

*(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 Year Ended
31 December 2016**

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

With Independent Auditors' Report Thereon

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

*This report contains "Independent Auditors' Report"
comprising 2 pages and; "Consolidated Financial
Statements and Related Disclosures and
Footnotes" comprising 140 pages.*

INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

The Bank Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with "the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulation" which includes the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standards for the matters not regulated by the aforementioned legislations and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

Subsequent to the reversal of TL 42,000 thousands in the current period the accompanying consolidated financial statements include a general reserve amounting to TL 300,000 thousands as of the balance sheet date, provided by the Bank Management in prior periods in line with conservatism principle considering the circumstances which may arise from any changes in the economy or market conditions.

Qualified Opinion

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

Report on Other Legal and Regulatory Requirements

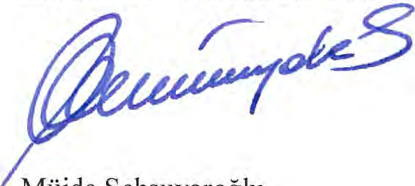
In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Bank's set of accounts for the period 1 January-31 December 2016 does not comply with TCC and the provisions of the Bank's articles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

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

Additional paragraph for English translation

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

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



Müjde Şehsuvaroğlu
Partner

Istanbul, 30 January 2017

**TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ
AND ITS FINANCIAL AFFILIATES
CONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2016**

Levent Nispetiye Mah.Aytar Cad.
No:2 Beşiktaş 34340 İstanbul

Telephone: 212 318 18 18

Fax: 212 216 64 22

www.garanti.com.tr

investorrelations@garanti.com.tr

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

Ferit F. Şahenk

Board of Directors Chairman

Ali Fuat Erbil

General Manager

Aydın Güler

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:

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

Phone no: 90 212 318 23 50

Fax no: 90 212 216 59 02

SECTION ONE**Page No:****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 shareholdings in the bank	2
IV.	Information on parent bank's qualified shareholders	3
V.	Summary information on parent bank's activities and services	4
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

SECTION TWO**Consolidated Financial Statements**

I.	Consolidated balance sheet	5
II.	Consolidated off-balance sheet items	7
III.	Consolidated income statement	8
IV.	Consolidated statement of income/expense items accounted under shareholders' equity	9
V.	Consolidated statement of changes in shareholders' equity	10
VI.	Consolidated statement of cash flows	11

SECTION THREE**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	15
VII.	Financial assets	15
VIII.	Impairment of financial assets	16
IX.	Netting and derecognition of financial instruments	17
X.	Repurchase and resale agreements and securities lending	17
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	19
XV.	Provisions and contingent liabilities	20
XVI.	Contingent assets	20
XVII.	Liabilities for employee benefits	20
XVIII.	Taxation	22
XIX.	Funds borrowed	24
XX.	Share issuances	25
XXI.	Confirmed bills of exchange and acceptances	25
XXII.	Government incentives	25
XXIII.	Segment reporting	25
XXIV.	Other disclosures	27

SECTION FOUR**Consolidated Financial Position and Results of Operations and Risk Management**

I.	Consolidated capital	28
II.	Consolidated credit risk	33
III.	Consolidated currency risk	44
IV.	Consolidated interest rate risk	46
V.	Consolidated position risk of equity securities	49
VI.	Consolidated liquidity risk	50
VII.	Consolidated leverage ratio	57
VIII.	Fair values of financial assets and liabilities	58
IX.	Transactions carried out on behalf of customers and items held in trust	59
X.	Risk management objectives and policies	60

SECTION FIVE**Disclosures and Footnotes on Consolidated Financial Statements**

I.	Consolidated assets	78
II.	Consolidated liabilities	107
III.	Consolidated off-balance sheet items	117
IV.	Consolidated income statement	122
V.	Consolidated statement of changes in shareholders' equity	129
VI.	Consolidated statement of cash flows	130
VII.	Related party risks	132
VIII.	Domestic, foreign and off-shore branches or equity investments, and foreign representative offices of parent bank	134
IX.	Matters arising subsequent to balance sheet date	136

SECTION SIX**Other Disclosures on Activities**

I.	Information on international risk ratings	137
II.	Dividends	139
III.	Other disclosures	139

SECTION SEVEN**Independent Auditors' Report**

I.	Disclosure on independent auditors' report	140
II.	Disclosures and footnotes prepared by independent auditors	140

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

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

1.2 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 31 December 2016, group of companies under BBVA that currently owns 39.90% shares of the Bank, is named the BBVA Group (the Group) and it is the main shareholder.

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

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

Finally, in accordance with the terms of the agreement between BBVA and the Doğu Group which was previously disclosed on 19 November 2014, the sale of shares representing 14.89% of the share capital of the Bank with a face value of TL 625,380 thousands and 62,538,000,000 shares by the Doğu Group to BBVA, has been completed on 27 July 2015. Following the acquisition, BBVA’s stake in the Bank has reached to 39.90% and BBVA has become the main shareholder. The Bank was moved to “Foreign Deposit Banks” category from “Private Deposit Bank” category by the BRSA.

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

BBVA Group

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

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

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

Doğuş Group

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

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

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

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

Board of Directors Chairman and Members:

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

CEO and Executive Vice Presidents:

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

Changes in the executive board as of 1 January 2017;

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

Changes in the executive board as of 17 January 2017;

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

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

1.4 Information on parent bank's qualified shareholders

Company	Shares	Ownership	Paid-in Capital	Unpaid Portion
Banco Bilbao Vizcaya Argentaria SA	1,675,800	39.9000%	1,675,800	-
Doğuş Holding AŞ	259,846	6.1868%	259,846	-

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

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

1.5 Summary information on parent bank's activities and services

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

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

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

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

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

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

As per the Regulation on Preparation of Consolidated Financial Statements of Banks, the investments in financial 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 31 December 2016

ASSETS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD			PRIOR PERIOD		
			31 December 2016			31 December 2015		
			TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH CENTRAL BANK		5.1.1	6,723,712	17,227,762	23,951,474	2,259,681	23,026,956	25,286,637
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)		5.1.2	2,801,058	1,004,483	3,805,541	1,462,619	684,896	2,147,515
2.1 Financial assets held for trading			2,801,058	1,004,483	3,805,541	1,264,501	684,896	1,949,397
2.1.1 Government securities			73,157	29,492	102,649	102,196	21,974	124,170
2.1.2 Equity securities			60,379	-	60,379	61,002	-	61,002
2.1.3 Derivative financial assets held for trading			2,661,587	952,126	3,613,713	1,095,113	629,983	1,725,096
2.1.4 Other securities			5,935	22,865	28,800	6,190	32,939	39,129
2.2 Financial assets valued at fair value through profit or loss			-	-	-	198,118	-	198,118
2.2.1 Government securities			-	-	-	-	-	-
2.2.2 Equity securities			-	-	-	-	-	-
2.2.3 Loans		5.1.5	-	-	-	198,118	-	198,118
2.2.4 Other securities			-	-	-	-	-	-
III. BANKS		5.1.3	1,214,509	15,666,535	16,881,044	925,430	15,380,736	16,306,166
IV. INTERBANK MONEY MARKETS			22,180	351,691	373,871	18,715	61,651	80,366
4.1 Interbank money market placements			-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements			-	351,691	351,691	-	61,069	61,069
4.3 Receivables from reverse repurchase agreements			22,180	-	22,180	18,715	582	19,297
V. FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)		5.1.4	18,497,281	5,486,167	23,983,448	19,311,243	5,444,527	24,755,770
5.1 Equity securities			40,985	177,828	218,813	36,852	311,899	348,751
5.2 Government securities			17,669,410	722,603	18,392,013	18,582,761	526,266	19,109,027
5.3 Other securities			786,886	4,585,736	5,372,622	691,630	4,606,362	5,297,992
VI. LOANS		5.1.5	119,985,680	81,423,416	201,409,096	101,287,767	70,467,416	171,755,183
6.1 Loans			118,980,397	81,095,327	200,075,724	100,451,440	69,956,397	170,407,837
6.1.1 Loans to bank's risk group		5.7	402,351	1,814,479	2,216,830	331,184	1,782,214	2,113,398
6.1.2 Government securities			-	-	-	-	-	-
6.1.3 Other			118,578,046	79,280,848	197,858,894	100,120,256	68,174,183	168,294,439
6.2 Loans under follow-up			5,272,774	851,687	6,124,461	4,404,025	1,241,788	5,645,813
6.3 Specific provisions (-)			4,267,491	523,598	4,791,089	3,567,698	730,769	4,298,467
VII. FACTORING RECEIVABLES		5.1.6	1,912,128	939,095	2,851,223	1,948,785	934,822	2,883,607
VIII. INVESTMENTS HELD-TO-MATURITY (Net)		5.1.7	12,139,123	10,970,573	23,109,696	11,980,469	9,336,777	21,317,246
8.1 Government securities			12,122,339	6,986,465	19,108,804	11,966,880	5,810,098	17,776,978
8.2 Other securities			16,784	3,984,108	4,000,892	13,589	3,526,679	3,540,268
IX. INVESTMENTS IN ASSOCIATES (Net)		5.1.8	37,258	3	37,261	37,258	3	37,261
9.1 Associates consolidated under equity accounting			-	-	-	-	-	-
9.2 Unconsolidated associates			37,258	3	37,261	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			3,929	3	3,932	3,929	3	3,932
X. INVESTMENTS IN SUBSIDIARIES (Net)		5.1.9	114,236	1,622	115,858	114,236	1,166	115,402
10.1 Unconsolidated financial investments in affiliates			-	-	-	-	-	-
10.2 Unconsolidated non-financial investments in affiliates			114,236	1,622	115,858	114,236	1,166	115,402
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	1,399,086	4,395,174	5,794,260	1,475,673	3,575,919	5,051,592
12.1 Financial lease receivables			1,655,755	4,843,852	6,499,607	1,770,905	3,982,718	5,753,623
12.2 Operational lease receivables			-	-	-	-	-	-
12.3 Others			-	-	-	-	-	-
12.4 Unearned income (-)			256,669	448,678	705,347	295,232	406,799	702,031
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT		5.1.12	79,472	586,823	666,295	89,064	591,933	680,997
13.1 Fair value hedges			73,946	11,534	85,480	60,616	7,483	68,099
13.2 Cash flow hedges			5,526	575,289	580,815	28,448	584,450	612,898
13.3 Net foreign investment hedges			-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)		5.1.13	3,533,533	147,088	3,680,621	3,268,338	144,551	3,412,889
XV. INTANGIBLE ASSETS (Net)		5.1.14	296,078	31,575	327,653	229,407	24,224	253,631
15.1 Goodwill			6,388	-	6,388	6,388	-	6,388
15.2 Other intangibles			289,690	31,575	321,265	223,019	24,224	247,243
XVI. INVESTMENT PROPERTY (Net)		5.1.15	543,825	-	543,825	298,970	8,125	307,095
XVII. TAX ASSET			199,330	61,348	260,678	433,905	60,696	494,601
17.1 Current tax asset			679	26,657	27,336	9,384	21,594	30,978
17.2 Deferred tax asset		5.1.16	198,651	34,691	233,342	424,521	39,102	463,623
XVIII. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)		5.1.17	591,738	13,277	605,015	349,074	17,291	366,365
18.1 Asset held for resale			591,738	13,277	605,015	349,074	17,291	366,365
18.2 Assets of discontinued operations			-	-	-	-	-	-
XIX. OTHER ASSETS		5.1.18	3,015,207	709,873	3,725,080	2,491,504	1,903,351	4,394,855
TOTAL ASSETS			173,105,434	139,016,505	312,121,939	147,982,138	131,665,040	279,647,178

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 31 December 2016

LIABILITIES AND SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD			PRIOR PERIOD		
		31 December 2016			31 December 2015		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	5.2.1	76,025,777	102,664,036	178,689,813	66,208,826	89,925,605	156,134,431
1.1 Deposits from bank's risk group	5.7	675,720	470,759	1,146,479	500,462	421,591	922,053
1.2 Other		75,350,057	102,193,277	177,543,334	65,708,364	89,504,014	155,212,378
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	5.2.2	2,639,416	1,074,569	3,713,985	1,710,457	912,146	2,622,603
III. FUNDS BORROWED	5.2.3	3,127,679	43,454,174	46,581,853	3,454,721	35,905,174	39,359,895
IV. INTERBANK MONEY MARKETS		10,704,025	526,168	11,230,193	12,971,931	3,595,865	16,567,796
4.1 Interbank money market takings		2,501,180	87	2,501,267	-	-	-
4.2 Istanbul Stock Exchange money market takings		915,105	-	915,105	426,678	-	426,678
4.3 Obligations under repurchase agreements	5.2.4	7,287,740	526,081	7,813,821	12,545,253	3,595,865	16,141,118
V. SECURITIES ISSUED (Net)	5.2.4	5,871,646	11,874,002	17,745,648	4,540,183	10,971,414	15,511,597
5.1 Bills		2,240,063	-	2,240,063	1,925,100	160,472	2,085,572
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		3,631,583	11,874,002	15,505,585	2,615,083	10,810,942	13,426,025
VI. FUNDS		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. MISCELLANEOUS PAYABLES	5.2.4	8,260,088	1,079,660	9,339,748	7,190,187	1,389,835	8,580,022
VIII. OTHER EXTERNAL FUNDINGS PAYABLE		2,204,123	966,216	3,170,339	2,032,985	1,929,250	3,962,235
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	26,671	316,643	343,314	10,928	239,563	250,491
11.1 Fair value hedges		26,671	250,273	276,944	10,928	210,635	221,563
11.2 Cash flow hedges		-	66,370	66,370	-	28,928	28,928
11.3 Net foreign investment hedges		-	-	-	-	-	-
XII. PROVISIONS	5.2.8	4,851,864	181,009	5,032,873	4,444,409	150,563	4,594,972
12.1 General provisions		3,118,954	96,579	3,215,533	2,957,392	70,584	3,027,976
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		710,204	20,321	730,525	552,104	18,891	570,995
12.4 Insurance technical provisions (Net)		274,375	32,400	306,775	221,605	29,687	251,292
12.5 Other provisions		748,331	31,709	780,040	713,308	31,401	744,709
XIII. TAX LIABILITY	5.2.9	466,400	11,866	478,266	660,910	38,678	699,588
13.1 Current tax liability		466,400	11,866	478,266	660,910	38,678	699,588
13.2 Deferred tax liability		-	-	-	-	-	-
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	-	-	-	-	159,792	159,792
XVI. SHAREHOLDERS' EQUITY	5.2.12	35,540,653	255,254	35,795,907	30,807,168	396,588	31,203,756
16.1 Paid-in capital		4,200,000	-	4,200,000	4,200,000	-	4,200,000
16.2 Capital reserves		1,461,875	12,494	1,474,369	1,783,549	189,097	1,972,646
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		(484,900)	(58,725)	(543,625)	(427,264)	143,622	(283,642)
16.2.4 Revaluation surplus on tangible assets		1,685,290	5,772	1,691,062	1,760,634	5,249	1,765,883
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)		(419,123)	65,447	(353,676)	(258,346)	40,226	(218,120)
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	695,698	-	695,698
16.3 Profit reserves		24,505,679	242,760	24,748,439	21,016,101	207,491	21,223,592
16.3.1 Legal reserves		1,241,962	29,560	1,271,522	1,199,314	27,314	1,226,628
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		22,185,729	6,576	22,192,305	19,164,305	3,860	19,168,165
16.3.4 Other profit reserves		1,077,988	206,624	1,284,612	652,482	176,317	828,799
16.4 Profit or loss		5,105,291	-	5,105,291	3,580,901	-	3,580,901
16.4.1 Prior periods profit/loss		-	-	-	-	-	-
16.4.2 Current period net profit/loss		5,105,291	-	5,105,291	3,580,901	-	3,580,901
16.5 Minority interest		267,808	-	267,808	226,617	-	226,617
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		149,718,342	162,403,597	312,121,939	134,032,705	145,614,473	279,647,178

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

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates

Consolidated Off-Balance Sheet Items

At 31 December 2016

OFF-BALANCE SHEET ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD			PRIOR PERIOD		
		31 December 2016			31 December 2015		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		162,878,081	280,614,485	443,492,566	150,726,280	239,794,120	390,520,400
I. GUARANTEES AND SURETIES	5.3.1	17,138,984	38,946,496	56,085,480	14,860,696	34,072,026	48,932,722
1.1 Letters of guarantee		17,111,138	20,901,575	38,012,713	14,828,828	17,880,281	32,709,109
1.1.1 Guarantees subject to State Tender Law		-	1,029,481	1,029,481	-	1,099,700	1,099,700
1.1.2 Guarantees given for foreign trade operations		2,134,070	332,444	2,466,514	1,950,896	429,466	2,380,362
1.1.3 Other letters of guarantee		14,977,068	19,539,650	34,516,718	12,877,932	16,351,115	29,229,047
1.2 Bank acceptances		27,846	2,099,488	2,127,334	20,793	1,517,276	1,538,069
1.2.1 Import letter of acceptance		27,846	2,099,488	2,127,334	20,793	1,517,276	1,538,069
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		-	15,754,367	15,754,367	11,075	14,565,263	14,576,338
1.3.1 Documentary letters of credit		-	-	-	-	-	-
1.3.2 Other letters of credit		-	15,754,367	15,754,367	11,075	14,565,263	14,576,338
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		-	191,066	191,066	-	109,206	109,206
1.9 Other sureties		-	-	-	-	-	-
II. COMMITMENTS		39,448,303	10,404,168	49,852,471	37,544,577	12,212,173	49,756,750
2.1 Irrevocable commitments		39,310,120	5,369,433	44,679,553	37,332,495	6,811,283	44,143,778
2.1.1 Asset purchase and sale commitments		204,021	3,752,040	3,956,061	35,604	3,211,242	3,246,846
2.1.2 Deposit purchase and sale commitments		-	74,040	74,040	-	16,628	16,628
2.1.3 Share capital commitments to associates and affiliates		-	5,266	5,266	-	5,297	5,297
2.1.4 Loan granting commitments		6,967,401	1,037,722	8,005,123	6,114,561	2,915,770	9,030,331
2.1.5 Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheque payments		3,555,087	-	3,555,087	3,063,075	-	3,063,075
2.1.8 Tax and fund obligations on export commitments		24,000	-	24,000	20,529	-	20,529
2.1.9 Commitments for credit card limits		27,849,250	377,443	28,226,693	26,825,955	240,665	27,066,620
2.1.10 Commitments for credit cards and banking services related promotions		8,708	-	8,708	8,561	-	8,561
2.1.11 Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12 Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		701,653	122,922	824,575	1,264,210	421,681	1,685,891
2.2 Revocable commitments		138,183	5,034,735	5,172,918	212,082	5,400,890	5,612,972
2.2.1 Revocable loan granting commitments		23,040	4,653,740	4,676,780	75,700	5,044,758	5,120,458
2.2.2 Other revocable commitments		115,143	380,995	496,138	136,382	356,132	492,514
III. DERIVATIVE FINANCIAL INSTRUMENTS	5.3.2	106,290,794	231,263,821	337,554,615	98,321,007	193,509,921	291,830,928
3.1 Derivative financial instruments held for risk management		10,145,282	34,208,867	44,354,149	7,107,440	16,963,601	24,071,041
3.1.1 Fair value hedges		7,307,595	14,701,424	22,009,019	3,439,355	9,266,494	12,705,849
3.1.2 Cash flow hedges		2,837,687	19,507,443	22,345,130	3,668,085	7,697,107	11,365,192
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Trading derivatives		96,145,512	197,054,954	293,200,466	91,213,567	176,546,320	267,759,887
3.2.1 Forward foreign currency purchases/sales		11,723,664	16,145,274	27,868,938	13,657,205	19,440,673	33,097,878
3.2.1.1 Forward foreign currency purchases		3,833,951	10,111,495	13,945,446	5,309,452	11,274,973	16,584,425
3.2.1.2 Forward foreign currency sales		7,889,713	6,033,779	13,923,492	8,347,753	8,165,700	16,513,453
3.2.2 Currency and interest rate swaps		62,027,010	133,439,424	195,466,434	37,602,313	89,917,096	127,519,409
3.2.2.1 Currency swaps-purchases		23,993,140	55,350,676	79,343,816	14,376,034	34,129,707	48,505,741
3.2.2.2 Currency swaps-sales		37,539,222	41,571,364	79,110,586	19,580,059	26,224,265	45,804,324
3.2.2.3 Interest rate swaps-purchases		247,324	18,258,692	18,506,016	1,823,110	14,781,562	16,604,672
3.2.2.4 Interest rate swaps-sales		247,324	18,258,692	18,506,016	1,823,110	14,781,562	16,604,672
3.2.3 Currency, interest rate and security options		22,338,459	38,228,684	60,567,143	39,582,679	54,883,150	94,465,829
3.2.3.1 Currency call options		9,793,681	16,465,095	26,258,776	16,065,334	26,565,083	42,630,417
3.2.3.2 Currency put options		12,487,141	14,903,735	27,390,876	23,503,191	21,989,969	45,493,160
3.2.3.3 Interest rate call options		-	5,927,914	5,927,914	-	6,260,492	6,260,492
3.2.3.4 Interest rate put options		-	843,120	843,120	-	-	-
3.2.3.5 Security call options		10,871	44,410	55,281	3,466	33,803	37,269
3.2.3.6 Security put options		46,766	44,410	91,176	10,688	33,803	44,491
3.2.4 Currency futures		37,173	144,751	181,924	4,381	283,825	288,206
3.2.4.1 Currency futures-purchases		14,586	80,808	95,394	3,965	3,463	7,428
3.2.4.2 Currency futures-sales		22,587	63,943	86,530	416	280,362	280,778
3.2.5 Interest rate futures		-	100,121	100,121	-	-	-
3.2.5.1 Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sales		-	100,121	100,121	-	-	-
3.2.6 Others		19,206	8,996,700	9,015,906	366,989	12,021,576	12,388,565
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		631,736,919	528,278,312	1,160,015,231	548,874,581	417,680,618	966,555,199
IV. ITEMS HELD IN CUSTODY		48,564,102	41,691,499	90,255,601	48,947,357	33,749,852	82,697,209
4.1 Customers' securities held		15,065,124	-	15,065,124	14,374,137	-	14,374,137
4.2 Investment securities held in custody		16,489,131	17,080,586	33,569,717	19,795,650	13,838,529	33,634,179
4.3 Checks received for collection		14,117,779	3,153,993	17,271,772	12,307,476	2,576,003	14,883,479
4.4 Commercial notes received for collection		2,551,368	1,165,068	3,716,436	2,234,925	1,215,680	3,450,605
4.5 Other assets received for collection		78,792	16,103,427	16,182,219	71,631	13,190,928	13,262,559
4.6 Assets received through public offering		-	85,344	85,344	-	70,813	70,813
4.7 Other items under custody		261,908	4,103,081	4,364,989	163,538	2,857,899	3,021,437
4.8 Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		583,172,817	486,586,813	1,069,759,630	499,927,224	383,930,766	883,857,990
5.1 Securities		4,588,155	315,976	4,904,131	4,292,190	319,059	4,611,249
5.2 Guarantee notes		37,868,541	14,996,659	52,865,200	39,074,083	13,088,941	52,163,024
5.3 Commodities		19,841	-	19,841	3,142	-	3,142
5.4 Warranties		-	206,513	206,513	-	292,681	292,681
5.5 Real estates		140,621,890	92,300,194	232,922,084	113,104,394	71,837,629	184,942,023
5.6 Other pledged items		400,074,220	378,767,417	778,841,637	343,453,245	298,391,829	641,845,074
5.7 Pledged items-depository		170	54	224	170	627	797
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		794,615,000	808,892,797	1,603,507,797	699,600,861	657,474,738	1,357,075,599

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 31 December 2016

INCOME AND EXPENSE ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD 1 January 2016- 31 December 2016	PRIOR PERIOD 1 January 2015- 31 December 2015
I. INTEREST INCOME	5.4.1	22,617,659	18,945,730
1.1 Interest income on loans		17,577,562	14,296,710
1.2 Interest income on reserve deposits		238,038	65,562
1.3 Interest income on banks		205,126	162,585
1.4 Interest income on money market transactions		7,294	5,905
1.5 Interest income on securities portfolio		3,694,801	3,609,862
1.5.1 Trading financial assets		22,280	21,770
1.5.2 Financial assets valued at fair value through profit or loss		-	-
1.5.3 Financial assets available-for-sale		2,039,448	1,971,919
1.5.4 Investments held-to-maturity		1,633,073	1,616,173
1.6 Financial lease income		433,225	397,158
1.7 Other interest income		461,613	407,948
II. INTEREST EXPENSE	5.4.2	10,361,926	8,687,681
2.1 Interest on deposits		7,000,456	5,827,205
2.2 Interest on funds borrowed		1,143,112	1,165,403
2.3 Interest on money market transactions		1,098,821	734,010
2.4 Interest on securities issued		1,094,527	942,191
2.5 Other interest expenses		25,010	18,872
III. NET INTEREST INCOME (I - II)		12,255,733	10,258,049
IV. NET FEES AND COMMISSIONS INCOME		3,275,690	2,964,732
4.1 Fees and commissions received		4,324,798	3,901,833
4.1.1 Non-cash loans		345,061	303,717
4.1.2 Others		3,979,737	3,598,116
4.2 Fees and commissions paid		1,049,108	937,101
4.2.1 Non-cash loans		3,481	3,312
4.2.2 Others		1,045,627	933,789
V. DIVIDEND INCOME	5.4.3	9,088	5,399
VI. NET TRADING INCOME/LOSSES (Net)	5.4.4	(743,653)	(830,631)
6.1 Trading account income/losses (Net)		386,624	590,974
6.2 Income/losses from derivative financial instruments (Net)		(925,789)	(2,318,751)
6.3 Foreign exchange gains/losses (Net)		(204,488)	897,146
VII. OTHER OPERATING INCOME	5.4.5	2,113,576	1,509,520
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		16,910,434	13,907,069
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	5.4.6	3,387,096	2,642,365
X. OTHER OPERATING EXPENSES (-)	5.4.7	7,032,388	6,605,217
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		6,490,950	4,659,487
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	6,490,950	4,659,487
XVI. PROVISION FOR TAXES (±)	5.4.9	1,343,191	1,044,373
16.1 Current tax charge		1,035,607	830,414
16.2 Deferred tax charge/(credit)		307,584	213,959
XVII. NET OPERATING PROFIT/LOSS AFTER TAXES (XV±XVI)	5.4.10	5,147,759	3,615,114
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1 Income from assets held for sale		-	-
18.2 Income from sale of associates, affiliates and joint-ventures		-	-
18.3 Others		-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Expenses on assets held for sale		-	-
19.2 Expenses on sale of associates, affiliates and joint-ventures		-	-
19.3 Others		-	-
XX. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XVIII-XIX)	5.4.8	-	-
XXI. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)	5.4.9	-	-
21.1 Current tax charge		-	-
21.2 Deferred tax charge/(credit)		-	-
XXII. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XX±XXI)	5.4.10	-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	5.4.11	5,147,759	3,615,114
23.1 Equity holders of the bank		5,105,291	3,580,901
23.2 Minority interest		42,468	34,213
Earnings per Share		1.216	0.853

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 31 December 2016**

INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD 1 January 2016 - 31 December 2016	PRIOR PERIOD 1 January 2015 - 31 December 2015
I.	MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"	(293,599)	(480,125)
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS	12,220	1,605,420
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV.	TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	459,301	332,435
V.	GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)	11,475	82,023
VI.	GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	(180,458)	(120,894)
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS	-	-
VIII.	OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	(58,826)	(23,788)
IX.	DEFERRED TAXES ON VALUE INCREASES/DECREASES	62,489	100,910
X.	NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+III+IV+V+VI+VII+VIII+IX)	12,602	1,495,981
XI.	CURRENT PERIOD PROFIT/LOSSES	5,147,759	3,615,114
1.1	Net changes in fair value of securities (transferred to income statement)	214,415	109,041
1.2	Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement	(125,301)	96,087
1.3	Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-	-
1.4	Others	5,058,645	3,409,986
XII.	TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)	5,160,361	5,111,095

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 31 December 2016

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-31 December 2015																			
I. Balances at beginning of the period		4,200,000	772,554	11,880	-	1,179,954	-	16,163,191	414,560	-	3,647,404	88,781	175,034	947	(187,023)	-	26,467,282	193,733	26,661,015
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	-	1,179,954	-	16,163,191	414,560	-	3,647,404	88,781	175,034	947	(187,023)	-	26,467,282	193,733	26,661,015
Changes during the period	5.5																		
IV. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Market value changes of securities		-	-	-	-	-	-	-	-	-	-	(372,423)	-	-	-	-	(372,418)	5	(372,418)
VI. Hedging reserves		-	-	-	-	-	-	-	191,954	-	-	-	-	-	(31,097)	-	160,857	-	160,857
6.1. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	65,618	-	65,618	-	65,618
6.2. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	191,954	-	-	-	-	-	(96,715)	-	95,239	-	95,239
VII. Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	1,590,849	-	-	-	1,590,849	-	1,590,849
VIII. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares of associates, affiliates and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Translation differences		-	-	-	-	2,875	-	315	137,291	-	-	-	-	-	-	-	140,481	-	140,481
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		-	-	-	-	-	-	-	(23,808)	-	-	-	-	-	-	-	(23,808)	20	(23,788)
XIX. Current period net profit/loss		-	-	-	-	-	-	-	-	3,580,901	-	-	-	-	-	-	3,580,901	34,213	3,615,114
XX. Profit distribution		-	-	-	-	43,799	-	3,004,659	31,946	-	(3,647,404)	-	-	-	-	-	(567,000)	(1,354)	(568,354)
20.1. Dividends		-	-	-	-	-	-	-	-	-	(567,000)	-	-	-	-	-	(567,000)	-	(567,000)
20.2. Transfers to reserves		-	-	-	-	43,799	-	3,004,659	-	-	(3,048,458)	-	-	-	-	-	-	(1,354)	(568,354)
20.3. Others		-	-	-	-	-	-	-	31,946	-	(31,946)	-	-	-	-	-	-	-	-
Balances at end of the period (III+IV+V+.....+XVIII+XIX+XX)		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
CURRENT PERIOD - 1 January-31 December 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
Changes during the period	5.5																		
II. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Market value changes of securities		-	-	-	-	-	-	-	-	-	-	(262,279)	-	-	-	-	(262,279)	(29)	(262,308)
IV. Hedging reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	(135,341)	-	(135,341)	-	(135,341)
4.1. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	9,025	-	9,025	-	9,025
4.2. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	(144,366)	-	(144,366)	-	(144,366)
V. Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	9,776	-	-	-	9,776	-	9,776
VI. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares of associates, affiliates and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Translation differences		-	-	-	-	5,107	-	5,217	447,709	-	-	-	1,483	-	(215)	-	459,301	-	459,301
IX. Changes resulted from disposal of assets		-	-	-	-	(3,442)	-	52,208	7,299	-	-	2,296	(89,232)	-	-	-	(30,871)	-	(30,871)
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		-	-	-	-	-	-	766	(27,917)	-	-	-	(766)	-	-	-	(27,917)	(38)	(27,955)
XVII. Current period net profit/loss		-	-	-	-	-	-	-	-	5,105,291	-	-	-	-	-	-	5,105,291	42,468	5,147,759
XVIII. Profit distribution		-	-	-	-	43,229	-	2,965,949	805	-	(3,580,901)	-	3,918	-	-	-	(567,000)	(1,210)	(568,210)
18.1. Dividends		-	-	-	-	-	-	-	-	-	(567,000)	-	-	-	-	-	(567,000)	-	(567,000)
18.2. Transfers to reserves		-	-	-	-	43,229	-	2,965,949	-	-	(3,009,178)	-	-	-	-	-	-	(1,210)	(568,210)
18.3. Others		-	-	-	-	-	-	-	805	-	(4,723)	-	3,918	-	-	-	-	-	-
Balances at end of the period (I+II+III+.....+XVI+XVII+XVIII)		4,200,000	772,554	11,880	-	1,271,522	-	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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates
Consolidated Statement of Cash Flows
At 31 December 2016

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		1 January 2016 31 December 2016	1 January 2015 31 December 2015
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities	5.6	5,612,628	4,295,892
1.1.1 Interests received		20,848,418	18,093,803
1.1.2 Interests paid		(10,535,351)	(9,051,033)
1.1.3 Dividend received		9,084	5,399
1.1.4 Fees and commissions received		4,324,798	3,901,833
1.1.5 Other income		2,166,392	1,988,138
1.1.6 Collections from previously written-off loans and other receivables		211,058	91,969
1.1.7 Payments to personnel and service suppliers		(6,016,150)	(5,519,024)
1.1.8 Taxes paid		(1,549,381)	(1,139,790)
1.1.9 Others		(3,846,240)	(4,075,403)
1.2 Changes in operating assets and liabilities	5.6	(3,358,704)	(1,684,836)
1.2.1 Net (increase) decrease in financial assets held for trading		32,967	(12,079)
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		4,433,003	(1,782,004)
1.2.4 Net (increase) decrease in loans		(32,331,594)	(29,603,414)
1.2.5 Net (increase) decrease in other assets		(46,229)	(2,594,373)
1.2.6 Net increase (decrease) in bank deposits		(2,473,473)	(140,250)
1.2.7 Net increase (decrease) in other deposits		24,964,270	22,825,800
1.2.8 Net increase (decrease) in funds borrowed		1,977,302	6,564,452
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		(114,950)	3,057,032
I. Net cash flow from banking operations	5.6	2,253,924	2,611,056
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash flow from investing activities	5.6	1,149,148	(2,328,036)
2.1 Cash paid for purchase of associates, affiliates and joint-ventures		-	-
2.2 Cash obtained from sale of associates, affiliates and joint-ventures		135,173	-
2.3 Purchases of tangible assets		(1,020,765)	(561,310)
2.4 Sales of tangible assets		196,105	129,503
2.5 Cash paid for purchase of financial assets available-for-sale, net		(9,706,665)	(8,206,716)
2.6 Cash obtained from sale of financial assets available-for-sale, net		10,857,020	6,616,005
2.7 Cash paid for purchase of investments held-to-maturity		(498,479)	(3,277,512)
2.8 Cash obtained from sale of investments held-to-maturity		1,186,759	2,971,994
2.9 Others		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		(379,641)	463,710
3.1 Cash obtained from funds borrowed and securities issued		8,182,570	8,742,941
3.2 Cash used for repayment of funds borrowed and securities issued		(7,994,001)	(7,710,787)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		(568,210)	(568,354)
3.5 Payments for financial leases		-	(90)
3.6 Others		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		928,129	994,091
V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)	5.6	3,951,560	1,740,821
VI. Cash and cash equivalents at beginning of period	5.6	11,740,582	9,999,761
VII. Cash and cash equivalents at end of period (V+VI)	5.6	15,692,142	11,740,582

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.

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

3.2 Strategy for use of financial instruments and foreign currency transactions

3.2.1 Strategy for use of financial instruments

The liability side of the 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 31 December 2016, 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.

The Bank has sold its 1729 shares representing 99.94% of the share capital of GarantiBank Moscow AO and 1 share belonging to a group affiliate Garanti Bilişim Teknolojisi ve Ticaret AŞ. to Sovcombank a bank operating in Russia for a purchase price of USD 38,412,834.

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. There are no embedded derivatives.

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

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

3.4.2 Derivative financial instruments held for risk management

The Bank 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. While applying fair value hedge accounting, the changes in fair values of hedging instrument and hedged item are recognised in income statement. If the hedging is effective, the changes in fair value of the hedged item is presented in statement of financial position together with the fixed-rate loan, and in case of 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 over the life of the hedged item from that date of the hedge accounting is discontinued. While discontinuing cash flow hedge accounting, the cumulative gains/losses recognised in shareholders’ equity and presented under hedging reserves are continued to be kept in this account. When the cash flows of hedged item are recognised in income statement, the gain/losses accounted for under shareholders’ equity are recognised in income statement.

3.5 Interest income and expenses

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 that the Bank and its financial affiliates have the intent and ability to hold until maturity, excluding originated loans and receivables.

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

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

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

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

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

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

Loans and receivables are financial assets raised 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.

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

3.9.2 Derecognition of financial assets

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

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

3.11 Assets held for sale, assets of discontinued operations and related liabilities

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

A discontinued operation is a part of the Bank’s business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in the 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’s intention to complete and use the intangible asset,
- The ability to use the intangible asset,
- Clarity in probable future economic benefits to be generated from the intangible asset,
- The availability of adequate technical, financial and other resources to complete the development phase and to start using the intangible asset,
- The availability to measure reliably the expenditure attributable to the intangible asset during the development phase.

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

The intangible assets are amortised by the Bank over their estimated useful lives based on their inflation adjusted costs on a straight-line basis.

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.

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 Turkish Accounting Standard 8 (TAS 8) "Accounting Policies, Changes in Accounting Estimates and Errors".

Investment properties

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

Investment properties accounted at fair value are not depreciated.

3.14 Leasing activities

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

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

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

3.15 Provisions and contingent liabilities

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

3.16 Contingent assets

The contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Bank 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 period in which the change occurs.

3.17 Liabilities for employee benefits

Severance indemnities and short-term employee benefits

As per the existing labour law in Turkey, the 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:

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

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:

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

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

a) Benefits transferable to SSF

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

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

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

On 19 June 2008, Cumhuriyet Halk Partisi ("CHP") 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.

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.

3.18.3 Transfer pricing

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

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

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

3.19 Funds borrowed

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

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

3.20 Shares and share issuances

None.

3.21 Confirmed bills of exchange and acceptances

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

3.22 Government incentives

As of 31 December 2016, the Bank or its financial affiliates do not have any government incentives or grants.

3.23 Segment reporting

The Bank operates in corporate, commercial, retail and investment banking. Accordingly, the banking products served to customers are; custody services, time and demand deposits, accumulating deposit accounts, repos, overdraft facilities, spot loans, foreign currency indexed loans, consumer loans, automobile and housing loans, working capital loans, discounted bills, gold loans, foreign currency loans, Eximbank loans, pre-export loans, ECA covered financing, letters of guarantee, letters of credit, export factoring, acceptance credits, draft facilities, forfaiting, leasing, insurance, forward, futures, salary payments, investment account (ELMA), cheques, safety boxes, bill payments, tax collections, payment orders. GarantiCard, BonusCard, Miles&Smiles Card, FlexiCard, MoneyCard, BusinessCard under the brand 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	6,448,700	5,414,154	1,054,411	3,984,081	16,901,346
Other	-	-	-	-	-
Total Operating Profit	6,448,700	5,414,154	1,054,411	3,984,081	16,901,346
Net Operating Profit	2,692,970	1,925,929	708,983	1,153,980	6,481,862
Income from Associates and Affiliates	-	-	-	9,088	9,088
Net Operating Profit	2,692,970	1,925,929	708,983	1,163,068	6,490,950
Provision for Taxes	-	-	-	1,343,191	1,343,191
Net Profit	2,692,970	1,925,929	708,983	(180,123)	5,147,759
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

<i>Prior Period</i>	Retail Banking	Corporate / Commercial Banking	Investment Banking	Other	Total Operations
Total Operating Profit	4,908,424	4,544,172	1,342,593	3,106,481	13,901,670
Other	-	-	-	-	-
Total Operating Profit	4,908,424	4,544,172	1,342,593	3,106,481	13,901,670
Net Operating Profit	(191,414)	2,103,688	1,005,203	1,736,611	4,654,088
Income from Associates and Affiliates	-	-	-	5,399	5,399
Net Operating Profit	(191,414)	2,103,688	1,005,203	1,742,010	4,659,487
Provision for Taxes	-	-	-	1,044,373	1,044,373
Net Profit	(191,414)	2,103,688	1,005,203	697,637	3,615,114
Segment Assets	54,964,113	115,782,773	79,127,377	29,620,252	279,494,515
Investments in Associates and Affiliates	-	-	-	152,663	152,663
Total Assets	54,964,113	115,782,773	79,127,377	29,772,915	279,647,178
Segment Liabilities	99,097,088	57,963,972	71,210,474	20,171,888	248,443,422
Shareholders' Equity	-	-	-	31,203,756	31,203,756
Total Liabilities and Shareholders' Equity	99,097,088	57,963,972	71,210,474	51,375,644	279,647,178

3.24 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

	Amount	Amount as per the regulation before 1/1/2014 ^(*)
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	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 (-)	-	-

	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	1,715,062	
Total Common Equity Tier I Capital	35,232,173	
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	-	-

	Amount	Amount as per the regulation before 1/1/2014 ^(*)
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	2,889,903	
Total Equity (Total Tier I and Tier II Capital)	38,010,161	
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	-	-

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

None.

4.1.3 Reconciliation of capital items to balance sheet

<i>Current Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the capital report (*)</i>	<i>Explanation of 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>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 (-)			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

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

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

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

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

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

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

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

Foreign trade finance and other interbank credit transactions are performed through widespread correspondents network. Accordingly, limits are assigned to domestic and foreign banks and other financial institutions based on review of their credit worthiness, periodically.

The Bank developed a statistical-based internal risk rating model for its credit portfolio of corporate/commercial/medium-size companies. This internal risk rating model has been in use for customer credibility assessment since 2003. Risk rating has become a requirement for loan

applications, and ratings are used both to determine branch managers' credit authorization limits and in credit assessment process.

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

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

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

Exposure Categories	<i>Current Period</i> ^(*)	<i>Average</i> ^(**)
Conditional and unconditional exposures to central governments or central banks	67,305,286	73,988,899
Conditional and unconditional exposures to regional governments or local authorities	132,655	92,560
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	64,343	65,561
Conditional and unconditional exposures to multilateral development banks	1,443,371	1,139,231
Conditional and unconditional exposures to international organisations	-	-
Conditional and unconditional exposures to banks and brokerage houses	45,659,651	41,464,066
Conditional and unconditional exposures to corporates	136,683,596	131,475,572
Conditional and unconditional retail exposures	66,769,991	59,081,330
Conditional and unconditional exposures secured by real estate property	36,698,091	30,988,810
Past due items	1,065,374	973,536
Items in regulatory high-risk categories	2,308,629	4,654,614
Exposures in the form of bonds secured by mortgages	-	-
Securitisation positions	-	-
Short term exposures to banks, brokerage houses and corporates	-	-
Exposures in the form of collective investment undertakings	-	-
Shares	218,992	637,245
Other items	9,494,987	8,377,418

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

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

Exposure Categories	Prior Period ^(*)	Average ^(**)
Conditional and unconditional exposures to central governments or central banks	70,609,578	67,653,950
Conditional and unconditional exposures to regional governments or local authorities	81,536	86,096
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	76,402	73,306
Conditional and unconditional exposures to multilateral development banks	1,095,933	558,742
Conditional and unconditional exposures to international organisations	-	-
Conditional and unconditional exposures to banks and brokerage houses	45,958,857	43,104,083
Conditional and unconditional exposures to corporates	122,002,761	117,659,287
Conditional and unconditional retail exposures	46,270,013	44,971,714
Conditional and unconditional exposures secured by real estate property	28,757,418	26,368,855
Past due items	921,533	802,981
Items in regulatory high-risk categories	18,201,102	18,229,194
Exposures in the form of bonds secured by mortgages	-	-
Securitisation positions	-	-
Short term exposures to banks, brokerage houses and corporates	-	-
Other items ^(***)	8,687,865	6,620,326

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

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

(***) Shares are reported under "other items" in the prior period.

The parent Bank and its financial affiliates' largest 100 and 200 cash loan customers compose 24.42% (31 December 2015: 23.57%) and 31.27% (31 December 2015: 30.59%) of the total cash loan portfolio, respectively.

The parent Bank and its financial affiliates' largest 100 and 200 non-cash loan customers compose 51.42% (31 December 2015: 54.19%) and 61.15% (31 December 2015: 63.20%) of the total non-cash loan portfolio, respectively.

The parent Bank and its financial affiliates' largest 100 ve 200 cash and non-cash loan customers represent 8.69% (31 December 2015: 8.46%) and 11.24% (31 December 2015: 10.87%) of the total "on and off balance sheet" assets, respectively.

The general provision for consolidated credit risk amounts to TL 3,215,533 thousands (31 December 2015: TL 3,027,976 thousands).

4.2.1 Profile of significant exposures in major regions

Current Period ^(****)	Exposure Categories ^(*)							Total
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Items in regulatory high-risk categories	Other	
Domestic	62,213,592	13,280,397	117,348,484	63,961,399	35,871,303	791,687	10,339,411	303,806,273
European Union (EU) Countries	4,605,824	30,261,053	10,436,611	2,418,906	796,302	334,866	2,007,318	50,860,880
OECD Countries ^(**)	95	593,111	3,963,959	3,070	5,675	17	30,898	4,596,825
Off-Shore Banking Regions	-	3,063	773,608	1,290	580	13,700	1	792,242
USA, Canada	1,131	1,076,577	2,452,419	8,313	3,283	9,325	3,003	3,554,051
Other Countries	484,644	369,005	1,705,225	377,013	20,948	33,927	27,169	3,017,931
Associates, Subsidiaries and Joint –Ventures	-	76,445	3,290	-	-	1,125,107	11,922	1,216,764
Unallocated Assets/Liabilities ^(***)	-	-	-	-	-	-	-	-
Total	67,305,286	45,659,651	136,683,596	66,769,991	36,698,091	2,308,629	12,419,722	367,844,966

Prior Period ^(****)	Exposure Categories ^(*)							Total
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Items in regulatory high-risk categories	Other	
Domestic	64,918,516	15,656,354	107,599,284	45,171,400	27,313,408	16,588,646	8,803,337	286,050,945
European Union (EU) Countries	5,125,240	26,689,507	7,314,859	893,674	1,422,581	1,407,526	1,642,582	44,495,969
OECD Countries ^(**)	45	303,900	2,874,992	5,001	3,301	13,380	21,496	3,222,115
Off-Shore Banking Regions	-	2,483	356,369	1,882	-	54,060	5,830	420,624
USA, Canada	726	1,814,080	2,061,866	2,523	6,666	2,512	9,472	3,897,845
Other Countries	565,051	1,477,488	1,774,067	195,533	11,462	134,978	369,085	4,527,664
Associates, Subsidiaries and Joint –Ventures	-	15,045	21,324	-	-	-	11,467	47,836
Unallocated Assets/Liabilities ^(***)	-	-	-	-	-	-	-	-
Total	70,609,578	45,958,857	122,002,761	46,270,013	28,757,418	18,201,102	10,863,269	342,662,998

(*) Exposure categories are as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

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

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

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

4.2.2 Risk profile by sectors or counterparties

Current Period (**)	Exposure Categories (*)																		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	TL	FC	Total
Agriculture	-	508	-	-	-	-	1,086,624	568,984	434,471	56,205	10,025	-	-	-	-	-	1,199,007	957,810	2,156,817
Farming and Stockbreeding	-	-	-	-	-	-	895,354	510,611	396,966	55,612	8,681	-	-	-	-	-	1,124,319	742,905	1,867,224
Forestry	-	508	-	-	-	-	100,633	36,041	28,790	485	280	-	-	-	-	-	33,380	133,357	166,737
Fishery	-	-	-	-	-	-	90,637	22,332	8,715	108	1,064	-	-	-	-	-	41,308	81,548	122,856
Manufacturing	5	-	-	-	-	128,678	56,420,611	6,446,944	7,157,929	268,142	253,201	-	-	-	19,801	-	20,828,288	49,867,023	70,695,311
Mining and Quarrying	-	-	-	-	-	-	2,630,693	279,321	117,122	16,431	8,520	-	-	-	-	-	800,030	2,252,057	3,052,087
Production	-	-	-	-	-	-	31,166,478	6,043,707	4,299,810	212,869	203,126	-	-	-	19,801	-	16,711,133	25,234,658	41,945,791
Electricity, Gas and Water	5	-	-	-	-	128,678	22,623,440	123,916	2,740,997	38,842	41,555	-	-	-	-	-	3,317,125	22,380,308	25,697,433
Construction	-	4	173	-	-	-	7,584,160	3,131,638	2,395,650	118,651	79,043	-	-	-	-	-	7,488,021	5,821,298	13,309,319
Services	489	523	17,668	1,443,371	-	44,605,066	60,326,969	14,211,299	9,551,382	498,490	448,194	-	-	-	55,693	-	83,034,202	48,124,942	131,159,144
Wholesale and Retail Trade	-	-	268	-	-	-	25,684,402	10,716,937	4,983,071	210,956	134,354	-	-	-	-	-	24,339,788	17,390,200	41,729,988
Accommodation and Dining	-	-	13	-	-	-	3,517,892	819,381	2,697,010	91,466	17,250	-	-	-	-	-	1,874,952	5,268,060	7,143,012
Transportation and Telecommunication	-	120	10	-	-	-	14,572,019	1,823,151	607,756	146,933	26,777	-	-	-	-	-	3,231,372	13,945,394	17,176,766
Financial Institutions	-	-	-	1,443,371	-	44,605,066	7,997,755	105,864	65,700	2,358	244,473	-	-	-	55,693	-	50,503,300	4,016,980	54,520,280
Real Estate and Rental Services	-	-	-	-	-	-	5,535,000	211,973	623,968	12,629	5,078	-	-	-	-	-	1,404,116	4,984,532	6,388,648
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	1	403	17,377	-	-	-	274,015	146,151	353,374	24,986	12,209	-	-	-	-	-	674,972	153,544	828,516
Health and Social Services	488	-	-	-	-	-	2,745,886	387,842	220,503	9,162	8,053	-	-	-	-	-	1,005,702	2,366,232	3,371,934
Others	67,304,792	131,620	46,502	-	-	925,907	11,265,232	42,411,126	17,158,659	123,886	1,518,166	-	-	-	143,498	9,494,987	73,371,764	77,152,611	150,524,375
Total	67,305,286	132,655	64,343	1,443,371	-	45,659,651	136,683,596	66,769,991	36,698,091	1,065,374	2,308,629	-	-	-	218,992	9,494,987	185,921,282	181,923,684	367,844,966

(*) Exposure categories are as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

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

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

Türkiye Garanti Bankası AŞ and Its Financial Affiliates

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

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

Prior Period (**)	Exposure Categories (*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	TL	FC	Total
Agriculture	-	7,835	-	-	-	-	782,937	464,363	390,236	39,906	73,510	-	-	-	-	1,097,788	660,999	1,758,787
Farming and Stockbreeding	-	-	-	-	-	-	646,516	410,751	359,198	39,575	67,386	-	-	-	-	1,012,149	511,277	1,523,426
Forestry	-	7,835	-	-	-	-	34,614	33,426	18,643	113	774	-	-	-	-	29,214	66,191	95,405
Fishery	-	-	-	-	-	-	101,807	20,186	12,395	218	5,350	-	-	-	-	56,425	83,531	139,956
Manufacturing	5	-	4	-	-	-	51,086,181	4,426,128	3,830,229	320,016	394,744	-	-	-	-	16,055,855	44,001,452	60,057,307
Mining and Quarrying	-	-	-	-	-	-	1,671,336	191,110	134,900	53,229	16,480	-	-	-	-	573,579	1,493,476	2,067,055
Production	-	-	3	-	-	-	26,895,150	4,161,823	3,561,264	236,006	373,747	-	-	-	-	13,539,294	21,688,699	35,227,993
Electricity, Gas and Water	5	-	1	-	-	-	22,519,695	73,195	134,065	30,781	4,517	-	-	-	-	1,942,982	20,819,277	22,762,259
Construction	-	40	209	-	-	-	6,968,450	1,906,155	2,869,988	73,910	184,239	-	-	-	-	6,283,384	5,719,607	12,002,991
Services	405	211	25,989	1,095,933	-	45,129,339	51,898,265	10,685,498	10,627,059	345,416	1,289,151	-	-	-	50,773	49,608,331	71,539,708	121,148,039
Wholesale and Retail Trade	366	-	319	-	-	-	24,707,308	8,174,887	5,246,480	225,190	608,593	-	-	-	-	21,410,618	17,552,525	38,963,143
Accomodation and Dining	-	-	298	-	-	-	3,568,482	543,114	2,332,252	49,259	80,657	-	-	-	-	1,857,626	4,716,436	6,574,062
Transportation and Telecommunication	-	211	4	-	-	-	10,435,918	1,387,036	854,310	35,635	97,271	-	-	-	-	3,223,989	9,586,396	12,810,385
Financial Institutions	-	-	-	1,095,933	-	45,129,339	7,080,746	76,859	59,425	8,373	446,408	-	-	-	50,773	20,297,583	33,650,273	53,947,856
Real Estate and Rental Services	-	-	-	-	-	-	4,026,164	140,476	1,632,391	6,531	13,395	-	-	-	-	1,212,179	4,606,778	5,818,957
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	2	-	25,085	-	-	-	437,330	85,278	200,020	8,863	11,054	-	-	-	-	599,075	168,557	767,632
Health and Social Services	37	-	283	-	-	-	1,642,317	277,848	302,181	11,565	31,773	-	-	-	-	1,007,261	1,258,743	2,266,004
Others	70,609,168	73,450	50,200	-	-	829,518	11,266,928	28,787,869	11,039,906	142,285	16,259,458	-	-	-	8,637,092	102,203,336	45,492,538	147,695,874
Total	70,609,578	81,536	76,402	1,095,933	-	45,958,857	122,002,761	46,270,013	28,757,418	921,533	18,201,102	-	-	-	8,687,865	175,248,694	167,414,304	342,662,998

(*) Exposure categories are as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

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

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

4.2.3 Analysis of maturity-bearing exposures according to remaining maturities

<i>Current Period</i>		Term To Maturity					Demand	Total
Exposure Categories (*)		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year		
1	Conditional and unconditional exposures to central governments or central banks	6,877,124	14,069,704	87,825	5,445	38,718,233	7,546,955	67,305,286
2	Conditional and unconditional exposures to regional governments or local authorities	2,575	253	1,217	2,081	126,040	489	132,655
3	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	394	106	1,572	234	59,343	2,694	64,343
4	Conditional and unconditional exposures to multilateral development banks	-	-	-	6,379	1,436,992	-	1,443,371
5	Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	-
6	Conditional and unconditional exposures to banks and brokerage houses	13,919,811	2,744,333	2,312,751	3,003,511	22,680,507	998,738	45,659,651
7	Conditional and unconditional exposures to corporates	9,374,574	11,462,845	12,423,601	18,147,263	80,021,580	5,253,733	136,683,596
8	Conditional and unconditional retail exposures	13,654,414	7,649,530	2,535,461	4,972,916	31,815,225	6,142,445	66,769,991
9	Conditional and unconditional exposures secured by real estate property	227,305	476,200	785,913	1,842,293	31,356,990	2,009,390	36,698,091
10	Past due items	-	-	-	-	-	1,065,374	1,065,374
11	Items in regulatory high-risk categories	304,970	233,797	13,009	28,980	213,055	1,514,818	2,308,629
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-
13	Securitisation positions	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-
16	Shares	-	-	-	-	-	218,992	218,992
17	Other items	646,707	-	-	-	-	8,848,280	9,494,987
Total		45,007,874	36,636,768	18,161,349	28,009,102	206,427,965	33,601,908	367,844,966

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

<i>Prior Period</i>		Term To Maturity					Demand	Total
Exposure Categories (*)		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year		
1	Conditional and unconditional exposures to central governments or central banks	6,881,816	20,527,333	223,550	3,497,122	34,014,294	5,465,463	70,609,578
2	Conditional and unconditional exposures to regional governments or local authorities	4,299	15	1,186	733	74,954	349	81,536
3	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	1,315	2,349	1,761	41,811	28,404	762	76,402
4	Conditional and unconditional exposures to multilateral development banks	-	-	-	-	1,095,933	-	1,095,933
5	Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	-
6	Conditional and unconditional exposures to banks and brokerage houses	14,445,998	2,951,136	3,435,926	3,655,692	20,789,596	680,509	45,958,857
7	Conditional and unconditional exposures to corporates	9,813,989	10,419,058	11,392,679	21,222,867	68,054,577	1,099,591	122,002,761
8	Conditional and unconditional retail exposures	10,842,651	4,230,092	6,257,224	4,131,880	14,600,094	6,208,072	46,270,013
9	Conditional and unconditional exposures secured by real estate property	702,404	1,333,229	1,844,071	2,644,252	22,181,094	52,368	28,757,418
10	Past due items	-	-	-	-	-	921,533	921,533
11	Items in regulatory high-risk categories	224,368	476,605	6,363	1,031,201	16,187,077	275,488	18,201,102
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-
13	Securitisation positions	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-
15	Other items	-	-	-	-	-	8,687,865	8,687,865
Total		42,916,840	39,939,817	23,162,760	36,225,558	177,026,023	23,392,000	342,662,998

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

4.2.4 Exposure categories

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

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

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

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

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

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

4.2.5 Exposures by risk weights

The total amount of exposures corresponding to each class of risk weight before and after credit risk mitigation and the deductions from equity as defined in the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks Appendix-1 are presented below:

<i>Current Period</i>	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Deductions from Equity
Risk Weights											
Exposures before Credit Risk Mitigation	47,225,556	-	11,824,122	19,397,663	65,531,157	71,641,730	150,011,841	844,891	-	1,368,006	528,632
Exposures after Credit Risk Mitigation	42,562,410	-	8,339,872	19,391,219	62,853,998	66,169,176	135,104,549	824,973	-	1,368,006	528,632

<i>Prior Period</i>	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Deductions from Equity
Risk Weights											
Exposures before Credit Risk Mitigation	66,022,413	-	19,754,057	-	63,019,892	40,582,050	135,167,182	6,807,219	10,510,399	799,786	1,191,520
Exposures after Credit Risk Mitigation	59,223,592	-	12,186,170	-	54,233,496	40,283,953	122,578,041	6,754,537	10,450,895	799,786	1,191,520

4.2.6 Information by major sectors and type of counterparties

As per the TAS and TFRS;

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

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

<i>Current Period</i>	Credit Risks			
Major Sectors/Counterparties	Impaired Credits	Past Due Credits	Value Adjustments	Specific Provisions
Agriculture	180,128	18,513	509	114,186
Farming and Stockbreeding	174,721	15,170	475	110,949
Forestry	2,930	1,645	14	1,996
Fishery	2,477	1,698	20	1,241
Manufacturing	1,085,513	707,172	16,311	689,413
Mining and Quarrying	77,108	16,291	114	56,503
Production	857,375	602,410	9,254	562,448
Electricity, Gas and Water	151,030	88,471	6,943	70,462
Construction	577,223	272,042	4,593	358,482
Services	2,042,009	4,139,420	60,341	1,158,689
Wholesale and Retail Trade	1,142,765	407,516	15,039	624,623
Accommodation and Dining	197,617	133,809	3,417	77,717
Transportation and Telecommunication	540,862	3,464,249	39,641	361,261
Financial Institutions	22,488	1,343	43	19,801
Real Estate and Rental Services	39,633	58,346	1,081	18,832
Professional Services	197	122	-	197
Educational Services	60,745	11,957	172	32,036
Health and Social Services	37,702	62,078	948	24,222
Others	3,381,821	4,103,598	93,102	2,948,899
Total	7,266,694	9,240,745	174,856	5,269,669

<i>Prior Period</i>	Credit Risks			
Major Sectors/Counterparties	Impaired Credits	Past Due Credits	Value Adjustments	Specific Provisions
Agriculture	162,877	19,405	336	82,426
Farming and Stockbreeding	155,940	15,102	318	80,775
Forestry	1,391	3,877	10	986
Fishery	5,546	426	8	665
Manufacturing	1,291,030	381,753	1,203	776,092
Mining and Quarrying	186,656	14,860	43	122,345
Production	953,722	363,375	1,126	535,138
Electricity, Gas and Water	150,652	3,518	34	118,609
Construction	366,991	211,757	1,213	177,843
Services	1,575,966	752,466	7,036	934,594
Wholesale and Retail Trade	1,003,876	447,330	2,418	568,179
Accommodation and Dining	213,135	97,933	466	117,046
Transportation and Telecommunication	255,542	141,892	3,963	195,881
Financial Institutions	32,396	2,926	12	19,465
Real Estate and Rental Services	25,267	14,867	35	11,064
Professional Services	11	-	-	11
Educational Services	18,101	20,692	40	6,375
Health and Social Services	27,638	26,826	102	16,573
Others	3,007,290	3,160,820	134,043	2,675,031
Total	6,404,154	4,526,201	143,831	4,645,986

4.2.7 Movements in value adjustments and provisions

	<i>Current Period</i>	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1	Specific Provisions	4,645,986	3,318,987	2,826,234	130,930	5,269,669
2	General Provisions	3,027,976	213,321	47,251	21,487	3,215,533

	<i>Prior Period</i>	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1	Specific Provisions	3,597,081	2,307,222	1,243,523	(14,794)	4,645,986
2	General Provisions	2,457,552	597,780	31,956	4,600	3,027,976

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

4.2.8 Exposures subject to countercyclical capital buffer

Country	Banking Book	Trading Book	Total
Turkey	181,046,373	391,744	181,438,117
Romania	4,800,305	-	4,800,305
the Netherlands	2,857,402	-	2,857,402
Malta	1,547,367	-	1,547,367
Switzerland	1,500,666	73	1,500,739
United Kingdom	1,298,948	-	1,298,948
United States of America	782,401	-	782,401
Germany	738,573	-	738,573
NCTR	568,039	-	568,039
Belgium	358,115	-	358,115
Other	2,376,743	4	2,376,747
Total	197,874,932	391,821	198,266,753

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 31 Aralık 2016, the Bank and its financial affiliates' net 'on balance sheet' foreign currency short position amounts to TL 16,885,902 thousands (31 December 2015: TL 7,939,559 thousands), net 'off-balance sheet' foreign currency long position amounts to TL 18,057,131 thousands (31 December 2015: TL 9,437,913 thousands), while net foreign currency long open position amounts to TL 1,171,229 thousands (31 December 2015: TL 1,498,354 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	3.5130	3.7020
<u>Foreign currency rates for the days before balance sheet date:</u>		
Day 1	3.5130	3.7020
Day 2	3.5250	3.6863
Day 3	3.5370	3.6776
Day 4	3.5170	3.6756
Day 5	3.5020	3.6610
Last 30-days arithmetical average rate	3.4955	3.6814

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	5,193,774	10,590,972	1,443,016	17,227,762
Banks	6,766,453	7,645,367	1,254,715	15,666,535
Financial Assets at Fair Value through Profit/Loss	88,320	367,780	14,424	470,524
Interbank Money Market Placements	351,691	-	-	351,691
Financial Assets Available-for-Sale	2,611,436	2,871,273	3,458	5,486,167
Loans ^(*)	35,532,360	49,123,510	3,164,110	87,819,980
Investments in Associates, Affiliates and Joint-Ventures	1,051	-	574	1,625
Investments Held-to-Maturity	129,789	10,840,784	-	10,970,573
Derivative Financial Assets Held for Risk Management	46,884	95,692	-	142,576
Tangible Assets	84,999	266	53,892	139,157
Intangible Assets	-	-	-	-
Other Assets ^(**)	4,053,901	2,194,545	105,143	6,353,589
Total Assets	54,860,658	83,730,189	6,039,332	144,630,179
Liabilities				
Bank Deposits	2,124,101	1,311,897	288,730	3,724,728
Foreign Currency Deposits	32,535,601	58,876,377	5,500,763	96,912,741
Interbank Money Market Takings	259,140	266,941	87	526,168
Other Fundings	12,510,806	30,796,534	146,834	43,454,174
Securities Issued	2,192,240	8,690,657	991,105	11,874,002
Miscellaneous Payables	129,755	905,722	44,183	1,079,660
Derivative Financial Liabilities Held for Risk Management	75,226	76,888	-	152,114
Other Liabilities ^(***)	561,579	1,112,989	2,117,926	3,792,494
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	-	-	-	-
Prior Period				
Total Assets	42,557,470	85,807,550	8,192,768	136,557,788
Total Liabilities	44,136,917	92,755,644	7,604,786	144,497,347
Net 'On Balance Sheet' Position	(1,579,447)	(6,948,094)	587,982	(7,939,559)
Net 'Off-Balance Sheet' Position	2,017,703	7,542,704	(122,494)	9,437,913
Derivative Assets	18,087,595	48,947,401	8,290,949	75,325,945
Derivative Liabilities	(16,069,892)	(41,404,697)	(8,413,443)	(65,888,032)
Non-Cash Loans	-	-	-	-

(*) The foreign currency-indexed loans amounting TL 6,396,564 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 324,421 thousands included under TL assets in the accompanying consolidated financial statements are presented above under the related foreign currency code.

(***) The gold deposits of TL 2,026,567 thousands included under deposits in the accompanying consolidated financial statements are presented above under other liabilities.

4.4 Consolidated interest rate risk

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

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

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

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

<i>Current Period</i>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing (*)	Total
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	17,892,432	-	-	-	-	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.

<i>Prior Period</i>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing (*)	Total
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	237,533	-	-	-	-	25,049,104	25,286,637
Banks	7,922,534	2,103,704	2,260,840	8,924	-	4,010,164	16,306,166
Financial Assets at Fair Value through Profit/Loss (**)	12,065	62,686	34,492	64,627	34,813	1,740,714	1,949,397
Interbank Money Market Placements	80,360	-	-	-	-	6	80,366
Financial Assets Available-for-Sale	1,064,920	8,307,301	5,615,120	4,521,806	3,910,727	1,335,896	24,755,770
Loans (**)	41,509,895	23,332,111	49,834,084	42,221,450	11,525,190	3,530,571	171,953,301
Investments Held-to-Maturity	878,945	1,839,476	5,475,789	4,164,735	7,166,113	1,792,188	21,317,246
Other Assets	1,133,112	1,547,350	1,871,848	2,719,019	323,575	10,403,391	17,998,295
Total Assets	52,839,364	37,192,628	65,092,173	53,700,561	22,960,418	47,862,034	279,647,178
Liabilities							
Bank Deposits	3,493,949	1,433,808	253,033	-	-	1,779,391	6,960,181
Other Deposits	76,676,068	24,774,342	15,012,882	1,221,025	5,862	31,484,071	149,174,250
Interbank Money Market Takings	13,576,686	221,243	2,520,164	190,026	39,310	20,367	16,567,796
Miscellaneous Payables	-	-	-	-	-	8,580,022	8,580,022
Securities Issued	1,272,460	1,431,663	2,416,522	6,933,473	3,117,821	339,658	15,511,597
Other Fundings	14,293,797	14,500,177	4,855,756	5,461,252	185,718	222,987	39,519,687
Other Liabilities	2,596	40,791	9,322	-	-	43,280,936	43,333,645
Total Liabilities	109,315,556	42,402,024	25,067,679	13,805,776	3,348,711	85,707,432	279,647,178
On Balance Sheet Long Position	-	-	40,024,494	39,894,785	19,611,707	-	99,530,986
On Balance Sheet Short Position	(56,476,192)	(5,209,396)	-	-	-	(37,845,398)	(99,530,986)
Off-Balance Sheet Long Position	5,715,518	8,832,982	11,606,458	5,418,346	2,626,080	-	34,199,384
Off-Balance Sheet Short Position	(1,973,392)	(5,600,588)	(9,071,991)	(10,429,335)	(7,396,845)	-	(34,472,151)
Total Position	(52,734,066)	(1,977,002)	42,558,961	34,883,796	14,840,942	(37,845,398)	(272,767)

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

(**) Loans amounting to TL 198,118 thousands included under Financial Assets at Fair Value through Profit/Loss in the accompanying consolidated financial statements are presented above under Loans.

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	-	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

Prior Period	EUR	USD	JPY	TL
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	0.35	-	2.90
Banks	0.13-1.75	0.05-7.53	-	10.05-14.70
Financial Assets at Fair Value through Profit/Loss	4.66	4.64	-	7.07-14.56
Interbank Money Market Placements	-	0.55-2.25	-	10.00-10.29
Financial Assets Available-for-Sale	0.46-5.50	2.79-11.88	-	9.89-14.47
Loans	0.20-14.00	0.67-11.00	3.04	10.00-15.85
Investments Held-to-Maturity	0.19	5.49	-	10.76
Liabilities				
Bank Deposits	0.10-1.13	0.35-1.37	-	10.69-10.80
Other Deposits	0.95-9.00	1.43-3.75	1.19	7.00-11.41
Interbank Money Market Takings	0.05-0.15	0.75-2.75	1.49	6.00-13.72
Miscellaneous Payables	-	-	-	-
Securities Issued	3.42	4.83	1.01	9.94-11.92
Other Fundings	0.25-6.25	0.90-5.44	1.50	11.06-15.75

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	124,138	-	-
	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	-	-	-

<i>Prior Period</i>		Comparison		
Equity Securities (shares)		Carrying Value	Fair Value	Market Value
1	Investment in Shares- Grade A	123,682	-	-
	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

<i>Current Period</i>		Gains/Losses in Current Period	Revaluation Surpluses		Unrealized Gains and Losses		
Portfolio			Total	Amount in Tier I Capital	Total	Amount in Core Capital	Amount in Tier I Capital
1	Private Equity Investments	-	-	-	-	-	-
2	Quoted Shares	-	-	-	13,997	-	13,997
3	Other Shares	-	7,080	7,080	-	-	-
	Total	-	7,080	7,080	13,997	-	13,997

Prior 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	-	-	-	11,203	-	11,203
3	Other Shares	-	213,303	213,303	-	-	-
	Total	-	213,303	213,303	11,203	-	11,203

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	153,120	152,857	12,229
	Total	153,120	152,857	12,229

	<i>Prior Period</i>			
	Portfolio	Carrying Value	RWA Total	Minimum Capital Requirement
1	Private Equity Investments	-	-	-
2	Quoted Shares	-	-	-
3	Other Shares	152,663	152,400	12,192
	Total	152,663	152,400	12,192

(*) Additional to total RWA as of 31 December 2016, 250% risk weight is applied to 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 (c), 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 the Bank's liquidity management. Each subsidiary controlled by the Bank performs daily, medium and long term liquidity management independently from the Bank by the authorities in each subsidiary responsible for managing liquidity risk. In addition, within the scope of consolidated risk management, liquidity and funding risk of each subsidiary in control are monitored via the liquidity risk management methods identified by the Bank by considering the operations, risk profile and regulations of the related subsidiary.

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

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

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

In the context of TL and foreign currencies liquidity management, the 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.

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 4.97% cash, 47.12% deposits in central banks and 47.91% 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 67.79% deposits, 21.93% funds borrowed and money market borrowings and 6.73% 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				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 month's month-end consolidated liquidity ratios.

The table below presents the last three months' 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%

<i>Prior Period</i>	Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
	TL+FC	FC	TL+FC	FC
High-Quality Liquid Assets			39,416,728	27,406,063
1 Total high-quality liquid assets (HQLA)			39,416,728	27,406,063
Cash Outflows				
2 Retail deposits and deposits from small business customers, of which:	100,556,598	48,941,016	8,499,088	4,340,569
3 Stable deposits	31,131,436	11,070,653	1,556,572	553,533
4 Less stable deposits	69,425,162	37,870,363	6,942,516	3,787,036
5 Unsecured wholesale funding, of which:	48,665,532	29,472,577	29,276,756	16,915,052
6 Operational deposits	-	-	-	-
7 Non-operational deposits	35,289,145	23,871,372	18,171,273	12,386,455
8 Unsecured funding	13,376,387	5,601,205	11,105,483	4,528,597
9 Secured wholesale funding			288,203	288,203
10 Other cash outflows of which:	51,403,023	14,852,599	9,692,156	7,208,597
11 Outflows related to derivative exposures and other collateral requirements	6,497,322	6,094,576	6,497,322	6,422,203
12 Outflows related to restructured financial instruments	-	-	-	-
13 Payment commitments and other off-balance sheet commitments granted for debts to financial markets	44,905,701	8,758,023	3,194,834	786,394
14 Other revocable off-balance sheet commitments and contractual obligations	16,748,440	11,718,247	837,422	585,912
15 Other irrevocable or conditionally revocable off-balance sheet obligations	32,151,508	22,252,881	1,607,575	1,112,644
16 Total Cash Outflows			50,201,200	30,450,977
Cash Inflows				
17 Secured receivables	19,618	194	194	194
18 Unsecured receivables	21,630,616	8,738,676	15,428,076	6,814,208
19 Other cash inflows	751,334	290,107	744,547	286,962
20 Total Cash Inflows	22,401,568	9,028,977	16,172,817	7,101,364
			Total Adjusted Values	
21 Total HQLA			39,416,728	27,406,063
22 Total Net Cash Outflows			34,028,384	23,349,613
23 Liquidity Coverage Ratio (%)			116.04	118.08

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

Period	TL+FC	FC
31 October 2015	104.50%	108.78%
30 November 2015	123.34%	115.35%
31 December 2015	120.27%	130.13%

4.6.2 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	8,451,124	15,500,350	-	-	-	-	-	23,951,474
Banks	6,568,580	3,128,098	1,600,736	1,993,801	3,589,829	-	-	16,881,044
Financial Assets at Fair Value through Profit/Loss (**)	39,242	988,141	751,345	1,315,803	387,478	323,532	-	3,805,541
Interbank Money Market Placements	-	373,871	-	-	-	-	-	373,871
Financial Assets Available-for-Sale	218,812	23,065	34,141	498,172	11,326,666	11,882,592	-	23,983,448
Loans (**)	419,535	33,315,960	16,942,938	48,906,728	73,225,524	24,329,134	4,269,277	201,409,096
Investments Held-to-Maturity	-	139,741	452,201	181,994	9,023,268	13,312,492	-	23,109,696
Other Assets	1,965,205	2,556,581	1,347,542	1,952,874	3,672,114	537,820	6,575,633	18,607,769
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
Liabilities								
Bank Deposits	2,912,446	1,154,085	94,146	327,269	-	-	-	4,487,946
Other Deposits	43,835,833	92,200,862	22,784,118	13,614,639	1,744,211	22,204	-	174,201,867
Other Fundings	-	2,215,433	1,937,295	20,049,594	15,892,027	6,487,504	-	46,581,853
Interbank Money Market Takings	87	10,496,626	207,399	218,895	259,140	48,046	-	11,230,193
Securities Issued	-	649,855	1,689,466	5,053,039	8,223,299	2,129,989	-	17,745,648
Miscellaneous Payables	1,156,028	8,135,691	13,512	33,689	-	317	511	9,339,748
Other Liabilities (***)	1,800,785	1,327,477	913,491	1,227,256	700,949	660,205	41,904,521	48,534,684
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
Prior Period								
Total Assets	14,502,821	58,138,733	17,791,403	49,866,067	84,702,069	45,508,194	9,137,891	279,647,178
Total Liabilities	42,572,000	98,859,842	30,284,090	36,940,489	25,072,261	9,049,355	36,869,141	279,647,178
Liquidity Gap	(28,069,179)	(40,721,109)	(12,492,687)	12,925,578	59,629,808	36,458,839	(27,731,250)	-
Net Off-Balance Sheet Position	-	(9,927)	(59,699)	(650,163)	32,032	87,117	-	(600,640)
Derivative Financial Assets	-	46,286,344	20,165,592	38,984,741	12,510,105	1,344,295	-	119,291,077
Derivative Financial Liabilities	-	46,296,271	20,225,291	39,634,904	12,478,073	1,257,178	-	119,891,717
Non-Cash Loans	-	4,256,442	1,122,260	8,073,184	1,221,929	126,820	83,888,837	98,689,472

(*) 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.

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

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

Contractual maturity analysis of liabilities according to remaining maturities

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

<i>Current Period</i>	Carrying Value	Nominal Principal Outflow	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over
Bank Deposits	4,487,946	4,480,851	2,912,318	1,151,604	94,010	322,919	-	-
Other Deposits	174,201,867	173,564,384	43,812,427	91,883,002	22,654,467	13,465,056	1,727,342	22,090
Other Fundings	46,581,853	46,289,185	-	2,081,588	1,886,656	20,007,331	15,873,073	6,440,537
Interbank Money Market Takings	11,230,193	11,219,662	87	10,487,138	207,000	218,766	259,140	47,531
Securities Issued	17,745,648	17,391,262	-	641,177	1,683,472	5,012,872	7,955,438	2,098,303
Total	254,247,507	252,945,344	46,724,832	106,244,509	26,525,605	39,026,944	25,814,993	8,608,461

<i>Prior Period</i>	Carrying Value	Nominal Principal Outflow	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over
Bank Deposits	6,960,181	6,954,324	1,824,605	3,442,881	1,433,805	253,033	-	-
Other Deposits	149,174,250	148,600,117	36,490,362	71,075,634	24,708,119	14,905,302	1,404,773	15,927
Other Fundings	39,519,687	39,396,379	-	2,002,970	1,828,112	14,413,379	15,627,055	5,524,863
Interbank Money Market Takings	16,567,796	16,547,426	-	13,576,686	221,241	2,520,164	190,025	39,310
Securities Issued	15,511,597	15,171,939	-	331,132	1,353,146	3,343,310	7,026,530	3,117,821
Total	227,733,511	226,670,185	38,314,967	90,429,303	29,544,423	35,435,188	24,248,383	8,697,921

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 8.23% (31 December 2015: 7.85%). Main reason for the variance compared to prior period is the increase in capital higher than other items. While the capital increased by 15.08% as a result of increase in net profits, the balance sheet exposure increased by 11.23% and off balance sheet exposure increased by 4.29%. Therefore, the current period leverage ratio increased by 38 basis points compared to prior period.

		Current Period^(***)	Prior Period^(***)
1	Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards ^(*) ^(**)	291,042,716	274,837,997
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” ^(**)	4,087,480	4,809,181
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	(8,436,784)	(7,361,166)
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	14,523,665	13,578,561
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	2,550,420	3,948
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	423,189,090	385,659,874

^(*) 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 30 September 2016 and for the prior period consolidated financial statements prepared in accordance with Turkish Accounting Standards as of 31 December 2015 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)	305,441,515	274,606,088
2	(Assets deducted in determining Tier I capital)	(380,379)	(299,347)
3	Total on-balance sheet risks (sum of lines 1 and 2)	305,061,136	274,306,741
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative financial instruments and credit derivatives	3,494,125	2,589,359
5	Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	8,482,319	7,379,472
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 and 5)	11,976,444	9,968,831
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	1,645,458	1,173,806
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 and 8)	1,645,458	1,173,806
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	107,056,472	100,214,444
11	(Adjustments for conversion to credit equivalent amounts)	(2,550,420)	(3,948)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	104,506,052	100,210,496
Capital and total risks			
13	Tier I capital	34,836,155	30,270,121
14	Total risks (sum of lines 3, 6, 9 and 12)	423,189,090	385,659,874
Leverage ratio			
15	Leverage ratio	8.23%	7.85%

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

4.8 Fair values of financial assets and liabilities

	Carrying Value		Fair Value	
	<i>Current Period</i>	<i>Prior Period</i>	<i>Current Period</i>	<i>Prior Period</i>
Financial Assets	286,623,676	257,255,487	287,919,196	258,793,913
Interbank Money Market Placements	373,871	80,366	373,871	80,366
Banks (*)	37,747,565	39,148,804	37,747,565	39,148,804
Financial Assets Available-for-Sale	23,983,448	24,755,770	23,983,448	24,755,770
Investments Held-to-Maturity	23,109,696	21,317,246	22,799,307	21,467,440
Loans (**)	201,409,096	171,953,301	203,015,005	173,341,533
Financial Liabilities	263,587,255	236,313,533	263,587,255	236,313,533
Bank Deposits	4,487,946	6,960,181	4,487,946	6,960,181
Other Deposits	174,201,867	149,174,250	174,201,867	149,174,250
Other Fundings from Financial Institutions	57,812,046	56,087,483	57,812,046	56,087,483
Securities Issued	17,745,648	15,511,597	17,745,648	15,511,597
Miscellaneous Payables	9,339,748	8,580,022	9,339,748	8,580,022

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

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

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

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

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

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

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets Available-for-Sale	23,120,636	246,183	616,629	23,983,448
Financial Assets Held for Trading	191,828	-	-	191,828
Derivative Financial Assets Held for Trading	12,449	3,601,264	-	3,613,713
Loans	-	-	-	-
Derivative Financial Assets Held for Risk Management	-	666,295	-	666,295
Financial Assets at Fair Value	23,324,913	4,513,742	616,629	28,455,284
Derivative Financial Liabilities Held for Trading	977	3,713,008	-	3,713,985
Funds Borrowed	-	1,763,177	-	1,763,177
Derivative Financial Liabilities Held for Risk Management	-	343,314	-	343,314
Financial Liabilities at Fair Value	977	5,819,499	-	5,820,476

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets Available-for-Sale	18,457,898	5,724,174	573,698	24,755,770
Financial Assets Held for Trading	192,976	31,325	-	224,301
Derivative Financial Assets Held for Trading	285	1,724,811	-	1,725,096
Loans	-	198,118	-	198,118
Derivative Financial Assets Held for Risk Management	-	680,997	-	680,997
Financial Assets at Fair Value	18,651,159	8,359,425	573,698	27,584,282
Derivative Financial Liabilities Held for Trading	3,617	2,618,986	-	2,622,603
Funds Borrowed	-	5,688,704	-	5,688,704
Derivative Financial Liabilities Held for Risk Management	-	250,491	-	250,491
Financial Liabilities at Fair Value	3,617	8,558,181	-	8,561,798

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

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

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

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

None.

4.10 Risk management objectives and policies

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

4.10.1 Risk management strategy and weighted amounts

4.10.1.1 Risk management strategy

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

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

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

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

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

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

The Bank’s risk appetite framework determines the risk level that the board of directors is prepared to accept in order to accomplish the goals and strategies with due consideration to the capacity of the institution to safely absorbs those risks and the Bank monitors regularly risk appetite metrics regarding capital, liquidity, income recurrence and risk based limits. Risks that the Bank is exposed is managed by

providing effective control environment and monitoring limits. Unmitigated risks are either accepted with current risk levels or decreasing/ terminating the activity that causes the risk.

The Risk Management 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) (*)	222,091,394	212,052,500	17,767,311
2	Of which standardised approach (SA)	222,091,394	212,052,500	17,767,311
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	5,680,859	2,769,808	454,469
5	Of which standardised approach for counterparty credit risk (SA-CCR)	5,680,859	2,769,808	454,469
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	6,136,375	6,826,925	490,910
17	Of which standardised approach (SA)	6,136,375	6,826,925	490,910
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	21,096,899	18,707,904	1,687,752
20	Of which basic indicator approach	21,096,899	18,707,904	1,687,752
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)	3,420,013	1,157,480	273,601
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	258,425,540	241,514,617	20,674,043

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

4.10.2 Linkages between financial statements and risk amounts

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

	<i>Carrying values of items in accordance with Turkish Accounting Standards</i>					
	<i>Carrying values in financial statements prepared as per TAS (*)</i>	<i>Carrying values in consolidated financial statements prepared as per TAS but in compliance with the communiqué "Preparation of Consolidated Financial Statements"</i>	<i>Subject to credit risk</i>	<i>Subject to counterparty credit risk</i>	<i>Subject to market risk (**)</i>	<i>Not subject to capital requirements or subject to deduction from capital (***)</i>
Assets						
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances With Central Bank of Turkey	33,734,687	23,951,474	23,951,474	-	-	-
Financial Assets Held for Trading	1,835,133	3,805,541	7,842	3,577,256	1,491,646	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-
Banks	11,877,548	16,881,044	16,112,947	-	-	1,540,185
Interbank Money Markets Placements	318,688	373,871	351,691	22,180	-	-
Financial Assets Available-for-Sale	23,179,823	23,983,448	22,878,689	5,699,440	1,081,227	23,532
Loans	182,659,386	201,409,096	201,372,108	-	-	36,994
Factoring Receivables	2,149,726	2,851,223	2,851,223	-	-	-
Investment Held-to-Maturity	21,306,528	23,109,696	23,109,696	8,308,738	-	-
Investment in Associates	37,261	37,261	36,998	-	-	263
Investment in Subsidiaries	4,125	115,858	1,240,965	-	-	-
Investment in Joint-Ventures	-	-	-	-	-	-
Lease Receivables	5,462,940	5,794,260	5,794,874	-	-	-
Derivative Financial Assets Held for Risk Management	283,059	666,295	-	666,295	-	-
Tangible Assets	4,567,214	3,680,621	3,473,471	-	-	123,614
Intangible Assets	106,340	327,653	25,670	-	-	301,983
Investment Property	537,494	543,825	630,270	-	-	-
Tax Asset	879,961	260,678	244,564	-	-	15,167
Assets Held for Sale and Assets of Discontinued Operations	490,659	605,015	548,690	-	-	56,325
Other Assets	1,612,144	3,725,080	3,644,832	-	-	125,041
Total Assets	291,042,716	312,121,939	306,276,004	18,273,909	2,572,873	2,223,104
Liabilities						
Deposits	167,133,455	178,689,813	-	-	-	178,689,813
Derivative Financial Liabilities Held for Trading	1,812,567	3,713,985	-	-	-	3,713,985
Funds Borrowed	39,334,000	46,581,853	-	5,798,862	-	40,782,991
Interbank Money Markets	18,678,332	11,230,193	-	7,813,821	26,027	3,416,372

Securities Issued	15,128,623	17,745,648	-	-	-	17,745,648
Funds	-	-	-	-	-	-
Miscellaneous Payables	9,228,088	9,339,748	-	-	-	9,339,748
Other External Fundings Payable	1,472,437	3,170,339	-	-	21,136	3,149,203
Factoring Payables	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-
Derivative Financial Liabilities Held for Risk Management	514,247	343,314	-	-	-	343,314
Provisions	1,831,781	5,032,873	-	-	-	5,032,873
Tax Liability	171,439	478,266	-	-	-	478,266
Liabilities for Assets Held for Sale and Assets of Discontinued Operations	-	-	-	-	-	-
Subordinated Debts	-	-	-	-	-	-
Shareholders' Equity	35,737,747	35,795,907	-	-	-	35,795,907
Total Liabilities	291,042,716	312,121,939	-	13,612,683	47,163	298,488,120

(*) As per financial statements prepared in compliance with the paragraph 6 of article 5 of the communiqué "Preparation of Consolidated Financial Statements" as of 30 September 2016.

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

(***) According to the "Bank Capital Regulation" article 10 paragraph 4, which published on Official Gazette dated 5 September 2013 with no. 28756, the banks also calculate their consolidated capital as if their investments in insurance companies are not consolidated as per 9th article's 4th paragraph's (c) and (ç) items.
Lesser of consolidated capital calculated according to 1st and 4th paragraphs is considered the consolidated capital according to this regulation. The consolidated capital calculated without including insurance affiliate is less than the consolidated capital calculated including insurance affiliate. Therefore, the carrying value of the insurance company not subjected to regulatory consolidation is represented under the column "not subject to capital requirements or subject to deduction from capital".

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

		<i>Total</i>	<i>Credit risk</i>	<i>Counterparty credit risk</i>	<i>Market risk (*)</i>
1	Carrying Value of Assets in Accordance with Communiqué "Preparation of Consolidated Financial Statements"	295,871,173	292,248,342	4,246,247	2,572,873
2	Carrying Value of Debt Instruments Subject Counterparty Credit Risk in Accordance with Communiqué "Preparation of Consolidated Financial Statements"	14,027,662	14,027,662	14,027,662	-
3	Carrying Value of Liabilities Subject to Counterparty Credit Risk in Accordance with Communiqué "Preparation of Consolidated Financial Statements"	13,612,683	-	13,612,683	-
4	Carrying Value of Other Liabilities in Accordance with Communiqué "Preparation of Consolidated Financial Statements"	21,136	-	-	47,163
5	Total Net Amount Under Regulatory Consolidation	296,265,016	306,276,004	4,661,226	2,525,710
6	Off-balance Sheet Amounts (**)	265,731,181	41,073,373	1,802,817	165,812,704
7	Credit Risk Mitigation	-	(18,684,545)	(9,751)	-
8	Repurchase Transactions Valuation Adjustments	-	-	1,495,079	-
9	Risk Amounts	561,966,197	328,664,832	7,949,371	168,338,414

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

(**) The amounts present the balances of the off-balance sheet items subject to capital adequacy regulation.

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

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

4.10.3 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 and risk-based 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.

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

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

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

4.10.3.1.2 Credit quality of consolidated assets

		<i>Gross carrying value in consolidated financial statements prepared as per TAS</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>
1 Defaulted loans and debt securities at end of the previous reporting period	6,090,168
2 Loans and debt securities defaulted since the last reporting period	4,227,196
3 Receivables back to non-defaulted status	-
4 Amounts written off	1,687,658
5 Other changes	1,718,873
6 Defaulted loans and debt securities at end of the reporting period	6,910,833

4.10.3.1.4 Additional information on credit quality of consolidated assets

4.10.3.1.4.1 Qualitative disclosures related to the credit quality of assets

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

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

4.10.3.1.4.2 Breakdown of exposures by geographical areas, industry and ageing

Disclosed under section 4.2 credit risk.

4.10.3.1.4.3 Exposures provisioned against by major regions and sectors

<i>Current Period</i>	<i>Loans Under Follow-Up</i>	<i>Specific Provisions</i>	<i>Write-Offs</i>
Domestic	5,699,448	4,437,990	1,078,118
European Union (EU) Countries	926,294	461,309	375,057
OECD Countries	108,053	75,525	7
Off-Shore Banking Regions	74,413	74,413	2,459
USA, Canada	26,114	20,446	6,800
Other Countries	76,511	65,819	225,217
Total	6,910,833	5,135,502	1,687,658

<i>Current Period</i>	<i>Loans Under Follow-Up</i>	<i>Specific Provisions</i>	<i>Write-Offs</i>
Agriculture	182,986	116,866	10,942
Farming and Stockbreeding	178,277	113,925	10,591
Forestry	2,340	1,728	205
Fishery	2,369	1,213	146
Manufacturing	1,086,460	710,335	413,201
Mining and Quarrying	76,432	56,906	122,351
Production	859,311	582,830	290,285
Electricity, Gas and Water	150,717	70,599	565
Construction	517,524	339,852	75,499
Services	2,054,471	1,222,595	346,090
Wholesale and Retail Trade	1,161,515	678,193	272,745
Accommodation and Dining	194,674	80,912	25,342
Transportation and Telecommunication	539,040	366,100	33,587
Financial Institutions	22,308	19,766	2,246
Real Estate and Rental Services	36,832	18,749	4,507
Professional Services	4,091	1,422	21
Educational Services	59,857	32,978	1,472
Health and Social Services	36,154	24,475	6,170
Others	3,069,392	2,745,854	841,926
Total	6,910,833	5,135,502	1,687,658

4.10.3.1.4.4 Ageing of past-due exposures

<i>Current Period</i>	<i>Up to 3 Months</i>	<i>3-12 Months</i>	<i>1-3 Years</i>	<i>3-5 Years</i>	<i>5 Years and Over</i>
Corporate and Commercial Loans	418,035	1,433,176	1,239,717	582,688	464,668
Retail Loans	260,473	516,265	562,037	149,034	196,804
Credit Cards	130,443	318,539	324,146	110,409	104,155
Others	3,942	27,888	55,434	10,334	2,646
Total	812,893	2,295,868	2,181,334	852,465	768,273

4.10.3.2 Consolidated credit risk mitigation

4.10.3.2.1 Qualitative disclosure on consolidated credit risk mitigation techniques

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

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

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

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

The Bank's credit risk exposure and mitigation techniques used in order to reduce the exposure level are taken into account according to the principles stated in the related regulation. The Bank applies credit risk mitigation according to the comprehensive method that includes risk mitigation calculations considering the volatility-adjusted values of financial collaterals. The standardized risk weights are applied to the rest of the loans and receivables that remained unprotected after credit risk mitigation techniques. Financial collaterals, that are composed of cash or 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>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>Exposures before CCF and CRM</i>		<i>Exposures post-CCF and CRM</i>		<i>RWA and RWA density</i>	
		<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>	<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>	<i>RWA</i>	<i>RWA density</i>
1	Exposures to sovereigns and their central banks	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

	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.

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

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

4.10.4.2 Consolidated counterparty credit risk (CCR) approach analysis

		<i>Replacement cost</i>	<i>Potential future exposure</i>	<i>EEPE(Effective Expected Positive Exposure)</i>	<i>Alpha used for computing regulatory EAD</i>	<i>EAD post- CRM</i>	<i>RWA</i>
1	Standardised Approach - CCR (for derivatives)	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>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

Risk weight	<i>0%</i>	<i>10%</i>	<i>20%</i>	<i>50%</i>	<i>75%</i>	<i>100%</i>	<i>150%</i>	<i>Other</i>	<i>Total credit exposure</i>
Regulatory portfolio									
Exposures to sovereigns and their central banks	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

	<i>Collateral for derivative transactions</i>				<i>Collateral for other transactions</i>	
	<i>Fair value of collateral received</i>		<i>Fair value of collateral given</i>		<i>Fair value of collateral received</i>	<i>Fair value of collateral given</i>
	<i>Segregated</i>	<i>Unsegregated</i>	<i>Segregated</i>	<i>Unsegregated</i>		
Cash-domestic currency	4,944	-	-	-	8,276,773	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>Protection bought</i>	<i>Protection sold</i>
Notionals		
Single-name credit default swaps	87,825	-
Index credit default swaps	-	-
Total return swaps	-	7,026,000
Credit options	-	-
Other credit derivatives	-	-
Total Notionals	87,825	7,026,000
Fair Values		
Positive fair values (asset)	215	6,677
Negative fair values (liability)	-	(401,821)

4.10.5 Consolidated securitisations

None.

4.10.6 Consolidated market risk

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.

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

4.10.6.2 Consolidated market risk under standardised approach

		RWA	
		Current Period	Prior Period^(*)
	Outright products	5,698,712	4,368,788
1	Interest rate risk (general and specific)	1,774,024	1,357,912
2	Equity risk (general and specific)	144,125	150,338
3	Foreign exchange risk	3,249,988	2,667,300
4	Commodity risk	530,575	193,238
	Options	437,663	2,458,138
5	Simplified approach	-	-
6	Delta-plus method	437,663	2,458,138
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	6,136,375	6,826,926

(*) Counterparty credit risk amounting to TL 601,737 thousands subject to market risk is not included.

4.10.7 Consolidated operational risk

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

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

Current Period	31 December 2013	31 December 2014	31 December 2015	Total/ No. of Years of Positive Gross Income	Rate (%)	Total
Gross Income	10,180,473	11,163,774	12,410,791	11,251,679	15	1,687,752
Value at Operational Risk (Total x % 12.5)						21,096,899

Prior Period	31 December 2012	31 December 2013	31 December 2014	Total/ No. of Years of Positive Gross Income	Rate (%)	Total
Gross Income	8,588,400	10,180,473	11,163,774	9,977,549	15	1,496,632
Value at Operational Risk (Total x % 12.5)						18,707,904

4.10.8 Consolidated banking book interest rate risk

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

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

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

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

Within the scope of monitoring the re-pricing risk arising from maturity mismatch, the sensitivity of the durations/gap, economic value, economic capital, net interest income, earnings at risk, market price of securities portfolio are measured and the internal early warning and limit levels in this context are monitored and reported regularly. Calculated risk metrics and generated reports are used in the management of the balance sheet interest risk under the supervision of the Asset and Liability Committee. In the said analyses, the present value and the net interest income are calculated over the cash flows of the sensitive assets and liability items by using the yield curves constructed by using the market interest rates. For non-matured products, maturity is determined based on interest rate determination frequency and customer behaviour. These results are supported by periodic sensitivities and scenario analyses against fluctuations that may be experienced in the markets.

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

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

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

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

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

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

4.10.9 Remuneration policy

4.10.9.1 Qualitative disclosures regarding remuneration policies

4.10.9.1.1 Disclosures related with Remuneration Committee

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

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

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

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

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

4.10.9.1.2 Information on the design and structure of remuneration process

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

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

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

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

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

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

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

4.10.9.1.4 Evaluation about how the Bank associates variable remunerations with performance

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

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

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

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

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

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

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

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

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

5 Disclosures and Footnotes on 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	1,357,697	848,206	1,313,085	886,047
Central Bank of Turkey	5,366,015	15,500,506	946,596	21,896,042
Others	-	879,050	-	244,867
Total	6,723,712	17,227,762	2,259,681	23,026,956

Balances with the Central Bank of Turkey

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

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

5.1.2 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	13,777	-	11,930	-
Assets Subject to Repurchase Agreements	3,983	-	8,814	-
Total	17,760	-	20,744	-

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	249,419	51,101	242,997	45,551
Swap Transactions	1,985,329	803,335	373,851	457,241
Futures	3	1,097	126	34
Options	426,836	92,514	442,563	106,896
Others	-	4,079	35,576	20,261
Total	2,661,587	952,126	1,095,113	629,983

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	823,557	831,980	880,565	857,677
Foreign banks	390,952	14,834,555	44,865	14,523,059
Foreign headoffices and branches	-	-	-	-
Total	1,214,509	15,666,535	925,430	15,380,736

Due from foreign banks

	Unrestricted Balances		Restricted Balances	
	<i>Current Period</i>	<i>Prior Period</i>	<i>Current Period</i>	<i>Prior Period</i>
EU Countries	6,369,548	5,362,730	7,046,561	7,174,776
USA, Canada	638,547	1,341,532	415,053	314,902
OECD Countries (1)	17,165	14,604	-	-
Off-shore Banking Regions	570,815	222,589	96,147	65,058
Others	71,671	71,733	-	-
Total	7,667,746	7,013,188	7,557,761	7,554,736

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

The placements at foreign banks include blocked accounts amounting TL 7,557,761 thousands (31 December 2015: TL 7,554,736 thousands) of which TL 116,841 thousands (31 December 2015: TL 96,799 thousands) and TL 96,147 thousands (31 December 2015: TL 65,058 thousands) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 7,344,773 thousands (31 December 2015: TL 7,392,879 thousands) as collateral against funds borrowed at various banks.

Furthermore, there are restricted deposits at various domestic banks amounting TL 254,130 thousands (31 December 2015: TL 153,035 thousands) as required for insurance activities.

5.1.4 Financial assets available-for-sale

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Collateralised/Blocked Assets	2,976,848	21,803	2,170,335	30,909
Assets subject to Repurchase Agreements	4,306,605	655,413	10,879,108	1,220,819
Total	7,283,453	677,216	13,049,443	1,251,728

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

	<i>Current Period</i>	<i>Prior Period</i>
Debt Securities	22,639,523	23,594,194
Quoted at Stock Exchange	22,067,470	22,960,201
Unquoted at Stock Exchange	572,053	633,993
Common Shares/Investment Fund	174,953	83,886
Quoted at Stock Exchange	82,203	7,669
Unquoted at Stock Exchange	92,750	76,217
Value Increase/Impairment Losses (-)	1,168,972	1,077,690
Total	23,983,448	24,755,770

5.1.5 Loans

5.1.5.1 Loans and advances to shareholders and employees of the Bank

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct Lendings to Shareholders	-	168,241	146	408,529
Corporates	-	168,241	146	408,529
Real Persons	-	-	-	-
Indirect Lendings to Shareholders	2,204,037	474,103	2,113,052	263,954
Loans to Employees	293,178	146	250,323	88
Total	2,497,215	642,490	2,363,521	672,571

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

Current Period	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total) ^(*)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other Changes		Extension of Repayment Plan	Other Changes
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 7,656,878 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.

Prior Period	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other Changes		Extension of Repayment Plan	Other Changes
Cash Loans						
Loans	162,686,478	2,291,261	276,436	7,919,477	3,230,745	629,728
Working Capital Loans	17,872,912	180,074	247	946,741	358,070	85,849
Export Loans	7,800,944	9,384	-	143,651	67,004	35,188
Import Loans	556,941	-	-	-	-	-
Loans to Financial Sector (*)	6,982,885	58,193	-	132	-	-
Consumer Loans	37,734,044	1,646,397	41,238	1,785,596	625,868	54,626
Credit Cards	16,489,862	-	233,976	590,080	-	406,106
Others	75,248,890	397,213	975	4,453,277	2,179,803	47,959
Specialization Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	162,686,478	2,291,261	276,436	7,919,477	3,230,745	629,728

^(*) Loans amounting to TL 198,118 thousands included under Financial Assets at Fair Value through Profit/Loss in the accompanying consolidated financial statements are presented above under "Loans to Financial Sector".

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

Collaterals received for loans under follow-up

Current 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

Prior Period	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	17,538	2,356	-	19,894
Loans Collateralized by Mortgages	2,863,780	690,628	-	3,554,408
Loans Collateralized by Pledged Assets	779,317	59,788	-	839,105
Loans Collateralized by Cheques and Notes	86,223	574,200	-	660,423
Loans Collateralized by Other Collaterals	1,420,354	55,544	-	1,475,898
Unsecured Loans	376,589	403,080	590,080	1,369,749
Total	5,543,801	1,785,596	590,080	7,919,477

Delinquency periods of loans under follow-up

Current 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

Prior Period	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	205,542	638,582	152,905	997,029
61-90 days	62,063	237,112	46,294	345,469
Other	5,276,196	909,902	390,881	6,576,979
Total	5,543,801	1,785,596	590,080	7,919,477

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	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>Prior Period</i>	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
No. of Extensions		
1 or 2 times	2,075,566	2,931,843
3, 4 or 5 times	113,500	282,995
Over 5 times	102,195	15,907
Total	2,291,261	3,230,745

<i>Current 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

<i>Prior Period</i>	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
Extention Periods		
0 - 6 months	415,294	568,609
6 - 12 months	384,555	149,541
1 - 2 years	906,567	393,138
2 - 5 year	518,517	1,595,093
5 years and over	66,328	524,364
Total	2,291,261	3,230,745

5.1.5.3 Maturity analysis of cash loans

	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
<i>Current Period</i>	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
Short-Term Loans	58,449,317	727,414	1,572,624	628,479
Loans	58,449,317	727,414	1,572,624	628,479
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans	131,852,800	3,477,204	8,200,983	4,509,196
Loans	131,852,800	3,477,204	8,200,983	4,509,196
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	190,302,117	4,204,618	9,773,607	5,137,675

	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
<i>Prior Period</i>	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
Short-Term Loans	51,817,627	605,695	1,127,976	602,501
Loans	51,817,627	605,695	1,127,976	602,501
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans	110,868,851	1,962,002	6,791,501	3,257,972
Loans	110,868,851	1,962,002	6,791,501	3,257,972
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	162,686,478	2,567,697	7,919,477	3,860,473

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

<i>Current Period</i>	Short-Term	Medium and Long-Term	Total
Consumer Loans – TL	745,039	41,174,705	41,919,744
Housing Loans	29,927	21,414,214	21,444,141
Automobile Loans	66,063	2,133,790	2,199,853
General Purpose Loans	649,049	17,626,701	18,275,750
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	84	16,864,316	44,731,146
			61,595,462

<i>Prior Period</i>	Short-Term	Medium and Long-Term	Total
Consumer Loans – TL	686,529	36,127,574	36,814,103
Housing Loans	25,062	18,582,778	18,607,840
Automobile Loans	37,616	1,522,036	1,559,652
General Purpose Loans	623,722	16,022,760	16,646,482
Others	129	-	129
Consumer Loans – FC-indexed	-	170,849	170,849
Housing Loans	-	168,194	168,194
Automobile Loans	-	2	2
General Purpose Loans	-	2,653	2,653
Others	-	-	-
Consumer Loans – FC	240,634	1,642,295	1,882,929
Housing Loans	2,222	767,902	770,124
Automobile Loans	22	7,551	7,573
General Purpose Loans	5,065	714,582	719,647
Others	233,325	152,260	385,585
Retail Credit Cards – TL	14,279,715	566,447	14,846,162
With Installment	6,850,008	566,447	7,416,455
Without Installment	7,429,707	-	7,429,707
Retail Credit Cards – FC	65,391	97,835	163,226
With Installment	2,685	-	2,685
Without Installment	62,706	97,835	160,541
Personnel Loans – TL	17,241	74,439	91,680
Housing Loan	-	1,055	1,055
Automobile Loans	-	86	86
General Purpose Loans	17,241	73,298	90,539
Others	-	-	-
Personnel Loans - FC-indexed	141	330	471
Housing Loans	-	330	330
Automobile Loans	-	-	-
General Purpose Loans	141	-	141
Others	-	-	-
Personnel Loans – FC	1,082	61,862	62,944
Housing Loans	137	22,904	23,041
Automobile Loans	-	-	-
General Purpose Loans	238	32,620	32,858
Others	707	6,338	7,045
Personnel Credit Cards – TL	92,376	460	92,836
With Installment	37,692	460	38,152
Without Installment	54,684	-	54,684
Personnel Credit Cards – FC	804	1,586	2,390
With Installment	86	-	86
Without Installment	718	1,586	2,304
Deposit Accounts– TL (Real Persons)	496,664	-	496,664
Deposit Accounts– FC (Real Persons)	-	-	-
Total	15,880,577	38,743,677	54,624,254

5.1.5.5 Installment based commercial loans and corporate credit cards

<i>Current Period</i>	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans – TL	1,767,307	11,094,610	12,861,917
Real Estate Loans	3,262	831,376	834,638
Automobile Loans	107,647	2,174,041	2,281,688
General Purpose Loans	1,656,398	8,089,193	9,745,591
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

<i>Prior Period</i>	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans – TL	1,335,639	9,681,444	11,017,083
Real Estate Loans	3,237	725,187	728,424
Automobile Loans	88,500	1,968,503	2,057,003
General Purpose Loans	1,243,902	6,987,754	8,231,656
Others	-	-	-
Installment-based Commercial Loans - FC-indexed	160,480	1,885,722	2,046,202
Real Estate Loans	369	53,546	53,915
Automobile Loans	3,355	542,030	545,385
General Purpose Loans	156,756	1,290,146	1,446,902
Others	-	-	-
Installment-based Commercial Loans – FC	785,391	1,455,176	2,240,567
Real Estate Loans	-	925	925
Automobile Loans	84	12,304	12,388
General Purpose Loans	76	33,446	33,522
Others	785,231	1,408,501	2,193,732
Corporate Credit Cards – TL	1,963,886	3,750	1,967,636
With Installment	953,402	3,750	957,152
Without Installment	1,010,484	-	1,010,484
Corporate Credit Cards – FC	7,692	-	7,692
With Installment	61	-	61
Without Installment	7,631	-	7,631
Deposit Accounts– TL (Corporates)	831,746	-	831,746
Deposit Accounts– FC (Corporates)	-	-	-
Total	5,084,834	13,026,092	18,110,926

5.1.5.6 Allocation of loans by customers

	Current Period	Prior Period
Public Sector	792,965	866,521
Private Sector (*)	199,282,759	169,739,434
Total	200,075,724	170,605,955

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

5.1.5.7 Allocation of domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	185,557,687	159,973,425
Foreign Loans (*)	14,518,037	10,632,530
Total	200,075,724	170,605,955

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

5.1.5.8 Loans to associates and affiliates

	<i>Current Period</i>	<i>Prior Period</i>
Direct Lending	13,289	200
Indirect Lending	-	-
Total	13,289	200

5.1.5.9 Specific provisions for loans

Specific Provisions	<i>Current Period</i>	<i>Prior Period</i>
Substandard Loans and Receivables - Limited Collectibility	522,689	687,181
Doubtful Loans and Receivables	1,175,099	661,583
Uncollectible Loans and Receivables	3,093,301	2,949,703
Total	4,791,089	4,298,467

5.1.5.10 Non-performing loans (NPLs) (net)

Non-performing loans and other receivables restructured or rescheduled

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
Current 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
Prior Period			
(Gross amounts before specific provisions)			
Restructured Loans and Receivables	369,957	237,457	668,876
Rescheduled Loans and Receivables	8,678	2,694	33,007
Total	378,635	240,151	701,883

Movements in non-performing loan groups

	Group III	Group IV	Group V
Current Period	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.

	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	675,966	919,137	2,790,951
Additions during the Period (+)	2,586,434	179,228	210,323
Transfer from Other NPL Categories (+)	25,850	1,610,011	1,585,241
Transfer to Other NPL Categories (-)	1,637,208	1,568,587	15,308
Collections during the Period (-)	454,957	247,350	578,638
Write-offs (-) (*)	72,490	3,338	359,452
Corporate and Commercial Loans	72,430	3,276	185,777
Retail Loans	57	8	125,888
Credit Cards	3	54	47,787
Others	-	-	-
Balances at End of Period	1,123,595	889,101	3,633,117
Specific Provisions (-)	687,181	661,583	2,949,703
Net Balance on Balance Sheet	436,414	227,518	683,414

(*) 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	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

	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
<i>Prior Period</i>				
Balances at End of Prior Period	1,512,557	1,065,533	707,657	3,285,747
Additions during the Period (+)	825,317	932,704	535,337	2,293,358
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-) (*)	253,083	387,875	208,972	849,930
Write-Offs (-) (**)	258,761	123,998	47,949	430,708
Balances at End of Period	1,826,030	1,486,364	986,073	4,298,467

(*) 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
<i>Current Period</i>			
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
<i>Prior Period</i>			
Balance at End of Period	518,143	170,186	1,307,310
Specific Provisions (-)	226,212	92,719	982,861
Net Balance at Balance Sheet	291,931	77,467	324,449

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

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
<i>Current Period (Net)</i>	260,146	396,036	677,190
Loans to Individuals and Corporates (Gross)	782,835	1,571,135	3,769,175
Specific Provision (-)	522,689	1,175,099	3,091,985
Loans to Individuals and Corporates (Net)	260,146	396,036	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)	-	-	-
<i>Prior Period (Net)</i>	436,414	227,518	683,414
Loans to Individuals and Corporates (Gross)	1,123,595	889,101	3,631,801
Specific Provision (-)	687,181	661,583	2,948,387
Loans to Individuals and Corporates (Net)	436,414	227,518	683,414
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1,005
Specific Provision (-)	-	-	1,005
Other Loans and Receivables (Net)	-	-	-

Collaterals received for non-performing loans

<i>Current Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	3,016	184	-	3,200
Loans Collateralized by Mortgages	1,524,646	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

<i>Prior Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	16,662	201	-	16,863
Loans Collateralized by Mortgages	1,046,662	90,285	-	1,136,947
Loans Collateralized by Pledged Assets	444,581	53,690	-	498,271
Loans Collateralized by Cheques and Notes	369,173	9,390	-	378,563
Loans Collateralized by Other Collaterals	641,807	1,072,225	-	1,714,032
Unsecured Loans	459,543	453,027	988,567	1,901,137
Total	2,978,428	1,678,818	988,567	5,645,813

5.1.5.11 Liquidation policy for uncollectible loans and receivables

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

5.1.5.12 Write-off policy

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

5.1.6 Factoring receivables

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Short-Term	1,849,102	851,570	1,933,647	847,500
Medium and Long-Term	63,026	87,525	15,138	87,322
Total	1,912,128	939,095	1,948,785	934,822

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	5,793,705	4,341,183	4,956,015	2,108,752
Investments subject to Repurchase Agreements	3,147,892	-	4,081,537	317,809
Total	8,941,597	4,341,183	9,037,552	2,426,561

5.1.7.2 Government securities held-to-maturity

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

5.1.7.3 Investments held-to-maturity

	<i>Current Period</i>	<i>Prior Period</i>
Debt Securities	20,705,624	19,522,643
Quoted at Stock Exchange	20,462,344	19,106,455
Unquoted at Stock Exchange	243,280	416,188
Valuation Increase / (Decrease)	2,404,072	1,794,603
Total	23,109,696	21,317,246

5.1.7.4 Movement of investments held-to-maturity

	<i>Current Period</i>	<i>Prior Period</i>
Balances at Beginning of Period	21,317,246	20,667,042
Foreign Currency Differences on Monetary Assets	2,051,504	2,034,482
Purchases during the Period	314,669	1,149,619
Disposals through Sales/Redemptions (*)	(1,186,759)	(2,971,993)
Valuation Effect	613,036	438,096
Balances at End of Period	23,109,696	21,317,246

In the prior period,

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

5.1.8 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	1.75	1.75

	Total Assets	Shareholders' Equity	Total Fixed Assets ^(*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	13,824	7,310	1,982	803	4	122	383	-
2	75,434	44,177	48,085	672	-	14,517	9,605	-
3	885,750	70,170	3,534	12,885	1,102	(3,130)	(791)	-
4	7,494,521	994,440	98,224	216,309	5,881	162,178	132,453	-
5	1,084,281	1,043,795	211,102	27,176	979	223,697	289,559	-
6	185,448	129,648	135,578	2,817	90	16,458	26,782	-
7	450,139,064	54,629,350	684,192	6,120,123	2,238,649	20,736,851	8,529,957	-
8	324,489	298,991	7,562	12,390	-	17,738	19,899	-

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

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

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

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	35,690	35,367	76	461	1,487	1,821	99	21,440

(*) 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	686	792
Movements during the Period	22	(106)
Acquisitions and Capital Increases	-	-
Bonus Shares Received	-	-
Allocation from Current Period Profit	-	-
Sales	-	-
Reclassifications	-	-
Increase/Decrease in Fair Values	22	(106)
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
Balance at End of Period	708	686
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	708	686
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	708	686
Other Associates	-	-

Quoted consolidated investments in associates

	<i>Current Period</i>	<i>Prior Period</i>
Quoted at Domestic Stock Exchanges	708	686
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	511,324	357,848	1,426,711
Share Premium	-	-	48,030
Share Cancellation Profits	-	-	-
Reserves	894,029	483,911	(267,654)
Other Comprehensive Income according to TAS	652,504	-	17,074
Current and Prior Periods' Profits	50,997	84,003	9,425
Common Equity Tier I Capital Before Deductions	2,108,854	925,762	1,233,586
Deductions From Common Equity Tier I Capital			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	76,159	452	317,070
Leasehold Improvements on Operational Leases (-)	-	87	7,930
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	10,193	4,694	131,009
Net Deferred Tax Asset/Liability (-)	-	-	7,129
Total Deductions from Common Equity Tier I Capital	86,352	5,233	463,138
Total Common Equity Tier I Capital	2,022,502	920,529	770,448
Total Deductions From Tier I Capital	6,795	3,129	92,092
Total Tier I Capital	2,015,707	917,400	678,356
TIER II CAPITAL	185,100	-	81,435
CAPITAL BEFORE DEDUCTIONS	2,200,807	917,400	759,791
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	465	-
TOTAL CAPITAL	2,200,807	916,935	759,791

<i>Prior Period</i>	Garanti Bank International NV	Garanti Finansal Kiralama AŞ	Garanti Holding BV
COMMON EQUITY TIER I CAPITAL			
Paid-in Capital to be Entitled for Compensation after All Creditors	438,130	357,848	1,168,942
Share Premium	-	-	41,090
Share Cancellation Profits	-	-	-
Reserves	859,634	329,714	(327,914)
Other Comprehensive Income according to TAS	406,771	75,795	27,141
Current and Prior Periods' Profits	34,395	110,292	58,156
General Reserve for Possible Losses	-	12,000	-
Common Equity Tier I Capital Before Deductions	1,738,930	885,649	967,415
Deductions From Common Equity Tier I Capital			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	92,365	399	231,882
Leasehold Improvements on Operational Leases (-)	-	113	9,148
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	6,285	2,351	73,220
Net Deferred Tax Asset/Liability (-)	-	-	6,768
Total Deductions from Common Equity Tier I Capital	98,650	2,863	321,018
Total Common Equity Tier I Capital	1,640,280	882,786	646,397
Total Deductions From Tier I Capital	9,427	3,527	119,982
Total Tier I Capital	1,630,853	879,259	526,415
TIER II CAPITAL	253,368	-	57,607
CAPITAL BEFORE DEDUCTIONS	1,884,221	879,259	584,022
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	-	-
TOTAL CAPITAL	1,884,221	879,259	584,022

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	73,520	62,255	59	2,558	182	3,157	8,843	-	-
2	27,221	14,784	754	579	56	1,270	962	-	-
3	6,221	3,794	27	486	258	(4,028)	2,306	-	-
4	2,257	1,591	794	-	74	69	772	-	-
5	3,094	1,695	52	219	35	694	379	-	-
6	3,850	3,850	3,843	-	-	(2)	(1)	-	-
7	1,152,400	37,277	1,023,330	67	-	13,392	25,604	-	-
8	2,093	1,578	-	-	-	762	(15)	-	-

(*) 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	4,342,264	3,604,139
Movements during the Period	727,365	738,125
Acquisitions and Capital Increases	53,484	-
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Sales/Liquidations	(157,635)	-
Reclassifications	-	-
Value Increase/Decrease (*)	411,275	470,481
Currency Differences on Foreign Affiliates	420,241	267,644
Reversal of Impairment Losses / Impairment Losses (-)	-	-
Balance at End of Period	5,069,629	4,342,264
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 (*)	5,069,629	4,342,264

(*) 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	2,025,895	1,764,623
Insurance Companies	1,125,108	916,536
Factoring Companies	151,548	135,644
Leasing Companies	925,310	871,165
Finance Companies	841,768	654,296
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	151,548	135,644
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	5,450,502	925,311	9,586	405,126	-	84,003	110,292	-
2	2,899,452	185,453	7,528	246,599	-	19,716	25,430	-
3	111,904	67,490	14,391	1,423	2,417	20,156	6,146	-
4	59,170	52,212	4,303	4,368	-	12,971	8,029	-
5	1,730,004	1,325,118	39,426	151,012	2,409	245,940	194,445	-
6	17,882,527	2,032,031	101,974	551,284	95,796	50,996	34,395	-
7	1,260,553	1,260,407	-	-	-	(252)	(217)	-
8	1,323,966	1,147,182	-	79	-	53,447	(3,351)	-
9	7,379,333	942,737	271,177	264,907	28,104	(13,874)	45,727	-
10	579,652	83,118	4,542	30,917	-	17,135	7,690	-
11	368,498	51,611	4,451	46,060	-	13,100	16,910	-

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

Consolidated investments in affiliates disposed during the current period

The Bank sold its 1729 shares representing 99.94% of the share capital of GarantiBank Moscow AO and 1 share belonging to a group affiliate Garanti Bilişim Teknolojisi ve Ticaret AŞ to Sovcombank a bank operating in Russia for a purchase price of USD 38,412,834. Accordingly, a loss of TL 35,799 thousands is included in the accompanying consolidated financial statements, except for the effect on the Bank's non-financial affiliate.

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	2,708,046	2,396,795	2,192,663	1,883,470
Between 1-5 Years	3,428,328	3,056,205	3,194,715	2,824,748
Longer than 5 Years	363,233	341,260	366,245	343,374
Total	6,499,607	5,794,260	5,753,623	5,051,592

5.1.11.2 Net financial lease receivables

	Current Period	Prior Period
Gross Financial Lease Receivables	6,499,607	5,753,623
Unearned Income on Financial Lease Receivables (-)	(705,347)	(702,031)
Terminated Lease Contracts (-)	-	-
Net Financial Lease Receivables	5,794,260	5,051,592

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	73,946	11,534	60,616	7,483
Cash Flow Hedges	5,526	575,289	28,448	584,450
Net Foreign Investment Hedges	-	-	-	-
Total	79,472	586,823	89,064	591,933

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

	<i>Current Period</i>			<i>Prior Period</i>		
	Face Value	Asset	Liability	Face Value	Asset	Liability
Interest Rate Swaps	35,828,669	146,128	138,470	18,791,415	101,340	120,219
-TL	8,307,595	79,472	26,671	5,239,355	89,064	10,928
-FC	27,521,074	66,656	111,799	13,552,060	12,276	109,291
Cross Currency Swaps	8,525,479	520,167	204,844	5,279,626	579,657	130,272
-TL	1,837,687	-	-	1,868,085	-	-
-FC	6,687,792	520,167	204,844	3,411,541	579,657	130,272
Total	44,354,148	666,295	343,314	24,071,041	680,997	250,491

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	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

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

5.1.12.1.2 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	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	-

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

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

5.1.13 Tangible assets

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Cost	2,759,024	326,195	22,776	1,904,865	5,012,860
Accumulated Depreciation	(4,976)	(305,178)	(17,497)	(1,272,320)	(1,599,971)
Net Book Value	2,754,048	21,017	5,279	632,545	3,412,889
Balances at End of Current Period					
Net Book Value at Beginning of Current Period	2,754,048	21,017	5,279	632,545	3,412,889
Additions	256,390	17,904	1,683	502,143	778,120
Revaluation Model Difference	5,140	-	-	-	5,140
Transfers from Investment Property	44,245	-	-	-	44,245
Disposals (Net)	(248,255)	(2,371)	(129)	(93,833)	(344,588)
Disposals (Cost)	(249,380)	(62,530)	(1,876)	(186,509)	(500,295)
Disposals (Accumulated Depreciation)	1,125	60,159	1,747	92,676	155,707
Reversal of/Impairment Losses (-)	-	-	-	-	-
Depreciation Expense for Current Period	(21,566)	(5,464)	(2,047)	(213,901)	(242,978)
Currency Translation Differences on Foreign Operations, Net	18,198	-	219	9,376	27,793
Currency Translation Differences on Foreign Operations (Cost)	18,771	-	1,085	29,606	49,462
Currency Translation Differences on Foreign Operations (Accumulated Depreciation)	(573)	-	(866)	(20,230)	(21,669)
Net Book Values at End of Current Period	2,808,200	31,086	5,005	836,330	3,680,621
Cost at End of Current Period	2,834,190	281,569	23,668	2,250,105	5,389,532
Accumulated Depreciation at End of Current Period	(25,990)	(250,483)	(18,663)	(1,413,775)	(1,708,911)
Net Book Values at End of Current Period	2,808,200	31,086	5,005	836,330	3,680,621

5.1.14 Intangible assets

5.1.14.1 Useful lives and amortisation rates

The consolidation goodwill classified under intangible assets is not amortized. The estimated useful lives of softwares and other intangible assets vary between 3 and 15 years.

5.1.14.2 Amortisation methods

Intangible assets are amortised on a straight-line basis from the date of capitalisation. The consolidation goodwill is not amortized, however is subject to impairment testing regularly and if there is any impairment, a provision is made.

5.1.14.3 Balances at beginning and end of current period

	<i>Current Period</i>		<i>Prior Period</i>	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Intangible Assets	735,627	407,974	571,276	317,645

5.1.14.4 Movements of intangible assets for current period

	<i>Current Period</i>	<i>Prior Period</i>
Net Book Value at Beginning Period	253,631	237,352
Internally Generated Intangibles	-	-
Additions due to Mergers, Transfers and Acquisition	158,713	79,440
Disposals (-)	(1,843)	(247)
Impairment Losses/Reversals to/from Revaluation Surplus	-	-
Impairment Losses Recorded in Income Statement	-	-
Impairment Losses Reversed from Income Statement	-	-
Amortisation Expense for Current Period (-)	(89,117)	(66,062)
Currency Translation Differences on Foreign Operations	3,920	3,148
Other Movements	2,349	-
Net Book Value at End of Current Period	327,653	253,631

5.1.14.5 Details for any individually material intangible assets

None.

5.1.14.6 Intangible assets capitalised under government incentives at fair values

None.

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

None.

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

None.

5.1.14.9 Commitments to acquire intangible assets

None.

5.1.14.10 Disclosure on revalued intangible assets

None.

5.1.14.11 Research and development costs expensed during current period

None.

5.1.14.12 Goodwill

Goodwill	Shares %	Carrying Value
Garanti Yatırım Menkul Kıymetler AŞ	100.00	2,778
Garanti Finansal Kiralama AŞ	100.00	2,119
Garanti Faktoring AŞ	55.40	1,491
Total		6,388

5.1.14.13 Movements in goodwill during current period

	<i>Current Period</i>
Net Book Value at Beginning Period	6,388
Movements in Current Period	-
Additions	-
Adjustments due to the Changes in Value of Assets and Liabilities	-
Disposals in Current Period due to a Discontinued Operation Or Partial or Complete Disposal of an Asset (-)	-
Amortisation Expense for Current Period (-)	-
Impairment Losses (-)	-
Reversal of Impairment Losses (-)	-
Other changes in Book Values	-
Net Book Value at End of Current Period	6,388

5.1.15 Investment property

	<i>Current Period</i>	<i>Prior Period</i>
Net Book Value at Beginning Period	307,095	296,191
Additions	231,273	-
Disposals	(8,125)	-
Transfers to Tangible Assets	12,098	(18,009)
Fair Value Change	1,484	29,279
Net Currency Translation Differences on Foreign Affiliates	-	(366)
Net Book Value at End of Current Period	543,825	307,095

The investment property is held for operational leasing purposes.

As of 31 December 2016, a total gain of TL 1,484 thousands (31 December 2015: TL 25,734 thousands) from revaluation of investment property is included in other operating income.

5.1.16 Deferred tax asset

As of 31 December 2016, on a consolidated basis the Bank has a deferred tax asset of TL 233,342 thousands (31 December 2015: TL 463,623 thousands) calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences in its consolidated financial statements.

As of 31 December 2016, there is a deferred tax asset of TL 530,797 thousands (31 December 2015: TL 701,422 thousands) and deferred tax liability of TL 297,455 thousands (31 December 2015: TL 237,799 thousands) 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 (*)	976,182	196,283	849,242	170,497
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	(427,008)	(95,290)	725,454	172,572
Revaluation Differences on Real Estates	(1,732,442)	(25,313)	(1,810,410)	(27,620)
Other	802,238	157,662	823,326	148,174
Deferred Tax Asset, Net	(381,030)	233,342	587,612	463,623

(*) 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 31 December 2016, TL 307,584 thousands of deferred tax expense (31 December 2015: TL 213,959 thousands) and TL 62,489 thousands of deferred tax income (31 December 2015: TL 100,910 thousands) 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	375,548	186,179
Accumulated Depreciation	(9,183)	(7,972)
Net Book Value	366,365	178,207
End of Current Period		
Additions	347,416	279,871
Disposals (Cost)	(99,936)	(90,648)
Disposals (Accumulated Depreciation)	1,358	3,886
Reversal of Impairment / Impairment Losses (-)	(3,514)	(1,583)
Depreciation Expense for Current Period (-)	(8,831)	(5,097)
Currency Translation Differences on Foreign Operations	2,157	1,729
Cost	621,671	375,548
Accumulated Depreciation (-)	(16,656)	(9,183)
Net Book Value	605,015	366,365

As of balance sheet date, the net book values of assets held for sale on which rights of repurchase exist amounting to TL 359,660 thousands (31 December 2015: TL 258,845 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	16,670	-
Sale of Other Assets	2,305	3,127
Total	18,975	3,127

5.1.18.2 Prepaid expenses

	<i>Current Period</i>	<i>Prior Period</i>
Prepaid Expenses	527,538	440,202
Prepaid Taxes	27,335	30,978

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	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

<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	7,210,589	-	3,017,987	34,280,140	1,118,714	331,736	481,267	4,699	46,445,132
Foreign Currency	21,211,733	-	7,390,379	31,760,376	4,087,063	4,362,671	14,824,285	56,573	83,693,080
Residents in Turkey	14,335,218	-	6,434,951	28,233,795	2,651,959	1,081,183	839,169	55,408	53,631,683
Residents in Abroad	6,876,515	-	955,428	3,526,581	1,435,104	3,281,488	13,985,116	1,165	30,061,397
Public Sector Deposits	624,252	-	7,629	26,642	43	144	31	-	658,741
Commercial Deposits	6,173,951	-	3,647,512	4,528,359	176,380	389,619	17,802	-	14,933,623
Others	210,284	-	89,689	1,147,371	268,316	3,434	524,269	-	2,243,363
Precious Metal	1,087,124	-	106	11,175	-	57	101,849	-	1,200,311
Bank Deposits	1,824,611	-	2,119,796	1,078,563	1,708,201	100,524	128,486	-	6,960,181
Central Bank of Turkey	-	-	700,209	-	-	-	-	-	700,209
Domestic Banks	3,158	-	862,517	436,397	2,080	24	4	-	1,304,180
Foreign Banks	719,751	-	557,070	642,166	1,706,121	100,500	128,482	-	3,854,090
Special Financial	1,101,702	-	-	-	-	-	-	-	1,101,702
Others	-	-	-	-	-	-	-	-	-
Total	38,342,544	-	16,273,098	72,832,626	7,358,717	5,188,185	16,077,989	61,272	156,134,431

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	27,843,202	24,403,854	25,576,417	22,487,622
Foreign Currency Saving Deposits	17,180,146	15,714,350	39,472,238	30,954,806
Other Saving Deposits	821,559	590,229	1,471,382	1,282,499
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

None.

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	860,876	673,677
Deposits and Other Accounts held by Shareholders and their Relatives	-	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	751,270	662,161
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	242,280	67,634	218,374	131,764
Swap Transactions	2,023,979	857,048	1,101,708	602,757
Futures	106	964	32	3,320
Options	373,051	144,526	354,764	154,904
Others	-	4,397	35,579	19,401
Total	2,639,416	1,074,569	1,710,457	912,146

5.2.3 Funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	1,880,102	-	-
Domestic Banks and Institutions	1,153,848	1,540,125	1,047,230	1,255,372
Foreign Banks, Institutions and Funds	1,973,831	40,033,947	2,407,491	34,649,802
Total	3,127,679	43,454,174	3,454,721	35,905,174

5.2.3.1 Maturities of funds borrowed

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Short-Term	1,237,683	4,284,065	1,094,237	2,447,861
Medium and Long-Term	1,889,996	39,170,109	2,360,484	33,457,313
Total	3,127,679	43,454,174	3,454,721	35,905,174

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

5.2.3.2 Disclosures for concentration areas of bank's liabilities

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

5.2.4 Other external funds

5.2.4.1 Securities issued

<i>Current Period</i>	TL		FC	
	Short-Term	Medium and Long-Term	Short-Term	Medium and Long-Term
Nominal	2,297,303	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

<i>Prior Period</i>	TL		FC	
	Short-Term	Medium and Long-Term	Short-Term	Medium and Long-Term
Nominal	1,968,860	2,790,047	160,141	11,154,774
Cost	1,885,919	2,635,443	160,141	11,089,721
Carrying Value (*)	1,925,100	2,615,083	160,472	10,810,942

(*) The Bank and/or its financial affiliates repurchased the Bank's own TL securities with a total face value of TL 107,896 thousands (31 December 2015: TL 162,821 thousands) and foreign currency securities with a total face value of TL 764,060 thousands (31 December 2015: TL 638,989 thousands) and netted off such securities in the accompanying consolidated financial statements.

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

5.2.4.2 Funds provided through repurchase transactions

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Domestic Transactions	7,287,738	-	12,545,178	-
Financial Institutions and Organizations	7,196,813	-	12,475,300	-
Other Institutions and Organizations	40,765	-	36,759	-
Individuals	50,160	-	33,119	-
Foreign Transactions	2	526,081	75	3,595,865
Financial Institutions and Organizations	-	526,081	-	3,595,865
Other Institutions and Organizations	-	-	-	-
Individuals	2	-	75	-
Total	7,287,740	526,081	12,545,253	3,595,865

5.2.4.3 Miscellaneous payables

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Payables from credit card transactions	7,833,260	41,268	6,886,185	57,684
Payables from insurance transactions	32,366	240	20,858	238
Other	394,462	1,038,152	283,144	1,331,913
Total	8,260,088	1,079,660	7,190,187	1,389,835

5.2.5 Factoring payables

None.

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	26,671	250,273	10,928	210,635
Cash Flow Hedges	-	66,370	-	28,928
Net Foreign Investment Hedges	-	-	-	-
Total	26,671	316,643	10,928	239,563

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	3,215,533	3,027,976
Loans and Receivables in Group I	1,754,506	2,521,714
Loans and Receivables in Group II	872,064	354,149
Non-Cash Loans	360,322	152,113
Others	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	1,241	29,733
Medium and Long Term Loans	270	11,412
Total	1,511	41,145

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

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

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

5.2.8.4 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	300,000	342,000

5.2.8.4.2 Other provisions for possible losses

	<i>Current Period</i>	<i>Prior Period</i>
Reserve for Employee Benefits	730,525	570,995
Insurance Technical Provisions, Net	306,775	251,292
Provision for Promotion Expenses of Credit Cards (*)	99,131	89,757
Provision for Lawsuits	56,474	41,734
Other Provisions	189,826	169,109
Total	1,382,731	1,122,887

(*) 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 (31 December 2015: TL 2,408,349 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 (31 December 2015: TL 1,336,959 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 (31 December 2015: TL 528,011 thousands) as stated above and resulted from the present value of medical benefits and health premiums transferable to SSF as of 31 December 2016. However, despite this treatment there are no excess obligation that needs to be provided against.

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

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

	<i>Current Period</i>	<i>Prior Period</i>
		%
Discount Rate (*)	11.50	10.30
Inflation Rate (*)	7.80	7.10
Future Real Salary Increase Rate	1.5	1.5
Medical Cost Trend Rate	40% above inflation	40% above inflation
Future Pension Increase Rate (*)	7.80	7.10

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

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

5.2.9 Tax liability

5.2.9.1 Current tax liability

5.2.9.1.1 Tax liability

As of 31 December 2016, the corporate tax liability amounts to TL 119,401 thousands (31 December 2015: TL 376,241 thousands) after offsetting with prepaid taxes.

5.2.9.1.2 Taxes payable

	<i>Current Period</i>	<i>Prior Period</i>
Corporate Taxes Payable	119,401	376,241
Taxation on Securities Income	122,010	110,210
Taxation on Real Estates Income	3,752	3,396
Banking Insurance Transaction Tax	120,305	100,514
Foreign Exchange Transaction Tax	86	74
Value Added Tax Payable	16,107	13,190
Others	82,880	87,846
Total	464,541	691,471

5.2.9.1.3 Premiums payable

	<i>Current Period</i>	<i>Prior Period</i>
Social Security Premiums-Employees	5,029	2,701
Social Security Premiums-Employer	3,571	2,206
Bank Pension Fund Premium-Employees	21	18
Bank Pension Fund Premium-Employer	21	18
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	1,220	1,021
Unemployment Insurance-Employer	2,613	2,132
Others	1,250	21
Total	13,725	8,117

5.2.9.2 Deferred tax liability

As of 31 December 2016, there is no deferred tax liability (31 December 2015: -).

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

None.

5.2.11 Subordinated debts

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

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

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

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
Shares repurchased	-	-
Paid-in 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	(484,900)	(58,725)	(427,264)	143,622
Valuation Difference	(484,900)	(58,725)	(427,264)	143,622
Exchange Rate Difference	-	-	-	-
Total	(484,900)	(58,725)	(427,264)	143,622

5.2.12.9 Revaluation surplus

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Movables	-	-	-	-
Real Estates	1,508,875	5,772	1,587,371	5,249
Gain on Sale of Investments in Associates and Affiliates and Real Estates to be used for Capital Increases	176,415	-	173,263	-
Revaluation Surplus on Leasehold Improvements	-	-	-	-
Total	1,685,290	5,772	1,760,634	5,249

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	1,022,250	1,013,056
II. Legal Reserve	249,272	213,572
Special Reserves	-	-
Total	1,271,522	1,226,628

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	22,192,305	19,168,165
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital	-	-
Total	22,192,305	19,168,165

5.2.12.13 Minority interest

	<i>Current Period</i>	<i>Prior Period</i>
Balance at Beginning of Period	226,617	193,733
Profit Share of Affiliates Net Profits	42,468	34,213
Prior Period Dividend Payment	(1,210)	(1,354)
Increase/(Decrease) in Minority Interest due to Sales	-	-
Others	(67)	25
Balance at End of Period	267,808	226,617

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 3,956,061 thousands (31 December 2015: TL 3,246,846 thousands), commitments for cheque payments of TL 3,555,087 thousands (31 December 2015: TL 3,063,075 thousands) and commitments for credit card limits of TL 28,226,693 thousands (31 December 2015: TL 27,066,620 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	20,901,575	17,880,281
Letters of Guarantee in TL	17,111,138	14,828,828
Letters of Credit	15,754,367	14,576,338
Bills of Exchange and Acceptances	2,127,334	1,538,069
Prefinancings	-	-
Other Guarantees	191,066	109,206
Total	56,085,480	48,932,722

A specific provision of TL 134,609 thousands (31 December 2015: TL 102,109 thousands) is made for unliquidated non-cash loans of TL 355,861 thousands (31 December 2015: TL 313,985 thousands) recorded under the off-balance sheet items as of 31 December 2016.

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

5.3.1.3 Non-cash loans

	<i>Current Period</i>	<i>Prior Period</i>
Non-Cash Loans against Cash Risks	5,128,893	4,157,201
<i>With Original Maturity of 1 Year or Less</i>	<i>331,380</i>	<i>454,207</i>
<i>With Original Maturity of More Than 1 Year</i>	<i>4,797,513</i>	<i>3,702,994</i>
Other Non-Cash Loans	50,956,587	44,775,521
Total	56,085,480	48,932,722

5.3.1.4 Other information on non-cash loans

	<i>Current Period</i>				<i>Prior Period</i>			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	70,323	0.41	35,750	0.09	59,203	0.40	24,398	0.07
<i>Farming and Stockbreeding</i>	59,983	0.35	25,075	0.06	53,926	0.36	18,647	0.05
<i>Forestry</i>	8,973	0.05	2,810	0.01	3,897	0.03	5,066	0.01
<i>Fishery</i>	1,367	0.01	7,865	0.02	1,380	0.01	685	0.01
Manufacturing	4,392,728	25.63	18,009,127	46.24	4,251,238	28.61	16,423,897	48.20
<i>Mining and Quarrying</i>	194,627	1.14	343,847	0.88	151,428	1.02	187,479	0.55
<i>Production</i>	2,432,210	14.19	12,997,280	33.37	2,450,646	16.49	11,322,737	33.23
<i>Electricity, Gas, Water</i>	1,765,891	10.30	4,668,000	11.99	1,649,164	11.10	4,913,681	14.42
Construction	2,771,911	16.17	4,327,614	11.11	2,091,782	14.08	3,832,130	11.25
Services	8,579,268	50.06	14,125,523	36.27	7,316,357	49.23	12,372,343	36.31
<i>Wholesale and Retail Trade</i>	5,889,557	34.36	8,783,670	22.55	5,223,467	35.15	8,097,227	23.77
<i>Accommodation and Dining</i>	236,345	1.38	300,746	0.77	297,037	2.00	221,167	0.65
<i>Transportation and Telecommunication</i>	602,422	3.52	1,724,313	4.43	502,112	3.38	1,120,273	3.28
<i>Financial Institutions</i>	1,442,429	8.42	3,064,787	7.87	932,262	6.27	2,673,889	7.84
<i>Real Estate and Rental Services</i>	251,658	1.47	221,390	0.57	262,149	1.76	236,828	0.70
<i>Professional Services</i>	-	-	-	-	-	-	-	-
<i>Educational Services</i>	24,350	0.14	3,552	0.01	22,140	0.15	10,340	0.03
<i>Health and Social Services</i>	132,507	0.77	27,065	0.07	77,190	0.52	12,619	0.04
Others	1,324,754	7.73	2,448,482	6.29	1,142,116	7.68	1,419,258	4.17
Total	17,138,984	100.00	38,946,496	100.00	14,860,696	100.00	34,072,026	100.00

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

<i>Current Period</i>	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	16,922,328	38,105,749	216,656	840,747
Letters of Guarantee	16,894,482	20,236,374	216,656	665,201
Bills of Exchange and Bank Acceptances	27,846	2,099,488	-	-
Letters of Credit	-	15,578,821	-	175,546
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	-	191,066	-	-

<i>Prior Period</i>	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	14,712,464	33,364,127	148,232	707,899
Letters of Guarantee	14,680,596	17,341,075	148,232	539,206
Bills of Exchange and Bank Acceptances	20,793	1,515,117	-	2,159
Letters of Credit	11,075	14,398,729	-	166,534
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	-	109,206	-	-

5.3.2 Financial derivative instruments

<i>Current Period</i>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Derivative Financial Instruments held for Risk Management						
A. Total Derivative Financial Instruments held for Risk Management	1,583,120	1,557,242	4,934,366	21,117,429	15,161,992	44,354,149
Fair Value Hedges	-	249,868	781,321	10,138,434	10,839,396	22,009,019
Cash Flow Hedges	1,583,120	1,307,374	4,153,045	10,978,995	4,322,596	22,345,130
Net Foreign Investment Hedges	-	-	-	-	-	-
Trading Derivatives	-	-	-	-	-	-
Foreign Currency related Derivative Transactions (I)	118,126,744	51,523,757	61,053,819	9,450,596	-	240,154,916
Currency Forwards – Purchases	7,653,190	2,588,671	3,014,009	689,576	-	13,945,446
Currency Forwards – Sales	7,637,500	2,527,374	3,066,014	692,604	-	13,923,492
Currency Swaps – Purchases	42,242,070	17,125,043	17,214,589	2,762,114	-	79,343,816
Currency Swaps – Sales	41,987,403	17,169,235	17,013,562	2,940,386	-	79,110,586
Currency Options – Purchases	9,140,015	5,897,739	10,077,789	1,143,233	-	26,258,776
Currency Options – Sales	9,466,566	6,047,188	10,654,439	1,222,683	-	27,390,876
Currency Futures – Purchases	-	86,674	8,720	-	-	95,394
Currency Futures – Sales	-	81,833	4,697	-	-	86,530
Interest Rate related Derivative Transactions (II)	88,840	409,526	6,427,866	18,641,774	18,461,638	44,029,644
Interest Rate Swaps – Purchases	42	125,983	3,213,802	6,600,047	8,566,142	18,506,016
Interest Rate Swaps – Sales	42	125,983	3,213,802	6,600,047	8,566,142	18,506,016
Interest Rate Options – Purchases	-	-	-	4,598,560	1,329,354	5,927,914
Interest Rate Options – Sales	-	-	-	843,120	-	843,120
Securities Options – Purchases	36,438	18,731	112	-	-	55,281
Securities Options – Sales	52,318	38,708	150	-	-	91,176
Interest Rate Futures – Purchases	-	-	-	-	-	-
Interest Rate Futures – Sales	-	100,121	-	-	-	100,121
Other Trading Derivatives (III)	172,461	892,200	736,010	1,945,734	5,269,501	9,015,906
B. Total Trading Derivatives (I+II+III)	118,388,045	52,825,483	68,217,695	30,038,104	23,731,139	293,200,466
Total Derivative Transactions (A+B)	119,971,165	54,382,725	73,152,061	51,155,533	38,893,131	337,554,615

<i>Prior Period</i>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Derivative Financial Instruments held for Risk Management	-	800,000	1,482,385	12,130,687	9,657,969	24,071,041
A. Total Derivative Financial Instruments held for Risk Management	-	-	2,000	4,457,333	8,246,516	12,705,849
Fair Value Hedges	-	800,000	1,480,385	7,673,354	1,411,453	11,365,192
Cash Flow Hedges	-	-	-	-	-	-
Net Foreign Investment Hedges	-	-	-	-	-	-
Trading Derivatives	87,561,957	39,273,653	74,168,269	14,815,847	-	215,819,726
Foreign Currency related Derivative Transactions (I)	6,373,761	4,182,624	4,642,660	1,385,380	-	16,584,425
Currency Forwards – Purchases	5,772,248	4,303,067	4,964,142	1,473,996	-	16,513,453
Currency Forwards – Sales	31,219,245	4,931,695	10,154,408	2,200,393	-	48,505,741
Currency Swaps – Purchases	27,699,024	4,969,811	10,876,879	2,258,610	-	45,804,324
Currency Swaps – Sales	8,131,237	10,207,264	20,677,352	3,614,564	-	42,630,417
Currency Options – Purchases	8,366,442	10,676,075	22,652,043	3,798,600	-	45,493,160
Currency Options – Sales	-	3,117	4,311	-	-	7,428
Currency Futures – Purchases	-	-	196,474	84,304	-	280,778
Currency Futures – Sales	21,202	504,914	5,632,931	21,728,113	11,664,436	39,551,596
Interest Rate related Derivative Transactions (II)	70	245,380	1,624,844	9,164,511	5,569,867	16,604,672
Interest Rate Swaps – Purchases	70	245,380	1,624,844	9,164,511	5,569,867	16,604,672
Interest Rate Swaps – Sales	-	-	2,383,243	3,352,547	524,702	6,260,492
Interest Rate Options – Purchases	-	-	-	-	-	-
Interest Rate Options – Sales	10,531	3,466	-	23,272	-	37,269
Securities Options – Purchases	10,531	10,688	-	23,272	-	44,491
Securities Options – Sales	-	-	-	-	-	-
Interest Rate Futures – Purchases	-	-	-	-	-	-
Interest Rate Futures – Sales	4,727,101	537,677	1,148,581	1,613,206	4,362,000	12,388,565
Other Trading Derivatives (III)	92,310,260	40,316,244	80,949,781	38,157,166	16,026,436	267,759,887
B. Total Trading Derivatives (I+II+III)	-	-	-	-	-	-
Total Derivative Transactions (A+B)	92,310,260	41,116,244	82,432,166	50,287,853	25,684,405	291,830,928

5.3.3 Credit derivatives and risk exposures on credit derivatives

As of 31 December 2016, there are commitments for “credit linked notes” of the Bank and its consolidated financial affiliates with a total face value of USD 25,000,000 (31 December 2015: USD 125,000,000) classified under “other irrevocable commitments”.

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

5.3.4 Contingent liabilities and assets

The Bank and its consolidated financial affiliates made a total provision amounting to TL 56,474 thousands (31 December 2015: TL 41,734 thousands) for the lawsuits filed by various customers and institutions which are likely to occur and for which cash outflow might be necessary, and disclosed it under Note 5.2.8.4.2, other provisions. There are various other lawsuits which are unlikely to occur and for which cash outflow is not expected to incur.

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

5.3.5 Services rendered on behalf of third parties

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

5.4 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	5,242,992	295,014	4,268,762	335,536
Medium and long-term loans	8,394,047	3,569,896	6,461,452	3,173,184
Loans under follow-up	68,875	6,738	51,171	6,605
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	13,705,914	3,871,648	10,781,385	3,515,325

(*) 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	-	16,194	-	3,308
Domestic Banks	100,472	14,113	88,790	16,047
Foreign Banks	1,939	72,408	4,883	49,557
Foreign Head Offices and Branches	-	-	-	-
Total	102,411	102,715	93,673	68,912

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	19,420	2,860	16,152	5,619
Financial Assets Valued at Fair Value Through Profit	-	-	-	-
Financial Assets Available-for-Sale	1,801,732	237,716	1,736,174	235,745
Investments Held-to-Maturity	1,110,089	522,984	1,128,766	487,406
Total	2,931,241	763,560	2,881,092	728,770

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. As of 31 December 2016, the valuation of such securities was made according to annual inflation as of balance sheet date.

5.4.1.4 Interest income received from associates and affiliates

	<i>Current Period</i>	<i>Prior Period</i>
Interest Received from Investments in Associates and Affiliates	1,529	768

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	-	-	-	206
Domestic Banks	56,433	44,514	95,435	31,839
Foreign Banks	244,765	498,026	336,205	456,051
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	299,374	-	245,667
Total	301,198	841,914	431,640	733,763

(*) 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	3,900	1,917

5.4.2.3 Interest expenses on securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expenses on Securities Issued	550,322	544,205	423,015	519,176

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	1,104	251,718	7	681	662	-	-	254,172
Saving Deposits	4,330	245,931	3,701,519	90,142	39,603	48,930	-	4,130,455
Public Sector Deposits	-	890	4,680	11	86	2	-	5,669
Commercial Deposits	5,051	306,233	570,721	44,841	23,795	76,076	-	1,026,717
Others	9	12,739	81,804	11,671	65,656	29,675	-	201,554
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Total TL	10,494	817,511	4,358,731	147,346	129,802	154,683	-	5,618,567
Foreign Currency								
Foreign Currency Deposits	39,325	62,664	731,481	53,909	111,705	354,148	825	1,354,057
Bank Deposits	7	17,609	1,203	827	3,483	3,209	-	26,338
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	69	11	32	1,382	-	1,494
Total FC	39,332	80,273	732,753	54,747	115,220	358,739	825	1,381,889
Grand Total	49,826	897,784	5,091,484	202,093	245,022	513,422	825	7,000,456

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	810	122,374	4	550	499	-	-	124,237
Saving Deposits	217	304,615	3,025,181	113,563	70,202	52,452	-	3,566,230
Public Sector Deposits	-	610	2,627	9	7	2	-	3,255
Commercial Deposits	354	277,891	472,316	19,577	32,016	42,447	-	844,601
Others	11	11,876	90,201	5,619	4,622	38,831	-	151,160
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Total TL	1,392	717,366	3,590,329	139,318	107,346	133,732	-	4,689,483
Foreign Currency								
Foreign Currency Deposits	42,325	58,979	544,481	79,394	116,623	247,554	884	1,090,240
Bank Deposits	12	39,557	4,622	1,699	262	226	-	46,378
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	2	-	-	1,102	-	1,104
Total FC	42,337	98,536	549,105	81,093	116,885	248,882	884	1,137,722
Grand Total	43,729	815,902	4,139,434	220,411	224,231	382,614	884	5,827,205

5.4.2.5 Interest expense on repurchase agreements

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Interest Paid on Repurchase Agreements	971,391	28,657	649,253	65,489

5.4.2.6 Financial lease expenses

None.

5.4.2.7 Interest expenses on factoring payables

None.

5.4.3 Dividend income

	<i>Current Period</i>	<i>Prior Period</i>
Trading Financial Assets	2,182	297
Financial Assets Valued at Fair Value through Profit or	-	-
Financial Assets Available-for-Sale	966	722
Others	5,940	4,380
Total	9,088	5,399

5.4.4 Trading income/losses (net)

	<i>Current Period</i>	<i>Prior Period</i>
Income	79,863,123	100,520,000
Trading Account Income	2,105,247	2,221,679
Derivative Financial Instruments	11,007,318	12,101,225
Foreign Exchange Gain	66,750,558	86,197,096
Losses (-)	80,606,776	101,350,631
Trading Account Losses	1,718,623	1,630,705
Derivative Financial Instruments	11,933,107	14,419,976
Foreign Exchange Losses	66,955,046	85,299,950
Total	(743,653)	(830,631)

TL 3,963,481 thousands (31 December 2015: TL 2,517,983 thousands) of foreign exchange gains and TL 4,420,767 thousands (31 December 2015: TL 2,268,722 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 2,648,197 thousands, USD 1,089,994,701 and EUR 150,619,549, for its bonds with a total face value of TL 1,005,000 thousands and USD 265,400,000 and fixed-rate coupons and for its fixed-rate loans with a total principal of RON 98,288,042 by designating interest rate swaps and cross currency swaps with the same face values and terms. Accordingly, in the current period, a gain of TL 492 thousands and a loss of TL 14,515 thousands (31 December 2015: a gain of TL 65,397 thousands and a loss of TL 48,755 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 13,071 thousands (31 December 2015: TL 13,669 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 79,827,027 and EUR 39,473,684, securitization borrowings amounting to USD 102,083,335 and EUR 154,289,472 by designating cross currency swaps with the same face values and terms, and eurobonds with a total nominal value of USD 10,000,000, the collateralised borrowings amounting to TL 500,000 thousands and USD 250,000,000, borrowings amounting to USD 650,000,000, securitizations amounting to USD 500,000,000 and deposits amounting to USD 300,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, gains of TL 46,482 thousands and TL 39,553 thousands (31 December 2015: gains of TL 70,700 thousands and TL 4,946 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 234,393,000 and EUR 145,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a net gain of TL 7,607 thousands (31 December 2015: -) 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 319,807,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a net gain of TL 863 thousands (31 December 2015: -) 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 255,000,000 sell and USD 80,076,154 buy, USD 80,076,154 sell and EUR 69,829,075 buy, TL 640,250,000 sell and EUR 180,792,926 buy, CHF 487,510 sell and EUR 447,983 buy, RON 45,000,000 sell and EUR 9,838,216 buy, GBP 54,601,137 sell and EUR 64,600,141 buy, USD 277,591,250 sell and EUR 255,411,187 buy. Accordingly, in the current period, a net loss of TL 1,526 thousands (31 December 2015:-) 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, fair value increases of investment properties and income on custody services.

As of 21 June 2016, the acquisition of Visa Europe Ltd. by Visa Inc. has been completed. In acquisition, the Bank and a consolidated financial affiliate have sold their two shares in Visa Europe Ltd. with a nominal of EUR 10.00 for a consideration of EUR 61,376,433 in cash and 22.284 in "C Type Visa Inc." shares. The income generated from the sale share is recognized under the "Other Operating Income".

In the current period, a part of non-performing receivables of the Bank amounting to TL 1,059,931 thousands (31 December 2015: TL 83,080 thousands) were sold for a consideration of TL 79,774 thousands (31 December 2015: TL 19,494 thousands). Considering the related provisions of TL 1,058,459 thousands (31 December 2015: TL 80,711 thousands) in the financial statements, a gain of TL 78,276 thousands (31 December 2015: TL 17,079 thousands) is recognized under "other operating income".

A part of non-performing loans, lease receivables and factoring receivables of certain consolidated financial affiliates of the Bank amounting to TL 250,832 thousands (31 December 2015: TL 97,711 thousands) were sold for a total consideration of TL 50,062 thousands (31 December 2015: TL 14,949 thousands). A gain from these sales amounting to TL 1,086 thousands is recognized under "other operating income" and a loss of TL 1,337 thousands is recognized under "other operating expense", and accordingly a net loss of TL 251 thousands (31 December 2015: a gain of TL 9,278 thousands) considering the related provision of TL 200,519 thousands (31 December 2015: TL 92,040 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 89 thousands (31 December 2015: TL 482 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	2,717,101	1,862,154
<i>Loans and receivables in Group III</i>	558,362	702,784
<i>Loans and receivables in Group IV</i>	1,165,685	653,044
<i>Loans and receivables in Group V</i>	993,054	506,326
General Provisions	213,321	597,780
Provision for Possible Losses	100,000	12,000
Impairment Losses on Financial Assets	19	5,112
<i>Financial assets at fair value through profit or loss</i>	19	5,112
<i>Financial assets available-for-sale</i>	-	-
Impairment Losses on Associates, Affiliates and Investments Held-to-Maturity	-	-
<i>Associates</i>	-	-
<i>Affiliates</i>	-	-
<i>Joint ventures (business partnership)</i>	-	-
<i>Investments held-to-maturity</i>	-	-
Others	356,655	165,319
Total	3,387,096	2,642,365

5.4.7 Other operating expenses

	<i>Current Period</i>	<i>Prior Period</i>
Personnel Costs	2,881,465	2,566,783
Reserve for Employee Termination Benefits	43,676	42,333
Defined Benefit Obligation	-	-
Impairment Losses on Tangible Assets	-	56,131
Depreciation Expenses of Tangible Assets	242,978	215,779
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortisation Expenses of Intangible Assets	89,117	66,062
Decrease in Value of Equity Accounting Shares	-	-
Impairment Losses on Assets to be Disposed	3,571	2,004
Depreciation Expenses of Assets to be Disposed	8,831	5,097
Impairment Losses on Assets Held for Sale and Discontinued Assets	-	-
Other Operating Expenses	2,771,702	2,631,904
<i>Operational lease related expenses</i>	426,616	376,876
<i>Repair and maintenance expenses</i>	70,890	70,961
<i>Advertisement expenses</i>	191,219	144,757
<i>Other expenses (*)</i>	2,082,977	2,039,310
Loss on Sale of Assets	4,953	3,241
Others (**)(***)	986,095	1,015,883
Total	7,032,388	6,605,217

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

(**) Includes saving-deposits-insurance-fund related expenses of TL 229,846 thousands (31 December 2015: TL 199,825 thousands) and insurance-business claim losses of TL 136,945 thousands (31 December 2015: TL 80,824 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 110,146 thousands (31 December 2015: TL 254,480 thousands) as per the decision of the Turkish Competition Board or the related courts.

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

TL 12,255,733 thousands (31 December 2015: TL 10,258,049 thousands) of the profit before taxes is derived from net interest income and TL 3,275,690 thousands (31 December 2015: TL 2,964,732 thousands) from net fees and commissions income. The total operating expenses amounted to TL 7,032,388 thousands (31 December 2015: TL 6,605,217 thousands). The profit before taxes reached to TL 6,490,950 thousands (31 December 2015: TL 4,659,487 thousands) increasing by 39.3% (31 December 2015: 2.3%) as compared to the prior year.

5.4.9 Information on provision for taxes for continued and discontinued operations

As of 31 December 2016, on a consolidated basis, the Bank recorded a current tax expense of TL 1,035,607 thousands (31 December 2015: TL 830,414 thousands) and a deferred tax expense of TL 307,584 thousands (31 December 2015: TL 213,959 thousands).

Deferred tax benefit/charge on timing differences

Deferred tax (benefit)/charge on timing differences	Current Period	Prior Period
Increase in Tax Deductible Timing Differences (+)	(96,757)	(127,309)
Decrease in Tax Deductible Timing Differences (-)	256,784	315,343
Increase in Taxable Timing Differences (-)	171,135	95,809
Decrease in Taxable Timing Differences (+)	(23,578)	(69,884)
Total	307,584	213,959

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 Deductible Timing Differences (net)	150,307	179,154
(Increase)/Decrease in Taxable Timing Differences (net)	147,557	25,925
(Increase)/Decrease in Tax Losses (net)	9,720	8,880
(Increase)/Decrease in Tax Deductions and Exemptions (net)	-	-
Total	307,584	213,959

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	42,468	34,213

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

5.5.1 Any increases arising from application of accounting for financial instruments in current period

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

None.

5.5.1.2 Increases due to cash flow hedges

The Bank enters into swap contracts to convert variable interest rates on its borrowings to fixed interest rates for cash flow hedging purposes. After netting with the related deferred tax effect, an increase of TL 9,025 thousands (31 December 2015: TL 65,618 thousands) is presented in the shareholders' equity for such hedges assessed as effective.

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

As of 31 December 2016, an increase of TL 459,301 thousands (31 December 2015: TL 140,481 thousands) that was resulted from the foreign currency translation of Luxembourg branch and consolidated foreign affiliates performances, is presented under translation differences in the shareholders' equity.

5.5.2 Any decreases arising from application of accounting for financial instruments

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

As of 31 December 2016, a decrease of TL 47,863 thousands (31 December 2015: TL 263,377 thousands) resulted from the revaluation of financial assets available-for-sale at fair value after being netted with the related deferred tax liability effect and a gain of TL 212,120 thousands (31 December 2015: TL 109,041 thousands) that was transferred to the income statement from "securities value increase fund" are presented as the current period movements in securities value increase fund in the statement of changes in shareholders' equity.

5.5.2.2 Decreases due to cash flow hedges

None.

5.5.3 Transfers to legal and extraordinary reserves

	<i>Current Period</i>	<i>Prior Period</i>
Transfers to Legal Reserves from Prior Year Profits	43,229	43,799
Transfers to Extraordinary Reserves from Prior Year Profits	2,965,949	3,004,659

5.5.4 Issuance of share certificates

Please refer to Note 5.2.12.3.

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

None.

5.5.6 Compensation of prior period losses

None.

5.6 Consolidated statement of cash flows

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

The net cash inflows arising from banking operations amount to TL 2,253,924 thousands (31 December 2015: TL 2,611,056 thousands). TL 3,358,704 thousands (31 December 2015: TL 1,684,836 thousands) of these net cash inflows is generated from the cash outflows resulted from the change in operating assets and liabilities and TL 5,612,628 thousands (31 December 2015: TL 4,295,892 thousands) from the cash inflows resulted from operating profit. The “net increase/decrease in other liabilities” under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to a net decrease of TL 114,950 thousands (31 December 2015: a net increase of TL 3,057,032 thousands). The net cash outflows from financing activities amount to TL 379,641 thousands (31 December 2015: a net cash inflows of TL 463,710 thousands).

The effect of changes in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 928,129 thousands (31 December 2015: TL 994,091 thousands).

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

Please refer to Notes 5.1.8.1 and 5.1.9.2.

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

None.

5.6.4 Cash and cash equivalents at beginning of period

	<i>Current Period</i>	<i>Prior Period</i>
Cash on Hand	2,199,132	1,798,443
<i>Cash in TL</i>	<i>1,313,085</i>	<i>1,089,266</i>
<i>Cash in Foreign Currency</i>	<i>886,047</i>	<i>709,177</i>
Cash Equivalents	9,541,450	8,201,318
<i>Others</i>	<i>9,541,450</i>	<i>8,201,318</i>
Total	11,740,582	9,999,761

5.6.5 Cash and cash equivalents at end of period

	<i>Current Period</i>	<i>Prior Period</i>
Cash on Hand	2,205,903	2,199,132
<i>Cash in TL</i>	<i>1,357,697</i>	<i>1,313,085</i>
<i>Cash in Foreign Currency</i>	<i>848,206</i>	<i>886,047</i>
Cash Equivalents	13,486,239	9,541,450
<i>Others</i>	<i>13,486,239</i>	<i>9,541,450</i>
Total	15,692,142	11,740,582

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

The placements at foreign banks include blocked accounts amounting TL 7,557,761 thousands (31 December 2015: TL 7,557,736 thousands) of which TL 116,841 thousands (31 December 2015: TL 96,799 thousands) and TL 96,147 thousands (31 December 2015: TL 65,058 thousands) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 7,344,773 thousands (31 December 2015: TL 7,392,879 thousands) as collateral against funds borrowed at various banks.

Furthermore, there are restricted deposits at various domestic banks amounting TL 254,130 thousands (31 December 2015: TL 153,035 thousands) as required for insurance activities.

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

5.6.7 Additional information

5.6.7.1 Restrictions on the Bank's potential borrowings

None.

5.6.7.2 Cash inflows presenting increase in banking activity related capacity

None.

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	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	2,453	5	484	8	136,871	404

Prior Period:

Bank's Risk Group	Associates, Affiliates and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	17,504	8,259	402,167	328,209	1,643,236	703,307
Balance at end of period	33,129	3,616	57,550	827,462	2,184,276	472,865
Interest and Commission Income	1,785	8	656	8	129,810	282

5.7.1.2 Deposits

Bank's Risk Group	Associates, Affiliates and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at beginning of period	31,511	28,674	337,764	649,010	552,778	351,510
Balance at end of period	46,726	31,511	545,105	337,764	554,648	552,778
Interest Expenses	3,890	1,917	773	12,997	5,526	10,207

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	12,675	2,789	16,403,422	10,825,180	-	5,770
Balance at end of period	13,344	12,675	13,797,354	16,403,422	843,120	-
Total Profit/(Loss)	120	(29)	(403,644)	(41,599)	(4,582)	-
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 2,216,830 thousands (31 December 2015: TL 2,113,398 thousands) compose 1.10% (31 December 2015: 1.23%) of the Bank's total consolidated cash loans and 0.71% (31 December 2015: 0.76%) of the Bank's total consolidated assets. The total loans and similar receivables amounting TL 4,012,784 thousands (31 December 2015: TL 2,274,955 thousands) compose 1.29% (31 December 2015: 0.81%) of the Bank's total consolidated assets. The non-cash loans of the risk group amounting TL 1,125,219 thousands (31 December 2015: TL 1,303,943 thousands) compose 2.01% (31 December 2015: 2.66%) of the Bank's total consolidated non-cash loans. The deposits of the risk group amounting TL 1,146,479 thousands (31 December 2015: TL 922,053 thousands) compose 0.64% (31 December 2015: 0.59%) 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 2015: TL 12,669 thousands with a 0.03% share in total funds borrowed) 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 65,017 thousands (31 December 2015: TL 44,741 thousands). A total rent income of TL 3,946 thousands (31 December 2015: TL 3,759 thousands) was recognized for the real estates rented to the related parties.

Operating expenses for TL 6,607 thousands as of 31 December 2016 (31 December 2015: TL 5,687 thousands) were incurred for the IT services rendered by the related parties. Other income of TL 2,556 thousands (31 December 2015: TL 178 thousands) for the IT services rendered and banking services fee income of TL 1,176 thousands (31 December 2015: TL 666 thousands) were recognized from the related parties.

Fixed-rate securities brokerage fee of TL 434 thousands (31 December 2015: -) were received from the risk group.

Operating expenses of TL 4,377 thousands (31 December 2015: TL 7,706 thousands) for advertisement and broadcasting services, of TL 44,246 thousands (31 December 2015: TL 45,124 thousands) for operational leasing services, and of TL 11,727 thousands (31 December 2015: TL 17,158 thousands) for travelling services rendered by the related parties were recognized as expense.

Fleet business customer acquisition fee of TL 375 thousands (31 December 2016: -) was recognized as income for the services rendered by the affiliates in the same period of prior year.

The net payment provided or to be provided to the key management of the Bank and its consolidated financial affiliates amounts to TL 137,735 thousands as of 31 December 2016 (31 December 2015: TL 186,652 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

5.8.1 Domestic and foreign branches and representative offices of parent bank

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

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

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

5.8.3 Information on consolidated financial subsidiaries of parent bank

Garanti Bank International NV					
	Number of Branches	Number Of Employees	Country		
Foreign Representative Offices	1	15	1- Turkey		
	1	-	2- Switzerland		
	1	2	3- Ukraine		
				Total Assets	Legal Capital
Head office-The Netherlands	1	211	1-The Netherlands	17,819,002	EUR 136,836,000
Foreign Branches	1	20	2- Germany	63,525	-

Garanti Bank SA					
	Number of Branches	Number Of Employees	Country	Total Assets	Legal Capital
Romania Head Office and Branches	84	1,035	Romania	7,379,333	RON 1,208,086,946

Other consolidated foreign financial subsidiaries

	Number Of Employees	Country	Total Assets	Legal Capital
Garanti Holding BV	-	the Netherlands	1,260,553	EUR 385,388,600
G Netherlands BV	-	the Netherlands	1,323,966	EUR 120,682,821
Motoractive IFN SA	79	Romania	579,652	RON 40,138,655
Ralfi IFN SA	186	Romania	368,498	RON 10,661,500

Consolidated domestic financial subsidiaries

	Number Of Employees	Total Assets	Legal Capital
Garanti Finansal Kiralama AŞ	158	5,450,502	350,000
Garanti Faktoring AŞ	164	2,899,452	79,500
Garanti Emeklilik ve Hayat AŞ	857	1,730,004	50,000
Garanti Yatırım Menkul Kıymetler AŞ	361	111,904	8,328
Garanti Portföy Yönetimi AŞ	55	59,170	25,000
Garanti Yatırım Ortaklığı AŞ	8	35,690	32,000

5.9 Matters arising subsequent to the balance sheet date

None.

6 Other Disclosures on Activities

6.1 Information on international risk ratings

6.1.1 Parent bank's international risk ratings

MOODY'S (September 2016)

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

STANDARD AND POORS (November 2016)

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

FITCH RATINGS (August 2016)

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

JCR EURASIA RATINGS (April 2016)

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

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

MOODY'S (October 2016) (*)

Long Term FC Deposit	A3
Short Term FC Deposit	Prime-2
Baseline Credit Assessment	baa2
Long Term Credit Assessment	A2
Short Term Credit Assessment	Prime-1
Outlook	Negative

(*) Latest date in risk ratings or outlooks.

6.1.3 International risk ratings of Garanti Faktoring, a consolidated affiliate

FITCH RATINGS (August 2016) (*)()**

Foreign Currency	
Long Term	BBB
Short Term	F2
Outlook	Negative
Support	2
Turkish Lira	
Long Term	BBB
Short Term	F2
Outlook	Negative
National	AAA (tur)
Outlook	Stable

(*) Latest date in risk ratings or outlooks.

(**) Under positive follow-up.

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

FITCH RATINGS (August 2016) (*)()**

Foreign Currency	
Long Term	BBB
Short Term	F2
Outlook	Negative
Support	2
Turkish Lira	
Long Term	BBB
Short Term	F2
Outlook	Negative
National	AAA (tur)
Outlook	Stable

(*) Latest date in risk ratings or outlooks.

(**) Under positive follow-up.

STANDARD AND POORS (November 2016) (*)

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

(*) Latest date in risk ratings or outlooks.

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

FITCH RATINGS (September 2016) (*)

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

(*) Latest date in risk ratings or outlooks.

6.2 Dividends

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

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

6.3 Other disclosures

None.

7 Independent Auditors' Report

7.1 Disclosure on independent auditors' report

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

7.2 Disclosures and footnotes prepared by independent auditors

None.

.....