



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

**Türkiye Garanti Bankası Anonim Şirketi  
And Its Financial Affiliates**

**Consolidated Financial Statements**

**As of and For the Nine-Month Period Ended**

**30 September 2017**

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

**With Independent Auditors’**

**Limited Review Report Thereon**

**Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik AŞ**

**26 October 2017**

*This report contains “Independent Auditors’ Limited  
Review Report” comprising 2 pages and;  
“Consolidated Financial Statements and Related  
Disclosures and Footnotes” comprising 120 pages.*



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

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

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

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

*Introduction*

We have reviewed the accompanying consolidated statement of financial position of Türkiye Garanti Bankası A.Ş. ("the Bank") and its consolidated financial subsidiaries (together "the Group") as at 30 September 2017 and the related consolidated statement of income, consolidated statement of income and expense items under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the nine month period then ended and notes, comprising a summary of significant accounting policies and other explanatory information. The Bank Management is responsible for the preparation and fair presentation of these consolidated interim financial information in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and the requirements of Turkish Accounting Standard 34 "Interim Financial Reporting" principles for those matters not regulated by the aforementioned legislations. Our responsibility is to express a conclusion on these consolidated interim financial information based on our review.

*Scope of Review*

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



#### *Basis for Qualified Conclusion*

The accompanying consolidated interim financial information as at 30 September 2017 include a general provision of total TL 950,000 thousands, of which TL 650,000 thousands had been recognized as expense in the current period, and TL 300,000 thousands had been recognized as expense in prior periods, which is provided by the Bank management for the possible effects of the negative circumstances which may arise in economy or market conditions.

#### *Qualified Conclusion*

Based on our review, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information do not present fairly, in all material respects, the consolidated financial position of Türkiye Garanti Bankası AŞ and its financial subsidiaries as at 30 September 2017, and its consolidated financial performance and its consolidated cash flows for the nine month period then ended in accordance with the BRSA Accounting and Reporting Legislation.

#### *Other Matter*

The consolidated financial statements of the Bank as at and for the year ended 31 December 2016 and as at and for the nine-month period ended 30 September 2016 were audited and reviewed by another auditor who expressed a qualified opinion and a qualified conclusion due to the general reserve provisions provided by the Bank on 30 January 2017 and 24 October 2016 respectively.

#### *Report on Other Legal and Regulatory Requirements*

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

#### **Additional paragraph for convenience translation to English:**

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

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

Murat Alsan  
Partner, SMMM

26 October 2017  
İstanbul, Turkey

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

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

Telephone: 212 318 18 18

Fax: 212 216 64 22

[www.garanti.com.tr](http://www.garanti.com.tr)

[investorrelations@garanti.com.tr](mailto:investorrelations@garanti.com.tr)

The consolidated interim financial report for the nine-month period ended 30 September 2017 prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

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

**Affiliates**

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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**

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

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

**Süleyman Sözen**

Board of Directors Chairman

**Ali Fuat Erbil**

General Manager

**Aydın Güler**

Executive Vice President

Responsible of Financial Reporting

**Aylin Aktürk**

Coordinator

**Javier Bernal Dionis**

Audit Committee Member

**Jorge Saenz - Azcunaga  
Carranza**

Audit Committee Member

The authorized contact person for questions on this financial report:

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

Phone no: 90 212 318 23 50

Fax no: 90 212 216 59 02

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## **1 General Information**

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

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

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

The Bank provides banking services through 942 domestic branches, 8 foreign branches and three representative offices abroad (31 December 2016: 959 domestic branches, nine foreign branches and three representative offices abroad). The Bank’s head office is located in Istanbul.

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

As of 30 September 2017, group of companies under BBVA that currently owns 49.85% shares of the Bank, is defined as the BBVA Group (the Group) and it is the main shareholder.

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

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

In accordance with the terms of the agreement between BBVA and the Doğu Group which was previously disclosed on 19 November 2014, the sale of shares representing 14.89% of the share capital of the Bank with a face value of TL 625,380 thousands and 62.538.000.000 shares by the Doğu Group to BBVA, 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 Doğu 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 Doğu Group’s interest in the share capital of the Bank is at 0.05%.

#### **BBVA Group**

BBVA is operating for more than 150 years, providing variety of wide spread financial and non-financial services to 70 million retail and commercial customers.

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

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

### 1.3 Information on 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 to Board of Directors	Education	Experience in Banking and Business Administration
Süleyman Sözen (*)	Chairman	08.07.2003	University	35 years
Sait Ergun Özen	Member	14.05.2003	University	30 years
Jorge Saenz Azcunaga Carranza	Vice Chairman Independent Member and Member of Audit Committee	24.03.2016	University	23 years
Dr. Muammer Cüneyt Sezgin	Member	30.06.2004	PhD	29 years
Belkıs Sema Yurdum	Independent Member	30.04.2013	University	37 years
Jaime Saenz de Tejada Pulido	Member	02.10.2014	University	24 years
Javier Bernal Dionis	Independent Member and Member of Audit Committee	27.07.2015	Master	27 years
Ali Fuat Erbil	Member and CEO	02.09.2015	PhD	25 years
Rafael Salinas Martinez de Lecea	Member	08.05.2017	Master	27 years
Ricardo Gomez Barredo	Member	08.05.2017	Master	25 years

(\*) Ferit Faik Şahenk resigned from his position as the Chairman of the Board of Directors of the Bank on 19 September 2017 and Süleyman Sözen was appointed to replace him.

#### CEO and Executive Vice Presidents:

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

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



#### **1.4 Information on parent bank's qualified shareholders**

<b>Company</b>	<b>Shares</b>	<b>Ownership</b>	<b>Paid-in Capital</b>	<b>Unpaid Portion</b>
Banco Bilbao Vizcaya Argentaria SA	2,093,700	49.85%	2,093,700	-
Doğuş Holding AŞ	2,107	0.05%	2,107	-

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

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

#### **1.5 Summary information on parent bank's activities and services**

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

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

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

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

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

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

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

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

None.

## 2 Consolidated Financial Statements

(Convenience Translation of Financial Statements Originally Issued in Turkish)

### Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates

#### Consolidated Balance Sheet (Statement of Financial Position)

At 30 September 2017

ASSETS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD			PRIOR PERIOD		
			30 September 2017			31 December 2016		
			TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH CENTRAL BANK</b>		5.1.1	7,505,937	29,460,274	36,966,211	6,723,712	17,227,762	23,951,474
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>		5.1.2	2,111,521	635,159	2,746,680	2,801,058	1,004,483	3,805,541
2.1 Financial assets held for trading			2,111,521	635,159	2,746,680	2,801,058	1,004,483	3,805,541
2.1.1 Government securities			71,214	35,687	106,901	73,157	29,492	102,649
2.1.2 Equity securities			69,523	-	69,523	60,379	-	60,379
2.1.3 Derivative financial assets held for trading			1,938,653	595,775	2,534,428	2,661,587	952,126	3,613,713
2.1.4 Other securities			32,131	3,697	35,828	5,935	22,865	28,800
2.2 Financial assets valued at fair value through profit or loss			-	-	-	-	-	-
2.2.1 Government securities			-	-	-	-	-	-
2.2.2 Equity securities			-	-	-	-	-	-
2.2.3 Loans		5.1.5	-	-	-	-	-	-
2.2.4 Other securities			-	-	-	-	-	-
<b>III. BANKS</b>		5.1.3	1,140,622	12,709,545	13,850,167	1,214,509	15,666,535	16,881,044
<b>IV. INTERBANK MONEY MARKETS</b>			7,313	-	7,313	22,180	351,691	373,871
4.1 Interbank money market placements			-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements			-	-	-	-	351,691	351,691
4.3 Receivables from reverse repurchase agreements			7,313	-	7,313	22,180	-	22,180
<b>V. FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)</b>		5.1.4	20,985,388	3,714,592	24,699,980	18,497,281	5,486,167	23,983,448
5.1 Equity securities			37,867	218,562	256,429	40,985	177,828	218,813
5.2 Government securities			20,176,019	620,613	20,796,632	17,669,410	722,603	18,392,013
5.3 Other securities			771,502	2,875,417	3,646,919	786,886	4,585,736	5,372,622
<b>VI. LOANS</b>		5.1.5	139,479,878	80,725,472	220,205,350	119,985,680	81,423,416	201,409,096
6.1 Loans			138,460,570	80,387,741	218,848,311	118,980,397	81,095,327	200,075,724
6.1.1 Loans to bank's risk group		5.7	476,157	2,030,436	2,506,593	402,351	1,814,479	2,216,830
6.1.2 Government securities			-	-	-	-	-	-
6.1.3 Other			137,984,413	78,357,305	216,341,718	118,578,046	79,280,848	197,858,894
6.2 Loans under follow-up			5,445,869	902,149	6,348,018	5,272,774	851,687	6,124,461
6.3 Specific provisions (-)			4,426,561	564,418	4,990,979	4,267,491	523,598	4,791,089
<b>VII. FACTORING RECEIVABLES</b>		5.1.6	1,731,192	843,220	2,574,412	1,912,128	939,095	2,851,223
<b>VIII. INVESTMENTS HELD-TO-MATURITY (Net)</b>		5.1.7	12,392,488	10,632,998	23,025,486	12,139,123	10,970,573	23,109,696
8.1 Government securities			12,313,007	6,867,743	19,180,750	12,122,339	6,986,465	19,108,804
8.2 Other securities			79,481	3,765,255	3,844,736	16,784	3,984,108	4,000,892
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>		5.1.8	37,287	4	37,291	37,258	3	37,261
9.1 Associates consolidated under equity accounting			-	-	-	-	-	-
9.2 Unconsolidated associates			37,287	4	37,291	37,258	3	37,261
9.2.1 Financial investments in associates			33,329	-	33,329	33,329	-	33,329
9.2.2 Non-financial investments in associates			3,958	4	3,962	3,929	3	3,932
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>		5.1.9	114,236	2,026	116,262	114,236	1,622	115,858
10.1 Unconsolidated financial investments in affiliates			-	-	-	-	-	-
10.2 Unconsolidated non-financial investments in affiliates			114,236	2,026	116,262	114,236	1,622	115,858
<b>XI. INVESTMENTS IN JOINT-VENTURES (Net)</b>		5.1.10	-	-	-	-	-	-
11.1 Joint-ventures consolidated under equity accounting			-	-	-	-	-	-
11.2 Unconsolidated joint-ventures			-	-	-	-	-	-
11.2.1 Financial investments in joint-ventures			-	-	-	-	-	-
11.2.2 Non-financial investments in joint-ventures			-	-	-	-	-	-
<b>XII. LEASE RECEIVABLES (Net)</b>		5.1.11	1,439,966	4,325,271	5,765,237	1,399,086	4,395,174	5,794,260
12.1 Financial lease receivables			1,694,203	4,750,502	6,444,705	1,655,755	4,843,852	6,499,607
12.2 Operational lease receivables			-	-	-	-	-	-
12.3 Others			-	-	-	-	-	-
12.4 Unearned income (-)			254,237	425,231	679,468	256,669	448,678	705,347
<b>XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING PURPOSE</b>		5.1.12	461,780	108,863	570,643	79,472	586,823	666,295
13.1 Fair value hedges			56,046	8,530	64,576	73,946	11,534	85,480
13.2 Cash flow hedges			405,734	100,333	506,067	5,526	575,289	580,815
13.3 Net foreign investment hedges			-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>		5.1.13	3,595,669	155,907	3,751,576	3,533,533	147,088	3,680,621
<b>XV. INTANGIBLE ASSETS (Net)</b>		5.1.14	310,221	32,908	343,129	296,078	31,575	327,653
15.1 Goodwill			6,388	-	6,388	6,388	-	6,388
15.2 Other intangibles			303,833	32,908	336,741	289,690	31,575	321,265
<b>XVI. INVESTMENT PROPERTY (Net)</b>		5.1.15	553,729	-	553,729	543,825	-	543,825
<b>XVII. TAX ASSET</b>			292,689	29,251	321,940	199,330	61,348	260,678
17.1 Current tax asset			12,381	16,142	28,523	679	26,657	27,336
17.2 Deferred tax asset		5.1.16	280,308	13,109	293,417	198,651	34,691	233,342
<b>XVIII. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>		5.1.17	803,269	14,361	817,630	591,738	13,277	605,015
18.1 Asset held for resale			803,269	14,361	817,630	591,738	13,277	605,015
18.2 Assets of discontinued operations			-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>		5.1.18	2,903,889	422,202	3,326,091	3,015,207	709,873	3,725,080
<b>TOTAL ASSETS</b>			195,867,074	143,812,053	339,679,127	173,105,434	139,016,505	312,121,939

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

*(Convenience Translation of Financial Statements Originally Issued in Turkish)*

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates**  
**Consolidated Balance Sheet (Statement of Financial Position)**  
**At 30 September 2017**

LIABILITIES AND SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD			PRIOR PERIOD		
		30 September 2017			31 December 2016		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	5.2.1	<b>86,101,559</b>	<b>109,142,969</b>	<b>195,244,528</b>	<b>76,025,777</b>	<b>102,664,036</b>	<b>178,689,813</b>
1.1 Deposits from bank's risk group	5.7	447,871	826,315	1,274,186	675,720	470,759	1,146,479
1.2 Other		85,653,688	108,316,654	193,970,342	75,350,057	102,193,277	177,543,334
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	5.2.2	<b>1,830,881</b>	<b>456,131</b>	<b>2,287,012</b>	<b>2,639,416</b>	<b>1,074,569</b>	<b>3,713,985</b>
<b>III. FUNDS BORROWED</b>	5.2.3	<b>1,037,327</b>	<b>40,638,990</b>	<b>41,676,317</b>	<b>3,127,679</b>	<b>43,454,174</b>	<b>46,581,853</b>
<b>IV. INTERBANK MONEY MARKETS</b>		<b>7,924,474</b>	<b>10,581,208</b>	<b>18,505,682</b>	<b>10,704,025</b>	<b>526,168</b>	<b>11,230,193</b>
4.1 Interbank money market takings		5,142,289	5,902,926	11,045,215	2,501,180	87	2,501,267
4.2 Istanbul Stock Exchange money market takings		1,162,553	-	1,162,553	915,105	-	915,105
4.3 Obligations under repurchase agreements	5.2.4	1,619,632	4,678,282	6,297,914	7,287,740	526,081	7,813,821
<b>V. SECURITIES ISSUED (Net)</b>	5.2.4	<b>7,369,655</b>	<b>11,888,495</b>	<b>19,258,150</b>	<b>5,871,646</b>	<b>11,874,002</b>	<b>17,745,648</b>
5.1 Bills		3,936,052	-	3,936,052	2,240,063	-	2,240,063
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		3,433,603	11,888,495	15,322,098	3,631,583	11,874,002	15,505,585
<b>VI. FUNDS</b>		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>	5.2.4	<b>9,601,981</b>	<b>724,397</b>	<b>10,326,378</b>	<b>8,260,088</b>	<b>1,079,660</b>	<b>9,339,748</b>
<b>VIII. OTHER EXTERNAL FUNDINGS PAYABLE</b>		<b>1,702,496</b>	<b>886,775</b>	<b>2,589,271</b>	<b>2,204,123</b>	<b>966,216</b>	<b>3,170,339</b>
<b>IX. FACTORING PAYABLES</b>	5.2.5	-	-	-	-	-	-
<b>X. LEASE PAYABLES (Net)</b>	5.2.6	-	-	-	-	-	-
10.1 Financial lease payables		-	-	-	-	-	-
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred expenses (-)		-	-	-	-	-	-
<b>XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING PURPOSE</b>	5.2.7	<b>5,572</b>	<b>229,667</b>	<b>235,239</b>	<b>26,671</b>	<b>316,643</b>	<b>343,314</b>
11.1 Fair value hedges		5,572	197,056	202,628	26,671	250,273	276,944
11.2 Cash flow hedges		-	32,611	32,611	-	66,370	66,370
11.3 Net foreign investment hedges		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	5.2.8	<b>5,918,813</b>	<b>310,836</b>	<b>6,229,649</b>	<b>4,851,864</b>	<b>181,009</b>	<b>5,032,873</b>
12.1 General provisions		3,324,412	67,302	3,391,714	3,118,954	96,579	3,215,533
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		836,625	33,494	870,119	710,204	20,321	730,525
12.4 Insurance technical provisions (Net)		328,172	34,031	362,203	274,375	32,400	306,775
12.5 Other provisions		1,429,604	176,009	1,605,613	748,331	31,709	780,040
<b>XIII. TAX LIABILITY</b>	5.2.9	<b>757,587</b>	<b>28,531</b>	<b>786,118</b>	<b>466,400</b>	<b>11,866</b>	<b>478,266</b>
13.1 Current tax liability		757,196	24,441	781,637	466,400	11,866	478,266
13.2 Deferred tax liability		391	4,090	4,481	-	-	-
<b>XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	5.2.10	-	-	-	-	-	-
14.1 Asset held for sale		-	-	-	-	-	-
14.2 Assets of discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED DEBTS</b>	5.2.11	-	<b>2,715,786</b>	<b>2,715,786</b>	-	-	-
<b>XVI. SHAREHOLDERS' EQUITY</b>	5.2.12	<b>39,461,369</b>	<b>363,628</b>	<b>39,824,997</b>	<b>35,540,653</b>	<b>255,254</b>	<b>35,795,907</b>
16.1 Paid-in capital		4,200,000	-	4,200,000	4,200,000	-	4,200,000
16.2 Capital reserves		1,621,882	106,975	1,728,857	1,461,875	12,494	1,474,369
16.2.1 Share premium		11,880	-	11,880	11,880	-	11,880
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Securities value increase fund		(269,598)	79,116	(190,482)	(484,900)	(58,725)	(543,625)
16.2.4 Revaluation surplus on tangible assets		1,736,869	6,567	1,743,436	1,685,290	5,772	1,691,062
16.2.5 Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6 Revaluation surplus on investment property		-	-	-	-	-	-
16.2.7 Bonus shares of associates, affiliates and joint-ventures		947	-	947	947	-	947
16.2.8 Hedging reserves (effective portion)		(525,997)	21,292	(504,705)	(419,123)	65,447	(353,676)
16.2.9 Revaluation surplus on assets held for sale and assets of discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		667,781	-	667,781	667,781	-	667,781
16.3 Profit reserves		28,687,182	256,653	28,943,835	24,505,679	242,760	24,748,439
16.3.1 Legal reserves		1,368,395	16,512	1,384,907	1,241,962	29,560	1,271,522
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		25,880,299	-	25,880,299	22,185,729	6,576	22,192,305
16.3.4 Other profit reserves		1,438,488	240,141	1,678,629	1,077,988	206,624	1,284,612
16.4 Profit or loss		4,645,128	-	4,645,128	5,105,291	-	5,105,291
16.4.1 Prior periods profit/loss		-	-	-	-	-	-
16.4.2 Current period net profit/loss		4,645,128	-	4,645,128	5,105,291	-	5,105,291
16.5 Minority interest		307,177	-	307,177	267,808	-	267,808
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>161,711,714</b>	<b>177,967,413</b>	<b>339,679,127</b>	<b>149,718,342</b>	<b>162,403,597</b>	<b>312,121,939</b>

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

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates**  
**Consolidated Off-Balance Sheet Items**  
**At 30 September 2017**

OFF-BALANCE SHEET ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD			PRIOR PERIOD		
		30 September 2017			31 December 2016		
		TL	FC	Total	TL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>210,134,972</b>	<b>304,303,152</b>	<b>514,438,124</b>	<b>162,878,081</b>	<b>280,614,485</b>	<b>443,492,566</b>
<b>I. GUARANTEES AND SURETIES</b>	5.3.1	<b>18,637,766</b>	<b>35,244,488</b>	<b>53,882,254</b>	<b>17,138,984</b>	<b>38,946,496</b>	<b>56,085,480</b>
1.1 Letters of guarantee		18,622,155	19,984,313	38,606,468	17,111,138	20,901,575	38,012,713
1.1.1 Guarantees subject to State Tender Law		-	981,914	981,914	-	1,029,481	1,029,481
1.1.2 Guarantees given for foreign trade operations		1,843,694	379,816	2,223,510	2,134,070	332,444	2,466,514
1.1.3 Other letters of guarantee		16,778,461	18,622,583	35,401,044	14,977,068	19,539,650	34,516,718
1.2 Bank acceptances		15,611	1,472,079	1,487,690	27,846	2,099,488	2,127,334
1.2.1 Import letter of acceptance		15,611	1,472,079	1,487,690	27,846	2,099,488	2,127,334
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		-	13,623,905	13,623,905	-	15,754,367	15,754,367
1.3.1 Documentary letters of credit		-	-	-	-	-	-
1.3.2 Other letters of credit		-	13,623,905	13,623,905	-	15,754,367	15,754,367
1.4 Guaranteed prefinancings		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Underwriting commitments		-	-	-	-	-	-
1.7 Factoring related guarantees		-	-	-	-	-	-
1.8 Other guarantees		-	164,191	164,191	-	191,066	191,066
1.9 Other sureties		-	-	-	-	-	-
<b>II. COMMITMENTS</b>		<b>50,529,330</b>	<b>20,252,900</b>	<b>70,782,230</b>	<b>39,448,303</b>	<b>10,404,168</b>	<b>49,852,471</b>
2.1 Irrevocable commitments		50,257,759	15,843,642	66,101,401	39,310,120	5,369,433	44,679,553
2.1.1 Asset purchase and sale commitments		8,671,009	12,618,216	21,289,225	204,021	3,752,040	3,956,061
2.1.2 Deposit purchase and sale commitments		-	886,050	886,050	-	74,040	74,040
2.1.3 Share capital commitments to associates and affiliates		-	5,955	5,955	-	5,266	5,266
2.1.4 Loan granting commitments		8,579,347	932,935	9,512,282	6,967,401	1,037,722	8,005,123
2.1.5 Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheque payments		3,789,444	-	3,789,444	3,555,087	-	3,555,087
2.1.8 Tax and fund obligations on export commitments		34,757	-	34,757	24,000	-	24,000
2.1.9 Commitments for credit card limits		29,174,000	479,020	29,653,020	27,849,250	377,443	28,226,693
2.1.10 Commitments for credit cards and banking services related promotions		8,406	-	8,406	8,708	-	8,708
2.1.11 Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12 Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		796	921,466	922,262	701,653	122,922	824,575
2.2 Revocable commitments		271,571	4,409,258	4,680,829	138,183	5,034,735	5,172,918
2.2.1 Revocable loan granting commitments		69,176	3,941,280	4,010,456	23,040	4,653,740	4,676,780
2.2.2 Other revocable commitments		202,395	467,978	670,373	115,143	380,995	496,138
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	5.3.2	<b>140,967,876</b>	<b>248,805,764</b>	<b>389,773,640</b>	<b>106,290,794</b>	<b>231,263,821</b>	<b>337,554,615</b>
3.1 Derivative financial instruments held for risk management		7,938,979	37,225,577	45,164,556	10,145,282	34,208,867	44,354,149
3.1.1 Fair value hedges		6,283,057	11,898,017	18,181,074	7,307,595	14,701,424	22,009,019
3.1.2 Cash flow hedges		1,655,922	25,327,560	26,983,482	2,837,687	19,507,443	22,345,130
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Trading derivatives		133,028,897	211,580,187	344,609,084	96,145,512	197,054,954	293,200,466
3.2.1 Forward foreign currency purchases/sales		15,782,019	20,011,070	35,793,089	11,723,664	16,145,274	27,868,938
3.2.1.1 Forward foreign currency purchases		6,905,093	11,026,393	17,931,486	3,833,951	10,111,495	13,945,446
3.2.1.2 Forward foreign currency sales		8,876,926	8,984,677	17,861,603	7,889,713	6,033,779	13,923,492
3.2.2 Currency and interest rate swaps		101,921,668	151,543,782	253,465,450	62,027,010	133,439,424	195,466,434
3.2.2.1 Currency swaps-purchases		33,838,551	76,385,778	110,224,329	23,993,140	55,350,676	79,343,816
3.2.2.2 Currency swaps-sales		67,553,205	37,500,920	105,054,125	37,539,222	41,571,364	79,110,586
3.2.2.3 Interest rate swaps-purchases		264,956	18,828,542	19,093,498	247,324	18,258,692	18,506,016
3.2.2.4 Interest rate swaps-sales		264,956	18,828,542	19,093,498	247,324	18,258,692	18,506,016
3.2.3 Currency, interest rate and security options		15,216,511	27,001,339	42,217,850	22,338,459	38,228,684	60,567,143
3.2.3.1 Currency call options		9,140,922	6,813,574	15,954,496	9,793,681	16,465,095	26,258,776
3.2.3.2 Currency put options		5,990,850	10,411,262	16,402,112	12,487,141	14,903,735	27,390,876
3.2.3.3 Interest rate call options		-	8,797,820	8,797,820	-	5,927,914	5,927,914
3.2.3.4 Interest rate put options		-	978,683	978,683	-	843,120	843,120
3.2.3.5 Security call options		17,899	-	17,899	10,871	44,410	55,281
3.2.3.6 Security put options		66,840	-	66,840	46,766	44,410	91,176
3.2.4 Currency futures		93,197	83,787	176,984	37,173	144,751	181,924
3.2.4.1 Currency futures-purchases		22,765	65,851	88,616	14,586	80,808	95,394
3.2.4.2 Currency futures-sales		70,432	17,936	88,368	22,587	63,943	86,530
3.2.5 Interest rate futures		-	14,177	14,177	-	100,121	100,121
3.2.5.1 Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sales		-	14,177	14,177	-	100,121	100,121
3.2.6 Others		15,502	12,926,032	12,941,534	19,206	8,996,700	9,015,906
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>698,584,326</b>	<b>563,203,577</b>	<b>1,261,787,903</b>	<b>631,736,919</b>	<b>528,278,312</b>	<b>1,160,015,231</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>54,008,433</b>	<b>32,821,794</b>	<b>86,830,227</b>	<b>48,564,102</b>	<b>41,691,499</b>	<b>90,255,601</b>
4.1 Customers' securities held		16,832,573	-	16,832,573	15,065,124	-	15,065,124
4.2 Investment securities held in custody		18,399,821	11,425,924	29,825,745	16,489,131	17,080,586	33,569,717
4.3 Checks received for collection		15,771,411	3,510,621	19,282,032	14,117,779	3,153,993	17,271,772
4.4 Commercial notes received for collection		2,754,263	964,366	3,718,629	2,551,368	1,165,068	3,716,436
4.5 Other assets received for collection		87,931	13,164,346	13,252,277	78,792	16,103,427	16,182,219
4.6 Assets received through public offering		-	86,837	86,837	-	85,344	85,344
4.7 Other items under custody		162,434	3,669,700	3,832,134	261,908	4,103,081	4,364,989
4.8 Custodians		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		<b>644,575,893</b>	<b>530,381,783</b>	<b>1,174,957,676</b>	<b>583,172,817</b>	<b>486,586,813</b>	<b>1,069,759,630</b>
5.1 Securities		4,070,267	208,776	4,279,043	4,588,155	315,976	4,904,131
5.2 Guarantee notes		36,980,776	15,455,504	52,436,280	37,868,541	14,996,659	52,865,200
5.3 Commodities		16,002	-	16,002	19,841	-	19,841
5.4 Warranties		-	229,840	229,840	-	206,513	206,513
5.5 Real estates		154,893,289	107,908,116	262,801,405	140,621,890	92,300,194	232,922,084
5.6 Other pledged items		448,615,559	406,579,486	855,195,045	400,074,220	378,767,417	778,841,637
5.7 Pledged items-depository		-	61	61	170	-	224
<b>VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>		<b>908,719,298</b>	<b>867,506,729</b>	<b>1,776,226,027</b>	<b>794,615,000</b>	<b>808,892,797</b>	<b>1,603,507,797</b>

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

*(Convenience Translation of Financial Statements Originally Issued in Turkish)*

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates**  
**Consolidated Income Statement**  
**At 30 September 2017**

INCOME AND EXPENSE ITEMS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)			
			CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
			1 January 2017- 30 September 2017	1 January 2016- 30 September 2016	1 July 2017- 30 September 2017	1 July 2016- 30 September 2016
<b>I. INTEREST INCOME</b>		5.4.1	<b>20,184,330</b>	<b>16,655,785</b>	<b>7,183,931</b>	<b>5,778,866</b>
1.1 Interest income on loans			15,918,718	12,802,127	5,634,199	4,470,740
1.2 Interest income on reserve deposits			158,601	161,837	55,740	63,905
1.3 Interest income on banks			346,466	149,087	150,267	53,377
1.4 Interest income on money market transactions			10,306	4,950	3,313	2,223
1.5 Interest income on securities portfolio			3,042,372	2,871,414	1,099,391	965,231
1.5.1 Trading financial assets			21,806	15,252	11,065	5,471
1.5.2 Financial assets valued at fair value through profit or loss			-	-	-	-
1.5.3 Financial assets available-for-sale			1,608,986	1,596,484	586,532	532,840
1.5.4 Investments held-to-maturity			1,411,580	1,259,678	501,794	426,920
1.6 Financial lease income			326,681	323,937	109,238	108,713
1.7 Other interest income			381,186	342,433	131,783	114,677
<b>II. INTEREST EXPENSE</b>		5.4.2	<b>9,003,983</b>	<b>7,666,824</b>	<b>3,246,767</b>	<b>2,605,468</b>
2.1 Interest on deposits			6,002,097	5,242,026	2,223,368	1,797,956
2.2 Interest on funds borrowed			954,457	822,890	299,442	275,562
2.3 Interest on money market transactions			938,725	776,739	296,313	247,778
2.4 Interest on securities issued			1,088,905	801,978	425,127	280,153
2.5 Other interest expenses			19,799	23,191	2,517	4,019
<b>III. NET INTEREST INCOME (I - II)</b>			<b>11,180,347</b>	<b>8,988,961</b>	<b>3,937,164</b>	<b>3,173,398</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>			<b>2,842,507</b>	<b>2,439,785</b>	<b>1,008,848</b>	<b>826,368</b>
4.1 Fees and commissions received			3,760,382	3,214,091	1,355,978	1,092,643
4.1.1 Non-cash loans			310,883	249,220	106,800	85,669
4.1.2 Others			3,449,499	2,964,871	1,249,178	1,006,974
4.2 Fees and commissions paid			917,875	774,306	347,130	266,275
4.2.1 Non-cash loans			3,003	2,317	609	798
4.2.2 Others			914,872	771,989	346,521	265,477
<b>V. DIVIDEND INCOME</b>		5.4.3	<b>7,558</b>	<b>9,066</b>	<b>220</b>	<b>4</b>
<b>VI. NET TRADING INCOME/LOSSES (Net)</b>		5.4.4	<b>(1,481,156)</b>	<b>(660,603)</b>	<b>(591,916)</b>	<b>(118,057)</b>
6.1 Trading account income/losses (Net)			(312,152)	216,894	314	102,513
6.2 Income/losses from derivative financial instruments (Net)			(1,460,669)	(898,233)	(431,967)	137,733
6.3 Foreign exchange gains/losses (Net)			291,665	20,736	(160,263)	(358,303)
<b>VII. OTHER OPERATING INCOME</b>		5.4.5	<b>1,477,655</b>	<b>1,701,978</b>	<b>405,466</b>	<b>322,970</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>			<b>14,026,911</b>	<b>12,479,187</b>	<b>4,759,782</b>	<b>4,204,683</b>
<b>IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>		5.4.6	<b>2,328,133</b>	<b>2,547,046</b>	<b>823,490</b>	<b>869,619</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>		5.4.7	<b>5,593,960</b>	<b>5,002,876</b>	<b>1,851,450</b>	<b>1,637,094</b>
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>			<b>6,104,818</b>	<b>4,929,265</b>	<b>2,084,842</b>	<b>1,697,970</b>
<b>XII. INCOME RESULTED FROM MERGERS</b>			-	-	-	-
<b>XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>			-	-	-	-
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>			-	-	-	-
<b>XV. PROFIT/LOSS BEFORE TAXES (XI+XII+XIII+XIV)</b>		5.4.8	<b>6,104,818</b>	<b>4,929,265</b>	<b>2,084,842</b>	<b>1,697,970</b>
<b>XVI. PROVISION FOR TAXES (±)</b>		5.4.9	<b>1,418,829</b>	<b>989,199</b>	<b>499,126</b>	<b>363,190</b>
16.1 Current tax charge			1,510,985	899,170	450,306	125,697
16.2 Deferred tax charge/(credit)			(92,156)	90,029	48,820	237,493
<b>XVII. NET OPERATING PROFIT/LOSS AFTER TAXES (XV±XVI)</b>		5.4.10	<b>4,685,989</b>	<b>3,940,066</b>	<b>1,585,716</b>	<b>1,334,780</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>			-	-	-	-
18.1 Income from assets held for sale			-	-	-	-
18.2 Income from sale of associates, affiliates and joint-ventures			-	-	-	-
18.3 Others			-	-	-	-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>			-	-	-	-
19.1 Expenses on assets held for sale			-	-	-	-
19.2 Expenses on sale of associates, affiliates and joint-ventures			-	-	-	-
19.3 Others			-	-	-	-
<b>XX. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XVIII-XIX)</b>		5.4.8	-	-	-	-
<b>XXI. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>		5.4.9	-	-	-	-
21.1 Current tax charge			-	-	-	-
21.2 Deferred tax charge/(credit)			-	-	-	-
<b>XXII. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XX±XXI)</b>		5.4.10	-	-	-	-
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>		5.4.11	<b>4,685,989</b>	<b>3,940,066</b>	<b>1,585,716</b>	<b>1,334,780</b>
23.1 Equity holders of the bank			4,645,128	3,907,558	1,571,953	1,324,901
23.2 Minority interest			40,861	32,508	13,763	9,879
<b>Earnings per Share</b>			<b>0.01106</b>	<b>0.00930</b>	<b>0.00374</b>	<b>0.00315</b>

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

*(Convenience Translation of Financial Statements Originally Issued in Turkish)*

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

<b>INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY</b>		<b>THOUSANDS OF TURKISH LIRA (TL)</b>	
		<b>CURRENT PERIOD 1 January 2017 - 30 September 2017</b>	<b>PRIOR PERIOD 1 January 2016 - 30 September 2016</b>
<b>I.</b>	<b>MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"</b>	<b>429,679</b>	<b>219,230</b>
<b>II.</b>	<b>REVALUATION SURPLUS ON TANGIBLE ASSETS</b>	<b>-</b>	<b>(38,890)</b>
<b>III.</b>	<b>REVALUATION SURPLUS ON INTANGIBLE ASSETS</b>	<b>-</b>	<b>-</b>
<b>IV.</b>	<b>TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES</b>	<b>392,441</b>	<b>183,698</b>
<b>V.</b>	<b>GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)</b>	<b>(21,226)</b>	<b>(128,623)</b>
<b>VI.</b>	<b>GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)</b>	<b>(166,999)</b>	<b>(63,275)</b>
<b>VII.</b>	<b>EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS</b>	<b>-</b>	<b>-</b>
<b>VIII.</b>	<b>OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS</b>	<b>-</b>	<b>-</b>
<b>IX.</b>	<b>DEFERRED TAXES ON VALUE INCREASES/DECREASES</b>	<b>(39,294)</b>	<b>(22,865)</b>
<b>X.</b>	<b>NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+III+IV+V+VI+VII+VIII+IX)</b>	<b>594,601</b>	<b>149,275</b>
<b>XI.</b>	<b>CURRENT PERIOD PROFIT/LOSSES</b>	<b>4,685,989</b>	<b>3,940,066</b>
1.1	Net changes in fair value of securities (transferred to income statement)	(14,628)	214,746
1.2	Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement	(75,821)	(97,244)
1.3	Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-	-
1.4	Others	4,776,438	3,822,564
<b>XII.</b>	<b>TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)</b>	<b>5,280,590</b>	<b>4,089,341</b>

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

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

**Consolidated Statement of Changes in Shareholders' Equity**

At 30 September 2017

THOUSANDS OF TURKISH LIRA (TL)																			
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes	Paid-In Capital	Inflation Adjustment to Paid-In Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Profit/(Loss)	Securities Value Increase Fund	Revaluation Surplus on Tangible and Intangible Assets	Bonus Shares of Equity Participations	Hedging Reserves	Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity
PRIOR PERIOD - 1 January-30 September 2016																			
I. Balances at beginning of the period		4,200,000	772,554	11,880	-	1,226,628	-	19,168,165	751,943	-	3,580,901	(283,642)	1,765,883	947	(218,120)	-	30,977,139	226,617	31,203,756
II. Correction made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1. Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted balances at beginning of the period (I+II)		4,200,000	772,554	11,880	-	1,226,628	-	19,168,165	751,943	-	3,580,901	(283,642)	1,765,883	947	(218,120)	-	30,977,139	226,617	31,203,756
Changes during the period	5.5																		
IV. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Market value changes of securities		-	-	-	-	-	-	-	-	-	-	151,197	-	-	-	-	151,197	(14)	151,183
VI. Hedging reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	(154,494)	-	(154,494)	-	(154,494)
6.1. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(103,874)	-	(103,874)	-	(103,874)
6.2. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	(50,620)	-	(50,620)	-	(50,620)
VII. Revaluation surplus on tangible assets		-	-	-	-	-	-	8,303	-	-	-	-	(39,415)	-	-	-	(31,112)	-	(31,112)
VIII. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares of associates, affiliates and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Translation differences		-	-	-	-	2,186	-	108	181,516	-	-	-	-	-	(112)	-	183,698	-	183,698
XI. Changes resulted from disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Changes resulted from reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2. Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Others		-	-	-	-	-	-	766	-	-	-	-	(766)	-	-	-	-	-	-
XIX. Current period net profit/loss		-	-	-	-	-	-	-	-	3,907,558	-	-	-	-	-	-	3,907,558	32,508	3,940,066
XX. Profit distribution		-	-	-	-	42,629	-	2,966,549	805	-	(3,580,901)	-	3,918	-	-	-	(567,000)	(1,210)	(568,210)
20.1. Dividends		-	-	-	-	-	-	-	-	-	(567,000)	-	-	-	-	-	(567,000)	(1,210)	(568,210)
20.2. Transfers to reserves		-	-	-	-	42,629	-	2,966,549	-	-	(3,009,178)	-	-	-	-	-	-	-	-
20.3. Others		-	-	-	-	-	-	-	805	-	(4,723)	-	3,918	-	-	-	-	-	-
Balances at end of the period (III+IV+V+.....+XVIII+XIX+XX)		4,200,000	772,554	11,880	-	1,271,443	-	22,143,891	934,264	3,907,558	-	(132,445)	1,729,620	947	(372,726)	-	34,466,986	257,901	34,724,887
CURRENT PERIOD - 1 January-30 September 2017																			
I. Balances at beginning of the period		4,200,000	772,554	11,880	-	1,271,522	-	22,192,305	1,179,839	-	5,105,291	(543,625)	1,691,062	947	(353,676)	-	35,528,099	267,808	35,795,907
Changes during the period	5.5																		
II. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Market value changes of securities		-	-	-	-	-	-	-	-	-	-	353,143	-	-	-	-	353,143	8	353,151
IV. Hedging reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	(150,991)	-	(150,991)	-	(150,991)
4.1. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(17,392)	-	(17,392)	-	(17,392)
4.2. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	(133,599)	-	(133,599)	-	(133,599)
V. Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares of associates, affiliates and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Translation differences		-	-	-	-	2,917	-	488	388,279	-	-	-	795	-	(38)	-	392,441	-	392,441
IX. Changes resulted from disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes resulted from reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2. Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Others		-	-	-	-	-	-	170,294	-	-	-	-	(170,294)	-	-	-	-	-	-
XVII. Current period net profit/loss		-	-	-	-	-	-	-	-	4,645,128	-	-	-	-	-	-	4,645,128	40,861	4,685,989
XVIII. Profit distribution		-	-	-	-	110,468	-	3,517,212	5,738	-	(5,105,291)	-	221,873	-	-	-	(1,250,000)	(1,500)	(1,251,500)
18.1. Dividends		-	-	-	-	-	-	-	-	-	(1,250,000)	-	-	-	-	-	(1,250,000)	(1,500)	(1,251,500)
18.2. Transfers to reserves		-	-	-	-	110,468	-	3,517,212	-	-	(3,627,680)	-	-	-	-	-	-	-	-
18.3. Others		-	-	-	-	-	-	-	5,738	-	(227,611)	-	221,873	-	-	-	-	-	-
Balances at end of the period (I+II+III+.....+XVI+XVII+XVIII)		4,200,000	772,554	11,880	-	1,384,907	-	25,880,299	1,573,856	4,645,128	-	(190,482)	1,743,436	947	(504,705)	-	39,517,820	307,177	39,824,997

*(Convenience Translation of Financial Statements Originally Issued in Turkish)*

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates**  
**Consolidated Statement of Cash Flows**  
**At 30 September 2017**

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		1 January 2017 30 September 2017	1 January 2016 30 September 2016
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>	5.6	<b>5,797,146</b>	<b>4,295,103</b>
1.1.1 Interests received		18,391,874	14,972,569
1.1.2 Interests paid		(8,474,348)	(7,804,431)
1.1.3 Dividend received		7,558	9,062
1.1.4 Fees and commissions received		3,760,382	3,214,091
1.1.5 Other income		1,138,497	1,750,153
1.1.6 Collections from previously written-off loans and other receivables		123,041	129,102
1.1.7 Payments to personnel and service suppliers		(4,738,405)	(4,140,706)
1.1.8 Taxes paid		(1,374,718)	(1,372,408)
1.1.9 Others		(3,036,735)	(2,462,329)
<b>1.2 Changes in operating assets and liabilities</b>	5.6	<b>(10,635,176)</b>	<b>(5,402,376)</b>
1.2.1 Net (increase) decrease in financial assets held for trading		(37,813)	(1,726)
1.2.2 Net (increase) decrease in financial assets valued at fair value through profit or loss		-	200,000
1.2.3 Net (increase) decrease in due from banks and other financial institutions		(10,777,609)	(3,422,973)
1.2.4 Net (increase) decrease in loans		(19,525,733)	(16,001,700)
1.2.5 Net (increase) decrease in other assets		716,979	766,909
1.2.6 Net increase (decrease) in bank deposits		(292,390)	(4,148,679)
1.2.7 Net increase (decrease) in other deposits		16,753,409	15,163,143
1.2.8 Net increase (decrease) in funds borrowed		1,942,326	1,405,697
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		585,655	636,953
<b>I. Net cash flow from banking operations</b>	5.6	<b>(4,838,030)</b>	<b>(1,107,273)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash flow from investing activities</b>	5.6	<b>531,441</b>	<b>2,256,729</b>
2.1 Cash paid for purchase of associates, affiliates and joint-ventures		(29)	-
2.2 Cash obtained from sale of associates, affiliates and joint-ventures		-	-
2.3 Purchases of tangible assets		(508,987)	(645,392)
2.4 Sales of tangible assets		264,111	75,638
2.5 Cash paid for purchase of financial assets available-for-sale, net		(6,483,839)	(7,332,063)
2.6 Cash obtained from sale of financial assets available-for-sale, net		6,570,454	9,679,515
2.7 Cash paid for purchase of investments held-to-maturity		(244,025)	(382,802)
2.8 Cash obtained from sale of investments held-to-maturity		933,756	861,833
2.9 Others		-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash flow from financing activities</b>		<b>2,968,476</b>	<b>(1,016,876)</b>
3.1 Cash obtained from funds borrowed and securities issued		16,675,496	5,739,835
3.2 Cash used for repayment of funds borrowed and securities issued		(12,455,520)	(6,188,501)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		(1,251,500)	(568,210)
3.5 Payments for financial leases		-	-
3.6 Others		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>177,785</b>	<b>273,207</b>
<b>V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)</b>	5.6	<b>(1,160,328)</b>	<b>405,787</b>
<b>VI. Cash and cash equivalents at beginning of period</b>	5.6	<b>15,692,142</b>	<b>11,740,582</b>
<b>VII. Cash and cash equivalents at end of period (V+VI)</b>	5.6	<b>14,531,814</b>	<b>12,146,369</b>

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



### **3 Accounting Policies**

#### **3.1 Basis of presentation**

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

The accompanying consolidated financial statements are prepared in accordance with the historical cost basis except for financial instruments at fair value through profit or loss, financial assets available for sale, real estates and investments in associates and affiliates valued at equity basis of accounting or that are quoted on the stock exchanges which are presented on a fair value basis.

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

New and revised Turkish Accounting Standards effective for annual periods beginning on or after 1 January 2017 have no material effect on the consolidated financial statements, consolidated financial performance and on the Bank’s accounting policies and accounting estimates. New and revised Turkish Accounting Standards issued but not yet effective have no material effect on the consolidated financial statements, consolidated financial performance and on the Bank’s accounting policies and accounting estimates, except for IFRS9 which will be effective from periods beginning on or after 1 January 2018. The Bank continues to work to comply with IFRS9 and will be able to calculate the expected credit loss amount in accordance with IFRS9 as of 1 January 2018.

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

#### **3.2 Strategy for use of financial instruments and foreign currency transactions**

##### **3.2.1 Strategy for use of financial instruments**

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

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

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

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

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

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

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

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

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

### **3.2.2 Foreign currency transactions**

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

During the consolidation of foreign affiliates, the assets and liabilities are translated into TL at exchange rates ruling at the balance sheet date, the income and expenses in income statement are translated into TL using monthly average exchange rates. Foreign exchange differences arising from the translation of income and expenses and other equity items, are recognized under other profit reserves of the shareholders' equity.

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

### **3.3 Information on consolidated affiliates**

As of 30 September 2017, Türkiye Garanti Bankası Anonim Şirketi and the following financial affiliates are consolidated in the accompanying consolidated financial statements; Garanti Bank International (GBI), Garanti Finansal Kiralama AŞ (Garanti Finansal Kiralama), Garanti Yatırım Menkul Kıymetler AŞ (Garanti Yatırım), Garanti Portföy Yönetimi AŞ (Garanti Portföy), Garanti Emeklilik ve Hayat AŞ (Garanti Emeklilik), Garanti Faktoring AŞ (Garanti Faktoring) and Garanti Holding BV (Garanti Holding).

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

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

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

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

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

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

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

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

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

### **3.4 Forwards, options and other derivative transactions**

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

#### **3.4.1 Derivative financial instruments held for trading**

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

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

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

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

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

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

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

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

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

### **3.4.2 Derivative financial instruments held for hedging purpose**

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

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

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

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

## **3.5 Interest income and expenses**

### **General**

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

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

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

#### Financial lease operations

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

### **3.6 Fees and commissions**

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

### **3.7 Financial assets**

#### **3.7.1 Financial assets at fair value through profit or loss**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **3.8 Impairment of financial assets**

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

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

If there is an objective evidence that certain loans will not be collected, for such loans; the Bank makes reclassification and provides specific and general allowances in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the Provisioning Regulation) published on the Official Gazette no.2633 dated 1 November 2006 and TAS. The allowances are recorded in the income statement of the related period.

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

### **3.9 Netting and derecognition of financial instruments**

#### **3.9.1 Netting of financial instruments**

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

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

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

### **3.9.2 Derecognition of financial assets**

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

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

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

### **3.10 Repurchase and resale agreements and securities lending**

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

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

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

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

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

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

### **3.12 Goodwill and other intangible assets**

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

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

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

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

- The technical feasibility of completing the intangible asset so that it will be available for use,
- Availability of the Bank and its financial affiliates' intention to complete and use the intangible asset,
- The ability to use the intangible asset,
- Clarity in probable future economic benefits to be generated from the intangible asset,
- The availability of adequate technical, financial and other resources to complete the development phase and to start using the intangible asset,
- The availability to measure reliably the expenditure attributable to the intangible asset during the development phase.

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

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

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

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

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

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

### **3.13 Tangible assets**

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

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

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

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

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

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



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

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

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

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

#### *Investment properties*

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

Investment properties accounted at fair value are not depreciated.

### **3.14 Leasing activities**

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

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

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

### **3.15 Provisions and contingent liabilities**

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

### 3.16 Contingent assets

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

### 3.17 Liabilities for employee benefits

#### *Severance indemnities and short-term employee benefits*

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

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

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

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

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

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

#### *Retirement benefit obligations*

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee and his/her dependents will receive on retirement.

The Bank's defined benefit plan (the "Plan") is managed by "Türkiye Garanti Bankası Anonim Şirketi Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı" (the Fund) established as per the provisional article 20 of the Social Security Law no.506 and the Bank's employees are the members of this Fund.

The Plan is funded through contributions of both by the employees and the employer as required by Social Security Law no. 506. These contributions are as follows:

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

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

**a) Benefits transferable to SSF**

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

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

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

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

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

**b) Other benefits not transferable to SSF**

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

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

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

### **3.18 Taxation**

#### **3.18.1 Corporate tax**

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

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

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

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

75% of income on sales of equity shares and real estates held at least for two years are tax-exempt in cases where such income is used in capital increases or held under shareholders' equity for five years as required by the Corporate Tax Law.

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

#### *Tax applications for foreign branches*

##### *NORTHERN CYPRUS*

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

##### *MALTA*

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

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

#### **LUXEMBOURG**

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

#### ***Tax applications for foreign financial affiliates***

#### **THE NETHERLANDS**

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

#### **ROMANIA**

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

### **3.18.2 Deferred taxes**

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

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

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

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

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

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

### **3.18.3 Transfer pricing**

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

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

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

### **3.19 Funds borrowed**

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

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

### **3.20 Shares and share issuances**

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

### **3.21 Confirmed bills of exchange and acceptances**

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

### **3.22 Government incentives**

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

### 3.23 Segment reporting

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

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

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

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

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

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

<i>Current Period</i>	<b>Retail Banking</b>	<b>Corporate / Commercial Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
Total Operating Profit	5,734,545	5,145,840	(146,296)	3,285,264	14,019,353
Other	-	-	-	-	-
<b>Total Operating Profit</b>	<b>5,734,545</b>	<b>5,145,840</b>	<b>(146,296)</b>	<b>3,285,264</b>	<b>14,019,353</b>
Net Operating Profit	2,452,142	3,104,799	(238,877)	779,196	6,097,260
Income from Associates and Affiliates	-	-	-	7,558	7,558
<b>Net Operating Profit</b>	<b>2,452,142</b>	<b>3,104,799</b>	<b>(238,877)</b>	<b>786,754</b>	<b>6,104,818</b>
Provision for Taxes	-	-	-	1,418,829	1,418,829
<b>Net Profit</b>	<b>2,452,142</b>	<b>3,104,799</b>	<b>(238,877)</b>	<b>(632,075)</b>	<b>4,685,989</b>
Segment Assets	67,613,765	152,441,137	90,954,021	28,516,651	339,525,574
Investments in Associates and Affiliates	-	-	-	153,553	153,553
<b>Total Assets</b>	<b>67,613,765</b>	<b>152,441,137</b>	<b>90,954,021</b>	<b>28,670,204</b>	<b>339,679,127</b>
Segment Liabilities	124,281,186	77,530,453	79,435,850	18,606,641	299,854,130
Shareholders’ Equity	-	-	-	39,824,997	39,824,997
<b>Total Liabilities and Shareholders’ Equity</b>	<b>124,281,186</b>	<b>77,530,453</b>	<b>79,435,850</b>	<b>58,431,638</b>	<b>339,679,127</b>

<i>Prior Period</i>	<b>Retail Banking</b>	<b>Corporate / Commercial Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
Total Operating Profit	4,795,540	3,837,203	605,405	3,231,973	12,470,121
Other	-	-	-	-	-
<b>Total Operating Profit</b>	<b>4,795,540</b>	<b>3,837,203</b>	<b>605,405</b>	<b>3,231,973</b>	<b>12,470,121</b>
Net Operating Profit	1,172,650	1,328,067	418,567	2,000,915	4,920,199
Income from Associates and Affiliates	-	-	-	9,066	9,066
<b>Net Operating Profit</b>	<b>1,172,650</b>	<b>1,328,067</b>	<b>418,567</b>	<b>2,009,981</b>	<b>4,929,265</b>
Provision for Taxes	-	-	-	989,199	989,199
<b>Net Profit</b>	<b>1,172,650</b>	<b>1,328,067</b>	<b>418,567</b>	<b>1,020,782</b>	<b>3,940,066</b>
Segment Assets	61,499,413	140,924,123	80,712,705	28,832,579	311,968,820
Investments in Associates and Affiliates	-	-	-	153,119	153,119
<b>Total Assets</b>	<b>61,499,413</b>	<b>140,924,123</b>	<b>80,712,705</b>	<b>28,985,698</b>	<b>312,121,939</b>
Segment Liabilities	116,243,213	67,671,139	74,092,285	18,319,395	276,326,032
Shareholders' Equity	-	-	-	35,795,907	35,795,907
<b>Total Liabilities and Shareholders' Equity</b>	<b>116,243,213</b>	<b>67,671,139</b>	<b>74,092,285</b>	<b>54,115,302</b>	<b>312,121,939</b>

### 3.24 Profit reserves and profit appropriation

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

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

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

### 3.25 Earnings per share

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

	<i>Current Period</i>	<i>Prior Period</i>
Distributable net profit for the year	4,645,128	3,907,558
Average number of issued common shares (thousand)	420,000,000	420,000,000
Earnings per share (amounts presented full TL)	0.01106	0.00930

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

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



### **3.26 Related parties**

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

### **3.27 Cash and cash equivalents**

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

### **3.28 Reclassifications**

None.

### **3.29 Other disclosures**

None.

## **4 Consolidated Financial Position and Results of Operations and Risk Management**

### **4.1 Consolidated total capital**

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

#### **4.1.1 Components of consolidated total capital**

<i>Current Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	27,505,380	
Other Comprehensive Income according to TAS	3,686,232	
Profit	4,645,128	
Current Period Profit	4,645,128	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	947	
Minority Interest	120,114	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>40,942,235</b>	
<b>Deductions From Common Equity Tier I Capital</b>		
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 (-)	1,355,850	-
Leasehold Improvements on Operational Leases (-)	111,197	-
Goodwill Netted with Deferred Tax Liabilities	5,110	6,388
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	246,360	307,950
Net Deferred Tax Asset/Liability (-)	6,877	8,596
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	2,294	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-

	<b>Amount</b>	<b>Amount as per the regulation before 1/1/2014 (*)</b>
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 (-)	-	
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>1,727,688</b>	
<b>Total Common Equity Tier I Capital</b>	<b>39,214,547</b>	
<b>ADDITIONAL TIER I CAPITAL</b>		
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)	-	
<b>Additional Tier I Capital before Deductions</b>	<b>-</b>	
<b>Deductions from Additional Tier I Capital</b>		
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 (-)	-	-
<b>Items to be Deducted from Tier I Capital During the Transition Period</b>		
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 (-)	62,868	-
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 (-)	1,719	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
<b>Total Deductions from Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
<b>Total Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>39,149,960</b>	
<b>TIER II CAPITAL</b>		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	2,658,150	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2,878,669	
<b>Total Deductions from Tier II Capital</b>	<b>5,536,819</b>	
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	<b>5,536,819</b>	
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>44,686,779</b>	
<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	23	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	
Other items to be Defined by the BRSA (-)	32,784	
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) during the Transition Period</b>		
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 (-)	-	-
<b>CAPITAL</b>		
Total Capital (Total of Tier I Capital and Tier II Capital)	44,653,972	-
Total Risk Weighted Assets	261,732,998	-
<b>CAPITAL ADEQUACY RATIOS</b>		
Consolidated CET1 Capital Ratio (%)	14.98	-
Consolidated Tier I Capital Ratio (%)	14.96	-
Consolidated Capital Adequacy Ratio (%)	17.06	-
<b>BUFFERS</b>		
Total Additional CET1 Capital Requirement Ratio (a+b+c)	2.313	-
a) Capital Conservation Buffer Ratio (%)	1.250	-
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.063	-
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 (%)	9.061	-
<b>Amounts Lower Than Excesses as per Deduction Rules</b>		
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	-	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 <sup>(*)</sup></i>
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	310,988	-
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	3,391,714	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2,878,669	-
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	-	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>		
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 affiliate is lesser, the consolidated capital is calculated according to consolidated financial statements including the insurance affiliate.

<i>Prior Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	23,704,951	
Other Comprehensive Income according to TAS	3,090,208	
Profit	5,114,182	
Current Period Profit	5,114,182	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	947	
Minority Interest	52,513	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>36,947,235</b>	
<b>Deductions From Common Equity Tier I Capital</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	1,429,152	-
Leasehold Improvements on Operational Leases (-)	116,307	-
Goodwill Netted with Deferred Tax Liabilities	3,833	6,388
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	156,911	261,520
Net Deferred Tax Asset/Liability (-)	7,129	11,881
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	1,730	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>1,715,062</b>	
<b>Total Common Equity Tier I Capital</b>	<b>35,232,173</b>	

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

	Amount	Amount as per the regulation before 1/1/2014 <sup>(*)</sup>
<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	31	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	56,325	
Other items to be Defined by the BRSA (-)	36,994	
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) during the Transition Period</b>		
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 (-)	-	-
<b>CAPITAL</b>		
Total Capital (Total of Tier I Capital and Tier II Capital)	37,916,811	-
Total Risk Weighted Assets	258,425,540	-
<b>CAPITAL ADEQUACY RATIOS</b>		
Consolidated CET1 Capital Ratio (%)	13.63	-
Consolidated Tier I Capital Ratio (%)	13.59	-
Consolidated Capital Adequacy Ratio (%)	14.67	-
<b>BUFFERS</b>		
Bank-Specific total CET1 Capital Ratio (%)	5.658	-
Capital Conservation Buffer Ratio (%)	0.625	-
Bank-Specific Counter-Cyclical Capital Buffer Ratio (%)	0.533	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	6.672	-
<b>Amounts Lower Than Excesses as per Deduction Rules</b>		
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 <sup>(**)</sup>	1,125,107	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	245,522	-
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	3,215,533	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2,889,903	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-



	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 <sup>(*)</sup></i>
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

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

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

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

#### 4.1.2 Items included in capital calculation

<i>Information about instruments included in total capital calculation</i>	
Issuer	T. Garanti Bankası A.Ş.
Identifier (CUSIP, ISIN vb.)	Reg S: ISIN: XS1617531063 Common Code: 161753106 144A: CUSIP: 900148 AE7 ISIN: US900148AE73 Common Code: 161752479
Governing law (s) of the instrument	Subject to English Law and in terms of certain articles to Turkish Regulations. It is issued within the scope of the Communiqué VII-128.8 on Debt Instruments of the Capital Markets Board and the Regulation on Bank Capital of the BRSA.
<i>Regulatory treatment</i>	
Subject to 10% deduction as of 1/1/2015	No
Eligible on unconsolidated and /or consolidated basis	Eligible on unconsolidated and consolidated
Instrument type	Subordinated debt instruments (Notes)
Amount recognized in regulatory capital (Currency in TL million, as of most recent reporting date)	2,658
Nominal value of instrument (TL million)	2,658
Accounting classification of the instrument	34701 – Secondary Subordinated Loans
Issuance date of instrument	23.05.2017
Maturity structure of the instrument (demand/time)	Time
Original maturity of the instrument	24.05.2027
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	24.05.2022 - USD750,000,000.00
Subsequent call dates, if applicable	-
<i>Interest/dividend payment*</i>	
Fixed or floating coupon/dividend payments	Fixed
Coupon rate and any related index	6.1250%
Existence of any dividend payment restriction	None
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	None
Convertible into equity shares	None
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, type of instrument convertible into	-
If convertible, issuer of instrument to be converted into	-
Write-down feature	Yes
If bonds can be written-down, write-down trigger(s)	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked and the Bank is liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable), or (iii) it is probable that the Issuer will become non-viable; then the bonds can be written-down.
If bond can be written-down, full or partial	Partially or fully
If bond can be written-down, permanent or temporary	Continuously
If temporary write-down, description of write-up mechanism	There are no any temporary write-up mechanisms.
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	In priority of receivables, it comes after the senior obligations of the Issuer.
In compliance with article number 7 and 8 of Regulation on Bank Capital	Instrument is in compliant with Article 8 of the Regulation on Bank Capital.
Details of incompliance with article number 7 and 8 of Regulation on Bank Capital	Instrument is not in compliant with Article 7 of the Regulation on Bank Capital.

#### 4.1.3 Reconciliation of capital items to balance sheet

<i>Current Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the capital report</i>	<i>Explanation of the differences</i>
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	1,728,857	(824,103)	904,754	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
Other Comprehensive Income According to TAS	1,716,030	(824,103)	891,927	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
Securities Value Increase Fund	(190,482)	9,484	(180,998)	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
Revaluation Surplus on Tangible Assets	1,743,436	-	1,743,436	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)	(504,705)	(61,033)	(565,738)	Items not included in the calculation as per Regulation's Article 9-1-f
Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	-	-	-	
Other Capital Reserves	667,781	(772,554)	(104,773)	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4; and Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Affiliates and Joint-Ventures	947	-	947	
Share Premium	11,880	-	11,880	
Profit Reserves	28,943,835	-	28,943,835	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
Profit or Loss	4,645,128	-	4,645,128	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
Prior Periods Profit/Loss	-	-	-	
Current Period Net Profit/Loss	4,645,128	-	4,645,128	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
Minority Interest	307,177	(187,063)	120,114	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4
Deductions from Common Equity Tier I Capital (-)	-		371,838	Deductions from Common Equity Tier 1 Capital as per the Regulation
<b>Common Equity Tier I Capital</b>	<b>39,824,997</b>		<b>39,214,547</b>	

<b><i>Current Period</i></b>	<b><i>Carrying value</i></b>	<b><i>Amount of correction</i></b>	<b><i>Value of the capital report</i></b>	<b><i>Explanation of the differences</i></b>
Subordinated Debts			-	
Deductions from Tier I Capital (-)			64,587	Deductions from Tier I Capital as per the Regulation
<b><i>Tier I Capital</i></b>			<b>39,149,960</b>	
Subordinated Debts			2,658,150	
General Provisions			2,878,669	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
<b><i>Tier II Capital</i></b>			<b>5,536,819</b>	
Deductions from Total Capital (-)			32,807	Deductions from Capital as per the Regulation
<b><i>Total</i></b>			<b>44,653,972</b>	

<i>Prior Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the capital report (*)</i>	<i>Explanation of the differences</i>
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	1,474,369	(878,442)	595,927	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Other Comprehensive Income According to TAS	1,461,542	(878,442)	583,100	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Securities Value Increase Fund	(543,625)	9,161	(534,464)	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Revaluation Surplus on Tangible Assets	1,691,062	(36,807)	1,654,255	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Revaluation Surplus on Intangible Assets	-	-	-	
Revaluation Surplus on Investment Property	-	-	-	
Hedging Reserves (Effective Portion)	(353,676)	(78,370)	(432,046)	Items not included in the calculation as per Regulation's Article 9-1-f
Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	-	-	-	
Other Capital Reserves	667,781	(772,426)	(104,645)	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*); and Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Affiliates and Joint-Ventures	947	-	947	
Share Premium	11,880	-	11,880	
Profit Reserves	24,748,439	34,468	24,782,907	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Profit or Loss	5,105,291	8,891	5,114,182	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Prior Periods Profit/Loss	-	-	-	
Current Period Net Profit/Loss	5,105,291	8,891	5,114,182	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Minority Interest	267,808	(215,295)	52,513	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Deductions from Common Equity Tier I Capital (-)	-		285,910	Deductions from Common Equity Tier 1 Capital as per the Regulation
<b>Common Equity Tier I Capital</b>	<b>35,795,907</b>		<b>35,232,173</b>	

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

(\*) According to "Bank Capital Regulation" article 10 paragraph 4, which published on Official Gazette dated 5th September 2013 and numbered 28756, banks calculated their consolidated capital with their consolidated insurance company investments as unconsolidated financial institutions if 9th article's 4th paragraph's (c) and (ç) items apply. Lesser of consolidated capital calculated according to 1st and 4th paragraphs is considered the consolidated capital according to this regulation. As the consolidated capital calculated without including the insurance affiliate is lesser than the consolidated capital calculated including the insurance affiliate, when proceeding from the consolidated financial statements to the consolidated capital there is an adjustment for excluding the insurance company from consolidation.

## 4.2 Consolidated credit risk

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

## 4.3 Consolidated currency risk

Foreign currency open position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 30 September 2017, the Bank and its financial affiliates' net 'on balance sheet' foreign currency short position amounts to TL 27,934,545 thousands (31 December 2016: TL 16,885,902 thousands), net 'off-balance sheet' foreign currency long position amounts to TL 29,384,973 thousands (31 December 2016: TL 18,057,131 thousands), while net foreign currency long open position amounts to TL 1,450,428 thousands (31 December 2016: TL 1,171,229 thousands).

The foreign currency position risk is measured by "standard method" and "value-at-risk (VaR) model". Measurements by standard method are carried out monthly, whereas measurements by "VaR" are done daily for the Bank. The foreign currency exchange risk is managed through transaction, dealer, desk and stop-loss limits approved by the board of directors for the trading portfolio beside the foreign currency net position standard ratio and the VaR limit.

The Bank's effective exchange rates at the date of balance sheet and for the last five working days of the period announced by the Bank in TL are as follows:

	<b>USD</b>	<b>EUR</b>
<b>The Bank's foreign currency purchase rate at balance sheet date</b>	3.5442	4.1862
<u>Foreign currency rates for the days before balance sheet date:</u>		
Day 1	3.5442	4.1862
Day 2	3.5510	4.1846
Day 3	3.5644	4.1821
Day 4	3.5413	4.1673
Day 5	3.5317	4.1960
Last 30-days arithmetical average rate	3.4640	4.1304

*The Bank's consolidated currency risk*

	EUR	USD	Other FCs	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	4,784,232	18,397,193	6,278,849	29,460,274
Banks	6,586,243	4,759,062	1,364,240	12,709,545
Financial Assets at Fair Value through Profit/Loss	62,165	360,876	8,180	431,221
Interbank Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	2,652,691	1,061,901	-	3,714,592
Loans (*)	37,867,868	43,992,474	4,417,799	86,278,141
Investments in Associates, Affiliates and Joint-Ventures	1,389	-	641	2,030
Investments Held-to-Maturity	-	10,632,998	-	10,632,998
Derivative Financial Assets Held for Hedging Purpose	50,445	56,663	-	107,108
Tangible Assets	93,253	256	56,561	150,070
Intangible Assets	-	-	-	-
Other Assets (**)	4,049,013	1,627,589	152,023	5,828,625
<b>Total Assets</b>	<b>56,147,299</b>	<b>80,889,012</b>	<b>12,278,293</b>	<b>149,314,604</b>
<b>Liabilities</b>				
Bank Deposits	1,227,217	1,588,822	249,284	3,065,323
Foreign Currency Deposits	33,887,508	62,889,474	7,244,215	104,021,197
Interbank Money Market Takings	4,630,087	5,951,024	97	10,581,208
Other Fundings	12,871,459	27,648,046	119,485	40,638,990
Securities Issued (***)	2,368,730	11,339,524	896,027	14,604,281
Miscellaneous Payables	156,207	488,406	79,784	724,397
Derivative Financial Liabilities Held for Hedging Purpose	32,168	73,754	-	105,922
Other Liabilities (****)	624,469	712,316	2,171,046	3,507,831
<b>Total Liabilities</b>	<b>55,797,845</b>	<b>110,691,366</b>	<b>10,759,938</b>	<b>177,249,149</b>
<b>Net 'On Balance Sheet' Position</b>	<b>349,454</b>	<b>(29,802,354)</b>	<b>1,518,355</b>	<b>(27,934,545)</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>2,520,829</b>	<b>27,423,246</b>	<b>(559,102)</b>	<b>29,384,973</b>
Derivative Assets	13,757,864	80,654,317	6,864,449	101,276,630
Derivative Liabilities	(11,237,035)	(53,231,071)	(7,423,551)	(71,891,657)
Non-Cash Loans	-	-	-	-
<b>Prior Period</b>				
<b>Total Assets</b>	<b>54,860,658</b>	<b>83,730,189</b>	<b>6,039,332</b>	<b>144,630,179</b>
<b>Total Liabilities</b>	<b>50,388,448</b>	<b>102,038,005</b>	<b>9,089,628</b>	<b>161,516,081</b>
<b>Net 'On Balance Sheet' Position</b>	<b>4,472,210</b>	<b>(18,307,816)</b>	<b>(3,050,296)</b>	<b>(16,885,902)</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>(3,601,299)</b>	<b>18,158,120</b>	<b>3,500,310</b>	<b>18,057,131</b>
Derivative Assets	18,444,171	61,491,621	6,826,814	86,762,606
Derivative Liabilities	(22,045,470)	(43,333,501)	(3,326,504)	(68,705,475)
Non-Cash Loans	-	-	-	-

(\*) The foreign currency-indexed loans amounting TL 5,552,669 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 257,978 thousands included under TL assets in the accompanying consolidated financial statements are presented above under the related foreign currency code.

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

(\*\*\*\*) The gold deposits of TL 2,056,449 thousands included under deposits in the accompanying consolidated financial statements are presented above under other liabilities.

#### 4.4 Consolidated interest rate risk

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

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

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

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

<i>Current Period</i>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing (*)</b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	18,329,314	-	-	-	-	18,636,897	<b>36,966,211</b>
Banks	6,047,234	2,193,471	1,166,110	125,401	-	4,317,951	<b>13,850,167</b>
Financial Assets at Fair Value through Profit/Loss	30,201	14,101	50,581	57,790	43,477	2,550,530	<b>2,746,680</b>
Interbank Money Market Placements	7,310	-	-	-	-	3	<b>7,313</b>
Financial Assets Available-for-Sale	2,308,084	3,777,250	10,336,992	2,316,262	3,603,136	2,358,256	<b>24,699,980</b>
Loans	49,746,326	35,278,350	56,860,845	61,034,458	12,481,074	4,804,297	<b>220,205,350</b>
Investments Held-to-Maturity	2,480,941	3,043,391	3,679,056	3,805,562	6,980,696	3,035,840	<b>23,025,486</b>
Other Assets	705,423	1,516,225	2,387,954	2,871,686	296,080	10,400,572	<b>18,177,940</b>
<b>Total Assets</b>	<b>79,654,833</b>	<b>45,822,788</b>	<b>74,481,538</b>	<b>70,211,159</b>	<b>23,404,463</b>	<b>46,104,346</b>	<b>339,679,127</b>
<b>Liabilities</b>							
Bank Deposits	1,081,331	29,772	295,238	-	-	2,788,027	<b>4,194,368</b>
Other Deposits	108,323,496	21,847,964	14,935,630	1,737,120	14,767	44,191,183	<b>191,050,160</b>
Interbank Money Market Takings	16,177,827	1,708,824	12,700	544,206	48,001	14,124	<b>18,505,682</b>
Miscellaneous Payables	-	-	-	-	-	10,326,378	<b>10,326,378</b>
Securities Issued (**)	1,995,090	2,102,982	2,991,310	9,846,567	4,617,653	420,334	<b>21,973,936</b>
Other Fundings	14,557,507	18,286,904	2,963,827	5,209,035	326,425	332,619	<b>41,676,317</b>
Other Liabilities	1,983	11,542	14,864	-	-	51,923,897	<b>51,952,286</b>
<b>Total Liabilities</b>	<b>142,137,234</b>	<b>43,987,988</b>	<b>21,213,569</b>	<b>17,336,928</b>	<b>5,006,846</b>	<b>109,996,562</b>	<b>339,679,127</b>
<b>On Balance Sheet Long Position</b>	<b>-</b>	<b>1,834,800</b>	<b>53,267,969</b>	<b>52,874,231</b>	<b>18,397,617</b>	<b>-</b>	<b>126,374,617</b>
<b>On Balance Sheet Short Position</b>	<b>(62,482,401)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(63,892,216)</b>	<b>(126,374,617)</b>
<b>Off-Balance Sheet Long Position</b>	<b>13,608,192</b>	<b>17,884,658</b>	<b>5,686,920</b>	<b>4,455,377</b>	<b>4,692,062</b>	<b>-</b>	<b>46,327,209</b>
<b>Off-Balance Sheet Short Position</b>	<b>(3,719,933)</b>	<b>(10,820,191)</b>	<b>(4,381,845)</b>	<b>(17,552,452)</b>	<b>(9,856,319)</b>	<b>-</b>	<b>(46,330,740)</b>
<b>Total Position</b>	<b>(52,594,142)</b>	<b>8,899,267</b>	<b>54,573,044</b>	<b>39,777,156</b>	<b>13,233,360</b>	<b>(63,892,216)</b>	<b>(3,531)</b>

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

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



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

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

#### 4.4.2 Average interest rates on monetary financial instruments (%)

<i>Current Period</i>	EUR	USD	JPY	TL
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	1.22	-	2.16
Banks	(0.36)-2.00	1.18-4.15	-	10.01-14.90
Financial Assets at Fair Value through Profit/Loss	2.73	5.79	-	4.16-14.99
Interbank Money Market Placements	-	-	-	11.31-11.79
Financial Assets Available-for-Sale	0.65-4.63	3.25-11.88	-	9.89-10.53
Loans	0.12-10.89	1.25-10.69	-	11.00-16.20
Investments Held-to-Maturity	-	5.57	-	9.84
<b>Liabilities</b>				
Bank Deposits	0.05-1.25	1.20-3.30	-	11.66
Other Deposits	0.01-5.50	0.01-2.20	1.40	7.00-13.15
Interbank Money Market Takings	(0.11)	1.25-2.62	-	9.80-14.30
Miscellaneous Payables	-	-	-	-
Securities Issued	3.58	5.67	-	12.90-14.00
Other Fundings	0.25-4.55	1.37-5.46	-	8.40-15.75

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

#### 4.5 Consolidated position risk of equity securities

##### 4.5.1 Equity shares in associates and affiliates

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

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

<i>Current Period</i>		Comparison		
Equity Securities (shares)		Carrying Value	Fair Value	Market Value
1	Investment in Shares- Grade A	124,572	-	-
	Quoted Securities	-	-	-
2	Investment in Shares- Grade B	27,097	-	-
	Quoted Securities	-	-	-
3	Investment in Shares- Grade C	822	-	-
	Quoted Securities	-	-	-
4	Investment in Shares- Grade D	-	-	-
	Quoted Securities	-	-	-
5	Investment in Shares- Grade E	1,014	-	-
	Quoted Securities	-	-	-
6	Investment in Shares- Grade F	48	-	-
	Quoted Securities	-	-	-

<i>Prior Period</i>		Comparison		
Equity Securities (shares)		Carrying Value	Fair Value	Market Value
1	Investment in Shares- Grade A	124,138	-	-
	Quoted Securities	-	-	-
2	Investment in Shares- Grade B	27,097	-	-
	Quoted Securities	-	-	-
3	Investment in Shares- Grade C	822	-	-
	Quoted Securities	-	-	-
4	Investment in Shares- Grade D	-	-	-
	Quoted Securities	-	-	-
5	Investment in Shares- Grade E	1,014	-	-
	Quoted Securities	-	-	-
6	Investment in Shares- Grade F	48	-	-
	Quoted Securities	-	-	-

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

Current Period		Gains/Losses in Current Period	Revaluation Surpluses		Unrealized Gains and Losses		
			Total	Amount in Tier I Capital	Total	Amount in Core Capital	Amount in Tier I Capital
Portfolio							
1	Private Equity Investments	-	-	-	-	-	-
2	Quoted Shares	-	-	-	22,306	-	22,306
3	Other Shares	-	34,370	34,370	-	-	-
Total		-	34,370	34,370	22,306	-	22,306

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

#### 4.5.4 Capital requirement as per equity shares

<i>Current Period</i>				
<b>Portfolio</b>		<b>Carrying Value</b>	<b>RWA Total</b>	<b>Minimum Capital Requirement</b>
1	Private Equity Investments	-	-	-
2	Quoted Shares	-	-	-
3	Other Shares	153,553	153,553	12,284
<b>Total</b>		<b>153,553</b>	<b>153,553</b>	<b>12,284</b>

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

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

#### 4.6 Consolidated liquidity risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **4.6.1 Liquidity coverage ratio**

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

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

High quality liquid assets consist of cash, deposits in central banks and securities considered as high quality liquid assets. Reserve deposits are included in high quality liquid assets, limited by the amount that is allowed by central bank to use in liquidity shortages. As of the reporting date, high quality liquid assets are composed of 3.80% cash, 51.73% deposits in central banks and 44.47% securities considered as high quality liquid assets.

The Bank’s main funding sources are deposits, funds borrowed, money market borrowings and securities issued. Consolidated funding source composition as of report date is 68.50% deposits, 21.12% funds borrowed and money market borrowings and 6.76% securities issued.

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

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

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

Current Period		Total Unweighted Value (Average) <sup>(*)</sup>		Total Weighted Value (Average) <sup>(*)</sup>	
		TL+FC	FC	TL+FC	FC
High-Quality Liquid Assets				59,662,455	35,835,407
1	Total high-quality liquid assets (HQLA)			59,662,455	35,835,407
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:	131,816,805	64,909,001	11,881,407	6,478,705
3	Stable deposits	26,005,464	243,915	1,300,273	12,196
4	Less stable deposits	105,811,341	64,665,086	10,581,134	6,466,509
5	Unsecured wholesale funding, of which:	53,770,567	35,144,309	29,301,457	17,166,306
6	Operational deposits	-	-	-	-
7	Non-operational deposits	40,971,529	27,099,654	19,724,517	12,960,523
8	Unsecured funding	12,799,038	8,044,655	9,576,940	4,205,783
9	Secured wholesale funding			129,300	129,300
10	Other cash outflows of which:	52,357,686	12,975,416	10,808,368	10,289,121
11	Outflows related to derivative exposures and other collateral requirements	7,253,085	9,158,589	7,253,085	9,158,589
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	45,104,601	3,816,827	3,555,283	1,130,532
14	Other revocable off-balance sheet commitments and contractual obligations	698,419	509,345	34,921	25,467
15	Other irrevocable or conditionally revocable off-balance sheet obligations	57,125,001	38,439,211	2,856,250	1,921,961
16	Total Cash Outflows			55,011,703	36,010,860
Cash Inflows					
17	Secured receivables	7,637	-	-	-
18	Unsecured receivables	21,083,015	8,764,106	13,817,740	6,100,224
19	Other cash inflows	895,719	7,097,427	891,397	7,095,210
20	Total Cash Inflows	21,986,371	15,861,533	14,709,137	13,195,434
				Total Adjusted Values	
21	Total HQLA			59,662,455	35,835,407
22	Total Net Cash Outflows			40,302,566	22,815,426
23	Liquidity Coverage Ratio (%)			148.10	157.55

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

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

<b>Period</b>	<b>TL+FC</b>	<b>FC</b>
31 July 2017	147.32%	169.36%
31 August 2017	152.38%	161.20%
30 September 2017	144.60%	142.08%

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

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

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

#### 4.6.2 Contractual maturity analysis of liabilities according to remaining maturities

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



**4.6.3 Maturity analysis of assets and liabilities according to remaining maturities**

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash on Hand, Money in Transit, Purchased Cheques) And Balances with the Central Bank	8,282,126	28,684,085	-	-	-	-	-	36,966,211
Banks	6,131,540	2,437,161	239,865	1,179,706	3,861,895	-	-	13,850,167
Financial Assets at Fair Value through Profit/Loss	42,562	579,916	486,299	1,066,419	235,998	335,486	-	2,746,680
Interbank Money Market Placements	-	7,313	-	-	-	-	-	7,313
Financial Assets Available-for-Sale	256,429	25,344	446,852	1,740,979	11,308,125	10,922,251	-	24,699,980
Loans	610,459	34,512,386	20,092,466	52,951,897	83,943,311	23,543,361	4,551,470	220,205,350
Investments Held-to-Maturity	-	53,764	-	1,948,919	8,444,787	12,578,016	-	23,025,486
Other Assets	1,641,220	1,540,029	1,619,712	2,173,020	3,503,354	569,362	7,131,243	18,177,940
<b>Total Assets</b>	<b>16,964,336</b>	<b>67,839,998</b>	<b>22,885,194</b>	<b>61,060,940</b>	<b>111,297,470</b>	<b>47,948,476</b>	<b>11,682,713</b>	<b>339,679,127</b>
<b>Liabilities</b>								
Bank Deposits	2,863,927	1,002,639	31,971	295,831	-	-	-	4,194,368
Other Deposits	50,104,367	102,064,379	21,987,633	15,048,632	1,823,121	22,028	-	191,050,160
Other Fundings	-	1,563,418	6,666,724	10,506,176	15,947,689	6,992,310	-	41,676,317
Interbank Money Market Takings	97	16,191,029	1,709,404	12,751	544,206	48,195	-	18,505,682
Securities Issued (**)	-	1,972,527	1,963,774	3,190,745	10,164,480	4,682,410	-	21,973,936
Miscellaneous Payables	808,567	9,437,395	9,598	70,315	-	431	72	10,326,378
Other Liabilities (***)	1,318,156	1,000,479	666,606	1,219,605	239,731	230,985	47,276,724	51,952,286
<b>Total Liabilities</b>	<b>55,095,114</b>	<b>133,231,866</b>	<b>33,035,710</b>	<b>30,344,055</b>	<b>28,719,227</b>	<b>11,976,359</b>	<b>47,276,796</b>	<b>339,679,127</b>
<b>Liquidity Gap</b>	<b>(38,130,778)</b>	<b>(65,391,868)</b>	<b>(10,150,516)</b>	<b>30,716,885</b>	<b>82,578,243</b>	<b>35,972,117</b>	<b>(35,594,083)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>201,205</b>	<b>(147,692)</b>	<b>296,178</b>	<b>221,725</b>	<b>224,668</b>	<b>-</b>	<b>796,084</b>
Derivative Financial Assets	-	64,034,464	42,374,018	39,775,694	6,692,651	1,724,603	-	154,601,430
Derivative Financial Liabilities	-	63,833,259	42,521,710	39,479,516	6,470,926	1,499,935	-	153,805,346
<b>Non-Cash Loans</b>	<b>-</b>	<b>22,972,997</b>	<b>3,740,760</b>	<b>8,969,222</b>	<b>1,709,740</b>	<b>139,194</b>	<b>87,132,571</b>	<b>124,664,484</b>
<b>Prior Period</b>								
<b>Total Assets</b>	<b>17,662,498</b>	<b>56,025,807</b>	<b>21,128,903</b>	<b>54,849,372</b>	<b>101,224,879</b>	<b>50,385,570</b>	<b>10,844,910</b>	<b>312,121,939</b>
<b>Total Liabilities</b>	<b>49,705,179</b>	<b>116,180,029</b>	<b>27,639,427</b>	<b>40,524,381</b>	<b>26,819,626</b>	<b>9,348,265</b>	<b>41,905,032</b>	<b>312,121,939</b>
<b>Liquidity Gap</b>	<b>(32,042,681)</b>	<b>(60,154,222)</b>	<b>(6,510,524)</b>	<b>14,324,991</b>	<b>74,405,253</b>	<b>41,037,305</b>	<b>(31,060,122)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>526,190</b>	<b>(104,836)</b>	<b>547,096</b>	<b>5,636</b>	<b>87,715</b>	<b>-</b>	<b>1,061,801</b>
Derivative Financial Assets	-	60,394,076	27,198,909	34,159,810	9,584,052	1,610,733	-	132,947,580
Derivative Financial Liabilities	-	59,867,886	27,303,745	33,612,714	9,578,416	1,523,018	-	131,885,779
<b>Non-Cash Loans</b>	<b>-</b>	<b>4,255,623</b>	<b>4,910,315</b>	<b>6,374,916</b>	<b>1,089,367</b>	<b>223,599</b>	<b>89,084,131</b>	<b>105,937,951</b>

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

(\*\*) Includes subordinated securities issued and presented under subordinated loans debt balance sheet.

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

#### 4.7 Consolidated leverage ratio

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

The Bank’s consolidated leverage ratio calculated by taking simple average of end of month leverage ratios for the last three-month periods, is 8.44% (31 December 2016: 8.23%). Main reason for the variance compared to prior period is the increase in balance sheet and off balance sheet exposures lower than the increase in capital. While the capital increased by 11.12% as a result of increase in net profits, the balance sheet exposure increased by 8.92% and the off balance sheet exposure increased by 9.13%. Therefore, the current period leverage ratio increased by 21 basis points compared to prior period.

		<b>Current Period<sup>(***)</sup></b>	<b>Prior Period<sup>(***)</sup></b>
1	Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards <sup>(*)</sup> <sup>(**)</sup>	331,158,887	308,318,527
2	The difference between total assets prepared in accordance with Turkish Accounting Standards <sup>(*)</sup> and total assets in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” <sup>(**)</sup>	4,783,298	3,803,412
3	The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	(8,745,779)	(8,436,784)
4	The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	13,869,108	14,523,665
5	The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	3,617,036	2,550,420
6	Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	-	-
7	<b>Total risk amount</b>	<b>459,048,491</b>	<b>423,189,090</b>

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

<sup>(\*\*)</sup> For the current period consolidated financial statements prepared in accordance with Turkish Accounting Standards as of 30 June 2017 and for the prior period consolidated financial statements prepared in accordance with Turkish Accounting Standards as of 31 December 2016 are used.

<sup>(\*\*\*)</sup> Amounts in the table are three-month average amounts.

		<i>Current Period<sup>(*)</sup></i>	<i>Prior Period<sup>(*)</sup></i>
<b>On-balance sheet assets</b>			
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	332,695,742	305,441,515
2	(Assets deducted in determining Tier I capital)	(439,104)	(380,379)
3	Total on-balance sheet risks (sum of lines 1 and 2)	332,256,638	305,061,136
<b>Derivative financial instruments and credit derivatives</b>			
4	Replacement cost associated with all derivative financial instruments and credit derivatives	2,842,534	3,494,125
5	Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	8,776,701	8,482,319
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 and 5)	11,619,235	11,976,444
<b>Securities or commodity financing transactions (SCFT)</b>			
7	Risks from SCFT assets (excluding on-balance sheet)	1,958,054	1,645,458
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 and 8)	1,958,054	1,645,458
<b>Other off-balance sheet transactions</b>			
10	Gross notional amounts of off-balance sheet transactions	116,831,598	107,056,472
11	(Adjustments for conversion to credit equivalent amounts)	(3,617,034)	(2,550,420)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	113,214,564	104,506,052
<b>Capital and total risks</b>			
13	Tier I capital	38,710,501	34,836,155
14	Total risks (sum of lines 3, 6, 9 and 12)	459,048,491	423,189,090
<b>Leverage ratio</b>			
15	Leverage ratio	8.44%	8.23%

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

#### 4.8 Fair values of financial assets and liabilities

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

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

None.

#### 4.10 Risk management objectives and policies

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

##### 4.10.1 Risk management strategy and weighted amounts

###### 4.10.1.1 Risk management strategy

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

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

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

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

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

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

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

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

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

#### 4.10.1.2 Risk weighted amounts

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR) (*)	224,844,145	222,091,394	17,987,532
2	Of which standardised approach (SA)	224,844,145	222,091,394	17,987,532
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	4,669,807	5,680,859	373,584
5	Of which standardised approach for counterparty credit risk (SA-CCR)	4,669,807	5,680,859	373,584
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	3,703	-	296
10	Equity investments in funds – 1250% risk weighting approach	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB supervisory formula approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	6,405,875	6,136,375	512,470
17	Of which standardised approach (SA)	6,405,875	6,136,375	512,470
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	25,033,623	21,096,899	2,002,690
20	Of which basic indicator approach	25,033,623	21,096,899	2,002,690
21	Of which standardised approach	-	-	-
22	Of which advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	775,845	3,420,013	62,068
24	Floor adjustment	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>261,732,998</b>	<b>258,425,540</b>	<b>20,938,640</b>

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

#### 4.10.2 Consolidated financial statements and regulatory exposures reconciliation

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

#### 4.10.3 Consolidated credit risk

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”.

## **5 Disclosures and Footnotes on Consolidated Financial Statements**

### **5.1 Consolidated assets**

#### **5.1.1 Cash and balances with Central Bank**

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1,149,845	963,932	1,357,697	848,206
Central Bank of Turkey	6,355,982	28,111,137	5,366,015	15,500,506
Others	110	385,205	-	879,050
<b>Total</b>	<b>7,505,937</b>	<b>29,460,274</b>	<b>6,723,712</b>	<b>17,227,762</b>

#### *Balances with the Central Bank of Turkey*

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Unrestricted Demand Deposits	451,224	5,331,810	5,366,015	155
Unrestricted Time Deposits	-	-	-	38
Restricted Time Deposits	5,904,758	22,779,327	-	15,500,313
<b>Total</b>	<b>6,355,982</b>	<b>28,111,137</b>	<b>5,366,015</b>	<b>15,500,506</b>

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

#### **5.1.2 Financial assets at fair value through profit/loss**

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Collateralised/Blocked Assets	15,396	-	13,777	-
Assets Subject to Repurchase Agreements	11,939	-	3,983	-
<b>Total</b>	<b>27,335</b>	<b>-</b>	<b>17,760</b>	<b>-</b>

##### **5.1.2.2 Positive differences on derivative financial assets held for trading**

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Forward Transactions	148,814	33,306	249,419	51,101
Swap Transactions	1,660,561	522,609	1,985,329	803,335
Futures	42	173	3	1,097
Options	129,235	37,580	426,836	92,514
Others	1	2,107	-	4,079
<b>Total</b>	<b>1,938,653</b>	<b>595,775</b>	<b>2,661,587</b>	<b>952,126</b>

##### **5.1.2.3 Financial assets at fair value through profit/loss**

None.

### 5.1.3 Banks

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Banks				
Domestic banks	1,064,303	1,400,632	823,557	831,980
Foreign banks	76,319	11,308,913	390,952	14,834,555
Foreign headoffices and branches	-	-	-	-
<b>Total</b>	<b>1,140,622</b>	<b>12,709,545</b>	<b>1,214,509</b>	<b>15,666,535</b>

The placements at foreign banks include blocked accounts amounting TL 5,290,052 thousands (31 December 2016: TL 7,557,761 thousands) of which TL 263,704 thousands (31 December 2016: TL 116,841 thousands) and TL 126,631 thousands (31 December 2016: TL 96,147 thousands) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 4,899,717 thousands (31 December 2016: TL 7,344,773 thousands) as collateral against funds borrowed at various banks.

Furthermore, there are restricted deposits at various domestic banks amounting TL 278,548 thousands (31 December 2016: TL 254,130 thousands) as required for insurance activities.

#### *Due from foreign banks*

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

### 5.1.4 Financial assets available-for-sale

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Collateralised/Blocked Assets	4,589,193	26,439	2,976,848	21,803
Assets subject to Repurchase Agreements	1,573,604	706,770	4,306,605	655,413
<b>Total</b>	<b>6,162,797</b>	<b>733,209</b>	<b>7,283,453</b>	<b>677,216</b>

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

	<i>Current Period</i>	<i>Prior Period</i>
<b>Debt Securities</b>	<b>22,425,443</b>	<b>22,639,523</b>
Quoted at Stock Exchange	21,844,833	22,067,470
Unquoted at Stock Exchange	580,610	572,053
<b>Common Shares/Investment Fund</b>	<b>180,787</b>	<b>174,953</b>
Quoted at Stock Exchange	7,079	7,669
Unquoted at Stock Exchange	173,708	167,284
<b>Value Increase/Impairment Losses (-)</b>	<b>2,093,750</b>	<b>1,168,972</b>
<b>Total</b>	<b>24,699,980</b>	<b>23,983,448</b>

### 5.1.5 Loans

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

	<i>Current Period</i>		<i>Prior Period</i>	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
<b>Direct Lendings to Shareholders</b>	<b>-</b>	<b>415,788</b>	<b>-</b>	<b>168,241</b>
Corporates	-	415,788	-	168,241
Real Persons	-	-	-	-
<b>Indirect Lendings to Shareholders</b>	<b>2,482,101</b>	<b>616,771</b>	<b>2,204,037</b>	<b>474,103</b>
<b>Loans to Employees</b>	<b>325,176</b>	<b>57</b>	<b>293,178</b>	<b>146</b>
<b>Total</b>	<b>2,807,277</b>	<b>1,032,616</b>	<b>2,497,215</b>	<b>642,490</b>



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

<i>Current Period</i>	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total) <sup>(*)</sup>	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other Changes		Extension of Repayment Plan	Other Changes
<b>Cash Loans</b>						
<b>Loans</b>	<b>207,599,123</b>	<b>2,653,127</b>	<b>560,460</b>	<b>11,249,188</b>	<b>3,614,885</b>	<b>1,234,871</b>
Working Capital Loans	36,763,785	101,941	30,671	1,260,929	370,757	166,523
Export Loans	10,024,356	55,188	-	285,455	85,250	90,501
Import Loans	568,553	-	14,354	8,063	-	-
Loans to Financial Sector	5,823,628	-	-	18	-	-
Consumer Loans	48,214,398	2,250,916	54,234	1,839,436	552,939	53,962
Credit Cards	20,778,726	-	402,297	391,119	-	154,540
Others	85,425,677	245,082	58,904	7,464,168	2,605,939	769,345
<b>Specialization Loans</b>	<b>-</b>	<b>1,272</b>	<b>23,533</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>207,599,123</b>	<b>2,654,399</b>	<b>583,993</b>	<b>11,249,188</b>	<b>3,614,885</b>	<b>1,234,871</b>

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

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

As of 30 September 2017, loans amounting to TL 6,432,397 thousands (31 December 2016: TL 5,269,501 thousands) are benefited as collateral under funding transactions.

*Collaterals received for loans under follow-up*

<b>Current Period</b>	<b>Corporate / Commercial Loans</b>	<b>Consumer Loans</b>	<b>Credit Cards</b>	<b>Total</b>
Loans Collateralized by Cash	37,193	4,473	-	41,666
Loans Collateralized by Mortgages	5,718,264	976,479	-	6,694,743
Loans Collateralized by Pledged Assets	194,033	68,137	-	262,170
Loans Collateralized by Cheques and Notes	65,476	541,727	-	607,203
Loans Collateralized by Other Collaterals	2,501,466	32,675	-	2,534,141
Unsecured Loans	502,201	215,945	391,119	1,109,265
<b>Total</b>	<b>9,018,633</b>	<b>1,839,436</b>	<b>391,119</b>	<b>11,249,188</b>

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

*Delinquency periods of loans under follow-up*

<b>Current Period</b>	<b>Corporate / Commercial Loans</b>	<b>Consumer Loans</b>	<b>Credit Cards</b>	<b>Total</b>
31-60 days	613,790	774,773	151,297	1,539,860
61-90 days	256,072	315,070	53,247	624,389
Other	8,148,771	749,593	186,575	9,084,939
<b>Total</b>	<b>9,018,633</b>	<b>1,839,436</b>	<b>391,119</b>	<b>11,249,188</b>

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

*Loans and other receivables with extended payment plans*

<b>Current Period</b>	<b>Performing Loans and Other Receivables</b>	<b>Loans and Other Receivables under Follow-up</b>
<b>No. of Extensions</b>		
1 or 2 times	2,632,162	3,406,176
3, 4 or 5 times	14,042	71,812
Over 5 times	8,195	136,897
<b>Total</b>	<b>2,654,399</b>	<b>3,614,885</b>

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

<i>Current Period</i>	<b>Performing Loans and Other Receivables</b>	<b>Loans and Other Receivables under Follow-up</b>
<b>Extention Periods</b>		
0 - 6 months	255,838	380,644
6 - 12 months	214,447	184,217
1 - 2 years	826,798	417,022
2 - 5 year	1,209,277	1,963,885
5 years and over	148,039	669,117
<b>Total</b>	<b>2,654,399</b>	<b>3,614,885</b>

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

#### **5.1.5.3 Maturity analysis of cash loans**

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

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

<i>Current Period</i>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Consumer Loans – TL</b>	<b>841,961</b>	<b>44,767,666</b>	<b>45,609,627</b>
Housing Loans	31,288	22,754,221	22,785,509
Automobile Loans	46,647	2,125,934	2,172,581
General Purpose Loans	763,463	19,887,511	20,650,974
Others	563	-	563
<b>Consumer Loans – FC-indexed</b>	<b>8</b>	<b>154,037</b>	<b>154,045</b>
Housing Loans	8	153,916	153,924
Automobile Loans	-	2	2
General Purpose Loans	-	119	119
Others	-	-	-
<b>Consumer Loans – FC</b>	<b>254,004</b>	<b>3,020,019</b>	<b>3,274,023</b>
Housing Loans	3,584	1,585,876	1,589,460
Automobile Loans	207	13,550	13,757
General Purpose Loans	13,125	971,950	985,075
Others	237,088	448,643	685,731
<b>Retail Credit Cards – TL</b>	<b>16,833,229</b>	<b>582,892</b>	<b>17,416,121</b>
With Installment	8,325,593	582,892	8,908,485
Without Installment	8,507,636	-	8,507,636
<b>Retail Credit Cards – FC</b>	<b>105,600</b>	<b>115,367</b>	<b>220,967</b>
With Installment	-	-	-
Without Installment	105,600	115,367	220,967
<b>Personnel Loans – TL</b>	<b>20,108</b>	<b>114,520</b>	<b>134,628</b>
Housing Loan	-	1,635	1,635
Automobile Loans	-	6	6
General Purpose Loans	20,108	112,879	132,987
Others	-	-	-
<b>Personnel Loans - FC-indexed</b>	<b>-</b>	<b>381</b>	<b>381</b>
Housing Loans	-	381	381
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
<b>Personnel Loans – FC</b>	<b>1,325</b>	<b>64,457</b>	<b>65,782</b>
Housing Loans	83	26,980	27,063
Automobile Loans	-	-	-
General Purpose Loans	347	30,783	31,130
Others	895	6,694	7,589
<b>Personnel Credit Cards – TL</b>	<b>119,738</b>	<b>916</b>	<b>120,654</b>
With Installment	51,674	916	52,590
Without Installment	68,064	-	68,064
<b>Personnel Credit Cards – FC</b>	<b>1,366</b>	<b>2,355</b>	<b>3,721</b>
With Installment	-	-	-
Without Installment	1,366	2,355	3,721
<b>Deposit Accounts– TL (Real Persons)</b>	<b>815,348</b>	<b>-</b>	<b>815,348</b>
<b>Deposit Accounts– FC (Real Persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>18,992,687</b>	<b>48,822,610</b>	<b>67,815,297</b>

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

**5.1.5.5 Installment based commercial loans and corporate credit cards**

<i>Current Period</i>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Installment-based Commercial Loans – TL</b>	<b>1,567,890</b>	<b>14,841,377</b>	<b>16,409,267</b>
Real Estate Loans	986	805,462	806,448
Automobile Loans	150,775	2,169,770	2,320,545
General Purpose Loans	1,416,129	11,866,145	13,282,274
Others	-	-	-
<b>Installment-based Commercial Loans - FC-indexed</b>	<b>229,187</b>	<b>2,264,309</b>	<b>2,493,496</b>
Real Estate Loans	-	70,197	70,197
Automobile Loans	2,958	812,603	815,561
General Purpose Loans	226,229	1,381,509	1,607,738
Others	-	-	-
<b>Installment-based Commercial Loans – FC</b>	<b>1,278,110</b>	<b>1,804,879</b>	<b>3,082,989</b>
Real Estate Loans	-	328	328
Automobile Loans	5	14,272	14,277
General Purpose Loans	50	80,415	80,465
Others	1,278,055	1,709,864	2,987,919
<b>Corporate Credit Cards – TL</b>	<b>3,344,666</b>	<b>47,137</b>	<b>3,391,803</b>
With Installment	1,610,695	47,137	1,657,832
Without Installment	1,733,971	-	1,733,971
<b>Corporate Credit Cards – FC</b>	<b>16,579</b>	<b>-</b>	<b>16,579</b>
With Installment	-	-	-
Without Installment	16,579	-	16,579
<b>Deposit Accounts– TL (Corporates)</b>	<b>846,298</b>	<b>-</b>	<b>846,298</b>
<b>Deposit Accounts– FC (Corporates)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>7,282,730</b>	<b>18,957,702</b>	<b>26,240,432</b>

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

#### 5.1.5.6 Allocation of loans by customers

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

#### 5.1.5.7 Allocation of domestic and foreign loans

	<i>Current Period</i>	<i>Prior Period</i>
Domestic Loans	201,917,115	185,557,687
Foreign Loans	16,931,196	14,518,037
<b>Total</b>	<b>218,848,311</b>	<b>200,075,724</b>

#### 5.1.5.8 Loans to associates and affiliates

	<i>Current Period</i>	<i>Prior Period</i>
Direct Lending	23,924	13,289
Indirect Lending	-	-
<b>Total</b>	<b>23,924</b>	<b>13,289</b>

**5.1.5.9 Specific provisions for loans**

Specific Provisions	Current Period	Prior Period
Substandard Loans and Receivables - Limited Collectibility	406,472	522,689
Doubtful Loans and Receivables	858,097	1,175,099
Uncollectible Loans and Receivables	3,726,410	3,093,301
<b>Total</b>	<b>4,990,979</b>	<b>4,791,089</b>

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

*Non-performing loans and other receivables restructured or rescheduled*

	Group III Substandard Loans and Receivables	Group IV Doubtful Loans and Receivables	Group V Uncollectible Loans and Receivables
<b>Current Period</b>			
(Gross amounts before specific provisions)			
Restructured Loans and Receivables	266,385	560,488	1,107,474
Rescheduled Loans and Receivables	4,684	2,287	94,699
<b>Total</b>	<b>271,069</b>	<b>562,775</b>	<b>1,202,173</b>
<b>Prior Period</b>			
(Gross amounts before specific provisions)			
Restructured Loans and Receivables	296,602	722,845	873,501
Rescheduled Loans and Receivables	4,364	5,992	88,658
<b>Total</b>	<b>300,966</b>	<b>728,837</b>	<b>962,159</b>

*Movements in non-performing loan groups*

	Group III Substandard Loans and Receivables	Group IV Doubtful Loans and Receivables	Group V Uncollectible Loans and Receivables
<b>Current Period</b>			
<b>Balances at Beginning of Period</b>	<b>782,833</b>	<b>1,571,137</b>	<b>3,770,491</b>
Additions during the Period (+)	1,632,112	56,997	105,539
Transfer from Other NPL Categories (+)	7,878	1,420,191	1,584,192
Transfer to Other NPL Categories (-)	1,415,036	1,587,947	9,277
Collections during the Period (-)	394,813	323,037	482,918
Write-offs (-) <sup>(*)</sup>	156	13,249	356,919
Corporate and Commercial Loans	-	12,765	95,408
Retail Loans	156	484	132,652
Credit Cards	-	-	128,859
Others	-	-	-
<b>Balances at End of Period</b>	<b>612,818</b>	<b>1,124,092</b>	<b>4,611,108</b>
Specific Provisions (-)	406,472	858,097	3,726,410
<b>Net Balance on Balance Sheet</b>	<b>206,346</b>	<b>265,995</b>	<b>884,698</b>

<sup>(\*)</sup> Includes also the sale of non-performing loans.



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

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

*Movements in specific loan provisions*

<i>Current Period</i>	<b>Corporate / Commercial Loans</b>	<b>Consumer Loans</b>	<b>Credit Cards</b>	<b>Total</b>
<b>Balances at End of Prior Period</b>	<b>2,320,019</b>	<b>1,483,459</b>	<b>987,611</b>	<b>4,791,089</b>
Additions during the Period (+)	423,106	650,653	405,132	1,478,891
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-) (*)	277,587	418,977	214,647	911,211
Write-Offs (-) (**)	106,520	132,352	128,918	367,790
<b>Balances at End of Period</b>	<b>2,359,018</b>	<b>1,582,783</b>	<b>1,049,178</b>	<b>4,990,979</b>

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

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

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

*Non-performing loans in foreign currencies*

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Substandard Loans and Receivables</b>	<b>Doubtful Loans and Receivables</b>	<b>Uncollectible Loans and Receivables</b>
<b>Current Period</b>			
<b>Balance at End of Period</b>	<b>213,199</b>	<b>429,070</b>	<b>1,402,464</b>
Specific Provisions (-)	75,248	257,817	1,009,359
<b>Net Balance at Balance Sheet</b>	<b>137,951</b>	<b>171,253</b>	<b>393,105</b>
<b>Prior Period</b>			
<b>Balance at End of Period</b>	<b>240,824</b>	<b>458,233</b>	<b>1,273,467</b>
Specific Provisions (-)	100,824	283,281	916,275
<b>Net Balance at Balance Sheet</b>	<b>140,000</b>	<b>174,952</b>	<b>357,192</b>

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Substandard Loans and Receivables</b>	<b>Doubtful Loans and Receivables</b>	<b>Uncollectible Loans and Receivables</b>
<b>Current Period (Net)</b>	<b>206,346</b>	<b>265,995</b>	<b>884,698</b>
Loans to Individuals and Corporates (Gross)	612,818	1,124,092	4,609,792
Specific Provision (-)	406,472	858,097	3,725,094
Loans to Individuals and Corporates (Net)	206,346	265,995	884,698
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1,005
Specific Provision (-)	-	-	1,005
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>260,144</b>	<b>396,038</b>	<b>677,190</b>
Loans to Individuals and Corporates (Gross)	782,833	1,571,137	3,769,175
Specific Provision (-)	522,689	1,175,099	3,091,985
Loans to Individuals and Corporates (Net)	260,144	396,038	677,190
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1,005
Specific Provision (-)	-	-	1,005
Other Loans and Receivables (Net)	-	-	-

*Collaterals received for non-performing loans*

<i>Current Period</i>	<b>Corporate/ Commercial Loans</b>	<b>Consumer Loans</b>	<b>Credit Cards</b>	<b>Total</b>
Loans Collateralized by Cash	3,106	241	-	3,347
Loans Collateralized by Mortgages	1,543,200	165,795	-	1,708,995
Loans Collateralized by Pledged Assets	439,165	48,420	-	487,585
Loans Collateralized by Cheques and Notes	243,579	6,282	-	249,861
Loans Collateralized by Other Collaterals	1,017,250	1,143,421	-	2,160,671
Unsecured Loans	257,159	431,099	1,049,301	1,737,559
<b>Total</b>	<b>3,503,459</b>	<b>1,795,258</b>	<b>1,049,301</b>	<b>6,348,018</b>

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

**5.1.5.11 Liquidation policy for uncollectible loans and receivables**

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

**5.1.5.12 Write-off policy**

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

**5.1.6 Factoring receivables**

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

## **5.1.7 Investments held-to-maturity**

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

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Collateralised/Blocked Investments	5,153,963	3,445,067	5,793,705	4,341,183
Investments subject to Repurchase Agreements	61,677	4,722,341	3,147,892	-
<b>Total</b>	<b>5,215,640</b>	<b>8,167,408</b>	<b>8,941,597</b>	<b>4,341,183</b>

### **5.1.7.2 Government securities held-to-maturity**

	<i>Current Period</i>	<i>Prior Period</i>
Government Bonds	19,180,750	19,108,804
Treasury Bills	-	-
Other Government Securities	-	-
<b>Total</b>	<b>19,180,750</b>	<b>19,108,804</b>

### **5.1.7.3 Investments held-to-maturity**

	<i>Current Period</i>	<i>Prior Period</i>
<b>Debt Securities</b>	<b>20,117,397</b>	<b>20,705,624</b>
Quoted at Stock Exchange	20,096,820	20,462,344
Unquoted at Stock Exchange	20,577	243,280
<b>Valuation Increase / (Decrease)</b>	<b>2,908,089</b>	<b>2,404,072</b>
<b>Total</b>	<b>23,025,486</b>	<b>23,109,696</b>

### **5.1.7.4 Movement of investments held-to-maturity**

	<i>Current Period</i>	<i>Prior Period</i>
<b>Balances at Beginning of Period</b>	<b>23,109,696</b>	<b>21,317,246</b>
Foreign Currency Differences on Monetary Assets	107,573	2,051,504
Purchases during the Period	233,532	314,669
Disposals through Sales/Redemptions	(933,756)	(1,186,759)
Valuation Effect	508,441	613,036
<b>Balances at End of Period</b>	<b>23,025,486</b>	<b>23,109,696</b>

## 5.1.8 Investments in associates

### 5.1.8.1 Unconsolidated investments in associates

	Associates	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Emeklilik Gözetim Merkezi AŞ <sup>(1)</sup>	İstanbul/Turkey	-	5.26
2	Bankalararası Kart Merkezi AŞ <sup>(1)</sup>	İstanbul/Turkey	10.15	10.15
3	Yatırım Finansman Menkul Değerler AŞ <sup>(1)</sup>	İstanbul/Turkey	0.77	0.77
4	İstanbul Takas ve Saklama Bankası AŞ <sup>(1)</sup>	İstanbul/Turkey	5.25	5.28
5	Borsa İstanbul AŞ <sup>(1)</sup>	İstanbul/Turkey	0.30	0.34
6	KKB Kredi Kayıt Bürosu AŞ <sup>(1)</sup>	İstanbul/Turkey	9.09	9.09
7	Türkiye Cumhuriyet Merkez Bankası AŞ <sup>(2)</sup>	Ankara/ Turkey	2.48	2.48
8	Kredi Garanti Fonu AŞ <sup>(1)</sup>	Ankara/ Turkey	1.69	1.69

	Total Assets	Shareholders' Equity	Total Fixed Assets <sup>(*)</sup>	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	10,489	8,700	1,431	369	3	1,404	651	-
2	80,785	43,157	49,254	701	-	3,260	9,586	-
3	731,897	76,707	2,756	12,935	368	5,119	(2,265)	-
4	9,208,039	1,098,830	100,515	176,633	4,512	130,216	119,604	-
5	1,251,393	1,209,505	243,552	22,957	90	165,795	171,406	-
6	242,828	166,867	175,758	2,392	64	28,103	10,180	-
7	522,864,251	71,767,643	685,646	8,726,740	2,744,355	23,115,976	20,736,851	-
8	487,119	433,710	9,632	10,439	-	99,260	10,000	-

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

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

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

#### *Unconsolidated investments in associates sold during the current period*

None.

#### *Unconsolidated investments in associates acquired during the current period*

None.

### 5.1.8.2 Consolidated investments in associates

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

	Total Assets	Shareholders' Equity	Total Fixed Assets <sup>(*)</sup>	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	35,274	35,005	67	626	975	1,188	1,648	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.

**5.1.8.3 Movement of consolidated investments in associates**

	<i>Current Period</i>	<i>Prior Period</i>
<b>Balance at Beginning of Period</b>	<b>708</b>	<b>686</b>
<b>Movements during the Period</b>	<b>95</b>	<b>22</b>
Acquisitions and Capital Increases	-	-
Bonus Shares Received	-	-
Allocation from Current Period Profit	-	-
Sales	-	-
Reclassifications	-	-
Increase/Decrease in Fair Values	95	22
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
<b>Balance at End of Period</b>	<b>803</b>	<b>708</b>
<b>Capital Commitments</b>	<b>-</b>	<b>-</b>
<b>Share Percentage at the End of Period (%)</b>	<b>-</b>	<b>-</b>

*Valuation methods of consolidated investments in associates*

<b>Associates</b>	<i>Current Period</i>	<i>Prior Period</i>
Valued at Cost	-	-
Valued at Fair Value	803	708
Valued by Equity Method of Accounting	-	-

*Sectoral distribution of consolidated investments and associates*

<b>Associates</b>	<i>Current Period</i>	<i>Prior Period</i>
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	803	708
Other Associates	-	-

*Quoted consolidated investments in associates*

	<i>Current Period</i>	<i>Prior Period</i>
Quoted at Domestic Stock Exchanges	803	708
Quoted at International Stock Exchanges	-	-

*Investments in associates sold during the current period*

None.

*Investments in associates acquired during the current period*

None.

### 5.1.9 Investments in affiliates

#### *Information on capital adequacy of major affiliates*

<i>Current Period</i>	<b>Garanti Bank International NV</b>	<b>Garanti Finansal Kiralama AŞ</b>	<b>Garanti Holding BV</b>
<b>COMMON EQUITY TIER I CAPITAL</b>			
Paid-in Capital to be Entitled for Compensation after All Creditors	577,580	357,848	1,613,316
Share Premium	-	-	54,312
Share Cancellation Profits	-	-	-
Legal Reserves	945,024	567,914	(256,526)
Other Comprehensive Income according to TAS	866,688	-	30,643
Current and Prior Periods' Profits	107,236	55,137	101,339
<b>Common Equity Tier I Capital Before Deductions</b>	<b>2,496,528</b>	<b>980,899</b>	<b>1,543,084</b>
<b>Deductions From Common Equity Tier I Capital</b>			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	25,310	452	400,381
Leasehold Improvements on Operational Leases (-)	-	73	5,834
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	14,867	6,964	193,223
Net Deferred Tax Asset/Liability (-)	-	-	6,877
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>40,177</b>	<b>7,489</b>	<b>606,315</b>
<b>Total Common Equity Tier I Capital</b>	<b>2,456,351</b>	<b>973,410</b>	<b>936,769</b>
<b>Total Deductions From Tier I Capital</b>	<b>3,717</b>	<b>1,741</b>	<b>50,025</b>
<b>Total Tier I Capital</b>	<b>2,452,634</b>	<b>971,669</b>	<b>886,744</b>
<b>TIER II CAPITAL</b>	<b>209,310</b>	<b>-</b>	<b>109,156</b>
<b>CAPITAL BEFORE DEDUCTIONS</b>	<b>2,661,944</b>	<b>971,669</b>	<b>995,900</b>
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	-	-
<b>TOTAL CAPITAL</b>	<b>2,661,944</b>	<b>971,669</b>	<b>995,900</b>

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

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



**5.1.9.1 Unconsolidated investments in affiliates**

	<b>Affiliates</b>	<b>Address (City/ Country)</b>	<b>Parent Bank's Share – If Different, Voting Rights (%)</b>	<b>Bank Risk Group's Share (%)</b>
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

	<b>Total Assets</b>	<b>Shareholders' Equity</b>	<b>Total Fixed Assets (*)</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Current Period Profit/Loss</b>	<b>Prior Period Profit/Loss</b>	<b>Company's Fair Value</b>	<b>Amount of Equity Requirement</b>
1	82,088	69,932	42	5,391	3	7,677	47	-	-
2	30,839	15,890	626	618	-	1,106	1,819	-	-
3	5,084	3,795	4	337	32	1	(538)	-	-
4	2,510	1,670	971	-	27	74	103	-	-
5	2,907	2,113	42	150	-	417	513	-	-
6	4,291	4,291	4,285	-	-	(2)	(1)	-	-
7	1,443,817	29,389	1,305,903	156	-	19,448	5,323	-	-
8	1,830	1,518	-	-	-	949	1,102	-	-

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

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

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

**5.1.9.2 Movement of consolidated investments in affiliates**

	<i>Current Period</i>	<i>Prior Period</i>
<b>Balance at Beginning of Period</b>	<b>5,069,629</b>	<b>4,342,264</b>
<b>Movements during the Period</b>	<b>989,054</b>	<b>727,365</b>
Acquisitions and Capital Increases	-	53,484
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Sales/Liquidations	-	(157,635)
Reclassifications	-	-
Value Increase/Decrease (*)	327,054	411,275
Currency Differences on Foreign Affiliates	662,000	420,241
Reversal of Impairment Losses / Impairment Losses (-)	-	-
<b>Balance at End of Period</b>	<b>6,058,683</b>	<b>5,069,629</b>
<b>Capital Commitments</b>	<b>-</b>	<b>-</b>
<b>Share Percentage at the End of Period (%)</b>	<b>-</b>	<b>-</b>

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

*Valuation methods of consolidated investments in affiliates*

	<i>Current Period</i>	<i>Prior Period</i>
Valued at Cost	-	-
Valued at Fair Value (*)	6,058,683	5,069,629

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

*Sectoral distribution of consolidated investments in affiliates*

	<i>Current Period</i>	<i>Prior Period</i>
Banks	2,471,497	2,025,895
Insurance Companies	1,326,844	1,125,108
Factoring Companies	169,334	151,548
Leasing Companies	980,452	925,310
Finance Companies	1,110,556	841,768
Other Affiliates	-	-

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

*Quoted consolidated investments in affiliates*

	<i>Current Period</i>	<i>Prior Period</i>
Quoted at Domestic Stock Exchanges	169,334	151,548
Quoted at International Stock Exchanges	-	-

*Other information on consolidated investments in affiliates*

	<b>Affiliates</b>	<b>Address (City/ Country)</b>	<b>Parent Bank's Share – If Different, Voting Rights (%)</b>	<b>Shares of Other Consolidated Affiliates (%)</b>	<b>Method of Consolidation</b>
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

	<b>Total Assets</b>	<b>Shareholders' Equity</b>	<b>Total Fixed Assets (*)</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Current Period Profit/Loss</b>	<b>Prior Period Profit/Loss</b>	<b>Company's Fair Value</b>
1	5,332,875	980,447	10,069	298,463	-	55,137	95,761	-
2	2,624,677	206,770	7,525	206,725	-	21,317	15,105	-
3	161,425	105,219	12,637	4,025	1,504	37,729	18,201	-
4	74,699	66,718	3,634	4,220	-	14,507	9,772	-
5	2,062,644	1,562,679	40,847	144,235	1,282	237,508	186,611	-
6	18,299,034	2,471,530	111,837	403,750	47,550	107,238	39,347	-
7	1,425,171	1,425,021	-	-	-	(209)	(154)	-
8	1,475,933	1,272,265	-	98	-	(6,544)	26,768	-
9	8,709,765	1,155,927	293,667	227,547	17,430	86,011	(5,509)	-
10	714,509	102,255	4,719	30,592	-	9,215	7,152	-
11	531,171	70,957	5,538	43,084	-	12,885	10,853	-

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

*Consolidated investments in affiliates disposed during the current period*

None.

*Consolidated investments in affiliates acquired during the current period*

None.

**5.1.10 Investments in joint-ventures**

None.

## **5.1.11 Lease receivables**

### **5.1.11.1 Financial lease receivables according to remaining maturities**

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
Less than 1 Year	2,616,640	2,317,667	2,708,046	2,396,795
Between 1-5 Years	3,461,302	3,102,800	3,428,328	3,056,205
Longer than 5 Years	366,763	344,770	363,233	341,260
<b>Total</b>	<b>6,444,705</b>	<b>5,765,237</b>	<b>6,499,607</b>	<b>5,794,260</b>

### **5.1.11.2 Net financial lease receivables**

	<i>Current Period</i>	<i>Prior Period</i>
Gross Financial Lease Receivables	6,444,705	6,499,607
Unearned Income on Financial Lease Receivables (-)	(679,468)	(705,347)
Terminated Lease Contracts (-)	-	-
<b>Net Financial Lease Receivables</b>	<b>5,765,237</b>	<b>5,794,260</b>

### **5.1.11.3 Financial lease agreements**

#### *Criteria applied for financial lease agreements*

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

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

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

#### *Details monitored subsequent to signing of financial lease agreements*

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

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

## **5.1.12 Derivative financial assets held for hedging purpose**

### **5.1.12.1 Positive differences on derivative financial instruments held for hedging purpose**

<b>Derivative Financial Assets Held for Hedging Purpose</b>	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Fair Value Hedges	56,046	8,530	73,946	11,534
Cash Flow Hedges	405,734	100,333	5,526	575,289
Net Foreign Investment Hedges	-	-	-	-
<b>Total</b>	<b>461,780</b>	<b>108,863</b>	<b>79,472</b>	<b>586,823</b>

As of 30 September 2017, the face values and the net fair values, recognised in the balance sheet, of the derivative financial instruments held for hedging purpose, are summarized below:

	<i>Current Period</i>			<i>Prior Period</i>		
	Face Value	Asset	Liability	Face Value	Asset	Liability
Interest Rate Swaps	38,973,907	116,059	104,768	35,828,669	146,128	138,470
-TL	6,383,057	56,576	5,572	8,307,595	79,472	26,671
-FC	32,590,850	59,483	99,196	27,521,074	66,656	111,799
Cross Currency Swaps	6,190,649	454,584	130,471	8,525,480	520,167	204,844
-TL	1,555,922	405,204	-	1,837,687	-	-
-FC	4,634,727	49,380	130,471	6,687,793	520,167	204,844
<b>Total</b>	<b>45,164,556</b>	<b>570,643</b>	<b>235,239</b>	<b>44,354,149</b>	<b>666,295</b>	<b>343,314</b>

#### 5.1.12.1.1 Fair value hedge accounting

<b>Current Period</b>						
<b>Hedging Item</b>	<b>Hedged Item</b>	<b>Type of Risk</b>	<b>Fair Value Change of Hedged Item</b>	<b>Net Fair Value Change of Hedging Item</b>		<b>Income Statement Effect (gains/losses from derivative financial instruments)</b>
				<b>Asset</b>	<b>Liability</b>	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	35,868	18,354	(61,023)	(6,801)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(33,789)	41,601	(796)	7,016
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	6,486	2,867	(17,065)	3,118
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	(5,920)	-	(123,744)	(129,664)
Cross Currency Swaps	Fixed-rate commercial loans	Interest rate and foreign currency exchange rate risk	(296)	1,754	-	1,458

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

**5.1.12.1.2 Cash flow hedge accounting**

<b>Current Period</b>							
<b>Hedging Item</b>	<b>Hedged Item</b>	<b>Type of Risk</b>	<b>Fair Value Change of Hedged Item</b>		<b>Gains/Losses Accounted under Shareholders' Equity in the Period</b>	<b>Gains/Losses Accounted under Income Statement in the Period</b>	<b>Ineffective Portion (net) Accounted under Income Statement</b>
			<b>Asset</b>	<b>Liability</b>			
Interest Rate Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates	65	-	(22)	31	-
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	35,567	(13,410)	(1,218)	(17,743)	286
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	17,607	(12,474)	(11,176)	(8,155)	2,110
Cross Currency Swaps	Floating-rate securities issued	Commitments	-	(4,983)	(2,014)	(2,970)	-
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	405,204	-	(8,451)	(47,738)	16
Cross Currency Swaps	Fixed-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	47,624	(1,744)	1,655	(1,658)	-

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

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

#### 5.1.13 Tangible assets

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

#### 5.1.14 Intangible assets

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

#### 5.1.15 Investment property

	<i>Current Period</i>	<i>Prior Period</i>
<b>Net Book Value at Beginning Period</b>	<b>543,825</b>	<b>307,095</b>
Additions	2,133	231,273
Disposals	-	(8,125)
Transfers to Tangible Assets	7,771	12,098
Fair Value Change	-	1,484
Net Currency Translation Differences on Foreign Affiliates	-	-
<b>Net Book Value at End of Current Period</b>	<b>553,729</b>	<b>543,825</b>

The investment property is held for operational leasing purposes.

#### 5.1.16 Deferred tax asset

As of 30 September 2017, on a consolidated basis the Bank has a deferred tax asset of TL 293,417 thousands (31 December 2016: TL 233,342 thousands) calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences in its consolidated financial statements.

As of 30 September 2017, deferred tax assets of TL 509,550 thousands (31 December 2016: TL 530,797 thousands) are reduced by deferred tax liabilities of TL 216,133 thousands with offsetting characteristics (31 December 2016: TL 297,455 thousands) and presented as net in the accompanying consolidated financial statements, on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

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

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>Tax Base</b>	<b>Deferred Tax Amount</b>	<b>Tax Base</b>	<b>Deferred Tax Amount</b>
Provisions (*)	1,219,610	246,481	976,182	196,283
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	251,153	50,794	(427,008)	(95,290)
Revaluation Differences on Real Estates	(1,722,648)	(22,865)	(1,732,442)	(25,313)
Other	103,567	19,007	802,238	157,662
<b>Deferred Tax Asset, Net</b>	<b>(148,318)</b>	<b>293,417</b>	<b>(381,030)</b>	<b>233,342</b>

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

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

As of 30 September 2017, TL 92,156 thousands of deferred tax income (30 September 2016: TL 90,029 thousands of deferred tax expense) and TL 39,294 thousands of deferred tax expense (31 December 2016: TL 62,489 thousands of deferred tax income) were recognised in the income statement and the shareholders' equity, respectively.

**5.1.17 Assets held for sale and assets of discontinued operations**

	<i>Current Period</i>	<i>Prior Period</i>
<b>End of Prior Period</b>		
<b>Cost</b>	<b>621,671</b>	<b>375,548</b>
<b>Accumulated Depreciation</b>	<b>(16,656)</b>	<b>(9,183)</b>
<b>Net Book Value</b>	<b>605,015</b>	<b>366,365</b>
<b>End of Current Period</b>		
Additions	332,241	347,416
Disposals (Cost)	(123,177)	(99,936)
Disposals (Accumulated Depreciation)	1,378	1,358
Reversal of Impairment / Impairment Losses (-)	526	(3,514)
Depreciation Expense for Current Period (-)	-	(8,831)
Currency Translation Differences on Foreign Operations	1,647	2,157
<b>Cost</b>	<b>832,908</b>	<b>621,671</b>
<b>Accumulated Depreciation (-)</b>	<b>(15,278)</b>	<b>(16,656)</b>
<b>Net Book Value</b>	<b>817,630</b>	<b>605,015</b>

As of balance sheet date, the net book values of assets held for sale on which rights of repurchase exist amounting to TL 471,356 thousands (31 December 2016: TL 359,660 thousands).

**5.1.18 Other Assets**

**5.1.18.1 Receivables from term sale of assets**

	<i>Current Period</i>	<i>Prior Period</i>
Sale of Investments in Associates, Affiliates and Joint – Ventures	-	-
Sale of Real Estates	-	-
Sale of Available for Sale Assets	18,850	16,670
Sale of Other Assets	1,136	2,305
<b>Total</b>	<b>19,986</b>	<b>18,975</b>

**5.1.18.2 Prepaid expenses**

	<i>Current Period</i>	<i>Prior Period</i>
Prepaid Expenses	815,136	527,538
Prepaid Taxes	28,524	27,335



## 5.2 Consolidated liabilities

### 5.2.1 Maturity profile of deposits

<i>Current Period</i>	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit	Total
<b>Saving Deposits</b>	10,477,882	-	2,463,350	41,259,738	1,332,270	356,012	608,820	3,984	56,502,056
<b>Foreign Currency</b>	27,951,654	-	7,770,062	47,253,249	4,034,370	5,630,846	11,329,280	51,736	104,021,197
Residents in Turkey	19,626,313	-	6,700,271	42,086,451	2,075,087	1,153,180	854,552	50,621	72,546,475
Residents in Abroad	8,325,341	-	1,069,791	5,166,798	1,959,283	4,477,666	10,474,728	1,115	31,474,722
<b>Public Sector Deposits</b>	772,056	-	28,144	20,757	5,308	734	-	-	826,999
<b>Commercial Deposits</b>	8,996,466	-	4,683,753	7,907,881	454,397	615,935	874,356	-	23,532,788
<b>Others</b>	225,846	-	171,897	1,448,652	421,687	40,521	1,802,068	-	4,110,671
<b>Precious Metal</b>	1,680,463	-	-	136,192	3,833	7,216	228,745	-	2,056,449
<b>Bank Deposits</b>	2,863,927	-	929,000	64,184	41,854	87,979	207,424	-	4,194,368
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	2,771	-	300,204	15,031	-	28,334	13,092	-	359,432
Foreign Banks	1,196,119	-	628,796	49,153	41,854	59,645	194,332	-	2,169,899
Special Financial	1,665,037	-	-	-	-	-	-	-	1,665,037
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>52,968,294</b>	<b>-</b>	<b>16,046,206</b>	<b>98,090,653</b>	<b>6,293,719</b>	<b>6,739,243</b>	<b>15,050,693</b>	<b>55,720</b>	<b>195,244,528</b>

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

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

#### 5.2.1.1.1 Deposits exceeding insurance limit

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

	Covered by Deposit Insurance		Over Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	28,648,402	27,843,202	27,408,153	25,576,417
Foreign Currency Saving Deposits	20,353,823	17,180,146	41,075,187	39,472,238
Other Saving Deposits	994,991	821,559	970,930	1,471,382
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-

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

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

#### 5.2.1.3 Saving deposits not covered by insurance limits

##### 5.2.1.3.1 Saving deposits of individuals not covered by insurance limits:

	Current Period	Prior Period
Deposits and Other Accounts held at Foreign Branches	934,556	860,876
Deposits and Other Accounts held by Shareholders and their Relatives	-	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	232,934	751,270
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-	-

### 5.2.2 Negative differences on derivative financial liabilities held for trading

Trading Derivatives	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	76,175	53,564	242,280	67,634
Swap Transactions	1,675,186	349,755	2,023,979	857,048
Futures	63	63	106	964
Options	79,457	50,840	373,051	144,526
Others	-	1,909	-	4,397
<b>Total</b>	<b>1,830,881</b>	<b>456,131</b>	<b>2,639,416</b>	<b>1,074,569</b>

### 5.2.3 Funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	336,649	-	1,880,102
Domestic Banks and Institutions	390,133	1,284,063	1,153,848	1,540,125
Foreign Banks, Institutions and Funds	647,194	39,018,278	1,973,831	40,033,947
<b>Total</b>	<b>1,037,327</b>	<b>40,638,990</b>	<b>3,127,679</b>	<b>43,454,174</b>

**5.2.3.1 Maturities of funds borrowed**

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Short-Term	779,067	5,194,463	1,237,683	4,284,065
Medium and Long-Term	258,260	35,444,527	1,889,996	39,170,109
<b>Total</b>	<b>1,037,327</b>	<b>40,638,990</b>	<b>3,127,679</b>	<b>43,454,174</b>

In accordance with TAS 39 paragraph 9, the Bank classified certain borrowings obtained through securitisations amounting to USD 2,000,000,000 as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch. As of 30 September 2017, the accumulated credit risk change and the credit risk change recognised in the income statement amounted to TL 40,250 thousands and a loss of TL 401,889 thousands, respectively. The carrying value of the related financial liability amounted to TL 7,048,150 thousands.

**5.2.3.2 Disclosures for concentration areas of bank's liabilities**

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

**5.2.4 Other external funds**

**5.2.4.1 Securities issued**

<i>Current Period</i>	TL		FC	
	Short-Term	Medium and Long-Term	Short-Term	Medium and Long-Term
Nominal	3,983,630	3,600,679	-	12,366,917
Cost	3,857,433	3,402,358	-	12,303,071
Carrying Value (*)	3,936,052	3,433,603	-	11,888,495

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

(\*) The Bank and/or its financial affiliates repurchased the Bank's own TL securities with a total face value of TL 109,194 thousands (31 December 2016: TL 107,896 thousands) and foreign currency securities with a total face value of TL 770,510 thousands (31 December 2016: TL 764,060 thousands) and netted off such securities in the accompanying consolidated financial statements.

In accordance with TAS 39 paragraph 9, the Bank classified certain securities amounting to RON 34,500,000 as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch. As of 30 September 2017, the accumulated negative credit risks change, and the negative credit risk change recognised in the income statement amounted to TL 1,245 thousands and positive credit risk change of TL 1,307 thousands, respectively. The carrying value of the related financial liability amounted to TL 34,473 thousands and the related current period gains amounted to TL 1,511 thousands, respectively.

**5.2.4.2 Funds provided through repurchase transactions**

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
<b>Domestic Transactions</b>	<b>1,619,608</b>	-	<b>7,287,738</b>	-
Financial Institutions and Organizations	1,538,492	-	7,196,813	-
Other Institutions and Organizations	37,747	-	40,765	-
Individuals	43,369	-	50,160	-
<b>Foreign Transactions</b>	<b>24</b>	<b>4,678,282</b>	<b>2</b>	<b>526,081</b>
Financial Institutions and Organizations	-	4,678,282	-	526,081
Other Institutions and Organizations	-	-	-	-
Individuals	24	-	2	-
<b>Total</b>	<b>1,619,632</b>	<b>4,678,282</b>	<b>7,287,740</b>	<b>526,081</b>

**5.2.4.3 Miscellaneous payables**

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Payables from credit card transactions	9,036,743	61,498	7,833,260	41,268
Payables from insurance transactions	38,460	17	32,366	240
Other	526,778	662,882	394,462	1,038,152
<b>Total</b>	<b>9,601,981</b>	<b>724,397</b>	<b>8,260,088</b>	<b>1,079,660</b>

**5.2.5 Factoring payables**

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

**5.2.6 Lease payables**

**5.2.6.1 Financial lease payables**

None.

**5.2.6.2 Operational lease agreements**

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

**5.2.7 Derivative financial liabilities held for hedging purpose**

<b>Derivative Financial Liabilities Held for Hedging Purpose</b>	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Fair Value Hedges	5,572	197,056	26,671	250,273
Cash Flow Hedges	-	32,611	-	66,370
Net Foreign Investment Hedges	-	-	-	-
<b>Total</b>	<b>5,572</b>	<b>229,667</b>	<b>26,671</b>	<b>316,643</b>

Please refer to Note 5.1.12.1 for financial liabilities resulted from derivatives held for hedging purpose.

## 5.2.8 Provisions

### 5.2.8.1 General provisions

	<i>Current Period</i>	<i>Prior Period</i>
<b>General Provision for</b>	<b>3,391,714</b>	<b>3,215,533</b>
Loans and Receivables in Group I	1,919,925	1,754,506
Loans and Receivables in Group II	938,036	872,064
Non-Cash Loans	350,826	360,322
Others	182,927	228,641

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

	<i>Current Period</i>	<i>Prior Period</i>
Short-Term Loans	12,995	1,241
Medium and Long Term Loans	3,941	270
<b>Total</b>	<b>16,936</b>	<b>1,511</b>

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

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

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

### 5.2.8.4 Other provisions

#### 5.2.8.4.1 General reserves for possible losses

	<i>Current Period</i>	<i>Prior Period</i>
General Reserves for Possible Losses	950,000	300,000

#### 5.2.8.4.2 Other provisions for possible losses

	<i>Current Period</i>	<i>Prior Period</i>
Reserve for Employee Benefits	870,119	730,525
Insurance Technical Provisions, Net	362,203	306,775
Provision for Promotion Expenses of Credit Cards (*)	115,076	99,131
Provision for Lawsuits (**)	210,125	56,474
Gayrinakdi Kredi Karşılıkları	123,228	134,609
Other Provisions	207,184	189,826
<b>Total</b>	<b>1,887,935</b>	<b>1,517,340</b>

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

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

*Recognized liability for defined benefit plan obligations*

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

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

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

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

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

	<b>31 December 2016</b>
	<b>%</b>
Discount Rate (*)	11.50
Inflation Rate (*)	7.80
Future Real Salary Increase Rate	1.5
Medical Cost Trend Rate	40% above inflation
Future Pension Increase Rate (*)	7.80

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

## **5.2.9 Tax liability**

### **5.2.9.1 Current tax liability**

#### **5.2.9.1.1 Tax liability**

As of 30 September 2017, the corporate tax liability amounts to TL 452,682 thousands (31 December 2016: TL 119,401 thousands) after offsetting with prepaid taxes.

#### **5.2.9.1.2 Taxes payable**

	<i>Current Period</i>	<i>Prior Period</i>
Corporate Taxes Payable	452,682	119,401
Taxation on Securities Income	129,402	122,010
Taxation on Real Estates Income	4,104	3,752
Banking Insurance Transaction Tax	120,996	120,305
Foreign Exchange Transaction Tax	77	86
Value Added Tax Payable	8,463	16,107
Others	52,977	82,880
<b>Total</b>	<b>768,701</b>	<b>464,541</b>

#### **5.2.9.1.3 Premiums payable**

	<i>Current Period</i>	<i>Prior Period</i>
Social Security Premiums-Employees	4,237	5,029
Social Security Premiums-Employer	3,587	3,571
Bank Pension Fund Premium-Employees	256	21
Bank Pension Fund Premium-Employer	437	21
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	1,426	1,220
Unemployment Insurance-Employer	2,942	2,613
Others	51	1,250
<b>Total</b>	<b>12,936</b>	<b>13,725</b>

#### **5.2.9.2 Deferred tax liability**

As of 30 September 2017, the deferred tax liability amounts to TL 4,481 thousands (31 December 2016: -).

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

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

### **5.2.11 Subordinated debts**

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

## **5.2.12 Shareholders' equity**

### **5.2.12.1 Paid-in capital**

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

### **5.2.12.2 Registered share capital system**

<b>Capital System</b>	<b>Paid-in Capital</b>	<b>Ceiling per Registered Share Capital</b>
Registered Shares	4,200,000	10,000,000

### **5.2.12.3 Capital increases in current period**

None.

### **5.2.12.4 Capital increases from capital reserves in current period**

None.

### **5.2.12.5 Capital commitments for current and future financial periods**

None.

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

None.

### **5.2.12.7 Information on privileges given to stocks representing the capital**

None.

### **5.2.12.8 Securities value increase fund**

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Investments in Associates, Affiliates and Joint-Ventures</b>	-	-	-	-
Valuation Difference	-	-	-	-
Exchange Rate Difference	-	-	-	-
<b>Securities Available-for-Sale</b>	<b>(269,598)</b>	<b>79,116</b>	<b>(484,900)</b>	<b>(58,725)</b>
Valuation Difference	(269,598)	79,116	(484,900)	(58,725)
Exchange Rate Difference	-	-	-	-
<b>Total</b>	<b>(269,598)</b>	<b>79,116</b>	<b>(484,900)</b>	<b>(58,725)</b>



**5.2.12.9 Revaluation surplus**

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Movables	-	-	-	-
Real Estates	1,508,875	6,567	1,508,875	5,772
Gain on Sale of Investments in Associates and Affiliates and Real Estates to be used for Capital Increases	227,994	-	176,415	-
Revaluation Surplus on Leasehold Improvements	-	-	-	-
<b>Total</b>	<b>1,736,869</b>	<b>6,567</b>	<b>1,685,290</b>	<b>5,772</b>

**5.2.12.10 Bonus shares of associates, affiliates and joint-ventures**

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

**5.2.12.11 Legal reserves**

	<i>Current Period</i>	<i>Prior Period</i>
I. Legal Reserve	1,031,636	1,022,250
II. Legal Reserve	353,271	249,272
Special Reserves	-	-
<b>Total</b>	<b>1,384,907</b>	<b>1,271,522</b>

**5.2.12.12 Extraordinary reserves**

	<i>Current Period</i>	<i>Prior Period</i>
Legal Reserves allocated in compliance with the Decisions Made on the Annual General Assembly	25,880,299	22,192,305
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital	-	-
<b>Total</b>	<b>25,880,299</b>	<b>22,192,305</b>

**5.2.12.13 Minority interest**

	<i>Current Period</i>	<i>Prior Period</i>
<b>Balance at Beginning of Period</b>	<b>267,808</b>	<b>226,617</b>
Profit Share of Affiliates Net Profits	40,861	42,468
Prior Period Dividend Payment	(1,500)	(1,210)
Increase/(Decrease) in Minority Interest due to Sales	-	-
Others	8	(67)
<b>Balance at End of Period</b>	<b>307,177</b>	<b>267,808</b>

### **5.3 Consolidated off-balance sheet items**

#### **5.3.1 Off-balance sheet contingencies**

##### **5.3.1.1 Irrevocable credit commitments**

The Bank and its consolidated financial affiliates have term asset purchase and sale commitments of TL 21,289,225 thousands (31 December 2016: TL 3,956,061 thousands), commitments for cheque payments of TL 3,789,444 thousands (31 December 2016: TL 3,555,087 thousands) and commitments for credit card limits of TL 29,653,020 thousands (31 December 2016: TL 28,226,693 thousands).

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

	<i>Current Period</i>	<i>Prior Period</i>
Letters of Guarantee in Foreign Currency	19,984,313	20,901,575
Letters of Guarantee in TL	18,622,155	17,111,138
Letters of Credit	13,623,905	15,754,367
Bills of Exchange and Acceptances	1,487,690	2,127,334
Prefinancings	-	-
Other Guarantees	164,191	191,066
<b>Total</b>	<b>53,882,254</b>	<b>56,085,480</b>

A specific provision of TL 123,228 thousands (31 December 2016: TL 134,609 thousands) is made for unliquidated non-cash loans of TL 349,187 thousands (31 December 2016: TL 355,861 thousands) recorded under the off-balance sheet items.

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

##### **5.3.1.3 Non-cash loans**

	<i>Current Period</i>	<i>Prior Period</i>
Non-Cash Loans against Cash Risks	5,952,317	5,128,893
<i>With Original Maturity of 1 Year or Less</i>	<i>472,204</i>	<i>331,380</i>
<i>With Original Maturity of More Than 1 Year</i>	<i>5,480,113</i>	<i>4,797,513</i>
Other Non-Cash Loans	47,929,937	50,956,587
<b>Total</b>	<b>53,882,254</b>	<b>56,085,480</b>

##### **5.3.1.4 Other information on non-cash loans**

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

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

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

#### **5.3.2 Financial derivative instruments**

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

**5.3.3 Credit derivatives and risk exposures on credit derivatives**

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

**5.3.4 Contingent liabilities and assets**

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

**5.3.5 Services rendered on behalf of third parties**

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

## **5.4 Consolidated income statement**

### **5.4.1 Interest income**

#### **5.4.1.1 Interest income from loans (\*)**

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
<b>Interest Income from Loans</b>				
Short-term loans	3,954,729	312,330	3,933,162	208,453
Medium and long-term loans	8,665,374	2,911,197	6,091,422	2,514,844
Loans under follow-up	71,129	3,959	48,776	5,470
Premiums Received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>12,691,232</b>	<b>3,227,486</b>	<b>10,073,360</b>	<b>2,728,767</b>

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

#### **5.4.1.2 Interest income from banks**

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Central Bank of Turkey	155,104	28,730	-	11,821
Domestic Banks	81,522	19,968	75,954	7,789
Foreign Banks	2,092	59,050	1,694	51,829
Foreign Head Offices and Branches	-	-	-	-
<b>Total</b>	<b>238,718</b>	<b>107,748</b>	<b>77,648</b>	<b>71,439</b>

#### **5.4.1.3 Interest income from securities portfolio**

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Financial Assets Held for Trading	20,015	1,791	14,016	1,236
Financial Assets Valued at Fair Value Through Profit	-	-	-	-
Financial Assets Available-for-Sale	1,469,525	139,461	1,421,861	174,623
Investments Held-to-Maturity	960,983	450,597	881,019	378,659
<b>Total</b>	<b>2,450,523</b>	<b>591,849</b>	<b>2,316,896</b>	<b>554,518</b>

As disclosed in the accounting policies, the parent Bank values CPI-indexed government bonds in its securities portfolio according to the reference index on the issue date and the index that is calculated according to the expected inflation rate. The inflation rate used during the valuation is being updated during the year when it is considered necessary. The estimated inflation rate, which was taken as 7% in the first four months of 2017, has been updated to 9% as of 1 May 2017. If the valuation of such securities was performed according to the reference index valid as of 30 September 2017, the parent Bank's securities value increase fund under the equity would decrease by TL 152,976 thousands as net, whereas the interest income on securities portfolio would increase by TL 373,559 thousands.

#### **5.4.1.4 Interest income received from associates and affiliates**

	<i>Current Period</i>	<i>Prior Period</i>
Interest Received from Investments in Associates and Affiliates	1,367	1,100

## 5.4.2 Interest expenses

### 5.4.2.1 Interest expenses on funds borrowed (\*)

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Banks				
Central Bank of Turkey	-	211	-	-
Domestic Banks	37,273	29,784	40,803	26,371
Foreign Banks	99,143	464,073	189,941	355,429
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	323,973	-	210,346
<b>Total</b>	<b>136,416</b>	<b>818,041</b>	<b>230,744</b>	<b>592,146</b>

(\*) Includes also fees and commissions expenses on borrowings

### 5.4.2.2 Interest expenses paid to associates and affiliates

	<i>Current Period</i>	<i>Prior Period</i>
Interest Paid to Investments in Associates and Affiliates	6,651	2,936

### 5.4.2.3 Interest expenses on securities issued

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

### 5.4.2.4 Maturity structure of interest expense on deposits

<i>Current Period</i>	Demand Deposits	Time Deposits						Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year	Accumulating Deposit Accounts	
<b>Turkish Lira</b>								
Bank Deposits	870	88,712	257	328	294	-	-	90,461
Saving Deposits	3,343	166,058	3,134,797	100,693	25,180	42,156	-	3,472,227
Public Sector Deposits	-	1,742	2,040	236	254	1	-	4,273
Commercial Deposits	532	371,029	554,395	15,396	31,082	68,349	-	1,040,783
Others	-	11,793	64,595	9,520	16,013	86,240	-	188,161
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
<b>Total TL</b>	<b>4,745</b>	<b>639,334</b>	<b>3,756,084</b>	<b>126,173</b>	<b>72,823</b>	<b>196,746</b>	<b>-</b>	<b>4,795,905</b>
<b>Foreign Currency</b>								
Foreign Currency Deposits	22,049	71,093	736,820	49,611	108,607	195,523	583	1,184,286
Bank Deposits	57	15,258	132	820	804	2,071	-	19,142
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	153	-	45	2,566	-	2,764
<b>Total FC</b>	<b>22,106</b>	<b>86,351</b>	<b>737,105</b>	<b>50,431</b>	<b>109,456</b>	<b>200,160</b>	<b>583</b>	<b>1,206,192</b>
<b>Grand Total</b>	<b>26,851</b>	<b>725,685</b>	<b>4,493,189</b>	<b>176,604</b>	<b>182,279</b>	<b>396,906</b>	<b>583</b>	<b>6,002,097</b>

Prior Period	Demand Deposits	Time Deposits						Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year	Accumulating Deposit Accounts	
Turkish Lira								
Bank Deposits	807	229,389	-	507	611	-	-	231,314
Saving Deposits	2,326	182,810	2,754,132	76,669	30,811	35,898	-	3,082,646
Public Sector Deposits	-	321	3,677	8	30	2	-	4,038
Commercial Deposits	3,209	224,830	418,532	38,831	20,004	53,931	-	759,337
Others	3	9,515	65,334	10,736	53,735	19,566	-	158,889
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Total TL	6,345	646,865	3,241,675	126,751	105,191	109,397	-	4,236,224
Foreign Currency								
Foreign Currency Deposits	30,750	46,842	531,229	42,912	72,497	258,911	583	983,724
Bank Deposits	-	13,625	1,180	770	2,945	2,622	-	21,142
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	2	-	8	926	-	936
Total FC	30,750	60,467	532,411	43,682	75,450	262,459	583	1,005,802
Grand Total	37,095	707,332	3,774,086	170,433	180,641	371,856	583	5,242,026

#### 5.4.2.5 *Interest expense on repurchase agreements*

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

#### 5.4.2.6 *Financial lease expenses*

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

#### 5.4.2.7 *Interest expenses on factoring payables*

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

#### 5.4.3 **Dividend income**

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

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

	<i>Current Period</i>	<i>Prior Period</i>
<b>Income</b>	<b>45,312,827</b>	<b>58,769,755</b>
Trading Account Income	1,338,876	1,490,174
Derivative Financial Instruments	7,891,056	6,709,193
Foreign Exchange Gain	36,082,895	50,570,388
<b>Losses (-)</b>	<b>46,793,983</b>	<b>59,430,358</b>
Trading Account Losses	1,651,028	1,273,280
Derivative Financial Instruments	9,351,725	7,607,426
Foreign Exchange Losses	35,791,230	50,549,652
<b>Total</b>	<b>(1,481,156)</b>	<b>(660,603)</b>

TL 3,832,077 thousands (30 September 2016: TL 1,727,149 thousands) of foreign exchange gains and TL 4,007,957 thousands (30 September 2016: TL 1,898,559 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 2,544,232, USD 983,934,642 and EUR 147,303,760, for its fixed-rate loans with a total principal of RON 215,939,842, for its bonds with a total face value of TL 600,000 thousands and USD 59,900,000 and fixed-rate coupons by designating interest rate swaps and cross currency swaps with the same face values and terms. Accordingly, in the current period, gains of TL 1,783 thousands and TL 4,971 thousands (30 September 2016: gains of TL 194,800 thousands and TL 52,396 thousands resulting from outstanding transactions at that date) resulted from the related fair value calculations for the hedged loans and bonds were accounted for under trading income/losses in the income statement, respectively.

In addition; the Bank also entered into cross currency swap agreements in order to hedge its fixed-rate bonds issued for a total principal value of AUD 175,000,000 and RON 85,500,000 with the same face values and terms. Accordingly, in the current period, a loss of TL 5,920 thousands (30 September 2016: a loss of TL 15,716 thousands resulting from outstanding transactions at that date) resulted from the fair value changes of the securities issued and funds borrowed subject to hedge accounting were accounted for under trading income/losses in the income statement.

The Bank also enters into interest rate and cross currency swap agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied cash flow hedge accounting for its funds borrowed amounting to USD 67,852,973 and EUR 36,842,105, securitization borrowings amounting to USD 58,333,333 and EUR 117,168,418 and commitments amounting to USD 31,107,183 by designating cross currency swaps with the same face values and terms, and eurobonds with a total nominal value of USD 10,000,000, the collateralised borrowings amounting to USD 250,000,000, borrowings amounting to USD 650,000,000, securitizations amounting to USD 767,560,976 and EUR 90,000,000 and deposits amounting to TL 50,000 thousands, USD 955,000,000 and EUR 139,789,474 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, gains of TL 36,016 thousands and TL 27,441 thousands (30 September 2016: a gain of TL 18,461 thousands and a loss of TL 68,137 thousands resulting from outstanding transactions at that date) resulting from cross currency and interest rate swap agreements were recognised under shareholders' equity.

One of the Bank's consolidated affiliate enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the affiliate applied fair value hedge accounting for fixed rate eurobonds with a total face value of USD 71,912,014 and EUR 137,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a net loss of TL 1,046 thousands (30 September 2016: a net gain of TL 18,206 thousands) resulting from the related fair value calculations for the hedged bonds were accounted for under trading income/losses in the income statement.

One of the Bank's consolidated affiliate enters into interest rate agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the affiliate applied cash flow hedge accounting for its funds borrowed amounting to USD 249,807,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a net loss of TL 227 thousands (30 September 2016: a net loss of TL 500 thousands) resulting from interest rate swap agreements were recognised under shareholders'equity.

One of the Bank's consolidated affiliate enters into foreign currency derivative contracts to hedge the foreign currency risk of its expected future cash flows. In this respect, the affiliate applied cash flow hedge accounting for its loans granted in Turkish Lira by designating swaps with the same face value amount and similar terms; TL 737,590,000 sell and EUR 171,429,087 buy, RON 90,000,000 sell and EUR 19,447,206 buy, USD 117,000,000 sell and EUR 107,785,791 buy, ZAR 46,663,945 sell and EUR 2,997,986 buy. Accordingly, in the current period, a net gain of TL 1,241 thousands (30 September 2016: a net loss of TL 2,891 thousands) resulting from currency derivative contracts were recognized under shareholder's equity.

#### **5.4.5 Other operating income**

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

In the current period, a part of non-performing receivables of the Bank amounting to TL 341,609 thousands (30 September 2016: TL 649,327 thousands) were sold for a consideration of TL 25,195 thousands (30 September 2016: TL 62,650 thousands). Considering the related provisions of TL 341,062 thousands (30 September 2016: TL 647,858 thousands) in the financial statements, a gain of TL 24,648 thousands (30 September 2016: TL 61,155 thousands) is recognized under "other operating income".

A part of written-off non-performing loans, lease receivables and factoring receivables of certain consolidated financial affiliates of the Bank amounting to TL 304,113 thousands (30 September 2016: TL 100,501 thousands) were sold for a total consideration of TL 22,353 thousands (30 September 2016: TL 12,317 thousands). A gain from these sales amounting to TL 21,561 thousands is recognized under "other operating income" (30 September 2016: other operating income of TL 1,459 thousands and other operating expenses of TL 1,907 thousands) considering the related provision of TL 303,321 thousands (30 September 2016: TL 87,736 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 491 thousands (30 September 2016: TL 84 thousands) is recognized in the income statement under "other operating income" in the current period.



**5.4.6 Provision for losses on loans or other receivables**

	<i>Current Period</i>	<i>Prior Period</i>
Specific Provisions for Loans and Other Receivables	1,148,855	2,102,061
<i>Loans and receivables in Group III</i>	<i>363,511</i>	<i>646,017</i>
<i>Loans and receivables in Group IV</i>	<i>622,444</i>	<i>993,265</i>
<i>Loans and receivables in Group V</i>	<i>162,900</i>	<i>462,779</i>
General Provisions	203,187	169,007
Provision for Possible Losses	650,000	100,000
Impairment Losses on Financial Assets	2,790	899
<i>Financial assets at fair value through profit or loss</i>	<i>2,790</i>	<i>899</i>
<i>Financial assets available-for-sale</i>	-	-
Impairment Losses on Associates, Affiliates and Investments Held-to-Maturity	-	-
<i>Associates</i>	-	-
<i>Affiliates</i>	-	-
<i>Joint ventures (business partnership)</i>	-	-
<i>Investments held-to-maturity</i>	-	-
Others	323,301	175,079
<b>Total</b>	<b>2,328,133</b>	<b>2,547,046</b>

**5.4.7 Other operating expenses**

	<i>Current Period</i>	<i>Prior Period</i>
Personnel Costs	2,358,531	2,116,319
Reserve for Employee Termination Benefits	58,459	50,771
Defined Benefit Obligation	-	-
Impairment Losses on Tangible Assets	3	-
Depreciation Expenses of Tangible Assets	212,402	178,628
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortisation Expenses of Intangible Assets	78,088	64,827
Decrease in Value of Equity Accounting Shares	-	-
Impairment Losses on Assets to be Disposed	527	2,508
Depreciation Expenses of Assets to be Disposed	-	6,252
Impairment Losses on Assets Held for Sale and Discontinued Assets	-	-
Other Operating Expenses	2,223,184	1,872,003
<i>Operational lease related expenses</i>	<i>352,390</i>	<i>311,963</i>
<i>Repair and maintenance expenses</i>	<i>46,674</i>	<i>45,419</i>
<i>Advertisement expenses</i>	<i>156,428</i>	<i>125,714</i>
<i>Other expenses (*)</i>	<i>1,667,692</i>	<i>1,388,907</i>
Loss on Sale of Assets	907	4,584
Others (**)(***)	661,859	706,984
<b>Total</b>	<b>5,593,960</b>	<b>5,002,876</b>

(\*) 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 21,666 thousands (30 September 2016: TL 46,393 thousands), as per the decision of the Turkish Competition Board or the related courts.

(\*\*) Includes saving-deposits-insurance-fund related expenses of TL 201,002 thousands (30 September 2016: TL 171,015 thousands) and insurance-business claim losses of TL 123,487 thousands (30 September 2016: TL 94,834 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 25,970 thousands (30 September 2016: TL 95,642 thousands) as per the decision of the Turkish Competition Board or the related courts.

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

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

#### **5.4.9 Information on provision for taxes for continued and discontinued operations**

As of 30 September 2017, on a consolidated basis, the Bank recorded a current tax expense of TL 1,510,985 thousands (30 September 2016: TL 899,170 thousands) and a deferred tax income of TL 92,156 thousands (30 September 2016: a deferred tax expense of TL 90,029 thousands).

*Deferred tax benefit/charge on timing differences*

<b>Deferred tax (benefit)/charge on timing differences</b>	<b>Current Period</b>	<b>Prior Period</b>
Increase in Tax Deductable Timing Differences (+)	(87,623)	(81,014)
Decrease in Tax Deductable Timing Differences (-)	90,416	150,772
Increase in Taxable Timing Differences (-)	127,614	96,817
Decrease in Taxable Timing Differences (+)	(222,563)	(76,546)
<b>Total</b>	<b>(92,156)</b>	<b>90,029</b>

*Deferred tax benefit/charge in the income statement arising on timing differences, tax losses and tax deductions and exemptions*

<b>Deferred tax (benefit)/charge arising on timing differences, tax losses and tax deductions and exemptions</b>	<b>Current Period</b>	<b>Prior Period</b>
(Increase)/Decrease in Tax Deductable Timing Differences (net)	2,671	61,052
(Increase)/Decrease in Taxable Timing Differences (net)	(94,949)	20,271
(Increase)/Decrease in Tax Losses (net)	122	8,706
(Increase)/Decrease in Tax Deductions and Exemptions (net)	-	-
<b>Total</b>	<b>(92,156)</b>	<b>90,029</b>

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

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

#### **5.4.11 Net profit/loss**

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

None.

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

None.

##### **5.4.11.3 Minority interest’s profit/loss**

	<b>Current Period</b>	<b>Prior Period</b>
Net Profit/(Loss) of Minority Interest	40,861	32,508

#### **5.4.12 Components of other items in income statement**

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

## **5.5 Consolidated statement of changes in shareholders' equity**

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

## **5.6 Consolidated statement of cash flows**

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

## 5.7 Related party risks

### 5.7.1 Transactions with parent bank's risk group;

#### 5.7.1.1 Loans and other receivables

##### *Current Period:*

Bank's Risk Group	Associates, Affiliates and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	31,850	3,476	1,660,778	385,799	2,320,156	735,944
Balance at end of period	74,919	3,631	19,969	550,261	2,572,798	842,783
Interest and Commission Income	2,565	10	4,530	66	134,361	2,500

##### *Prior Period:*

Bank's Risk Group	Associates, Affiliates and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	33,129	3,616	57,550	827,462	2,184,276	472,865
Balance at end of period	31,850	3,476	1,660,778	385,799	2,320,156	735,944
Interest and Commission Income	4,588	4	387	6	98,221	311

#### 5.7.1.2 Deposits

Bank's Risk Group	Associates, Affiliates and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at beginning of period	46,726	31,511	545,105	337,764	554,648	552,778
Balance at end of period	91,839	46,726	736,340	545,105	446,007	554,648
Interest Expenses	6,651	2,827	11,519	553	13,873	3,687

#### 5.7.1.3 Derivative transactions

Bank's Risk Group	Associates, Affiliates and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at Fair Value Through Profit/(Loss)						
Balance at beginning of period	13,344	12,675	13,797,354	16,403,422	843,120	-
Balance at end of period	9,191	13,344	37,512,133	13,797,354	797,445	843,120
Total Profit/(Loss)	(41)	211	38,696	(483,762)	3,518	171
Transactions for Hedging						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit/(Loss)	-	-	-	-	-	-

## **5.7.2 Bank's risk group**

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

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

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

The cash loans of the risk group amounting TL 2,506,593 thousands (31 December 2016: TL 2,216,830 thousands) compose 1.14% (31 December 2016: 1.10%) of the Bank's total consolidated cash loans and 0.74% (31 December 2016: 0.71%) of the Bank's total consolidated assets. The total loans and similar receivables amounting TL 2,667,686 thousands (31 December 2016: TL 4,012,784 thousands) compose 0.79% (31 December 2016: 1.29%) of the Bank's total consolidated assets. The non-cash loans of the risk group amounting TL 1,396,675 thousands (31 December 2016: TL 1,125,219 thousands) compose 2.59% (31 December 2016: 2.01%) of the Bank's total consolidated non-cash loans. The deposits of the risk group amounting TL 1,274,186 thousands (31 December 2016: TL 1,146,479 thousands) compose 0.65% (31 December 2016: 0.64%) of the Bank's total consolidated deposits. There are no funds borrowed by the Bank and its consolidated financial affiliates from their risk group (31 December 2016: -) of the Bank's total consolidated funds borrowed. The pricing in transactions with the risk group companies is set on an arms-length basis.

The credit card (POS) payables to the related parties, amounted to TL 88,815 thousands (31 December 2016: TL 65,017 thousands). A total rent income of TL 3,323 thousands (30 September 2016: TL 2,810 thousands) was recognized for the real estates rented to the related parties.

Operating expenses for TL 3,450 thousands as of 30 September 2017 (30 September 2016: TL 5,335 thousands) were incurred for the IT services rendered by the related parties. Other income of TL 3,876 thousands (30 September 2016: TL 1,906 thousands) for the IT services rendered and banking services fee income of TL 17,278 thousands (30 September 2016: TL 913 thousands) were recognized from the related parties.

There were no fixed-rate securities brokerage fee (30 September 2016: TL 434 thousands) received from the risk group.

Operating expenses of TL 201 thousands (30 September 2016: TL 2,801 thousands) for advertisement and broadcasting services, of TL 39,803 thousands (30 September 2016: TL 32,004 thousands) for financial leasing services, and of TL 7,444 thousands (30 September 2016: TL 7,458 thousands) for travelling services rendered by the related parties were recognized as expense.

The net payment provided or to be provided to the key management of the Bank and its consolidated financial affiliates amounts to TL 96,611 thousands as of 30 September 2017 (30 September 2016: TL 112,901 thousands) including compensations paid to key management personnel who left their position during the year.

### **5.7.2.3 Other matters not required to be disclosed**

None.

### **5.7.2.4 Transactions accounted for under equity method**

None.

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

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

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

**5.8 Domestic, foreign and off-shore branches or equity investments, and foreign representative offices of parent bank**

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

**5.9 Matters arising subsequent to the balance sheet date**

None.



## **5.10 Other Disclosures on Activities**

### **5.10.1 Information on international risk ratings**

#### **5.10.1.1 Parent bank's international risk ratings**

##### **MOODY'S (March 2017)**

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

##### **STANDARD AND POORS (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

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

**MOODY'S (June 2017) (\*)**

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

(\*) Latest date in risk ratings or outlooks.

**5.10.1.3 International risk ratings of Garanti Faktoring, a consolidated affiliate**

**FITCH RATINGS (June 2017) (\*)**

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

(\*) Latest date in risk ratings or outlooks.

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

**FITCH RATINGS (June 2017) (\*)**

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

(\*) Latest date in risk ratings or outlooks.

**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.

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

**FITCH RATINGS (May 2017) (\*)**

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

(\*) Latest date in risk ratings or outlooks.

**5.10.2 Dividend**

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

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

**5.10.3 Other disclosures**

None.

## **6 Limited Review Report**

### **6.1 Disclosure on limited review report**

The consolidated financial statements of the Bank and its financial affiliates as of 30 September 2017, have been reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member of KPMG International Cooperative) and a limited review report dated 26 October 2017, is presented before the accompanying consolidated financial statements.

### **6.2 Disclosures and footnotes prepared by independent auditors**

None.

## **7 Interim Activity Report (Amounts are expressed in Turkish Lira (TL))**

### **7.1 Introduction**

#### **7.1.1 About Garanti**

Established in 1946, Garanti Bank is **Turkey's second largest private bank** with consolidated assets of US\$ 95.8 billion as of 30 September 2017.

Garanti is an **integrated financial services group** operating in every segment of the banking sector including corporate, commercial, SME, payment systems, retail, private and investment banking together with its subsidiaries in pension and life insurance, leasing, factoring, brokerage, and asset management besides international subsidiaries in the Netherlands and Romania.

As of 30 September 2017, Garanti provides a wide range of financial services to its 14.8 million customers with more than 19 thousand employees through an **extensive distribution network** of 942 domestic branches; 7 foreign branches in Cyprus and one in Malta; 3 international representative offices in London, Düsseldorf and Shanghai with 4,769 ATMs, an award-winning Call Center, internet, mobile and social banking platforms, all built on **cutting-edge technological infrastructure**.

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

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

With its dynamic business model and superior technology integrated to its innovative products and services, Garanti continues to differentiate itself and facilitate the lives of its customers. Its **custom-tailored solutions** and **wide product variety** play a key role in reaching US\$ 77.3 billion cash and non-cash loans. The **high asset quality** attained through advanced risk management systems and established risk culture place Garanti apart in the sector.

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

#### **7.1.2 Capital and shareholding structure**

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

<b>T.GARANTİ BANKASI A.Ş. SHAREHOLDING STRUCTURE</b>			
<b>Shareholders</b>	<b>Number of shares</b>	<b>Nominal (TL)</b>	<b>Share %</b>
<b>BBVA(BANCO BILBAO VIZCAYA ARGENTARIA S.A)</b>	<b>209,370,000,000</b>	<b>2,093,700,000</b>	<b>49.85</b>
<b>OTHERS</b>	<b>210,630,000,000</b>	<b>2,106,300,000</b>	<b>50.15</b>
<b>GRAND TOTAL</b>	<b>420,000,000,000</b>	<b>4,200,000,000</b>	<b>100.00</b>

### 7.1.3 The amendments in the articles of association during period of 01.07.2017-30.09.2017

There is no change during the period.

### 7.1.4 Macro Outlook for the first 9 months period of 2017

**Robust economic performance in 1H17.** After registering 5% YoY growth rate in 1Q17, GDP grew by 5.1% in 2Q17. Investment and private consumption were the main contributors whilst government spending contribution was negative for the first time in 9 quarters. Government stimulus seems to leverage growth via both private consumption with more confident households and as desired by encouraging investments through funding channels. As previous indicators had signaled and base impact assisted, we expect a sizably higher growth rate for 3Q, which will bring our whole year growth estimation to 6% despite bearing in mind some moderation in 4Q.

**3Q activity data posts strong outlook.** Industrial production (IP) growth climbed up to 9.8% YoY in July-August period, a sharp acceleration from 2Q's 4.6%. Electricity production in 3Q posted its strongest growth rate in the last 28 quarters, while manufacturing PMI posted its 7<sup>th</sup> above-50 level in September. Strong exports performance (near 16% growth in 3Q), robust production and retail sales data had our monthly GDP indicator to nowcast 8.2% (26% of info) growth for 3Q.

**Current account deficit (CAD) deteriorated on non-core items.** 12-month cumulative deficit was realized at USD 37.0bn in August, up from USD 34.4bn (4.1% of GDP) in June. Improvement in tourism revenues with increasing number of tourists helped core CAD improve, resulting in a surplus in core current account balance (excluding net gold and energy trade) in August the first time since June 2015. We expect CAD to GDP ratio to deteriorate to 4.5% in 2017 on top of strong domestic demand but to be contained by the moderate recovery in tourism sector and increasing EU demand.

**Budget figures improved in 3Q.** Budget revenues increased by 22% (up from 8% of 2Q), while expenditures slightly scaled back to 15% (down from 16% of 2Q) in 3Q, compared to the same period of last year. After the intensified countercyclical measures in the first half of the year, the Government seems to somewhat scale back its expenditures in 3Q together with a relatively better picture on revenues side thanks to the recent high economic momentum. However, bearing in mind the last quarters' worsening, we expect budget deficit to GDP ratio to increase to 2.0% at the end of 2017 from 1.7% of 3Q and primary balance to fall down to -0.1% of GDP from 0.2% of 3Q.

**Turkey's gross external debt stock continued to climb in 2Q.** Turkey's external debt stock to GDP ratio rose to 51.8% in 2Q, up from 48.6% of 1Q and 46.9% of 4Q17 mostly due to the increase in the long term external debt of the private sector. On the other hand, EU-defined general government debt stock to GDP ratio slightly fell to 28.5% in 2Q, down from 28.7% of 1Q.

**Inflation maintained a deteriorated path in 3Q.** Annual CPI inflation climbed up to 11.2% in end 3Q, from 10.9% by end 2Q. The main reason behind the worsening was core inflation, which rose to 11.0% from 9.2% in the same period. This year's methodological change assigning fixed weights and second round price effects on cost push factors created a sharper pressure on core prices together with the recent appreciation of Euro and spillovers from narrowing output gap. We expect the headline to converge to 10% at the end of 2017 with favorable base effects.

**Central Bank (CBRT) remained tight in 3Q.** The CBRT keeps its hawkish tone as it also finds the high levels of both the headline and core inflation alarming over pricing behavior. Bearing in mind the high inertia in inflation and the ongoing high momentum of the economic activity, we expect the Bank to rely on late liquidity window (LLW) in the short term and not to find any room for monetary easing until the end of 1Q18.

**Turkish financial assets performed worse in 3Q.** Due to especially the appreciation of Euro, TL depreciated to 3.88 against US dollar-Euro currency basket by the end of September from 3.77 by end 2Q. Thus, the average annual depreciation against currency basket in 3Q realized at 22%. Benchmark bond yield which was at 11.1% at the end of 3Q climbed up to 12.1% in 3Q.

**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 274 billion to the economy**

**Türkiye Garanti Bankası A.Ş.**, announced its financial statements dated 30 September 2017. With an **asset size** of TL 339 billion 679 million 127 thousand, Garanti's contribution to the economy through **cash and non-cash lending** reached TL 274 billion 87 million 604 thousand, based on the consolidated financials. The Bank posted a **net income** of TL 4 billion 685 million 989 thousand in the first 9 months of 2017. The Bank delivered an **ROAE** (Return on Average Equity) of 17.4% and an **ROAA** (Return on Average Assets) of 2.0%.

Commenting on the financial results, **Garanti Bank Chairman Süleyman Sözen** stated that: "During the period we are in, capital inflows to emerging markets were maintained, while global economic growth continued to recover. Turkey became one of the fastest-growing economies in the world by recording 5.1% growth in the first half of the year. As always, Garanti continued its uninterrupted contribution to the economy within this period."

Referring to the synergy created with BBVA, largest shareholder of Garanti Bank, **Sözen** said: "Several successful projects which will enhance the value added to the community and economy are being carried out with the strong partnership and cooperation of BBVA and Garanti. Supporting entrepreneurship and contributing to the social entrepreneurs in our country in order for them to have sustainable business models, Garanti introduced the BBVA Momentum Programme in Turkey for the first time. For the significance of interacting with Fintech entrepreneurs stimulating the transformation in the banking sector and to feed from those entrepreneurs, Garanti Bank also brought the BBVA Open Talent, the world's biggest Fintech challenge for startups, to Turkey." 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."

Commenting on the financial results, Garanti **Bank CEO Fuat Erbil** stated that: "Garanti acts with the awareness of the impact by each and every action it takes, and with the responsibility of being an institution that shapes the future and leads the sector. Combining its approach to unconditional customer satisfaction with its solid capital structure and efficiency-focus, Garanti, completed the first nine months of the year successfully. While preserving its solid financial structure through effective balance sheet management, Garanti uninterruptedly sustained its contribution to the economy."

Touching upon the significance of being responsible bankers aware of the risks and opportunities, **Erbil** said: "As the only company from Turkey, and as one of the 100 companies around the world, we have announced our support to the recommendations of Task Force on Climate-related Financial Disclosures (TCFD) formed by Financial Stability Board (FSB) under G-20. Furthermore, as a signatory of UN Global Compact, we have pioneered the formation and signed the "Declaration of Sustainable Finance". Moreover during this period, we have signed an agreement with European Bank for Reconstruction and Development (EBRD) with a 5 year maturity for €75 million financing, equivalent to approximately TL300 million that aims to expand the utilization of "Green Mortgage" loans and protect future generations through "Green Buildings". We strive to create value for our customers, employees and all our stakeholders. We became the only company from Turkey qualified to be included in the Dow Jones Sustainability Emerging Markets Index for 3 consecutive years. Teachers Academy Foundation (ÖRAV), founded by Garanti, is granted Special Consultative Status by UN Economic and Social Council (ECOSOC). I am thankful to my valuable colleagues who carry Garanti to the leadership position in the banking sector and are the pioneers of transformation on international platforms.

**Selected Figures of Garanti Bank's Consolidated Financial Statements (30 September 2017)**

Profit before Taxes and Provisions*	TL 8,491.9 million	Cash Loans	TL 220,205.4 million
Profit before Taxes	TL 6,104.8 million	Non-Cash Loans	TL 53,882.3 million
Net Income	TL 4,686.0 million	Total Assets	TL 339,679.1 million
Deposits	TL 195,244.5 million	Shareholders' Equity	TL 39,825.0 million

**Highlights from Garanti Bank's Consolidated Financials**

- Net income was TL 4 billion 685 million and 989 thousand.
- In compliance with the legal legislation and international regulations, a total amount of TL 3 billion 805 million 951 thousand was reserved for tax provisions, loans and other provisions.\*
- Total assets increased by 8.8% year-to-date and reached TL 339 billion 679 million 127 thousand.
- Return on Average Assets (ROAA) realized at 2.0%.\*\*
- Shareholders' equity increased by 11.3% year-to-date and reached TL 39.8 billion.
- Return on Average Equity (ROAE) realized at 17.4%.\*\*
- Contribution made to the real economy through cash and non-cash loans increased by 6.4% year-to-date and reached TL 274 billion 87 million 604 thousand as of 30 September 2017.
- Total loans, FC loans and TL loans market shares realized at 11.2%, 11.7% and 11.0%, respectively.
- Market share of "mortgage loans" realized at 13.2% and market share of "consumer loans including credit cards" were 14.1%.
- Total customer deposits increased by 9.7% year-to-date and reached TL 191 billion 50 million and 160 thousand, while market share of total customer deposits was realized at 11.2%.
- Capital adequacy ratio (CAR) reached 17.1%.
- Non-performing loan (NPL) ratio realized at 2.82%.

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

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

You may access the earnings presentation regarding the BRSA unconsolidated financial results as of and for the period ending 30 September 2017 in English from Garanti Bank Investor Relations website at [www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com)



<b>Garanti With Numbers</b>	<b>31.12.2016</b>	<b>30.06.2017</b>	<b>30.09.2017</b>
Branch Network	971	960	953
+ Domestic	959	948	942
+ Abroad	12	12	11
Personnel	19,689	19,345	19,111
ATM	4,825	4,759	4,769
POS*	635,865	666,167	667,272
Total Customers**	14,615,584	14,474,445	14,823,196
Digital Banking Customers***	4,878,893	5,278,467	5,601,762
Mobile Banking Customers***	3,682,950	4,319,226	4,688,369
Credit Card Customers	6,484,464	6,630,008	6,733,846
Credit Cards	9,792,199	9,942,358	10,099,907
Debit Cards	8,930,780	9,184,991	9,474,225

\*Includes shared and virtual POS.

\*\*Decrease in number of active customers for the period ended 30 June 2017 is due to exclusion of customers with inadequate documentation.

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

<b>Selected Sector Figures (TL million)</b>	<b>30.12.2016</b>	<b>30.06.2017</b>	<b>29.09.2017</b>	<b>YtD Δ</b>
<b>Total Deposits</b>	<b>1,456,721</b>	<b>1,581,907</b>	<b>1,620,824</b>	<b>11.3%</b>
Bank Deposits	84,930	85,955	78,134	-8.0%
Customer Deposits	1,371,791	1,495,952	1,542,690	12.5%
TL Deposits	796,373	832,245	865,394	8.7%
FC Deposits (US\$ mn)	164,278	189,857	191,513	16.6%
Customer Demand Deposits	272,217	307,369	318,050	16.8%
<b>Total Performing Loans</b>	<b>1,565,364</b>	<b>1,734,290</b>	<b>1,789,383</b>	<b>14.3%</b>
TL Loans	1,040,940	1,202,911	1,244,603	19.6%
FC Loans (US\$ mn)	149,700	151,982	154,052	2.9%
Retail Loans*	628,221	779,826	810,144	29.0%
Housing	159,069	175,224	181,277	14.0%
Auto	20,149	19,642	19,731	-2.1%
General Purpose Loans**	348,771	481,202	499,621	43.3%
Credit Cards	100,233	103,758	109,515	9.3%
<i>Loans/Deposits Ratio</i>	<i>107.50%</i>	<i>109.60%</i>	<i>110.40%</i>	
<b>Gross NPL</b>	<b>54,103</b>	<b>56,962</b>	<b>57,897</b>	<b>7.0%</b>
<i>NPL ratio</i>	<i>3.30%</i>	<i>3.20%</i>	<i>3.10%</i>	
<i>NPL coverage</i>	<i>78.00%</i>	<i>79.70%</i>	<i>80.50%</i>	
Gross NPL in retail loans (excl. CC)	22,479	23,599	24,543	9.2%
<i>NPL ratio in retail loans</i>	<i>4.10%</i>	<i>3.40%</i>	<i>3.40%</i>	
Gross NPL in credit cards	7,904	7,685	7,502	-5.1%
<i>NPL ratio in credit cards</i>	<i>7.30%</i>	<i>6.90%</i>	<i>6.40%</i>	
<b>F/X Position, net (US\$ mn)</b>	<b>-1,191</b>	<b>305</b>	<b>-338</b>	
on B/S	-21,144	-51,299	-50,839	
off B/S	19,953	51,604	50,501	

Source: BRSA weekly sector data, commercial banks only

\*Including consumer and commercial installment loans

\*\*Including other and overdraft loans

<b>Garanti Market Shares* (%)</b>	<b>YTD Δ</b>	<b>30.09.2017</b>
Total Performing Loans	↓	11.2%
TL Loans	↓	11.0%
FC Loans	↓	11.7%
Credit Cards - Issuing (Cumulative)	↑	20.6%
Credit Cards - Acquiring (Cumulative)	↓	20.8%
Consumer Loans**	↓	14.1%
Total Customer Deposits	↓	11.2%
TL Customer Deposits	↑	9.9%
FC Customer Deposits	↓	12.9%
Customer Demand Deposits	↑	13.3%
Mutual Funds	↑	10.6%

\* Based on BRSA weekly data for commercial banks only.

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

#### **7.1.6 Forward looking statements regarding the expectations**

As per the Article 10 of the "Communiqué on Material Events Disclosure" (II-15.1) of Capital Markets Board, T. Garanti Bankası A.Ş has announced its forward looking statements regarding the expectations for the year 2017. You may access the related presentation that was published on the Public Disclosure Platform, the Bank's website and Garanti Bank Investor Relations' website at [www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com) in [Operating Plan Guidance Presentations](#) section.

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

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

#### **7.2 Information regarding management and corporate governance practices**

##### **7.2.1** You may access names and surnames, terms of duty, areas of responsibilities, educational backgrounds and occupational experiences of the Chairman of the Board of Directors, Board Members, CEO and Executive Vice Presidents from the footnote numbered 1.3.

**Audit Committee Members:**

<b>Name Surname</b>	<b>Title</b>	<b>Board of Director Appointment Date</b>	<b>Education</b>	<b>Experience in Banking &amp; Business Administration</b>
Jorge Sáenz-Azcúnaga Carranza	Vice Chairman Independent Board Member	24.03.2016	Undergraduate	23 years
Javier Bernal Dionis	Independent Board Member	27.07.2015	Graduate	27 years

**Managers of the Internal Systems Units:**

<b>Name Surname</b>	<b>Title</b>	<b>Appointment Date</b>	<b>Education</b>	<b>Experience in Banking &amp; Business Administration</b>
Ebru Ogan Knottnerus	Head of Risk Management	01.04.2016	Undergraduate	26 years
Osman Bahri Turgut	Head of Internal Audit	01.08.2015	Undergraduate	26 years
Emre Özbek	SVP of Compliance	01.08.2015	Undergraduate	18 years
Barış Ersin Gülcan	SVP of Internal Control	06.03.2014	Graduate	19 years
Beyza Yapıcı	SVP of Internal Capital and Operational Risk	01.04.2016	Undergraduate	19 years
Semra Kuran	SVP of Market Risk and Credit Risk Control	01.04.2016	Undergraduate	20 years

You may access information about the activities of the Board of Directors, the Audit Committee, the Credit Committee and the committees that are established pursuant to the Regulation on the Internal Systems of Banks under the framework of the risk management systems and are organized under the Board of Directors or to support the Board of Directors, chairman and members of the committees' names and surnames, fundamental duties and their attendance to the meetings from Garanti Bank Investor Relations website at [www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com) under the [Committees](#) section.

**7.2.2** You may reach the summary of the Board of Directors' Annual Report presented to Ordinary General Meeting of Shareholders and information about human resources practices, policy and remuneration in the 2016 Annual Report that was published on the Public Disclosure Platform, the Bank's website and Garanti Bank Investor Relations' website, access at the link below:

[www.garantiannualreport.com](http://www.garantiannualreport.com)

**7.2.3** You may access information about the transactions with the Bank's risk group under the footnote numbered 5.7 regarding the related party risks.

**7.2.4** You may reach information pursuant to the Regulation on the Provision of Support Services to Banks and the Authorization of Support Service Providers, the type of the services and information on the individuals and institutions that provided the support services in the 2016 Annual Report that was published on the Public Disclosure Platform, the Bank's website and Garanti Bank Investor Relations' website, access at the link below:

[www.garantiannualreport.com](http://www.garantiannualreport.com)

You may access the Corporate Governance Principles Compliance Report from Garanti Bank Investor Relations website at [www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com) under the [Corporate Governance](#) section.

### **7.3 Assessment of financial information and risk management**

You may find information regarding the assessment of financial position, profitability and debt payment capability, risk management explanations and ratings in the financial statements for the period ended 30 September 2017 and the independent accountants' limited review report. Additionally, you may find detailed information in the earnings presentation regarding financial results of the related period published on Garanti Bank Investor Relations website at [www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com).

You may find financial information on Garanti Bank for the most recent five year period in the 2016 Annual Report that was published on the Public Disclosure Platform, the Bank's website, Garanti Bank Investor Relations website and at [www.garantiannualreport.com](http://www.garantiannualreport.com). Furthermore, you may access detailed information from Garanti Bank Investor Relations website at [www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com) in the [Garanti with Numbers](#) section.

### **7.4 Announcements regarding important developments in the period of 01.07.2017-30.09.2017**

- The banking activities of our Luxembourg Branch have been ceased as of 30.06.2017 in accordance with the authority granted to the Head Office by our Bank's Board of Directors.
- Standard & Poor's (S&P) affirmed Türkiye Garanti Bankası A.Ş.'s (Bank) Long Term Foreign Currency and Long Term Local Currency ratings at "BB" and Stand-alone Credit Profile (SACP) rating at "bb+" level. S&P also affirmed the outlook on the Bank's ratings at Negative in line with the outlook of the sovereign ratings on the Republic of Turkey. S&P stated in its report that the outlook on the Bank's rating would be upgraded to Stable if the outlook on the sovereign ratings were revised to Stable. Furthermore, S&P noted that the Bank's Foreign Currency rating is capped with the sovereign rating.
- We refer to the litigation matter that was previously disclosed by our Bank relating to tax carbon-trading fraud allegations against a number of individuals pending before the Tribunal De Grande Instance of Paris. In this matter our Bank was accused of assisting the organizers of this fraud by letting them benefit from the banking services. In its decision the Tribunal found our Bank not guilty for the activities of the Bank in 2008 and early 2009 given its compliance with know your customer rules and account opening processes. However, the Court decided to impose a fine of Euro 8 million with respect to account closure actions taken by our Bank in mid-2009 without taking into account the applicable local laws and regulations.

In addition, the French Treasury asked for civil damages from all of the defendants of this litigation matter for the tax losses suffered. Accordingly, the Bank, jointly with the other defendants, will be subject to payment of a damages claim of the French Treasury up to Euro 25 million.

The Bank disagrees with the judgment and currently intends to file an appeal. The Management believes that the Bank has complied with all aspects of the applicable laws and has no wrong doing in this matter. The Management believes that the decision should be overruled at the appellate court level since there is no basis for the penalty and the damages.

- The Chairman of our Board of Directors Mr. Ferit Faik Şahenk has notified our Bank that as of September 19, 2017 he would be resigning from the Board of Directors of our Bank and his position as the Chairman of the same, with a view to focus more on the projects of Doğu Holding and Doğu Group companies. The Board of Directors of our Bank has convened a meeting on September 19, 2017 at which the resignation of Mr. Şahenk has been accepted. The Board further resolved to appoint Mr. Süleyman Sözen as the new Chairman of the Board of Directors and appointed Mr. Jorge Saenz-Azcunaga Carranza as the new Vice Chairman. The appointment of an alternate member for the vacancy resulting from the resignation will be finalized at a later stage.

## **7.5 Announcements regarding important developments for debt instruments issuance and redemptions in the period of 01.07.2017-30.09.2017**

- Garanti Bank has signed an agreement to secure a financing in the amount of EUR 75 million equivalent to Turkish Lira, with 5 years maturity from European Bank for Reconstruction and Development (EBRD) under Covered Bond Programme. The proceedings of the loan will be on-lent to green mortgages

Accordingly, it was announced in the letter of the CMB dated 14 August 2017 that our Bank's application has been approved and the proceeds of the issuance in the amount of 313,000,000 Turkish Lira equivalent to EUR 75 million have been transferred to Garanti Bank's accounts on 15 August 2017.

Important developments regarding important developments for debt instruments issuance, redemptions and all announcements during 01.07.2017 - 30.09.2017 period were announced and the disclosures were uploaded to the Public Disclosure Platform. All the announcements are shared at Garanti Bank Investor Relations web site ([www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com)) and at the link below.

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