loans	-	2	2
General Purpose Loans	-	427	427
Others	-	-	-
Consumer Loans – FC	203,934	2,338,334	2,542,268
Housing Loans	2,953	1,180,029	1,182,982
Automobile Loans	117	12,158	12,275
General Purpose Loans	8,745	838,004	846,749
Others	192,119	308,143	500,262
Retail Credit Cards – TL	15,172,949	775,677	15,948,626
With Installment	7,403,316	775,677	8,178,993
Without Installment	7,769,633	-	7,769,633
Retail Credit Cards – FC	88,081	108,172	196,253
With Installment	16	-	16
Without Installment	88,065	108,172	196,237
Personnel Loans – TL	21,508	91,980	113,488
Housing Loan	-	1,165	1,165
Automobile Loans	-	90	90
General Purpose Loans	21,508	90,725	112,233
Others	-	-	-
Personnel Loans - FC-indexed	-	378	378
Housing Loans	-	378	378
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Personnel Loans – FC	1,347	66,774	68,121
Housing Loans	75	27,834	27,909
Automobile Loans	-	-	-
General Purpose Loans	204	31,985	32,189
Others	1,068	6,955	8,023
Personnel Credit Cards – TL	106,354	1,060	107,414
With Installment	43,217	1,060	44,277
Without Installment	63,137	-	63,137
Personnel Credit Cards – FC	1,727	2,052	3,779
With Installment	-	-	-
Without Installment	1,727	2,052	3,779
Deposit Accounts– TL (Real Persons)	523,189	-	523,189
Deposit Accounts– FC (Real Persons)	-	-	-
Total	16,864,316	44,731,146	61,595,462

5.1.5.5 Installment based commercial loans and corporate credit cards

<i>Current Period</i>	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans – TL	1,596,798	15,099,843	16,696,641
Real Estate Loans	1,462	840,035	841,497
Automobile Loans	131,065	2,186,722	2,317,787
General Purpose Loans	1,464,271	12,073,086	13,537,357
Others	-	-	-
Installment-based Commercial Loans - FC-indexed	226,760	2,293,742	2,520,502
Real Estate Loans	-	72,876	72,876
Automobile Loans	4,745	762,805	767,550
General Purpose Loans	222,015	1,458,061	1,680,076
Others	-	-	-
Installment-based Commercial Loans – FC	1,095,120	1,742,034	2,837,154
Real Estate Loans	-	373	373
Automobile Loans	18	13,245	13,263
General Purpose Loans	89	71,858	71,947
Others	1,095,013	1,656,558	2,751,571
Corporate Credit Cards – TL	3,056,889	52,718	3,109,607
With Installment	1,443,290	52,718	1,496,008
Without Installment	1,613,599	-	1,613,599
Corporate Credit Cards – FC	12,972	-	12,972
With Installment	293	-	293
Without Installment	12,679	-	12,679
Deposit Accounts– TL (Corporates)	865,512	-	865,512
Deposit Accounts– FC (Corporates)	-	-	-
Total	6,854,051	19,188,337	26,042,388

<i>Prior Period</i>	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans – TL	1,767,307	11,094,610	12,861,917
Real Estate Loans	3,262	831,376	834,638
Automobile Loans	107,647	2,174,041	2,281,688
General Purpose Loans	1,656,398	8,089,193	9,745,591
Others	-	-	-
Installment-based Commercial Loans - FC-indexed	264,798	2,405,434	2,670,232
Real Estate Loans	-	72,529	72,529
Automobile Loans	8,927	730,518	739,445
General Purpose Loans	255,871	1,602,387	1,858,258
Others	-	-	-
Installment-based Commercial Loans – FC	868,851	1,720,464	2,589,315
Real Estate Loans	-	637	637
Automobile Loans	42	14,356	14,398
General Purpose Loans	668	71,464	72,132
Others	868,141	1,634,007	2,502,148
Corporate Credit Cards – TL	2,687,757	53,475	2,741,232
With Installment	1,279,033	53,475	1,332,508
Without Installment	1,408,724	-	1,408,724
Corporate Credit Cards – FC	11,271	-	11,271
With Installment	176	-	176
Without Installment	11,095	-	11,095
Deposit Accounts– TL (Corporates)	881,614	-	881,614
Deposit Accounts– FC (Corporates)	-	-	-
Total	6,481,598	15,273,983	21,755,581

5.1.5.6 Allocation of loans by customers

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

5.1.5.7 Allocation of domestic and foreign loans

	<i>Current Period</i>	<i>Prior Period</i>
Domestic Loans	201,184,035	185,557,687
Foreign Loans	15,771,029	14,518,037
Total	216,955,064	200,075,724

5.1.5.8 Loans to associates and affiliates

	<i>Current Period</i>	<i>Prior Period</i>
Direct Lending	17,222	13,289
Indirect Lending	-	-
Total	17,222	13,289

5.1.5.9 Specific provisions for loans

Specific Provisions	Current Period	Prior Period
Substandard Loans and Receivables - Limited Collectibility	400,503	522,689
Doubtful Loans and Receivables	990,323	1,175,099
Uncollectible Loans and Receivables	3,396,224	3,093,301
Total	4,787,050	4,791,089

5.1.5.10 Non-performing loans (NPLs) (net)

Non-performing loans and other receivables restructured or rescheduled

	Group III Substandard Loans and Receivables	Group IV Doubtful Loans and Receivables	Group V Uncollectible Loans and Receivables
Current Period			
(Gross amounts before specific provisions)			
Restructured Loans and Receivables	255,602	633,179	996,296
Rescheduled Loans and Receivables	4,689	2,153	90,880
Total	260,291	635,332	1,087,176
Prior Period			
(Gross amounts before specific provisions)			
Restructured Loans and Receivables	296,602	722,845	873,501
Rescheduled Loans and Receivables	4,364	5,992	88,658
Total	300,966	728,837	962,159

Movements in non-performing loan groups

	Group III Substandard Loans and Receivables	Group IV Doubtful Loans and Receivables	Group V Uncollectible Loans and Receivables
Current Period			
Balances at Beginning of Period	782,833	1,571,137	3,770,491
Additions during the Period (+)	1,085,254	42,522	68,823
Transfer from Other NPL Categories (+)	3,616	1,017,537	1,070,668
Transfer to Other NPL Categories (-)	1,014,504	1,073,102	4,215
Collections during the Period (-)	261,646	235,256	331,927
Write-offs (-) ^(*)	126	13,249	349,046
Corporate and Commercial Loans	-	12,765	84,547
Retail Loans	126	484	134,094
Credit Cards	-	-	130,405
Others	-	-	-
Balances at End of Period	595,427	1,309,589	4,224,794
Specific Provisions (-)	400,503	990,323	3,396,224
Net Balance on Balance Sheet	194,924	319,266	828,570

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

	Group III	Group IV	Group V
<i>Prior Period</i>	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
Balances at Beginning of Period	1,123,595	889,101	3,633,117
Additions during the Period (+)	3,340,638	78,690	278,528
Transfer from Other NPL Categories (+)	14,325	2,975,192	2,076,143
Transfer to Other NPL Categories (-)	3,037,481	2,023,573	24,037
Collections during the Period (-)	637,883	334,747	540,532
Write-offs (-) (*)	20,361	13,526	1,652,728
Corporate and Commercial Loans	19,315	5,709	887,358
Retail Loans	753	5,013	473,297
Credit Cards	293	2,804	292,073
Others	-	-	-
Balances at End of Period	782,833	1,571,137	3,770,491
Specific Provisions (-)	522,689	1,175,099	3,093,301
Net Balance on Balance Sheet	260,144	396,038	677,190

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

Movements in specific loan provisions

	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
<i>Current Period</i>				
Balances at End of Prior Period	2,320,019	1,483,459	987,611	4,791,089
Additions during the Period (+)	278,894	428,640	293,731	1,001,265
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-) (*)	200,985	284,631	159,272	644,888
Write-Offs (-) (**)	97,004	133,598	129,814	360,416
Balances at End of Period	2,300,924	1,493,870	992,256	4,787,050

	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
<i>Prior Period</i>				
Balances at End of Prior Period	1,826,030	1,486,364	986,073	4,298,467
Additions during the Period (+)	1,570,984	1,018,613	598,937	3,188,534
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-) (*)	206,714	547,505	303,170	1,057,389
Write-Offs (-) (**)	870,281	474,013	294,229	1,638,523
Balances at End of Period	2,320,019	1,483,459	987,611	4,791,089

(*) Foreign affiliates' 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
Current Period			
Balance at End of Period	197,575	466,756	1,321,555
Specific Provisions (-)	71,027	294,767	947,790
Net Balance at Balance Sheet	126,548	171,989	373,765
Prior Period			
Balance at End of Period	240,824	458,233	1,273,467
Specific Provisions (-)	100,824	283,281	916,275
Net Balance at Balance Sheet	140,000	174,952	357,192

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
Current Period (Net)	194,924	319,266	828,570
Loans to Individuals and Corporates (Gross)	595,427	1,309,589	4,223,478
Specific Provision (-)	400,503	990,323	3,394,908
Loans to Individuals and Corporates (Net)	194,924	319,266	828,570
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1,005
Specific Provision (-)	-	-	1,005
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	260,144	396,038	677,190
Loans to Individuals and Corporates (Gross)	782,833	1,571,137	3,769,175
Specific Provision (-)	522,689	1,175,099	3,091,985
Loans to Individuals and Corporates (Net)	260,144	396,038	677,190
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1,005
Specific Provision (-)	-	-	1,005
Other Loans and Receivables (Net)	-	-	-

Collaterals received for non-performing loans

<i>Current Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	2,979	199	-	3,178
Loans Collateralized by Mortgages	1,525,653	155,886	-	1,681,539
Loans Collateralized by Pledged Assets	439,804	47,387	-	487,191
Loans Collateralized by Cheques and Notes	245,549	6,071	-	251,620
Loans Collateralized by Other Collaterals	1,003,637	1,063,760	-	2,067,397
Unsecured Loans	220,507	426,039	992,339	1,638,885
Total	3,438,129	1,699,342	992,339	6,129,810

<i>Prior Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	3,016	184	-	3,200
Loans Collateralized by Mortgages	1,524,646	142,402	-	1,667,048
Loans Collateralized by Pledged Assets	440,060	47,119	-	487,179
Loans Collateralized by Cheques and Notes	268,837	7,286	-	276,123
Loans Collateralized by Other Collaterals	997,188	1,019,355	-	2,016,543
Unsecured Loans	217,723	468,953	987,692	1,674,368
Total	3,451,470	1,685,299	987,692	6,124,461

5.1.5.11 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”.

5.1.5.12 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”.

5.1.6 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”.

5.1.7 Investments held-to-maturity

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Collateralised/Blocked Investments	8,065,707	3,602,470	5,793,705	4,341,183
Investments subject to Repurchase Agreements	1,544	1,002,105	3,147,892	-
Total	8,067,251	4,604,575	8,941,597	4,341,183

5.1.7.2 Government securities held-to-maturity

	<i>Current Period</i>	<i>Prior Period</i>
Government Bonds	18,975,890	19,108,804
Treasury Bills	-	-
Other Government Securities	-	-
Total	18,975,890	19,108,804

5.1.7.3 Investments held-to-maturity

	<i>Current Period</i>	<i>Prior Period</i>
Debt Securities	20,080,747	20,705,624
Quoted at Stock Exchange	19,968,905	20,462,344
Unquoted at Stock Exchange	111,842	243,280
Valuation Increase / (Decrease)	2,746,721	2,404,072
Total	22,827,468	23,109,696

5.1.7.4 Movement of investments held-to-maturity

	<i>Current Period</i>	<i>Prior Period</i>
Balances at Beginning of Period	23,109,696	21,317,246
Foreign Currency Differences on Monetary Assets	(1,833)	2,051,504
Purchases during the Period	191,787	314,669
Disposals through Sales/Redemptions	(819,082)	(1,186,759)
Valuation Effect	346,900	613,036
Balances at End of Period	22,827,468	23,109,696

5.1.8 Investments in associates

5.1.8.1 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	5.25	5.28
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	1.69	1.69

	Total Assets	Shareholders' Equity	Total Fixed Assets ^(*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	10,489	8,700	1,431	369	3	1,404	651	-
2	79,690	43,312	50,931	359	-	3,416	4,923	-
3	687,037	74,265	3,029	2,866	206	2,653	312	-
4	9,813,710	1,103,547	100,413	79,537	1,948	59,697	65,580	-
5	1,141,293	1,104,905	223,578	9,960	41	61,195	32,864	-
6	251,695	153,446	174,795	974	17	14,597	5,766	-
7	522,864,251	71,767,643	685,646	8,726,740	2,744,355	23,115,976	20,736,851	-
8	414,271	392,484	9,287	3,950	-	63,507	1,710	-

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

(1) Financial information is as of 31 March 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.

5.1.8.2 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	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	35,177	34,801	68	467	509	983	1,781	23,360

(*) 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.

5.1.8.3 Movement of consolidated investments in associates

	<i>Current Period</i>	<i>Prior Period</i>
Balance at Beginning of Period	708	686
Movements during the Period	63	22
Acquisitions and Capital Increases	-	-
Bonus Shares Received	-	-
Allocation from Current Period Profit	-	-
Sales	-	-
Reclassifications	-	-
Increase/Decrease in Fair Values	63	22
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
Balance at End of Period	771	708
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

Valuation methods of consolidated investments in associates

Associates	<i>Current Period</i>	<i>Prior Period</i>
Valued at Cost	-	-
Valued at Fair Value	771	708
Valued by Equity Method of Accounting	-	-

Sectoral distribution of consolidated investments and associates

Associates	<i>Current Period</i>	<i>Prior Period</i>
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	771	708
Other Associates	-	-

Quoted consolidated investments in associates

	<i>Current Period</i>	<i>Prior Period</i>
Quoted at Domestic Stock Exchanges	771	708
Quoted at International Stock Exchanges	-	-

Investments in associates sold during the current period

None.

Investments in associates acquired during the current period

None.

5.1.9 Investments in affiliates

Information on capital adequacy of major affiliates

<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	552,977	357,848	1,544,023
Share Premium	-	-	51,980
Share Cancellation Profits	-	-	-
Legal Reserves	945,026	567,914	(257,084)
Other Comprehensive Income according to TAS	788,053	-	20,762
Current and Prior Periods' Profits	80,843	50,157	78,473
Common Equity Tier I Capital Before Deductions	2,366,899	975,919	1,438,154
Deductions From Common Equity Tier I Capital			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	30,689	452	365,800
Leasehold Improvements on Operational Leases (-)	-	80	6,626
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	14,315	6,757	187,093
Net Deferred Tax Asset/Liability (-)	-	-	9,668
Total Deductions from Common Equity Tier I Capital	45,004	7,289	569,187
Total Common Equity Tier I Capital	2,321,895	968,630	868,967
Total Deductions From Tier I Capital	3,578	1,689	49,190
Total Tier I Capital	2,318,317	966,941	819,777
TIER II CAPITAL	200,320	-	93,453
CAPITAL BEFORE DEDUCTIONS	2,518,637	966,941	913,230
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	586	-
TOTAL CAPITAL	2,518,637	966,355	913,230

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

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

5.1.9.1 Unconsolidated investments in affiliates

	Affiliates	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	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value	Amount of Equity Requirement
1	79,775	67,327	48	3,274	3	5,072	3,976	-	-
2	28,764	14,705	648	366	-	(79)	1,108	-	-
3	5,119	3,883	5	213	20	89	(283)	-	-
4	2,529	1,649	1,011	-	16	51	61	-	-
5	2,746	1,893	46	95	-	197	450	-	-
6	4,146	4,146	4,140	-	-	(1)	(1)	-	-
7	1,323,216	32,393	1,192,665	94	-	8,286	(83)	-	-
8	2,105	1,369	-	-	-	799	593	-	-

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

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

The non-financial investments excluded from the consolidation process, are accounted under cost method of accounting.

5.1.9.2 Movement of consolidated investments in affiliates

	<i>Current Period</i>	<i>Prior Period</i>
Balance at Beginning of Period	5,069,629	4,342,264
Movements during the Period	677,706	727,365
Acquisitions and Capital Increases	-	53,484
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Sales/Liquidations	-	(157,635)
Reclassifications	-	-
Value Increase/Decrease (*)	450,306	411,275
Currency Differences on Foreign Affiliates	227,400	420,241
Reversal of Impairment Losses / Impairment Losses (-)	-	-
Balance at End of Period	5,747,335	5,069,629
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

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

Valuation methods of consolidated investments in affiliates

	<i>Current Period</i>	<i>Prior Period</i>
Valued at Cost	-	-
Valued at Fair Value (*)	5,747,335	5,069,629

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

Sectoral distribution of consolidated investments in affiliates

	<i>Current Period</i>	<i>Prior Period</i>
Banks	2,329,643	2,025,895
Insurance Companies	1,257,556	1,125,108
Factoring Companies	163,675	151,548
Leasing Companies	975,472	925,310
Finance Companies	1,020,989	841,768
Other Affiliates	-	-

Except for quoted affiliates, the balances are as per the results of equity accounting application.

Quoted consolidated investments in affiliates

	<i>Current Period</i>	<i>Prior Period</i>
Quoted at Domestic Stock Exchanges	163,675	151,548
Quoted at International Stock Exchanges	-	-

Other information on consolidated investments in affiliates

	Affiliates	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Shares of Other Consolidated Affiliates (%)	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	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	5,240,845	975,468	9,996	199,219	-	50,157	66,137	-
2	2,776,439	199,822	7,618	132,927	-	14,369	13,733	-
3	138,325	92,119	13,299	2,615	829	24,629	14,822	-
4	67,555	60,804	3,851	3,097	-	8,592	6,122	-
5	1,947,701	1,481,047	40,908	90,251	969	155,872	121,927	-
6	17,177,359	2,336,037	107,960	263,429	35,168	80,842	18,098	-
7	1,364,035	1,363,868	-	-	-	(152)	(96)	-
8	1,426,074	1,231,500	-	66	-	(4,199)	25,674	-
9	8,177,620	1,089,453	287,338	145,995	11,512	65,211	(13,587)	-
10	661,707	95,934	4,650	19,712	-	6,150	4,563	-
11	456,081	64,873	5,735	27,132	-	8,980	7,293	-

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

Consolidated investments in affiliates disposed during the current period

None.

Consolidated investments in affiliates acquired during the current period

None.

5.1.10 Investments in joint-ventures

None.

5.1.11 Lease receivables

5.1.11.1 Financial lease receivables according to remaining maturities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	2,587,415	2,291,100	2,708,046	2,396,795
Between 1-5 Years	3,347,244	2,991,759	3,428,328	3,056,205
Longer than 5 Years	373,695	351,980	363,233	341,260
Total	6,308,354	5,634,839	6,499,607	5,794,260

5.1.11.2 Net financial lease receivables

	Current Period	Prior Period
Gross Financial Lease Receivables	6,308,354	6,499,607
Unearned Income on Financial Lease Receivables (-)	(673,515)	(705,347)
Terminated Lease Contracts (-)	-	-
Net Financial Lease Receivables	5,634,839	5,794,260

5.1.11.3 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.

5.1.12 Derivative financial assets held for risk management

5.1.12.1 Positive differences on derivative financial instruments held for risk management

Derivative Financial Assets Held for Risk Management	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedges	55,529	5,340	73,946	11,534
Cash Flow Hedges	415,670	98,738	5,526	575,289
Net Foreign Investment Hedges	-	-	-	-
Total	471,199	104,078	79,472	586,823

As of 30 June 2017, the face values and the net fair values, recognised in the balance sheet, of the derivative financial instruments held for risk management purposes, are summarized below:

	<i>Current Period</i>			<i>Prior Period</i>		
	Face Value	Asset	Liability	Face Value	Asset	Liability
Interest Rate Swaps	39,968,279	109,966	132,952	35,828,669	146,128	138,470
-TL	7,333,388	55,894	24,136	8,307,595	79,472	26,671
-FC	32,634,891	54,072	108,816	27,521,074	66,656	111,799
Cross Currency Swaps	6,878,672	465,311	147,205	8,525,479	520,167	204,844
-TL	1,501,302	415,305	-	1,837,687	-	-
-FC	5,377,370	50,006	147,205	6,687,792	520,167	204,844
Total	46,846,951	575,277	280,157	44,354,148	666,295	343,314

5.1.12.1.1 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	40,212	16,924	(68,594)	(11,458)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(25,206)	33,460	(1,384)	6,870
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	985	10,456	(27,121)	(12,621)
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	(10,762)	-	(140,264)	(151,026)
Cross Currency Swaps	Fixed-rate commercial loans	Interest rate and foreign currency exchange rate risk	758	29	(328)	459

Prior Period						
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item	Net Fair Value Change of Hedging Item		Income Statement Effect (gains/losses from derivative financial instruments)
				Asset	Liability	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	42,431	15,833	(75,781)	(17,517)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(42,169)	48,387	(344)	5,874
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(27,048)	20,917	(36,290)	(1,649)
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	(13,071)	-	(164,529)	(177,600)
Cross Currency Swaps	Fixed-rate commercial loans	Interest rate and foreign currency exchange rate risk	231	343	-	574

5.1.12.1.2 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	82	-	2	8	-
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	33,313	(20,557)	(8,981)	(11,553)	381
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	15,731	(15,296)	(14,898)	(5,880)	1,178
Cross Currency Swaps	Floating-rate securities issued	Commitments	-	(4,697)	(2,981)	(1,716)	-
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	415,306	-	(7,522)	(33,311)	24
Cross Currency Swaps	Fixed-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	49,976	(1,916)	536	(539)	-

As of 31 December 2016, the loss reclassified from the shareholders' equity to the income statement due to the ceased hedging transactions amounted to TL 619 thousands (30 June 2017: -).

Prior Period							
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item		Gains/Losses Accounted under Shareholders' Equity in the Period	Gains/Losses Accounted under Income Statement in the Period	Ineffective Portion (net) Accounted under Income Statement
			Asset	Liability			
Interest Rate Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates	66	-	(30)	(100)	-
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	46,656	(26,054)	21,463	(21,882)	(135)
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	14,268	-	14,325	(3,344)	-
Cross Currency Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	-	-	(6,677)	(12,091)	-
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	443,903	-	(17,541)	(89,625)	51
Cross Currency Swaps	Fixed-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	75,922	(40,316)	(2,035)	1,827	-

5.1.13 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”.

5.1.14 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”.

5.1.15 Investment property

	<i>Current Period</i>	<i>Prior Period</i>
Net Book Value at Beginning Period	543,825	307,095
Additions	2,183	231,273
Disposals	-	(8,125)
Transfers to Tangible Assets	-	12,098
Fair Value Change	-	1,484
Net Currency Translation Differences on Foreign Affiliates	-	-
Net Book Value at End of Current Period	546,008	543,825

The investment property is held for operational leasing purposes.

5.1.16 Deferred tax asset

As of 30 June 2017, on a consolidated basis the Bank has a deferred tax asset of TL 287,376 thousands (31 December 2016: TL 233,342 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 2017, deferred tax assets of TL 592,593 thousands (31 December 2016: TL 530,797 thousands) are reduced by deferred tax liabilities of TL 305,217 thousands with offsetting characteristics (31 December 2016: TL 297,455 thousands) 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>		<i>Prior Period</i>	
	Tax Base	Deferred Tax Amount	Tax Base	Deferred Tax Amount
Provisions (*)	1,184,375	239,178	976,182	196,283
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	201,507	35,618	(427,008)	(95,290)
Revaluation Differences on Real Estates	(1,722,648)	(22,865)	(1,732,442)	(25,313)
Other	188,275	35,445	802,238	157,662
Deferred Tax Asset, Net	(148,491)	287,376	(381,030)	233,342

(*) 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 affiliates' financial assets.

As of 30 June 2017, TL 140,976 thousands of deferred tax income (30 June 2016: TL 147,464 thousands) and TL 90,509 thousands of deferred tax expense (31 December 2016: TL 62,489 thousands of deferred tax income) were recognised in the income statement and the shareholders' equity, respectively.

5.1.17 Assets held for sale and assets of discontinued operations

	<i>Current Period</i>	<i>Prior Period</i>
End of Prior Period		
Cost	621,671	375,548
Accumulated Depreciation	(16,656)	(9,183)
Net Book Value	605,015	366,365
End of Current Period		
Additions	279,401	347,416
Disposals (Cost)	(71,658)	(99,936)
Disposals (Accumulated Depreciation)	811	1,358
Reversal of Impairment / Impairment Losses (-)	150	(3,514)
Depreciation Expense for Current Period (-)	-	(8,831)
Currency Translation Differences on Foreign Operations	1,098	2,157
Cost	830,662	621,671
Accumulated Depreciation (-)	(15,845)	(16,656)
Net Book Value	814,817	605,015

As of balance sheet date, the net book values of assets held for sale on which rights of repurchase exist amounting to TL 474,514 thousands (31 December 2016: TL 359,660 thousands).

5.1.18 Other Assets

5.1.18.1 Receivables from term sale of assets

	<i>Current Period</i>	<i>Prior Period</i>
Sale of Investments in Associates, Affiliates and Joint – Ventures	-	-
Sale of Real Estates	-	-
Sale of Available for Sale Assets	18,040	16,670
Sale of Other Assets	1,133	2,305
Total	19,173	18,975

5.1.18.2 Prepaid expenses

	<i>Current Period</i>	<i>Prior Period</i>
Prepaid Expenses	821,573	527,538
Prepaid Taxes	25,687	27,335

5.2 Consolidated liabilities

5.2.1 Maturity profile of deposits

<i>Current Period</i>	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit	Total
Saving Deposits	10,205,886	-	2,509,038	39,571,361	1,229,254	335,212	547,383	3,858	54,401,992
Foreign Currency	27,576,922	-	8,989,880	49,450,532	4,808,339	6,616,702	10,148,443	51,726	107,642,544
Residents in Turkey	19,108,717	-	8,328,579	45,371,528	2,157,542	1,090,695	967,127	50,615	77,074,803
Residents in Abroad	8,468,205	-	661,301	4,079,004	2,650,797	5,526,007	9,181,316	1,111	30,567,741
Public Sector Deposits	987,710	-	3,642	23,689	6,015	757	-	-	1,021,813
Commercial Deposits	7,607,605	-	4,293,810	6,272,012	155,402	496,390	256,637	-	19,081,856
Others	214,450	-	87,721	1,204,171	4,096	65,162	988,311	-	2,563,911
Precious Metal	2,046,732	-	-	67,884	10,911	19,271	195,293	-	2,340,091
Bank Deposits	3,339,683	-	1,965,208	302,114	7,049	97,526	52,984	-	5,764,564
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	3,771	-	1,307,230	16,231	-	57,452	12,793	-	1,397,477
Foreign Banks	1,327,950	-	657,978	285,883	7,049	40,074	40,191	-	2,359,125
Special Financial	2,007,962	-	-	-	-	-	-	-	2,007,962
Others	-	-	-	-	-	-	-	-	-
Total	51,978,988	-	17,849,299	96,891,763	6,221,066	7,631,020	12,189,051	55,584	192,816,771

<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	9,406,286	-	3,618,003	39,391,571	536,188	364,615	470,517	4,046	53,791,226
Foreign Currency	23,618,814	-	6,953,347	42,994,576	2,795,107	7,441,131	13,052,825	56,941	96,912,741
Residents in Turkey	16,049,046	-	6,345,098	39,173,531	1,631,107	1,086,601	1,137,770	55,783	65,478,936
Residents in Abroad	7,569,768	-	608,249	3,821,045	1,164,000	6,354,530	11,915,055	1,158	31,433,805
Public Sector Deposits	493,327	-	72,724	27,688	116	4,994	24	-	598,873
Commercial Deposits	8,348,759	-	4,194,489	5,361,728	130,133	167,600	238,684	-	18,441,393
Others	212,836	-	140,766	1,023,250	52,904	447,810	553,501	-	2,431,067
Precious Metal	1,755,811	-	-	82,984	12,264	22,493	153,015	-	2,026,567
Bank Deposits	2,912,446	-	812,225	184,277	248,456	233,096	97,446	-	4,487,946
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	3,960	-	391,559	15,107	16,305	118,174	14,442	-	559,547
Foreign Banks	1,748,304	-	420,666	169,170	232,151	114,922	83,004	-	2,768,217
Special Financial	1,160,182	-	-	-	-	-	-	-	1,160,182
Others	-	-	-	-	-	-	-	-	-
Total	46,748,279	-	15,791,554	89,066,074	3,775,168	8,681,739	14,566,012	60,987	178,689,813

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

5.2.1.1.1 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	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	28,701,849	27,843,202	25,315,537	25,576,417
Foreign Currency Saving Deposits	19,744,799	17,180,146	44,811,093	39,472,238
Other Saving Deposits	1,097,438	821,559	1,226,117	1,471,382
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-

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

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

5.2.1.3 Saving deposits not covered by insurance limits

5.2.1.3.1 Saving deposits of individuals not covered by insurance limits:

	Current Period	Prior Period
Deposits and Other Accounts held at Foreign Branches	875,825	860,876
Deposits and Other Accounts held by Shareholders and their Relatives	-	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	733,247	751,270
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-	-

5.2.2 Negative differences on derivative financial liabilities held for trading

Trading Derivatives	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	100,396	53,857	242,280	67,634
Swap Transactions	1,775,960	378,780	2,023,979	857,048
Futures	178	624	106	964
Options	44,738	77,442	373,051	144,526
Others	-	2,693	-	4,397
Total	1,921,272	513,396	2,639,416	1,074,569

5.2.3 Funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	2,400,634	-	1,880,102
Domestic Banks and Institutions	588,556	1,278,468	1,153,848	1,540,125
Foreign Banks, Institutions and Funds	768,417	38,269,660	1,973,831	40,033,947
Total	1,356,973	41,948,762	3,127,679	43,454,174

5.2.3.1 Maturities of funds borrowed

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Short-Term	910,973	7,001,094	1,237,683	4,284,065
Medium and Long-Term	446,000	34,947,668	1,889,996	39,170,109
Total	1,356,973	41,948,762	3,127,679	43,454,174

In accordance with TAS 39 paragraph 9, the Bank classified certain borrowings obtained through securitisations amounting to USD 2,000,000,000 as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch. As of 30 June 2017, the accumulated credit risk change and the credit risk change recognised in the income statement amounted to TL 60,484 thousands and a loss of TL 381,655 thousands, respectively. The carrying value of the related financial liability amounted to TL 6,961,516 thousands.

5.2.3.2 Disclosures for concentration areas of bank's liabilities

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

5.2.4 Other external funds

5.2.4.1 Securities issued

<i>Current Period</i>	TL		FC	
	Short-Term	Medium and Long-Term	Short-Term	Medium and Long-Term
Nominal	2,451,216	4,030,112	-	14,284,368
Cost	2,341,237	3,762,262	-	14,197,630
Carrying Value (*)	2,391,091	3,786,099	-	13,866,469

<i>Prior Period</i>	TL		FC	
	Short-Term	Medium and Long-Term	Short-Term	Medium and Long-Term
Nominal	2,297,303	3,831,336	-	12,328,286
Cost	2,203,896	3,552,593	-	12,242,657
Carrying Value (*)	2,240,063	3,631,583	-	11,874,002

(*) The Bank and/or its financial affiliates repurchased the Bank's own TL securities with a total face value of TL 109,236 thousands (31 December 2016: TL 107,896 thousands) and foreign currency securities with a total face value of TL 763,647 thousands (31 December 2016: TL 764,060 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 30 June 2017, the accumulated negative credit risks change, and the positive credit risk change recognised in the income statement amounted to TL 1,737 thousands and TL 728 thousands, respectively. The carrying value of the related financial liability amounted to TL 33,577 thousands and the related current period gains amounted to TL 723 thousands, respectively.

5.2.4.2 Funds provided through repurchase transactions

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Domestic Transactions	305,944	-	7,287,738	-
Financial Institutions and Organizations	240,078	-	7,196,813	-
Other Institutions and Organizations	23,867	-	40,765	-
Individuals	41,999	-	50,160	-
Foreign Transactions	264	1,557,154	2	526,081
Financial Institutions and Organizations	-	1,557,154	-	526,081
Other Institutions and Organizations	-	-	-	-
Individuals	264	-	2	-
Total	306,208	1,557,154	7,287,740	526,081

5.2.4.3 Miscellaneous payables

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Payables from credit card transactions	8,356,886	57,195	7,833,260	41,268
Payables from insurance transactions	30,643	63	32,366	240
Other	458,909	553,851	394,462	1,038,152
Total	8,846,438	611,109	8,260,088	1,079,660

5.2.5 Factoring payables

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

5.2.6 Lease payables

5.2.6.1 Financial lease payables

None.

5.2.6.2 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.

5.2.7 Derivative financial liabilities held for risk management

Derivative Financial Liabilities Held for Risk Management	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Fair Value Hedges	24,136	213,555	26,671	250,273
Cash Flow Hedges	-	42,466	-	66,370
Net Foreign Investment Hedges	-	-	-	-
Total	24,136	256,021	26,671	316,643

Please refer to Note 5.1.12.1 for financial liabilities resulted from derivatives held for risk management.

5.2.8 Provisions

5.2.8.1 General provisions

	<i>Current Period</i>	<i>Prior Period</i>
General Provision for	3,364,345	3,215,533
Loans and Receivables in Group I	1,900,975	1,754,506
Loans and Receivables in Group II	931,043	872,064
Non-Cash Loans	353,441	360,322
Others	178,886	228,641

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

	<i>Current Period</i>	<i>Prior Period</i>
Short-Term Loans	29,542	1,241
Medium and Long Term Loans	6,589	270
Total	36,131	1,511

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

5.2.8.3 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”.

5.2.8.4 Other provisions

5.2.8.4.1 General reserves for possible losses

	<i>Current Period</i>	<i>Prior Period</i>
General Reserves for Possible Losses	720,000	300,000

5.2.8.4.2 Other provisions for possible losses

	<i>Current Period</i>	<i>Prior Period</i>
Reserve for Employee Benefits	815,979	730,525
Insurance Technical Provisions, Net	343,007	306,775
Provision for Promotion Expenses of Credit Cards (*)	115,300	99,131
Provision for Lawsuits	57,292	56,474
Gayrinakdi Kredi Karşılıkları	121,901	134,609
Other Provisions	222,621	189,826
Total	1,676,100	1,517,340

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

Recognized liability for defined benefit plan obligations

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

Furthermore, an actuarial report was prepared as of 31 December 2016 as per the requirements of the Law explained in Note 3.17, the accounting policies related with “employee benefits” for the benefits transferable to the SSF and as per TAS 19 for other benefits not transferable to the SSF and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees. Based on the actuary’s 5 December 2016 dated report, the asset surplus over the fair value of the plan assets to be used for the payment of the obligations also fully covers the benefits not transferable and still a surplus of TL 1,482,852 thousands remains as of 31 December 2016 as details are given in the table below.

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

	31 December 2016
Transferable Pension and Medical Benefits:	
Net present value of pension benefits transferable to SSF	(770,448)
Net present value of medical benefits and health premiums transferable to SSF	531,665
General administrative expenses	(39,405)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(278,188)
Fair Value of Plan Assets (2)	3,050,930
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	2,772,742
Non-Transferable Benefits:	
Other pension benefits	(662,751)
Other medical benefits	(627,139)
Total Non-Transferable Benefits (4)	(1,289,890)
Asset Surplus over Total Benefits ((3)-(4)=(5))	1,482,852
Net Present Value of Medical Benefits and Health Premiums Transferable to SSF – but not considered acting prudently (6)	(531,665)
Present Value of Asset Surplus/(Defined Benefit Obligation) ((5)-(6))	951,187

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 2016
	%
Discount Rate (*)	11.50
Inflation Rate (*)	7.80
Future Real Salary Increase Rate	1.5
Medical Cost Trend Rate	40% above inflation
Future Pension Increase Rate (*)	7.80

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

5.2.9 Tax liability

5.2.9.1 Current tax liability

5.2.9.1.1 Tax liability

As of 30 June 2017, the corporate tax liability amounts to TL 459,172 thousands (31 December 2016: TL 119,401 thousands) after offsetting with prepaid taxes.

5.2.9.1.2 Taxes payable

	<i>Current Period</i>	<i>Prior Period</i>
Corporate Taxes Payable	459,172	119,401
Taxation on Securities Income	116,281	122,010
Taxation on Real Estates Income	3,798	3,752
Banking Insurance Transaction Tax	128,008	120,305
Foreign Exchange Transaction Tax	83	86
Value Added Tax Payable	9,235	16,107
Others	52,870	82,880
Total	769,447	464,541

5.2.9.1.3 Premiums payable

	<i>Current Period</i>	<i>Prior Period</i>
Social Security Premiums-Employees	3,257	5,029
Social Security Premiums-Employer	2,853	3,571
Bank Pension Fund Premium-Employees	165	21
Bank Pension Fund Premium-Employer	246	21
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	1,341	1,220
Unemployment Insurance-Employer	2,755	2,613
Others	49	1,250
Total	10,666	13,725

5.2.9.2 Deferred tax liability

As of 30 June 2017, the deferred tax liability amounts to TL 1,850 thousands (31 December 2016: -).

5.2.10 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”.

5.2.11 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”.

5.2.12 Shareholders' equity

5.2.12.1 Paid-in capital

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

5.2.12.2 Registered share capital system

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

5.2.12.3 Capital increases in current period

None.

5.2.12.4 Capital increases from capital reserves in current period

None.

5.2.12.5 Capital commitments for current and future financial periods

None.

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

None.

5.2.12.7 Information on privileges given to stocks representing the capital

None.

5.2.12.8 Securities value increase fund

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Investments in Associates, Affiliates and Joint-Ventures			-	-
Valuation Difference			-	-
Exchange Rate Difference			-	-
Securities Available-for-Sale	(99,836)	52,284	(484,900)	(58,725)
Valuation Difference	(99,836)	52,284	(484,900)	(58,725)
Exchange Rate Difference	-	-	-	-
Total	(99,836)	52,284	(484,900)	(58,725)

5.2.12.9 Revaluation surplus

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Movables	-	-	-	-
Real Estates	1,508,875	6,272	1,508,875	5,772
Gain on Sale of Investments in Associates and Affiliates and Real Estates to be used for Capital Increases	227,994	-	176,415	-
Revaluation Surplus on Leasehold Improvements	-	-	-	-
Total	1,736,869	6,272	1,685,290	5,772

5.2.12.10 Bonus shares of associates, affiliates and joint-ventures

Bonus shares resulted from non-cash capital increases from the following investee companies; Doğuş Gayrimenkul Yatırım Ortaklığı AŞ by TL 20 thousands, Garanti Ödeme Sistemleri AŞ by TL 401 thousands, Kredi Kartları Bürosu by TL 481 thousands, Tat Konserve AŞ by TL 36 thousands and Yatırım Finansman Menkul Değerler AŞ by TL 9 thousands.

5.2.12.11 Legal reserves

	<i>Current Period</i>	<i>Prior Period</i>
I. Legal Reserve	1,031,077	1,022,250
II. Legal Reserve	353,271	249,272
Special Reserves	-	-
Total	1,384,348	1,271,522

5.2.12.12 Extraordinary reserves

	<i>Current Period</i>	<i>Prior Period</i>
Legal Reserves allocated in compliance with the Decisions Made on the Annual General Assembly	25,880,302	22,192,305
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital	-	-
Total	25,880,302	22,192,305

5.2.12.13 Minority interest

	<i>Current Period</i>	<i>Prior Period</i>
Balance at Beginning of Period	267,808	226,617
Profit Share of Affiliates Net Profits	27,098	42,468
Prior Period Dividend Payment	(1,500)	(1,210)
Increase/(Decrease) in Minority Interest due to Sales	-	-
Others	8	(67)
Balance at End of Period	293,414	267,808

5.3 Consolidated off-balance sheet items

5.3.1 Off-balance sheet contingencies

5.3.1.1 Irrevocable credit commitments

The Bank and its consolidated financial affiliates have term asset purchase and sale commitments of TL 10,995,804 thousands (31 December 2016: TL 3,956,061 thousands), commitments for cheque payments of TL 3,724,252 thousands (31 December 2016: TL 3,555,087 thousands) and commitments for credit card limits of TL 29,580,636 thousands (31 December 2016: TL 28,226,693 thousands).

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

	<i>Current Period</i>	<i>Prior Period</i>
Letters of Guarantee in Foreign Currency	21,044,373	20,901,575
Letters of Guarantee in TL	18,506,795	17,111,138
Letters of Credit	13,488,574	15,754,367
Bills of Exchange and Acceptances	1,467,608	2,127,334
Prefinancings	-	-
Other Guarantees	175,188	191,066
Total	54,682,538	56,085,480

A specific provision of TL 121,901 thousands (31 December 2016: TL 134,609 thousands) is made for unliquidated non-cash loans of TL 345,506 thousands (31 December 2016: TL 355,861 thousands) recorded under the off-balance sheet items.

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

5.3.1.3 Non-cash loans

	<i>Current Period</i>	<i>Prior Period</i>
Non-Cash Loans against Cash Risks	5,825,580	5,128,893
<i>With Original Maturity of 1 Year or Less</i>	396,482	331,380
<i>With Original Maturity of More Than 1 Year</i>	5,429,098	4,797,513
Other Non-Cash Loans	48,856,958	50,956,587
Total	54,682,538	56,085,480

5.3.1.4 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”.

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

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

5.3.2 Financial derivative instruments

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

5.3.3 Credit derivatives and risk exposures on credit derivatives

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

5.3.4 Contingent liabilities and assets

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

5.3.5 Services rendered on behalf of third parties

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

5.4 Consolidated income statement

5.4.1 Interest income

5.4.1.1 Interest income from loans (*)

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Interest Income from Loans				
Short-term loans	2,579,516	202,675	2,589,061	142,522
Medium and long-term loans	5,517,611	1,935,280	3,926,552	1,637,113
Loans under follow-up	46,628	2,809	32,941	3,198
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	8,143,755	2,140,764	6,548,554	1,782,833

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

5.4.1.2 Interest income from banks

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Central Bank of Turkey	72,085	17,165	-	7,576
Domestic Banks	50,967	12,642	47,302	4,185
Foreign Banks	1,521	41,819	1,195	35,452
Foreign Head Offices and Branches	-	-	-	-
Total	124,573	71,626	48,497	47,213

5.4.1.3 Interest income from securities portfolio

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Financial Assets Held for Trading	9,375	1,366	8,905	876
Financial Assets Valued at Fair Value Through Profit	-	-	-	-
Financial Assets Available-for-Sale	919,087	103,367	943,821	119,823
Investments Held-to-Maturity	604,144	305,642	581,430	251,328
Total	1,532,606	410,375	1,534,156	372,027

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.

5.4.1.4 Interest income received from associates and affiliates

	<i>Current Period</i>	<i>Prior Period</i>
Interest Received from Investments in Associates and Affiliates	886	700

5.4.2 Interest expenses

5.4.2.1 Interest expenses on funds borrowed (*)

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Central Bank of Turkey	-	-	-	-
Domestic Banks	28,833	20,656	30,155	18,077
Foreign Banks	81,665	309,706	129,238	230,774
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	214,155	-	139,084
Total	110,498	544,517	159,393	387,935

(*) Includes also fees and commissions expenses on borrowings

5.4.2.2 Interest expenses paid to associates and affiliates

	Current Period	Prior Period
Interest Paid to Investments in Associates and Affiliates	4,042	1,787

5.4.2.3 Interest expenses on securities issued

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

5.4.2.4 Maturity structure of interest expense on deposits

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	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

Prior 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	512	91,551	-	290	575	-	-	92,928
Saving Deposits	716	125,168	1,835,807	56,130	18,357	23,534	-	2,059,712
Public Sector Deposits	-	245	2,367	5	17	1	-	2,635
Commercial Deposits	1,689	152,793	279,469	21,776	16,283	33,440	-	505,450
Others	1	6,507	49,449	4,829	38,097	12,575	-	111,458
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Total TL	2,918	376,264	2,167,092	83,030	73,329	69,550	-	2,772,183
Foreign Currency								
Foreign Currency Deposits	21,275	30,384	366,897	27,242	42,173	168,064	266	656,301
Bank Deposits	1	9,440	1,103	699	1,968	1,743	-	14,954
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	10	-	2	620	-	632
Total FC	21,276	39,824	368,010	27,941	44,143	170,427	266	671,887
Grand Total	24,194	416,088	2,535,102	110,971	117,472	239,977	266	3,444,070

5.4.2.5 *Interest expense on repurchase agreements*

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

5.4.2.6 *Financial lease expenses*

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

5.4.2.7 *Interest expenses on factoring payables*

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

5.4.3 **Dividend income**

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

5.4.4 **Trading income/losses (net)**

	<i>Current Period</i>	<i>Prior Period</i>
Income	33,884,666	38,263,542
Trading Account Income	1,442,487	1,091,599
Derivative Financial Instruments	5,918,792	5,229,719
Foreign Exchange Gain	26,523,387	31,942,224
Losses (-)	34,773,906	38,806,088
Trading Account Losses	1,754,953	977,218
Derivative Financial Instruments	6,947,494	6,265,685
Foreign Exchange Losses	26,071,459	31,563,185
Total	(889,240)	(542,546)

TL 3,476,751 thousands (30 June 2016: TL 1,652,204 thousands) of foreign exchange gains and TL 3,278,157 thousands (30 June 2016: TL 1,412,360 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, in the current period, a gain of TL 15,765 thousands and a loss of TL 3,079 thousands (30 June 2016: gains of TL 219,822 thousands and TL 65,222 thousands resulting from outstanding transactions at that date) 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, in the current period, a loss of TL 10,762 thousands (30 June 2016: TL 15,077 thousands resulting from outstanding transactions at that date) 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, in the current period, gains of TL 35,978 thousands and TL 15,499 thousands (30 June 2016: a gain of TL 20,261 thousands and a loss of TL 99,598 thousands resulting from outstanding transactions at that date) 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, in the current period, a net loss of TL 3,069 thousands (30 June 2016: a net gain of TL 16,466 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, in the current period, a net gain of TL 133 thousands (30 June 2016: a net loss of TL 3,026 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, in the current period, a net gain of TL 402 thousands (30 June 2016: a net loss of TL 1,137 thousands) resulting from currency derivative contracts were recognized under shareholder's equity.

5.4.5 Other operating income

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

In the current period, a part of non-performing receivables of the Bank amounting to TL 334,214 thousands (30 June 2016: TL 568,263 thousands) were sold for a consideration of TL 23,020 thousands (30 June 2016: TL 52,479 thousands). Considering the related provisions of TL 333,906 thousands (30 June 2016: TL 566,818 thousands) in the financial statements, a gain of TL 22,712 thousands (30 June 2016: TL 51,009 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 (30 June 2016: TL 59,867 thousands) were sold for a total consideration of TL 22,308 thousands (30 June 2016: TL 4,023 thousands). A gain from these sales amounting to TL 21,516 thousands is recognized under "other operating income" (30 June 2016: other operating income of TL 1,459 thousands and other operating expenses of TL 2,125 thousands) considering the related provision of TL 242,297 thousands (30 June 2016: TL 55,178 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 (30 June 2016: TL 66 thousands) is recognized in the income statement under "other operating income" in the current period.

5.4.6 Provision for losses on loans or other receivables

	<i>Current Period</i>	<i>Prior Period</i>
Specific Provisions for Loans and Other Receivables	811,478	1,419,361
<i>Loans and receivables in Group III</i>	<i>348,510</i>	<i>626,219</i>
<i>Loans and receivables in Group IV</i>	<i>361,289</i>	<i>437,567</i>
<i>Loans and receivables in Group V</i>	<i>101,679</i>	<i>355,575</i>
General Provisions	165,277	150,693
Provision for Possible Losses	420,000	-
Impairment Losses on Financial Assets	947	502
<i>Financial assets at fair value through profit or loss</i>	<i>947</i>	<i>499</i>
<i>Financial assets available-for-sale</i>	<i>-</i>	<i>3</i>
Impairment Losses on Associates, Affiliates and Investments Held-to-Maturity	-	-
<i>Associates</i>	<i>-</i>	<i>-</i>
<i>Affiliates</i>	<i>-</i>	<i>-</i>
<i>Joint ventures (business partnership)</i>	<i>-</i>	<i>-</i>
<i>Investments held-to-maturity</i>	<i>-</i>	<i>-</i>
Others	106,941	106,871
Total	1,504,643	1,677,427

5.4.7 Other operating expenses

	<i>Current Period</i>	<i>Prior Period</i>
Personnel Costs	1,564,456	1,387,799
Reserve for Employee Termination Benefits	38,451	34,146
Defined Benefit Obligation	-	-
Impairment Losses on Tangible Assets	5	-
Depreciation Expenses of Tangible Assets	140,480	117,698
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortisation Expenses of Intangible Assets	52,686	41,871
Decrease in Value of Equity Accounting Shares	-	-
Impairment Losses on Assets to be Disposed	525	1,977
Depreciation Expenses of Assets to be Disposed	-	3,985
Impairment Losses on Assets Held for Sale and Discontinued Assets	-	-
Other Operating Expenses	1,455,233	1,236,849
<i>Operational lease related expenses</i>	<i>233,264</i>	<i>204,887</i>
<i>Repair and maintenance expenses</i>	<i>29,994</i>	<i>28,487</i>
<i>Advertisement expenses</i>	<i>99,264</i>	<i>87,219</i>
<i>Other expenses (*)</i>	<i>1,092,711</i>	<i>916,256</i>
Loss on Sale of Assets	561	3,048
Others (**)(***)	490,113	538,409
Total	3,742,510	3,365,782

(*) 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 (30 June 2016: TL 34,895 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 (30 June 2016: TL 113,828 thousands) and insurance-business claim losses of TL 74,937 thousands (30 June 2016: TL 63,097 thousands) in the current period.

(***) Includes repayments, by the Bank in the current period, of fees and commissions income recognised in prior years in the amount of TL 19,373 thousands (30 June 2016: TL 77,147 thousands) as per the decision of the Turkish Competition Board or the related courts.

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

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

5.4.9 Information on provision for taxes 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 (30 June 2016: TL 773,473 thousands) and a deferred tax income of TL 140,976 thousands (30 June 2016: TL 147,464 thousands).

Deferred tax benefit/charge on timing differences

Deferred tax (benefit)/charge on timing differences	Current Period	Prior Period
Increase in Tax Deductable Timing Differences (+)	(195,911)	(138,501)
Decrease in Tax Deductable Timing Differences (-)	108,351	29,990
Increase in Taxable Timing Differences (-)	106,003	46,006
Decrease in Taxable Timing Differences (+)	(159,419)	(84,959)
Total	(140,976)	(147,464)

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	Current Period	Prior Period
(Increase)/Decrease in Tax Deductable Timing Differences (net)	(77,805)	(116,518)
(Increase)/Decrease in Taxable Timing Differences (net)	(53,416)	(38,953)
(Increase)/Decrease in Tax Losses (net)	(9,755)	8,007
(Increase)/Decrease in Tax Deductions and Exemptions (net)	-	-
Total	(140,976)	(147,464)

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

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

5.4.11 Net profit/loss

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

None.

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

None.

5.4.11.3 Minority interest’s profit/loss

	Current Period	Prior Period
Net Profit/(Loss) of Minority Interest	27,098	22,629

5.4.12 Components of other items in income statement

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

5.5 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”.

5.6 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”.

5.7 Related party risks

5.7.1 Transactions with parent bank's risk group;

5.7.1.1 Loans and other receivables

Current Period:

Bank's Risk Group	Associates, Affiliates and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	31,850	3,476	1,660,778	385,799	2,320,156	735,944
Balance at end of period	68,132	4,420	34,409	499,427	2,674,291	820,646
Interest and Commission Income	1,485	5	2,705	44	83,949	1,416

Prior Period:

Bank's Risk Group	Associates, Affiliates and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	33,129	3,616	57,550	827,462	2,184,276	472,865
Balance at end of period	31,850	3,476	1,660,778	385,799	2,320,156	735,944
Interest and Commission Income	2,097	3	235	4	74,766	183

5.7.1.2 Deposits

Bank's Risk Group	Associates, Affiliates and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at beginning of period	46,726	31,511	545,105	337,764	554,648	552,778
Balance at end of period	82,903	46,726	959,388	545,105	430,557	554,648
Interest Expenses	4,042	1,787	6,315	357	9,341	2,118

5.7.1.3 Derivative transactions

Bank's Risk Group	Associates, Affiliates and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at Fair Value Through Profit/(Loss)						
Balance at beginning of period	13,344	12,675	13,797,354	16,403,422	843,120	-
Balance at end of period	10,011	13,344	26,252,474	13,797,354	789,975	843,120
Total Profit/(Loss)	(12)	90	20,682	(147,477)	3,490	-
Transactions for Hedging						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit/(Loss)	-	-	-	-	-	-

5.7.2 Bank's risk group

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

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

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

The cash loans of the risk group amounting TL 2,592,776 thousands (31 December 2016: TL 2,216,830 thousands) compose 1.19% (31 December 2016: 1.10%) of the Bank's total consolidated cash loans and 0.77% (31 December 2016: 0.71%) of the Bank's total consolidated assets. The total loans and similar receivables amounting TL 2,776,832 thousands (31 December 2016: TL 4,012,784 thousands) compose 0.83% (31 December 2016: 1.29%) of the Bank's total consolidated assets. The non-cash loans of the risk group amounting TL 1,324,493 thousands (31 December 2016: TL 1,125,219 thousands) compose 2.42% (31 December 2016: 2.01%) of the Bank's total consolidated non-cash loans. The deposits of the risk group amounting TL 1,472,848 thousands (31 December 2016: TL 1,146,479 thousands) compose 0.76% (31 December 2016: 0.64%) of the Bank's total consolidated deposits. There are no funds borrowed by the Bank and its consolidated financial affiliates from their risk group (31 December 2016: -) 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 60,579 thousands (31 December 2016: TL 65,017 thousands). A total rent income of TL 2,238 thousands (30 June 2016: TL 1,871 thousands) was recognized for the real estates rented to the related parties.

Operating expenses for TL 2,303 thousands as of 30 June 2017 (30 June 2016: TL 4,312 thousands) were incurred for the IT services rendered by the related parties. Other income of TL 1,428 thousands (30 June 2016: TL 1,271 thousands) for the IT services rendered and banking services fee income of TL 10,866 thousands (30 June 2016: TL 551 thousands) were recognized from the related parties.

There were no fixed-rate securities brokerage fee (30 June 2016: TL 180 thousands) received from the risk group.

Operating expenses of TL 165 thousands (30 June 2016: TL 1,933 thousands) for advertisement and broadcasting services, of TL 25,871 thousands (30 June 2016: TL 20,592 thousands) for financial leasing services, and of TL 4,697 thousands (30 June 2016: TL 6,188 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 affiliates amounts to TL 66,515 thousands as of 30 June 2017 (30 June 2016: TL 78,958 thousands) including compensations paid to key management personnel who left their position during the year.

5.7.2.3 Other matters not required to be disclosed

None.

5.7.2.4 Transactions accounted for under equity method

None.

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

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

Purchase of equipments for internal use are partly arranged through financial leasing.

5.8 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”.

5.9 Matters arising subsequent to the balance sheet date

As per the authorization given by the Bank's Board of Directors to the management, the banking activities of the Luxembourg branch ceased as of 30 June 2017.

5.10 Other Disclosures on Activities

5.10.1 Information on international risk ratings

5.10.1.1 Parent bank's international risk ratings

MOODY'S (March 2017)

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

STANDARD AND POORS (January 2017)

Long Term FC ICR	BB
Long Term TL ICR	BB
Outlook	Negative
Stand-alone Credit Profile (SACP)	bb+

FITCH RATINGS (June 2017)

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

JCR EURASIA RATINGS (April 2017)

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

5.10.1.2 International risk ratings of Garanti Bank International NV, a consolidated affiliate

MOODY'S (June 2017) (*)

Long Term FC Deposit	A3
Short Term FC Deposit	Prime-2
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa2
Outlook	Negative

(*) Latest date in risk ratings or outlooks.

5.10.1.3 International risk ratings of Garanti Faktoring, a consolidated affiliate

FITCH RATINGS (June 2017) (*)

Foreign Currency	
Long Term	BBB-
Short Term	F3
Outlook	Stable
Turkish Lira	
Long Term	BBB-
Short Term	F3
Outlook	Stable
National	AAA (tur)
Outlook	Stable
Support	2

(*) Latest date in risk ratings or outlooks.

5.10.1.4 International risk ratings of Garanti Finansal Kiralama, a consolidated affiliate

FITCH RATINGS (June 2017) (*)

Foreign Currency	
Long Term	BBB-
Short Term	F3
Outlook	Stable
Turkish Lira	
Long Term	BBB-
Short Term	F3
Outlook	Stable
National	AAA (tur)
Outlook	Stable
Support	2

(*) Latest date in risk ratings or outlooks.

STANDARD AND POORS (January 2017) (*)

Foreign Currency	
Long Term	BB
Short Term	B
Outlook	Negative
Turkish Lira	
Long Term	BB
Short Term	B
Outlook	Negative

(*) Latest date in risk ratings or outlooks.

5.10.1.5 International risk ratings of Garanti Bank SA, a consolidated affiliate

FITCH RATINGS (May 2017) (*)

Foreign Currency	
Long Term	BBB-
Short Term	F3
Financial Capacity	b+
Support	2
Outlook	Stable

(*) Latest date in risk ratings or outlooks.

5.10.2 Dividend

As per the decision made at the annual general assembly of shareholders of the parent Bank on 30 March 2017, the distribution of the net profit of the year 2016, was as follows;

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

5.10.3 Other disclosures

None.

6 Limited Review Report

6.1 Disclosure on limited review report

The consolidated financial statements of the Bank and its financial affiliates as of 30 June 2017, have been reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member of KPMG International Cooperative) and a limited review report dated 27 July 2017, is presented before the accompanying consolidated financial statements.

6.2 Disclosures and footnotes prepared by independent auditors

None.

7 Interim Activity Report

7.1 Introduction

7.1.1 About Garanti

Established in 1946, Garanti Bank is **Turkey's second largest private bank** with consolidated assets of US\$ 95.7 billion as of June 30, 2017.

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, 2017, Garanti provides a wide range of financial services to its 14.5 million customers with more than 19 thousand employees through an **extensive distribution network** of 948 domestic branches; 7 foreign branches in Cyprus, one in Luxembourg and one in Malta; 3 international representative offices in London, Düsseldorf and Shanghai with 4,759 ATMs, an award-winning Call Center, internet, mobile and social banking platforms, all built on **cutting-edge technological infrastructure**.

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

Following the **best practices in corporate governance**, Garanti's majority shareholder is Banco Bilbao Vizcaya Argentaria S.A. (BBVA) with 49.85% share. Having shares publicly traded in Turkey, depositary receipts in the UK and the USA, Garanti has an actual free float of 50.07% in Borsa Istanbul as of June 30, 2017.

With its dynamic business model and superior technology integrated to its innovative products and services, Garanti continues to differentiate itself and facilitate the lives of its customers. Its **custom-tailored solutions** and **wide product variety** play a key role in reaching US\$ 77.8 billion cash and non-cash loans. The **high asset quality** attained through advanced risk management systems and established risk culture place Garanti apart in the sector.

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

Per disclosure dated July 5, 2017, the banking activities of our Luxembourg Branch have been ceased as of 30.06.2017 in accordance with the authority granted to the Head Office by our Bank's Board of Directors.

7.1.2 Capital and shareholding structure

Garanti has paid-in capital of TL 4,200,000,000 as of June 30, 2017.

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	2,093,700,000.00	49.85
OTHERS	210,630,000,000	2,106,300,000.00	50.15
GRAND TOTAL	420,000,000,000	4,200,000,000.00	100.00

7.1.3 The amendments in the articles of association during period of 01.04.2017-30.06.2017

There is no change during the period.

7.1.4 Macro Outlook for the first 6 months period of 2017

1Q17 Growth surprised positively. After registering 3.5% YoY growth rate in 4Q16, GDP grew by 5% in 1Q17. Private consumption maintained its momentum by growing 5.1% and continued to be higher than its long term average of 4.3%. Government consumption also jumped by 9.4%, resulting in a total consumption contribution of 4.4pp. Investment expenditures, on the other hand, remained weak by growing 2.2% as machinery and investment continued to be the soft belly with 10% contraction, the largest level since the start of the series in 2009. Thus, domestic demand -including stocks- gave a total contribution of 2.8pp, while net exports also contributed positively by 2.2pp. We forecast our 2017 GDP growth to be near 5%, revised upwards from 3%.

May Industrial Production (IP) hints a more balanced outlook. In the April-May period of the 2Q, the calendar adjusted IP annual growth accelerated to 5%, from 1Q's 2.1%. The higher contribution from intermediary goods and a more balanced outlook among the other main sub items (with still muted but durable goods backed consumer goods production) signal a healthier and improving outlook for the IP in the next months. The data with strong activity in both exports and domestic oriented sectors simply tell us that the 2Q GDP growth might be supported by both consumption and investment, which would also be in line with recovering confidence indicators.

Core current account deficit continued to improve in May. 12-month-cumulative current account deficit (CAD) deteriorated from USD32.7bn (3.9% of GDP) in 1Q to USD35.3bn (4.3% of GDP) by end-May. When both net energy and gold trade are excluded, the deficit falls from USD5.1bn to USD3.9bn. We expect the CAD to GDP ratio to deteriorate to 4.8% in 2017 on the back of strong domestic demand but to be contained by the moderate recovery in the tourism sector and increasing EU demand.

Budget figures continued to worsen in 2Q. Budget revenues increased by 7.8%, while expenditures surged by 15.8% in 2Q, compared to the same period of last year. Hence, cumulative deficit in the first half of the year reached TL 25.2bn. As clearly seen in the first half, the Government's intensified countercyclical measures will further widen the budget deficit in the second half, but the worsening will be much lower compared to our previous estimation on the back of the robust performance of the economy and higher than expected revenue collection from tax amnesty. We expect budget deficit to GDP ratio to increase to 2.1% in 2017 from 1.1% in 2016, while primary balance will be -0.2% of GDP.

Turkey's external debt stock/GDP was 49.1% in 1Q. In the first quarter, gross external debt stock/GDP level was 49.1%, increased from 47.3% in 2016. EU-defined general government debt stock/GDP ratio elevated to 28.9% in 1Q from 28.3% in 2016. It was 27.5% in 2015.

Inflation started to moderate but still in double digits. Annual CPI inflation eased to 10.9% in end-2Q, from 11.3% by end 1Q. Core inflation also declined to 9.2% from 9.5% in the same period. Favorable base effects on food inflation, plummeting energy prices and slight withdrawal in core prices on stable TL were the drivers behind the improvement in inflation outlook. We maintain our year-end inflation estimate at 9%, supported by both the stable Lira and the Government's decision not to hike taxes on tobacco in 2017.

Central Bank (CBRT)'s average funding rate reached 12.0% by the end of the 2Q. The CBRT preserves a hawkish tone by over-looking expected disinflationary impacts of the fall in energy prices and partial correction in food prices in the short term, by using Late Liquidity Window (LLW) as its main policy tool. In this regard, the CBRT raised its average funding rate by another 70bps in 2Q, after increasing 300bps in 1Q, by allocating a higher share from the LLW.

Turkish financial assets gained strength throughout the 2Q. TL appreciated to 3.52 against the US dollar by the end of June from 3.64 by end 1Q. Thus, the level of depreciation, 25% on average against currency basket in annual terms in 1Q eased to 21% in 2Q. Benchmark bond yield which was at 11.4% at the end of 1Q, fell to 11.1% in 2Q.

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

The most valuable company in Turkey, Garanti contributed TL 273 billion to revitalize the economy

Türkiye Garanti Bankası A.Ş., announced its financial statements dated June 30, 2017. With an **asset size** of TL 335 billion 942 million 185 thousand, Garanti's contribution to the economy through **cash and non-cash lending** reached TL 272 billion 980 million 362 thousand, based on the consolidated financials. The Bank posted a **net income** of TL 3 billion 100 million 273 thousand in the first six months of 2017. The Bank delivered an **ROAE** (Return on Average Equity) of 18.1% and an **ROAA** (Return on Average Assets) of 2.1%.

Commenting on the financial results, **Garanti Bank Chairman F. Ferit Şahenk** stated that: "The recovery process of the global economy has been ongoing. While the pick-up in economic activity seems to be relatively stronger in advanced countries, emerging markets are also expected to grow faster in 2017 relative to last year. Going forward, steps of the advanced economies in their monetary normalization process will be of great importance for the external financing conditions of other economies.

Turkish economy managed to grow by a strong 5,0 percent in the first quarter after the 2,9 percent growth rate in 2016. Supportive economic policies including the Credit Guarantee Fund Scheme that had been implemented in a timely manner, were effective in both the first and second quarters. The soundness of the Turkish banking sector also played a very instrumental role in this process. I believe that the growth performance of our economy will be markedly stronger in 2017 compared to 2016.

Garanti Bank played an important role in supporting the economy in the first half of the year. As of end of the second quarter, size of the loans by Garanti through the CGF Scheme reached 15 billion TL. Moreover, we issued the lowest coupon rate Basel III compliant subordinated debt from Turkey to date, amounting to 750 million USD. This transaction is another solid sign of the credibility established by

Garanti within the international capital markets. Garanti will continue to be among the leading institutions of the Turkish financial sector with its sustainable growth strategy, innovative services, and ongoing investments in human capital. Taking this opportunity, I would like to thank my colleagues, our esteemed clients, shareholders, and all other stakeholders.”

Commenting on the financial results, **Garanti Bank’s CEO Fuat Erbil** said: “In the first half of 2017, while further strengthening our solid balance sheet with the confidence of all our stakeholders, we helped revitalize the economy. We successfully renewed our € 1.25 billion syndicated loan; and for the first time in international capital markets we issued Basel III Compliant Subordinated Notes in the amount of US\$ 750 million and 10 year tenure. Receiving a record breaking demand of US\$ 4 billion, our Basel III Compliant Tier II issuance became the lowest costing transaction of a bank in Turkey, while also generating the largest order book ever. With IFC, we signed an unprecedented agreement based on mortgages that would support 'Green Mortgage' projects, for the first time in Turkey. The loans we have extended under the Credit Guarantee Fund surpassed TL15 billion. Supporting social and economic development of women for over 10 years, the financing we provided to women exceeded TL3.2 billion.

Expressing the pride in contributing to the sustainable future of Turkey on behalf of Garanti Bank, **Erbil** said; “EMEA Finance named Garanti the Best Project Finance House in CEE (Central and Eastern Europe) region. We lead in the financing of projects contributing to the sustainability of the Turkish economy and offer innovative solutions. We work together and alongside our Retail, SME, Commercial and Corporate customers to find the best solutions for all their needs, and take part in their lives in an uninterrupted and long lasting manner. At every point of contact; physical locations across Turkey and leading on digital platforms; through all channels we bring our services to our customer’s location and work to create the best experience possible. I am grateful for all our stakeholders who trust and support us.”

Selected Figures of Garanti Bank’s Consolidated Financial Statements (June 30, 2017)

Profit before Taxes and Provisions*	TL 5,563.6 million	Cash Loans	TL 218,297.8 million
Profit before Taxes	TL 4,020.0 million	Non-Cash Loans	TL 54,682.5 million
Net Income	TL 3,100.3 million	Total Assets	TL 335,942.2 million
Deposits	TL 192,816.8 million	Shareholders’ Equity	TL 38,278.2 million

Highlights from Garanti Bank's Consolidated Financials

- Net income was TL 3 billion 100 million and 273 thousand.
- In compliance with the legal legislation and international regulations, a total amount of TL 2 billion 463 million 327 thousand was reserved for tax provisions, loans and other provisions.*
- Total assets increased by 7.6% year-to-date and reached TL 335 billion 942 million 185 thousand.
- Return on Average Assets (ROAA) realized at 2.1%.**
- Shareholders’ equity increased by 6.9% year-to-date and reached TL 38.3 billion.

- Return on Average Equity (ROAE) realized at 18.1%.**
- Contribution made to the real economy through cash and non-cash loans increased by 6.0% year-to-date and reached TL 272 billion 980 million 362 thousand as of June 30, 2017.
- Total loans, FC loans and TL loans market shares realized at 11.6%, 12.4% and 11.2% respectively.
- Market share of “mortgage loans” realized at 13.4% and market share of “consumer loans including credit cards” were 14.2%.
- Total customer deposits increased by 7.4% year-to-date and reached TL 187 billion 52 million and 207 thousand, while market share of total customer deposits was realized at 11.4%.
- Capital adequacy ratio (CAR) reached 16.4%.
- Non-performing loan (NPL) ratio decreased to 2.75%.

* Reserve for Employee Termination Benefits and Impairment Losses on Assets to be Disposed are included in provisions.

**Excludes non-recurring items (Income from NPL sale, fee rebates and free provisions) when annualizing Net Income for the rest of the year.

You may access the earnings presentation regarding the BRSA unconsolidated financial results as of and for the period ending June 30, 2017 in English from Garanti Bank Investor Relations website at www.garantiinvestorrelations.com

Garanti With Numbers	31.12.2016	31.03.2017	30.06.2017
Branch Network	971	968	960
+ Domestic	959	956	948
+ Abroad	12	12	12****
Personnel	19,689	19,506	19,345
ATM	4,825	4,794	4,759
POS*	635,865	651,727	666,167
Total Customers**	14,615,584	14,486,423	14,474,445
Digital Banking Customers***	4,878,893	5,064,828	5,278,467
Mobile Banking Customers***	3,682,950	4,087,257	4,319,226
Credit Card Customers	6,484,464	6,538,906	6,630,008
Credit Cards	9,792,199	9,820,321	9,942,358
Debit Cards	8,930,780	9,059,049	9,184,991

*Includes shared and virtual POS.

**Decrease in number of active customers is due to exclusion of customers with inadequate documentation.

*** Active customers only -- min. 1 login or call per quarter.

**** Per disclosure dated July 5, 2017, the banking activities of our Luxembourg Branch have been ceased as of 30.06.2017 in accordance with the authority granted to the Head Office by our Bank’s Board of Directors.

Selected Sector Figures (TL million)	30.12.2016	31.03.2017	30.06.2017	YtD Δ
Total Deposits	1,456,722	1,523,458	1,581,907	8.6%
Bank Deposits	84,930	86,853	85,955	1.2%
Customer Deposits	1,371,791	1,436,606	1,495,952	9.1%
TL Deposits	796,373	793,747	832,245	4.5%
FC Deposits (US\$ mn)	164,278	177,728	189,857	15.6%
Customer Demand Deposits	272,217	293,550	307,369	12.9%
Total Loans	1,565,364	1,656,978	1,734,290	10.8%
TL Loans	1,040,940	1,119,420	1,202,911	15.6%
FC Loans (US\$ mn)	149,700	148,626	151,982	1.5%
Retail Loans*	628,222	681,714	779,826	24.1%
Housing	159,069	167,665	175,224	10.2%
Auto	20,149	19,746	19,642	(2.5%)
General Purpose Loans**	348,771	392,634	481,202	38.0%
Credit Cards	100,233	101,669	103,758	3.5%
<i>Loans/Deposits Ratio</i>	<i>107.5%</i>	<i>108. 8%</i>	<i>109.6%</i>	
Gross NPL	54,103	56,478	56,962	5.3%
<i>NPL ratio</i>	<i>3.3%</i>	<i>3.3%</i>	<i>3.2%</i>	
<i>NPL coverage</i>	<i>78.0%</i>	<i>79.1%</i>	<i>79.7%</i>	
Gross NPL in retail loans (exc. CC)	22,479	23,296	23,599	5.0%
<i>NPL ratio in retail loans</i>	<i>4.1%</i>	<i>3.9%</i>	<i>3.4%</i>	
Gross NPL in credit cards	7,904	8,090	7,685	(2.8%)
<i>NPL ratio in credit cards</i>	<i>7.3%</i>	<i>7.4%</i>	<i>6.9%</i>	
F/X Position, net (US\$ mn)	(1,191)	(286)	(305)	
on B/S	(21,144)	(40,237)	(51,299)	
off B/S	19,953	39,951	51,604	

Source: BRSA weekly sector data, commercial banks only

*Including consumer and commercial installment loans

**Including other and overdraft loans

Garanti Market Shares* (%)	YTD Δ	30.06.2017
Total Performing Loans	↓	11.6%
TL Loans	↓	11.2%
FC Loans	↓	12.4%
Credit Cards - Issuing (Cumulative)	↑	20.6%
Credit Cards - Acquiring (Cumulative)	↓	20.8%
Consumer Loans**	↓	14.2%
Total Customer Deposits	↓	11.4%
TL Customer Deposits	↓	9.4%
FC Customer Deposits	↓	13.9%
Customer Demand Deposits	↓	13.2%
Mutual Funds	↑	10.7%

* Based on BRSA weekly data for commercial banks only.

** Retail consumer loans, credit cards and other retail loans.

7.1.6 Forward looking statements regarding the expectations

As per the Article 10 of the "Communiqué on Material Events Disclosure" (II-15.1) of Capital Markets Board, T. Garanti Bankası A.Ş. has announced its forward looking statements regarding the expectations for the year 2017. 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.

Although there is not a material change to Garanti Bank's future looking expectations referenced in the public disclosure dated 11.01.2017, the 7% inflation expectation announced earlier to be used in CPI-Linkers' valuation was revised to 9%; in parallel to the upwards revision of CBRT's 2017 inflation forecast. The resulting impact will be reflected to the financial statements starting in May, and will be distributed equally on a monthly basis until the end of the year. The announcement regarding this change was published on the Public Disclosure Platform on 26.05.2017.

As of June 30, 2017, there are no other revisions to the forward looking statements regarding the expectations for the year 2017.

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	Appointment Date	Education	Experience in Banking & Business Administration
Jorge Sáenz-Azcúnaga Carranza	Independent Board Member	31.03.2016	Undergraduate	23 years
Javier Bernal Dionis	Independent Board Member	27.07.2015	Graduate	27 years

Managers of the Internal Systems Units:

Name Surname	Title	Appointment Date	Education	Experience in Banking & Business Administration
Ebru Ogan Kottnerus	Head of Risk Management	01.04.2016	Undergraduate	26 years
Osman Bahri Turgut	Head of Internal Audit	01.08.2015	Undergraduate	26 years
Emre Özbek	SVP of Compliance	01.08.2015	Undergraduate	18 years
Barış Ersin Gülcan	SVP of Internal Control	06.03.2014	Graduate	19 years
Beyza Yapıcı	SVP of Internal Capital and Operational Risk	01.04.2016	Undergraduate	19 years
Semra Kuran	SVP of Market Risk and Credit Risk Control	01.04.2016	Undergraduate	20 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 2016 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 5.7 regarding the related party risks.

7.2.4 You may reach information pursuant to the Regulation on the Provision of Support Services to Banks and the Authorization of Support Service Providers, the type of the services and information on the individuals and institutions that provided the support services in the 2016 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 2017 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 2016 Annual Report that was published on the Public Disclosure Platform, the Bank's website, Garanti Bank Investor Relations website and at www.garantiannualreport.com. Furthermore, you may access detailed information from Garanti Bank Investor Relations website at www.garantiinvestorrelations.com in the [Garanti with Numbers](#) section.

7.4 Announcements regarding important developments in the period of 01.04.2017 - 30.06.2017

- The Bank's Ordinary General Shareholders' Meeting, which was held on March 30, 2017, was registered by Istanbul Trade Registry Office. You may find Information Document, Profit Distribution Table, Minutes and Resolutions regarding Ordinary General Meeting of Shareholders which was held on 31.03.2017 from Garanti Bank Investor Relations web site.

<https://www.garantiinvestorrelations.com/en/corporate-governance/Ordinary-General-Shareholders-Meetings/Ordinary-General-Meeting-of-Sharesholders/102/0/0>

- On the report dated 9 June 2017, Türkiye Garanti Bankası A.Ş.'s ratings were affirmed by Fitch Ratings as follows:

Long-term FC and LC IDRs : 'BBB-'; Outlook Stable, Short-term FC and LC IDRs: 'F3', Viability Rating 'bb+', Support Rating: '2', National Long-term Rating: 'AAA(tur)' ; Outlook Stable, Senior unsecured notes 'BBB-/F3', Subordinated notes 'BB+'

- JCR Eurasia Rating has affirmed the ratings of Türkiye Garanti Bankası A.Ş. on 20 April 2017, as 'AAA (Trk)' on the Long Term National Scale, 'BBB' on the Long Term International Foreign Currency Scale and 'BBB+' on the Long Term International Local Currency Scale along with 'Stable' outlooks.

You may view the ratings for Garanti Bank at [Garanti Investor Relations website](#).

- Although there is not a material change to our banks' future looking expectations, the 7% inflation expectation announced earlier to be used in CPI-Linkers' valuation was revised to 9%; in parallel to the upwards revision of CBRT's 2017 inflation forecast. The resulting impact will be reflected to the financial statements starting in May, and will be distributed equally on a monthly basis until the end of the year.
- At our Bank's Board of Directors' meeting, it was resolved that the resignations of Board Members Maria Isabel Goiri Lartitegui and Iñigo Echebarria Garate be accepted and Rafael Salinas Martinez de Lecea and Ricardo Gomez Barredo be appointed as real person Board Members in order to fill the remaining term of office and such appointments be submitted for the approval of the shareholders at the first General Assembly Meeting to be held.
- Our Bank has sold its non-performing loan portfolio receivables arising from credit cards, general purpose loans, overdraft loans and expenses in the total principal amount of TL 114,546,185.41 as of May 17, 2017 to Sümer Varlık Yönetim A.Ş. for a total consideration of TL 10,610,000.00; and non-performing portfolio commercial receivables arising from commercial loans, credit cards, cheque accounts, insurance receivables, overdraft loans and expenses in the total principal amount of TL 109,984,259.32 as of May 22, 2017 to Destek Varlık Yönetim A.Ş. for a total consideration of TL 3,400,000.00.

- Garanti Bank has signed an agreement to secure a financing in the amount of USD 150 million equivalent to Turkish Lira, with 5 years maturity from International Finance Corporation (IFC) under Covered Bond Programme. The proceedings of the loan will be on-lent to green mortgages.
- On November 3, 2016, T. Garanti Bankası A.Ş. Board of Directors authorized the Head Office to take the necessary actions for the yearly renewal of the GMTN program which was followed by the Capital Markets Board's approval dated 3 February 2017. The renewal has been completed as of April 25, 2017 with a size of USD 6,000,000,000.
- On November 3, 2016, T. Garanti Bankası A.Ş. Board of Directors authorized the Head Office to take the necessary actions for the yearly renewal of the Covered Bond program which was followed by the Capital Markets Board's approval dated 14 April 2017. The renewal has been completed as of April 25, 2017 with a size of EUR 5,000,000,000.

7.5 Announcements regarding important developments for debt instruments issuance and redemptions in the period of 01.04.2017 - 30.06.2017

- It has been announced that pursuant to the authority given to the Head Office by the resolution of The Board of Directors dated November 30, 2016 for a 1-year period, our application to issue all kinds of debt instruments including but not limited to fixed or floating rate bonds, debentures and/or credit risk-based and other structured debt instruments up to the aggregate amount of TL 20,000,000,000 (Twenty Billion Turkish Lira) in Turkish Lira currency with different types and maturity dates, to be sold domestically by public offering or to qualified investors in one or more issuances, was approved by the Capital Markets Board on March 10, 2017. Below bank bonds and structured note issuances has been realized.

-Total nominal amount of TL 15,408,575 with a maturity of 68 days, dated 06.09.2017, ISIN code of TR0GRAN00EK5

-Total nominal amount of TL 10,289,000 with a maturity of 74 days, dated 05.09.2017, ISIN code of TR0GRAN00ED0

-Total nominal amount of TL 20,380,625 with a maturity of 63 days, dated 16.08.2017, ISIN code of TR0GRAN00DZ5

-Total nominal amount of TL 35,000,000 with a maturity of 90 days, dated 06.09.2017, ISIN code of TR0GRAN00DU6

-Total nominal amount of TL 35,000,000 with a maturity of 62 days, dated 09.08.2017, ISIN code of TR0GRAN00DV4

-Total nominal amount of TL 42,960,000 with a maturity of 98 days, dated 11.09.2017, ISIN code of TRFGRAN91710

-Total nominal amount of TL 10,425,000 with a maturity of 62 days, dated 27.07.2017, ISIN code of TR0GRAN00DB6

-Total nominal amount of TL 15,099,935 with a maturity of 62 days, dated 19.07.2017, ISIN code of TR0GRAN00D41

-Total nominal amount of TL 10,523,514 with a maturity of 62 days, dated 13.07.2017, ISIN code of TR0GRAN00CZ7

-Total nominal amount of TL 30,000,000 with a maturity of 91 days, dated 11.08.2017, ISIN code of TR0GRAN00D17

-Total nominal amount of TL 25,000,000 with a maturity of 62 days, dated 13.07.2017, ISIN code of TR0GRAN00D09

-Total nominal amount of TL 16,820,357 with a maturity of 62 days, dated 06.07.2017, ISIN code of TR0GRAN00CS2

- Total nominal amount of TL 163,860,000 with a maturity of 131 days, dated 11.09.2017, ISIN code of TRQGRAN91725
- Total nominal amount of TL 11,896,687 with a maturity of 62 days, dated 13.06.2017, ISIN code of TR0GRAN00C83
- Total nominal amount of TL 35,000,000 with a maturity of 62 days, dated 15.06.2017, ISIN code of TR0GRAN00C91
- Total nominal amount of TL 6,535,183 with a maturity of 62 days, dated 21.06.2017, ISIN code of TR0GRAN00CD4
- Total nominal amount of TL 15,796,740 with a maturity of 63 days, dated 29.06.2017, ISIN code of TR0GRAN00CJ1
- Total nominal amount of TL 70,000,000 with a maturity of 63 days, dated 08.06.2017, ISIN code of TR0GRAN00C42
- Total nominal amount of TL 214,380,000 with a maturity of 93 days, dated 19.07.2017, ISIN code of TRQGRAN71719
- Total nominal amount of TL 339,650,000 with a maturity of 175 days, dated 29.09.2017, ISIN code of TRQGRAN91717
- Total nominal amount of TL 440,630,000 with a maturity of 80 days, dated 10.08.2017, ISIN code of TRQGRAN81718
- Total nominal amount of TL 79,060,000 with a maturity of 102 days, dated 29.09.2017, ISIN code of TRFGRAN91728
- Total nominal amount of TL 477,752,739 with a maturity of 368 days, dated 22.06.2018, Garanti Bank Bond: ISIN code of TRSGRAN61815
- Structured notes issued which were issued on 11.04.2016, 13.06.2016, 12.10.2016, 07.11.2016, 25.11.2016, 15.12.2016, 20.01.2017, 02.02.2017, 06.02.2017, 07.02.2017, 10.02.2017, 10.02.2017, 16.02.2017, 24.02.2017, 03.03.2017, 08.03.2017, 17.03.2017, 24.03.2017, 06.04.2017, 12.04.2017, 14.04.2017, 20.04.2017, 27.04.2017 is redeemed.
- Our Bank has signed a syndicated loan agreement with 367-days maturity comprising of two separate tranches in the amount of USD 468,000,000 and EUR 805,500,000 on 4th May 2017. The loan which will be used for trade finance purposes has been executed with commitments received from 38 banks from 16 countries. The all-in cost has been realized as Libor+1.45% and Euribor+1.35% respectively.
- Our Bank has mandated BofAML, BBVA, BNPP, Commerzbank, HSBC and Standard Chartered for an issuance of U.S. dollar-denominated subordinated notes (Basel III compliant) to be sold to real persons and legal entities resident abroad. The fixed rate notes with nominal amount of USD 750 million, 10NC5 maturity, redemption date of 24 May 2027 and the coupon rate of 6.125%.

Important developments during 01.04.2017 - 30.06.2017 period were announced and the disclosures were uploaded to the Public Disclosure Platform. All the announcements are shared at Garanti Bank Investor Relations web site (www.garantiinvestorrelations.com) and at the link below.

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