Türkiye Garanti Bankası Anonim Şirketi

Publicly Announced Consolidated Financial Statements, Related Disclosures and Independent Auditors' Limited Review Report Thereon

as of and for the Three-Month Period Ended

31 March 2018

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

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Convenience Translation of the Review Report Originally Prepared and Issued in Turkish to English (See Note 1 in Section Three)

Independent Auditors' Report on Review of Consolidated Interim Financial Information

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

Introduction

We have reviewed the accompanying consolidated statement of financial position of Türkiye Garanti Bankası A.Ş. ("the Bank") and its consolidated financial subsidiaries (together "the Group") as at 31 March 2018 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows, for the three month period then ended and notes, comprising a summary of significant accounting policies and other explanatory information. The Bank Management is responsible for the preparation and fair presentation of these consolidated interim financial information in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and the requirements of Turkish Accounting Standard 34 "Interim Financial Reporting" principles for those matters not regulated by the aforementioned legislations. Our responsibility is to express a conclusion on these consolidated interim financial information based on our review.

Scope of Review

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

KPMG

Basis for Qualified Conclusion

The accompanying consolidated interim financial information as at 31 March 2018 include a general reserve of total TL 1,160,000 thousands, that had been fully recognized as expense in prior periods, which is provided by the Bank management for the possible effects of the negative circumstances which may arise in economy or market conditions.

Qualified Conclusion

Based on our review, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information do not present fairly, in all material respects, the consolidated financial position of Türkiye Garanti Bankası AŞ and its financial subsidiaries as at 31 March 2018, and its consolidated financial performance and its consolidated cash flows for the three month period then ended in accordance with the BRSA Accounting and Reporting Legislation.

Report on Other Legal and Regulatory Requirements

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

Additional paragraph for convenience translation to English:

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

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

Alper Güvenç, SMMM
Partner

26 April 2018
İstanbul, Turkey

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES CONSOLIDATED INTERIM FINANCIAL REPORT AS OF AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2018

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The consolidated interim financial report for the three-month period ended 31 March 2018 prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

1. General Information about Parent Bank
2. Consolidated Interim Financial Statements of Parent Bank
3. Accounting Policies
4. Consolidated Financial Position and Results of Operations, and Risk Management Applications of Group
5. Disclosures and Footnotes on Consolidated Financial Statements
6. Limited Review Report
7. Interim Activity Report

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

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

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

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

Süleyman Sözen	**Ali Fuat Erbil**	**Aydın Güler**	**Aylin Aktürk**
Board of Directors Chairman	General Manager	Executive Vice President Responsible of Financial Reporting	Director

Jorge Saenz - Azcunaga Carranza	**Ricardo Gomez Barredo**	**Belkıs Sema Yurdum**
Audit Committee Member	Audit Committee Member	Audit Committee Member

The authorized contact person for questions on this financial report:

Name-Surname/Title: Handan SAYGIN/Director of Investor Relations
Phone no: 90 212 318 23 50
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SECTION FIVE
Disclosures and Footnotes on Consolidated Financial Statements

SECTION SIX
Limited Review Report

SECTION SEVEN
Interim Activity Report

1 General Information

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

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

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

The Bank provides banking services through 928 domestic branches, 8 foreign branches and 3 representative offices (31 December 2017: 937 domestic branches, 8 foreign branches and 3 representative offices). The Bank's head office is located in Istanbul.

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

As of 31 March 2018, group of companies under BBVA that currently owns 49.85% shares of the Bank, is defined as the BBVA Group (the Group) and it is the main shareholder.

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

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

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

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

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

BBVA Group

BBVA is operating for more than 150 years, providing variety of wide spread financial and non-financial services to 72 million retail and commercial customers.
The Group's headquarter is in Spain, where the Group has concrete leadership in retail and commercial markets. BBVA adopting innovative, and customer and community oriented management style, besides banking, operates in insurance sector in Europe and portfolio management, private banking and investment banking in global markets.

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

(Thousands of Turkish Lira (TL))

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

Board of Directors Chairman and Members:

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

CEO and Executive Vice Presidents:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Ali Fuat Erbil	CEO	02.09.2015	PhD	26 years
İlker Kuruöz	EVP-Engineering Services and Data	14.03.2018	Master	23 years
Avni Aydın Düren	EVP-Legal Services and Collection	01.02.2009	Master	24 years
Betül Ebru Edin	EVP-Corporate and Investment Banking	25.11.2009	University	24 years
Didem Başer	EVP-Digital Banking, Customer Solutions and Experience	20.03.2012	Master	23 years
Recep Baştuğ	EVP-Commercial Banking	01.01.2013	University	28 years
Osman Nuri Tüzün	EVP- Human Resources and Support Services	19.08.2015	Master	26 years
Aydın Güler	EVP-Finance and Accounting	03.02.2016	University	28 years
Ali Temel	Head of Credit Risk Management	03.02.2016	University	28 years
Mahmut Akten	EVP-Retail Banking	17.01.2017	Master	18 years
Cemal Onaran	EVP-SME Banking	17.01.2017	University	27 years

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

As of 31 March 2018, Recep Baştuğ resigned his position as "EVP responsible from Commercial Banking'' and Selahattin Güldü is appointed for this duty on 5 April 2018.

(Thousands of Turkish Lira (TL))

1.4 Information on parent bank's qualified shareholders

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

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

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

1.5 Summary information on parent bank's activities and services

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

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

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

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

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

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

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

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

None.

2 Consolidated Financial Statements

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Balance Sheet (Statement of Financial Position)
At 31 March 2018

ASSETS		Footnotes	THOUSANDS OF TURKISH LIRA (TL) CURRENT PERIOD 31 March 2018		
			TL	FC	Total
I.	**FINANCIAL ASSETS (Net)**		**42,339,503**	**60,523,759**	**102,863,262**
1.1	**Cash and Cash Equivalents**		**6,028,697**	**45,834,777**	**51,863,474**
1.1.1	Cash and Balances with Central Bank	5.1.1	5,033,966	28,750,692	33,784,658
1.1.2	Banks	5.1.3	987,376	17,084,085	18,071,461
1.1.3	Money Market Placements		7,355	-	7,355
1.2	**Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)**	5.1.2	**517,956**	**211,902**	**729,858**
1.2.1	Government Securities		354,687	66,207	420,894
1.2.2	Equity Securities		132,044	99,748	231,792
1.2.3	Other Financial Assets		31,225	45,947	77,172
1.3	**Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)**	5.1.4	**17,441,274**	**9,155,667**	**26,596,941**
1.3.1	Government Securities		17,161,855	3,246,205	20,408,060
1.3.2	Equity Securities		22,266	149,699	171,965
1.3.3	Other Financial Assets		257,153	5,759,763	6,016,916
1.4	**Financial Assets Measured at Amortised Cost**	5.1.7	**16,361,300**	**4,505,368**	**20,866,668**
1.4.1	Government Securities		16,235,784	4,505,368	20,741,152
1.4.2	Other Financial Assets		125,516	-	125,516
1.5	**Derivative Financial Assets**		**2,002,301**	**836,387**	**2,838,688**
1.5.1	Derivative Financial Assets Measured at FVTPL		1,501,184	633,146	2,134,330
1.5.2	Derivative Financial Assets Measured at FVOCI		501,117	203,241	704,358
1.6	**Non Performing Financial Assets**		**-**	**-**	**-**
1.7	**Expected Credit Losses (-)**		**12,025**	**20,342**	**32,367**
II.	**LOANS (Net)**		**152,852,613**	**91,871,413**	**244,724,026**
2.1	**Loans**	5.1.6	**148,968,615**	**89,399,557**	**238,368,172**
2.1.1	Loans Measured at Amortised Cost		148,968,615	89,399,557	238,368,172
2.1.2	Loans Measured at FVTPL		-	-	-
2.1.3	Loans Measured at FVOCI		-	-	-
2.2	**Lease Receivables**	5.1.12	**1,433,580**	**4,342,810**	**5,776,390**
2.2.1	Financial Lease Receivables		1,716,749	4,764,720	6,481,469
2.2.2	Operational Lease Receivables		-	-	-
2.2.3	Unearned Income (-)		283,169	421,910	705,079
2.3	**Factoring Receivables**	5.1.7	**2,157,655**	**978,548**	**3,136,203**
2.3.1	Factoring Receivables Measured at Amortised Cost		2,157,655	978,548	3,136,203
2.3.2	Factoring Receivables Measured at FVTPL		-	-	-
2.3.3	Factoring Receivables Measured at FVOCI		-	-	-
2.4	**Non Performing Receivables**		**6,056,480**	**1,130,724**	**7,187,204**
2.5	**Expected Credit Losses (-)**		**5,763,717**	**3,980,226**	**9,743,943**
2.5.1	12-Month ECL (Stage 1)		710,835	250,947	961,782
2.5.2	Lifetime ECL Significant Increase in Credit Risk (Stage 2)		851,268	3,051,904	3,903,172
2.5.3	Lifetime ECL Impaired Credits (Stage 3)		4,201,614	677,375	4,878,989
III.	**ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)**	5.1.18	**798,788**	**15,873**	**814,661**
3.1	Asset Held for Resale		798,788	15,873	814,661
3.2	Assets of Discontinued Operations		-	-	-
IV.	**OWNERSHIP INVESTMENTS (Net)**		**150,119**	**2,598**	**152,717**
4.1	**Associates (Net)**	5.1.9	**35,747**	**4**	**35,751**
4.1.1	Associates Consolidated Under Equity Accounting		-	-	-
4.1.2	Unconsolidated Associates		35,747	4	35,751
4.2	**Subsidiaries (Net)**	5.1.10	**114,372**	**2,594**	**116,966**
4.2.1	Unconsolidated Financial Investments in Subsidiaries		-	-	-
4.2.2	Unconsolidated Non-Financial Investments in Subsidiaries		114,372	2,594	116,966
4.3	**Joint Ventures (Net)**	5.1.11	**-**	**-**	**-**
4.3.1	Joint-Ventures Consolidated Under Equity Accounting		-	-	-
4.3.2	Unconsolidated Joint-Ventures		-	-	-
V.	**TANGIBLE ASSETS (Net)**	5.1.14	**3,914,042**	**193,763**	**4,107,805**
VI.	**INTANGIBLE ASSETS (Net)**	5.1.15	**342,014**	**34,050**	**376,064**
6.1	Goodwill		6,388	-	6,388
6.2	Others		335,626	34,050	369,676
VII.	**INVESTMENT PROPERTY (Net)**	5.1.16	**560,579**	**-**	**560,579**
VIII.	**CURRENT TAX ASSET**		**-**	**64,694**	**64,694**
IX.	**DEFERRED TAX ASSET**	5.1.17	**671,591**	**657,996**	**1,329,587**
X.	**OTHER ASSETS**	5.1.19	**4,220,083**	**668,522**	**4,888,605**
	TOTAL ASSETS		**205,849,332**	**154,032,668**	**359,882,000**

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

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Balance Sheet (Statement of Financial Position)
At 31 March 2018

LIABILITIES AND SHAREHOLDERS' EQUITY		Footnotes	THOUSANDS OF TURKISH LIRA (TL) CURRENT PERIOD 31 March 2018		
			TL	**FC**	**Total**
I.	**DEPOSITS**	5.3.1	**91,569,739**	**120,325,079**	**211,894,818**
II.	**FUNDS BORROWED**	5.3.3	**978,946**	**33,765,800**	**34,744,746**
III.	**MONEY MARKET FUNDS**		**5,240,175**	**2,275,153**	**7,515,328**
IV.	**SECURITIES ISSUED (NET)**	5.3.4.1	**8,594,572**	**18,522,371**	**27,116,943**
4.1	Bills		6,000,853	-	6,000,853
4.2	Asset Backed Securities		-	-	-
4.3	Bonds		2,593,719	18,522,371	21,116,090
V.	**FUNDS**		-	-	-
5.1	Borrowers' Funds		-	-	-
5.2	Others		-	-	-
VI.	**FINANCIAL LIABILITIES MEASURED AT FVTPL**	5.3.4.3	**1,013**	**9,317,191**	**9,318,204**
VII.	**DERIVATIVE FINANCIAL LIABILITIES**		**1,526,235**	**841,916**	**2,368,151**
7.1	Derivative Financial Liabilities Measured at FVTPL		1,526,080	841,202	2,367,282
7.2	Derivative Financial Liabilities Measured at FVOCI		155	714	869
VIII.	**FACTORING PAYABLES**	5.3.5	-	-	-
IX.	**LEASE PAYABLES (Net)**	5.3.6	-	-	-
9.1	Financial Lease Payables		-	-	-
9.2	Operational Lease Payables		-	-	-
9.3	Others		-	-	-
9.4	Deferred Financial Lease Expenses (-)		-	-	-
X.	**PROVISIONS**	5.3.8	**3,009,847**	**532,470**	**3,542,317**
10.1	Restructuring Reserves		-	-	-
10.2	Reserve for Employee Benefits		833,003	74,818	907,821
10.3	Insurance Technical Provisions (Net)		379,166	39,530	418,696
10.4	Other Provisions		1,797,678	418,122	2,215,800
XI.	**CURRENT TAX LIABILITY**	5.3.9	**981,521**	**55,723**	**1,037,244**
XII.	**DEFERRED TAX LIABILITY**	5.3.9	-	**5,097**	**5,097**
XIII.	**LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)**	5.3.10	-	-	-
13.1	Asset Held for Sale		-	-	-
13.2	Assets of Discontinued Operations		-	-	-
XIV.	**SUBORDINATED DEBTS**	5.3.11	-	**3,022,404**	**3,022,404**
14.1	Borrowings		-	3,022,404	3,022,404
14.2	Other Debt Instruments		-	-	-
XV.	**OTHER LIABILITIES**	5.3.4.4	**14,637,506**	**1,967,927**	**16,605,433**
XVI.	**SHAREHOLDERS' EQUITY**	5.3.12	**41,971,935**	**739,380**	**42,711,315**
16.1	Paid-in Capital		4,200,000	-	4,200,000
16.2	Capital Reserves		784,434	-	784,434
16.2.1	Share Premium		11,880	-	11,880
16.2.2	Share Cancellation Profits		-	-	-
16.2.3	Other Capital Reserves		772,554	-	772,554
16.3	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss		1,364,936	80,995	1,445,931
16.4	Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		669,489	382,068	1,051,557
16.5	Profit Reserves		32,627,530	276,317	32,903,847
16.5.1	Legal Reserves		1,523,348	25,671	1,549,019
16.5.2	Status Reserves		-	-	-
16.5.3	Extraordinary Reserves		30,875,038	-	30,875,038
16.5.4	Other Profit Reserves		229,144	250,646	479,790
16.6	Profit/Loss		1,994,071	-	1,994,071
16.6.1	Prior Periods' Profit/Loss		-	-	-
16.6.2	Current Period's Net Profit/Loss		1,994,071	-	1,994,071
16.7	Minority Interest		331,475	-	331,475
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**168,511,489**	**191,370,511**	**359,882,000**

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

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Off-Balance Sheet Items
At 31 March 2018

OFF-BALANCE SHEET ITEMS		Footnotes	THOUSANDS OF TURKISH LIRA (TL) CURRENT PERIOD 31 March 2018		
			TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)			**185,639,039**	**323,409,050**	**509,048,089**
I.	**GUARANTEES AND SURETIES**	5.5.1	**20,152,772**	**39,729,769**	**59,882,541**
1.1	Letters of guarantee		20,141,403	21,276,422	41,417,825
1.1.1	Guarantees subject to State Tender Law		-	981,914	981,914
1.1.2	Guarantees given for foreign trade operations		1,842,819	383,119	2,225,938
1.1.3	Other letters of guarantee		18,298,584	19,911,389	38,209,973
1.2	Bank acceptances		6,571	1,466,264	1,472,835
1.2.1	Import letter of acceptance		6,571	1,466,264	1,472,835
1.2.2	Other bank acceptances		-	-	-
1.3	Letters of credit		4,798	16,771,611	16,776,409
1.3.1	Documentary letters of credit		-	-	-
1.3.2	Other letters of credit		4,798	16,771,611	16,776,409
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		-	215,472	215,472
1.9	Other sureties		-	-	-
II.	**COMMITMENTS**		**51,815,640**	**24,047,774**	**75,863,414**
2.1	Irrevocable commitments		51,392,097	19,439,025	70,831,122
2.1.1	Asset purchase and sale commitments		5,872,304	17,620,553	23,492,857
2.1.2	Deposit purchase and sale commitments		-	-	-
2.1.3	Share capital commitments to associates and subsidiaries		-	5,397	5,397
2.1.4	Loan granting commitments		10,179,190	1,188,341	11,367,531
2.1.5	Securities issuance brokerage commitments		-	-	-
2.1.6	Commitments for reserve deposit requirements		-	-	-
2.1.7	Commitments for cheque payments		4,181,818	-	4,181,818
2.1.8	Tax and fund obligations on export commitments		33,861	-	33,861
2.1.9	Commitments for credit card limits		31,116,560	585,202	31,701,762
2.1.10	Commitments for credit cards and banking services related promotions		8,364	-	8,364
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		-	39,532	39,532
2.2	Revocable commitments		423,543	4,608,749	5,032,292
2.2.1	Revocable loan granting commitments		69,583	4,040,916	4,110,499
2.2.2	Other revocable commitments		353,960	567,833	921,793
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	5.5.2	**113,670,627**	**259,631,507**	**373,302,134**
3.1	Derivative financial instruments held for risk management		6,517,120	42,278,908	48,796,028
3.1.1	Fair value hedges		5,099,220	14,788,807	19,888,027
3.1.2	Cash flow hedges		1,417,900	27,490,101	28,908,001
3.1.3	Net foreign investment hedges		-	-	-
3.2	Trading derivatives		107,153,507	217,352,599	324,506,106
3.2.1	Forward foreign currency purchases/sales		16,426,974	21,273,876	37,700,850
3.2.1.1	Forward foreign currency purchases		5,524,800	13,301,387	18,826,187
3.2.1.2	Forward foreign currency sales		10,902,174	7,972,489	18,874,663
3.2.2	Currency and interest rate swaps		76,159,419	154,000,713	230,160,132
3.2.2.1	Currency swaps-purchases		25,450,536	73,278,889	98,729,425
3.2.2.2	Currency swaps-sales		50,183,785	43,308,742	93,492,527
3.2.2.3	Interest rate swaps-purchases		262,549	18,706,541	18,969,090
3.2.2.4	Interest rate swaps-sales		262,549	18,706,541	18,969,090
3.2.3	Currency, interest rate and security options		14,361,725	26,093,071	40,454,796
3.2.3.1	Currency call options		7,592,066	6,885,140	14,477,206
3.2.3.2	Currency put options		6,662,465	8,370,078	15,032,543
3.2.3.3	Interest rate call options		-	9,798,907	9,798,907
3.2.3.4	Interest rate put options		-	1,038,946	1,038,946
3.2.3.5	Security call options		28,795	-	28,795
3.2.3.6	Security put options		78,399	-	78,399
3.2.4	Currency futures		182,473	228,548	411,021
3.2.4.1	Currency futures-purchases		87,568	108,967	196,535
3.2.4.2	Currency futures-sales		94,905	119,581	214,486
3.2.5	Interest rate futures		-	88,763	88,763
3.2.5.1	Interest rate futures-purchases		-	-	-
3.2.5.2	Interest rate futures-sales		-	88,763	88,763
3.2.6	Others		22,916	15,667,628	15,690,544
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)			**745,344,125**	**658,879,069**	**1,404,223,194**
IV.	**ITEMS HELD IN CUSTODY**		**56,307,015**	**38,870,699**	**95,177,714**
4.1	Customers' securities held		19,222,010	-	19,222,010
4.2	Investment securities held in custody		16,299,544	14,215,319	30,514,863
4.3	Checks received for collection		17,564,025	4,547,771	22,111,796
4.4	Commercial notes received for collection		2,909,142	1,074,011	3,983,153
4.5	Other assets received for collection		109,410	15,312,895	15,422,305
4.6	Assets received through public offering		-	96,987	96,987
4.7	Other items under custody		202,884	3,623,716	3,826,600
4.8	Custodians		-	-	-
V.	**PLEDGED ITEMS**		**689,037,110**	**620,008,370**	**1,309,045,480**
5.1	Securities		4,185,995	268,737	4,454,732
5.2	Guarantee notes		36,129,206	16,968,562	53,097,768
5.3	Commodities		19,887	-	19,887
5.4	Warranties		-	276,381	276,381
5.5	Real estates		170,772,053	135,415,663	306,187,716
5.6	Other pledged items		477,929,969	467,078,957	945,008,926
5.7	Pledged items-depository		-	70	70
VI.	**CONFIRMED BILLS OF EXCHANGE AND SURETIES**		-	-	-
	TOTAL OFF-BALANCE SHEET ITEMS (A+B)		**930,983,164**	**982,288,119**	**1,913,271,283**

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

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiarie
Consolidated Statement of Profit or Loss
At 31 March 2018

	INCOME AND EXPENSE ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL) CURRENT PERIOD 1 January 2018- 31 March 2018
I.	**INTEREST INCOME**	5.7.1	**7,882,405**
1.1	Interest income on loans		6,453,427
1.2	Interest income on reserve deposits		71,905
1.3	Interest income on banks		103,351
1.4	Interest income on money market transactions		3,357
1.5	Interest income on securities portfolio		1,065,672
1.5.1	Financial assets measured at FVTPL		14,226
1.5.2	Financial assets measured at FVOCI		596,326
1.5.3	Financial assets measured at amortised cost		455,120
1.6	Financial lease income		115,632
1.7	Other interest income		69,061
II.	**INTEREST EXPENSE**	5.7.2	**3,771,443**
2.1	Interest on deposits		2,534,118
2.2	Interest on funds borrowed		413,536
2.3	Interest on money market transactions		291,312
2.4	Interest on securities issued		519,561
2.5	Other interest expenses		12,916
III.	**NET INTEREST INCOME (I - II)**		**4,110,962**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**1,238,226**
4.1	Fees and commissions received		1,567,005
4.1.1	Non-cash loans		119,616
4.1.2	Others		1,447,389
4.2	Fees and commissions paid		328,779
4.2.1	Non-cash loans		3,031
4.2.2	Others		325,748
V.	**PERSONNEL EXPENSES (-)**	5.7.7	**814,443**
VI.	**DIVIDEND INCOME**	5.7.3	**820**
VII.	**NET TRADING INCOME/LOSSES (Net)**	5.7.4	**(282,461)**
7.1	Trading account income/losses		219,608
7.2	Income/losses from derivative financial instruments		288,025
7.3	Foreign exchange gains/losses		(790,094)
VIII.	**OTHER OPERATING INCOME**	5.7.5	**1,352,404**
IX.	**TOTAL OPERATING PROFIT (III+IV+V+VI+VII+VIII)**		**5,605,508**
X.	**EXPECTED CREDIT LOSSES (-)**		**1,802,827**
X.	**OTHER OPERATING EXPENSES (-)**	5.7.6	**1,228,088**
XII.	**NET OPERATING PROFIT/LOSS (IX-X-XI)**	5.7.7	**2,574,593**
XIII.	**INCOME RESULTED FROM MERGERS**		-
XIV.	**INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING**		-
XV.	**GAIN/LOSS ON NET MONETARY POSITION**		-
XVI.	**OPERATING PROFIT/LOSS BEFORE TAXES (XII+…+XV)**	5.7.8	**2,574,593**
XVII.	**PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)**	5.7.9	**563,391**
17.1	Current tax charge		474,610
17.2	Deferred tax charge (+)		314,946
17.3	Deferred tax credit (-)		(226,165)
XVIII.	**NET OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)**	5.7.10	**2,011,202**
XIX.	**INCOME FROM DISCONTINUED OPERATIONS**		-
19.1	Income from assets held for sale		-
19.2	Income from sale of associates, subsidiaries and joint-ventures		-
19.3	Others		-
XX.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		-
20.1	Expenses on assets held for sale		-
20.2	Expenses on sale of associates, subsidiaries and joint-ventures		-
20.3	Others		-
XXI.	**PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX+XX)**	5.7.8	-
XXII.	**PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)**	5.7.9	-
22.1	Current tax charge		-
22.2	Deferred tax charge (+)		-
22.3	Deferred tax credit (-)		-
XXIII.	**NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXI±XXII)**	5.7.10	-
XXIV.	**NET PROFIT/LOSS (XVIII+XXIII)**	5.7.11	**2,011,202**
24.1	Equity holders of the bank		1,994,071
24.2	Minority interest		17,131
	Earnings per Share		**0.00475**

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Statement of Profit or Loss and Other Comprehensive Income
At 31 March 2018

	PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	THOUSANDS OF TURKISH LIRA (TL) **CURRENT PERIOD 1 January 2018 - 31 March 2018**
I.	**CURRENT PERIOD PROFIT/LOSS**	**2,011,202**
II.	**OTHER COMPREHENSIVE INCOME**	**21,998**
2.1	**Other Income/Expense Items not to be Recycled to Profit or Loss**	**28,442**
2.1.1	Revaluation Surplus on Tangible Assets	-
2.1.2	Revaluation Surplus on Intangible Assets	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	-
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	28,708
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(266)
2.2	**Other Income/Expense Items to be Recycled to Profit or Loss**	**(6,444)**
2.2.1	Translation Differences	261,867
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(295,581)
2.2.3	Gains/losses from Cash Flow Hedges	115,062
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	(117,129)
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	-
2.2.6	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	29,337
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**2,033,200**

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries

Consolidated Statement of Changes in Shareholders' Equity

At 31 March 2018

	STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)															
							Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss								
			Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Shareholders' Equity Before Minority Interest	Minority Interest	Total Shareholders' Equity
	CURRENT PERIOD - 1 January 2018 - 31 March 2018																	
I.	**Balances at Beginning of Period**		**4,200,000**	**11,880**	**-**	**772,554**	**1,519,875**	**(144,269)**	**60,858**	**1,583,793**	**(266,597)**	**(655,448)**	**27,869,150**	**6,332,056**	**-**	**41,283,852**	**322,149**	**41,606,001**
II.	**Correction made as per TAS 8**	3.29	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**396,257**	**-**	**-**	**433,666**	**-**	**829,923**	**(7,809)**	**822,114**
2.1.	Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	396,257	-	-	433,666	-	829,923	(7,809)	822,114
III.	**Adjusted Balances at Beginning of Period (I+II)**	5.9	**4,200,000**	**11,880**	**-**	**772,554**	**1,519,875**	**(144,269)**	**60,858**	**1,583,793**	**129,660**	**(655,448)**	**27,869,150**	**6,765,722**	**-**	**42,113,775**	**314,340**	**42,428,115**
IV.	**Total Comprehensive Income**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,994,071**	**1,994,071**	**17,131**	**2,011,202**
V.	**Capital Increase in Cash**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VI.	**Capital Increase from Internal Sources**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VII.	**Capital Reserves from Inflation Adjustments to Paid-in Capital**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**Convertible Bonds**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX.	**Subordinated Liabilities**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X.	**Others Changes**		**-**	**-**	**-**	**-**	**1,852**	**-**	**7,615**	**259,313**	**(172,057)**	**(93,704)**	**18,975**	**-**	**-**	**21,994**	**4**	**21,998**
XI.	**Profit Distribution**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,015,722**	**(6,765,722)**	**-**	**(1,750,000)**	**-**	**(1,750,000)**
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	(1,750,000)	-	(1,750,000)	-	(1,750,000)
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	5,014,572	(5,014,572)	-	-	-	-
11.3	Others		-	-	-	-	-	-	-	-	-	-	1,150	(1,150)	-	-	-	-
	Balances at end of the period (III+IV…+X+XI)		**4,200,000**	**11,880**	**-**	**772,554**	**1,521,727**	**(144,269)**	**68,473**	**1,843,106**	**(42,397)**	**(749,152)**	**32,903,847**	**-**	**1,994,071**	**42,379,840**	**331,475**	**42,711,315**

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiari

Consolidated Statement of Cash Flows

At 31 March 2018

	STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL) CURRENT PERIOD 1 January 2018- 31 March 2018
A.	**CASH FLOWS FROM BANKING OPERATIONS**		
1.1	**Operating profit before changes in operating assets and liabilities**	5.10	**1,838,421**
1.1.1	Interests received		6,508,473
1.1.2	Interests paid		(3,415,159)
1.1.3	Dividend received		820
1.1.4	Fees and commissions received		1,567,005
1.1.5	Other income		1,635,546
1.1.6	Collections from previously written-off receivables		159,983
1.1.7	Cash payments to personnel and service suppliers		(1,522,348)
1.1.8	Taxes paid		(725,244)
1.1.9	Others		(2,370,655)
1.2	**Changes in operating assets and liabilities**	5.10	**(10,302,474)**
1.2.1	Net (increase) decrease in financial assets measured at FVTPL		321,670
1.2.2	Net (increase) decrease in due from banks		(1,244,585)
1.2.3	Net (increase) decrease in loans		(11,391,138)
1.2.4	Net (increase) decrease in other assets		(804,959)
1.2.5	Net increase (decrease) in bank deposits		2,280,386
1.2.6	Net increase (decrease) in other deposits		8,721,134
1.2.7	Net increase (decrease) in financial liabilities measured at FVTPL		-
1.2.8	Net increase (decrease) in funds borrowed		(9,355,311)
1.2.9	Net increase (decrease) in matured payables		-
1.2.10	Net increase (decrease) in other liabilities		1,170,329
I.	**Net cash flow from banking operations**	5.10	**(8,464,053)**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	**Net cash flow from investing activities**	5.10	**4,186,529**
2.1	Cash paid for purchase of associates, subsidiaries and joint-ventures		-
2.2	Cash obtained from sale of associates, subsidiaries and joint-ventures		-
2.3	Purchases of tangible assets		(132,583)
2.4	Sales of tangible assets		113,843
2.5	Cash paid for purchase of financial assets measured at FVOCI		(1,891,675)
2.6	Cash obtained from sale of financial assets measured at FVOCI		5,006,541
2.7	Cash paid for purchase of financial assets measured at amortised cost		(144,888)
2.8	Cash obtained from sale of financial assets measured at amortised cost		1,235,291
2.9	Others		-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	**Net cash flow from financing activities**		**1,449,890**
3.1	Cash obtained from funds borrowed and securities issued		7,806,307
3.2	Cash used for repayment of funds borrowed and securities issued		(6,356,417)
3.3	Equity instruments issued		-
3.4	Dividends paid		-
3.5	Payments for financial leases		-
3.6	Others		-
IV.	**Effect of translation differences on cash and cash equivalents**		**335,070**
V.	**Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)**	5.10	**(2,492,564)**
VI.	**Cash and cash equivalents at beginning of period**	5.10	**14,952,512**
VII.	**Cash and cash equivalents at end of period (V+VI)**	5.10	**12,459,948**

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

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

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

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

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

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

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

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

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

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

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Income Statement
At 31 March 2017

	INCOME AND EXPENSE ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL) PRIOR PERIOD 1 January 2017- 31 March 2017
I.	**INTEREST INCOME**	5.8.1	**6,232,114**
1.1	Interest income on loans		4,961,102
1.2	Interest income on reserve deposits		54,635
1.3	Interest income on banks		59,287
1.4	Interest income on money market transactions		3,189
1.5	Interest income on securities portfolio		918,540
1.5.1	Trading financial assets		4,972
1.5.2	Financial assets valued at fair value through profit or loss		-
1.5.3	Financial assets available-for-sale		476,926
1.5.4	Investments held-to-maturity		436,642
1.6	Financial lease income		111,131
1.7	Other interest income		124,230
II.	**INTEREST EXPENSE**	5.8.2	**2,760,612**
2.1	Interest on deposits		1,800,115
2.2	Interest on funds borrowed		333,512
2.3	Interest on money market transactions		296,615
2.4	Interest on securities issued		316,522
2.5	Other interest expenses		13,848
III.	**NET INTEREST INCOME (I - II)**		**3,471,502**
IV.	**NET FEES AND COMMISSIONS INCOME**		**921,039**
4.1	Fees and commissions received		1,199,856
4.1.1	Non-cash loans		98,486
4.1.2	Others		1,101,370
4.2	Fees and commissions paid		278,817
4.2.1	Non-cash loans		1,336
4.2.2	Others		277,481
V.	**DIVIDEND INCOME**	5.8.3	**112**
VI.	**NET TRADING INCOME/LOSSES (Net)**	5.8.4	**(266,772)**
6.1	Trading account income/losses (Net)		(231,867)
6.2	Income/losses from derivative financial instruments (Net)		(171,501)
6.3	Foreign exchange gains/losses (Net)		136,596
VII.	**OTHER OPERATING INCOME**	5.8.5	**625,352**
VIII.	**TOTAL OPERATING PROFIT (III+IV+V+VI+VII)**		**4,751,233**
IX.	**PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)**	5.8.6	**842,407**
X.	**OTHER OPERATING EXPENSES (-)**	5.8.7	**1,913,177**
XI.	**NET OPERATING PROFIT/LOSS (VIII-IX-X)**		**1,995,649**
XII.	**INCOME RESULTED FROM MERGERS**		**-**
XIII.	**INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING**		**-**
XIV.	**GAIN/LOSS ON NET MONETARY POSITION**		**-**
XV.	**PROFIT/LOSS BEFORE TAXES (XI+XII+XIII+XIV)**	5.8.8	**1,995,649**
XVI.	**PROVISION FOR TAXES (±)**	5.8.9	**459,013**
16.1	Current tax charge		615,148
16.2	Deferred tax charge/(credit)		(156,135)
XVII.	**NET OPERATING PROFIT/LOSS AFTER TAXES (XV±XVI)**	5.8.10	**1,536,636**
XVIII.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**
18.1	Income from assets held for sale		-
18.2	Income from sale of associates, subsidiaries and joint-ventures		-
18.3	Others		-
XIX.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		**-**
19.1	Expenses on assets held for sale		-
19.2	Expenses on sale of associates, subsidiaries and joint-ventures		-
19.3	Others		-
XX.	**PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XVIII-XIX)**	5.8.8	**-**
XXI.	**PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)**	5.8.9	**-**
21.1	Current tax charge		-
21.2	Deferred tax charge/(credit)		-
XXII.	**NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XX±XXI)**	5.8.10	**-**
XXIII.	**NET PROFIT/LOSS (XVII+XXII)**	5.8.11	**1,536,636**
23.1	Equity holders of the bank		1,523,539
23.2	Minority interest		13,097
	Earnings per Share		**0.00363**

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries

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

At 31 March 2017

	INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY	THOUSANDS OF TURKISH LIRA (TL) **PRIOR PERIOD** **1 January 2017 - 31 March 2017**
I.	**MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"**	**544,315**
II.	**REVALUATION SURPLUS ON TANGIBLE ASSETS**	**-**
III.	**REVALUATION SURPLUS ON INTANGIBLE ASSETS**	**-**
IV.	**TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES**	**144,759**
V.	**GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)**	**16,179**
VI.	**GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)**	**(60,658)**
VII.	**EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS**	**-**
VIII.	**OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS**	**-**
IX.	**DEFERRED TAXES ON VALUE INCREASES/DECREASES**	**(95,167)**
X.	**NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+III+IV+V+VI+VII+VIII+IX)**	**549,428**
XI.	**CURRENT PERIOD PROFIT/LOSSES**	**1,536,636**
1.1	Net changes in fair value of securities (transferred to income statement)	11,045
1.2	Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement	(27,966)
1.3	Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-
1.4	Others	1,553,557
XII.	**TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)**	**2,086,064**

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Statement of Changes in Shareholders' Equity
At 31 March 2017

THOUSANDS OF TURKISH LIRA (TL)

	STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes	Paid-In Capital	Inflation Adjustment to Paid-In Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Profit/(Loss)	Securities Value Increase Fund	Revaluation Surplus on Tangible and Intangible Assets	Bonus Shares of Equity Participations	Hedging Reserves	Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity
	PRIOR PERIOD - 1 January-31 March 2017																			
I.	**Balances at beginning of the period**		**4,200,000**	**772,554**	**11,880**	**-**	**1,271,522**	**-**	**22,192,305**	**1,179,839**	**-**	**5,105,291**	**(543,625)**	**1,691,062**	**947**	**(353,676)**	**-**	**35,528,099**	**267,808**	**35,795,907**
	Changes during the period	5.9																		
II.	**Mergers**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
III.	**Market value changes of securities**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**440,249**	**-**	**-**	**-**	**-**	**440,249**	**3**	**440,252**
IV.	**Hedging reserves**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(35,583)**	**-**	**(35,583)**	**-**	**(35,583)**
4.1.	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	12,943	-	12,943	-	12,943
4.2.	Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	(48,526)	-	(48,526)	-	(48,526)
V.	**Revaluation surplus on tangible assets**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VI.	**Revaluation surplus on intangible assets**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VII.	**Bonus shares of associates, subsidiaries and joint-ventures**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**Bonus shares of associates, subsidiaries and joint-ventures**		**-**	**-**	**-**	**-**	**1,396**	**-**	**376**	**142,749**	**-**	**-**	**-**	**300**	**-**	**(62)**	**-**	**144,759**	**-**	**144,759**
IX.	**Changes resulted from disposal of assets**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X.	**Changes resulted from resclassification of assets**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
XI.	**Effect of change in equities of associates on bank's equity**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
XII.	**Capital increase**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
12.1.	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2.	Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	**Share issuance**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
XIV.	**Share cancellation profits**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
XV.	**Capital reserves from inflation adjustments to paid-in capital**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
XVI.	**Others**		**-**	**-**	**-**	**-**	**-**	**-**	**170,294**	**-**	**-**	**-**	**-**	**(170,294)**	**-**	**-**	**-**	**-**	**-**	**-**
XVII.	**Current period net profit/loss**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,523,539**	**-**	**-**	**-**	**-**	**-**	**-**	**1,523,539**	**13,097**	**1,536,636**
XVIII.	**Profit distribution**		**-**	**-**	**-**	**-**	**105,360**	**-**	**3,522,320**	**5,738**	**-**	**(5,105,291)**	**-**	**221,873**	**-**	**-**	**-**	**(1,250,000)**	**-**	**(1,250,000)**
18.1.	Dividends		-	-	-	-	-	-	-	-	-	(1,250,000)	-	-	-	-	-	(1,250,000)	-	(1,250,000)
18.2.	Transfers to reserves		-	-	-	-	105,360	-	3,522,320	-	-	(3,627,680)	-	-	-	-	-	-	-	-
18.3.	Others		-	-	-	-	-	-	-	5,738	-	(227,611)	-	221,873	-	-	-	-	-	-
	Balances at end of the period (I+II+III+.......+XVI+XVII+XVIII)		**4,200,000**	**772,554**	**11,880**	**-**	**1,378,278**	**-**	**25,885,295**	**1,328,326**	**1,523,539**	**-**	**(103,376)**	**1,742,941**	**947**	**(389,321)**	**-**	**36,351,063**	**280,908**	**36,631,971**

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

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiar
Consolidated Statement of Cash Flows
At 31 March 2017

	STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL) PRIOR PERIOD 1 January 2017 31 March 2017
A.	**CASH FLOWS FROM BANKING OPERATIONS**		
1.1	**Operating profit before changes in operating assets and liabilities**	5.10	**2,545,347**
1.1.1	Interests received		5,798,494
1.1.2	Interests paid		(2,432,932)
1.1.3	Dividend received		108
1.1.4	Fees and commissions received		1,199,856
1.1.5	Other income		384,583
1.1.6	Collections from previously written-off loans and other receivables		50,764
1.1.7	Payments to personnel and service suppliers		(1,537,228)
1.1.8	Taxes paid		(275,477)
1.1.9	Others		(642,821)
1.2	**Changes in operating assets and liabilities**	5.10	**(3,118,896)**
1.2.1	Net (increase) decrease in financial assets held for trading		(235,455)
1.2.2	Net (increase) decrease in financial assets valued at fair value through profit or loss		-
1.2.3	Net (increase) decrease in due from banks and other financial institutions		(5,112,351)
1.2.4	Net (increase) decrease in loans		(11,254,096)
1.2.5	Net (increase) decrease in other assets		414,208
1.2.6	Net increase (decrease) in bank deposits		586,205
1.2.7	Net increase (decrease) in other deposits		5,937,432
1.2.8	Net increase (decrease) in funds borrowed		5,049,217
1.2.9	Net increase (decrease) in matured payables		-
1.2.10	Net increase (decrease) in other liabilities		1,495,944
I.	**Net cash flow from banking operations**	5.10	**(573,549)**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**		
II.	**Net cash flow from investing activities**	5.10	**124,192**
2.1	Cash paid for purchase of associates, subsidiaries and joint-ventures		-
2.2	Cash obtained from sale of associates, subsidiaries and joint-ventures		-
2.3	Purchases of tangible assets		(119,256)
2.4	Sales of tangible assets		18,320
2.5	Cash paid for purchase of financial assets available-for-sale, net		(1,717,814)
2.6	Cash obtained from sale of financial assets available-for-sale, net		1,814,279
2.7	Cash paid for purchase of investments held-to-maturity		(139,349)
2.8	Cash obtained from sale of investments held-to-maturity		268,012
2.9	Others		-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		
III.	**Net cash flow from financing activities**		**1,268,256**
3.1	Cash obtained from funds borrowed and securities issued		4,317,715
3.2	Cash used for repayment of funds borrowed and securities issued		(1,799,459)
3.3	Equity instruments issued		-
3.4	Dividends paid		(1,250,000)
3.5	Payments for financial leases		-
3.6	Others		-
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**		**39,433**
V.	**Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)**	5.10	**858,332**
VI.	**Cash and cash equivalents at beginning of period**	5.10	**15,692,142**
VII.	**Cash and cash equivalents at end of period (V+VI)**	5.10	**16,550,474**

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

3 Accounting Policies

3.1 Basis of presentation

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

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

3.1.1 Changes in Accounting policies and disclosures

3.1.1.1 Major new and amended standards and interpretations

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

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

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

3.1.1.2 The standards which are effective as of 1 January 2018

TFRS 9 Financial Instruments

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

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

Changes regarding classification and measurement of financial instruments

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

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

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

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

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

Impairment

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

TFRS 15 Revenue from contracts with customers

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

3.1.1.3 The new standards not effective as of 1 January 2018

TFRS 16 Leases

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

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

3.2 Strategy for use of financial instruments and foreign currency transactions

3.2.1 Strategy for use of financial instruments

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

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

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

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

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

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

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

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

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

3.2.2 Foreign currency transactions

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

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

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

3.3 Information on consolidated subsidiaries

As of 31 March 2018, Türkiye Garanti Bankası Anonim Şirketi and the following financial subsidiaries are consolidated in the accompanying consolidated financial statements; Garanti Bank International (GBI), Garanti Finansal Kiralama AŞ (Garanti Finansal Kiralama), Garanti Yatırım Menkul Kıymetler AŞ (Garanti Yatırım), Garanti Portföy Yönetimi AŞ (Garanti Portföy), Garanti Emeklilik ve Hayat AŞ (Garanti Emeklilik), Garanti Faktoring AŞ (Garanti Faktoring) and Garanti Holding BV (Garanti Holding).

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

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

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

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

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

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

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

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

The Bank and its financial subsidiaries do not consider the bonus shares received through capital increases of their subsidiaries from their own equities as income in accordance with TFRS 15, as such capital increases do not create any differences in the financial position or economic interest of the Bank or its financial subsidiaries and it is not certain that there is an economic benefit associated with such transactions that will flow to the Bank or its financial subsidiaries.

3.4 Forwards, options and other derivative transactions

3.4.1 Derivative financial assets

Derivative financial assets measured at fair value through profit or loss

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

Derivatives are initially recorded at their fair values. The related transaction costs are recognized in income statement at the date they incur. The changes in their fair values are recorded on balance sheet under "the portion of derivative financial assets measured at fair value through profit and loss" or "the portion of derivative financial liabilities measured at fair value through profit and loss", respectively depending on the fair values being positive or negative. Fair value changes for derivatives are recorded in the account of "income / losses from derivative transactions under income statement.

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

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

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

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

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

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

3.4.2 Derivative financial instruments held for hedging purpose

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

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

Derivative financial assets measured at fair value through other comprehensive income

The Bank and its consolidated financial subsidiaries enter into interest rate and cross currency swap transactions in order to hedge the changes in cash flows of the floating-rate financial instruments. While applying cash flow hedge accounting, the effective portion of the changes in the fair value of the hedging instrument is accounted for under “accumulated other comprehensive income or expense to be reclassified to profit or loss” in shareholders’ equity, and the ineffective portion is recognised in income statement. The changes recognized in shareholders’ equity is removed and included in income statement in the same period when the hedged cash flows effect the income or loss.

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

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

3.5 Interest income and expenses

General

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

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

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

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

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

Financial lease activities

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

3.6 Fees and commissions

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

3.7 Financial assets

3.7.1 Initial recognition of financial instruments

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

3.7.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of TFRS 15 Revenue from Contracts with Customers, at initial recognition, it is measured financial asset or financial liabilities at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

3.7.3 Classification of financial instruments

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

3.7.3.1 Assessment of the business model

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

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

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

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

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

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

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

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

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

In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest. In order to assess whether the element provides consideration for only the passage of time, an entity applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set.

When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cashflows, the relevant financial asset is measured at fair value through profit or loss.

3.7.4 Measurement categories of financial assets and liabilities

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

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

Financial investments and loans measured at amortised cost

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

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

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

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

Loans 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. The expected losses calculated for the relevant financial assets in accordance with TFRS 9 is presented in note 5.1.6.11.

Financial assets measured at fair value through other comprehensive income

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

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

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

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

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

The Bank also owns in its securities portfolio; consumer price indexed government bonds (CPI) measured at fair value through other comprehensive income and CPI government bonds measured at amortised cost. 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.

Equity instruments measured at fair value through other comprehensive income

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

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

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

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

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

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

3.8 Disclosures on impairment of financial assets

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

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

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

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

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

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

3.8.1 Calculation of expected credit losses

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.8.1.1 Loan commitments and non-cash loans

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

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

3.8.1.2 Debt instruments measured at fair value through other comprehensive income

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

3.8.1.3 Credit cards and other revolving loans

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

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

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

It is calculated expected credit losses on the revolving products of retail and corporate customers by considering 3 to5 years.

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

3.8.2 Forward-looking macroeconomic information

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

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

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

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

3.8.3 Significant increase in credit risk

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

Qualitative assessment:

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

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

Quantitative assessment:

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

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

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

3.8.4 Low credit risk

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

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

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

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

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

3.9 Disclosures about netting and derecognition of financial instruments

3.9.1 Netting of financial instruments

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

3.9.2 Derecognition of financial instruments

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

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

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

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

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

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

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

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

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

3.9.2.3 Derecognition of financial liabilities

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

3.9.3 Reclassification of financial instruments

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

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

3.9.4 Restructuring and refinancing of financial instruments

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

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

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

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

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

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

- Recovery in debt service,
- At least 1 year should pass over the date of restructuring,
- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring /refinancing or the date when the debtor is classified as non-performing (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring /refinancing,
- Collection of all overdue amounts, disappearance of the reasons for classification as non-performing receivable (based on the conditions mentioned above) and having no overdue more than 30 days as of the date of reclassification.

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

3.10 Repurchase and resale agreements and securities lending

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

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

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

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

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

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

3.12 Goodwill and other intangible assets

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

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

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

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

- The technical feasibility of completing the intangible asset so that it will be available for use,

- Availability of the Bank and its financial subsidiaries' intention to complete and use the intangible asset,

- The ability to use the intangible asset,

- Clarity in probable future economic benefits to be generated from the intangible asset,

- The availability of adequate technical, financial and other resources to complete the development phase and to start using the intangible asset,

- The availability to measure reliably the expenditure attributable to the intangible asset during the development phase.

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

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

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

(Thousands of Turkish Lira (TL))

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

Estimated useful lives of the intangible assets except for goodwill, are 3-15 years, and amortisation rates are 6.67-33.3%.

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

3.13 Tangible assets

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

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

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

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

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

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

The depreciation rates and estimated useful lives of tangible assets are presented below. Depreciation method in use was not changed in the current period.

Tangible assets	Estimated Useful Lives (Years)	Depreciation Rates %
Buildings	50	2
Vaults	50	2
Motor Vehicles	5-7	15-20
Other Tangible Assets	4-20	5-25

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end.

Useful lives of buildings are reviewed at least once a year and if current estimates are different than previous estimates, then the revised estimates are considered as accounting policy change in accordance with the Turkish Accounting Standard 8 (TAS 8) "Accounting Policies, Changes in Accounting Estimates and Errors".

Investment properties

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

(Thousands of Turkish Lira (TL))

Investment properties accounted at fair value are not depreciated.

3.14 Leasing activities

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

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

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

3.15 Provisions and contingent liabilities

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

3.16 Contingent assets

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

3.17 Liabilities for employee benefits

Severance indemnities and short-term employee benefits

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

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

	31 December 2017
Net Effective Discount Rate	3.04%
Discount Rate	11.70%
Expected Rate of Salary Increase	9.90%
Inflation Rate	8.40%

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

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

The actuarial gains/losses are recognised under shareholders' equity as per the revised TAS19.

(Thousands of Turkish Lira (TL))

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 March 2018	
	Employer	**Employee**
Pension contributions	15.5%	10.0%
Medical benefit contributions	6.0%	5.0%

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

a) Benefits transferable to SSF

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

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

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

On 19 June 2008, Cumhuriyet Halk Partisi ("CHP") had applied to the Constitutional Court for the cancellation of various articles of the Law including the first paragraph of the provisional Article 20. At the meeting of the Constitutional Court on 30 March 2011, it was decided that the article 73 and the first paragraph of the provisional Article 20 added to the law no. 5510 are not contradictory to the Constitutional Law, and accordingly the dismissal of the cancellation request has been denied with the majority of votes.

Before the completion of two-years period set by the Council of Ministers on 14 March 2011 as explained above, as per the Article no. 51 of the law no. 6645, published in the Official Gazette no.

29335 dated 23 April 2015, the Article no. 20 of the law no. 5510 was amended giving the Council of Ministers the authority to determine the date of transfer without defining any timeline.

b) Other benefits not transferable to SSF

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

The actuarial gains/losses are recognised under shareholders' equity as per the revised TAS19.

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

3.18 Insurance technical reserves and technical income and expense

3.18.1 Insurance technical reserves

The Group's insurance subsidiaries adopted TFRS 4, Insurance Contracts ("TFRS 4"). TFRS 4 requires that all contracts issued by insurance companies be classified as either insurance contracts or investment contracts. Contracts with significant insurance risk are considered insurance contracts. Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. TFRS 4 permits a company to continue with its previously adopted accounting policies with regard to recognition and measurement of insurance contracts. Only in case of presentation of more reliable figures a change in accounting policy shall be carried out. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TAS 39 "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement".

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

3.18.2 Insurance technical income and expense

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

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

3.19 Taxation

3.19.1 Corporate tax

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

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

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

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

Effective between 1 January 2017 and 4 December 2017, earnings generated through transfer of real estates, equity shares, founders' shares, redeemed shares and pre-emption rights owned by the companies being under legal proceedings due to their debts to the banks or liable to the Savings Deposit Insurance Fund or by their guarantors and mortgage providers and earnings generated by the banks through sale of such assets are exempt from corporate tax at the rate of 75%. Effective between 1 January 2017 and 4 December 2017, 75% of earnings generated through sale of real estates, equity shares, founders' shares, redeemed shares and pre-emption rights held as asset at least for two years by the institutions are exempt from the corporate tax with the conditions that such earnings shall be held in a special reserve account under equity until the end of five years following the year of sale and shall be collected as cash until the end of the following two fiscal years. On the other hand, based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061, effective from 5 December 2017, the aforementioned exemption rate is set as 50% for the earnings generated through sale of real estates and 75% for the earnings generated through sale of other items.

Tax applications for foreign branches

NORTHERN CYPRUS

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

MALTA

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

Tax applications for foreign financial subsidiaries

THE NETHERLANDS

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

ROMANIA

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

3.19.2 Deferred taxes

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

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

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

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

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

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

3.19.3 Transfer pricing

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

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

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

3.20 Funds borrowed

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

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

3.21 Shares and share issuances

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

3.22 Confirmed bills of exchange and acceptances

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

3.23 Government incentives

As of 31 March 2018, the Bank or its financial subsidiaries do not have any government incentives or grants (2017: none).

3.24 Segment reporting

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

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

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

(Thousands of Turkish Lira (TL))

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

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

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

Current Period	Retail Banking	Corporate / Commercial Banking	Investment Banking	Other	Total Operations
Total Operating Profit	1,891,705	1,830,331	(317,575)	2,201,047	5,605,508
Other	-	-	-	-	-
Total Operating Profit	**1,891,705**	**1,830,331**	**(317,575)**	**2,201,047**	**5,605,508**
Net Operating Profit	902,710	1,169,220	(344,242)	846,085	2,573,773
Income from Associates and Subsidiaries	-	-	-	820	820
Net Operating Profit	**902,710**	**1,169,220**	**(344,242)**	**846,905**	**2,574,593**
Provision for Taxes	-	-	-	563,391	563,391
Net Profit	**902,710**	**1,169,220**	**(344,242)**	**283,514**	**2,011,202**
Segment Assets	70,161,519	164,942,963	91,361,018	33,263,783	359,729,283
Investments in Associates and Subsidiaries	-	-	-	152,717	152,717
Total Assets	**70,161,519**	**164,942,963**	**91,361,018**	**33,416,500**	**359,882,000**
Segment Liabilities	133,585,624	81,512,302	76,583,264	25,489,495	317,170,685
Shareholders' Equity	-	-	-	42,711,315	42,711,315
Total Liabilities and Shareholders' Equity	**133,585,624**	**81,512,302**	**76,583,264**	**68,200,810**	**359,882,000**

Prior Period	Retail Banking	Corporate / Commercial Banking	Investment Banking	Other	Total Operations
Total Operating Profit	1,869,181	1,684,093	53,777	1,144,070	4,751,121
Other	-	-	-	-	-
Total Operating Profit	**1,869,181**	**1,684,093**	**53,777**	**1,144,070**	**4,751,121**
Net Operating Profit	709,252	879,461	3,681	403,143	1,995,537
Income from Associates and Subsidiaries	-	-	-	112	112
Net Operating Profit	**709,252**	**879,461**	**3,681**	**403,255**	**1,995,649**
Provision for Taxes	-	-	-	459,013	459,013
Net Profit	**709,252**	**879,461**	**3,681**	**(55,758)**	**1,536,636**
Segment Assets	69,610,939	159,744,598	95,004,662	31,819,036	356,179,235
Investments in Associates and Subsidiaries	-	-	-	152,432	152,432
Total Assets	**69,610,939**	**159,744,598**	**95,004,662**	**31,971,468**	**356,331,667**
Segment Liabilities	128,802,347	81,145,621	83,621,821	21,155,877	314,725,666
Shareholders' Equity	-	-	-	41,606,001	41,606,001
Total Liabilities and Shareholders' Equity	**128,802,347**	**81,145,621**	**83,621,821**	**62,761,878**	**356,331,667**

3.25 Profit reserves and profit appropriation

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

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

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

3.26 Earnings per share

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

	Current Period	*Prior Period*
Distributable net profit/loss	1,994,071	1,523,539
Average number of issued common shares (thousand)	420,000,000	420,000,000
Earnings per share (amounts presented full TL)	0.00475	0.00363

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

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

3.27 Related parties

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

3.28 Cash and cash equivalents

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

(Thousands of Turkish Lira (TL))

3.29 Reclassifications

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

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

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

(Thousands of Turkish Lira (TL))

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

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

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

(2) As of 1 January 2018, debt securities classified as "Available for Sale Financial Assets" and "Investments Held to Maturity" in the prior year financial statements amounting to TL 26,119,473 thousands and TL 2,687,166 thousands, respectively are classified into "Financial Assets Measured at Fair Value through Other Comprehensive Income" due to the fact that they are assessed within the scope of a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of such financial assets meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Besides, as of 1 January 2018, financial asset amounting to TL 47,655 thousands is classified from "Available for Sale Financial Assets" into "Financial Assets at Fair Value through Profit or Loss" due to the fact that the contractual terms of such financial asset does not meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. On the other hand, some equity instruments classified as "Available-for-Sale Financial Assets" in the prior period are also classified as "Financial Assets Measured at Fair Value through Other Comprehensive Income" irrevocably.

(3) As of 1 January 2018, debt securities amounting to TL 21,627,374 thousands classified as "Investments Held to Maturity" in the prior year financial statements are classified into "Financial Assets Measured at Amortised Cost" due to the fact that they are assessed within the scope of a business model whose objective is to hold assets in order to collect contractual payments and the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(4) As of 1 January 2018, there exists no loan balance that does not meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Loans amounting to TL 19,247,411 thousands classified as "Performing Loans" in the prior year financial statements are classified as "Loans under Follow-up" due to having significant increase in credit risk as explained in the accounting policies section in a detailed manner. Besides, as of 1 January 2018, loans amounting to TL 7,015 thousands classified as "Loans under Follow-up" in the prior year financial statements are classified into "Non-performing Receivables" category.

(5) As of 1 January 2018, securitisation loans amounting to TL 9,332,392 thousands previously classified under "Funds Borrowed" and "Securities Issued" amounting to TL 34,983 thousands in the prior year financial statements are classified into "Financial Liabilities Measured at Fair Value through Profit or Loss".

(6) As of 1 January 2018, "Derivative Financial Liabilities Held for Trading" and " Derivative Financial Liabilities Held for Hedging Purpose" amounting to TL 2,898,822 thousands and TL 198,826 thousands, respectively in the prior year financial statements are classified into "Derivative Financial Liabilities".

(7) As of 1 January 2018, expected losses calculated based on TFRS 9 are classified into the relevant line items through reversing "General Provision". While expected losses calculated for financial assets and loans are classified in the relevant expected losses line items under assets, expected losses calculated for non-cash loans are classified as "Other Provisions" under liabilities. As of 1 January 2018, non-performing leasing and factoring receivables classified within "Leasing Receivables" and "Factoring Receivables" on a net basis in the prior year financial statements are classified under "Non-performing receivables" and "Expected Credit Losses" on a gross basis. Expected losses allocated for other assets are also classified on the relevant line item on a net basis.

(8) As of 1 January 2018, due to first time adoption of TFRS 9, total shareholders' equity figure increased by TL 822,114 (after tax) thousands composing of positive classification impact of financial assets amounting to TL 454,103 thousands, negative expected credit losses calculation impact amounting to TL 471,470 thousands and positive current and deferred tax impact amounting to TL 839,481 thousands.

(9) As of 1 January 2018, "Miscellaneous Payables" amounting to TL 10,376,346 thousands and "Other External Fundings" amounting to TL 3,080,350 thousands are classified into "Other Liabilities".

3.30 Other disclosures

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

3.30.1 Forwards, options and other derivative transactions

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

3.30.1.1 Derivative financial instruments held for trading

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

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

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

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

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

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

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

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

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

3.30.1.2 Derivative financial instruments held for hedging purpose

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

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

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

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

3.30.2 Interest income and expenses

General

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

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

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

Financial lease operations

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

3.30.3 Fees and commissions

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

3.30.4 Financial assets

3.30.4.1 Financial assets at fair value through profit or loss

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.30.5 Impairment of financial assets

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

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

If there is an objective evidence that certain loans will not be collected, for such loans; the Bank makes reclassification and provides specific and general allowances in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the Provisioning Regulation) published on the Official Gazette no.26333 dated 1 November 2006 and TAS. The allowances are recorded in the income statement of the related period.

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

3.30.6 Netting and derecognition of financial instruments

3.30.6.1 Netting of financial instruments

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

3.30.6.2 Derecognition of financial assets

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

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

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

(Thousands of Turkish Lira (TL))

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

Current Period	*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	32,674,703	
Other Comprehensive Income according to TAS	4,229,490	
Profit	1,994,071	
Current Period Profit	1,994,071	
Prior Period Profit	-	
Bonus Shares from Associates, Subsidiariesand Joint-Ventures not Accounted in Current Period's Profit	913	
Minority Interest	82,746	
Common Equity Tier I Capital Before Deductions	**43,966,357**	
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 (-)	1,705,041	-
Leasehold Improvements on Operational Leases (-)	139,257	-
Goodwill Netted with Deferred Tax Liabilities	6,388	6,388
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	341,730	341,730
Net Deferred Tax Asset/Liability (-)	9,684	9,684
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 (-)	1,969	-
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 the10% 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 (-)	-	-

(Thousands of Turkish Lira (TL))

	Amount	*Amount as per the regulation before 1/1/2014 (*)*
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions from Common Equity Tier I Capital	**2,204,069**	
Total Common Equity Tier I Capital	**41,762,288**	
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Shares of Third Parties in Additional Tier I Capital		
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Items to be Deducted from Tier I Capital During the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)		-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	**41,762,288**	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	2,958,750	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	3,218,840	
Total Deductions from Tier II Capital	**6,177,590**	
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	-	-

(Thousands of Turkish Lira (TL))

	Amount	*Amount as per the regulation before 1/1/2014* (*)
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	**-**	**-**
Total Tier II Capital	**6,177,590**	
Total Equity (Total Tier I and Tier II Capital)	**47,939,878**	
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	4	
Other items to be Defined by the BRSA (-)	18,550	
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)	**47,921,324**	-
Total Risk Weighted Assets	**296,230,308**	-
CAPITAL ADEQUACY RATIOS		
Consolidated CET1 Capital Ratio (%)	**14.10**	-
Consolidated Tier I Capital Ratio (%)	**14.10**	-
Consolidated Capital Adequacy Ratio (%)	**16.18**	-
BUFFERS		
Total Additional CET1 Capital Requirement Ratio (a+b+c)	3.464	-
a) Capital Conservation Buffer Ratio (%)	1.875	-
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.089	-
c) Systemically Important Banks Buffer Ratio (%)	1.500	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	8.177	-
Amounts Lower Than Excesses as per Deduction Rules		-
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	1,341,890	-

(Thousands of Turkish Lira (TL))

	Amount	***Amount as per the regulation before 1/1/2014 (*)***
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)	4,864,954	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3,218,840	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

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

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

(Thousands of Turkish Lira (TL))

Prior Period	***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	27,527,097	
Other Comprehensive Income according to TAS	4,045,373	
Profit	6,332,056	
Period Profit	6,332,056	
Prior Period Profit	-	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Period's Profit	912	
Minority Interest	122,991	
Common Equity Tier I Capital Before Deductions	**43,012,863**	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Period's and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	1,717,191	-
Leasehold Improvements on Operational Leases (-)	130,913	-
Goodwill Netted with Deferred Tax Liabilities	5,110	6,388
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	274,695	343,368
Net Deferred Tax Asset/Liability (-)	5,905	7,381
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	1,394	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the10% 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 (-)	-	-

(Thousands of Turkish Lira (TL))

	Amount	***Amount as per the regulation before 1/1/2014*** (*)
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions from Common Equity Tier I Capital	**2,135,208**	
Total Common Equity Tier I Capital	**40,877,655**	
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Shares of Third Parties in Additional Tier I Capital		
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Items to be Deducted from Tier I Capital During the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	69,951	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	1,476	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	**-**	-
Total Additional Tier I Capital	**-**	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	**40,806,228**	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	2,831,850	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	3,078,025	
Total Deductions from Tier II Capital	**5,909,875**	
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-	-

(Thousands of Turkish Lira (TL))

	Amount	***Amount as per the regulation before 1/1/2014*** [(*)]
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	**-**	**-**
Total Tier II Capital	**5,909,875**	
Total Equity (Total Tier I and Tier II Capital)	**46,716,103**	
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	5	
Other items to be Defined by the BRSA (-)	30,874	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) during the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	**46,685,224**	-
Total Risk Weighted Assets	**278,024,586**	-
CAPITAL ADEQUACY RATIOS		
Consolidated CET1 Capital Ratio (%)	**14.70**	-
Consolidated Tier I Capital Ratio (%)	**14.68**	-
Consolidated Capital Adequacy Ratio (%)	**16.79**	-
BUFFERS		
Total Additional CET1 Capital Requirement Ratio (a+b+c)	2.312	-
a) Capital Conservation Buffer Ratio (%)	1.250	-
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.062	-
c) Systemically Important Banks Buffer Ratio (%)	1.000	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	8.792	-
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	459,775	-

(Thousands of Turkish Lira (TL))

	Amount	***Amount as per the regulation before 1/1/2014*** (*)
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	3,673,669	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3,078,025	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

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

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

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

(Thousands of Turkish Lira (TL))

4.1.2 Items included in capital calculation

Information about instruments included in total capital calculation	
Issuer	T. Garanti Bankası A.Ş.
Identifier (CUSIP, ISIN vb.)	Reg S: ISIN: XS1617531063 Common Code: 161753106 144A: CUSIP: 900148 AE7 ISIN: US900148AE73 Common Code: 161752479
Governing law (s) of the instrument	Subject to English Law and in terms of certain articles to Turkish Regulations. It is issued within the scope of the Communiqué VII-128.8 on Debt Instruments of the Capital Markets Board and the Regulation on Bank Capital of the BRSA.
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	No
Eligible on unconsolidated and /or consolidated basis	Eligible on unconsolidated and consolidated
Instrument type	Subordinated debt instruments (Notes)
Amount recognized in regulatory capital (Currency in TL million, as of most recent reporting date)	2,959 (31 December 2017: 2,832)
Nominal value of instrument (TL million)	2,959 (31 December 2017: 2,832)
Accounting classification of the instrument	34701 – Secondary Subordinated Loans
Issuance date of instrument	23.05.2017
Maturity structure of the instrument (demand/time)	Time
Original maturity of the instrument	24.05.2027
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	24.05.2022 - USD750,000,000.00
Subsequent call dates, if applicable	-
Interest/dividend payment*	
Fixed or floating coupon/dividend payments	Fixed
Coupon rate and any related index	6.1250%
Existence of any dividend payment restriction	None
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	None
Convertible into equity shares	None
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, type of instrument convertible into	-
If convertible, issuer of instrument to be converted into	-
Write-down feature	Yes
If bonds can be written-down, write-down trigger(s)	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked and the Bank is liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable), or (iii) it is probable that the Issuer will become non-viable; then the bonds can be written-down.
If bond can be written-down, full or partial	Partially or fully
If bond can be written-down, permanent or temporary	Continuously
If temporary write-down, description of write-up mechanism	There are no any temporary write-up mechanisms.
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	In priority of receivables, it comes after the senior obligations of the Issuer.
In compliance with article number 7 and 8 of Regulation on Bank Capital	Instrument is in compliant with Article 8 of the Regulation on Bank Capital.
Details of incompliances with article number 7 and 8 of Regulation on Bank Capital	Instrument is not in compliant with Article 7 of the Regulation on Bank Capital.

(Thousands of Turkish Lira (TL))

4.1.3 Reconciliation of capital items to balance sheet

Current Period	***Carrying value***	***Amount of correction***	***Value at capital report***	***Explanation of differences***
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	784,434	(772,554)	11,880	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Other Capital Reserves	*772,554*	*(772,554)*	-	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	-	-	-	
Share Premium	*11,880*	-	*11,880*	
Other Comprehensive Income/Expenses in Shareholders' Equity as per TMS	2,497,488	27,874	2,525,362	Items not included in the calculation as per Regulation's Article 9-1-f and Gain on sale of associate/subsidiaries' shares and real estate classified as different in the value of the capital report
Other Comprehensive Income/Expense Items not to be Recycled to Profit/Loss	*1,445,931*	*229,144*	*1,675,075*	Gain on sale of associate/subsidiaries' shares and real estate classified differently in equity
Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss	*1,051,557*	*(201,270)*	*850,287*	Items not included in the calculation as per Regulation's Article 9-1-f
Profit Reserves	32,903,847	(229,144)	32,674,703	Gain on sale of associate/subsidiaries' shares and real estate classified differently in equity
Profit or Loss	1,994,071	-	1,994,071	
Prior Periods' Profit/Loss	-	-		
Current Period Net Profit/Loss	*1,994,071*	-	*1,994,071*	
Minority Interest	331,475	(248,729)	82,746	Items are calculated as per Regulation's Article 12
Deductions from Common Equity Tier I Capital (-)	-		499,028	Deductions from Common Equity Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	**42,711,315**		**41,762,288**	
Subordinated Debts			-	
Deductions from Tier I Capital (-)			-	Deductions from Tier 1 Capital as per the Regulation
Tier I Capital			**41,762,288**	
Subordinated Debts			2,958,750	
General Provisions			3,218,840	General Loan Provision added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
Tier II Capital			**6,177,590**	
Deductions from Total Capital (-)			18,554	Deductions from Capital as per the Regulation
Total			**47,921,324**	

(Thousands of Turkish Lira (TL))

Prior Period	***Carrying value***	***Amount of correction***	***Value at capital report***	***Explanation of the differences***
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	1,526,847	(883,725)	643,122	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
Other Comprehensive Income According to TAS	1,514,055	(883,725)	630,330	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
Securities Value Increase Fund	*(317,814)*	*10,504*	*(307,310)*	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
Revaluation Surplus on Tangible Assets	*1,747,869*	-	*1,747,869*	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)	*(544,285)*	*(121,675)*	*(665,960)*	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	*628,285*	*(772,554)*	*(144,269)*	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4; and Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	912	-	912	
Share Premium	11,880	-	11,880	
Profit Reserves	29,224,949	-	29,224,949	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
Profit or Loss	6,332,056	-	6,332,056	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
Prior Periods Profit/Loss	-	-	-	
Current Period Net Profit/Loss	*6,332,056*	-	*6,332,056*	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
Minority Interest	322,149	(199,158)	122,991	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
Deductions from Common Equity Tier I Capital (-)	-		418,017	Deductions from Common Equity Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	**41,606,001**		**40,877,655**	
Subordinated Debts			-	
Deductions from Tier I Capital (-)			71,427	Deductions from Tier I Capital as per the Regulation
Tier I Capital			**40,806,228**	
Subordinated Debts			2,831,850	
General Provisions			3,078,025	General Loan Provision added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
Tier II Capital			**5,909,875**	
Deductions from Total Capital (-)			30,879	Deductions from Capital as per the Regulation
Total			**46,685,224**	

(Thousands of Turkish Lira (TL))

4.2 Consolidated credit risk

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

4.3 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 March 2018, the Bank and its financial subsidiaries' net 'on balance sheet' foreign currency short position amounts to TL 26,706,761 thousands (31 December 2017: TL 23,229,929 thousands), net 'off-balance sheet' foreign currency long position amounts to TL 33,323,262 thousands (31 December 2017: TL 25,574,862 thousands), while net foreign currency long open position amounts to TL 6,616,501 thousands (31 December 2017: TL 2,344,933 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	3.9450	4.8620
Foreign currency rates for the days before balance sheet date;		
Day 1	3.9450	4.8620
Day 2	3.9525	4.8665
Day 3	3.9982	4.9371
Day 4	3.9754	4.9275
Day 5	3.9709	4.9430
Last 30-days arithmetical average rate	3.8812	4.7831

(Thousands of Turkish Lira (TL))

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	6,718,290	15,054,099	6,978,303	28,750,692
Banks	9,008,671	6,952,861	1,122,553	17,084,085
Financial Assets Measured at Fair Value through Profit/Loss	91,678	120,224	-	211,902
Money Market Placements	-	-	-	-
Financial Assets Measured at FVOCI	2,827,314	6,144,847	183,506	9,155,667
Loans (*)	47,389,072	49,244,140	5,544,368	102,177,580
Investments in Associates, Subsidiaries and Joint-Ventures	1,863	-	735	2,598
Financial Assets Measured at Amortised Cost	-	4,505,368	-	4,505,368
Derivative Financial Assets Held for Hedging Purpose	5,583	239,803	1,251	246,637
Tangible Assets	129,459	259	59,302	189,020
Intangible Assets	-	-	-	-
Other Assets (**)	354,115	630,215	122,878	1,107,208
Total Assets	**66,526,045**	**82,891,816**	**14,012,896**	**163,430,757**
Liabilities				
Bank Deposits	1,976,950	708,373	398,356	3,083,679
Foreign Currency Deposits	41,100,670	66,544,220	7,520,616	115,165,506
Money Market Funds	632,060	1,642,981	112	2,275,153
Other Fundings	13,936,930	19,600,426	228,444	33,765,800
Securities Issued (***)	4,255,602	25,590,962	1,015,402	30,861,966
Miscellaneous Payables	104,556	505,946	202,148	812,650
Derivative Financial Liabilities Held for Hedging Purpose	37,453	8,376	28	45,857
Other Liabilities (****)	1,016,297	968,100	2,142,510	4,126,907
Total Liabilities	**63,060,518**	**115,569,384**	**11,507,616**	**190,137,518**
Net 'On Balance Sheet' Position	**3,465,527**	**(32,677,568)**	**2,505,280**	**(26,706,761)**
Net 'Off-Balance Sheet' Position	**(106,784)**	**34,978,055**	**(1,548,009)**	**33,323,262**
Derivative Assets	22,954,349	78,342,285	5,297,864	106,594,498
Derivative Liabilities	(23,061,133)	(43,364,230)	(6,845,873)	(73,271,236)
Non-Cash Loans	-	-	-	-
Prior Period				
Total Assets	**67,304,347**	**77,110,589**	**13,540,900**	**157,955,836**
Total Liabilities	**54,617,991**	**115,526,334**	**11,041,440**	**181,185,765**
Net 'On Balance Sheet' Position	**12,686,356**	**(38,415,745)**	**2,499,460**	**(23,229,929)**
Net 'Off-Balance Sheet' Position	**(9,949,701)**	**37,114,158**	**(1,589,595)**	**25,574,862**
Derivative Assets	11,968,644	79,250,502	5,366,884	96,586,030
Derivative Liabilities	(21,918,345)	(42,136,344)	(6,956,479)	(71,011,168)
Non-Cash Loans	-	-	-	-

(*) The foreign currency-indexed loans amounting TL 6,710,288 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 293,028 thousands included under TL assets in the accompanying consolidated financial statements are presented above under the related foreign currency code.

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

(****) The gold deposits of TL 2,075,894 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 Assesment Commitee 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.

(Thousands of Turkish Lira (TL))

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing (*)	Total
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	19,949,097	-	-	-	-	13,835,561	**33,784,658**
Banks	6,598,148	3,229,305	917,737	217,540	15,662	7,093,069	**18,071,461**
Financial Assets Measured at Fair Value through Profit/Loss	26,494	10,034	64,832	224,634	193,142	210,722	**729,858**
Money Market Placements	7,355	-	-	-	-	-	**7,355**
Financial Assets Measured at FVOCI	890,528	2,392,510	8,256,379	6,438,637	5,736,071	2,882,816	**26,596,941**
Loans	53,749,876	41,748,973	68,240,725	65,849,070	13,411,023	1,724,359	**244,724,026**
Financial Assets Measured at Amortised Cost	3,817,657	5,795,173	2,722,124	334,916	4,504,826	3,691,972	**20,866,668**
Other Assets	657,675	283,027	495,974	242,956	287,293	13,134,108	**15,101,033**
Total Assets	**85,696,830**	**53,459,022**	**80,697,771**	**73,307,753**	**24,148,017**	**42,572,607**	**359,882,000**
Liabilities							
Bank Deposits	1,429,512	-	273,679	-	-	2,205,455	**3,908,646**
Other Deposits	112,455,877	24,573,550	20,846,512	1,711,319	10,928	48,387,986	**207,986,172**
Money Market Funds	1,663,462	5,068,058	80,000	632,060	53,398	18,350	**7,515,328**
Miscellaneous Payables	-	-	-	-	-	12,608,313	**12,608,313**
Securities Issued (**)	15,379,123	5,469,621	1,184,359	12,903,234	4,016,727	503,474	**39,456,538**
Other Fundings	4,287,688	20,553,626	3,213,331	6,292,200	210,933	186,968	**34,744,746**
Other Liabilities	235	7,492	19,058	-	-	53,635,472	**53,662,257**
Total Liabilities	**135,215,897**	**55,672,347**	**25,616,939**	**21,538,813**	**4,291,986**	**117,546,018**	**359,882,000**
On Balance Sheet Long Position	**-**	**-**	**55,080,832**	**51,768,940**	**19,856,031**	**-**	**126,705,803**
On Balance Sheet Short Position	**(49,519,067)**	**(2,213,325)**	**-**	**-**	**-**	**(74,973,411)**	**(126,705,803)**
Off-Balance Sheet Long Position	**14,467,674**	**21,229,930**	**3,666,431**	**4,051,024**	**5,480,668**	**-**	**48,895,727**
Off-Balance Sheet Short Position	**(2,767,552)**	**(12,403,271)**	**(5,566,545)**	**(16,865,751)**	**(11,423,199)**	**-**	**(49,026,318)**
Total Position	**(37,818,945)**	**6,613,334**	**53,180,718**	**38,954,213**	**13,913,500**	**(74,973,411)**	**(130,591)**

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

(**) Includes subordinated securities issued presented under subordinated debts and financial liabilities measured at fair value through profit or loss in balance sheet. The liability classified as financial liabilities measured at fair value through profit or loss amounting to TL 1,013 thousands is presented in the line of other liabilities.

(Thousands of Turkish Lira (TL))

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

(*) Interest accruals are included in non-interest bearing column.
(**) Includes subordinated securities issued and presented under subordinated debts in balance sheet.

(Thousands of Turkish Lira (TL))

4.4.2 Average interest rates on monetary financial instruments (%)

Current Period	EUR	USD	JPY	TL
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	1.46	-	2.46
Banks	0.12-3.80	1.73-5.94	-	10.30-15.00
Financial Assets at Fair Value through Profit/Loss	1.69	5.59	-	2.99-17.24
Interbank Money Market Placements	-	-	-	10.30-12.16
Financial Assets Measured at FVOCI	0.65-4.63	3.46-11.88	-	12.53
Loans	0.50-13.20	1.50-15.00	-	12.00-17.09
Financial Assets Measured at Amortised Cost	-	5.15	-	13.03
Liabilities				
Bank Deposits	1.30	1.75-2.20	-	12.44
Other Deposits	0.01-7.00	0.01-7.43	1.45	7.00-13.90
Interbank Money Market Takings	0.05-0.15	1.75-2.62	-	9.80-15.20
Miscellaneous Payables	-	-	-	-
Securities Issued	3.65	5.61	-	11.23-15.00
Other Fundings	0.25-6.25	0.25-5.84	-	8.29-16.00

Prior Period	EUR	USD	JPY	TL
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	1.32	-	2.54
Banks	(0.36)-1.90	1.42-3.98	-	8.56-14.80
Financial Assets at Fair Value through Profit/Loss	1.99	5.77	-	4.16-16.11
Interbank Money Market Placements	-	-	-	9.75-12.30
Financial Assets Available-for-Sale	0.65-4.63	2.20-11.88	-	12.31
Loans	0.12-10.93	1.25-10.69	-	11.00-17.35
Investments Held-to-Maturity	-	5.57	-	12.81
Liabilities				
Bank Deposits	0.05-0.12	1.00-2.20	-	11.39
Other Deposits	0.01-7.00	0.01-3.75	1.45	7.00-15.87
Interbank Money Market Takings	-	1.50-2.65	-	10.00-15.20
Miscellaneous Payables	-	-	-	-
Securities Issued	3.65	5.67	-	13.08-15.00
Other Fundings	0.16-4.55	0.25-5.84	-	8.43-17.50

(Thousands of Turkish Lira (TL))

4.5 Consolidated position risk of equity securities

4.5.1 Equity shares in associates and subsidiaries

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

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

Current Period		Comparison		
Equity Securities (shares)		**Carrying Value**	**Fair Value**	**Market Value**
1	**Investment in Shares- Grade A**	**125,276**	**-**	**-**
	Quoted Securities	-	-	-
2	**Investment in Shares- Grade B**	**25,557**	**-**	**-**
	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	-	-	-

Prior Period		Comparison		
Equity Securities (shares)		**Carrying Value**	**Fair Value**	**Market Value**
1	**Investment in Shares- Grade A**	**124,993**	**-**	**-**
	Quoted Securities	-	-	-
2	**Investment in Shares- Grade B**	**25,555**	**-**	**-**
	Quoted Securities	-	-	-
3	**Investment in Shares- Grade C**	**822**	**-**	**-**
	Quoted Securities	-	-	-
4	**Investment in Shares- Grade D**	**-**	**-**	**-**
	Quoted Securities	-	-	-
5	**Investment in Shares- Grade E**	**1,014**	**-**	**-**
	Quoted Securities	-	-	-
6	**Investment in Shares- Grade F**	**48**	**-**	**-**
	Quoted Securities	-	-	-

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

Current Period		Gains/Losses in Current Period	Revaluation Surpluses		Unrealized Gains and Losses		
Portfolio			**Total**	**Amount in Tier I Capital**	**Total**	**Amount in Core Capital**	**Amount in Tier I Capital**
1	Private Equity Investments	-	-	-		-	-
2	Quoted Shares	-	-	-	14,220	-	14,220
3	Other Shares	-	57,109	57,109	-	-	-
	Total	**-**	**57,109**	**57,109**	**14,220**	**-**	**14,220**

(Thousands of Turkish Lira (TL))

	Prior Period		**Revaluation Surpluses**		**Unrealized Gains and Losses**		
	Portfolio	**Gains/Losses in Current Period**	**Total**	**Amount in Tier I Capital**	**Total**	**Amount in Core Capital**	**Amount in Tier I Capital**
1	Private Equity Investments	-	-	-	-	-	-
2	Quoted Shares	-	-	-	14,905	-	14,905
3	Other Shares	-	48,372	48,372	-	-	-
	Total	**-**	**48,372**	**48,372**	**14,905**	**-**	**14,905**

4.5.4 Capital requirement as per equity shares

	Current Period			
	Portfolio	**Carrying Value**	**RWA Total**	**Minimum Capital Requirement**
1	Private Equity Investments	-	-	-
2	Quoted Shares	-	-	-
3	Other Shares	152,717	152,717	12,217
	Total	**152,717**	**152,717**	**12,217**

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

4.6 Consolidated liquidity risk

Liquidity risk is managed by asset and liability management department (ALMD) and asset and liability Committee (ALCO) in line with liquidity and funding policies and risk appetite approved by the board of directors in order to take the necessary measures in a timely and correct manner against possible liquidity shortages that may result from market conditions and balance sheet structure. Under stressed conditions, liquidity risk is managed within the contingency funding plan framework.

The board of directors reviews the liquidity risk management policy and approves the liquidity and funding policies, ensures the effective of practice of policies and integrations with the Bank's risk management system. The Board of Directors determines the basic metrics in liquidity risk measurement and monitoring. The Board of Directors establishes risk appetite of the Bank in liquidity risk management and identifies the risk limits in accordance with the risk appetite and reviews it regularly.

ALCO takes necessary decisions which will be executed by related departments by assessing the liquidity risk that the Bank is exposed to and considering the Bank's strategy and conditions of competition and pursues the implementations.

ALMD, performs daily liquidity management by ensuring compliance with regulatory and internal liquidity limits and monitoring related early warning indicators in case of probable liquidity squeezes. The medium and long term liquidity and funding management is performed by ALMD in accordance with ALCO decisions.

Risk management head defines the Bank's liquidity risk, measures and monitors the risks with liquidity risk measurement methods that are in compliance with international standards, presents measurement results periodically to related departments, committees and senior management. Risk management department coordinates related parties in order to ensure compliance of risk management process in accordance with the Bank's risk profile, operation environment and strategic plan with regulations. Risk management department analyses, develops and revises relevant liquidity risk measurement in accordance with changing market conditions and the Bank's structure. Risk management department reviews assumptions and parameters used in liquidity risk analysis.

The liquidity risk analysis and the important liquidity indicators are reported monthly to related senior management. Additionally, analysis and monitored internal ratios related to liquidity risk are presented in ALCO report. Internal liquidity metrics are monitored with limit and alert levels approved by the board of directors and reported regularly to related parties.

Decentralized management approach is adopted in liquidity management. Each subsidiary controlled by the Bank performs daily, medium and long term liquidity management independently from the Bank by the authorities in each subsidiary responsible for managing liquidity risk. In addition, within the scope of consolidated risk management, liquidity and funding risk of each subsidiary in control are monitored via the liquidity risk management methods identified by the Bank by considering the operations, risk profile and regulations of the related subsidiary.

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

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

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

In the context of TL and foreign currencies liquidity management, the cash flows regarding assets and liabilities are monitored and the required liquidity in future periods is forecasted. In cash flow analysis, stress is applied to items that affect the liquidity by volume and rate of change from a liquidity management point of view.

Liquidity risk exposed by the Bank is managed by establishing risk appetite, risk mitigation according to the liquidity and funding policies (diversification of funding sources, holding high quality liquid assets reserve) and effective control environment and closely monitoring by limits. For those risks that cannot be reduced, the adoption of the current level of risk, reduction or termination of the activities that cause the risk is considered.

In liquidity risk stress testing framework, the level of the Bank's ability to cover cash outflows in liquidity crisis scenario based on the Bank's current cash flow structure, by high quality liquid assets is calculated. Scenario analysis are performed by assessing changing balance sheet structure, liquidity requirements and market conditions.

The results of liquidity risk stress testing are taken into consideration in the assessment of liquidity adequacy and identification of policy regarding liquidity risk and contingency funding plan is prepared within this framework.

There exists "Liquidity Emergency Plan" in the Bank including mechanisms to prevent increase in liquidity risk scenarios for different conditions and levels. Available liquidity sources are determined by considering the liquidity squeezes. Within the framework of this plan, the Bank monitors liquidity risk in terms of early warning indicators, and probable scenarios where liquidity risk crisis and possible actions that can be taken.

The Bank's liabilities consist of TL and foreign currency funding, of which a large portion is USD/EUR. Deposits and capital constitute most of TL funding. For the reasons like real person customers can not use foreign currency credit but are able to deposit foreign currency funds, TL and foreign currency deposit and credit amount may differ. Long term funding obtained from foreign banks and creditors are mainly in foreign currency. For these reasons overall foreign currency liabilities are usually more than foreign currency liabilities. Unused portion of USD and EUR foreign currency funding is turned to TL via currency swap transactions and used in TL funding. Lines extended by CBRT and BİST aren't used to full extent, unused limits and high quality liquid asset stock is held is kept to use in the case of a liquidity scarcity in market. Also T.C. Eurobonds aren't used to secure funding and kept as reserve to use in the case of a foreign currency liquidity scarcity in market. In TL and foreign currency liquidity management, regulatory ratios, internally set warnings, limits and other

4.6.1 Liquidity coverage ratio

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

Items in balance sheet and off balance sheet items are taken into account after being multiplied by the coefficients advised in the Regulation. In both bank-only and consolidated LCR calculations cash inflows are limited by 75% of cash outflows and cash inflows from high quality liquid assets aren't included.

High quality liquid assets consist of cash, deposits in central banks and securities considered as high quality liquid assets. Reserve deposits are included in high quality liquid assets, limited by the amount that is allowed by central bank to use in liquidity shortages. High quality liquid assets are composed of 3.17% cash, 51.13% deposits in central banks and 45.70% 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 69.20% deposits, 13.80% funds borrowed and money market borrowings and 9.84% 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.

(Thousands of Turkish Lira (TL))

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				
1	Total high-quality liquid assets (HQLA)			**69,494,853**	**41,262,444**
	Cash Outflows				
2	Retail deposits and deposits from small business customers, of which:	137,807,122	67,515,425	12,472,734	6,737,863
3	Stable deposits	26,159,547	273,599	1,307,977	13,680
4	Less stable deposits	111,647,575	67,241,826	11,164,757	6,724,183
5	Unsecured wholesale funding, of which:	57,700,758	33,087,252	31,603,694	16,097,092
6	Operational deposits	-	-	-	-
7	Non-operational deposits	44,829,442	29,802,743	21,640,963	14,084,112
8	Unsecured funding	12,871,316	3,284,509	9,962,731	2,012,980
9	Secured wholesale funding			-	-
10	Other cash outflows of which:	54,969,557	13,492,907	11,158,470	11,682,784
11	Outflows related to derivative exposures and other collateral requirements	7,765,415	10,851,161	7,765,415	10,851,161
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	47,204,142	2,641,746	3,393,055	831,623
14	Other revocable off-balance sheet commitments and contractual obligations	800,535	498,860	40,027	24,943
15	Other irrevocable or conditionally revocable off-balance sheet obligations	60,549,133	40,852,070	3,027,457	2,042,603
16	**Total Cash Outflows**			**58,302,382**	**36,585,285**
	Cash Inflows				
17	Secured receivables	3,498	-	-	-
18	Unsecured receivables	22,971,190	9,325,045	15,442,157	6,927,014
19	Other cash inflows	801,583	6,822,101	781,274	6,822,005
20	**Total Cash Inflows**	**23,776,271**	**16,147,146**	**16,223,431**	**13,749,019**
				Upper Limit Applied Values	
21	**Total HQLA**			**69,494,853**	**41,262,444**
22	**Total Net Cash Outflows**			**42,078,951**	**22,836,266**
23	**Liquidity Coverage Ratio (%)**			**165.41%**	**180.73%**

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

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

Period	**TL+FC**	**FC**
31 January 2018	169.57%	180.93%
28 February 2018	167.84%	183.18%
31 March 2018	158.53%	178.07%

(Thousands of Turkish Lira (TL))

Prior Period		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
High-Quality Liquid Assets				**64,790,253**	**40,139,185**
1	Total high-quality liquid assets (HQLA)			64,790,253	40,139,185
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:	135,642,321	66,124,346	12,251,062	6,599,097
3	Stable deposits	26,263,389	266,749	1,313,169	13,337
4	Less stable deposits	109,378,932	65,857,597	10,937,893	6,585,760
5	Unsecured wholesale funding, of which:	61,137,592	37,122,946	34,871,826	19,709,976
6	Operational deposits	-	-	-	-
7	Non-operational deposits	44,548,861	28,938,651	21,421,150	13,772,645
8	Unsecured funding	16,588,731	8,184,295	13,450,676	5,937,331
9	Secured wholesale funding			-	-
10	Other cash outflows of which:	53,605,853	13,861,660	11,511,430	11,493,014
11	Outflows related to derivative exposures and other collateral requirements	8,160,609	10,645,765	8,160,609	10,645,765
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	45,445,244	3,215,895	3,350,821	847,249
14	Other revocable off-balance sheet commitments and contractual obligations	659,719	452,474	32,986	22,624
15	Other irrevocable or conditionally revocable off-balance sheet obligations	59,639,580	40,843,912	2,981,979	2,042,196
16	**Total Cash Outflows**			**61,649,283**	**39,866,907**
Cash Inflows					
17	Secured receivables	7,145	-	-	-
18	Unsecured receivables	23,650,905	9,432,284	15,575,537	6,682,654
19	Other cash inflows	1,636,498	8,248,238	1,631,773	8,244,841
20	**Total Cash Inflows**	**25,294,548**	**17,680,522**	**17,207,310**	**14,927,495**
				Upper Limit Applied Values	
21	**Total HQLA**			**64,790,253**	**40,139,185**
22	**Total Net Cash Outflows**			**44,441,973**	**24,939,412**
23	**Liquidity Coverage Ratio (%)**			**146.12%**	**164.58%**

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

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

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

4.6.2 Contractual maturity analysis of liabilities according to remaining maturities

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

(Thousands of Turkish Lira (TL))

4.6.3 Maturity analysis of liabilities according to remaining maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
Current Period								
Assets								
Cash (Cash on Hand, Money in Transit, Purchased Cheques) And Balances with the Central Bank	5,186,187	28,598,471	-	-	-	-	-	**33,784,658**
Banks	8,813,653	2,822,972	1,096,445	883,220	4,428,235	26,936	-	**18,071,461**
Financial Assets Measured at Fair Value through Profit/Loss	206,632	3,004	15,225	55,273	253,700	196,024	-	**729,858**
Money Market Placements	-	7,355	-	-	-	-	-	**7,355**
Financial Assets Measured at FVOCI	171,965	115,462	958,929	756,753	12,849,942	11,743,890	-	**26,596,941**
Loans	923,930	39,703,452	22,999,970	61,841,125	91,716,636	25,826,378	1,712,535	**244,724,026**
Financial Assets Measured at Amortised Cost	-	58,369	758,136	-	9,751,088	10,299,075	-	**20,866,668**
Other Assets	2,777,468	1,503,514	374,118	759,793	855,358	502,751	8,328,031	**15,101,033**
Total Assets	**18,079,835**	**72,812,599**	**26,202,823**	**64,296,164**	**119,854,959**	**48,595,054**	**10,040,566**	**359,882,000**
Liabilities								
Bank Deposits	2,325,253	1,305,748	-	277,645	-	-	-	**3,908,646**
Other Deposits	53,864,355	106,471,003	24,716,679	21,114,700	1,800,755	18,680	-	**207,986,172**
Other Fundings	-	1,755,179	8,173,547	11,467,194	12,929,331	419,495	-	**34,744,746**
Money Market Funds	112	6,603,326	144,292	81,927	632,060	53,611	-	**7,515,328**
Securities Issued (**)	-	1,131,952	5,068,076	2,037,751	19,575,219	11,643,540	-	**39,456,538**
Miscellaneous Payables	2,701,267	9,566,846	6,048	43,457	-	135	290,560	**12,608,313**
Other Liabilities (***)	2,738,632	1,093,999	1,199,262	649,572	212,494	383,466	47,384,832	**53,662,257**
Total Liabilities	**61,629,619**	**127,928,053**	**39,307,904**	**35,672,246**	**35,149,859**	**12,518,927**	**47,675,392**	**359,882,000**
Liquidity Gap	**(43,549,784)**	**(55,115,454)**	**(13,105,081)**	**28,623,918**	**84,705,100**	**36,076,127**	**(37,634,826)**	**-**
Net Off-Balance Sheet Position	**-**	**204,533**	**(632,636)**	**2,977**	**328,172**	**85,781**	**-**	**(11,173)**
Derivative Financial Assets	-	73,239,504	27,475,513	32,535,474	6,173,827	1,921,317	-	141,345,635
Derivative Financial Liabilities	-	73,034,971	28,108,149	32,532,497	5,845,655	1,835,536	-	141,356,808
Non-Cash Loans	**-**	**20,262,932**	**7,320,741**	**8,679,297**	**1,484,037**	**281,285**	**97,717,663**	**135,745,955**
Prior Period								
Total Assets	**20,861,306**	**70,663,534**	**21,932,527**	**63,847,791**	**110,661,376**	**45,250,095**	**23,115,038**	**356,331,667**
Total Liabilities	**56,948,033**	**137,194,518**	**25,940,033**	**40,373,833**	**31,259,135**	**14,544,538**	**50,071,577**	**356,331,667**
Liquidity Gap	**(36,086,727)**	**(66,530,984)**	**(4,007,506)**	**23,473,958**	**79,402,241**	**30,705,557**	**(26,956,539)**	**-**
Net Off-Balance Sheet Position	**-**	**(498,276)**	**(173,639)**	**(352,946)**	**275,705**	**37,607**	**-**	**(711,549)**
Derivative Financial Assets	-	77,833,182	28,433,105	32,107,432	5,638,883	1,881,475	-	145,894,077
Derivative Financial Liabilities	-	78,331,458	28,606,744	32,460,378	5,363,178	1,843,868	-	146,605,626
Non-Cash Loans	**-**	**8,082,943**	**4,478,582**	**6,769,545**	**1,186,726**	**246,692**	**93,022,795**	**113,787,283**

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

(**) Includes subordinated securities issued presented under subordinated debts and financial liabilities measured at fair value through profit or loss in balance sheet. The liability classified as financial liabilities measured at fair value through profit or loss amounting to TL 1,013 thousands is presented in the line of other liabilities.

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

(Thousands of Turkish Lira (TL))

4.7 Consolidated leverage ratio

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

The Bank’s consolidated leverage ratio calculated by taking simple average of end of month leverage ratios for the last three-month periods, is 8.32% (31 December 2017: 8.41%). Main reason for the variance compared to prior period is the increase in especially off-balance sheet exposures more than the increase in capital. While the capital increased by 2.16% as a result of increase in net profits, the balance sheet exposure increased by 1.27% and the off balance sheet exposure increased by 11.52%. Therefore, the current period leverage ratio decreased by 9 basis points compared to prior period.

		Current Period(***)	***Prior Period***(***)
1	Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards (*) (**)	336,616,872	336,616,872
2	The difference between total assets prepared in accordance with Turkish Accounting Standards (*) and total assets in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated	3,062,255	3,062,255
3	The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	(10,885,959)	(10,547,347)
4	The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts	6,471,055	12,921,783
5	The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	3,835,166	3,765,170
6	Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	-	-
7	Total risk amount	495,846,676	480,096,821

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

(**) For both current and prior periods, it is used the consolidated financial statements prepared in accordance with Turkish Accounting Standards as of 30 September 2017.

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

(Thousands of Turkish Lira (TL))

		Current Period(*)	Prior Period(*)
On-balance sheet assets			
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	356,717,356	352,252,554
2	(Assets deducted in determining Tier I capital)	(490,312)	(455,111)
3	Total on-balance sheet risks (sum of lines 1 and 2)	356,227,044	351,797,443
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative financial instruments and credit derivatives	2,547,276	3,061,421
5	Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	10,919,049	11,169,170
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 and 5)	13,466,325	14,230,591
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	1,431,798	2,561,479
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 and 8)	1,431,798	2,561,479
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	128,556,670	115,272,482
11	(Adjustments for conversion to credit equivalent amounts)	(3,835,161)	(3,765,174)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	124,721,509	111,507,308
Capital and total risks			
13	Tier I capital	41,225,399	40,355,639
14	Total risks (sum of lines 3, 6, 9 and 12)	495,846,676	480,096,821
Leverage ratio			
15	Leverage ratio	8.32%	8.41%

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

4.8 Fair values of financial assets and liabilities

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

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

None.

4.10 Risk management objectives and policies

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

4.10.1 Risk management strategy and weighted amounts

4.10.1.1 Risk management strategy

The Bank's risk management strategy is to ensure that risk management culture is recognized and risk management principles are widely embraced throughout the Bank and its subsidiaries, 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 subsidiaries. Policies and procedures are prepared in compliance with applicable legislations that the subsidiary subject to and the parent Bank’s risk management strategy, reviewed regularly and revised if necessary. The parent Bank ensures that risk management system is applied in subsidiaries where risks are defined, measured, monitored and controlled.

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

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

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

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

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

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

(Thousands of Turkish Lira (TL))

4.10.1.2 Risk weighted amounts

		Risk Weighted Amounts		Minimum Capital Requirements
		Current	***Prior Period***	***Current Period***
1	Credit risk (excluding counterparty credit risk) (CCR) (*)	250,129,964	241,262,479	20,010,397
2	Of which standardized approach (SA)	250,129,964	241,262,479	20,010,397
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	4,012,871	3,837,586	321,030
5	Of which standardized approach for counterparty credit	4,012,871	3,837,586	321,030
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	8,651	4,890	692
10	Equity investments in funds – 1250% risk weighting approach	-	-	-
11	Settlement risk		-	-
12	Securitisation exposures in banking book		-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB supervisory formula approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	9,276,000	6,748,950	742,080
17	Of which standardized approach (SA)	9,276,000	6,748,950	742,080
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	29,447,081	25,033,623	2,355,766
20	Of which basic indicator approach	29,447,081	25,033,623	2,355,766
21	Of which standardized approach	-	-	-
22	Of which advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	3,355,741	1,137,058	268,459
24	Floor adjustment	-	-	-
25	**Total (1+4+7+8+9+10+11+12+16+19+23+24)**	**296,230,308**	**278,024,586**	**23,698,424**

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

4.10.2 Linkages between financial statements and risk amounts

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

4.10.3 Consolidated credit risk

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

4.10.4 Consolidated counterparty credit risk

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

4.10.5 Consolidated securitisations

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

4.10.6 Consolidated market risk

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

4.10.7 Consolidated operational risk

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

4.10.8 Consolidated banking book interest rate risk

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

(Thousands of Turkish Lira (TL))

5 Disclosures and Footnotes on Consolidated Financial Statements

5.1 Consolidated assets (Current Period)

5.1.1 Cash and balances with Central Bank

	Current Period	
	TL	**FC**
Cash in TL/Foreign Currency	1,220,771	1,243,125
Central Bank of Turkey	3,813,195	27,159,136
Others	-	348,431
Total	**5,033,966**	**28,750,692**

Balances with the Central Bank of Turkey

	Current Period	
	TL	**FC**
Unrestricted Demand Deposits	2,364,555	9,307
Unrestricted Time Deposits	-	-
Restricted Time Deposits	1,448,640	27,149,829
Total	**3,813,195**	**27,159,136**

The reserve deposits kept as per the Communique 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

	Current Period	
	TL	**FC**
Collateralised/Blocked Assets	29,599	-
Assets Subject to Repurchase Agreements	22,061	-
Total	**51,660**	**-**

5.1.2.2 Positive differences on derivative financial assets held for trading

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

	Current Period	
	TL	**FC**
Forward Transactions	207,977	39,083
Swap Transactions	977,347	467,307
Futures	83	-
Options	160,641	69,890
Others	-	13,469
Total	**1,346,048**	**589,749**

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

None.

(Thousands of Turkish Lira (TL))

5.1.3 Banks

	Current Period	
	TL	**FC**
Banks		
Domestic banks	883,338	989,798
Foreign banks	104,038	16,094,287
Foreign headoffices and branches	-	-
Total	**987,376**	**17,084,085**

The placements at foreign banks include blocked accounts amounting TL 7,996,121 thousands of which TL 1,927,108 thousands and TL 144,222 thousands are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 5,924,791 thousands as collateral against funds borrowed at various banks.

Furthermore, there are restricted deposits at various domestic banks amounting TL 346,695 as required for insurance activities

Due from foreign banks

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

5.1.4 Financial assets measured at fair value through other comprehensive income

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

	Current Period	
	TL	**FC**
Collateralised/Blocked Assets	3,534,547	20,648
Assets subject to Repurchase Agreements	148,150	960,715
Total	**3,682,697**	**981,363**

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

	Current Period
Debt Securities	**23,898,281**
Quoted at Stock Exchange	23,818,156
Unquoted at Stock Exchange	80,125
Common Shares/Investment Fund	**89,846**
Quoted at Stock Exchange	4,491
Unquoted at Stock Exchange	85,355
Value Increase/Impairment Losses (-)	**2,608,814**
Total	**26,596,941**

(Thousands of Turkish Lira (TL))

5.1.5 Expected credit losses for financial assets

5.1.5.1 Expected credit loss for banks

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Balances at Beginning of Period (1 January 2018)	**11,325**	**-**	**-**	**11,325**
Additions during the Period (+)	13,733	-	-	13,733
Disposal (-)	(6,333)	-	-	(6,333)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	891	-	-	891
Balances at End of Period	**19,616**	**-**	**-**	**19,616**

5.1.5.2 Expected credit loss for securities

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Balances at Beginning of Period (1 January 2018)	**16,907**	**-**	**-**	**16,907**
Additions during the Period (+)	94	-	-	94
Disposal (-)	(4,384)	-	-	(4,384)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	134	-	-	134
Balances at End of Period	**12,751**	**-**	**-**	**12,751**

5.1.6 Loans

5.1.6.1 Loans and advances to shareholders and employees of the Bank

	Current Period	
	Cash Loans	**Non-Cash Loans**
Direct Lendings to Shareholders	**-**	**463,035**
Corporates	-	463,035
Individuals	-	-
Indirect Lendings to Shareholders	**2,755,142**	**736,832**
Loans to Employees	**329,357**	**70**
Total	**3,084,499**	**1,199,937**

(Thousands of Turkish Lira (TL))

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

Cash Loans	Performing Loans	Loans under Follow-up		
		Non-restructured (*)	Restructured	
			Revised Contract Terms	Refinanced
Loans	**198,421,245**	**31,494,177**	**5,599,230**	**2,720,794**
Working Capital Loans	35,309,809	3,665,158	381,392	301,190
Export Loans	12,557,518	758,048	16,466	110,664
Import Loans	739,213	-	-	-
Loans to Financial Sector	5,567,884	21	-	-
Consumer Loans	44,300,665	8,638,828	629,804	57,727
Credit Cards	18,020,029	3,677,981	524,334	-
Others	81,926,127	14,754,141	4,047,234	2,251,213
Specialization Loans	**-**	**100,875**	**1,523**	**30,328**
Other Receivables	**7,829,002**	**814,835**	**257,450**	**11,306**
Total	**206,250,247**	**32,409,887**	**5,858,203**	**2,762,428**

(*) The loans and interest accruals granted to the shareholder of a strategically important company operating in the telecommunication sector amounting to USD 1,080,468,731.75 and EUR 8,135,237.58 are classified under "Loans Under Follow-Up"(Stage 2). Discussions between the shareholders of the company, creditor banks and related sovereign institutions including also a possible change in shareholder structure regarding restructuring of loans granted continue, and a positive outcome of these discussions is expected.

Current Period	Performing Loans	Loans Under Follow-Up
12-Month ECL (Stage 1)	961,782	-
Significant Increase in Credit Risk (Stage 2)	-	3,903,172

As of 31 March 2018, loans amounting to TL 7,352,821 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	240,818	44,225	-	285,043
Loans Collateralized by Mortgages / Shares	13,689,437	4,592,769	-	18,282,206
Loans Collateralized by Pledged Assets	1,807,865	317,993	-	2,125,858
Loans Collateralized by Cheques and Notes	324,557	6,432	-	330,989
Loans Collateralized by Other Collaterals	8,088,096	3,654,855	-	11,742,951
Unsecured Loans	3,351,071	710,085	4,202,315	8,263,471
Total	**27,501,844**	**9,326,359**	**4,202,315**	**41,030,518**

Delinquency periods of loans under follow-up

Current Period	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	2,108,661	1,815,559	155,056	4,079,276
61-90 days	384,763	240,296	45,230	670,289
Other	25,008,420	7,270,504	4,002,029	36,280,953
Total	**27,501,844**	**9,326,359**	**4,202,315**	**41,030,518**

(Thousands of Turkish Lira (TL))

Loans with extended payment plans

Current Period **No. of Contract Revisions for Extension of Payment Plan**	**Performing Loans**	**Loans under Follow-up**
1 or 2 times	4,680,847	8,330,119
3, 4 or 5 times	-	143,815
Over 5 times	-	64,965
Total	**4,680,847**	**8,538,899**

Current Period **Periods extended due to Payment Plan**	**Performing Loans**	**Loans under Follow-up**
0 - 6 months	1,657,315	5,014,034
6 - 12 months	393,257	329,615
1 - 2 years	1,067,701	564,562
2 - 5 year	1,550,092	2,067,726
5 years and over	12,482	562,962
Total	**4,680,847**	**8,538,899**

5.1.6.3 Maturity analysis of cash loans

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

(Thousands of Turkish Lira (TL))

5.1.6.4 *Consumer loans, retail credit cards, personnel loans and personnel credit cards*

Current Period	Short-Term	Medium and Long-Term	Total
Consumer Loans – TL	**986,620**	**47,156,231**	**48,142,851**
Housing Loans	27,478	23,489,518	23,516,996
Automobile Loans	112,872	2,307,884	2,420,756
General Purpose Loans	844,037	21,358,829	22,202,866
Others	2,233	-	2,233
Consumer Loans – FC-indexed	**-**	**176,861**	**176,861**
Housing Loans	-	176,818	176,818
Automobile Loans	-	-	-
General Purpose Loans	-	43	43
Others	-	-	-
Consumer Loans – FC	**325,904**	**3,597,731**	**3,923,635**
Housing Loans	5,439	2,002,644	2,008,083
Automobile Loans	82	18,340	18,422
General Purpose Loans	13,689	1,090,478	1,104,167
Others	306,694	486,269	792,963
Retail Credit Cards – TL	**17,291,513**	**477,880**	**17,769,393**
With Installment	8,374,501	477,880	8,852,381
Without Installment	8,917,012	-	8,917,012
Retail Credit Cards – FC	**159,231**	**135,396**	**294,627**
With Installment	-	-	-
Without Installment	159,231	135,396	294,627
Personnel Loans – TL	**19,171**	**112,458**	**131,629**
Housing Loan	-	1,423	1,423
Automobile Loans	-	2	2
General Purpose Loans	19,171	111,033	130,204
Others	-	-	-
Personnel Loans - FC-indexed	**-**	**416**	**416**
Housing Loans	-	416	416
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Personnel Loans – FC	**1,395**	**69,803**	**71,198**
Housing Loans	101	30,741	30,842
Automobile Loans	-	-	-
General Purpose Loans	590	31,030	31,620
Others	704	8,032	8,736
Personnel Credit Cards – TL	**121,208**	**789**	**121,997**
With Installment	51,383	789	52,172
Without Installment	69,825	-	69,825
Personnel Credit Cards – FC	**2,114**	**2,968**	**5,082**
With Installment	-	-	-
Without Installment	2,114	2,968	5,082
Deposit Accounts– TL (Real Persons)	**1,180,434**	**-**	**1,180,434**
Deposit Accounts– FC (Real Persons)	**-**	**-**	**-**
Total	**20,087,590**	**51,730,533**	**71,818,123**

(Thousands of Turkish Lira (TL))

5.1.6.5 Installment based commercial loans and corporate credit cards

Current Period	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans – TL	**1,722,836**	**15,381,634**	**17,104,470**
Real Estate Loans	735	787,339	788,074
Automobile Loans	157,275	2,352,346	2,509,621
General Purpose Loans	1,564,826	12,241,949	13,806,775
Others	-	-	-
Installment-based Commercial Loans - FC-indexed	**347,062**	**2,547,933**	**2,894,995**
Real Estate Loans	-	68,848	68,848
Automobile Loans	4,047	925,381	929,428
General Purpose Loans	343,015	1,553,704	1,896,719
Others	-	-	-
Installment-based Commercial Loans – FC	**1,367,307**	**2,621,018**	**3,988,325**
Real Estate Loans	-	234	234
Automobile Loans	69	21,563	21,632
General Purpose Loans	237	96,290	96,527
Others	1,367,001	2,502,931	3,869,932
Corporate Credit Cards – TL	**3,966,021**	**39,359**	**4,005,380**
With Installment	1,858,022	39,359	1,897,381
Without Installment	2,107,999	-	2,107,999
Corporate Credit Cards – FC	**25,865**	**-**	**25,865**
With Installment	8	-	8
Without Installment	25,857	-	25,857
Deposit Accounts– TL (Corporates)	**1,031,960**	**-**	**1,031,960**
Deposit Accounts– FC (Corporates)	**-**	**-**	**-**
Total	**8,461,051**	**20,589,944**	**29,050,995**

(Thousands of Turkish Lira (TL))

5.1.6.6 Allocation of loans by customers

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

5.1.6.7 Allocation of domestic and foreign loans

	Current Period
Domestic Loans	227,816,705
Foreign Loans	19,464,060
Total	**247,280,765**

5.1.6.8 Loans to associates and subsidiaries

	Current Period
Direct Lending	**39,587**
Indirect Lending	**-**
Total	**39,587**

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

	Current Period
Substandard Loans- Limited Collectibility	423,444
Doubtful Loans	974,297
Uncollectible Loans	3,481,248
Total	**4,878,989**

5.1.6.10 Non-performing loans (NPLs) (net)

Non-performing loans and other receivables restructured

	Group III	**Group IV**	**Group V**
	Substandard Loans	**Doubtful Loans**	**Uncollectible Loans**
Current Period			
Gross amounts before provisions	388,280	841,381	1,284,796
Restructured Loans	388,280	841,381	1,284,796

Movements in non-performing loan groups

	Group III	**Group IV**	**Group V**
Current Period	**Substandard Loans**	**Doubtful Loans**	**Uncollectible Loans**
1 January 2018	**1,048,935**	**1,382,104**	**4,457,417**
Additions during the Period (+)	787,480	50,907	50,461
Transfer from Other NPL Categories (+)	2,654	746,048	364,005
Transfer to Other NPL Categories (-)	(740,581)	(364,921)	(7,205)
Collections during the Period (-)	(173,640)	(105,742)	(288,141)
Write-offs (-)	(22,054)	-	(523)
Debt Sale (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Others	-	-	-
Balances at End of Period	**902,794**	**1,708,396**	**4,576,014**
Provisions (-)	(423,444)	(974,297)	(3,481,248)
Net Balance on Balance Sheet	**479,350**	**734,099**	**1,094,766**

(Thousands of Turkish Lira (TL))

5.1.6.11 Expected credit loss for loans

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Balances at Beginning of Period (1 January 2018)	**908,209**	**3,531,389**	**4,512,355**	**8,951,953**
Additions during the Period (+)	293,273	597,472	367,036	1,257,781
Disposal (-)	(314,502)	(146,776)	(159,330)	(620,608)
Debt Sale (-)	-	-	-	-
Write-offs (-)	-	-	(22,142)	(22,142)
Transfer to Stage1	154,508	(153,606)	(902)	-
Transfer to Stage 2	(91,536)	96,856	(5,320)	-
Transfer to Stage 3	(1,624)	(152,851)	154,475	-
Foreign Currency Differences	13,454	130,688	32,817	176,959
Balances at End of Period	**961,782**	**3,903,172**	**4,878,989**	**9,743,943**

Non-performing loans in foreign currencies

	Group III	**Group IV**	**Group V**
	Substandard Loans and Receivables	**Doubtful Loans and Receivables**	**Uncollectible Loans and Receivables**
Current Period			
Balance at End of Period	**269,795**	**829,204**	**1,212,250**
Provisions (-)	120,480	488,836	887,887
Net Balance at Balance Sheet	**149,315**	**340,368**	**324,363**

Gross and net non-performing loans as per customer categories

	Group III	**Group IV**	**Group V**
	Substandard Loans	**Doubtful Loans**	**Uncollectible Loans**
Current Period (Net)			
Loans to Individuals and Corporates (Gross)	879,149	1,706,396	4,568,214
Provision (-)	412,252	973,052	3,474,064
Loans to Individuals and Corporates (Net)	466,897	733,344	1,094,150
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans (Gross)	23,645	2,000	7,800
Provision (-)	11,192	1,245	7,184
Other Loans (Net)	12,453	755	616

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

None.

(Thousands of Turkish Lira (TL))

Collaterals received for non-performing loans

Current Period	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	2,614	288	-	2,902
Loans Collateralized by Mortgages	1,638,110	177,644	-	1,815,754
Loans Collateralized by Pledged Assets	354,701	50,398	-	405,099
Loans Collateralized by Cheques and Notes	151,751	6,355	-	158,106
Loans Collateralized by Other Collaterals	1,718,688	1,247,753	-	2,966,441
Unsecured Loans	507,745	332,697	998,460	1,838,902
Total	**4,373,609**	**1,815,135**	**998,460**	**7,187,204**

5.1.6.12 Liquidation policy for uncollectible loans

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

5.1.6.13 Write-off policy

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

5.1.7 Factoring receivables

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

5.1.8 Financial assets measured at amortised cost

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

	Current Period	
	TL	**FC**
Collateralised/Blocked Investments	1,508,868	3,750,039
Investments subject to Repurchase Agreements	466,189	-
Total	**1,975,057**	**3,750,039**

5.1.8.2 Government securities measured at amortised cost

	Current Period
Government Bonds	20,741,152
Treasury Bills	-
Other Government Securities	-
Total	**20,741,152**

5.1.8.3 Financial assets measured at amortised cost

	Current Period
Debt Securities	**17,169,291**
Quoted at Stock Exchange	17,149,690
Unquoted at Stock Exchange	19,601
Valuation Increase / (Decrease)	**3,697,377**
Total	**20,866,668**

(Thousands of Turkish Lira (TL))

5.1.8.4 *Movement of financial assets measured at amortised cost*

	Current Period
Balance at Beginning of Period	**24,314,540**
TFRS 9 Effect (*)(**)	(2,817,203)
Balances as of 1 January 2018	**21,497,337**
Foreign Currency Differences on Monetary Assets	431,001
Purchases during the Period	144,888
Disposals through Sales/Redemptions	(1,235,291)
Valuation Effect	28,733
Balances at End of Period	**20,866,668**

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

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

5.1.9 Investments in associates

5.1.9.1 *Unconsolidated investments in associates*

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

	Total Assets	**Shareholders' Equity**	**Total Fixed Assets (*)**	**Interest Income**	**Income on Securities Portfolio**	**Current Period Profit/Loss**	**Company's Fair Value**
1	11,066	8,853	1,413	202	2	981	-
2	90,246	49,094	47,325	1,656	-	9,004	-
3	805,172	83,717	2,280	29,769	863	8,296	-
4	10,564,429	1,246,262	105,532	395,567	10,141	276,371	-
5	1,316,102	1,243,553	253,849	56,819	202	228,053	-
6	282,149	183,485	179,270	6,467	166	44,798	-
7	636,970,484	40,906,830	324,862	17,060,636	3,986,373	18,383,903	-
8	471,781	318,282	10,816	34,317	-	131,197	-

(*) Total fixed assets include tangible and intangible assets.
(1) Financial information is as of 31 December 2017.

Unconsolidated investments in associates sold during the current period
None.

Unconsolidated investments in associates acquired during the current period
None.

(Thousands of Turkish Lira (TL))

5.1.9.2 Consolidated investments in associates

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

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Company's Fair Value
1	36,768	36,235	63	204	304	321	24,320

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

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

5.1.9.3 Movement of consolidated investments in associates

	Current Period
Balance at Beginning of Period	**792**
Movements during the Period	**11**
Acquisitions and Capital Increases	-
Bonus Shares Received	-
Allocation from Current Period Profit	-
Sales	-
Reclassifications	-
Increase/Decrease in Fair Values	11
Currency Differences on Foreign Associates	-
Impairment Losses (-)	-
Balance at End of Period	**803**
Capital Commitments	**-**
Share Percentage at the End of Period (%)	**-**

Valuation methods of consolidated investments in associates

Associates	*Current Period*
Valued at Cost	-
Valued at Fair Value	803
Valued by Equity Method of Accounting	-

Sectoral distribution of consolidated investments and associates

Associates	*Current Period*
Banks	-
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	803
Other Associates	-

(Thousands of Turkish Lira (TL))

Quoted consolidated investments in associates

	Current Period
Quoted at Domestic Stock Exchanges	803
Quoted at International Stock Exchanges	-

Investments in associates sold during the current period

None.

Investments in associates acquired during the current period

None.

5.1.10 Investments in subsidiaries

Information on capital adequacy of major subsidiaries

Current Period	**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	670,054	357,848	1,873,762
Share Premium	-	-	63,081
Share Cancellation Profits	-	-	-
Legal Reserves	943,565	455,967	(182,160)
Other Comprehensive Income according to TAS	1,181,759	-	34,562
Current and Prior Periods' Profits	30,764	30,064	34,396
Common Equity Tier I Capital Before Deductions	**2,826,142**	**843,879**	**1,823,641**
Deductions From Common Equity Tier I Capital			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	35,948	555	512,384
Leasehold Improvements on Operational Leases (-)	-	59	4,743
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	19,472	8,381	275,349
Net Deferred Tax Asset/Liability (-)	-	-	9,684
Total Deductions from Common Equity Tier I Capital	**55,420**	**8,995**	**802,160**
Total Common Equity Tier I Capital	**2,770,722**	**834,884**	**1,021,481**
Total Deductions From Tier I Capital	**-**	**-**	**-**
Total Tier I Capital	**2,770,722**	**834,884**	**1,021,481**
TIER II CAPITAL	**243,100**	**-**	**48,649**
TOTAL CAPITAL	**3,013,822**	**834,884**	**1,070,130**

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

(Thousands of Turkish Lira (TL))

5.1.10.1 Unconsolidated investments in subsidiaries

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

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Company's Fair Value	Amount of Equity Requirement
1	90,790	76,205	31	2,232	478	4,443	-	-
2	38,188	17,385	583	609	-	2,048	-	-
3	3,851	3,394	-	120	3	106	-	-
4	2,722	1,854	1,039	-	8	11	-	-
5	3,943	2,932	36	92	-	236	-	-
6	4,923	4,923	4,917	-	-	(1)	-	-
7	1,786,477	29,437	1,541,594	36	-	8,388	-	-
8	2,617	1,891	-	30	-	435	-	-

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

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

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

(Thousands of Turkish Lira (TL))

5.1.10.2 Movement of consolidated investments in subsidiaries

	Current Period
Balance at Beginning of Period	**6,435,099**
TFRS 9 Effect	(353,654)
Balance at 1 January 2018	**6,081,445**
Movements during the Period	**447,852**
Acquisitions and Capital Increases	-
Bonus Shares Received	-
Dividends from Current Year Profit	-
Sales/Liquidations	-
Reclassifications	-
Value Increase/Decrease (*)	195,127
Currency Differences on Foreign Subsidiaries	252,725
Reversal of Impairment Losses / Impairment Losses (-)	-
Balance at End of Period	**6,529,297**
Capital Commitments	**-**
Share Percentage at the End of Period (%)	**-**

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

Valuation methods of consolidated investments in subsidiaries

	Current Period
Valued at Cost	-
Valued at Fair Value	6,529,297

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

Sectoral distribution of consolidated investments in subsidiaries

	Current Period
Banks	2,779,123
Insurance Companies	1,482,085
Factoring Companies	149,241
Leasing Companies	843,368
Finance Companies	1,275,480
Other Subsidiaries	-

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

Quoted consolidated investments in subsidiaries

	Current Period
Quoted at Domestic Stock Exchanges	149,241
Quoted at International Stock Exchanges	-

(Thousands of Turkish Lira (TL))

Other information on consolidated investments in subsidiaries

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

(*) The financial information presented in the below table is based on the financial statements as of 31 March 2018 prepared in accordance with the regulation on "the Accounting Principles and Financial Statements of Financial Leasing, Factoring and Financing Companies".

	Total Assets	Shareholders' Equity	Total Fixed Assets (**)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Company's Fair Value
1	5,615,840	976,953	10,525	103,458	-	30,991	-
2	3,256,828	220,881	8,009	100,006	-	7,895	-
3	231,959	144,703	12,432	1,482	1,435	27,144	-
4	85,817	78,481	3,151	1,060	-	7,393	-
5	2,353,605	1,745,498	39,835	67,103	460	98,604	-
6	20,801,901	2,790,390	148,931	166,359	10,740	30,763	-
7	1,655,145	1,654,868	-	-	-	(74)	-
8	1,683,196	1,453,229	-	1	-	(4,128)	-
9	10,216,919	1,330,331	327,898	93,975	7,220	33,615	-
10	856,756	122,505	4,940	12,069	-	3,209	-
11	609,947	79,585	6,552	16,966	-	1,773	-

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

Consolidated investments in subsidiaries disposed during the current period

None.

Consolidated investments in subsidiaries acquired during the current period

None.

5.1.11 Investments in joint-ventures

None.

(Thousands of Turkish Lira (TL))

5.1.12 Lease receivable

5.1.12.1 Financial lease receivables according to remaining maturities

	Current Period	
	Gross	**Net**
Less than 1 Year	2,515,268	2,203,719
Between 1-5 Years	3,610,383	3,238,408
Longer than 5 Years	355,818	334,263
Total	**6,481,469**	**5,776,390**

5.1.12.2 Net financial lease receivables

	Current Period
Gross Financial Lease Receivables	6,481,469
Unearned Income on Financial Lease Receivables (-)	(705,079)
Terminated Lease Contracts (-)	-
Net Financial Lease Receivables	**5,776,390**

5.1.12.3 Financial lease agreements

Criteria applied for financial lease agreements

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

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

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

Details monitored subsequent to signing of financial lease agreements

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

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

5.1.13 Derivative financial assets held for hedging purpose

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

(Thousands of Turkish Lira (TL))

5.1.13.1 Positive differences on derivative financial instruments held for hedging purpose

Derivative Financial Assets Held for Hedging Purpose	*Current Period* TL	*Current Period* FC
Fair Value Hedges	155,136	43,397
Cash Flow Hedges	501,117	203,241
Net Foreign Investment Hedges	-	-
Total	**656,253**	**246,638**

As of 31 March 2018, the face values and the net fair values, recognised in the balance sheet, of the derivative financial instruments held for hedging purpose, are summarized below:

	Current Period		
	Face Value	**Asset**	**Liability**
Interest Rate Swaps	43,810,854	405,013	45,370
-TL	5,199,220	159,627	8
-FC	38,611,634	245,386	45,362
Cross Currency Swaps	4,985,174	497,878	136,745
-TL	1,317,900	496,626	147
-FC	3,667,274	1,252	136,598
Total	**48,796,028**	**902,891**	**182,115**

5.1.13.1.1 Fair value hedge accounting

Current Period

Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item	Net Fair Value Change of Hedging Item: Asset	Net Fair Value Change of Hedging Item: Liability	Income Statement Effect (gains/losses from derivative financial instruments)
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	(53,448)	64,683	(22,854)	(11,619)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(66,360)	67,748	-	1,388
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(38,558)	66,102	(22,287)	3,671
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	(1,675)	-	(136,113)	(137,780)

(Thousands of Turkish Lira (TL))

5.1.13.1.2 Cash flow hedge accounting

Current Period

Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item		Gains/Losses Accounted under Shareholders' Equity in the Period	Gains/Losses Accounted under Income Statement in the Period	Ineffective Portion (net) Accounted under Income Statement
			Asset	Liability			
Interest Rate Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates	-	-	(17)	17	-
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	116,888	-	52,725	(208)	2,054
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	89,592	(229)	46,824	(4,901)	9,044
Cross Currency Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	-	-	(1,094)	(248)	-
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	455,951	-	6,560	(10,570)	-
Cross Currency Swaps	Fixed-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	41,927	(632)	(86)	86	-
Spot Position(*)	Operational Expenses	Cash flow risk resulted from foreign currency exchange rates	243,400	-	10,150	-	-

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

As of 31 March 2018, there is not any reclassified amounts from the shareholders' equity to the profit or loss due to the ceased hedging transactions during the current period.

5.1.14 Tangible assets

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

5.1.15 Intangible assets

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

5.1.16 Investment property

	Current Period
Net Book Value at Beginning of Period	**559,388**
Additions	1,191
Disposals	-
Transfers to Tangible Assets	-
Fair Value Change	-
Net Currency Translation Differences on Foreign Subsidiaries	-
Net Book Value at End of Period	**560,579**

The investment property is held for operational leasing purposes.

(Thousands of Turkish Lira (TL))

5.1.17 Deferred tax asset

As of 31 March 2018, on a consolidated basis the Bank has a deferred tax asset of TL 1,329,587 thousands calculated as the net amount remaining after netting of tax deductable timing differences and taxable timing differences in its consolidated financial statements.

As of 31 March 2018, deferred tax assets of TL 1,717,573 thousands are reduced by deferred tax liabilities of TL 387,986 thousands with offsetting characteristics and presented as net in the accompanying consolidated financial statements, on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

For the cases where the differences between the carrying values and the taxable values of assets subject to tax are related with certain items on the shareholders' equity accounts, the deferred taxes are charged or credited directly to these accounts.

	Current Period	
	Tax Base	**Deferred Tax Amount**
Provisions (*)	1,484,626	306,367
Stages 1&2 Credit Losses	5,263,174	1,152,540
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	(90,103)	(10,085)
Revaluation Differences on Real Estates	(1,864,352)	(186,435)
Other	318,239	67,200
Deferred Tax Asset, Net	**5,111,584**	**1,329,587**

(*) Consists of reserve for employee benefits, provision for promotion expenses of credit cards and other provisions.
(**) Calculations are performed at the relevant tax rates applicable in the country of the foreign branches and subsidiaries' financial assets.

As of 31 March 2018, TL 88,781 thousands of deferred tax expense and TL 29,071 thousands of deferred tax income were recognised in the income statement and the shareholders' equity, respectively.

5.1.18 Assets held for sale and assets of discontinued operations

	Current Period
Balances at Beginning of Period	
Cost	**850,308**
Accumulated Depreciation	**(14,756)**
Net Book Value	**835,552**
End of Current Period	
Additions	46,979
Disposals (Cost)	(83,266)
Disposals (Accumulated Depreciation)	616
Reversal of Impairment / Impairment Losses (-)	13,838
Depreciation Expense for Current Period (-)	-
Currency Translation Differences on Foreign Operations	942
Cost	**828,801**
Accumulated Depreciation (-)	**(14,140)**
Net Book Value	**814,661**

As of balance sheet date, the net book values of assets held for sale on which rights of repurchase exist amounting to TL 454,671 thousands.

5.1.19 Other Assets

5.1.19.1 Receivables from term sale of assets

	Current Period
Sale of Real Estates	106,747
Sale of Financial Assets Measured at Fair Value through Other Comprehensive Income	21,893
Sale of Other Assets	1,137
Total	**129,777**

5.1.19.2 Prepaid expenses

	Current Period
Prepaid Expenses	1,001,839
Prepaid Taxes	64,938

(Thousands of Turkish Lira (TL))

5.2 Consolidated assets (Prior Period)

5.2.1 Cash and balances with Central Bank

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

Balances with the Central Bank of Turkey

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

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

5.2.2 Financial assets at fair value through profit/loss

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

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

5.2.2.2 Positive differences on derivative financial assets held for trading

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

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

None.

(Thousands of Turkish Lira (TL))

5.2.3 Banks

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

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

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

Due from foreign banks

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

5.2.4 Financial assets available-for-sale

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

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

5.2.4.2 Details of financial assets available-for-sale

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

(Thousands of Turkish Lira (TL))

5.2.5 Loans

5.2.5.1 Loans and advances to shareholders and employees of the Bank

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

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

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

(*) The loans and interest accruals granted to the shareholder of a strategically important company operating in the telecommunication sector amounting to USD 1,060,263,379.13 and EUR 8,059,584.09 are classified under "Loans and Other Receivables Under Follow-Up" in the prior financial statements.

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

Collaterals received for loans under follow-up

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

(Thousands of Turkish Lira (TL))

Delinquency periods of loans under follow-up

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

Loans and other receivables with extended payment plans

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

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

5.2.5.3 Maturity analysis of cash loans

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

(Thousands of Turkish Lira (TL))

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

Prior Period	Short-Term	Medium and Long-Term	Total
Consumer Loans – TL	**911,100**	**45,957,542**	**46,868,642**
Housing Loans	29,632	23,171,465	23,201,097
Automobile Loans	72,369	2,283,541	2,355,910
General Purpose Loans	806,934	20,502,536	21,309,470
Others	2,165	-	2,165
Consumer Loans – FC-indexed	**-**	**165,624**	**165,624**
Housing Loans	-	165,579	165,579
Automobile Loans	-	-	-
General Purpose Loans	-	45	45
Others	-	-	-
Consumer Loans – FC	**230,965**	**3,390,858**	**3,621,823**
Housing Loans	4,410	1,818,532	1,822,942
Automobile Loans	179	16,405	16,584
General Purpose Loans	14,054	1,030,940	1,044,994
Others	212,322	524,981	737,303
Retail Credit Cards – TL	**17,163,201**	**527,872**	**17,691,073**
With Installment	8,452,785	527,872	8,980,657
Without Installment	8,710,416	-	8,710,416
Retail Credit Cards – FC	**148,211**	**129,249**	**277,460**
With Installment	-	-	-
Without Installment	148,211	129,249	277,460
Personnel Loans – TL	**19,264**	**115,539**	**134,803**
Housing Loan	-	1,498	1,498
Automobile Loans	-	4	4
General Purpose Loans	19,264	114,037	133,301
Others	-	-	-
Personnel Loans - FC-indexed	**-**	**405**	**405**
Housing Loans	-	405	405
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Personnel Loans – FC	**1,534**	**66,885**	**68,419**
Housing Loans	90	29,448	29,538
Automobile Loans	-	-	-
General Purpose Loans	436	30,683	31,119
Others	1,008	6,754	7,762
Personnel Credit Cards – TL	**120,550**	**880**	**121,430**
With Installment	50,773	880	51,653
Without Installment	69,777	-	69,777
Personnel Credit Cards – FC	**2,244**	**2,748**	**4,992**
With Installment	-	-	-
Without Installment	2,244	2,748	4,992
Deposit Accounts– TL (Real Persons)	**976,981**	**-**	**976,981**
Deposit Accounts– FC (Real Persons)	**-**	**-**	**-**
Total	**19,574,050**	**50,357,602**	**69,931,652**

(Thousands of Turkish Lira (TL))

5.2.5.5 *Installment based commercial loans and corporate credit cards*

Prior Period	**Short-Term**	**Medium and Long-Term**	**Total**
Installment-based Commercial Loans – TL	**1,621,458**	**14,720,433**	**16,341,891**
Real Estate Loans	850	788,851	789,701
Automobile Loans	138,541	2,283,802	2,422,343
General Purpose Loans	1,482,067	11,647,780	13,129,847
Others	-	-	-
Installment-based Commercial Loans - FC-indexed	**303,531**	**2,426,419**	**2,729,950**
Real Estate Loans	-	74,599	74,599
Automobile Loans	3,644	892,261	895,905
General Purpose Loans	299,887	1,459,559	1,759,446
Others	-	-	-
Installment-based Commercial Loans – FC	**1,313,672**	**2,058,957**	**3,372,629**
Real Estate Loans	-	284	284
Automobile Loans	86	20,075	20,161
General Purpose Loans	27	88,072	88,099
Others	1,313,559	1,950,526	3,264,085
Corporate Credit Cards – TL	**3,777,393**	**42,624**	**3,820,017**
With Installment	1,800,911	42,624	1,843,535
Without Installment	1,976,482	-	1,976,482
Corporate Credit Cards – FC	**20,216**	**-**	**20,216**
With Installment	15	-	15
Without Installment	20,201	-	20,201
Deposit Accounts– TL (Corporates)	**871,611**	**-**	**871,611**
Deposit Accounts– FC (Corporates)	**-**	**-**	**-**
Total	**7,907,881**	**19,248,433**	**27,156,314**

5.2.5.6 *Allocation of loans by customers*

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

5.2.5.7 *Allocation of domestic and foreign loans*

	Prior Period
Domestic Loans	209,895,952
Foreign Loans	18,096,660
Total	**227,992,612**

5.2.5.8 *Loans to associates and Subsidiaries*

	Prior Period
Direct Lending	33,435
Indirect Lending	-
Total	**33,435**

(Thousands of Turkish Lira (TL))

5.2.5.9 *Specific provisions for loans*

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

5.2.5.10 *Non-performing loans (NPLs) (net)*

Non-performing loans and other receivables restructured or rescheduled

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

Movements in non-performing loan groups

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

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

Movements in specific loan provisions

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

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

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

(Thousands of Turkish Lira (TL))

Non-performing loans in foreign currencies

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

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

	Group III	Group IV	Group V
	Substandard Loans and Receivables	**Doubtful Loans and Receivables**	**Uncollectible Loans and Receivables**
Prior Period (Net)	**273,354**	**273,452**	**813,867**
Loans to Individuals and Corporates (Gross)	865,282	1,115,426	4,194,961
Specific Provision (-)	591,928	841,974	3,381,094
Loans to Individuals and Corporates (Net)	273,354	273,452	813,867
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1,005
Specific Provision (-)	-	-	1,005
Other Loans and Receivables (Net)	-	-	-

Collaterals received for non-performing loans

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

5.2.5.11 Liquidation policy for uncollectible loans and receivables

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

5.2.5.12 Write-off policy

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

(Thousands of Turkish Lira (TL))

5.2.6 Factoring receivables

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

5.2.7 Investments held-to-maturity

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

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

5.2.7.2 Government securities held-to-maturity

	Prior Period
Government Bonds	20,232,556
Treasury Bills	-
Other Government Securities	-
Total	**20,232,556**

5.2.7.3 Investments held-to-maturity

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

5.2.7.4 Movement of investments held-to-maturity

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

(Thousands of Turkish Lira (TL))

5.2.8 Investments in associates

5.2.8.1 Unconsolidated investments in associates

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

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

(*) Total fixed assets include tangible and intangible assets.
(1) Financial information is as of 30 September 2017.
(2) Financial information is as of 31 December 2016.

Unconsolidated investments in associates sold during the current period
None.

Unconsolidated investments in associates acquired during the current period
None.

5.2.8.2 Consolidated investments in associates

	Associates	Address (City/ Country)
1	Garanti Yatırım Ortaklığı AŞ	İstanbul / Turkey

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

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

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

5.2.8.3 Movement of consolidated investments in associates

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

Valuation methods of consolidated investments in associates

Associates	***Prior Period***
Valued at Cost	-
Valued at Fair Value	792
Valued by Equity Method of Accounting	-

Sectoral distribution of consolidated investments and associates

Associates	***Prior Period***
Banks	-
Insurance Companies	-
Factoring Companies	-
Leasing Companies	-
Finance Companies	792
Other Associates	-

Quoted consolidated investments in associates

	Prior Period
Quoted at Domestic Stock Exchanges	792
Quoted at International Stock Exchanges	-

Investments in associates sold during the current period

None.

Investments in associates acquired during the current period

None.

(Thousands of Turkish Lira (TL))

5.2.9 Investments in subsidiaries

Information on capital adequacy of major subsidiaries

Prior Period	Garanti Bank International NV	Garanti Finansal Kiralama AŞ	Garanti Holding BV
COMMON EQUITY TIER I CAPITAL			
Paid-in Capital to be Entitled for Compensation after All Creditors	624,487	357,848	1,745,428
Share Premium	-	-	58,760
Share Cancellation Profits	-	-	-
Legal Reserves	945,023	567,914	(254,424)
Other Comprehensive Income according to TAS	1,047,870	-	42,356
Current and Prior Periods' Profits	103,187	20,747	117,599
Common Equity Tier I Capital Before Deductions	**2,720,567**	**946,509**	**1,709,719**
Deductions From Common Equity Tier I Capital			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	27,631	555	464,476
Leasehold Improvements on Operational Leases (-)	-	66	5,298
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	14,832	7,144	205,736
Net Deferred Tax Asset/Liability (-)	-	-	5,905
Total Deductions from Common Equity Tier I Capital	**42,463**	**7,765**	**681,415**
Total Common Equity Tier I Capital	**2,678,104**	**938,744**	**1,028,304**
Total Deductions From Tier I Capital	**3,708**	**1,786**	**52,910**
Total Tier I Capital	**2,674,396**	**936,958**	**975,394**
TIER II CAPITAL	**226,450**	**-**	**121,194**
TOTAL CAPITAL	**2,900,846**	**936,958**	**1,096,588**

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

(Thousands of Turkish Lira (TL))

5.2.9.1 Unconsolidated investments in subsidiaries

	Subsidiaries	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Garanti Bilişim Teknolojisi ve Tic. TAŞ	Istanbul/Turkey	100.00	100.00
2	Garanti Ödeme Sistemleri AŞ	Istanbul/Turkey	99.96	100.00
3	Garanti Hizmet Yönetimi AŞ	Istanbul/Turkey	96.40	99.40
4	Garanti Kültür AŞ	Istanbul/Turkey	100.00	100.00
5	Garanti Konut Finansmanı Danışmanlık Hiz. AŞ	Istanbul/Turkey	100.00	100.00
6	Trifoi Real Estate Company	Bucharest/Romania	-	100.00
7	Garanti Filo Yönetim Hizmetleri AŞ	Istanbul/Turkey	-	100.00
8	Garanti Filo Sigorta Aracılık Hizmetleri AŞ	Istanbul/Turkey	-	100.00

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

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

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

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

(Thousands of Turkish Lira (TL))

5.2.9.2 Movement of consolidated investments in subsidiaries

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

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

Valuation methods of consolidated investments in subsidiaries

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

Sectoral distribution of consolidated investments in subsidiaries

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

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

Quoted consolidated investments in subsidiaries

	Prior Period
Quoted at Domestic Stock Exchanges	174,376
Quoted at International Stock Exchanges	-

(Thousands of Turkish Lira (TL))

Other information on consolidated investments in subsidiaries

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

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

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

Consolidated investments in subsidiaries disposed during the current period

None.

Consolidated investments in subsidiaries acquired during the current period

None.

5.2.10 Investments in joint-ventures

None.

(Thousands of Turkish Lira (TL))

5.2.11 Lease receivables

5.2.11.1 Financial lease receivables according to remaining maturities

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

5.2.11.2 Net financial lease receivables

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

5.2.11.3 Financial lease agreements

Criteria applied for financial lease agreements

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

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

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

Details monitored subsequent to signing of financial lease agreements

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

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

5.2.12 Derivative financial assets held for hedging purpose

5.2.12.1 Positive differences on derivative financial instruments held for hedging purpose

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

(Thousands of Turkish Lira (TL))

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

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

5.2.12.1.1 Fair value hedge accounting

Prior Period						
				Net Fair Value Change of Hedging Item		**Income Statement Effect (gains/losses from derivative financial instruments)**
Hedging Item	**Hedged Item**	**Type of Risk**	**Fair Value Change of Hedged Item**	**Asset**	**Liability**	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	2,442	30,275	(39,034)	(6,317)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(53,789)	57,887	-	4,098
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(18,235)	15,100	(24,459)	(14,528)
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	(3,527)	-	(131,262)	(134,789)
Cross Currency Swaps	Fixed-rate commercial loans	Interest rate and foreign currency exchange rate risk	-	-	-	-

(Thousands of Turkish Lira (TL))

5.2.12.1.2 Cash flow hedge accounting

Prior Period

Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item: Asset	Fair Value Change of Hedged Item: Liability	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
Interest Rate Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates	39	-	(55)	67	-
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	61,415	(2,120)	34,087	(22,643)	672
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	40,601	(334)	18,621	(7,071)	6,932
Cross Currency Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	53	-	1,094	(1,042)	-
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	444,068	-	45	(60,340)	7
Cross Currency Swaps	Fixed-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	21,282	(1,617)	2,242	(2,031)	-

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

5.2.13 Tangible assets

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

5.2.14 Intangible assets

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

5.2.15 Investment property

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

The investment property is held for operational leasing purposes.

(Thousands of Turkish Lira (TL))

5.2.16 Deferred tax asset

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

As of 31 December 2017, deferred tax assets of TL 750,677 thousands are reduced by deferred tax liabilities of TL 308,745 thousands with offsetting characteristics and presented as net in the accompanying consolidated financial statements, on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

For the cases where the differences between the carrying values and the taxable values of assets subject to tax are related with certain items on the shareholders' equity accounts, the deferred taxes are charged or credited directly to these accounts.

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

(*) Consists of reserve for employee benefits, provision for promotion expenses of credit cards and other provisions.
(**) Calculations are performed at the relevant tax rates applicable in the country of the foreign branches and subsidiaries' financial assets.

As of 31 March 2017, TL 156,135 thousands of deferred tax income and TL 95,167 thousands of deferred tax expense were recognised in the income statement and the shareholders' equity, respectively.

5.2.17 Assets held for sale and assets of discontinued operations

	Prior Period
End of Prior Period	
Cost	**621,671**
Accumulated Depreciation	**(16,656)**
Net Book Value	**605,015**
End of Current Period	
Additions	393,729
Disposals (Cost)	(167,095)
Disposals (Accumulated Depreciation)	1,900
Reversal of Impairment / Impairment Losses (-)	(615)
Depreciation Expense for Current Period (-)	-
Currency Translation Differences on Foreign Operations	2,618
Cost	**850,308**
Accumulated Depreciation (-)	**(14,756)**
Net Book Value	**835,552**

As of balance sheet date, the net book values of assets held for sale on which rights of repurchase exist amounting to TL 471,433 thousands.

5.2.18 Other Assets

5.2.18.1 Receivables from term sale of assets

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

5.2.18.2 Prepaid expenses

	Prior Period
Prepaid Expenses	911,395
Prepaid Taxes	25,766

(Thousands of Turkish Lira (TL))

5.3 Consolidated liabilities (Current Period)

5.3.1 Maturity profile of deposits

Current Period	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	**11,782,311**	**-**	**3,013,983**	**44,401,408**	**2,371,005**	**719,626**	**1,078,803**	**3,568**	**63,370,704**
Foreign Currency	**30,307,526**	**-**	**8,565,810**	**50,504,577**	**4,662,199**	**6,861,299**	**14,210,671**	**53,424**	**115,165,506**
Residents in Turkey	20,558,490	-	7,842,821	45,198,482	2,228,397	1,845,278	970,060	52,066	78,695,594
Residents in Abroad	9,749,036	-	722,989	5,306,095	2,433,802	5,016,021	13,240,611	1,358	36,469,912
Public Sector Deposits	**954,245**	**-**	**1,474**	**18,459**	**6,221**	**10**	**-**	**-**	**980,409**
Commercial Deposits	**8,798,591**	**-**	**4,818,684**	**6,933,714**	**282,122**	**296,935**	**170,673**	**-**	**21,300,719**
Others	**252,207**	**-**	**210,605**	**1,214,022**	**74,742**	**418,787**	**2,922,577**	**-**	**5,092,940**
Precious Metal	**1,769,473**	**-**	**-**	**32,689**	**10,501**	**11,453**	**251,778**	**-**	**2,075,894**
Bank Deposits	**2,325,253**	**-**	**1,191,743**	**101,310**	**2,115**	**49,650**	**238,575**	**-**	**3,908,646**
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	8,972	-	468,608	15,324	2,115	21,138	10,570	-	526,727
Foreign Banks	1,321,020	-	723,135	85,986	-	28,512	228,005	-	2,386,658
Special Financial	995,261	-	-	-	-	-	-	-	995,261
Others	-	-	-	-	-	-	-	-	-
Total	**56,189,606**	**-**	**17,802,299**	**103,206,179**	**7,408,905**	**8,357,760**	**18,873,077**	**56,992**	**211,894,818**

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

5.3.1.1.1 Deposits exceeding insurance limit

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

	Covered by Deposit Insurance Over Deposit Insurance Limit	Over Deposit Insurance Limit
	Current Period	*Current Period*
Saving Deposits	30,227,394	32,619,492
Foreign Currency Saving Deposits	21,531,953	42,780,612
Other Saving Deposits	1,119,326	957,816
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-
Off-Shore Branches' Deposits Under Foreign Insurance Coverage	-	-

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

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

(Thousands of Turkish Lira (TL))

5.3.1.2 Saving deposits not covered by insurance limits

5.3.1.3.1 Saving deposits of individuals not covered by insurance limits:

	Current Period
Deposits and Other Accounts held at Foreign Branches	1,097,542
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	211,168
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	

5.3.2 Negative differences on derivative financial liabilities held for trading

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

Trading Derivatives	*Current Period*	
	TL	**FC**
Forward Transactions	126,144	39,202
Swap Transactions	1,280,057	537,794
Futures	93	748
Options	119,786	69,097
Others	-	13,115
Total	**1,526,080**	**659,956**

5.3.3 Funds borrowed

Information on funds borrowed is as follows;

	Current Period	
	TL	**FC**
Central Bank of Turkey	-	695,720
Domestic Banks and Institutions	321,125	1,637,440
Foreign Banks, Institutions and Funds	657,821	31,432,640
Total	**978,946**	**33,765,800**

5.3.3.1 Maturities of funds borrowed

	Current Period	
	TL	**FC**
Short-Term	708,768	5,913,214
Medium and Long-Term	270,178	27,852,586
Total	**978,946**	**33,765,800**

5.3.3.2 Disclosures for concentration areas of bank's liabilities

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

(Thousands of Turkish Lira (TL))

5.3.4 Other external funds

5.3.4.1 Securities issued

Current Period	TL		FC	
	Short-Term	**Medium and Long-Term**	**Short-Term**	**Medium and Long-Term**
Nominal	6,101,088	2,529,850	-	28,096,036
Cost	5,901,379	2,469,065	-	28,315,707
Carrying Value (*)	6,000,853	2,593,719	-	27,839,562

(*) The Bank and/or its financial subsidiaries repurchased the Bank's own TL securities with a total face value of TL 5,845 thousands and foreign currency securities with a total face value of TL 815,550 thousands and netted off such securities in the accompanying consolidated financial statements.

As of 31 March 2018, funds obtained abroad through collateralized payment orders including SWIFT MT 103 and similar foreign currency funds amounting to TL 4,888,088 thousands, are reclassified from "funds borrowed" into "securities issued (net)" based on reassessment of the contractual characteristics of such transactions.

5.3.4.2 Funds provided through repurchase transactions

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

	Current Period	
	TL	**FC**
Domestic Transactions	**532,403**	**-**
Financial Institutions and Organizations	434,837	-
Other Institutions and Organizations	34,326	-
Individuals	63,240	-
Foreign Transactions	**65,788**	**846,931**
Financial Institutions and Organizations	65,170	846,931
Other Institutions and Organizations	500	-
Individuals	118	-
Total	**598,191**	**846,931**

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

	Current Period	
	TL	**FC**
Securities Issued	-	9,317,191
Other	1,013	-
Total	**1,013**	**9,317,191**

It includes securities issued by the Bank through structured entities amounting to TL 9,279,382 thousands which are classified as "Financial Liabilities at Fair Value Through Profit or Loss" in the accompanying consolidated financial statements in order to eliminate accounting mismatch and another security issued by the parent Bank amounting to TL 37,809 thousands which is also classified as "Financial Liabilities at Fair Value Through Profit or Loss" in the accompanying financial statements in order to eliminate an accounting mismatch.

(Thousands of Turkish Lira (TL))

5.3.4.4 *Other liabilities*

	Current Period	
	TL	FC
Payables from credit card transactions	9,193,807	59,942
Payables from clearing transactions	2,542,853	64,314
Dividend payables to shareholders	1,750,744	-
Other	1,150,102	1,843,671
Total	**14,637,506**	**1,967,927**

5.3.5 Factoring payables

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

5.3.6 Lease payables

5.3.6.1 *Financial lease payables*

None.

5.3.6.2 *Operational lease agreements*

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

5.3.7 Derivative financial liabilities held for hedging purpose

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

Derivative Financial Liabilities Held for Hedging Purpose	Current Period	
	TL	FC
Fair Value Hedges	8	181,246
Cash Flow Hedges	147	714
Net Foreign Investment Hedges	-	-
Total	**155**	**181,960**

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

5.3.8 Provisions

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

5.3.8.1 *Reserve for employee severance indemnity*

	Current Period
Balances at Beginning of Period	**423,872**
Provision for the Period	22,876
Actuarial Gain/Loss	-
Payments During the Period	(857)
Balances at End of Period	**445,891**

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

	Current Period
Short-Term Loans	1,756
Medium and Long Term Loans	602
Total	**2,358**

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

(Thousands of Turkish Lira (TL))

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

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

5.3.8.4 Provisions

	Current Period
Reserve for Employee Benefits	907,821
Insurance Technical Provisions, Net	418,696
Provision for Promotion Expenses of Credit Cards	117,977
Provision for Lawsuits	274,229
Provision for Non-Cash Loans	434,371
Other Provisions(*)	1,389,223
Total	**3,542,317**

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

Recognized liability for defined benefit plan obligations

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

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

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

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

(Thousands of Turkish Lira (TL))

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

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

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

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

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

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

5.3.9 Tax liability

5.3.9.1 Current tax liability

5.3.9.1.1 Tax liability

As of 31 March 2018, the corporate tax liability amounts to TL 662,602 thousands after offsetting with prepaid taxes.

5.3.9.1.2 Taxes payable

	Current Period
Corporate Taxes Payable	662,602
Taxation on Securities Income	142,106
Taxation on Real Estates Income	4,572
Banking Insurance Transaction Tax	137,417
Foreign Exchange Transaction Tax	107
Value Added Tax Payable	8,000
Others	58,892
Total	**1,013,696**

(Thousands of Turkish Lira (TL))

5.3.9.1.3 Premiums payable

	Current Period
Social Security Premiums-Employees	11,094
Social Security Premiums-Employer	5,038
Bank Pension Fund Premium-Employees	1,218
Bank Pension Fund Premium-Employer	1,561
Pension Fund Membership Fees and Provisions-Employees	-
Pension Fund Membership Fees and Provisions-Employer	-
Unemployment Insurance-Employees	1,591
Unemployment Insurance-Employer	3,010
Others	36
Total	**23,548**

5.3.9.2 Deferred tax liability

As of 31 March 2018, the deferred tax liability amounts to TL 5,097 thousands.

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

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

5.3.11 Subordinated debts

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

5.3.12 Shareholders’ equity

5.3.12.1 Paid-in capital

	Current Period
Common shares	4,200,000
Preference shares	-

5.3.12.2 Registered share capital system

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

5.3.12.3 Capital increases in current period

None.

5.3.12.4 Capital increases from capital reserves in current period

None.

5.3.12.5 Capital commitments for current and future financial periods

None.

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

None.

5.3.12.7 Information on privileges given to stocks representing the capital

None.

(Thousands of Turkish Lira (TL))

5.3.12.8 Securities value increase fund

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

	Current Period	
	TL	**FC**
Investments in Associates, Subsidiaries and Joint-Ventures	**-**	**-**
Valuation Difference	-	-
Exchange Rate Difference	-	-
Securities measured at Fair Value through Other Comprehensive Income	**(275,990)**	**32,322**
Valuation Difference	(275,990)	29,815
Exchange Rate Difference	-	2,507
Total	**(275,990)**	**32,322**

5.3.12.9 Revaluation surplus

	Current Period	
	TL	**FC**
Movables	-	-
Real Estates	1,494,985	26,742
Revaluation Surplus on Leasehold Improvements	-	-
Total	**1,494,985**	**26,742**

5.3.12.10 Bonus shares of associates, subsidiariesand joint-ventures

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

5.3.12.11 Legal reserves

	Current Period
I. Legal Reserve	1,041,755
II. Legal Reserve	507,264
Special Reserves	-
Total	**1,549,019**

5.3.12.12 Extraordinary reserves

	Current Period
Legal Reserves allocated in compliance with the Decisions Made on the Annual General Assembly	30,875,038
Retained Earnings	-
Accumulated Losses	-
Exchange Rate Difference on Foreign Currency Capital	-
Total	**30,875,038**

5.3.12.13 Minority interest

	Current Period
Balance at Beginning of Period	**314,340**
Profit Share of Subsidiaries Net Profits	17,131
Prior Period Dividend Payment	-
Increase/(Decrease) in Minority Interest due to Sales	-
Others	4
Balance at End of Period	**331,475**

(Thousands of Turkish Lira (TL))

5.4 Consolidated liabilities (Prior Period)

5.4.1 Maturity profile of deposits

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

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

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

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

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

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

5.4.1.3 Saving deposits not covered by insurance limits

5.4.1.3.1 Saving deposits of individuals not covered by insurance limits:

	Prior Period
Deposits and Other Accounts held at Foreign Branches	1,009,774
Deposits and Other Accounts held by Shareholders and their Relatives	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	236,559
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-

(Thousands of Turkish Lira (TL))

5.4.2 Negative differences on derivative financial liabilities held for trading

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

5.4.3 Funds borrowed

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

5.4.3.1 Maturities of funds borrowed

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

In accordance with TAS 39 paragraph 9, the Bank classified a part of borrowings obtained through securitisations amounting to USD 2,455,714,286 as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch. As of 31 December 2017, the accumulated credit risk change and in the first quarter of 2017 the credit risk change recognised in the income statement amounted to TL 43,948 thousands and a loss of TL 271,198 thousands, respectively. The carrying value of the related financial liability amounted to TL 9,228,338 thousands.

5.4.3.2 Disclosures for concentration areas of bank's liabilities

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

5.4.4 Other external funds

5.4.4.1 Securities issued

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

(*) The Bank and/or its financial subsidiariesrepurchased the Bank's own TL securities with a total face value of TL 111,041 thousands and foreign currency securities with a total face value of TL 780,571 thousands and netted off such securities in the accompanying consolidated financial statements.

In accordance with TAS 39 paragraph 9, the Bank classified certain securities amounting to RON 34,500,000 as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch. As of 31 December 2017 and 31 March 2017, the accumulated negative credit risks change, and the positive credit risk change recognised in the income statement for the first quarter of 2017 amounted to TL 908 thousands and TL 340 thousands, respectively. The carrying value of the related financial liability amounted to TL 34,983 thousands as of 31 December 2017 and the related income for the first quarter of 2017 amounted to TL 337 thousands.

(Thousands of Turkish Lira (TL))

5.4.4.2 *Funds provided through repurchase transactions*

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

5.4.4.3 *Miscellaneous payables*

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

5.4.5 Factoring payables

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

5.4.6 Lease payables

5.4.6.1 *Financial lease payables*

None.

5.4.6.2 *Operational lease agreements*

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

5.4.7 Derivative financial liabilities held for hedging purpose

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

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

5.4.8 Provisions

5.4.8.1 *General provisions*

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

(Thousands of Turkish Lira (TL))

5.4.8.2 *Reserve for employee severance indemnity*

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

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

	Prior Period
Short-Term Loans	14,419
Medium and Long Term Loans	2,800
Total	**17,219**

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

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

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

5.4.8.5 *Other provisions*

5.4.8.5.1 *General reserves for possible losses*

	Prior Period
General Reserves for Possible Losses	1,160,000

5.4.8.5.2 *Other provisions for possible losses*

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

(*) The Bank provides full allowance for the committed promotion expenses of credit cards as of the balance sheet date.
(**) A provision of EUR 33,000,000 is provided for the ongoing lawsuit against the Bank in Paris, which was disclosed in the Public Disclosure Platform on 20 September 2017.
(***) A provision of TL 33,887 thousands is allocated for the dormant “other temporary accounts” standing longer than a year within the scope of “TAS 37 Provisions, Contingent Liabilities and Contingent Assets” Standard.

Recognized liability for defined benefit plan obligations

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

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

(Thousands of Turkish Lira (TL))

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

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

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

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

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

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

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

(Thousands of Turkish Lira (TL))

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

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

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

5.4.9 Tax liability

5.4.9.1 Current tax liability

5.4.9.1.1 Tax liability

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

5.4.9.1.2 Taxes payable

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

5.4.9.1.3 Premiums payable

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

5.4.9.2 Deferred tax liability

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

(Thousands of Turkish Lira (TL))

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

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

5.4.11 Subordinated debts

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

5.4.12 Shareholders' equity

5.4.12.1 Paid-in capital

	Prior Period
Common shares	4,200,000
Preference shares	-

5.4.12.2 Registered share capital system

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

5.4.12.3 Capital increases in current period

None.

5.4.12.4 Capital increases from capital reserves in current period

None.

5.4.12.5 Capital commitments for current and future financial periods

None.

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

None.

5.4.12.7 Information on privileges given to stocks representing the capital

None.

5.4.12.8 Securities value increase fund

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

(Thousands of Turkish Lira (TL))

5.4.12.9 Revaluation surplus

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

5.4.12.10 Bonus shares of associates, subsidiaries and joint-ventures

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

5.4.12.11 Legal reserves

	Prior Period
I. Legal Reserve	1,038,987
II. Legal Reserve	353,272
Special Reserves	-
Total	**1,392,259**

5.4.12.12 Extraordinary reserves

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

5.4.12.13 Minority interest

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

(Thousands of Turkish Lira (TL))

5.5 Consolidated off-balance sheet items (Current Period)

5.5.1 Off-balance sheet contingencies

5.5.1.1 Irrevocable credit commitments

The Bank and its consolidated financial subsidiaries have term asset purchase and sale commitments of TL 23,492,857 thousands, commitments for cheque payments of TL 4,181,818 thousands and commitments for credit card limits of TL 31,701,762 thousands.

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

	Current Period
Letters of Guarantee in Foreign Currency	21,276,422
Letters of Guarantee in TL	20,141,403
Letters of Credit	16,776,409
Bills of Exchange and Acceptances	1,472,835
Prefinancings	-
Other Guarantees	215,472
Total	**59,882,541**

Expected losses for non-cash loans and irrevocable commitments

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Balances at Beginning of Period (1 January 2018)	**115,145**	**205,417**	**118,820**	**439,382**
Additions during the Period (+)	25,569	35,475	19,914	**80,958**
Disposal (-)	(48,223)	(24,503)	(22,888)	**(95,614)**
Sales	-	-	-	**-**
Write-off	-	-	-	**-**
Transfer to Stage 1	36,279	(23,380)	(12,899)	**-**
Transfer to Stage 2	(6,926)	14,486	(7,560)	**-**
Transfer to Stage 3	(72)	(15,956)	16,028	**-**
Foreign Currency Differences	1,410	6,006	2,229	**9,645**
Balances at End of Period	**123,182**	**197,545**	**113,644**	**434,371**

A specific provision of TL 113,644 thousands is made for unliquidated non-cash loans of TL 327,041 thousands recorded under the off-balance sheet items.

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

5.5.1.3 Non-cash loans

	Current Period
Non-Cash Loans against Cash Risks	7,811,805
With Original Maturity of 1 Year or Less	*603,300*
With Original Maturity of More Than 1 Year	*7,208,505*
Other Non-Cash Loans	52,070,736
Total	**59,882,541**

5.5.1.4 Other information on non-cash loans

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

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

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

5.5.2 Financial derivative instruments

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

5.5.3 Credit derivatives and risk exposures on credit derivatives

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

5.5.4 Contingent liabilities and assets

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

5.5.5 Services rendered on behalf of third parties

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

(Thousands of Turkish Lira (TL))

5.6 Consolidated off-balance sheet items (Prior Period)

5.6.1 Off-balance sheet contingencies

5.6.1.1 Irrevocable credit commitments

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

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

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

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

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

5.6.1.3 Non-cash loans

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

5.6.1.4 Other information on non-cash loans

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

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

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

5.6.2 Financial derivative instruments

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

5.6.3 Credit derivatives and risk exposures on credit derivatives

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5.6.4 Contingent liabilities and assets

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

5.6.5 Services rendered on behalf of third parties

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

(Thousands of Turkish Lira (TL))

5.7 Consolidated statement of profit or loss (Current Period)

5.7.1 Interest income

5.7.1.1 Interest income from loans (*)

	Current Period	
	TL	**FC**
Interest Income from Loans		
Short-term loans	1,701,208	119,353
Medium and long-term loans	3,401,100	1,071,783
Loans under follow-up	158,410	1,573
Premiums Received from Resource Utilization Support Fund	-	-
Total	**5,260,718**	**1,192,709**

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

5.7.1.2 Interest income from banks

	Current Period	
	TL	**FC**
Central Bank of Turkey	11,712	14,749
Domestic Banks	42,167	5,446
Foreign Banks	970	28,307
Foreign Head Offices and Branches	-	-
Total	**54,849**	**48,502**

5.7.1.3 Interest income from securities portfolio

	Current Period	
	TL	**FC**
Financial Assets Measured at Fair Value through Profit or Loss	13,433	794
Financial Assets Measured at Fair Value through Other Comprehensive Income	467,391	128,935
Financial Assets Measured at Amortised Cost	411,456	43,663
Total	**892,280**	**173,392**

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 March 2018, the valuation of such securities was made according to 8% of annual inflation expectation. If the valuation of such securities was performed according to the reference index valid as of 31 March 2018, the parent Bank's securities value increase fund under the equity would decrease by TL 99,235 thousands (net), whereas the interest income on securities portfolio would increase by TL 280,194 thousands.

5.7.1.4 Interest income received from associates and subsidiaries

	Current Period
Interest Received from Investments in Associates and Subsidiaries	809

(Thousands of Turkish Lira (TL))

5.7.2 Interest expenses

5.7.2.1 Interest expenses on funds borrowed (*)

	Current Period	
	TL	FC
Banks	26,032	243,562
Central Bank of Turkey	-	1,275
Domestic Banks	9,480	12,448
Foreign Banks	16,552	229,839
Foreign Head Offices and Branches	-	-
Other Institutions	-	143,942
Total	**26,032**	**387,504**

(*) Includes also fees and commissions expenses on borrowings

5.7.2.2 Interest expenses paid to associates and subsidiaries

	Current Period
Interest Paid to Investments in Associates and Subsidiaries	3,091

5.7.2.3 Interest expenses on securities issued

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

5.7.2.4 Maturity structure of interest expense on deposits

Current Period	Demand Deposits	Time Deposits						Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year	Accumulating Deposit Accounts	
Turkish Lira								
Bank Deposits	142	18,012	-	175	37	-	-	18,366
Saving Deposits	420	52,601	1,295,042	64,443	19,267	29,281	-	1,461,054
Public Sector Deposits	-	36	715	172	-	-	-	923
Commercial Deposits	26	138,573	253,116	10,534	10,757	38,255	-	451,261
Others	8	5,182	23,789	3,250	14,376	82,315	-	128,920
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Total TL	**596**	**214,404**	**1,572,662**	**78,574**	**44,437**	**149,851**	**-**	**2,060,524**
Foreign Currency								
Foreign Currency Deposits	10,598	24,027	278,765	19,431	31,364	102,968	185	467,338
Bank Deposits	41	3,781	158	155	277	840	-	5,252
"7 Days Notice" Deposits	-	-	-	-		-	-	-
Precious Metal Deposits	-	-	32	7	50	915	-	1,004
Total FC	**10,639**	**27,808**	**278,955**	**19,593**	**31,691**	**104,723**	**185**	**473,594**
Grand Total	**11,235**	**242,212**	**1,851,617**	**98,167**	**76,128**	**254,574**	**185**	**2,534,118**

(Thousands of Turkish Lira (TL))

5.7.2.5 *Interest expense on repurchase agreements*

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

5.7.2.6 *Financial lease expenses*

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

5.7.2.7 *Interest expenses on factoring payables*

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

5.7.3 Dividend income

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

5.7.4 Trading income/losses (net)

	Current Period
Income	**16,626,339**
Trading Account Income	396,852
Derivative Financial Instruments	3,558,792
Foreign Exchange Gain	12,670,695
Losses (-)	**16,908,800**
Trading Account Losses	177,244
Derivative Financial Instruments	3,270,767
Foreign Exchange Losses	13,460,789
Total	**(282,461)**

TL 1,697,348 thousands of foreign exchange gains and TL 2,463,183 thousands of foreign exchange losses are resulted from the exchange rate changes of derivative transactions.

The Bank enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied fair value hedge accounting for the fixed rate eurobonds issued in 2011 with a total face value of USD 500,000,000 maturity of 10 years and maturity date of 20 April 2021 which were priced at 6,375% originally and had a coupon rate of 6,25%, by designating interest rate swaps with the same face values and terms. In June 2012, the Bank ceased to apply hedge accounting and accordingly fair value calculations for these bonds. The accumulated fair value differences incurred starting from the date of hedge accounting up to the date on which it was ceased, are amortized as per the effective interest-rate method in compliance with TAS 39.

In this respect; the Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 1,794,460, USD 883,802,755 and EUR 244,388,549 for its bonds with a total face value of TL 755,000 thousands and USD 289,000,000 and fixed-rate coupons by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, losses of TL 119,809 thousands and TL 50,635 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 1,675 thousands resulted from the fair value changes of the securities issued and funds borrowed subject to hedge accounting were accounted for under trading income/losses in the income statement.

(Thousands of Turkish Lira (TL))

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 59,870,270 and EUR 34,210,526, securitization borrowings amounting to USD 29,166,667 and EUR 92,421,048 and commitments amounting to USD 250,000,000 by designating cross currency swaps with the same face values and terms, and eurobonds with a total nominal value of USD 650,000,000, securitizations amounting to USD 742,689,927 and EUR 90,000,000 and deposits amounting to TL 50,000 thousands, USD 1,055,000,000 and EUR 250,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, gains of TL 53,087 thousands and TL 192,860 thousands resulting from cross currency and interest rate swap agreements were recognised under shareholders'equity.

One of the Bank's consolidated subsidiary enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the subsidiary applied fair value hedge accounting for fixed rate eurobonds with a total face value of USD 85,000,000 and EUR 138,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a net loss of TL 1,938 thousands resulting from the related fair value calculations for the hedged bonds were accounted for under trading income/losses in the income statement.

One of the Bank's consolidated subsidiary enters into interest rate agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the subsidiary applied cash flow hedge accounting for its funds borrowed amounting to USD 80,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a net gain of TL 238 thousands resulting from interest rate swap agreements were recognised under shareholders'equity.

One of the Bank's consolidated subsidiary enters into foreign currency derivative contracts to hedge the foreign currency risk of its expected future cash flows. In this respect, the subsidiary applied cash flow hedge accounting for its loans granted in Turkish Lira by designating swaps with the same face value amount and similar terms; TL 766,090,000 thousands sell and EUR 159,304,559 buy, RON 135,000,000 sell and EUR 29,053,171 buy, USD 31,000,000 sell and EUR 24,812,518 buy. Accordingly, in the current period, a net gain of TL 65 thousands resulting from currency derivative contracts were recognized under shareholder's equity.

5.7.5 Other operating income

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

	Current Period
Prior Year Reversals	**980,302**
Stage 1	*459,886*
Stage 2	*282,815*
Stage 3	*229,296*
Others	*8,305*
Income from term sale of assets	**123,933**
Others	**248,169**
Total	**1,352,404**

(Thousands of Turkish Lira (TL))

5.7.6 Provision for losses on loans or other receivables

	Current Period
Expected Credit Losses	1,783,033
12-Month ECL (Stage 1)	*438,367*
Significant Increase in Credit Risk (Stage 2)	*793,528*
Impaired Credits(Stage 3)	*551,138*
Impairment Losses on Securities	4,004
Financial Assets Measured at Fair Value through Profit or Loss	*4,004*
Financial Assets Measured at Fair Value through Other Comprehensive Income	-
Impairment Losses on Associates, Subsidiaries and Joint-ventures	-
Associates	-
Subsidiaries	-
Joint-ventures (business partnership)	-
Others	15,790
Total	**1,802,827**

5.7.7 Other operating expenses

	Current Period
Personnel Costs	814,443
Reserve for Employee Termination Benefits	22,019
Defined Benefit Obligation	-
Impairment Losses on Tangible Assets	-
Depreciation Expenses of Tangible Assets	76,576
Impairment Losses on Intangible Assets	-
Impairment Losses on Goodwill	-
Amortisation Expenses of Intangible Assets	29,198
Decrease in Value of Equity Accounting Shares	-
Impairment Losses on Assets to be Disposed	-
Depreciation Expenses of Assets to be Disposed	-
Impairment Losses on Assets Held for Sale and Discontinued Assets	-
Other Operating Expenses	825,130
Operational lease related expenses	*124,121*
Repair and maintenance expenses	*17,367*
Advertisement expenses	*42,461*
Other expenses (*)	*641,181*
Loss on Sale of Assets	190
Others (**) (***)	274,975
Total	**2,042,531**

(*) 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 4,418 thousands, as per the decision of the Turkish Competition Board or the related courts.

(**) Includes saving-deposits-insurance-fund related expenses of TL 67,790 thousands and insurance-business claim losses of TL 57,859 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 3,724 thousands as per the decision of the Turkish Competition Board or the related courts.

(Thousands of Turkish Lira (TL))

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

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

5.7.9 Information on provision for taxes for continued and discontinued operations

As of 31 March 2018, on a consolidated basis, the Bank recorded a current tax expense of TL 474,610 thousands and a deferred tax expense of TL 88,781 thousands.

Deferred tax benefit/charge on timing differences

Deferred tax (benefit)/charge on timing differences	***Current Period***
Increase in Tax Deductable Timing Differences (+)	(168,606)
Decrease in Tax Deductable Timing Differences (-)	214,977
Increase in Taxable Timing Differences (-)	99,969
Decrease in Taxable Timing Differences (+)	(57,559)
Total	**88,781**

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***
(Increase)/Decrease in Tax Deductable Timing Differences (net)	41,496
(Increase)/Decrease in Taxable Timing Differences (net)	42,410
(Increase)/Decrease in Tax Losses (net)	4,875
(Increase)/Decrease in Tax Deductions and Exemptions (net)	-
Total	**88,781**

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

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

5.7.11 Net profit/loss

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

None.

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

None.

5.7.11.3 Minority interest's profit/loss

	Current Period
Net Profit/(Loss) of Minority Interest	17,131

5.7.12 Components of other items in income statement

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

(Thousands of Turkish Lira (TL))

5.8 Consolidated income statement (Prior Period)

5.8.1 Interest income

5.8.1.1 Interest income from loans (*)

	31 March 2017	
	TL	**FC**
Interest Income from Loans		
Short-term loans	1,305,065	116,677
Medium and long-term loans	2,532,840	982,037
Loans under follow-up	22,983	1,500
Premiums Received from Resource Utilization Support Fund	-	-
Total	**3,860,888**	**1,100,214**

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

5.8.1.2 Interest income from banks

	31 March 2017	
	TL	**FC**
Central Bank of Turkey	812	7,393
Domestic Banks	23,333	5,476
Foreign Banks	449	21,824
Foreign Head Offices and Branches	-	-
Total	**24,594**	**34,693**

5.8.1.3 Interest income from securities portfolio

	31 March 2017	
	TL	**FC**
Financial Assets Held for Trading	4,226	746
Financial Assets Valued at Fair Value Through Profit	-	-
Financial Assets Available-for-Sale	415,582	61,344
Investments Held-to-Maturity	279,502	157,140
Total	**699,310**	**219,230**

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 March 2017, the valuation of such securities was made according to 7% of annual inflation expectation. If the valuation of such securities was performed according to the reference index valid as of 31 March 2017, the parent Bank's securities value increase fund under the equity would decrease by TL 235,100 thousands (net), whereas the interest income on securities portfolio would increase by TL 576,577 thousands.

5.8.1.4 Interest income received from associates and subsidiaries

	31 March 2017
Interest Received from Investments in Associates and Subsidiaries	437

(Thousands of Turkish Lira (TL))

5.8.2 Interest expenses

5.8.2.1 Interest expenses on funds borrowed (*)

	31 March 2017	
	TL	**FC**
Banks	61,396	164,870
Central Bank of Turkey	-	-
Domestic Banks	13,969	11,524
Foreign Banks	47,427	153,346
Foreign Head Offices and Branches	-	-
Other Institutions	-	107,246
Total	**61,396**	**272,116**

(*) Includes also fees and commissions expenses on borrowings

5.8.2.2 Interest expenses paid to associates and subsidiaries

	31 March 2017
Interest Paid to Investments in Associates and Subsidiaries	1,777

5.8.2.3 Interest expenses on securities issued

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

5.8.2.4 Maturity structure of interest expense on deposits

31 March 2017	**Demand Deposits**	**Time Deposits**						**Total**
		Up to 1 Month	**1-3 Months**	**3-6 Months**	**6-12 Months**	**Over 1 Year**	**Accumulating Deposit Accounts**	
Turkish Lira								
Bank Deposits	275	28,913	15	113	125	-	-	29,441
Saving Deposits	1,683	61,281	929,845	27,816	8,719	12,722	-	1,042,066
Public Sector Deposits	-	668	751	2	136	-	-	1,557
Commercial Deposits	247	91,213	154,184	4,057	4,293	23,081	-	277,075
Others	-	4,346	17,154	941	13,013	21,486	-	56,940
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Total TL	**2,205**	**186,421**	**1,101,949**	**32,929**	**26,286**	**57,289**	**-**	**1,407,079**
Foreign Currency								
Foreign Currency Deposits	7,955	22,170	226,269	9,419	41,178	71,907	230	379,128
Bank Deposits	3	11,264	69	424	411	760	-	12,931
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	60	21	85	811	-	977
Total FC	**7,958**	**33,434**	**226,398**	**9,864**	**41,674**	**73,478**	**230**	**393,036**
Grand Total	**10,163**	**219,855**	**1,328,347**	**42,793**	**67,960**	**130,767**	**230**	**1,800,115**

(Thousands of Turkish Lira (TL))

5.8.2.5 *Interest expense on repurchase agreements*

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

5.8.2.6 *Financial lease expenses*

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

5.8.2.7 *Interest expenses on factoring payables*

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

5.8.3 Dividend income

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

5.8.4 Trading income/losses (net)

	31 March 2017
Income	**21,654,818**
Trading Account Income	762,456
Derivative Financial Instruments	4,477,081
Foreign Exchange Gain	16,415,281
Losses (-)	**21,921,590**
Trading Account Losses	994,323
Derivative Financial Instruments	4,648,582
Foreign Exchange Losses	16,278,685
Total	**(266,772)**

TL 2,577,333 thousands of foreign exchange gains and TL 2,645,162 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 2,966,662 thousands, USD 1,055,789,593 and EUR 190,409,023, for its fixed-rate coupon bonds with a total face value of TL 965,000 thousands and USD 250,400,000 fixed-rate coupons and for its fixed-rate loan with a total principal of RON 215,939,842 by designating interest rate swaps and cross currency swaps with the same face values and terms. Accordingly, in the prior period, losses of TL 21,861 thousands and TL 23,059 thousands resulted from the related fair value calculations for the hedged loans and bonds were accounted for under trading income/losses in the income statement, respectively.

In addition; the Bank also entered into cross currency swap agreements in order to hedge its fixed-rate bonds issued for a total principal value of AUD 175,000,000 and RON 85,500,000 with the same face values and terms. Accordingly, in the prior period, a loss of TL 12,448 thousands resulted from the fair value changes of the securities issued and funds borrowed subject to hedge accounting were accounted for under trading income/losses in the income statement.

The Bank also enters into interest rate and cross currency swap agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied cash flow hedge accounting for its funds borrowed amounting to USD 75,835,676 and EUR 39,473,684, securitization borrowings amounting to USD 87,500,000 and EUR 141,915,787 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 790,000,000, EUR 90,000,000 and deposits amounting to USD 880,000,000 and EUR 50,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the prior period, gains of TL 48,427 thousands and TL 51,110 thousands resulting from cross currency and interest rate swap agreements were recognised under shareholders'equity.

One of the Bank's consolidated subsidiary enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the subsidiary applied fair value hedge accounting for fixed rate eurobonds with a total face value of USD 78,435,000 and EUR 137,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the prior period, a net loss of TL 811 thousands resulting from the related fair value calculations for the hedged bonds were accounted for under trading income/losses in the income statement.

One of the Bank's consolidated subsidiary enters into interest rate agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the subsidiary applied cash flow hedge accounting for its funds borrowed amounting to USD 249,807,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the prior period, a net gain of TL 523 thousands resulting from interest rate swap agreements were recognised under shareholders'equity.

One of the Bank's consolidated subsidiary enters into foreign currency derivative contracts to hedge the foreign currency risk of its expected future cash flows. In this respect, the subsidiary applied cash flow hedge accounting for its loans granted in Turkish Lira by designating swaps with the same face value amount and similar terms; TL 348,690,000 sell and EUR 91,356,627 buy, CHF 487,510 sell and EUR 447,983 buy, RON 45,000,000 sell and EUR 9,838,216 buy, GBP 112,107,234 sell and EUR 130,985,161 buy, USD 206,048,750 sell and EUR 188,654,099 buy, ZAR 46,663,945 sell and EUR 2,997,986 buy. Accordingly, in the prior period, a net gain of TL 1,692 thousands resulting from currency derivative contracts were recognized under shareholder's equity.

5.8.5 Other operating income

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

In the prior period, a part of non-performing receivables of the Bank amounting to TL 109,710 thousands were sold for a consideration of TL 9,010 thousands. Considering the related provisions of TL 109,710 thousands in the financial statements, a gain of TL 9,010 thousands is recognized under "other operating income".

A part of written-off non-performing loans, lease receivables and factoring receivables of certain consolidated financial subsidiaries of the Bank amounting to TL 86,775 thousands were sold for a total consideration of TL 16,914 thousands. A gain from these sales amounting to TL 16,914 thousands is recognized under "other operating income" considering the related provision of TL 86,775 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 23 thousands is recognized in the income statement under "other operating income" in the prior period.

(Thousands of Turkish Lira (TL))

5.8.6 Provision for losses on loans or other receivables

	31 March 2017
Specific Provisions for Loans and Other Receivables	451,630
Loans and receivables in Group III	*383,871*
Loans and receivables in Group IV	*17,542*
Loans and receivables in Group V	*50,217*
General Provisions	127,016
Provision for Possible Losses	200,000
Impairment Losses on Financial Assets	919
Financial assets at fair value through profit or loss	*919*
Financial assets available-for-sale	-
Impairment Losses on Associates, Subsidiariesand Investments Held-to-Maturity	-
Associates	-
Subsidiaries	-
Joint ventures (business partnership)	-
Investments held-to-maturity	-
Others	62,842
Total	**842,407**

5.8.7 Other operating expenses

	31 March 2017
Personnel Costs	810,275
Reserve for Employee Termination Benefits	19,264
Defined Benefit Obligation	-
Impairment Losses on Tangible Assets	7
Depreciation Expenses of Tangible Assets	69,673
Impairment Losses on Intangible Assets	-
Impairment Losses on Goodwill	-
Amortisation Expenses of Intangible Assets	25,730
Decrease in Value of Equity Accounting Shares	-
Impairment Losses on Assets to be Disposed	11
Depreciation Expenses of Assets to be Disposed	-
Impairment Losses on Assets Held for Sale and Discontinued Assets	-
Other Operating Expenses	711,817
Operational lease related expenses	*115,855*
Repair and maintenance expenses	*10,220*
Advertisement expenses	*48,965*
Other expenses (*)	*536,777*
Loss on Sale of Assets	411
Others (**) (***)	275,989
Total	**1,913,177**

(*) 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 9,009 thousands, as per the decision of the Turkish Competition Board or the related courts.

(**) Includes saving-deposits-insurance-fund related expenses of TL 85,336 thousands and insurance-business claim losses of TL 37,730 thousands in the prior period.

(***) Includes repayments, by the Bank, of fees and commissions income recognised in prior years in the amount of TL 10,236 thousands as per the decision of the Turkish Competition Board or the related courts.

(Thousands of Turkish Lira (TL))

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

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

5.8.9 Information on provision for taxes for continued and discontinued operations

As of 31 March 2017, on a consolidated basis, the Bank recorded a current tax expense of TL 615,148 thousands and a deferred tax income of TL 156,135 thousands.

Deferred tax benefit/charge on timing differences

Deferred tax (benefit)/charge on timing differences	***31 March 2017***
Increase in Tax Deductable Timing Differences (+)	(97,007)
Decrease in Tax Deductable Timing Differences (-)	10,158
Increase in Taxable Timing Differences (-)	66,455
Decrease in Taxable Timing Differences (+)	(135,741)
Total	**(156,135)**

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	***31 March 2017***
(Increase)/Decrease in Tax Deductable Timing Differences (net)	(84,461)
(Increase)/Decrease in Taxable Timing Differences (net)	(69,286)
(Increase)/Decrease in Tax Losses (net)	(2,388)
(Increase)/Decrease in Tax Deductions and Exemptions (net)	-
Total	**(156,135)**

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

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

5.8.11 Net profit/loss

5.8.11.1 Any further explanation on operating results needed for better understanding of bank's performance

None.

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

None.

5.8.11.3 Minority interest's profit/loss

	31 March 2017
Net Profit/(Loss) of Minority Interest	13,097

5.8.12 Components of other items in income statement

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

5.9 Consolidated statement of changes in shareholders' equity

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

5.10 Consolidated statement of cash flows

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

(Thousands of Turkish Lira (TL))

5.11 Related party risks

5.11.1 Transactions with parent bank's risk group;

5.11.1.1 Loans and other receivables

Current Period:

Bank's Risk Group	**Associates, Subsidiaries and Joint-Ventures**		**Bank's Direct and Indirect Shareholders**		**Other Components in Risk Group**	
Loans and Other Receivables	**Cash**	**Non-cash**	**Cash**	**Non-cash**	**Cash**	**Non-cash**
Balance at beginning of period	84,052	3,530	1,398,195	1,548,939	2,710,219	896,963
Balance at end of period	84,846	3,471	1,471,887	1,812,469	2,806,335	988,084
Interest and Commission Income	1,138	2	696	32	45,714	1,599

Prior Period:

Bank's Risk Group	**Associates, Subsidiaries and Joint-Ventures**		**Bank's Direct and Indirect Shareholders**		**Other Components in Risk Group**	
Loans and Other Receivables	**Cash**	**Non-cash**	**Cash**	**Non-cash**	**Cash**	**Non-cash**
Balance at beginning of period	31,850	3,476	1,660,778	385,799	2,320,156	735,944
Balance at end of period	84,052	3,530	1,398,195	1,548,939	2,710,219	896,963
Interest and Commission Income	643	207	348	24	43,427	462

5.11.1.2 Deposits

Bank's Risk Group	**Associates, Subsidiaries and Joint-Ventures**		**Bank's Direct and Indirect Shareholders**		**Other Components in Risk Group**	
Deposits	***Current Period***	***Prior Period***	***Current Period***	***Prior Period***	***Current Period***	***Prior Period***
Balance at beginning of period	97,361	46,726	375,171	545,105	409,424	554,648
Balance at end of period	101,246	97,361	248,072	375,171	397,068	409,424
Interest Expenses	3,091	1,777	574	2,190	3,784	4,351

5.11.1.3 Derivative transactions

Bank's Risk Group	**Associates, Subsidiaries and Joint-Ventures**		**Bank's Direct and Indirect Shareholders**		**Other Components in Risk Group**	
	Current Period	***Prior Period***	***Current Period***	***Prior Period***	***Current Period***	***Prior Period***
Transactions at Fair Value Through Profit/(Loss)						
Balance at beginning of period	7,239	13,344	39,433,377	13,797,354	792,918	843,120
Balance at end of period	8,757	7,239	34,976,078	39,433,377	828,450	792,918
Total Profit/(Loss)	42	12	65,541	7,527	(3,076)	1,505
Transactions for Hedging						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit/(Loss)	-	-	-	-	-	-

5.11.2 Bank's risk group

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

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

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

The cash loans of the risk group amounting TL 2,793,764 thousands (31 December 2017: TL 2,662,333 thousands) compose 1.14% (31 December 2017: 1.16%) of the Bank's total consolidated cash loans and 0.78% (31 December 2017: 0.75%) of the Bank's total consolidated assets. In the current period, there is no securities purchased from the risk group (31 December 2017:TL 21,757 thousands). The total loans and similar receivables amounting TL 4,363,068 thousands (31 December 2017: TL 4,192,466 thousands) compose 1.21% (31 December 2017: 1.18%) of the Bank's total consolidated assets. The non-cash loans of the risk group amounting TL 2,804,024 thousands (31 December 2017: TL 2,449,432 thousands) compose 4.68% (31 December 2017: 4.36%) of the Bank's total consolidated non-cash loans. The deposits of the risk group amounting TL 746,386 thousands (31 December 2017: TL 881,956 thousands) compose 0.35% (31 December 2017: 0.44%) of the Bank's total consolidated deposits. There are no funds borrowed by the Bank and its consolidated financial subsidiaries from their risk group of the Bank's total consolidated funds borrowed. The pricing in transactions with the risk group companies is set on an arms-length basis.

The credit card (POS) payables to the related parties, amounted to TL 72,452 thousands (31 December 2017: TL 97,932 thousands). A total rent income of TL 1,089 thousands (31 March 2017: TL 1,129 thousands) was recognized for the real estates rented to the related parties.

Operating expenses for TL 1,072 thousands (31 March 2017: TL 1,194 thousands) as of 31 March 2018 were incurred for the IT services rendered by the related parties. Other income of TL 1,005 thousands (31 March 2017: TL 717 thousands) for the IT services rendered and banking services fee income of TL 15,287 thousands (31 March 2017: TL 1,363 thousands) were recognized from the related parties.

Operating expenses of TL 102 thousands (31 March 2017: TL 34 thousands) for advertisement and broadcasting services, of TL 14,294 thousands (31 March 2017: TL 12,996 thousands) for financial leasing services, and of TL 4,141 thousands (31 March 2017: TL 1,991 thousands) for travelling services rendered by the related parties were recognized as expense.

The net payment provided or to be provided to the key management of the Bank and its consolidated financial subsidiaries amounts to TL 34,252 thousands as of 31 March 2018 (31 March 2017: TL 37,895 thousands) including compensations paid to key management personnel who left their position during the year.

5.11.2.3 Other matters not required to be disclosed

None.

5.11.2.4 Transactions accounted for under equity method

None.

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

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

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

5.12 Domestic, foreign and off-shore branches or equity investments, and foreign representative offices of parent bank

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

5.13 Matters arising subsequent to the balance sheet date

None.

5.14 Other disclosures on parent bank's activities

5.14.1 Information on international risk ratings

5.14.1.1 Parent bank's international risk ratings

MOODY'S *(March 2018)*

Outlook	*Stable*
Long Term FC Deposit	Ba3
Long Term TL Deposit	Ba2
Short Term FC Deposit	Not prime
Short Term TL Deposit	Not prime
Basic Loan Assesment	Ba3
Adjusted Loan Assesment	Ba2
Long Term National Scale Rating (NSR)	Aa1.tr
Short Term NSR	TR-1

STANDARD AND POORS *(September 2017)*

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

FITCH RATINGS *(June 2017)*

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

JCR EURASIA RATINGS *(April 2017)*

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

5.14.1.2 International risk ratings of Garanti Bank International NV, a consolidated subsidiary

MOODY'S ***(March 2018)*** *(*)*

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

(*) Latest date in risk ratings or outlooks.

5.14.1.3 International risk ratings of Garanti Faktoring, a consolidated subsidiary

FITCH RATINGS ***(June 2017)*** *(*)*

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

(*) Latest date in risk ratings or outlooks.

5.14.14 International risk ratings of Garanti Finansal Kiralama, a consolidated subsidiary

FITCH RATINGS ***(June 2017)*** *(*)*

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

(*) Latest date in risk ratings or outlooks.

(Thousands of Turkish Lira (TL))

STANDARD AND POORS *(September 2017)* (*)

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

(*) Latest date in risk ratings or outlooks.

5.14.1.5 International risk ratings of Garanti Bank SA, a consolidated subsidiary

FITCH RATINGS *(May 2017)* (*)

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

(*) Latest date in risk ratings or outlooks.

5.14.2 Dividend

As per the decision made at the annual general assembly of shareholders of the parent Bank on 29 March 2018, the distribution of the net profit of the year 2017, was as follows;

2017 PROFIT DISTRIBUTION TABLE	
2017 Net Profit	**6,343,920**
A – I. Legal reserve (Turkish Commercial Code 519/1) at 5%	-
Undistributable funds	(1,150)
B – First dividend at 5% of the paid-in capital	(210,000)
C – Extraordinary reserves at 5% after above deductions	(306,696)
D – Second dividend to the shareholders	(1,540,000)
E – Extraordinary reserves	(4,132,074)
F – II. Legal reserve (Turkish Commercial Code 519/2)	(154,000)

5.14.3 Other disclosures

None.

6 Limited Review Report

6.1 Disclosure on limited review report

The consolidated financial statements of the Bank and its financial subsidiaries as of 31 March 2018, have been reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member of KPMG International Cooperative) and a limited review report dated 26 April 2018, is presented before the accompanying consolidated financial statements.

6.2 Disclosures and footnotes prepared by independent auditors

None.

(Thousands of Turkish Lira (TL))

7 Interim Activity Report (Amounts are expressed in Turkish Lira (TL))

7.1 Introduction

7.1.1 About Garanti

Established in 1946, Garanti Bank is **Turkey's second largest private bank** with consolidated assets of US$ 91.2 billion as of March 31, 2018.

Garanti is an **integrated financial services group** operating in every segment of the banking sector including corporate, commercial, SME, payment systems, retail, private and investment banking together with its subsidiaries in pension and life insurance, leasing, factoring, brokerage and asset management, besides international subsidiaries in the Netherlands and Romania.

As of March 31, 2018, Garanti provides a wide range of financial services to its close to 15.5 million customers with 18.6 thousand employees through an **extensive distribution network** of 928 domestic branches, 7 foreign branches in Cyprus and one in Malta, and 3 international representative offices in London, Düsseldorf and Shanghai. Garanti offers an omni-channel convenience with seamless experience across all channels with nearly 5,000 ATMs, an award winning Call Center, internet, mobile and social banking platforms, all built on **cutting-edge technological infrastructure**.

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

Implementing an advanced corporate governance model that promotes the Bank's core values, Garanti has Banco Bilbao Vizcaya Argentaria S.A. (BBVA) as its majority shareholder with 49.85% share. Its shares publicly traded in Turkey, and its depositary receipts in the UK and the USA, **Garanti has an actual free float of 50.07% in Borsa Istanbul as of March 31, 2018.**

Garanti's constantly improving business model is driven by its strategic priorities focused on responsible and sustainable development, customer experience, employee happiness, digitalization, optimal capital utilization and efficiency. Its custom-tailored solutions and wide product variety play a key role in reaching TL 298.3 billion (USD 75.6 billion) loans and non-cash loans. Garanti's capital generative, disciplined and sustainable growth strategy that strictly adheres to solid asset quality enables the Bank to move forward strongly. Its effective risk management through world-class integrated management of financial and non-financial risks and organizational agility in capturing new opportunities result in sustainable value creation for all its stakeholders.

Moreover, Garanti creates shared value and drives positive change through lending based on impact investment, as well as strategic partnerships and community programs focusing on material issues for both Garanti and its stakeholders.

7.1.2 Capital and shareholding structure

Garanti has paid-in capital of TL 4,200,000,000 as of March 31, 2018.

T.GARANTİ BANKASI A.Ş SHAREHOLDING STRUCTURE			
Shareholders	**Number of shares**	**Nominal (TL)**	**Share %**
BBVA(BANCO BILBAO VIZCAYA ARGENTARIA S.A)	**209,370,000,000**	**2,093,700,000**	**49.85**
OTHERS	**210,630,000,000**	**2,106,300,000**	**50.15**
GRAND TOTAL	**420,000,000,000**	**4,200,000,000**	**100.00**

7.1.3 The amendments in the articles of association during period of 01.01.2018-31.03.2018

There is no change during the period.

7.1.4 Macro Outlook for the first 3 months period of 2018

Robust growth performance continued in 2018 with some moderation. According to the most recent figures from the Turkish Statistical Institute, year-on year economic growth was 7.3% in the fourth quarter of 2017. The growth was supported by the still high domestic demand contribution while net export dragged down the growth. Private consumption was leading domestic demand while investment continued to be also supported by machinery and equipment. The economic activity is expected to remain strong on high inertia in the first half of 2018. We expect growth to remain close to 6% in 1Q18. Current high momentum, still solid exports, expected recovery in tourism revenues and continuing policy impulses may remain supportive on activity, while more rapidly than expected tightening financial conditions could drag down growth with a stimulating impact coming from negative base effects in the second half of the year. We maintain our growth forecast at 4.5% this year, though with uncertainties which could weigh on the downside.

1Q activity data signals a slight moderation. Industrial production (IP) grew by 9.9% yoy (cal. adj.) in February, keeping the high momentum as the overall increase almost stayed the same at 10.9% yoy in the first two months of the year (vs. 10.7% in 4Q). In seasonal and calendar adjusted terms, monthly decline continued in February but to a marginal extent compared to January, signaling only a limited cool-down in economic activity. In the details, ongoing higher contributions from intermediate and capital goods on production demonstrates further support towards a balanced growth in medium to long term as current productive capacity could be boosted more after recent investment incentives. All in all, recent slow-down in manufacturing PMI in April (still above 50, signaling expansion), deceleration in electricity production, moderation in economic sentiment and normalization in credit growth are the signals that the economic activity is losing pace; while still robust global growth could remain supportive, though with uncertainties on recent protectionism measures and geopolitical risks.

Deterioration in current account deficit (CAD) continued in 1Q. Current account deficit (CAD) expanded to USD11.2bn in the first two months of 2018 from USD5.2bn in same period of last year. Growing energy bill, still high net gold imports and solid domestic demand continued to weigh on the deterioration in CAD. Hence,12-month cumulative deficit posted USD53.3bn (6.1% of GDP, up from 5.5% of GDP in 2017) in February, the highest figure since April 2014. Slightly higher than half of CAD was financed by portfolio inflows while FDIs remained weak in the first two months of 2018. Concerns on CAD accelerated further after Moody’s downgrade due to doubts on external debt sustainability. Considering the economic activity in the first half of the year will stay robust, CAD will deteriorate towards 6.5-7% of GDP till September. Base effects, expected normalization in gold imports and ongoing recovery in tourism revenues will help CAD to decrease at the end of year at USD 56bn levels (c.6.4% of GDP).

Budget figures continued to deteriorate in 1Q. In the first quarter of 2018, the increase in spending suppressed the increase in revenues. The revenues increased by 15.7% yoy to TL167bn while the expenditures expanded by 17.7% to TL188bn. Tax revenues maintained its positive performance on top of high inflation, robust activity and higher than expected tax amnesty revenues. Though, still high expenditures and lower privatization revenues than the last year resulted in TL20.4bn deficit in the first quarter of this year, compared to TL14.9bn deficit in the same period in 2017. Thus, budget deficit to GDP ratio slightly worsened to 1.6% (up from 1.5% in 2017), while primary surplus of 0.3% in 2017 slightly declined to 0.2% of GDP in the first quarter. We expect the budget deficit to deteriorate further especially in the second half of this year on top of expected slow-down in economic activity and close the year at 2.2% of GDP.

Turkey’s gross external debt stock continued to grow in 4Q. Turkey’s external debt stock to GDP ratio increased to 53.3% in 4Q17 compared to 52.6% of 3Q17 and up from 47.3% by end 2016 mostly due to the pick-up in the long term external debt of the private sector. On the other hand, EU-defined general government debt stock to GDP ratio slightly rose to 28.3% in 4Q17, up from 28.2 of 3Q17; though it remained the same as the end of 2016.

High food inflation and ongoing pass-thru absorbed favorable base effects in 1Q. Annual consumer inflation still remained at two-digits in March, retreated to 10.2% from 11.9% in December thanks to favorable base effects. Core inflation declined to 11.4% in March from 12.3% at the end of 2017 thanks to easing cumulative impact of exchange rate pass-through, yet the recovery is still limited on recent depreciation pressures year-to-date. Domestic producer prices, whose annual inflation realized as 14.3% in March will keep upward pressures on consumer prices. Looking ahead, as favorable base effects fade away as of April and currently overshooting currency results in additional pressures on core prices, risks remain tilted to the upside on inflation in addition to still positive output gap and high inertia (backward and forward looking).

Central Bank (CBRT) stays on hold and keeps the tone tight in 1Q. The Bank maintained its policy tone but this time also stressed the inertia in inflation outlook and the high levels of core inflation in the March meeting. Given the high levels of inflation and inflation expectations, pricing behavior carries the risk of further inertia, which requires the CBRT to keep its tight policy stance. Thus, we expect monetary policy to remain tight and hold its funding rate at 12.75% throughout the year unless the negative differentiation on Turkish financial assets persists.

Turkish financial assets performed worse in 1Q. TL depreciated due to increasing volatility in global financial markets, geopolitical risks, higher than expected inflation realizations and deterioration in CAD in 1Q. Thus, TL depreciated by 7% to 4.47 against US dollar-Euro currency basket by the end of 1Q from 4.15 by end of 2017. 2-year benchmark bond yield which was at 13.4% at the end of 4Q17 climbed up to 14.07% in 1Q18.

7.1.5 Summary financial information regarding the operating results for the current period, the comments of the chairman of the board of directors and the CEO

Striving for a sustainable future, Garanti contributed TL 298 billion to the economy

Türkiye Garanti Bankası A.Ş., announced its financial statements dated March 31, 2018. Based on the consolidated financials, in the 3 months period of 2018, Garanti's **asset size** reached TL 359 billion 882 million, its contribution to the economy through **loans and non-cash lending** reached to TL 298 billion 250 million 713 thousand. The Bank delivered an **ROAE** (Return on Average Equity) of 18.3% and **ROAA** (Return on Average Assets) of 2.2%.

Commenting on the topic, **Garanti Bank Chairman Süleyman Sözen** stated that: "In the global markets, fund flows to emerging economies continued. Turkey ended 2017 with 7.4% GDP growth and preserved its strong growth performance despite a moderate slowdown in the first quarter of 2018. Garanti also continued its uninterrupted contribution to the economy within this period."

Emphasizing the Bank's value creation for the society with its sustainable business model and its commitment to Corporate Governance Principles, **Sözen** added: "Garanti's practices on gender equality which pioneers the society are acknowledged by the international authorities as well. Garanti once again became the only company from Turkey to be included in Bloomberg Gender Equality Index with its studies to ensure gender equality. Mentioning the successful financial performance announced by Garanti, **Sözen** added: "I absolutely believe that Garanti Bank, known as a pioneer in innovation, will increasingly maintain its value creation for the community and its stakeholders with the synergy created with BBVA."

Commenting on the financial results, **Garanti Bank CEO Fuat Erbil** stated that: "Despite the challenging market conditions, we made a strong start to 2018 by continuing to support the economy. While growing faster than the sector in TL loans, we sustained our leadership in consumer loans. In the first three months of 2018, we grew our TL loans and TL deposits by 4%, and gained market share with our customers confidence in us. We work with our sustainable development focus and continue to be the solution partner of our customers, while maintaining our asset quality with effective risk management, stable and cautious policies and strong capital. Leading the transformation of the banking sector, we provide speed and convenience to our customers with all the innovative steps we take in digital banking and aim to deliver an excellent customer experience."

(Thousands of Turkish Lira (TL))

Stating that, Garanti is appreciated in many areas with its customer-oriented approach by international finance authorities, Erbil said: "Our bank was chosen the 'Best Trade Finance Bank in Turkey' for the 8th consecutive year by Global Finance, one of the world's leading business magazines. In addition, with our efforts to create solutions for our customers' needs we received the 'Best Cash Management in Turkey' award for the 3rd consecutive year. Garanti is chosen 'Turkey's Best Digital Bank' by World Finance at the 'Digital Banking Awards 2017'. Our mobile app, Garanti Cep was awarded 'Turkey's Best Mobile Banking Application'. Garanti has been awarded the Silver Stevie Award for its new "On-Site Banking" application, by focusing on making customers' life easier at each step and by successfully applying its digitalization strategy from business processes to all its products and branch service model.

With our innovative business model; we will continue to keep our customers at the center of our business to understand and meet all corporate, commercial, SME and retail needs. We believe that creating sustainable value is only possible in this way, and we are progressing on our path with solid steps. I thank all of our stakeholders for the confidence they have in us."

Selected Figures of Garanti Bank's Consolidated Financial Statements (March 31, 2018)

Profit before Taxes and Provisions*	TL 4,399 million	Loans	TL 238,368 million
Profit before Taxes	TL 2,575 million	Non-Cash Loans	TL 59,883 million
Net Income	TL 2,011 million	Total Assets	TL 359,882 million
Deposits	TL 211,895 million	Shareholders' Equity	TL 42,711 million

Highlights from Garanti Bank's Consolidated Financials

- Net income was TL 2 billion 11 million and 202 thousand.
- In compliance with the legal legislation and international regulations, a total amount of TL 2 billion 388 million and 237 thousand was reserved for tax provisions, expected credit losses and other provisions*.
- Total assets reached TL 359 billion 882 million.
- Return on Average Assets (ROAA) reached 2.2%.**
- Shareholders' equity reached TL 42 billion 711 million 315 thousand.
- Return on Average Equity (ROAE) reached 18.3%.**
- Contribution made to the real economy through loans and non-cash lending reached TL 298 billion 250 million 713 thousand as of March 31, 2018.
- Total loans, FC loans and TL loans market shares realized at 11.1%, 11.2% and 11.0% respectively.
- Market share of "consumer mortgage loans" was 13.2% and market share of "consumer loans excluding credit cards" was 12.7%.
- Total customer deposits reached TL 207 billion 986 million and 172 thousand, while market share in total customer deposits realized at 11.2%.
- Capital adequacy ratio (CAR) realized 16.2%.
- Non-performing loan (NPL) ratio realized at 2.93%.

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

**Excludes non-recurring items (gains on asset sales) when annualizing Net Income for the rest of the year. In the calculation of average assets and equity, 01.01.2018 restated balance sheet has been used

(Thousands of Turkish Lira (TL))

You may access the earnings presentation regarding the BRSA consolidated financial results as of and for the period ending March 31, 2018 in English from Garanti Bank Investor Relations website at www.garantiinvestorrelations.com

Garanti With Numbers	**31.12.2017**	**31.03.2018**
Branch Network	948	939
+ Domestic	937	928
+ Abroad	11	11
Personnel	18,851	18,639
ATM	5,003	4,998
POS*	670,259	675,788
Total Customers	15,143,274	15,449,610
Digital Banking Customers**	5,956,609	6,336,695
Mobile Banking Customers**	5,086,833	5,474,072
Credit Card Customers	6,808,211	6,884,154
Credit Cards	10,213,151	10,293,254
Debit Cards	9,796,696	9,999,000

*Includes shared and virtual POS.

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

Selected Sector Figures (TL million)	**29.12.2017**	**30.03.2018**	**YtD Δ**
Total Deposits	**1,694,584**	**1,766,283**	**4.2%**
Bank Deposits	83,692	92,207	10.2%
Customer Deposits	1,610,892	1,674,076	3.9%
TL Deposits	896,621	923,548	3.0%
FC Deposits (US$ mn)	189,399	190,678	0.7%
Customer Demand Deposits	330,678	336,412	1.7%
Loans	**1,880,026**	**1,963,831**	**4.5%**
TL Loans	1,296,286	1,342,687	3.6%
FC Loans (US$ mn)	154,766	157,764	1.9%
Consumer Loans (excl. credit cards)	380,424	389,835	2.5%
Housing	178,486	180,207	1.0%
Auto	6,243	6,177	(1.1%)
General Purpose Loans*	195,694	203,450	4.0%
Credit Cards	112,658	115,262	2.3%
TL Business Banking Loans	803,204	837,590	4.3%
Loans/Deposits Ratio	*110.9%*	*111.2%*	
Non-performing Loans (NPL)	**59,438**	**60,934**	**2.5%**
NPL ratio	*3.1%*	*3.0%*	
NPL coverage	*79.8%*	*74.6%*	
Gross NPL in retail loans (excl. CC)	25,292	26,055	3.0%
NPL ratio in retail loans	*3.4%*	*3.4%*	
Gross NPL in credit cards	7,299	7,199	(1.4%)
NPL ratio in credit cards	*6.1%*	*5.9%*	
F/X Position, net (US$ mn)	**575**	**2,687**	
on B/S	(46,618)	(47,295)	
off B/S	47,193	49,982	

Source: BRSA weekly sector data, commercial banks only

*Including other and overdraft loans

Garanti Market Shares* (%)	**31.03.2018**
Total Performing Loans	11.1%
TL Loans	11.0%
FC Loans	11.2%
Credit Cards - Issuing (Cumulative)	19.3%
Credit Cards - Acquiring (Cumulative)	19.1%
Consumer Loans (exc. consumer CCs)	12.7%
Total Customer Deposits	11.2%
TL Customer Deposits	10.0%
FC Customer Deposits	12.8%
Customer Demand Deposits	13.2%

* Based on BRSA weekly data for commercial banks only.

(Thousands of Turkish Lira (TL))

7.1.6 Forward looking statements regarding the expectations

As per the Article 10 of the "Communiqué on Material Events Disclosure" (II-15.1) of Capital Markets Board, T. Garanti Bankası A.Ş has announced its forward looking statements regarding the expectations for the year 2018. You may access the related presentation that was published on the Public Disclosure Platform, the Bank's website and Garanti Bank Investor Relations' website at www.garantiinvestorrelations.com in Operating Plan Guidance Presentations section. As of March 31, 2018, there are no revisions to the forward looking statements regarding the expectations for the year 2018.

7.2 Information regarding management and corporate governance practices

7.2.1 You may access names and surnames, terms of duty, areas of responsibilities, educational backgrounds and occupational experiences of the Chairman of the Board of Directors, Board Members, CEO and Executive Vice Presidents from the footnote numbered 1.3.

Audit Committee Members:

Name Surname	Title	Board of Director Appointment Date	Education	Experience in Banking & Business Administration
Jorge Sáenz-Azcúnaga Carranza	Vice Chairman Independent Board Member	24.03.2016	Undergraduate	24 years
Belkıs Sema Yurdum	Independent Board Member	30.04.2013	Undergraduate	38 years
Ricardo Gomez Barredo	Independent Board Member	08.05.2017	Graduate	26 years

Managers of the Internal Systems Units:

Name Surname	Title	Appointment Date	Education	Experience in Banking & Business Administration
Ebru Ogan Knottnerus	Head of Risk Management	01.04.2016	Undergraduate	27 years
Osman Bahri Turgut	Head of Internal Audit	01.08.2015	Undergraduate	27 years
Emre Özbek	SVP of Compliance	01.08.2015	Undergraduate	19 years
Barış Ersin Gülcan	SVP of Internal Control	06.03.2014	Graduate	20 years
Beyza Yapıcı	SVP of Internal Capital and Operational Risk	01.04.2016	Undergraduate	20 years
Semra Kuran	SVP of Market Risk and Credit Risk Control	01.04.2016	Undergraduate	21 years

You may access information about the activities of the Board of Directors, the Audit Committee, the Credit Committee and the committees that are established pursuant to the Regulation on the Internal Systems of Banks under the framework of the risk management systems and are organized under the Board of Directors or to support the Board of Directors, chairman and members of the committees' names and surnames, fundamental duties and their attendance to the meetings from Garanti Bank Investor Relations website at www.garantiinvestorrelations.com under the Committees section.

7.2.2 You may reach the summary of the Board of Directors' Annual Report presented to Ordinary General Meeting of Shareholders and information about human resources practices, policy and remuneration in the 2017 Annual Report that was published on the Public Disclosure Platform, the Bank's website and Garanti Bank Investor Relations' website, access at the link below:
www.garantiannualreport.com

7.2.3 You may access information about the transactions with the Bank's risk group under the footnote numbered 5.11 regarding the related party risks.

7.2.4 You may reach information pursuant to the Regulation on the Provision of Support Services to Banks and the Authorization of Support Service Providers, the type of the services and information on the individuals and institutions that provided the support services in the 2017 Integrated Annual Report that was published on the Public Disclosure Platform, the Bank's website and Garanti Bank Investor Relations' website, access at the link below:
www.garantiannualreport.com
You may access the Corporate Governance Principles Compliance Report from Garanti Bank Investor Relations website at www.garantiinvestorrelations.com under the Corporate Governance section.

7.3 Assessment of financial information and risk management

You may find information regarding the assessment of financial position, profitability and debt payment capability, risk management explanations and ratings in the financial statements for the period ended 31 March 2018 and the independent accountants' limited review report. Additionally, you may find detailed information in the earnings presentation regarding financial results of the related period published on Garanti Bank Investor Relations website at www.garantiinvestorrelations.com.

You may find financial information on Garanti Bank for the most recent five year period in the 2017 Annual Report that was published on the Public Disclosure Platform, the Bank's website, Garanti Bank Investor Relations website and at www.garantiannualreport.com.

7.4 Announcements regarding important developments in the period of 01.01.2018 - 31.03.2018

- Our Bank's annual report for the period of 01/01/2017-31/12/2017 (integrated annual report) in Turkish and English can be accessed as PDF files. You can access 2017 Integrated Annual Report on Garanti Investor Relations website from the following link: www.garantiannualreport.com.
- The Ordinary General Shareholders' Meeting of Garanti Bank A.Ş. for the year 2017 was held on 29 March 2018 at 10.00 a.m. at the address of Levent, Nispetiye Mahallesi, Aytar Caddesi No: 2. The explanations regarding the decisions taken at the Ordinary General Shareholders' Meeting, the meeting minutes, the list of participants and the profit distribution table were published on the Public Disclosure Platform and Garanti Bank Investor Relations website.
- It has been announced that as a result of the tax audit which was carried out by the inspectors of the Tax Inspection Board Istanbul Large Scale Taxpayers Group, with regards to the potential RUSF out of fees received from the retail loan customers, a tax audit report has been prepared for the year 2011 and the total RUSF claim, including principal and late interest payment amounts to TL 15.859.749,78. Our Bank has filed a lawsuit before Istanbul Administrative Courts for cancellation of such RUSF and late interest payment amount in due time. Following the stay of execution order by the District Administrative Court, the relevant Administration has decided to cancel the payment order. The examinations as to the accusations are still pending. Further developments will be disclosed to the public.
- It was announced that the Ministry of Customs and Trade has imposed an administrative fine on our Bank, our Bank has paid such fine and filed an annulment action against the decision of the Ministry regarding the administrative fine in due time. The court of first instance has rejected such action. The decision of the first instance court was appealed and the developments will be disclosed to the public, if any.
- Hüsnü Erel, who is in charge of Technology, Operations, Central Marketing and Product Development, has decided to retire after 24 years in Garanti and resigned from his duties in our Bank as of February 28, 2018. In accordance with the Board of Directors' resolution dated March 1, 2018, İlker Kuruöz was appointed as the Executive Vice President in charge of Engineering and Data and will begin his duties following the provision of relevant legal approvals. Furthermore, Recep Baştuğ, who is in charge of Commercial Banking, has resigned from his duties, effective from March 31,2018. Following his resignation, our Bank's organizational chart will be structured in the upcoming period.

(Thousands of Turkish Lira (TL))

- International rating agency Moody's has revised the credit ratings of 17 Turkish banks, including T.Garanti Bankası A.Ş., following the downgrade of Turkey's sovereign rating by one notch to Ba2 on March 7, 2018.
- At our Bank's Board of Directors' meetings held on March 29, 2018, it was resolved that; Süleyman Sözen be elected as the Board of Directors' Chairman and Jorge Saenz-Azcunaga Carranza be elected as the Board of Directors' Vice Chairman, Jorge Saenz-Azcunaga Carranza, Sema Yurdum and Ricardo Gomez Barredo be elected as the members of the Audit Committee, Jaime Saenz De Tejada Pulido and Rafael Salinas Martinez de Lecea be elected as principal members and Jorge Saenz-Azcunaga Carranza and Javier Bernal Dionis be elected as alternate members of the Credit Committee, Sema Yurdum, Javier Bernal Dionis and Jorge Saenz Azcunaga Carranza be elected as the members of the Corporate Governance Committee and the Director of Investor Relations Department continue her duties in accordance with the Corporate Governance Communiqué of the Capital Markets Board, Sait Ergun Özen and Jorge Saenz-Azcunaga Carranza be elected as members of the Remuneration Committee, Süleyman Sözen, Javier Bernal Dionis and Rafael Salinas Martinez de Lecea be elected as the members of the Risk Committee.

7.5 Announcements regarding important developments for debt instruments issuance and redemptions in the period of 01.01.2018 - 31.03.2018

- It was announced that our Bank has obtained necessary approvals in order to arrange borrowing instruments issuance transactions in any currency with different series and maturities. Below CMB issuance certificates have been received with regards to the issuances under the GMTN programme.

ISIN	Settlement Date	Maturity	Currency	Nominal Amount
XS1769089555	09.02.2018	11.02.2019	USD	125,000,000

- It was announced that, on its meeting held on November 02, 2017, the Board of Directors has authorized the Head Office to take the necessary actions, subject to market conditions, to arrange and sign the agreements and all other documents related to the bond or other borrowing instruments issuance transactions up to US$6,000,000,000 in total or equivalent in TL or in any other foreign currency, with different series and maturities and fixed and/or floating interest rates to be determined at the time of issuance in accordance with market conditions, to be sold outside Turkey in one or more issuances without public offering, including the selling and registration of the bond or other borrowing instruments to foreign stock exchanges. The application process related to the transaction has been initiated with the Capital Markets Board and other competent authorities; and it was announced in the weekly bulletin of the Capital Markets Board ("CMB") numbered 2018/5 that the above-mentioned application has been approved by the CMB.
- As a result of our application to the Capital Markets Board pursuant to our Board of Directors' resolution dated November 02, 2017, the registration of our bank bonds, debentures and/or structured debt instruments in the total nominal amount of TRY 20,000,000,000 (twenty billion Turkish Lira) was published in the Capital Markets Board's weekly bulletin numbered 2018/07.
- The Head Office to apply to Capital Markets Board of Turkey for the issuance of 5,000,000,000, "Garanti Bank Intermediary Institution Warrants" in the nominal value of 1 Kuruş for each and 50,000,000 Turkish Lira (fifty million Turkish Lira) in total, to determine terms and conditions of such issuance including but not limited to the applicable issue dates, warrant type, settlement type, underlying asset, issue price, exercise price, expiration date, conversion rate; to appoint Garanti Yatırım Menkul Kıymetler A.Ş. as market maker and accordingly to make and fulfill necessary applications and conduct any and all acts before Banking Regulation and Supervision Agency, Capital Markets Board, Borsa İstanbul A.Ş. and other relevant authorities, and any two among Board Member-CEO Ali Fuat Erbil, Executive Vice Presidents Betül Ebru Edin, Aydın Düren and Senior Vice Presidents Çağlar Kılıç and Barış Karaayvaz to sign and execute jointly for and on behalf of the Bank, the prospectus, circular, agreements, letters, demands, reports and any other relevant documents.

Important developments regarding important developments for debt instruments issuance, redemptions and all announcements during 01.01.2018-31.03.2018 period were announced and the disclosures were uploaded to the Public Disclosure Platform. All the announcements are shared at Garanti Bank Investor Relations web site (www.garantiinvestorrelations.com) and at the link below.

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