

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

**Türkiye Garanti Bankası Anonim Şirketi
And Its Financial Affiliates
Consolidated Financial Statements
As of and For the Year Ended
31 December 2017**

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

With Independent Auditors' Report Thereon

31 January 2018

*This report contains "Independent Auditors' Report"
comprising 5 pages and; "Consolidated Financial
Statements and Related Disclosures and
Footnotes" comprising 155 pages.*



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

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

A) Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the accompanying consolidated financial statements of Türkiye Garanti Bankası A.Ş. ("the Bank") and its consolidated financial affiliates (together will be referred as "the Group") which comprise the consolidated statement of financial position as at 31 December 2017 and the 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 year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effect of the matter described in the Basis For Qualified Opinion section of our report, the consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Garanti Bankası A.Ş. and its consolidated financial affiliates as at 31 December 2017, and its financial performance and its cash flows for the year then ended 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 requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations.

Basis for Qualified Opinion

The accompanying consolidated financial statements as at 31 December 2017 include a general provision of total of TL 1,160,000 thousands, of which TL 860,000 thousands was 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 the economy or market conditions.



We conducted our audit in accordance with the "Regulation on Independent Audit of the Banks" published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Independent Standards on Auditing which is a component of the Turkish Auditing Standards ("TSA"s) published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the POA's Code of Ethics for Independent Auditors ("Code of Ethics") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of loans

Refer to Section III, No: VIII to the consolidated financial statements relating to the details of accounting policies and significant judgments of for impairment of loans.

<i>Key audit matter</i>	<i>How the matter is addressed in our audit</i>
<p>As of 31 December 2017, loans comprise 64% of Group's total assets.</p> <p>The Parent Bank recognizes its loans in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables (the "Regulation") published on the Official Gazette No. 26333 dated 1 November 2006.</p> <p>In accordance with the mentioned Regulation, the assessment of impairment is basically related to the proper classification of loans.</p> <p>The classification of loans is performed in accordance with the criteria in the Regulation.</p> <p>Those include both objective and subjective criteria which management judgment is applied.</p> <p>There is a potential risk of impaired loans cannot be detected and loan loss provisions are inaccurate due to subjectivity.</p> <p>Disclosures related to credit risk are presented in Section Four, No II Credit Risk.</p>	<p>Our procedures for testing the classification of loans in accordance with the Regulation and key assumptions made by management include below:</p> <ul style="list-style-type: none">• We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures.• We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information. In this context, the current status of the loan customer has been evaluated.• We tested the appropriateness of the provisions in accordance with the Regulation.• Additionally, we also evaluated the adequacy of consolidated financial statement disclosures related to impairment provisions.



Pension plan

Refer to Section III No: XVII to the consolidated financial statements relating to the details of accounting policies and significant judgments of for pension plan.

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Parent Bank's defined benefit pension plan (the "Plan") is managed by "Türkiye Garanti Bankası A.Ş. 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.</p> <p>As disclosed in the Note 3.17 to the consolidated financial statements, the Plan is composed of benefits which are subject to transfer to Social Security Foundation ("SSF") as per the Social Security Law No. 5510 provisional article 20, and other social rights and pension benefits provided by the Parent Bank that are not transferable to SSF. The Council of Ministers has been authorized to determine the transfer date.</p> <p>Following the transfer, the non-transferable social rights and pension benefits provided under the Plan will be covered by the funds and the institutions that employ the funds' members.</p> <p>As of 31 December 2017, the Parent Bank's transferrable liabilities are calculated by an independent actuary using the actuarial assumptions regulated by Law, and in accordance with the Decision of the Council of Ministers announced in the Official Gazette dated 15 December 2006 and No. 26377.</p> <p>As of 31 December 2017, the Parent Bank's non-transferrable liabilities are also calculated by independent actuary in accordance with TAS 19.</p> <p>The valuation of the Pension Fund liabilities requires judgment in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, inflation levels, demographic assumptions, and the impact of changes in Pension Plan.</p> <p>Management uses independent actuaries to assist in assessing the uncertainty around these assumptions.</p> <p>Considering the subjectivity of key judgments and assumptions, plus the uncertainty around the transfer date and basis of the transfer calculation given the fact that the technical interest rate is prescribed under the law, we considered this to be a key audit matter.</p>	<ul style="list-style-type: none">• We have assessed whether there have been any significant changes in actuarial assumptions, methods and underlying regulations used in calculations.• Significant changes during the period in pension plan benefits, plan assets or membership profiles which affect liabilities have been evaluated.• We have involved our own actuarial specialist to assess the appropriateness of the actuarial assumptions and calculations performed by the external actuary.• We have evaluated whether the plan assets are adequate to cover the Pension Plan liabilities, under the methods and assumptions used.• Additionally, the adequacy of consolidated financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities have been evaluated.



Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2016 was audited by another auditor who expressed a qualified opinion due to the general reserve provisions provided by the Bank on 30 January 2017.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the "BRSA Accounting and Reporting Legislation", and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with TSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2017 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

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 financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying consolidated 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 financial statements and IFRS.

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

Murat Alsan, SMMM
Partner

31 January 2018
İstanbul, Turkey

**TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ
AND ITS FINANCIAL AFFILIATES
CONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2017**

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The consolidated financial report for the year-end prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

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

Affiliates

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

Structured Entities

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

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

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

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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 937 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 31 December 2017, group of companies under BBVA that currently owns 49.85% shares of the Bank, is defined as the BBVA Group (the Group) and it is the main shareholder.

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

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

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

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

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

BBVA Group

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

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

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

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

Board of Directors Chairman and Members:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Süleyman Sözen	Chairman	29.05.1997	University	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

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 and Collection	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

Gökhan Erün resigned his position as “EVP responsible from Corporate Banking and Treasury and Deputy CEO” on 15 January 2018.

As of 31 January 2018, Betül Ebru Edin’s responsibility was revised as “EVP responsible from Corporate Banking, Treasury and Project Finance” and Didem Başer’s responsibility was revised as “EVP responsible from Digital Banking, Customer Experience, Corporate Brand Management and Marketing Communication”.

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

1.4 Information on parent bank's qualified shareholders

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

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

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

1.5 Summary information on parent bank's activities and services

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

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

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

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

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

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

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

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

None.

2 Consolidated Financial Statements

(Convenience Translation of Financial Statements Originally Issued in Turkish)

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

ASSETS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD			PRIOR PERIOD		
			31 December 2017			31 December 2016		
			TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH CENTRAL BANK		5.1.1	7,635,968	25,967,673	33,603,641	6,723,712	17,227,762	23,951,474
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)		5.1.2	2,290,900	586,913	2,877,813	2,801,058	1,004,483	3,805,541
2.1 Financial assets held for trading			2,290,900	586,913	2,877,813	2,801,058	1,004,483	3,805,541
2.1.1 Government securities			803,974	16,604	820,578	73,157	29,492	102,649
2.1.2 Equity securities			68,173	-	68,173	60,379	-	60,379
2.1.3 Derivative financial assets held for trading			1,379,769	567,220	1,946,989	2,661,587	952,126	3,613,713
2.1.4 Other securities			38,984	3,089	42,073	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			-	-	-	-	-	-
III. BANKS		5.1.3	1,010,727	18,459,616	19,470,343	1,214,509	15,666,535	16,881,044
IV. INTERBANK MONEY MARKETS			3,353	-	3,353	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			3,353	-	3,353	22,180	-	22,180
V. FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)		5.1.4	22,222,532	4,055,456	26,277,988	18,497,281	5,486,167	23,983,448
5.1 Equity securities			41,760	233,112	274,872	40,985	177,828	218,813
5.2 Government securities			21,912,629	666,591	22,579,220	17,669,410	722,603	18,392,013
5.3 Other securities			268,143	3,155,753	3,423,896	786,886	4,585,736	5,372,622
VI. LOANS		5.1.5	144,323,034	85,030,251	229,353,285	119,985,680	81,423,416	201,409,096
6.1 Loans			143,274,157	84,718,455	227,992,612	118,980,397	81,095,327	200,075,724
6.1.1 Loans to bank's risk group		5.7	521,307	2,141,026	2,662,333	402,351	1,814,479	2,216,830
6.1.2 Government securities			-	-	-	-	-	-
6.1.3 Other			142,752,850	82,577,429	225,330,279	118,578,046	79,280,848	197,858,894
6.2 Loans under follow-up			5,408,114	768,871	6,176,985	5,272,774	851,687	6,124,461
6.3 Specific provisions (-)			4,359,237	457,075	4,816,312	4,267,491	523,598	4,791,089
VII. FACTORING RECEIVABLES		5.1.6	2,261,812	1,117,956	3,379,768	1,912,128	939,095	2,851,223
VIII. INVESTMENTS HELD-TO-MATURITY (Net)		5.1.7	12,900,962	11,413,578	24,314,540	12,139,123	10,970,573	23,109,696
8.1 Government securities			12,815,088	7,417,468	20,232,556	12,122,339	6,986,465	19,108,804
8.2 Other securities			85,874	3,996,110	4,081,984	16,784	3,984,108	4,000,892
IX. INVESTMENTS IN ASSOCIATES (Net)		5.1.8	35,747	4	35,751	37,258	3	37,261
9.1 Associates consolidated under equity accounting			-	-	-	-	-	-
9.2 Unconsolidated associates			35,747	4	35,751	37,258	3	37,261
9.2.1 Financial investments in associates			31,789	-	31,789	33,329	-	33,329
9.2.2 Non-financial investments in associates			3,958	4	3,962	3,929	3	3,932
X. INVESTMENTS IN SUBSIDIARIES (Net)		5.1.9	114,372	2,309	116,681	114,236	1,622	115,858
10.1 Unconsolidated financial investments in affiliates			-	-	-	-	-	-
10.2 Unconsolidated non-financial investments in affiliates			114,372	2,309	116,681	114,236	1,622	115,858
XI. INVESTMENTS IN JOINT-VENTURES (Net)		5.1.10	-	-	-	-	-	-
11.1 Joint-ventures consolidated under equity accounting			-	-	-	-	-	-
11.2 Unconsolidated joint-ventures			-	-	-	-	-	-
11.2.1 Financial investments in joint-ventures			-	-	-	-	-	-
11.2.2 Non-financial investments in joint-ventures			-	-	-	-	-	-
XII. LEASE RECEIVABLES (Net)		5.1.11	1,471,740	4,316,696	5,788,436	1,399,086	4,395,174	5,794,260
12.1 Financial lease receivables			1,740,146	4,730,823	6,470,969	1,655,755	4,843,852	6,499,607
12.2 Operational lease receivables			-	-	-	-	-	-
12.3 Others			-	-	-	-	-	-
12.4 Unearned income (-)			268,406	414,127	682,533	256,669	448,678	705,347
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING PURPOSE		5.1.12	554,605	116,115	670,720	79,472	586,823	666,295
13.1 Fair value hedges			89,104	14,158	103,262	73,946	11,534	85,480
13.2 Cash flow hedges			465,501	101,957	567,458	5,526	575,289	580,815
13.3 Net foreign investment hedges			-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)		5.1.13	3,910,647	186,004	4,096,651	3,533,533	147,088	3,680,621
XV. INTANGIBLE ASSETS (Net)		5.1.14	346,016	33,292	379,308	296,078	31,575	327,653
15.1 Goodwill			6,388	-	6,388	6,388	-	6,388
15.2 Other intangibles			339,628	33,292	372,920	289,690	31,575	321,265
XVI. INVESTMENT PROPERTY (Net)		5.1.15	559,388	-	559,388	543,825	-	543,825
XVII. TAX ASSET			436,799	30,899	467,698	199,330	61,348	260,678
17.1 Current tax asset			6,697	19,069	25,766	679	26,657	27,336
17.2 Deferred tax asset		5.1.16	430,102	11,830	441,932	198,651	34,691	233,342
XVIII. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)		5.1.17	823,000	12,552	835,552	591,738	13,277	605,015
18.1 Asset held for resale			823,000	12,552	835,552	591,738	13,277	605,015
18.2 Assets of discontinued operations			-	-	-	-	-	-
XIX. OTHER ASSETS		5.1.18	3,656,882	443,869	4,100,751	3,015,207	709,873	3,725,080
TOTAL ASSETS			204,558,484	151,773,183	356,331,667	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 31 December 2017

LIABILITIES AND SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD			PRIOR PERIOD		
		31 December 2017			31 December 2016		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	5.2.1	88,203,932	112,569,628	200,773,560	76,025,777	102,664,036	178,689,813
1.1 Deposits from bank's risk group	5.7	359,077	522,879	881,956	675,720	470,759	1,146,479
1.2 Other		87,844,855	112,046,749	199,891,604	75,350,057	102,193,277	177,543,334
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	5.2.2	2,381,287	517,535	2,898,822	2,639,416	1,074,569	3,713,985
III. FUNDS BORROWED	5.2.3	1,134,258	45,970,461	47,104,719	3,127,679	43,454,174	46,581,853
IV. INTERBANK MONEY MARKETS		13,886,785	4,751,071	18,637,856	10,704,025	526,168	11,230,193
4.1 Interbank money market takings		11,712,429	3,892,365	15,604,794	2,501,180	87	2,501,267
4.2 Istanbul Stock Exchange money market takings		1,286,649	-	1,286,649	915,105	-	915,105
4.3 Obligations under repurchase agreements	5.2.4	887,707	858,706	1,746,413	7,287,740	526,081	7,813,821
V. SECURITIES ISSUED (Net)	5.2.4	8,162,999	12,631,453	20,794,452	5,871,646	11,874,002	17,745,648
5.1 Bills		4,003,253	-	4,003,253	2,240,063	-	2,240,063
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		4,159,746	12,631,453	16,791,199	3,631,583	11,874,002	15,505,585
VI. FUNDS		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. MISCELLANEOUS PAYABLES	5.2.4	9,585,571	790,775	10,376,346	8,260,088	1,079,660	9,339,748
VIII. OTHER EXTERNAL FUNDINGS PAYABLE		2,191,547	888,803	3,080,350	2,204,123	966,216	3,170,339
IX. FACTORING PAYABLES	5.2.5	-	-	-	-	-	-
X. LEASE PAYABLES (Net)	5.2.6	-	-	-	-	-	-
10.1 Financial lease payables		-	-	-	-	-	-
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING PURPOSE	5.2.7	7,252	191,574	198,826	26,671	316,643	343,314
11.1 Fair value hedges		6,227	188,528	194,755	26,671	250,273	276,944
11.2 Cash flow hedges		1,025	3,046	4,071	-	66,370	66,370
11.3 Net foreign investment hedges		-	-	-	-	-	-
XII. PROVISIONS	5.2.8	6,453,922	394,180	6,848,102	4,851,864	181,009	5,032,873
12.1 General provisions		3,597,720	75,949	3,673,669	3,118,954	96,579	3,215,533
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		822,958	86,830	909,788	710,204	20,321	730,525
12.4 Insurance technical provisions (Net)		355,827	34,059	389,886	274,375	32,400	306,775
12.5 Other provisions		1,677,417	197,342	1,874,759	748,331	31,709	780,040
XIII. TAX LIABILITY	5.2.9	1,103,072	60,090	1,163,162	466,400	11,866	478,266
13.1 Current tax liability		1,103,072	45,725	1,148,797	466,400	11,866	478,266
13.2 Deferred tax liability		-	14,365	14,365	-	-	-
XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	5.2.10	-	-	-	-	-	-
14.1 Asset held for sale		-	-	-	-	-	-
14.2 Assets of discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED DEBTS	5.2.11	-	2,849,471	2,849,471	-	-	-
XVI. SHAREHOLDERS' EQUITY	5.2.12	41,142,135	463,866	41,606,001	35,540,653	255,254	35,795,907
16.1 Paid-in capital		4,200,000	-	4,200,000	4,200,000	-	4,200,000
16.2 Capital reserves		1,320,292	206,555	1,526,847	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		(425,824)	108,010	(317,814)	(484,900)	(58,725)	(543,625)
16.2.4 Revaluation surplus on tangible assets		1,722,980	24,889	1,747,869	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		912	-	912	947	-	947
16.2.8 Hedging reserves (effective portion)		(617,941)	73,656	(544,285)	(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		628,285	-	628,285	667,781	-	667,781
16.3 Profit reserves		28,967,638	257,311	29,224,949	24,505,679	242,760	24,748,439
16.3.1 Legal reserves		1,368,395	23,864	1,392,259	1,241,962	29,560	1,271,522
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		25,901,360	-	25,901,360	22,185,729	6,576	22,192,305
16.3.4 Other profit reserves		1,697,883	233,447	1,931,330	1,077,988	206,624	1,284,612
16.4 Profit or loss		6,332,056	-	6,332,056	5,105,291	-	5,105,291
16.4.1 Prior periods profit/loss		-	-	-	-	-	-
16.4.2 Current period net profit/loss		6,332,056	-	6,332,056	5,105,291	-	5,105,291
16.5 Minority interest		322,149	-	322,149	267,808	-	267,808
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		174,252,760	182,078,907	356,331,667	149,718,342	162,403,597	312,121,939

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

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

OFF-BALANCE SHEET ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD			PRIOR PERIOD		
		31 December 2017			31 December 2016		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		189,643,830	301,352,970	490,996,800	162,878,081	280,614,485	443,492,566
I. GUARANTEES AND SURETIES	5.3.1	19,424,930	36,770,464	56,195,394	17,138,984	38,946,496	56,085,480
1.1 Letters of guarantee		19,405,859	20,283,642	39,689,501	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		1,842,819	395,767	2,238,586	2,134,070	332,444	2,466,514
1.1.3 Other letters of guarantee		17,563,040	18,905,961	36,469,001	14,977,068	19,539,650	34,516,718
1.2 Bank acceptances		14,273	1,536,377	1,550,650	27,846	2,099,488	2,127,334
1.2.1 Import letter of acceptance		14,273	1,536,377	1,550,650	27,846	2,099,488	2,127,334
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		4,798	14,764,718	14,769,516	-	15,754,367	15,754,367
1.3.1 Documentary letters of credit		-	-	-	-	-	-
1.3.2 Other letters of credit		4,798	14,764,718	14,769,516	-	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		-	185,727	185,727	-	191,066	191,066
1.9 Other sureties		-	-	-	-	-	-
II. COMMITMENTS		44,879,991	12,711,898	57,591,889	39,448,303	10,404,168	49,852,471
2.1 Irrevocable commitments		44,532,503	7,539,747	52,072,250	39,310,120	5,369,433	44,679,553
2.1.1 Asset purchase and sale commitments		2,205,254	5,742,735	7,947,989	204,021	3,752,040	3,956,061
2.1.2 Deposit purchase and sale commitments		-	-	-	-	74,040	74,040
2.1.3 Share capital commitments to associates and affiliates		-	6,443	6,443	-	5,266	5,266
2.1.4 Loan granting commitments		9,468,364	1,231,571	10,699,935	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		3,797,901	-	3,797,901	3,555,087	-	3,555,087
2.1.8 Tax and fund obligations on export commitments		31,365	-	31,365	24,000	-	24,000
2.1.9 Commitments for credit card limits		29,020,761	521,288	29,542,049	27,849,250	377,443	28,226,693
2.1.10 Commitments for credit cards and banking services related promotions		8,273	-	8,273	8,708	-	8,708
2.1.11 Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12 Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		585	37,710	38,295	701,653	122,922	824,575
2.2 Revocable commitments		347,488	5,172,151	5,519,639	138,183	5,034,735	5,172,918
2.2.1 Revocable loan granting commitments		156,116	4,796,577	4,952,693	23,040	4,653,740	4,676,780
2.2.2 Other revocable commitments		191,372	375,574	566,946	115,143	380,995	496,138
III. DERIVATIVE FINANCIAL INSTRUMENTS	5.3.2	125,338,909	251,870,608	377,209,517	106,290,794	231,263,821	337,554,615
3.1 Derivative financial instruments held for risk management		7,255,392	38,177,132	45,432,524	10,145,282	34,208,867	44,354,149
3.1.1 Fair value hedges		5,452,476	12,916,842	18,369,318	7,307,595	14,701,424	22,009,019
3.1.2 Cash flow hedges		1,802,916	25,260,290	27,063,206	2,837,687	19,507,443	22,345,130
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Trading derivatives		118,083,517	213,693,476	331,776,993	96,145,512	197,054,954	293,200,466
3.2.1 Forward foreign currency purchases/sales		15,358,246	19,209,970	34,568,216	11,723,664	16,145,274	27,868,938
3.2.1.1 Forward foreign currency purchases		5,427,014	11,771,096	17,198,110	3,833,951	10,111,495	13,945,446
3.2.1.2 Forward foreign currency sales		9,931,232	7,438,874	17,370,106	7,889,713	6,033,779	13,923,492
3.2.2 Currency and interest rate swaps		88,816,561	153,895,967	242,712,528	62,027,010	133,439,424	195,466,434
3.2.2.1 Currency swaps-purchases		32,307,469	73,063,850	105,371,319	23,993,140	55,350,676	79,343,816
3.2.2.2 Currency swaps-sales		55,840,060	45,238,400	101,078,109	37,539,222	41,571,364	79,110,586
3.2.2.3 Interest rate swaps-purchases		334,516	17,797,034	18,131,550	247,324	18,258,692	18,506,016
3.2.2.4 Interest rate swaps-sales		334,516	17,797,034	18,131,550	247,324	18,258,692	18,506,016
3.2.3 Currency, interest rate and security options		13,831,781	25,562,957	39,394,738	22,338,459	38,228,684	60,567,143
3.2.3.1 Currency call options		7,234,150	7,153,660	14,387,810	9,793,681	16,465,095	26,258,776
3.2.3.2 Currency put options		6,565,822	8,172,614	14,738,436	12,487,141	14,903,735	27,390,876
3.2.3.3 Interest rate call options		-	9,247,686	9,247,686	-	5,927,914	5,927,914
3.2.3.4 Interest rate put options		-	988,997	988,997	-	843,120	843,120
3.2.3.5 Security call options		9,414	-	9,414	10,871	44,410	55,281
3.2.3.6 Security put options		22,395	-	22,395	46,766	44,410	91,176
3.2.4 Currency futures		62,874	92,187	155,061	37,173	144,751	181,924
3.2.4.1 Currency futures-purchases		20,293	44,824	65,117	14,586	80,808	95,394
3.2.4.2 Currency futures-sales		42,581	47,363	89,944	22,587	63,943	86,530
3.2.5 Interest rate futures		-	18,879	18,879	-	100,121	100,121
3.2.5.1 Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sales		-	18,879	18,879	-	100,121	100,121
3.2.6 Others		14,055	14,913,516	14,927,571	19,206	8,996,700	9,015,906
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		715,477,686	614,013,443	1,329,491,129	631,736,919	528,278,312	1,160,015,231
IV. ITEMS HELD IN CUSTODY		52,856,646	38,573,970	91,430,616	48,564,102	41,691,499	90,255,601
4.1 Customers' securities held		18,138,585	-	18,138,585	15,065,124	-	15,065,124
4.2 Investment securities held in custody		15,042,103	16,314,890	31,356,993	16,489,131	17,080,586	33,569,717
4.3 Checks received for collection		16,558,278	3,885,992	20,444,270	14,117,779	3,153,993	17,271,772
4.4 Commercial notes received for collection		2,824,586	900,585	3,725,171	2,551,368	1,165,068	3,716,436
4.5 Other assets received for collection		98,797	13,830,800	13,929,597	78,792	16,103,427	16,182,219
4.6 Assets received through public offering		-	92,625	92,625	-	85,344	85,344
4.7 Other items under custody		194,297	3,549,078	3,743,375	261,908	4,103,081	4,364,989
4.8 Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		662,621,040	575,439,473	1,238,060,513	583,172,817	486,586,813	1,069,759,630
5.1 Securities		4,123,200	260,868	4,384,068	4,588,155	315,976	4,904,131
5.2 Guarantee notes		36,609,095	16,584,613	53,193,708	37,868,541	14,996,659	52,865,200
5.3 Commodities		14,095	-	14,095	19,841	-	19,841
5.4 Warranties		-	242,502	242,502	-	206,513	206,513
5.5 Real estates		159,488,241	116,578,695	276,066,936	140,621,890	92,300,194	232,922,084
5.6 Other pledged items		462,386,409	441,772,729	904,159,138	400,074,220	378,767,417	778,841,637
5.7 Pledged items-depository		-	66	66	170	54	224
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		905,121,516	915,366,413	1,820,487,929	794,615,000	808,892,797	1,603,507,797

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates
Consolidated Income Statement
At 31 December 2017

INCOME AND EXPENSE ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD 1 January 2017- 31 December 2017	PRIOR PERIOD 1 January 2016- 31 December 2016
I. INTEREST INCOME	5.4.1	28,360,370	22,617,659
1.1 Interest income on loans		21,912,595	17,577,562
1.2 Interest income on reserve deposits		222,596	238,038
1.3 Interest income on banks		451,750	205,126
1.4 Interest income on money market transactions		14,022	7,294
1.5 Interest income on securities portfolio		4,791,622	3,694,801
1.5.1 Trading financial assets		41,220	22,280
1.5.2 Financial assets valued at fair value through profit or loss		-	-
1.5.3 Financial assets available-for-sale		2,550,023	2,039,448
1.5.4 Investments held-to-maturity		2,200,379	1,633,073
1.6 Financial lease income		442,460	433,225
1.7 Other interest income		525,325	461,613
II. INTEREST EXPENSE	5.4.2	12,673,800	10,361,926
2.1 Interest on deposits		8,439,849	7,000,456
2.2 Interest on funds borrowed		1,323,169	1,143,112
2.3 Interest on money market transactions		1,309,125	1,098,821
2.4 Interest on securities issued		1,579,644	1,094,527
2.5 Other interest expenses		22,013	25,010
III. NET INTEREST INCOME (I - II)		15,686,570	12,255,733
IV. NET FEES AND COMMISSIONS INCOME		3,860,413	3,275,690
4.1 Fees and commissions received		5,118,766	4,324,798
4.1.1 Non-cash loans		433,188	345,061
4.1.2 Others		4,685,578	3,979,737
4.2 Fees and commissions paid		1,258,353	1,049,108
4.2.1 Non-cash loans		3,868	3,481
4.2.2 Others		1,254,485	1,045,627
V. DIVIDEND INCOME	5.4.3	7,816	9,088
VI. NET TRADING INCOME/LOSSES (Net)	5.4.4	(1,842,027)	(743,653)
6.1 Trading account income/losses (Net)		(324,697)	386,624
6.2 Income/losses from derivative financial instruments (Net)		(3,266,721)	(925,789)
6.3 Foreign exchange gains/losses (Net)		1,749,391	(204,488)
VII. OTHER OPERATING INCOME	5.4.5	1,942,284	2,113,576
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		19,655,056	16,910,434
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	5.4.6	3,681,863	3,387,096
X. OTHER OPERATING EXPENSES (-)	5.4.7	7,623,756	7,032,388
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		8,349,437	6,490,950
XII. INCOME RESULTED FROM MERGERS		-	-
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-	-
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-
XV. PROFIT/LOSS BEFORE TAXES (XI+XII+XIII+XIV)	5.4.8	8,349,437	6,490,950
XVI. PROVISION FOR TAXES (±)	5.4.9	1,961,463	1,343,191
16.1 Current tax charge		2,284,299	1,035,607
16.2 Deferred tax charge/(credit)		(322,836)	307,584
XVII. NET OPERATING PROFIT/LOSS AFTER TAXES (XV±XVI)	5.4.10	6,387,974	5,147,759
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1 Income from assets held for sale		-	-
18.2 Income from sale of associates, affiliates and joint-ventures		-	-
18.3 Others		-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Expenses on assets held for sale		-	-
19.2 Expenses on sale of associates, affiliates and joint-ventures		-	-
19.3 Others		-	-
XX. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XVIII-XIX)	5.4.8	-	-
XXI. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)	5.4.9	-	-
21.1 Current tax charge		-	-
21.2 Deferred tax charge/(credit)		-	-
XXII. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XX±XXI)	5.4.10	-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	5.4.11	6,387,974	5,147,759
23.1 Equity holders of the bank		6,332,056	5,105,291
23.2 Minority interest		55,918	42,468
Earnings per Share		0.01508	0.01216

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates

**Consolidated Statement of Income/Expense Items Accounted for under Shareholders' Equity
At 31 December 2017**

INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD 1 January 2017 - 31 December 2017	PRIOR PERIOD 1 January 2016 - 31 December 2016
I.	MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"	256,760	(293,599)
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS	160,314	12,220
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV.	TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	674,151	459,301
V.	GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)	56,034	11,475
VI.	GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	(291,004)	(180,458)
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS	-	-
VIII.	OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	(49,496)	(58,826)
IX.	DEFERRED TAXES ON VALUE INCREASES/DECREASES	(133,139)	62,489
X.	NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+III+IV+V+VI+VII+VIII+IX)	673,620	12,602
XI.	CURRENT PERIOD PROFIT/LOSSES	6,387,974	5,147,759
1.1	Net changes in fair value of securities (transferred to income statement)	(30,723)	214,415
1.2	Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement	(85,449)	(125,301)
1.3	Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-	-
1.4	Others	6,504,146	5,058,645
XII.	TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)	7,061,594	5,160,361

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates

Consolidated Statement of Changes in Shareholders' Equity

At 31 December 2017

THOUSANDS OF TURKISH LIRA (TL)																			
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes	Paid-In Capital	Inflation Adjustment to Paid-In Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Profit/(Loss)	Securities Value Increase Fund	Revaluation Surplus on Tangible and Intangible Assets	Bonus Shares of Equity Participations	Hedging Reserves	Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity
PRIOR PERIOD - 1 January-31 December 2016																			
I. Balances at beginning of the period		4,200,000	772,554	11,880	-	1,226,628	-	19,168,165	751,943	-	3,580,901	(283,642)	1,765,883	947	(218,120)	-	30,977,139	226,617	31,203,756
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		-	-	-	-	-	-	-	-	-	-	(262,279)	-	-	-	-	(262,279)	(29)	(262,308)
VI. Hedging reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	(135,341)	-	(135,341)	-	(135,341)
6.1. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	9,025	-	9,025	-	9,025
6.2. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	(144,366)	-	(144,366)	-	(144,366)
VII. Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	9,776	-	-	-	9,776	-	9,776
VIII. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares of associates, affiliates and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Translation differences		-	-	-	-	5,107	-	5,217	447,709	-	-	-	1,483	-	(215)	-	459,301	-	459,301
XI. Changes resulted from disposal of assets		-	-	-	-	(3,442)	-	52,208	7,299	-	-	2,296	(89,232)	-	-	-	(30,871)	-	(30,871)
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	(27,917)	-	-	-	(766)	-	-	-	(27,917)	(38)	(27,955)
XIX. Current period net profit/loss		-	-	-	-	-	-	-	-	5,105,291	-	-	-	-	-	-	5,105,291	42,468	5,147,759
XX. Profit distribution		-	-	-	-	43,229	-	2,965,949	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		-	-	-	-	43,229	-	2,965,949	-	-	(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	-	1,271,522	-	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
CURRENT PERIOD - 1 January-31 December 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		-	-	-	-	-	-	-	-	-	-	225,811	-	-	-	-	-	-	-
IV. Hedging reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	(190,648)	-	(190,648)	7	225,818
4.1. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	42,155	-	42,155	-	42,155
4.2. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	(232,803)	-	(232,803)	-	(232,803)
V. Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	3,903	-	-	-	3,903	-	3,903
VI. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares of associates, affiliates and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	(35)	-	-	(35)	-	(35)
VIII. Translation differences		-	-	-	-	5,018	-	427	667,342	-	-	-	1,325	-	39	-	674,151	-	674,151
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		-	-	-	-	-	-	11	-	-	-	-	-	-	-	-	11	(11)	-
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		-	-	-	-	-	-	196,656	(65,858)	-	-	-	(170,294)	-	-	-	(39,496)	(73)	(39,569)
XVII. Current period net profit/loss		-	-	-	-	-	-	-	-	6,332,056	-	-	-	-	-	-	6,332,056	55,918	6,387,974
XVIII. Profit distribution		-	-	-	-	115,719	-	3,511,961	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		-	-	-	-	115,719	-	3,511,961	-	-	(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	-	1,392,259	-	25,901,360	1,787,061	6,332,056	-	(317,814)	1,747,869	912	(544,285)	-	41,283,852	322,149	41,606,001

(Convenience Translation of Financial Statements Originally Issued in Turkish)

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

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		1 January 2017 31 December 2017	1 January 2016 31 December 2016
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities	5.6	8,279,543	5,612,628
1.1.1 Interests received		24,903,497	20,848,418
1.1.2 Interests paid		(12,001,215)	(10,535,351)
1.1.3 Dividend received		7,816	9,084
1.1.4 Fees and commissions received		5,118,766	4,324,798
1.1.5 Other income		1,577,846	2,166,392
1.1.6 Collections from previously written-off loans and other receivables		187,804	211,058
1.1.7 Payments to personnel and service suppliers		(6,539,838)	(6,016,150)
1.1.8 Taxes paid		(1,884,033)	(1,549,381)
1.1.9 Others		(3,091,100)	(3,846,240)
1.2 Changes in operating assets and liabilities	5.6	(13,152,134)	(3,358,704)
1.2.1 Net (increase) decrease in financial assets held for trading		(755,332)	32,967
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		(12,584,956)	4,433,003
1.2.4 Net (increase) decrease in loans		(29,522,295)	(32,331,594)
1.2.5 Net (increase) decrease in other assets		(885,530)	(46,229)
1.2.6 Net increase (decrease) in bank deposits		(2,857,766)	(2,473,473)
1.2.7 Net increase (decrease) in other deposits		24,718,233	24,964,270
1.2.8 Net increase (decrease) in funds borrowed		7,545,144	1,977,302
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		1,190,368	(114,950)
I. Net cash flow from banking operations	5.6	(4,872,591)	2,253,924
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash flow from investing activities	5.6	(1,047,230)	1,149,148
2.1 Cash paid for purchase of associates, affiliates and joint-ventures		(179)	-
2.2 Cash obtained from sale of associates, affiliates and joint-ventures		1,540	135,173
2.3 Purchases of tangible assets		(819,185)	(1,020,765)
2.4 Sales of tangible assets		293,292	196,105
2.5 Cash paid for purchase of financial assets available-for-sale, net		(10,859,357)	(9,706,665)
2.6 Cash obtained from sale of financial assets available-for-sale, net		9,652,673	10,857,020
2.7 Cash paid for purchase of investments held-to-maturity		(302,008)	(498,479)
2.8 Cash obtained from sale of investments held-to-maturity		985,994	1,186,759
2.9 Others		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		4,582,854	(379,641)
3.1 Cash obtained from funds borrowed and securities issued		22,335,206	8,182,570
3.2 Cash used for repayment of funds borrowed and securities issued		(16,500,852)	(7,994,001)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		(1,251,500)	(568,210)
3.5 Payments for financial leases		-	-
3.6 Others		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		597,337	928,129
V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)	5.6	(739,630)	3,951,560
VI. Cash and cash equivalents at beginning of period	5.6	15,692,142	11,740,582
VII. Cash and cash equivalents at end of period (V+VI)	5.6	14,952,512	15,692,142

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.

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 in order to comply with TFRS9 standard, and the related studies are summarized in Note 3.30.

The accounting policies and the valuation principles applied in the preparation of the accompanying consolidated financial statements are explained in Notes 3.2 to 3.30.

3.2 Strategy for use of financial instruments and foreign currency transactions

3.2.1 Strategy for use of financial instruments

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

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

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

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

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

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

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

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

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

3.2.2 Foreign currency transactions

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

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

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

3.3 Information on consolidated affiliates

As of 31 December 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. The related transaction costs are recognized in income statement at the date they incur. The changes in their fair values are recorded on balance sheet under "derivative financial assets held for trading" or "derivative financial liabilities held for trading", respectively depending on the fair values being positive or negative. Fair value changes for trading derivatives are recorded under income statement.

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

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

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

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

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

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

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

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

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

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

Financial lease operations

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

3.6 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 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.26333 dated 1 November 2006 and TAS. The allowances are recorded in the income statement of the related period.

Provisions made during the period are recorded under “provision for losses on loans and other receivables”. Provisions booked in the prior periods and 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 cost of such assets, however the research costs are recognised as expense as incurred.

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

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

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

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

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

3.13 Tangible assets

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

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

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

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

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

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

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

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

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

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

Investment properties

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

Investment properties accounted at fair value are not depreciated.

3.14 Leasing activities

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

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

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

3.15 Provisions and contingent liabilities

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

3.16 Contingent assets

The contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Bank or its financial 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:

	31 December 2017	31 December 2016
Net Effective Discount Rate	3.04%	3.43%
Discount Rate	11.70%	11.20%
Expected Rate of Salary Increase	9.90%	9.30%
Inflation Rate	8.40%	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:

	31 December 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 Insurance technical reserves and technical income and expense

3.18.1 Insurance technical reserves

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

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

3.18.2 Insurance technical income and expense

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

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

3.19 Taxation

3.19.1 Corporate tax

While the corporate tax rate was at the rate of 20% since 1 January 2016, for all companies, such rate has been set as 22% for the tax bases of the years 2018, 2019, and 2020 based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down to 20%.

This rate is applied to tax base which is calculated by adding certain non deductible expenses for tax purposes and deducting certain exemptions (like dividend income) and other deductions on accounting income. If there is no dividend distribution, no further tax charges are made.

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

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

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

Effective between 1 January 2017 and 4 December 2017, earnings generated through transfer of real estates, equity shares, founders' shares, redeemed shares and pre-emption rights owned by the companies being under legal proceedings due to their debts to the banks or liable to the Savings Deposit Insurance Fund or by their guarantors and mortgage providers and earnings generated by the banks through sale of such assets are exempt from corporate tax at the rate of 75%.

Effective between 1 January 2017 and 4 December 2017, 75% of earnings generated through sale of real estates, equity shares, founders' shares, redeemed shares and pre-emption rights held as asset at least for two years by the institutions are exempt from the corporate tax with the conditions that such earnings shall be held in a special reserve account under equity until the end of five years following the year of sale and shall be collected as cash until the end of the following two fiscal years.

On the other hand, based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061, effective from 5 December 2017, the aforementioned exemption rate is set as 50% for the earnings generated through sale of real estates and 75% for the earnings generated through sale of other items.

Tax applications for foreign branches

NORTHERN CYPRUS

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

MALTA

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

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.

3.19.2 Deferred taxes

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

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

The deferred tax assets and liabilities of the Bank and its consolidated 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.

3.19.3 Transfer pricing

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

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

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

3.20 Funds borrowed

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

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

3.21 Shares and share issuances

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

3.22 Confirmed bills of exchange and acceptances

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

3.23 Government incentives

As of 31 December 2017, the Bank or its financial affiliates do not have any government incentives or grants (2016: none).

3.24 Segment reporting

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

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

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

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

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

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

<i>Current Period</i>	Retail Banking	Corporate / Commercial Banking	Investment Banking	Other	Total Operations
Total Operating Profit	7,809,622	7,031,362	338,384	4,467,872	19,647,240
Other	-	-	-	-	-
Total Operating Profit	7,809,622	7,031,362	338,384	4,467,872	19,647,240
Net Operating Profit	3,450,976	3,796,523	131,704	962,418	8,341,621
Income from Associates and Affiliates	-	-	-	7,816	7,816
Net Operating Profit	3,450,976	3,796,523	131,704	970,234	8,349,437
Provision for Taxes	-	-	-	1,961,463	1,961,463
Net Profit	3,450,976	3,796,523	131,704	(991,229)	6,387,974
Segment Assets	69,610,939	159,744,598	95,004,662	31,819,036	356,179,235
Investments in Associates and Affiliates	-	-	-	152,432	152,432
Total Assets	69,610,939	159,744,598	95,004,662	31,971,468	356,331,667
Segment Liabilities	128,802,347	81,145,621	83,621,821	21,155,877	314,725,666
Shareholders' Equity	-	-	-	41,606,001	41,606,001
Total Liabilities and Shareholders' Equity	128,802,347	81,145,621	83,621,821	62,761,878	356,331,667

<i>Prior Period</i>	Retail Banking	Corporate / Commercial Banking	Investment Banking	Other	Total Operations
Total Operating Profit	6,448,700	5,414,154	1,054,411	3,984,081	16,901,346
Other	-	-	-	-	-
Total Operating Profit	6,448,700	5,414,154	1,054,411	3,984,081	16,901,346
Net Operating Profit	2,692,970	1,925,929	708,983	1,153,980	6,481,862
Income from Associates and Affiliates	-	-	-	9,088	9,088
Net Operating Profit	2,692,970	1,925,929	708,983	1,163,068	6,490,950
Provision for Taxes	-	-	-	1,343,191	1,343,191
Net Profit	2,692,970	1,925,929	708,983	(180,123)	5,147,759
Segment Assets	61,499,413	140,924,123	80,712,705	28,832,579	311,968,820
Investments in Associates and Affiliates	-	-	-	153,119	153,119
Total Assets	61,499,413	140,924,123	80,712,705	28,985,698	312,121,939
Segment Liabilities	116,243,213	67,671,139	74,092,285	18,319,395	276,326,032
Shareholders' Equity	-	-	-	35,795,907	35,795,907
Total Liabilities and Shareholders' Equity	116,243,213	67,671,139	74,092,285	54,115,302	312,121,939

3.25 Profit reserves and profit appropriation

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

Under the Turkish Commercial Code, legal reserves consist of first legal reserve and second legal reserve. First legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and fully paid-in share capital. Second legal reserve, appropriated at the rate of at least 10%

of distributions in excess of 5% of issued and fully paid-in share capital, but holding companies are not subject to such transaction. According to the Turkish Commercial Code, legal reserves can only be used to compensate accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

In the ordinary general assembly dated 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 6.2.

3.26 Earnings per share

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

	<i>Current Period</i>	<i>Prior Period</i>
Distributable net profit for the year	6,332,056	5,105,291
Average number of issued common shares (thousand)	420,000,000	420,000,000
Earnings per share (amounts presented full TL)	0.01508	0.01216

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).

3.27 Related parties

For the purpose of these financial statements, shareholders having control shares of the Bank, key management personnel and board members together with their families and companies controlled by/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.

3.28 Cash and cash equivalents

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

3.29 Reclassifications

None.

3.30 Other disclosures

In January 2017, Public Oversight Accounting and Auditing Standards Authority ("POA") published the final version of TFRS 9 which replaces TAS 39. TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. In this context, it became compulsory for banks to adopt TFRS 9 effective from 1 January 2018 based on the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with procedures and principals regarding classification of loans and allowances allocated for such loans.

The Bank has been analysing the potential impact of the new standard on both in the classification of portfolios and in the valuation models of financial instruments ever since publication of the initial drafts of the standard.

During 2016 and 2017, the Bank conducted an extensive project to implement TFRS 9 with the participation of finance, risk, technology, economic research departments and business areas. In this project, it is established the definition of the processes regarding implementation of the corresponding accounting policies and standards and made necessary preparations in connection with the presentation of the financial statements.

The impact assessment regarding three phases of TFRS 9 is explained below:

Measurement and Classification of Financial Instruments:

Financial Assets:

TFRS 9 contains a new approach regarding the classification and measurement of financial assets that reflects the business model in which the assets are managed and their cash flow characteristics. TFRS 9 contains three main categories of classification for financial assets: valued at amortized cost, valued at fair value with changes in other comprehensive income, and valued at fair value through profit or loss.

It is anticipated that the financial assets valued at fair value through profit or loss will continue to be measured at fair value. On the other hand, there might be classifications among the financial assets classified as financial assets valued at amortized cost or valued at fair value with changes in other comprehensive income depending on the characteristics of their business models.

Loans and receivables are held to collect contractual cash flows and such cash flows consist of principal and interest collections. The Bank analysed contractual cash flow characteristics of these financial instruments and decided to classify such instruments as financial assets valued at amortised cost. Accordingly, it shall not be possible to classify these financial instruments into a different category.

Based on the analysis carried out up until today, the Bank considers that the new classification requirements under TFRS 9 will not have a significant impact on the balance sheet of the Bank.

Financial Liabilities:

TFRS 9 maintains the requirements in TAS 39 for the classification of financial liabilities except for allowing accounting of the fair value changes occurred as a result of changes in a financial liability's own credit risk under other comprehensive income for the liabilities designated for fair value option (applicable for instances not affecting the accounting mismatch at large extent). Based on the evaluation of the Bank, it is not anticipated a significant impact regarding accounting of financial liabilities based on the scope of TFRS 9.

Impairment:

TFRS 9 replaces the "incurred losses" model in TAS 39 with a model of "expected credit loss". The new standard establishes three stages impairment model (general model) based on the change in credit quality subsequent to initial recognition.

Stage 1: Includes financial assets not having significant increase in their credit risk from initial recognition till the following reporting date or financial assets having low credit risk at the reporting date. It is recognized 12-month expected credit losses for such financial assets.

Stage 2: Includes financial assets having significant increase in their credit risk subsequent to the initial recognition, but not having objective evidence about impairment. It is recognized life time expected credit losses for such financial assets.

Stage 3: Includes financial assets having objective evidence about impairment at the reporting date. It is recognized life time expected credit losses for such financial assets.

The matters which have the most significant impact on TFRS 9 implementation and may change impairment calculations considerably are presented below:

- Assessment of under which conditions there may be significant increase in credit risk
- Macroeconomic factors, forward looking information and multiple scenarios
- Maximum contractual period over which it is exposed to credit risk to be considered during measurement of expected credit losses
- Definition of default

It is not anticipated a significant impact on the total equity as a result of the impairment calculation based expected credit loss model in accordance with TFRS 9. The impact of implementation for this standard is based on the assessments made so far. As of the transition date, it is still ongoing the revisions on the accounting policies, relevant processes and internal controls. Accordingly, there might be changes in the anticipated impact of TFRS 9 on the financials until announcement of the first time adoption financial statement including the opening balance sheet as of 1 January 2018. Besides, the Bank will calculate deferred tax on the expected credit losses calculated on stage 1 and 2 loans and the impact regarding calculated deferred tax asset will be accounted under equity during transition.

Hedge Accounting:

TFRS 9 also includes new hedge accounting rules regarding alignment of the risk management strategies with hedge accounting. During selection of the accounting policies, TFRS 9 gives option of continuing with TAS 39 hedge accounting principles and deferring hedge accounting rules in accordance with TFRS 9.

Accordingly, the Bank will continue to apply TAS 39 rules regarding hedge accounting applications.

4 Consolidated Financial Position and Results of Operations and Risk Management

4.1 Consolidated total capital

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

4.1.1 Components of consolidated total capital

<i>Current Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	27,527,097	
Other Comprehensive Income according to TAS	4,045,373	
Profit	6,332,056	
Current Period Profit	6,332,056	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	912	
Minority Interest	122,991	
Common Equity Tier I Capital Before Deductions	43,012,863	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	1,717,191	-
Leasehold Improvements on Operational Leases (-)	130,913	-
Goodwill Netted with Deferred Tax Liabilities	5,110	6,388
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	274,695	343,368
Net Deferred Tax Asset/Liability (-)	5,905	7,381
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	1,394	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-

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

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

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

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

^(**) According to “Bank Capital Regulation” article 10 paragraph 4, which published on Official Gazette dated 5th September 2013 and numbered 28756, banks also calculate their consolidated capital with their consolidated insurance company investments as unconsolidated financial institutions if 9th article’s 4th paragraph’s (c) and (ç) items apply. Lesser of consolidated capital calculated according to 1st and 4th paragraphs is considered the consolidated capital according to this regulation. As the consolidated capital calculated including the insurance 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>
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	23,704,951	
Other Comprehensive Income according to TAS	3,090,208	
Profit	5,114,182	
Current Period Profit	5,114,182	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	947	
Minority Interest	52,513	
Common Equity Tier I Capital Before Deductions	36,947,235	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	1,429,152	-
Leasehold Improvements on Operational Leases (-)	116,307	-
Goodwill Netted with Deferred Tax Liabilities	3,833	6,388
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	156,911	261,520
Net Deferred Tax Asset/Liability (-)	7,129	11,881
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	1,730	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions from Common Equity Tier I Capital	1,715,062	
Total Common Equity Tier I Capital	35,232,173	

	Amount	Amount as per the regulation before 1/1/2014^(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Shares of Third Parties in Additional Tier I Capital		
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Items to be Deducted from Tier I Capital During the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	107,163	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	4,752	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	35,120,258	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2,889,903	
Total Deductions from Tier II Capital	2,889,903	
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	2,889,903	
Total Equity (Total Tier I and Tier II Capital)	38,010,161	

	Amount	Amount as per the regulation before 1/1/2014 (*)
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	31	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	56,325	
Other items to be Defined by the BRSA (-)	36,994	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) during the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	37,916,811	-
Total Risk Weighted Assets	258,425,540	-
CAPITAL ADEQUACY RATIOS		
Consolidated CET1 Capital Ratio (%)	13.63	-
Consolidated Tier I Capital Ratio (%)	13.59	-
Consolidated Capital Adequacy Ratio (%)	14.67	-
BUFFERS		
Bank-Specific total CET1 Capital Ratio (%)	5.658	-
Capital Conservation Buffer Ratio (%)	0.625	-
Bank-Specific Counter-Cyclical Capital Buffer Ratio (%)	0.533	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	6.672	-
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital (**)	1,125,107	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	245,522	-
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	3,215,533	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2,889,903	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-

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

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

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

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

4.1.2 Items included in capital calculation

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

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

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

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

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

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

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

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

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

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

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

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

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

The Bank developed a statistical-based internal risk rating model for its credit portfolio of corporate/commercial/medium-size companies. This internal risk rating model has been in use for

customer credibility assessment since 2003. Risk rating has become a requirement for loan applications, and ratings are used both to determine branch managers' credit authorization limits and in credit assessment process.

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

	<i>Current Period</i>	<i>Prior Period</i>
	<i>%</i>	<i>%</i>
Above Average	39.01	40.20
Average	47.68	47.99
Below Average	13.31	11.81
Total	100.00	100.00

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

Exposure Categories	<i>Current Period</i> ^(*)	<i>Average</i> ^(**)	<i>Prior Period</i> ^(*)	<i>Average</i> ^(**)
Conditional and unconditional exposures to central governments or central banks	93,544,327	85,195,158	67,305,286	73,988,899
Conditional and unconditional exposures to regional governments or local authorities	124,592	123,847	132,655	92,560
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	323,865	211,339	64,343	65,561
Conditional and unconditional exposures to multilateral development banks	1,816,462	1,666,895	1,443,371	1,139,231
Conditional and unconditional exposures to international organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	38,173,204	38,722,083	45,659,651	41,464,066
Conditional and unconditional exposures to corporates	149,299,065	141,452,494	136,683,596	131,475,572
Conditional and unconditional retail exposures	81,863,528	75,775,025	66,769,991	59,081,330
Conditional and unconditional exposures secured by real estate property	38,559,431	40,245,558	36,698,091	30,988,810
Past due items	1,161,094	1,093,809	1,065,374	973,536
Items in regulatory high-risk categories	1,091,083	1,824,289	2,308,629	4,654,614
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Exposures in the form of collective investment undertakings	44,516	28,695	-	-
Shares	164,293	888,243	218,992	637,245
Other items ^(***)	10,283,383	8,472,383	9,494,987	8,377,418

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

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

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

The parent Bank and its financial affiliates' largest 100 and 200 cash loan customers compose 23.07% (31 December 2016: 24.42%) and 29.25% (31 December 2016: 31.27%) of the total cash loan portfolio, respectively.

The parent Bank and its financial affiliates' largest 100 and 200 non-cash loan customers compose 45.45% (31 December 2016: 51.42%) and 55.08% (31 December 2016: 61.15%) of the total non-cash loan portfolio, respectively.

The parent Bank and its financial affiliates' largest 100 ve 200 cash and non-cash loan customers represent 7.95% (31 December 2016: 8.69%) and 10.14% (31 December 2016: 11.24%) of the total "on and off balance sheet" assets, respectively.

The general provision for consolidated credit risk amounts to TL 3,673,669 thousands (31 December 2016: TL 3,215,533 thousands).

4.2.1 Profile of significant exposures in major regions

<i>Current Period</i> ^(****)	Exposure Categories ^(*)							
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Items in regulatory high-risk categories	Other	Total
Domestic	84,901,396	9,989,483	128,612,153	78,346,834	37,065,756	906,172	11,310,579	351,132,373
European Union (EU) Countries	7,713,667	24,028,466	11,892,093	3,093,618	1,455,230	149,918	2,561,361	50,894,353
OECD Countries ^(**)	139	1,030,796	4,107,924	5,152	7,072	32,792	92	5,183,967
Off-Shore Banking Regions	-	75,843	298,631	1,074	480	-	-	376,028
USA, Canada	1,079	2,571,777	2,255,887	6,676	4,259	3	16,776	4,856,457
Other Countries	928,046	390,607	2,123,488	410,174	26,634	2,198	16,495	3,897,642
Associates, Subsidiaries and Joint –Ventures	-	86,232	8,889	-	-	-	12,902	108,023
Unallocated Assets/Liabilities ^(***)	-	-	-	-	-	-	-	-
Total	93,544,327	38,173,204	149,299,065	81,863,528	38,559,431	1,091,083	13,918,205	416,448,843

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

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

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

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

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

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4.2.2 Risk profile by sectors or counterparties

	Exposure Categories (*)																			
Current Period (**)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TP	YP	Toplam
Agriculture	-	795	-	-	-	-	2,028,549	712,025	419,057	18,489	40,091	-	-	-	-	-	-	1,398,689	1,820,317	3,219,006
Farming and Stockbreeding	-	-	-	-	-	-	1,694,397	639,094	384,469	17,469	39,883	-	-	-	-	-	-	1,312,626	1,462,686	2,775,312
Forestry	-	795	-	-	-	-	105,785	42,656	24,608	656	134	-	-	-	-	-	-	35,135	139,499	174,634
Fishery	-	-	-	-	-	-	228,367	30,275	9,980	364	74	-	-	-	-	-	-	50,928	218,132	269,060
Manufacturing	-	-	107,372	-	-	-	64,677,060	8,086,547	7,794,459	219,647	227,103	-	-	-	-	10,105	-	28,280,427	52,841,866	81,122,293
Mining and Quarrying	-	-	-	-	-	-	2,600,597	362,098	86,091	8,550	15,501	-	-	-	-	-	-	900,962	2,171,875	3,072,837
Production	-	-	7	-	-	-	36,931,403	7,541,250	4,298,712	171,705	167,593	-	-	-	-	10,105	-	22,222,714	26,898,061	49,120,775
Electricity, Gas and Water	-	-	107,365	-	-	-	25,145,060	183,199	3,409,656	39,392	44,009	-	-	-	-	-	-	5,156,751	23,771,930	28,928,681
Construction	-	-	128	-	-	-	8,884,000	4,288,576	2,634,550	63,680	71,743	-	-	-	-	-	-	10,345,461	5,597,216	15,942,677
Services	455	-	996	1,816,462	-	38,173,204	67,040,339	18,222,876	9,317,959	620,015	609,744	-	-	-	44,516	30,489	-	52,247,265	83,629,790	135,877,055
Wholesale and Retail Trade	-	-	203	-	-	-	28,594,333	13,863,462	4,595,497	242,829	89,876	-	-	-	-	-	-	29,936,376	17,449,824	47,386,200
Accomodation and Dining	-	-	89	-	-	-	3,999,348	983,246	2,633,646	106,797	18,193	-	-	-	-	-	-	2,334,835	5,406,484	7,741,319
Transportation and Telecommunication	-	-	177	-	-	-	16,642,547	2,254,927	498,514	240,097	37,144	-	-	-	-	-	-	4,946,398	14,727,008	19,673,406
Financial Institutions	-	-	-	1,816,462	-	38,173,204	8,684,179	168,374	72,644	4,684	438,707	-	-	-	44,516	30,489	-	11,687,796	37,745,463	49,433,259
Real Estate and Rental Services	-	-	-	-	-	-	5,177,038	274,766	949,568	14,722	8,847	-	-	-	-	-	-	1,405,687	5,019,254	6,424,941
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	9	-	355	-	-	-	353,969	192,867	381,404	668	9,849	-	-	-	-	-	-	765,421	173,700	939,121
Health and Social Services	446	-	172	-	-	-	3,588,925	485,234	186,686	10,218	7,128	-	-	-	-	-	-	1,170,752	3,108,057	4,278,809
Others	93,543,872	123,797	215,369	-	-	-	6,669,117	50,553,504	18,393,406	239,263	142,402	-	-	-	-	123,699	10,283,383	127,261,277	53,026,535	180,287,812
Total	93,544,327	124,592	323,865	1,816,462	-	38,173,204	149,299,065	81,863,528	38,559,431	1,161,094	1,091,083	-	-	-	44,516	164,293	10,283,383	219,533,119	196,915,724	416,448,843

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

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

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

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

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

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

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

4.2.3 Analysis of maturity-bearing exposures according to remaining maturities

<i>Current Period</i>		Term To Maturity					Demand	Total
Exposure Categories (*)		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year		
1	Conditional and unconditional exposures to central governments or central banks	14,820,747	23,751,196	1,650,024	115,625	42,524,823	10,681,912	93,544,327
2	Conditional and unconditional exposures to regional governments or local authorities	3,599	30	-	1,939	118,784	240	124,592
3	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	437	355	44,651	15,451	251,763	11,208	323,865
4	Conditional and unconditional exposures to multilateral development banks	1,613,682	13,369	51,562	71,012	66,837	-	1,816,462
5	Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	-
6	Conditional and unconditional exposures to banks and brokerage houses	9,393,739	1,988,724	1,807,593	2,152,437	19,163,615	3,667,096	38,173,204
7	Conditional and unconditional exposures to corporates	8,220,016	9,614,277	9,407,690	17,788,422	86,282,518	17,986,142	149,299,065
8	Conditional and unconditional retail exposures	8,439,791	4,925,061	2,413,635	5,023,648	43,488,580	17,572,813	81,863,528
9	Conditional and unconditional exposures secured by real estate property	144,639	291,776	641,857	1,614,223	32,905,831	2,961,105	38,559,431
10	Past due items	-	-	-	-	-	1,161,094	1,161,094
11	Items in regulatory high-risk categories	235,979	387,484	1,967	12,252	124,060	329,341	1,091,083
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-
13	Securitisation positions	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	44,516	44,516
16	Shares	-	-	-	-	-	164,293	164,293
17	Other items	36,363	775,428	-	-	-	9,471,592	10,283,383
Total		42,908,992	41,747,700	16,018,979	26,795,009	224,926,811	64,051,352	416,448,843

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

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

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

4.2.4 Exposure categories

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

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

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

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

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

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

4.2.5 Exposures by risk weights

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

<i>Current Period</i>	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Deductions from Equity
Risk Weights											
Exposures before Credit Risk Mitigation	85,725,369	-	10,263,392	20,590,422	26,490,693	86,264,007	186,179,073	481,064	-	454,823	525,852
Exposures after Credit Risk Mitigation	86,476,219	-	9,355,827	20,574,657	25,457,059	75,615,798	164,437,293	481,063	-	454,823	525,852

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

4.2.6 Information by major sectors and type of counterparties

As per the TAS and TFRS;

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

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

<i>Current Period</i>	Credit Risks			
Major Sectors/Counterparties	Impaired Credits	Past Due Credits	Value Adjustments	Specific Provisions
Agriculture	155,115	30,974	1,012	95,810
Farming and Stockbreeding	150,783	18,359	464	92,983
Forestry	2,498	5,521	9	1,605
Fishery	1,834	7,094	539	1,222
Manufacturing	910,347	613,851	21,165	551,867
Mining and Quarrying	88,678	22,246	84	64,729
Production	653,396	587,351	19,692	402,404
Electricity, Gas and Water	168,273	4,254	1,389	84,734
Construction	560,674	369,417	7,634	403,482
Services	2,192,559	4,761,184	338,674	1,269,844
Wholesale and Retail Trade	1,092,034	387,570	9,914	636,365
Accommodation and Dining	216,893	403,666	5,623	80,230
Transportation and Telecommunication	738,037	3,790,012	321,824	462,907
Financial Institutions	27,810	47,446	384	20,619
Real Estate and Rental Services	45,432	83,331	229	21,140
Professional Services	861	91	-	330
Educational Services	41,762	15,943	151	30,226
Health and Social Services	29,730	33,125	549	18,027
Others	3,416,939	4,003,257	85,834	2,957,384
Total	7,235,634	9,778,683	454,319	5,278,387

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

4.2.7 Movements in value adjustments and provisions

	<i>Current Period</i>	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1	Specific Provisions	5,269,669	2,512,542	2,582,570	78,746	5,278,387
2	General Provisions	3,215,533	497,877	55,973	16,232	3,673,669

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

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

4.2.8 Exposures subject to countercyclical capital buffer

Country <i>Current Period</i>	Banking Book	Trading Book	Total
Turkey	191,461,728	641,600	192,103,328
Romania	6,289,347	-	6,289,347
the Netherlands	2,952,594	-	2,952,594
Switzerland	1,966,739	-	1,966,739
Germany	1,364,358	-	1,364,358
Malta	1,034,696	-	1,034,696
United Kingdom	918,835	14,192	933,027
United States of America	841,583	-	841,583
United Arab Emirates	667,167	-	667,167
Other	3,719,762	-	3,719,762
Total	211,216,809	655,792	211,872,601

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

4.3 Consolidated currency risk

Foreign currency open position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 31 December 2017, the Bank and its financial affiliates' net 'on balance sheet' foreign currency short position amounts to TL 23,229,929 thousands (31 December 2016: TL 16,885,902 thousands), net 'off-balance sheet' foreign currency long position amounts to TL 25,574,862 thousands (31 December 2016: TL 18,057,131 thousands), while net foreign currency long open position amounts to TL 2,344,933 thousands (31 December 2016: TL 1,171,229 thousands).

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

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

	USD	EUR
The Bank's foreign currency purchase rate at balance sheet date:	3.7758	4.5290
<u>Foreign currency rates for the days before balance sheet date:</u>		
Day 1	3.7758	4.5290
Day 2	3.7649	4.4987
Day 3	3.8137	4.5400
Day 4	3.7999	4.5116
Day 5	3.7983	4.5070
Last 30-days arithmetical average rate	3.8327	4.5376

The Bank's consolidated currency risk

	EUR	USD	Other FCs	Total
Current Period				
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	8,403,527	10,548,794	7,015,352	25,967,673
Banks	10,840,068	6,183,992	1,435,556	18,459,616
Financial Assets at Fair Value through Profit/Loss	106,396	327,437	10,651	444,484
Interbank Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	3,059,949	995,507	-	4,055,456
Loans (*)	40,596,335	45,724,612	4,854,448	91,175,395
Investments in Associates, Affiliates and Joint-Ventures	1,629	-	684	2,313
Investments Held-to-Maturity	-	11,413,578	-	11,413,578
Derivative Financial Assets Held for Hedging Purpose	4,165	109,659	2,238	116,062
Tangible Assets	122,246	260	58,200	180,706
Intangible Assets	-	-	-	-
Other Assets (**)	4,170,032	1,806,750	163,771	6,140,553
Total Assets	67,304,347	77,110,589	13,540,900	157,955,836
Liabilities				
Bank Deposits	443,204	530,143	214,524	1,187,871
Foreign Currency Deposits	35,610,479	66,271,231	7,305,333	109,187,043
Interbank Money Market Takings	588,771	4,162,197	103	4,751,071
Other Fundings	14,548,040	31,248,803	173,618	45,970,461
Securities Issued (***)	2,500,436	12,023,549	956,939	15,480,924
Miscellaneous Payables	157,640	540,348	92,787	790,775
Derivative Financial Liabilities Held for Hedging Purpose	37,792	21,939	592	60,323
Other Liabilities (****)	731,629	728,124	2,297,544	3,757,297
Total Liabilities	54,617,991	115,526,334	11,041,440	181,185,765
Net 'On Balance Sheet' Position	12,686,356	(38,415,745)	2,499,460	(23,229,929)
Net 'Off-Balance Sheet' Position	(9,949,701)	37,114,158	(1,589,595)	25,574,862
Derivative Assets	11,968,644	79,250,502	5,366,884	96,586,030
Derivative Liabilities	(21,918,345)	(42,136,344)	(6,956,479)	(71,011,168)
Non-Cash Loans	-	-	-	-
Prior Period				
Total Assets	54,860,658	83,730,189	6,039,332	144,630,179
Total Liabilities	50,388,448	102,038,005	9,089,628	161,516,081
Net 'On Balance Sheet' Position	4,472,210	(18,307,816)	(3,050,296)	(16,885,902)
Net 'Off-Balance Sheet' Position	(3,601,299)	18,158,120	3,500,310	18,057,131
Derivative Assets	18,444,171	61,491,621	6,826,814	86,762,606
Derivative Liabilities	(22,045,470)	(43,333,501)	(3,326,504)	(68,705,475)
Non-Cash Loans	-	-	-	-

(*) The foreign currency-indexed loans amounting TL 6,145,144 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 282,716 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 2,194,714 thousands included under deposits in the accompanying consolidated financial statements are presented above under other liabilities.

4.4 Consolidated interest rate risk

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

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

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

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

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

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

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

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

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

4.4.2 Average interest rates on monetary financial instruments (%)

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

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

4.5 Consolidated position risk of equity securities

4.5.1 Equity shares in associates and affiliates

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

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

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

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

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

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

<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

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

<i>Prior Period</i>				
	Portfolio	Carrying Value	RWA Total ^(*)	Minimum Capital Requirement
1	Private Equity Investments	-	-	-
2	Quoted Shares	-	-	-
3	Other Shares	153,119	152,857	12,229
	Total	153,119	152,857	12,229

(*) 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. High quality liquid assets are composed of 3.86% cash, 53.27% deposits in central banks and 42.87% 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 66.81% deposits, 21.88% funds borrowed and money market borrowings and 7.87% securities issued.

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

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

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

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

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

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

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

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

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

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

4.6.2 Contractual maturity analysis of liabilities according to remaining maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
Current Period								
Assets								
Cash (Cash on Hand, Money in Transit, Purchased Cheques) And Balances with the Central Bank	7,366,915	26,236,726	-	-	-	-	-	33,603,641
Banks	10,284,079	3,139,828	343,394	1,539,869	4,143,947	19,226	-	19,470,343
Financial Assets at Fair Value through Profit/Loss	40,057	493,432	643,416	632,539	748,677	319,692	-	2,877,813
Interbank Money Market Placements	-	3,353	-	-	-	-	-	3,353
Financial Assets Available-for-Sale	274,872	545,142	16,315	1,302,458	12,784,887	11,354,314	-	26,277,988
Loans	647,492	37,892,655	19,249,687	56,952,579	85,925,980	23,999,173	4,685,719	229,353,285
Investments Held-to-Maturity	-	1,730	155,380	1,106,532	3,310,421	9,077,305	10,663,172	24,314,540
Other Assets	2,247,891	2,350,668	1,524,335	2,313,814	3,747,464	480,385	7,766,147	20,430,704
Total Assets	20,861,306	70,663,534	21,932,527	63,847,791	110,661,376	45,250,095	23,115,038	356,331,667
Liabilities								
Bank Deposits	918,215	306,678	139,193	261,736	-	-	-	1,625,822
Other Deposits	53,366,394	104,663,125	21,198,227	18,279,358	1,617,338	23,296	-	199,147,738
Other Fundings	-	1,842,770	526,616	18,198,270	18,138,380	8,398,683	-	47,104,719
Interbank Money Market Takings	104	17,614,187	228,965	154,146	588,770	51,684	-	18,637,856
Securities Issued (**)	-	1,853,586	2,973,024	2,250,354	10,732,278	5,834,681	-	23,643,923
Miscellaneous Payables	881,474	9,398,989	52,282	43,120	-	439	42	10,376,346
Other Liabilities (***)	1,781,846	1,515,183	821,726	1,186,849	182,369	235,755	50,071,535	55,795,263
Total Liabilities	56,948,033	137,194,518	25,940,033	40,373,833	31,259,135	14,544,538	50,071,577	356,331,667
Liquidity Gap	(36,086,727)	(66,530,984)	(4,007,506)	23,473,958	79,402,241	30,705,557	(26,956,539)	-
Net Off-Balance Sheet Position	-	(498,276)	(173,639)	(352,946)	275,705	37,607	-	(711,549)
Derivative Financial Assets	-	77,833,182	28,433,105	32,107,432	5,638,883	1,881,475	-	145,894,077
Derivative Financial Liabilities	-	78,331,458	28,606,744	32,460,378	5,363,178	1,843,868	-	146,605,626
Non-Cash Loans	-	8,082,943	4,478,582	6,769,545	1,186,726	246,692	93,022,795	113,787,283
Prior Period								
Total Assets	17,662,498	56,025,807	21,128,903	54,849,372	101,224,879	50,385,570	10,844,910	312,121,939
Total Liabilities	49,705,179	116,180,029	27,639,427	40,524,381	26,819,626	9,348,265	41,905,032	312,121,939
Liquidity Gap	(32,042,681)	(60,154,222)	(6,510,524)	14,324,991	74,405,253	41,037,305	(31,060,122)	-
Net Off-Balance Sheet Position	-	526,190	(104,836)	547,096	5,636	87,715	-	1,061,801
Derivative Financial Assets	-	60,394,076	27,198,909	34,159,810	9,584,052	1,610,733	-	132,947,580
Derivative Financial Liabilities	-	59,867,886	27,303,745	33,612,714	9,578,416	1,523,018	-	131,885,779
Non-Cash Loans	-	4,255,623	4,910,315	6,374,916	1,089,367	223,599	89,084,131	105,937,951

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

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

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

Contractual maturity analysis of liabilities according to remaining maturities

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

<i>Current Period</i>	Carrying Value	Nominal Principal Outflow	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over
Bank Deposits	1,625,822	1,623,090	918,005	306,441	139,085	259,559	-	-
Other Deposits	199,147,738	198,282,621	53,366,015	104,196,406	21,053,390	18,037,402	1,606,260	23,148
Other Fundings	47,104,719	46,940,914	-	1,755,632	555,686	18,174,300	18,111,911	8,343,385
Interbank Money Market Takings	18,637,856	18,607,719	104	17,589,151	227,161	151,400	588,770	51,133
Securities Issued	23,643,923	23,225,618	-	1,844,478	2,944,922	2,198,156	10,475,247	5,762,815
Total	290,160,058	288,679,962	54,284,124	125,692,108	24,920,244	38,820,817	30,782,188	14,180,481

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

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 8.41% (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 15.84% as a result of increase in net profits, the balance sheet exposure increased by 15.33% and the off balance sheet exposure increased by 7.67%. Therefore, the current period leverage ratio increased by 18 basis points compared to prior period.

		Current Period^(***)	Prior Period^(***)
1	Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards ^(*) ^(**)	336,616,872	308,318,527
2	The difference between total assets prepared in accordance with Turkish Accounting Standards ^(*) and total assets in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” ^(**)	3,062,255	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	(10,547,347)	(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	12,921,783	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	3,765,170	2,550,420
6	Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	-	-
7	Total risk amount	480,096,821	423,189,090

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

^(**) For the current period consolidated financial statements prepared in accordance with Turkish Accounting Standards as of 30 September 2017 and for the prior period consolidated financial statements prepared in accordance with Turkish Accounting Standards as of 31 December 2016 are used.

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

		<i>Current Period^(*)</i>	<i>Prior Period^(*)</i>
On-balance sheet assets			
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	352,252,554	305,441,515
2	(Assets deducted in determining Tier I capital)	(455,111)	(380,379)
3	Total on-balance sheet risks (sum of lines 1 and 2)	351,797,443	305,061,136
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative financial instruments and credit derivatives	3,061,421	3,494,125
5	Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	11,169,170	8,482,319
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 and 5)	14,230,591	11,976,444
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	2,561,479	1,645,458
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 and 8)	2,561,479	1,645,458
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	115,272,482	107,056,472
11	(Adjustments for conversion to credit equivalent amounts)	(3,765,174)	(2,550,420)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	111,507,308	104,506,052
Capital and total risks			
13	Tier I capital	40,355,639	34,836,155
14	Total risks (sum of lines 3, 6, 9 and 12)	480,096,821	423,189,090
Leverage ratio			
15	Leverage ratio	8.41%	8.23%

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

4.8 Fair values of financial assets and liabilities

	Carrying Value		Fair Value	
	<i>Current Period</i>	<i>Prior Period</i>	<i>Current Period</i>	<i>Prior Period</i>
Financial Assets	329,714,730	286,623,676	331,642,754	287,919,196
Interbank Money Market Placements	3,353	373,871	3,353	373,871
Banks (*)	49,765,564	37,747,565	49,765,564	37,747,565
Financial Assets Available-for-Sale	26,277,988	23,983,448	26,277,988	23,983,448
Investments Held-to-Maturity	24,314,540	23,109,696	24,600,253	22,799,307
Loans	229,353,285	201,409,096	230,995,596	203,015,005
Financial Liabilities	300,536,404	263,587,255	300,536,404	263,587,255
Bank Deposits	1,625,822	4,487,946	1,625,822	4,487,946
Other Deposits	199,147,738	174,201,867	199,147,738	174,201,867
Other Fundings from Financial Institutions	65,742,575	57,812,046	65,742,575	57,812,046
Securities Issued (**)	23,643,923	17,745,648	23,643,923	17,745,648
Miscellaneous Payables	10,376,346	9,339,748	10,376,346	9,339,748

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

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

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

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

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

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

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets Available-for-Sale	23,786,851	2,384,564	106,573	26,277,988
Financial Assets Held for Trading	928,020	87	2,717	930,824
Derivative Financial Assets Held for Trading	1,205	1,945,784	-	1,946,989
Derivative Financial Assets Held for Risk Management	-	670,720	-	670,720
Financial Assets at Fair Value	24,716,076	5,001,155	109,290	29,826,521
Derivative Financial Liabilities Held for Trading	230	2,898,592	-	2,898,822
Funds Borrowed	-	9,228,338	-	9,228,338
Derivative Financial Liabilities Held for Risk Management	-	198,826	-	198,826
Financial Liabilities at Fair Value	230	12,325,756	-	12,325,986

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

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

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

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

The movement of financial assets in Level 3 is presented below.

	Current Period	Prior Period
Balances at Beginning of Period	616,629	573,698
Purchases During the Period	41,085	96,517
Disposals Through Sale/Redemptions	(495,861)	(83,451)
Valuation Effect	(3,805)	(6,335)
Transfers	(48,758)	36,200
Balances at End of Period	109,290	616,629

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

None.

4.10 Risk management objectives and policies

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

4.10.1 Risk management strategy and weighted amounts

4.10.1.1 Risk management strategy

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

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

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

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

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

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

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

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

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

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

4.10.1.2 Risk weighted amounts

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR) (*)	241,262,479	222,091,394	19,300,998
2	Of which standardised approach (SA)	241,262,479	222,091,394	19,300,998
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	3,837,586	5,680,859	307,007
5	Of which standardised approach for counterparty credit risk (SA-CCR)	3,837,586	5,680,859	307,007
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	4,890	-	391
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	6,748,950	6,136,375	539,916
17	Of which standardised approach (SA)	6,748,950	6,136,375	539,916
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)	1,137,058	3,420,013	90,965
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	278,024,586	258,425,540	22,241,967

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

4.10.2 Linkages between financial statements and risk amounts

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

Current Period	Carrying values of items in accordance with Turkish Accounting Standards					
	<i>Carrying values in financial statements prepared as per TAS (*)</i>	<i>Carrying values in consolidated financial statements prepared as per TAS but in compliance with the communiqué "Preparation of Consolidated Financial Statements"</i>	<i>Subject to credit risk</i>	<i>Subject to counterparty credit risk</i>	<i>Subject to market risk (**)</i>	<i>Not subject to capital requirements or subject to deduction from capital</i>
Assets						
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances With Central Bank of Turkey	39,220,034	33,603,641	33,603,641	-	-	-
Financial Assets Held for Trading	3,114,332	2,877,813	72,794	1,873,995	2,081,173	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-
Banks	11,553,963	19,470,343	19,470,163	-	-	-
Interbank Money Markets Placements	7,313	3,353	-	3,353	-	-
Financial Assets Available-for-Sale	24,699,789	26,277,988	26,104,810	14,788,886	171,784	1,394
Loans	215,442,140	229,353,285	229,322,411	-	-	30,879
Factoring Receivables	3,378,320	3,379,768	3,379,768	-	-	-
Investment Held-to-Maturity	23,025,486	24,314,540	24,314,540	1,010,967	-	-
Investment in Associates	37,291	35,751	35,751	-	-	-
Investment in Subsidiaries	3,097	116,681	116,681	-	-	-
Investment in Joint-Ventures	-	-	-	-	-	-
Lease Receivables	5,775,351	5,788,436	5,788,436	-	-	-
Derivative Financial Assets Held for Risk Management	570,643	670,720	-	670,720	-	-
Tangible Assets	5,490,232	4,096,651	3,965,737	-	-	130,914
Intangible Assets	116,614	379,308	24,024	-	-	355,284
Investment Property	327,993	559,388	559,388	-	-	-
Tax Asset	880,066	467,698	460,317	-	-	7,381
Assets Held for Sale and Assets of Discontinued Operations	835,552	835,552	835,552	-	-	-
Other Assets	2,138,656	4,100,751	4,100,751	-	-	-
Total Assets	336,616,872	356,331,667	352,154,764	18,347,921	2,252,957	525,852
Liabilities						
Deposits	195,155,684	200,773,560	-	-	-	200,773,560
Derivative Financial Liabilities Held for Trading	2,294,937	2,898,822	-	-	-	2,898,822
Funds Borrowed	42,757,908	47,104,719	-	11,838,445	-	35,266,274
Interbank Money Markets	18,505,682	18,637,856	-	1,746,412	16,474	16,891,444

Securities Issued	19,347,705	20,794,452	-	-	-	20,794,452
Funds	-	-	-	-	-	-
Miscellaneous Payables	10,274,769	10,376,346	-	-	-	10,376,346
Other External Fundings Payable	983,676	3,080,350	-	-	28,116	3,052,234
Factoring Payables	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-
Derivative Financial Liabilities Held for Risk Management	235,239	198,826	-	-	-	198,826
Provisions	3,050,325	6,848,102	-	-	-	6,848,102
Tax Liability	478,457	1,163,162	-	-	-	1,163,162
Liabilities for Assets Held for Sale and Assets of Discontinued Operations	-	-	-	-	-	-
Subordinated Debts	2,715,786	2,849,471	-	-	-	2,849,471
Shareholders' Equity	40,816,704	41,606,001	-	-	-	41,606,001
Total Liabilities	336,616,872	356,331,667	-	13,584,857	44,590	342,718,694

(*) As per financial statements prepared in compliance with the paragraph 6 of article 5 of the communiqué "Preparation of Consolidated Financial Statements" as of 30 September 2017.

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

	<i>Carrying values of items in accordance with Turkish Accounting Standards</i>					
	<i>Carrying values in financial statements prepared as per TAS (*)</i>	<i>Carrying values in consolidated financial statements prepared as per TAS but in compliance with the communiqué "Preparation of Consolidated Financial Statements"</i>	<i>Subject to credit risk</i>	<i>Subject to counterparty credit risk</i>	<i>Subject to market risk (**)</i>	<i>Not subject to capital requirements or subject to deduction from capital (***)</i>
Prior Period						
Assets						
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances With Central Bank of Turkey	33,734,687	23,951,474	23,951,474	-	-	-
Financial Assets Held for Trading	1,835,133	3,805,541	7,842	3,577,256	1,491,646	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-
Banks	11,877,548	16,881,044	16,112,947	-	-	1,540,185
Interbank Money Markets Placements	318,688	373,871	351,691	22,180	-	-
Financial Assets Available-for-Sale	23,179,823	23,983,448	22,878,689	5,699,440	1,081,227	23,532
Loans	182,659,386	201,409,096	201,372,108	-	-	36,994
Factoring Receivables	2,149,726	2,851,223	2,851,223	-	-	-
Investment Held-to-Maturity	21,306,528	23,109,696	23,109,696	8,308,738	-	-
Investment in Associates	37,261	37,261	36,998	-	-	263
Investment in Subsidiaries	4,125	115,858	1,240,965	-	-	-
Investment in Joint-Ventures	-	-	-	-	-	-
Lease Receivables	5,462,940	5,794,260	5,794,874	-	-	-

Derivative Financial Assets Held for Risk Management	283,059	666,295	-	666,295	-	-
Tangible Assets	4,567,214	3,680,621	3,473,471	-	-	123,614
Intangible Assets	106,340	327,653	25,670	-	-	301,983
Investment Property	537,494	543,825	630,270	-	-	-
Tax Asset	879,961	260,678	244,564	-	-	15,167
Assets Held for Sale and Assets of Discontinued Operations	490,659	605,015	548,690	-	-	56,325
Other Assets	1,612,144	3,725,080	3,644,832	-	-	125,041
Total Assets	291,042,716	312,121,939	306,276,004	18,273,909	2,572,873	2,223,104
Liabilities						
Deposits	167,133,455	178,689,813	-	-	-	178,689,813
Derivative Financial Liabilities Held for Trading	1,812,567	3,713,985	-	-	-	3,713,985
Funds Borrowed	39,334,000	46,581,853	-	5,798,862	-	40,782,991
Interbank Money Markets	18,678,332	11,230,193	-	7,813,821	26,027	3,416,372
Securities Issued	15,128,623	17,745,648	-	-	-	17,745,648
Funds	-	-	-	-	-	-
Miscellaneous Payables	9,228,088	9,339,748	-	-	-	9,339,748
Other External Fundings Payable	1,472,437	3,170,339	-	-	21,136	3,149,203
Factoring Payables	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-
Derivative Financial Liabilities Held for Risk Management	514,247	343,314	-	-	-	343,314
Provisions	1,831,781	5,032,873	-	-	-	5,032,873
Tax Liability	171,439	478,266	-	-	-	478,266
Liabilities for Assets Held for Sale and Assets of Discontinued Operations	-	-	-	-	-	-
Subordinated Debts	-	-	-	-	-	-
Shareholders' Equity	35,737,747	35,795,907	-	-	-	35,795,907
Total Liabilities	291,042,716	312,121,939	-	13,612,683	47,163	298,488,120

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

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

(***) According to the "Bank Capital Regulation" article 10 paragraph 4, which published on Official Gazette dated 5 September 2013 with no. 28756, the banks also calculate their consolidated capital as if their investments in insurance companies are not consolidated as per 9th article's 4th paragraph's (c) and (ç) items.

Lesser of consolidated capital calculated according to 1st and 4th paragraphs is considered the consolidated capital according to this regulation. The consolidated capital calculated without including insurance affiliate is less than the consolidated capital calculated including insurance affiliate. Therefore, the carrying value of the insurance company not subjected to regulatory consolidation is represented under the column "not subject to capital requirements or subject to deduction from capital".

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

	<i>Current Period</i>	<i>Total</i>	<i>Credit risk</i>	<i>Counterparty credit risk</i>	<i>Market risk (*)</i>
1	Carrying Value of Assets in Accordance with Communiqué "Preparation of Consolidated Financial Statements"	339,991,050	336,339,999	2,533,156	2,252,957
2	Carrying Value of Debt Instruments Subject Counterparty Credit Risk in Accordance with Communiqué "Preparation of Consolidated Financial Statements"	15,814,765	15,814,765	15,814,765	-
3	Carrying Value of Liabilities Subject to Counterparty Credit Risk in Accordance with Communiqué "Preparation of Consolidated Financial Statements"	13,584,857	-	13,584,857	16,474
4	Carrying Value of Other Liabilities in Accordance with Communiqué "Preparation of Consolidated Financial Statements"	28,116	-	-	28,116
5	Total Net Amount Under Regulatory Consolidation	342,192,842	352,154,764	4,763,064	2,208,367
6	Off-balance Sheet Amounts (**)	300,558,195	44,034,598	1,911,559	178,242,558
7	Credit Risk Mitigation	-	(20,912,222)	(28,948)	-
8	Repurchase Transactions Valuation Adjustments	-	-	929,923	-
9	Risk Amounts	642,751,037	375,277,140	7,575,598	180,450,925

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

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

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

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

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

4.10.3 Consolidated credit risk

4.10.3.1 General information on consolidated credit risk

4.10.3.1.1 General qualitative information on consolidated credit risk

The parent bank's credit risk management policies; under the relevant legislation in line with the bank's credit strategy approved by the Board are created based on the prudence, sustainability and customer's credit worthiness principles.

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

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

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

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

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

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

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

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

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

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

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

4.10.3.1.2 Credit quality of consolidated assets

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

	<i>Prior Period</i>	<i>Gross carrying value in consolidated financial statements prepared as per TAS</i>		<i>Allowances/amortisation and impairments</i>	<i>Net values</i>
		<i>Defaulted</i>	<i>Non-defaulted</i>		
1	Loans	6,910,833	245,574,041	5,135,502	247,349,372
2	Debt securities	-	45,895,535	-	45,895,535
3	Off-balance sheet exposures	355,861	68,228,310	134,609	68,449,562
4	Total	7,266,694	359,697,886	5,270,111	361,694,469

4.10.3.1.3 Changes in stock of default loans and debt securities

		<i>Current Period</i>	<i>Prior Period</i>
1	Defaulted loans and debt securities at end of the previous reporting period	6,910,833	6,090,168
2	Loans and debt securities defaulted since the last reporting period	3,049,823	4,227,196
3	Receivables back to non-defaulted status	-	-
4	Amounts written off	1,295,891	1,687,658
5	Other changes	1,799,470	1,718,873
6	Defaulted loans and debt securities at end of the reporting period	6,865,295	6,910,833

4.10.3.1.4 Additional information on credit quality of consolidated assets

4.10.3.1.4.1 Qualitative disclosures related to the credit quality of assets

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

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

4.10.3.1.4.2 Breakdown of exposures by geographical areas, industry and ageing

Disclosed under section 4.2 credit risk.

4.10.3.1.4.3 Exposures provisioned against by major regions and sectors

	<i>Current Period</i>			<i>Prior Period</i>		
	<i>Loans Under Follow-Up</i>	<i>Specific Provisions</i>	<i>Write-Offs</i>	<i>Loans Under Follow-Up</i>	<i>Specific Provisions</i>	<i>Write-Offs</i>
Domestic	5,712,104	4,445,293	1,045,411	5,699,448	4,437,990	1,078,118
European Union (EU) Countries	931,709	526,027	219,587	926,294	461,309	375,057
OECD Countries	98,470	63,542	1	108,053	75,525	7
Off-Shore Banking Regions	71,710	71,710	-	74,413	74,413	2,459
USA, Canada	15,740	14,468	-	26,114	20,446	6,800
Other Countries	35,562	29,930	30,892	76,511	65,819	225,217
Total	6,865,295	5,150,970	1,295,891	6,910,833	5,135,502	1,687,658

<i>Current Period</i>	<i>Loans Under Follow-Up</i>	<i>Specific Provisions</i>	<i>Write-Offs</i>
Agriculture	160,599	100,655	526,169
Farming and Stockbreeding	156,568	97,783	522,314
Forestry	2,410	1,615	3,370
Fishery	1,621	1,257	485
Manufacturing	912,454	574,132	202,793
Mining and Quarrying	88,013	65,284	15,595
Production	656,486	423,969	186,364
Electricity, Gas and Water	167,955	84,879	834
Construction	495,930	382,018	66,461
Services	2,227,221	1,353,622	290,555
Wholesale and Retail Trade	1,126,253	706,853	213,443
Accommodation and Dining	216,329	85,017	25,455
Transportation and Telecommunication	740,736	469,144	40,655
Financial Institutions	27,458	20,568	531
Real Estate and Rental Services	42,480	21,178	985
Professional Services	4,737	1,504	54
Educational Services	40,685	30,600	973
Health and Social Services	28,543	18,758	8,459
Others	3,069,091	2,740,543	209,913
Total	6,865,295	5,150,970	1,295,891

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

4.10.3.1.4.4 Ageing of past-due exposures

<i>Current Period</i>	<i>Up to 3 Months</i>	<i>3-12 Months</i>	<i>1-3 Years</i>	<i>3-5 Years</i>	<i>5 Years and Over</i>
Corporate and Commercial Loans	581,187	691,120	1,882,754	401,205	485,413
Retail Loans	213,645	461,084	616,406	188,672	230,796
Credit Cards	96,476	260,655	347,051	112,738	134,997
Others	17,937	37,149	91,587	10,815	3,608
Total	909,245	1,450,008	2,937,798	713,430	854,814

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

4.10.3.2 Consolidated credit risk mitigation

4.10.3.2.1 Qualitative disclosure on consolidated credit risk mitigation techniques

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

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

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

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

The Bank's credit risk exposure and mitigation techniques used in order to reduce the exposure level are taken into account according to the principles stated in the related regulation. The Bank applies credit risk mitigation according to the comprehensive method that includes risk mitigation calculations considering the volatility-adjusted values of financial collaterals. The standardized risk weights are applied to the rest of the loans and receivables that remained unprotected after credit risk mitigation techniques. Financial collaterals, that are composed of cash or cash equivalents, real estate mortgages, high quality securities and Credit Guarantee Fund suretyship having Treasury guarantee, have been used in credit risk mitigation.

4.10.3.2.2 Consolidated credit risk mitigation techniques

	<i>Current Period</i>	<i>Exposures unsecured: carrying amount as per TAS</i>	<i>Exposures secured by collateral</i>	<i>Collateralized amount of exposures secured by collateral</i>	<i>Exposures secured by financial guarantees</i>	<i>Collateralized amount of exposures secured by financial guarantees</i>	<i>Exposures secured by credit derivatives</i>	<i>Collateralized amount of exposures secured by credit derivatives</i>
1	Loans	248,903,161	39,353,012	34,304,927	11,427,381	11,427,381	-	-
2	Debt securities	50,317,658	-	-	-	-	-	-
3	Total	299,220,819	39,353,012	34,304,927	11,427,381	11,427,381	-	-
4	Of which defaulted	6,755,250	110,045	8,520	-	-	-	-

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

4.10.3.3 Consolidated credit risk under standardised approach

4.10.3.3.1 Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

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

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

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

In the determination of risk weights; if a relevant rating is available then such rating, but if it is an unrated exposure then the rating available for the issuer is used.

Rating notes issued by Fitch Ratings are presented in the table below, as per credit quality levels and risk weights per risk classes:

<i>Credit Quality Level</i>	<i>Fitch Ratings long term credit rating</i>	<i>Risk Classes</i>			
		<i>Exposures to Central Governments or Central Banks</i>	<i>Exposures to Banks and Brokerage Houses</i>		<i>Exposures to Corporates</i>
			<i>Exposures with Original Maturities Less Than 3 Months</i>	<i>Exposures with Original Maturities More Than 3 Months</i>	
1	AAA to AA-	0%	20%	20%	20%
2	A+ to A-	20%	20%	50%	50%
3	BBB+ to BBB-	50%	20%	50%	100%
4	BB+ to BB-	100%	50%	100%	100%
5	B+ to B-	100%	50%	100%	150%
6	CCC+ and below	150%	150%	150%	150%

4.10.3.3.2 Consolidated credit risk exposure and credit risk mitigation techniques

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

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

4.10.3.3 Consolidated exposures by asset classes and risk weights

	Regulatory portfolio Current Period	0%	10%	20%	35% secured by property mortgage	50%	75%	100%	150%	200%	Others	Total risk amount (post-CCF and CRM)
1	Exposures to sovereigns and their central banks	80,351,650	-	33,729	-	49,365	-	12,701,775	-	-	-	93,136,519
2	Exposures to regional and local government	-	-	-	-	121,314	-	1	-	-	-	121,315
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	315,850	-	-	-	315,850
4	Exposures to multilateral development banks	202,781	-	-	-	-	-	-	-	-	-	202,781
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	-	7,669,767	-	5,121,332	-	5,716,699	-	-	-	18,507,798
7	Exposures to corporates	-	-	479,348	-	3,229,975	-	132,624,002	-	-	-	136,333,325
8	Retail exposures	-	-	-	-	9,078	75,601,288	-	-	-	-	75,610,366
9	Exposures secured by residential property	-	-	-	20,574,658	-	-	-	-	-	-	20,574,658
10	Exposures secured by commercial property	-	-	-	-	13,623,154	-	4,108,149	-	-	-	17,731,303
11	Past-due items	-	-	-	-	263,688	-	896,764	-	-	-	1,160,452
12	Exposures in high-risk categories	-	-	-	-	91,175	-	63,520	481,063	-	-	635,758
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	39,626	-	-	-	-	-	4,890	-	-	-	44,516
16	Shares	-	-	-	-	-	-	164,293	-	-	-	164,293
17	Other exposures	3,126,512	-	305	-	-	-	7,156,566	-	-	-	10,283,383
18	Total	83,720,569	-	8,183,149	20,574,658	22,509,081	75,601,288	163,752,509	481,063	-	-	374,822,317

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

4.10.4 Consolidated counterparty credit risk

4.10.4.1 Qualitative disclosure on consolidated counterparty credit risk

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

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

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

4.10.4.2 Consolidated counterparty credit risk (CCR) approach analysis

	<i>Current Period</i>	<i>Replacement cost</i>	<i>Potential future exposure</i>	<i>EEPE(Effective Expected Positive Exposure)</i>	<i>Alpha used for computing regulatory EAD</i>	<i>EAD post-CRM</i>	<i>RWA</i>
1	Standardised Approach - CCR (for derivatives)	2,516,682	1,911,559		1.4	4,399,294	2,225,032
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					3,176,304	179,160
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	Total						2,404,192

	<i>Prior Period</i>	<i>Replacement cost</i>	<i>Potential future exposure</i>	<i>EEPE(Effective Expected Positive Exposure)</i>	<i>Alpha used for computing regulatory EAD</i>	<i>EAD post-CRM</i>	<i>RWA</i>
1	Standardised Approach - CCR (for derivatives)	4,220,220	1,802,817		1.4	6,013,287	3,165,331
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					1,936,086	594,068
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	Total						3,759,399

4.10.4.3 Consolidated capital requirement for credit valuation adjustment (CVA)

		<i>Current Period</i>		<i>Prior Period</i>	
		<i>EAD post-CRM</i>	<i>RWA</i>	<i>EAD post-CRM</i>	<i>RWA</i>
	Total portfolios subject to the Advanced CVA capital obligation	-	-	-	-
1	(i) VaR component (including the 3×multiplier)		-		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-		-
3	All portfolios subject to the Standardised CVA capital obligation	4,359,261	1,433,394	6,013,287	1,921,460
4	Total subject to the CVA capital obligation	4,359,261	1,433,394	6,013,287	1,921,460

4.10.4.4 Consolidated CCR exposures by risk class and risk weights

<i>Current Period</i>	Risk weight								<i>Total credit exposure</i>
Regulatory portfolio	<i>0%</i>	<i>10%</i>	<i>20%</i>	<i>50%</i>	<i>75%</i>	<i>100%</i>	<i>150%</i>	<i>Other</i>	
Exposures to sovereigns and their central banks	2,192,204	-	-	-	-	16,689	-	-	2,208,893
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	5	-	-	5
Exposures to multilateral development banks	563,446	-	-	-	-	-	-	-	563,446
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	1,172,619	2,873,700	-	51,732	-	-	4,098,051
Exposures to corporates	-	-	59	74,278	-	616,356	-	-	690,693
Retail exposures	-	-	-	-	14,510	-	-	-	14,510
Exposures secured by property mortgages	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	2,755,650	-	1,172,678	2,947,978	14,510	684,782	-	-	7,575,598

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

4.10.4.5 Collaterals for consolidated CCR

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

	Collateral for derivative transactions				Collateral for other transactions	
<i>Prior Period</i>	<i>Fair value of collateral received</i>		<i>Fair value of collateral given</i>		<i>Fair value of collateral received</i>	<i>Fair value of collateral given</i>
	<i>Segregated</i>	<i>Unsegregated</i>	<i>Segregated</i>	<i>Unsegregated</i>		
Cash-domestic currency	4,944	-	-	-	8,276,773	26,027
Cash-foreign currency	4,807	-	-	-	5,330,999	-
Domestic sovereign debts	-	-	-	-	26,027	13,342,612
Other sovereign debts	-	-	-	-	-	655,413
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	9,751	-	-	-	13,633,799	14,024,052

4.10.4.6 Consolidated credit derivatives

	Current Period		Prior Period	
Notionals	<i>Protection bought</i>	<i>Protection sold</i>	<i>Protection bought</i>	<i>Protection sold</i>
Single-name credit default swaps	75,516	-	87,825	-
Index credit default swaps	-	-	-	-
Total return swaps	-	9,272,286	-	7,026,000
Credit options	-	-	-	-
Other credit derivatives	-	-	-	-
Total Notionals	75,516	9,272,286	87,825	7,026,000
Fair Values	(628)	(4,093)	215	(395,144)
Positive fair values (asset)	-	38,977	215	6,677
Negative fair values (liability)	(628)	(43,070)	-	(401,821)

4.10.5 Consolidated securitisations

None.

4.10.6 Consolidated market risk

4.10.6.1 Qualitative disclosure on consolidated market risk

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

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

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

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

4.10.6.2 Consolidated market risk under standardised approach

		RWA	
		Current Period ^(*)	Prior Period
	Outright products	6,570,025	5,698,712
1	Interest rate risk (general and specific)	922,187	1,774,024
2	Equity risk (general and specific)	132,675	144,125
3	Foreign exchange risk	5,437,825	3,249,988
4	Commodity risk	77,338	530,575
	Options	178,925	437,663
5	Simplified approach	-	-
6	Delta-plus method	178,925	437,663
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	6,748,950	6,136,375

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

4.10.7 Consolidated operational risk

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

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

Current Period	31 December 2014	31 December 2015	31 December 2016	Total/ No. of Years of Positive Gross Income	Rate (%)	Total
Gross Income	11,598,174	12,929,126	15,526,497	13,351,265	15	2,002,690
Value at Operational Risk (Total x % 12.5)						25,033,623

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

(*) 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.

4.10.8 Consolidated banking book interest rate risk

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

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

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

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

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

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

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

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

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

<i>Current Period</i>		Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity- Losses/Equity
Type of Currency				
1	TL	(+) 500 bps	(4,855,405)	(10.47)%
2	TL	(-) 400 bps	4,598,875	9.91%
3	USD	(+) 200 bps	(98,558)	(0.21)%
4	USD	(-) 200 bps	256,656	0.55%
5	EUR	(+) 200 bps	(36,553)	(0.08)%
6	EUR	(-) 200 bps	158,193	0.34%
Total (of negative shocks)			5,013,724	10.81%
Total (of positive shocks)			(4,990,516)	(10.76)%

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

4.10.9 Remuneration policy

4.10.9.1 Qualitative disclosures regarding remuneration policies

4.10.9.1.1 Disclosures related with Remuneration Committee

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

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

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

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

The Bank board members, senior management and the bank staff deemed to perform the functions having material impact on the Bank's risk profile are considered as identified staff; by the end of 2017, the number of identified staff is 30.

4.10.9.1.2 Information on the design and structure of remuneration process

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

- Fair
- Transparent

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

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

In the meeting dated 7 December 2017, the Remuneration Committee evaluated its decisions previously taken with respect to remuneration of the senior managers and members of the board of directors considering the provisions of the Guidelines on Sound Remuneration Practices in Banks. Increases in the remuneration of employees working in the units responsible for internal systems are determined depending on the basic rate of increase specified by the Bank and their personal performances. In the variable remuneration, only the performance criteria associated with their personal performance or the performance of the unit that they work in are taken into account independently of the performance of the business units that they control.

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

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

4.10.9.1.4 Evaluation about how the Bank associates variable remunerations with performance

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

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

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

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

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

Remuneration Committee decided on that variable remuneration of identified staff is subject to cancellation and clawback.

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

The variable remunerations of identified staff are paid using cash and share-linked non-cash instruments. Considering the principles in the “Guidelines on Sound Remuneration Practices in Banks” variable remunerations of identified staff are paid both with cash and non-cash (share-linked) instruments. Regarding variable remunerations of identified staff for the financial period of 2017, Banco Bilbao Vizcaya Argentaria S.A. shares are taken as reference for payments based on non-cash instruments.

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

5 Disclosures and Footnotes on Consolidated Financial Statements

5.1 Consolidated assets

5.1.1 Cash and balances with Central Bank

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1,297,568	1,550,335	1,357,697	848,206
Central Bank of Turkey	6,338,400	23,956,821	5,366,015	15,500,506
Others	-	460,517	-	879,050
Total	7,635,968	25,967,673	6,723,712	17,227,762

Balances with the Central Bank of Turkey

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Unrestricted Demand Deposits	2,407,115	1,651,380	5,366,015	155
Unrestricted Time Deposits	-	-	-	38
Restricted Time Deposits	3,931,285	22,305,441	-	15,500,313
Total	6,338,400	23,956,821	5,366,015	15,500,506

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

5.1.2 Financial assets at fair value through profit/loss

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Collateralised/Blocked Assets	15,522	-	13,777	-
Assets Subject to Repurchase Agreements	2,834	-	3,983	-
Total	18,356	-	17,760	-

5.1.2.2 Positive differences on derivative financial assets held for trading

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Forward Transactions	176,147	25,663	249,419	51,101
Swap Transactions	1,051,330	485,361	1,985,329	803,335
Futures	151	561	3	1,097
Options	152,137	47,002	426,836	92,514
Others	4	8,633	-	4,079
Total	1,379,769	567,220	2,661,587	952,126

5.1.2.3 Financial assets at fair value through profit/loss

None.

5.1.3 Banks

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Banks				
Domestic banks	903,988	1,145,363	823,557	831,980
Foreign banks	106,739	17,314,253	390,952	14,834,555
Foreign headoffices and branches	-	-	-	-
Total	1,010,727	18,459,616	1,214,509	15,666,535

Due from foreign banks

	Unrestricted Balances		Restricted Balances	
	<i>Current Period</i>	<i>Prior Period</i>	<i>Current Period</i>	<i>Prior Period</i>
EU Countries	4,808,866	6,369,548	8,715,509	7,046,561
USA, Canada	2,386,950	638,547	94,261	415,053
OECD Countries (1)	202,045	17,165	-	-
Off-shore Banking Regions	834,759	570,815	134,832	96,147
Others	243,770	71,671	-	-
Total	8,476,390	7,667,746	8,944,602	7,557,761

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

The placements at foreign banks include blocked accounts amounting TL 8,944,602 thousands (31 December 2016: TL 7,557,761 thousands) of which TL 2,717,355 thousands (31 December 2016: TL 116,841 thousands) and TL 134,832 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 6,092,415 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 334,998 thousands (31 December 2016: TL 254,130 thousands) as required for insurance activities.

5.1.4 Financial assets available-for-sale

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Collateralised/Blocked Assets	11,212,879	28,206	2,976,848	21,803
Assets subject to Repurchase Agreements	120,152	794,108	4,306,605	655,413
Total	11,333,031	822,314	7,283,453	677,216

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

	<i>Current Period</i>	<i>Prior Period</i>
Debt Securities	23,698,918	22,639,523
Quoted at Stock Exchange	23,563,231	22,067,470
Unquoted at Stock Exchange	135,687	572,053
Common Shares/Investment Fund	193,164	174,953
Quoted at Stock Exchange	7,079	7,669
Unquoted at Stock Exchange	186,085	167,284
Value Increase/Impairment Losses (-)	2,385,906	1,168,972
Total	26,277,988	23,983,448

5.1.5 Loans

5.1.5.1 Loans and advances to shareholders and employees of the Bank

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct Lendings to Shareholders	-	434,931	-	168,241
Corporates	-	434,931	-	168,241
Real Persons	-	-	-	-
Indirect Lendings to Shareholders	2,628,582	653,806	2,204,037	474,103
Loans to Employees	330,049	74	293,178	146
Total	2,958,631	1,088,811	2,497,215	642,490

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

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

(*) The loans and interest accruals granted to the shareholder of a strategically important company operating in the telecommunication sector amounting to USD 1,060,263,379.13 and EUR 8,059,584.09 are classified under "Loans and Other Receivables Under Follow-Up". Discussions between the shareholders of the company, creditor banks and related sovereign institutions including also a possible change in shareholder structure regarding restructuring of loans granted continue, and a positive outcome of these discussions is expected.

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

(*) The loans and interest accruals granted to the shareholder of a strategically important company operating in the telecommunication sector amounting to USD 996,291,045.41 and EUR 7,743,370 were classified under "Performing Loans and Other Receivables".

As of 31 December 2017, loans amounting to TL 6,861,412 thousands (31 December 2016: TL 5,269,501 thousands) are benefited as collateral under funding transactions.

Collaterals received for loans under follow-up

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

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

Delinquency periods of loans under follow-up

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

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

Loans and other receivables with extended payment plans

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

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

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

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

5.1.5.3 Maturity analysis of cash loans

	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
<i>Current Period</i>	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
Short-Term Loans	64,221,544	504,792	1,225,199	381,886
Loans	64,221,544	504,792	1,225,199	381,886
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans	146,715,473	2,549,220	15,830,396	6,942,822
Loans	146,715,473	2,549,220	15,830,396	6,942,822
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	210,937,017	3,054,012	17,055,595	7,324,708

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

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

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

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

5.1.5.5 Installment based commercial loans and corporate credit cards

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

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

5.1.5.6 Allocation of loans by customers

	Current Period	Prior Period
Public Sector	674,605	792,965
Private Sector	227,318,007	199,282,759
Total	227,992,612	200,075,724

5.1.5.7 Allocation of domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	209,895,952	185,557,687
Foreign Loans	18,096,660	14,518,037
Total	227,992,612	200,075,724

5.1.5.8 Loans to associates and affiliates

	Current Period	Prior Period
Direct Lending	33,435	13,289
Indirect Lending	-	-
Total	33,435	13,289

5.1.5.9 Specific provisions for loans

Specific Provisions	Current Period	Prior Period
Substandard Loans and Receivables - Limited Collectibility	591,928	522,689
Doubtful Loans and Receivables	841,974	1,175,099
Uncollectible Loans and Receivables	3,382,410	3,093,301
Total	4,816,312	4,791,089

5.1.5.10 Non-performing loans (NPLs) (net)

Non-performing loans and other receivables restructured or rescheduled

	Group III Substandard Loans and Receivables	Group IV Doubtful Loans and Receivables	Group V Uncollectible Loans and Receivables
Current Period			
(Gross amounts before specific provisions)			
Restructured Loans and Receivables	352,136	576,421	1,083,196
Rescheduled Loans and Receivables	5,122	2,953	23,764
Total	357,258	579,374	1,106,960
Prior Period			
(Gross amounts before specific provisions)			
Restructured Loans and Receivables	296,602	722,845	873,501
Rescheduled Loans and Receivables	4,364	5,992	88,658
Total	300,966	728,837	962,159

Movements in non-performing loan groups

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

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

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

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

Movements in specific loan provisions

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

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

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

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

Non-performing loans in foreign currencies

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
<i>Current Period</i>			
Balance at End of Period	324,278	466,661	1,221,918
Specific Provisions (-)	166,146	280,632	811,856
Net Balance at Balance Sheet	158,132	186,029	410,062
<i>Prior Period</i>			
Balance at End of Period	240,824	458,233	1,273,467
Specific Provisions (-)	100,824	283,281	916,275
Net Balance at Balance Sheet	140,000	174,952	357,192

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

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
<i>Current Period (Net)</i>	273,354	273,452	813,867
Loans to Individuals and Corporates (Gross)	865,282	1,115,426	4,194,961
Specific Provision (-)	591,928	841,974	3,381,094
Loans to Individuals and Corporates (Net)	273,354	273,452	813,867
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1,005
Specific Provision (-)	-	-	1,005
Other Loans and Receivables (Net)	-	-	-
<i>Prior Period (Net)</i>	260,144	396,038	677,190
Loans to Individuals and Corporates (Gross)	782,833	1,571,137	3,769,175
Specific Provision (-)	522,689	1,175,099	3,091,985
Loans to Individuals and Corporates (Net)	260,144	396,038	677,190
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1,005
Specific Provision (-)	-	-	1,005
Other Loans and Receivables (Net)	-	-	-

Collaterals received for non-performing loans

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

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

5.1.5.11 Liquidation policy for uncollectible loans and receivables

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

5.1.5.12 Write-off policy

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

5.1.6 Factoring receivables

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Short-Term	2,239,392	1,048,924	1,849,102	851,570
Medium and Long-Term	22,420	69,032	63,026	87,525
Total	2,261,812	1,117,956	1,912,128	939,095

5.1.7 Investments held-to-maturity

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Collateralised/Blocked Investments	9,251,733	3,701,943	5,793,705	4,341,183
Investments subject to Repurchase Agreements	784,006	212,280	3,147,892	-
Total	10,035,739	3,914,223	8,941,597	4,341,183

5.1.7.2 Government securities held-to-maturity

	<i>Current Period</i>	<i>Prior Period</i>
Government Bonds	20,232,556	19,108,804
Treasury Bills	-	-
Other Government Securities	-	-
Total	20,232,556	19,108,804

5.1.7.3 Investments held-to-maturity

	<i>Current Period</i>	<i>Prior Period</i>
Debt Securities	20,819,616	20,705,624
Quoted at Stock Exchange	20,799,386	20,462,344
Unquoted at Stock Exchange	20,230	243,280
Valuation Increase / (Decrease)	3,494,924	2,404,072
Total	24,314,540	23,109,696

5.1.7.4 Movement of investments held-to-maturity

	<i>Current Period</i>	<i>Prior Period</i>
Balances at Beginning of Period	23,109,696	21,317,246
Foreign Currency Differences on Monetary Assets	802,639	2,051,504
Purchases during the Period	302,008	314,669
Disposals through Sales/Redemptions	(985,994)	(1,186,759)
Valuation Effect	1,086,191	613,036
Balances at End of Period	24,314,540	23,109,696

5.1.8 Investments in associates

5.1.8.1 Unconsolidated investments in associates

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

	Total Assets	Shareholders' Equity	Total Fixed Assets ^(*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	11,249	7,873	1,544	916	6	578	122	-
2	80,677	46,880	47,322	1,043	-	6,983	14,517	-
3	650,558	79,102	2,500	23,448	560	7,079	(3,130)	-
4	9,913,087	1,170,007	92,594	281,518	7,404	201,251	162,178	-
5	1,280,167	1,237,174	241,246	38,556	156	221,156	223,697	-
6	259,153	175,797	172,992	4,049	95	36,919	16,458	-
7	522,864,251	71,767,643	685,646	8,726,740	2,744,355	23,115,976	20,736,851	-
8	486,557	462,323	10,969	21,449	-	127,873	17,738	-

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

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

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

Unconsolidated investments in associates sold during the current period

None.

Unconsolidated investments in associates acquired during the current period

None.

5.1.8.2 Consolidated investments in associates

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

	Total Assets	Shareholders' Equity	Total Fixed Assets ^(*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	36,730	35,915	67	836	1,520	2,119	1,821	24,000

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

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

5.1.8.3 Movement of consolidated investments in associates

	<i>Current Period</i>	<i>Prior Period</i>
Balance at Beginning of Period	708	686
Movements during the Period	84	22
Acquisitions and Capital Increases	-	-
Bonus Shares Received	-	-
Allocation from Current Period Profit	-	-
Sales	-	-
Reclassifications	-	-
Increase/Decrease in Fair Values	84	22
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
Balance at End of Period	792	708
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

Valuation methods of consolidated investments in associates

Associates	<i>Current Period</i>	<i>Prior Period</i>
Valued at Cost	-	-
Valued at Fair Value	792	708
Valued by Equity Method of Accounting	-	-

Sectoral distribution of consolidated investments and associates

Associates	<i>Current Period</i>	<i>Prior Period</i>
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	792	708
Other Associates	-	-

Quoted consolidated investments in associates

	<i>Current Period</i>	<i>Prior Period</i>
Quoted at Domestic Stock Exchanges	792	708
Quoted at International Stock Exchanges	-	-

Investments in associates sold during the current period

None.

Investments in associates acquired during the current period

None.

5.1.9 Investments in affiliates

Information on capital adequacy of major affiliates

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

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

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

5.1.9.1 Unconsolidated investments in affiliates

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

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value	Amount of Equity Requirement
1	83,704	71,762	37	7,557	3	9,699	3,157	-	-
2	37,642	15,337	318	938	-	612	1,270	-	-
3	3,764	3,288	-	452	48	(456)	(4,028)	-	-
4	2,619	1,847	1,132	-	49	247	69	-	-
5	3,920	2,696	39	218	-	882	694	-	-
6	4,578	4,578	4,571	-	-	(2)	(2)	-	-
7	1,741,416	30,702	1,537,941	213	-	21,287	10,689	-	-
8	2,048	1,456	-	-	-	1,589	762	-	-

(*) 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 scope, are accounted at cost.

5.1.9.2 Movement of consolidated investments in affiliates

	<i>Current Period</i>	<i>Prior Period</i>
Balance at Beginning of Period	5,069,629	4,342,264
Movements during the Period	1,365,470	727,365
Acquisitions and Capital Increases	150	53,484
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Sales/Liquidations	-	(157,635)
Reclassifications	-	-
Value Increase/Decrease (*)	726,123	411,275
Currency Differences on Foreign Affiliates	639,197	420,241
Reversal of Impairment Losses / Impairment Losses (-)	-	-
Balance at End of Period	6,435,099	5,069,629
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

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

Valuation methods of consolidated investments in affiliates

	<i>Current Period</i>	<i>Prior Period</i>
Valued at Cost	-	-
Valued at Fair Value	6,435,099	5,069,629

Sectoral distribution of consolidated investments in affiliates

	<i>Current Period</i>	<i>Prior Period</i>
Banks	2,686,210	2,025,895
Insurance Companies	1,399,747	1,125,108
Factoring Companies	174,376	151,548
Leasing Companies	945,953	925,310
Finance Companies	1,228,813	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	174,376	151,548
Quoted at International Stock Exchanges	-	-

Other information on consolidated investments in affiliates

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

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	5,440,877	945,954	10,318	403,026	-	20,747	84,003	-
2	3,451,880	212,985	7,430	288,268	-	27,603	19,716	-
3	170,260	117,635	13,407	4,897	2,422	49,931	20,156	-
4	80,928	71,147	3,408	4,824	-	18,891	12,971	-
5	2,164,598	1,648,492	38,969	204,397	1,590	323,576	245,940	-
6	19,371,398	2,693,389	140,785	560,541	59,295	103,187	50,996	-
7	1,541,868	1,541,596	-	-	-	(343)	(252)	-
8	1,564,918	1,354,946	-	221	-	(8,777)	53,447	-
9	9,792,647	1,253,382	309,429	315,858	24,235	95,237	(13,874)	-
10	798,100	112,674	5,063	42,667	-	12,386	17,135	-
11	593,204	80,410	6,158	59,922	-	17,092	13,100	-

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

Consolidated investments in affiliates disposed during the current period

None.

Consolidated investments in affiliates acquired during the current period

None.

5.1.10 Investments in joint-ventures

None.

5.1.11 Lease receivables

5.1.11.1 Financial lease receivables according to remaining maturities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	2,629,003	2,327,886	2,708,046	2,396,795
Between 1-5 Years	3,489,030	3,129,480	3,428,328	3,056,205
Longer than 5 Years	352,936	331,070	363,233	341,260
Total	6,470,969	5,788,436	6,499,607	5,794,260

5.1.11.2 Net financial lease receivables

	Current Period	Prior Period
Gross Financial Lease Receivables	6,470,969	6,499,607
Unearned Income on Financial Lease Receivables (-)	(682,533)	(705,347)
Terminated Lease Contracts (-)	-	-
Net Financial Lease Receivables	5,788,436	5,794,260

5.1.11.3 Financial lease agreements

Criteria applied for financial lease agreements

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

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

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

Details monitored subsequent to signing of financial lease agreements

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

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

5.1.12 Derivative financial assets held for hedging purpose

5.1.12.1 Positive differences on derivative financial instruments held for hedging purpose

Derivative Financial Assets Held for Hedging Purpose	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedges	89,104	14,158	73,946	11,534
Cash Flow Hedges	465,501	101,957	5,526	575,289
Net Foreign Investment Hedges	-	-	-	-
Total	554,605	116,115	79,472	586,823

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

	<i>Current Period</i>			<i>Prior Period</i>		
	Face Value	Asset	Liability	Face Value	Asset	Liability
Interest Rate Swaps	40,090,490	205,317	65,947	35,828,669	146,128	138,470
-TL	5,552,476	91,493	6,227	8,307,595	79,472	26,671
-FC	34,538,014	113,824	59,720	27,521,074	66,656	111,799
Cross Currency Swaps	5,342,034	465,403	132,879	8,525,480	520,167	204,844
-TL	1,702,916	463,112	1,025	1,837,687	-	-
-FC	3,639,118	2,291	131,854	6,687,793	520,167	204,844
Total	45,432,524	670,720	198,826	44,354,149	666,295	343,314

5.1.12.1.1 Fair value hedge accounting

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

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

5.1.12.1.2 Cash flow hedge accounting

Current Period

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

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

Prior Period

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

5.1.13 Tangible assets

	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Cost	2,834,190	281,569	23,668	2,250,105	5,389,532
Accumulated Depreciation	(25,990)	(250,483)	(18,663)	(1,413,775)	(1,708,911)
Net Book Value	2,808,200	31,086	5,005	836,330	3,680,621
Balances at End of Current Period					
Net Book Value at Beginning of Current Period	2,808,200	31,086	5,005	836,330	3,680,621
Additions	318,974	1,573	4,808	330,777	656,132
Revaluation Model Difference	124,614	-	-	-	124,614
Transfers from Investment Property	4,655	-	-	-	4,655
Disposals (Net)	(53,514)	(60)	(250)	(68,919)	(122,743)
Disposals (Cost)	(84,721)	(18,585)	(3,044)	(124,498)	(230,848)
Disposals (Accumulated Depreciation)	31,207	18,525	2,794	55,579	108,105
Reversal of Impairment Losses (-)	9,981	-	-	-	9,981
Depreciation Expense for Current Period	(21,214)	(7,414)	(2,272)	(255,344)	(286,244)
Currency Translation Differences on Foreign Operations, Net	17,617	-	286	11,732	29,635
Currency Translation Differences on Foreign Operations (Cost)	18,459	-	1,282	40,264	60,005
Currency Translation Differences on Foreign Operations (Accumulated Depreciation)	(842)	-	(996)	(28,532)	(30,370)
Net Book Values at End of Current Period	3,209,313	25,185	7,577	854,576	4,096,651
Cost at End of Current Period	3,226,152	264,557	26,714	2,496,648	6,014,071
Accumulated Depreciation at End of Current Period	(16,839)	(239,372)	(19,137)	(1,642,072)	(1,917,420)
Net Book Values at End of Current Period	3,209,313	25,185	7,577	854,576	4,096,651

5.1.14 Intangible assets

5.1.14.1 Useful lives and amortisation rates

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

5.1.14.2 Amortisation methods

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

5.1.14.3 Balances at beginning and end of current period

	Current Period		Prior Period	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Intangible Assets	896,489	517,181	735,627	407,974

5.1.14.4 Movements of intangible assets for current period

	<i>Current Period</i>	<i>Prior Period</i>
Net Book Value at Beginning Period	327,653	253,631
Internally Generated Intangibles	-	-
Additions due to Mergers, Transfers and Acquisition	158,307	158,713
Disposals (-)	(5,354)	(1,843)
Impairment Losses/Reversals to/from Revaluation Surplus	-	-
Impairment Losses Recorded in Income Statement	-	-
Impairment Losses Reversed from Income Statement	-	-
Amortisation Expense for Current Period (-)	(107,554)	(89,117)
Currency Translation Differences on Foreign Operations	6,256	3,920
Other Movements	-	2,349
Net Book Value at End of Current Period	379,308	327,653

5.1.14.5 Details for any individually material intangible assets

None.

5.1.14.6 Intangible assets capitalised under government incentives at fair values

None.

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

None.

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

None.

5.1.14.9 Commitments to acquire intangible assets

None.

5.1.14.10 Disclosure on revalued intangible assets

None.

5.1.14.11 Research and development costs expensed during current period

None.

5.1.14.12 Goodwill

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

5.1.14.13 Movements in goodwill during current period

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

5.1.15 Investment property

	<i>Current Period</i>	<i>Prior Period</i>
Net Book Value at Beginning Period	543,825	307,095
Additions	4,746	231,273
Disposals	-	(8,125)
Transfers to Tangible Assets	4,430	12,098
Fair Value Change	6,387	1,484
Net Currency Translation Differences on Foreign Affiliates	-	-
Net Book Value at End of Current Period	559,388	543,825

The investment property is held for operational leasing purposes.

5.1.16 Deferred tax asset

As of 31 December 2017, on a consolidated basis the Bank has a deferred tax asset of TL 441,932 thousands (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 31 December 2017, deferred tax assets of TL 750,677 thousands (31 December 2016: TL 530,797 thousands) are reduced by deferred tax liabilities of TL 308,745 thousands with offsetting characteristics (31 December 2016: TL 297,455 thousands) and presented as net in the accompanying consolidated financial statements, on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

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

	<i>Current Period</i>		<i>Prior Period</i>	
	Tax Base	Deferred Tax Amount	Tax Base	Deferred Tax Amount
Provisions (*)	1,313,504	271,477	976,182	196,283
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	997,852	222,966	(427,008)	(95,290)
Revaluation Differences on Real Estates	(1,864,352)	(186,435)	(1,732,442)	(25,313)
Other	649,259	133,924	802,238	157,662
Deferred Tax Asset, Net	1,096,263	441,932	(381,030)	233,342

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

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

As of 31 December 2017, TL 322,836 thousands of deferred tax income (31 December 2016: TL 307,584 thousands of deferred tax expense) and TL 133,139 thousands of deferred tax income (31 December 2016: TL 62,489 thousands of deferred tax expense) were recognised in the income statement and the shareholders' equity, respectively.

5.1.17 Assets held for sale and assets of discontinued operations

	<i>Current Period</i>	<i>Prior Period</i>
End of Prior Period		
Cost	621,671	375,548
Accumulated Depreciation	(16,656)	(9,183)
Net Book Value	605,015	366,365
End of Current Period		
Additions	393,729	347,416
Disposals (Cost)	(167,095)	(99,936)
Disposals (Accumulated Depreciation)	1,900	1,358
Reversal of Impairment / Impairment Losses (-)	(615)	(3,514)
Depreciation Expense for Current Period (-)	-	(8,831)
Currency Translation Differences on Foreign Operations	2,618	2,157
Cost	850,308	621,671
Accumulated Depreciation (-)	(14,756)	(16,656)
Net Book Value	835,552	605,015

As of balance sheet date, the net book values of assets held for sale on which rights of repurchase exist amounting to TL 471,433 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	20,394	16,670
Sale of Other Assets	1,136	2,305
Total	21,530	18,975

5.1.18.2 Prepaid expenses

	<i>Current Period</i>	<i>Prior Period</i>
Prepaid Expenses	911,395	527,538
Prepaid Taxes	25,766	27,335

5.2 Consolidated liabilities

5.2.1 Maturity profile of deposits

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

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

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

5.2.1.1.1 Deposits exceeding insurance limit

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

	Covered by Deposit Insurance		Over Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	29,074,468	27,843,202	30,170,165	25,576,417
Foreign Currency Saving Deposits	20,980,170	17,180,146	41,525,053	39,472,238
Other Saving Deposits	1,117,225	821,559	1,016,387	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

None.

5.2.1.3 Saving deposits not covered by insurance limits

5.2.1.3.1 Saving deposits of individuals not covered by insurance limits:

	Current Period	Prior Period
Deposits and Other Accounts held at Foreign Branches	1,009,774	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	236,559	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	163,550	36,335	242,280	67,634
Swap Transactions	2,102,812	426,848	2,023,979	857,048
Futures	44	96	106	964
Options	114,881	45,917	373,051	144,526
Others	-	8,339	-	4,397
Total	2,381,287	517,535	2,639,416	1,074,569

5.2.3 Funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	685,843	-	1,880,102
Domestic Banks and Institutions	477,119	1,605,139	1,153,848	1,540,125
Foreign Banks, Institutions and Funds	657,139	43,679,479	1,973,831	40,033,947
Total	1,134,258	45,970,461	3,127,679	43,454,174

5.2.3.1 *Maturities of funds borrowed*

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Short-Term	866,182	5,590,833	1,237,683	4,284,065
Medium and Long-Term	268,076	40,379,628	1,889,996	39,170,109
Total	1,134,258	45,970,461	3,127,679	43,454,174

In accordance with TAS 39 paragraph 9, the Bank classified a part of borrowings obtained through securitisations amounting to USD 2,455,714,286 as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch. As of 31 December 2017, the accumulated credit risk change and the credit risk change recognised in the income statement amounted to TL 43,948 thousands and a loss of TL 398,191 thousands, respectively. The carrying value of the related financial liability amounted to TL 9,228,338 thousands.

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

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

5.2.4 **Other external funds**

5.2.4.1 *Securities issued*

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

<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 111,041 thousands (31 December 2016: TL 107,896 thousands) and foreign currency securities with a total face value of TL 780,571 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 31 December 2017, the accumulated negative credit risks change, and the positive credit risk change recognised in the income statement in the current period amounted to TL 908 thousands and TL 1,815 thousands, respectively. The carrying value of the related financial liability amounted to TL 34,983 thousands and the related current period gains amounted to TL 1,898 thousands.

5.2.4.2 Funds provided through repurchase transactions

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Domestic Transactions	887,411	-	7,287,738	-
Financial Institutions and Organizations	750,756	-	7,196,813	-
Other Institutions and Organizations	92,302	-	40,765	-
Individuals	44,353	-	50,160	-
Foreign Transactions	296	858,706	2	526,081
Financial Institutions and Organizations	-	858,706	-	526,081
Other Institutions and Organizations	-	-	-	-
Individuals	296	-	2	-
Total	887,707	858,706	7,287,740	526,081

5.2.4.3 Miscellaneous payables

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Payables from credit card transactions	8,985,632	48,506	7,833,260	41,268
Payables from insurance transactions	40,290	6	32,366	240
Other	559,649	742,263	394,462	1,038,152
Total	9,585,571	790,775	8,260,088	1,079,660

5.2.5 Factoring payables

None.

5.2.6 Lease payables

5.2.6.1 Financial lease payables

None.

5.2.6.2 Operational lease agreements

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

5.2.7 Derivative financial liabilities held for hedging purpose

Derivative Financial Liabilities Held for Hedging Purpose	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Fair Value Hedges	6,227	188,528	26,671	250,273
Cash Flow Hedges	1,025	3,046	-	66,370
Net Foreign Investment Hedges	-	-	-	-
Total	7,252	191,574	26,671	316,643

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>
General Provision for	3,673,669	3,215,533
Loans and Receivables in Group I	1,694,874	1,754,506
Loans and Receivables in Group II	1,370,937	872,064
Non-Cash Loans	369,087	360,322
Others	238,771	228,641

5.2.8.2 Reserve for employee severance indemnity

	<i>Current Period</i>	<i>Prior Period</i>
Balances at Beginning of Period	355,535	308,530
Provision for the Period	92,055	69,509
Actuarial Gain/Loss	22,045	8,198
Payments During the Period	(45,764)	(30,702)
Balances at End of Period	423,871	355,535

5.2.8.3 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	14,419	1,241
Medium and Long Term Loans	2,800	270
Total	17,219	1,511

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

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

	<i>Current Period</i>	<i>Prior Period</i>
Substandard Loans and Receivables - Limited Collectibility	16,649	27,731
Doubtful Loans and Receivables	13,593	22,716
Uncollectible Loans and Receivables	97,175	84,162
Total	127,417	134,609

5.2.8.5 Other provisions

5.2.8.5.1 General reserves for possible losses

	<i>Current Period</i>	<i>Prior Period</i>
General Reserves for Possible Losses	1,160,000	300,000

5.2.8.5.2 Other provisions for possible losses

	<i>Current Period</i>	<i>Prior Period</i>
Reserve for Employee Benefits	909,788	730,525
Insurance Technical Provisions, Net	389,886	306,775
Provision for Promotion Expenses of Credit Cards (*)	112,434	99,131
Provision for Lawsuits(**)	250,115	56,474
Provision for Non-Cash Loans	127,417	134,609
Other Provisions(***)	224,793	189,826
Total	2,014,433	1,517,340

(*) 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.

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

Recognized liability for defined benefit plan obligations

The Bank obtained an actuarial report dated 13 December 2017 from an independent actuary reflecting the principles and procedures on determining the application of transfer transactions in accordance with the Law and it is determined that the assets of the Plan are above the amount that will be required to be paid to transfer the obligation and the asset surplus amounts to TL 3,125,485 thousands (31 December 2016: TL 2,772,742 thousands) at 31 December 2017 as details are given in the table below.

Furthermore, an actuarial report was prepared as of 31 December 2017 as per the requirements of the Law explained in Note 3.17, the accounting policies related with “employee benefits” for the benefits transferable to the SSF and as per TAS 19 for other benefits not transferable to the SSF and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees. Based on the actuary’s 13 December 2017 dated report, the asset surplus over the fair value of the plan assets to be used for the payment of the obligations also fully covers the benefits not transferable and still a surplus of TL 1,198,065 thousands (31 December 2016: TL 1,482,852 thousands) remains as of 31 December 2017 as details are given in the table below.

The Bank’s management, acting prudently, did not consider the health premium surplus amounting TL 551,028 thousands (31 December 2016: 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 2017. However, despite this treatment there are no excess obligation that needs to be provided against.

	<i>Current Period</i>	<i>Prior Period</i>
Transferable Pension and Medical Benefits:		
Net present value of pension benefits transferable to SSF	(989,677)	(770,448)
Net present value of medical benefits and health premiums transferable to SSF	551,028	531,665
General administrative expenses	(45,215)	(39,405)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(483,864)	(278,188)
Fair Value of Plan Assets (2)	3,609,349	3,050,930
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	3,125,485	2,772,742
Non-Transferable Benefits:		
Other pension benefits	(846,997)	(662,751)
Other medical benefits	(1,080,423)	(627,139)
Total Non-Transferable Benefits (4)	(1,927,420)	(1,289,890)
Asset Surplus over Total Benefits ((3)-(4)=(5))	1,198,065	1,482,852
Net Present Value of Medical Benefits and Health Premiums Transferable to SSF – but not considered acting prudently (6)	(551,028)	(531,665)
Present Value of Asset Surplus/(Defined Benefit Obligation) ((5)-(6))	647,037	951,187

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

	<i>Current Period</i>	<i>Prior Period</i>
Balance at Beginning of Period	-	-
Actual contributions paid during the period	(71,463)	(63,291)
Total expense recognized in the income statement	44,052	36,552
Amount recognized in the shareholders’ equity	27,411	26,739
Balance at End of Period	-	-

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

	<i>Current Period</i>	<i>Prior Period</i>
	%	%
Discount Rate (*)	11.60	11.50
Inflation Rate (*)	8.40	7.80
Future Real Salary Increase Rate	1.50	1.50
Medical Cost Trend Rate	50% above inflation	40% above inflation
Future Pension Increase Rate (*)	8.40	7.80

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

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

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

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

5.2.9 Tax liability

5.2.9.1 Current tax liability

5.2.9.1.1 Tax liability

As of 31 December 2017, the corporate tax liability amounts to TL 763,079 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	763,079	119,401
Taxation on Securities Income	131,422	122,010
Taxation on Real Estates Income	4,080	3,752
Banking Insurance Transaction Tax	155,555	120,305
Foreign Exchange Transaction Tax	89	86
Value Added Tax Payable	14,842	16,107
Others	66,171	82,880
Total	1,135,238	464,541

5.2.9.1.3 Premiums payable

	<i>Current Period</i>	<i>Prior Period</i>
Social Security Premiums-Employees	4,892	5,029
Social Security Premiums-Employer	4,309	3,571
Bank Pension Fund Premium-Employees	25	21
Bank Pension Fund Premium-Employer	25	21
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	1,470	1,220
Unemployment Insurance-Employer	2,802	2,613
Others	36	1,250
Total	13,559	13,725

5.2.9.2 Deferred tax liability

As of 31 December 2017, the deferred tax liability amounts to TL 14,365 thousands (31 December 2016: -).

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

None.

5.2.11 Subordinated debts

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Domestic Other Institutions	-	-	-	-
Foreign Banks	-	-	-	-
Foreign Other Institutions	-	2,849,471	-	-
Total	-	2,849,471	-	-

Disclosures on subordinated debts are reported in Note 4.1.2.

5.2.12 Shareholders' equity

5.2.12.1 Paid-in capital

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

5.2.12.2 Registered share capital system

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

5.2.12.3 Capital increases in current period

None.

5.2.12.4 Capital increases from capital reserves in current period

None.

5.2.12.5 Capital commitments for current and future financial periods

None.

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

None.

5.2.12.7 Information on privileges given to stocks representing the capital

None.

5.2.12.8 Securities value increase fund

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Investments in Associates, Affiliates and Joint-Ventures	-	-	-	-
Valuation Difference	-	-	-	-
Exchange Rate Difference	-	-	-	-
Securities Available-for-Sale	(425,824)	108,010	(484,900)	(58,725)
Valuation Difference	(425,824)	108,010	(484,900)	(58,725)
Exchange Rate Difference	-	-	-	-
Total	(425,824)	108,010	(484,900)	(58,725)

5.2.12.9 Revaluation surplus

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Movables	-	-	-	-
Real Estates	1,494,986	24,889	1,508,875	5,772
Gain on Sale of Investments in Associates and Affiliates and Real Estates to be used for Capital Increases	227,994	-	176,415	-
Revaluation Surplus on Leasehold Improvements	-	-	-	-
Total	1,722,980	24,889	1,685,290	5,772

5.2.12.10 Bonus shares of associates, affiliates and joint-ventures

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

5.2.12.11 Legal reserves

	<i>Current Period</i>	<i>Prior Period</i>
I. Legal Reserve	1,038,987	1,022,250
II. Legal Reserve	353,272	249,272
Special Reserves	-	-
Total	1,392,259	1,271,522

5.2.12.12 Extraordinary reserves

	<i>Current Period</i>	<i>Prior Period</i>
Legal Reserves allocated in compliance with the Decisions Made on the Annual General Assembly	25,901,360	22,192,305
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital	-	-
Total	25,901,360	22,192,305

5.2.12.13 Minority interest

	<i>Current Period</i>	<i>Prior Period</i>
Balance at Beginning of Period	267,808	226,617
Profit Share of Affiliates Net Profits	55,918	42,468
Prior Period Dividend Payment	(1,500)	(1,210)
Increase/(Decrease) in Minority Interest due to Sales	-	-
Others	(77)	(67)
Balance at End of Period	322,149	267,808

5.3 Consolidated off-balance sheet items

5.3.1 Off-balance sheet contingencies

5.3.1.1 Irrevocable credit commitments

The Bank and its consolidated financial affiliates have term asset purchase and sale commitments of TL 7,947,989 thousands (31 December 2016: TL 3,956,061 thousands), commitments for cheque payments of TL 3,797,901 thousands (31 December 2016: TL 3,555,087 thousands) and commitments for credit card limits of TL 29,542,049 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	20,283,642	20,901,575
Letters of Guarantee in TL	19,405,859	17,111,138
Letters of Credit	14,769,516	15,754,367
Bills of Exchange and Acceptances	1,550,650	2,127,334
Prefinancings	-	-
Other Guarantees	185,727	191,066
Total	56,195,394	56,085,480

A specific provision of TL 127,417 thousands (31 December 2016: TL 134,609 thousands) is made for unliquidated non-cash loans of TL 370,339 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	7,327,429	5,128,893
<i>With Original Maturity of 1 Year or Less</i>	<i>644,377</i>	<i>331,380</i>
<i>With Original Maturity of More Than 1 Year</i>	<i>6,683,052</i>	<i>4,797,513</i>
Other Non-Cash Loans	48,867,965	50,956,587
Total	56,195,394	56,085,480

5.3.1.4 Other information on non-cash loans

	<i>Current Period</i>				<i>Prior Period</i>			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	69,304	0.36	56,941	0.16	70,323	0.41	35,750	0.09
<i>Farming and Stockbreeding</i>	58,351	0.30	43,111	0.11	59,983	0.35	25,075	0.06
<i>Forestry</i>	9,214	0.05	10,981	0.03	8,973	0.05	2,810	0.01
<i>Fishery</i>	1,739	0.01	2,849	0.01	1,367	0.01	7,865	0.02
Manufacturing	5,510,704	28.37	18,091,020	49.20	4,392,728	25.63	18,009,127	46.24
<i>Mining and Quarrying</i>	170,850	0.88	251,133	0.68	194,627	1.14	343,847	0.88
<i>Production</i>	3,013,861	15.52	13,784,292	37.49	2,432,210	14.19	12,997,280	33.37
<i>Electricity, Gas, Water</i>	2,325,993	11.97	4,055,595	11.03	1,765,891	10.30	4,668,000	11.99
Construction	3,541,815	18.23	3,894,258	10.59	2,771,911	16.17	4,327,614	11.11
Services	8,857,539	45.60	12,678,809	34.48	8,579,268	50.06	14,125,523	36.27
<i>Wholesale and Retail Trade</i>	5,966,692	30.71	7,562,115	20.57	5,889,557	34.36	8,783,670	22.55
<i>Accommodation and Dining</i>	232,237	1.20	513,201	1.40	236,345	1.38	300,746	0.77
<i>Transportation and Telecommunication</i>	738,939	3.80	1,476,485	4.01	602,422	3.52	1,724,313	4.43
<i>Financial Institutions</i>	1,502,741	7.74	2,842,584	7.73	1,442,429	8.42	3,064,787	7.87
<i>Real Estate and Rental Services</i>	224,964	1.16	222,682	0.61	251,658	1.47	221,390	0.57
<i>Professional Services</i>	-	-	-	-	-	-	-	-
<i>Educational Services</i>	25,522	0.13	1,049	-	24,350	0.14	3,552	0.01
<i>Health and Social Services</i>	166,444	0.86	60,693	0.16	132,507	0.77	27,065	0.07
Others	1,445,568	7.44	2,049,436	5.57	1,324,754	7.73	2,448,482	6.29
Total	19,424,930	100.0	36,770,464	100.00	17,138,984	100.00	38,946,496	100.00

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

<i>Current Period</i>	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	19,021,366	36,139,527	403,564	630,937
Letters of Guarantee	19,002,295	19,841,136	403,564	442,506
Bills of Exchange and Bank Acceptances	14,273	1,536,377	-	-
Letters of Credit	4,798	14,576,287	-	188,431
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	-	185,727	-	-

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

5.3.2 Financial derivative instruments

<i>Current Period</i>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Derivative Financial Instruments held for Risk Management						
A. Total Derivative Financial Instruments held for Risk Management	1,629,524	328,053	6,792,490	24,140,783	12,541,674	45,432,524
Fair Value Hedges	-	-	1,891,714	7,880,440	8,597,164	18,369,318
Cash Flow Hedges	1,629,524	328,053	4,900,776	16,260,343	3,944,510	27,063,206
Net Foreign Investment Hedges	-	-	-	-	-	-
Trading Derivatives	-	-	-	-	-	-
Foreign Currency related Derivative Transactions (I)	148,983,110	56,031,169	59,539,784	5,239,790	505,098	270,298,951
Currency Forwards – Purchases	10,210,712	3,286,058	3,179,110	522,230	-	17,198,110
Currency Forwards – Sales	10,233,157	3,279,345	3,260,423	597,181	-	17,370,106
Currency Swaps – Purchases	61,854,549	21,236,750	20,130,886	1,898,678	250,456	105,371,319
Currency Swaps – Sales	57,157,446	21,418,627	20,444,645	1,802,749	254,642	101,078,109
Currency Options – Purchases	4,649,454	3,366,011	6,179,844	192,501	-	14,387,810
Currency Options – Sales	4,870,131	3,409,648	6,232,206	226,451	-	14,738,436
Currency Futures – Purchases	3,931	7,066	54,120	-	-	65,117
Currency Futures – Sales	3,730	27,664	58,550	-	-	89,944
Interest Rate related Derivative Transactions (II)	427,058	589,785	5,288,434	18,075,592	22,169,602	46,550,471
Interest Rate Swaps – Purchases	211,386	271,864	1,427,383	5,791,900	10,429,017	18,131,550
Interest Rate Swaps – Sales	211,386	271,864	1,427,383	5,791,900	10,429,017	18,131,550
Interest Rate Options – Purchases	-	-	2,433,323	5,502,795	1,311,568	9,247,686
Interest Rate Options – Sales	-	-	-	988,997	-	988,997
Securities Options – Purchases	3,045	6,282	87	-	-	9,414
Securities Options – Sales	1,241	20,896	258	-	-	22,395
Interest Rate Futures – Purchases	-	-	-	-	-	-
Interest Rate Futures – Sales	-	18,879	-	-	-	18,879
Other Trading Derivatives (III)	5,369,514	75,931	128,586	2,611,040	6,742,500	14,927,571
B. Total Trading Derivatives (I+II+III)	154,779,682	56,696,885	64,956,804	25,926,422	29,417,200	331,776,993
Total Derivative Transactions (A+B)	156,409,206	57,024,938	71,749,294	50,067,205	41,958,874	377,209,517

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

5.3.3 Credit derivatives and risk exposures on credit derivatives

As of 31 December 2017, there are total return swaps of the Bank with a total face value of USD 2,455,714,286 (31 December 2016: USD 2,000,000,000) classified under “other derivative financial instruments”, where the Bank is on the selling side of the protection.

5.3.4 Contingent liabilities and assets

The Bank and its consolidated financial affiliates made a total provision amounting to TL 250,115 thousands (31 December 2016: TL 56,474 thousands) for the lawsuits filed by various customers and institutions which are likely to occur and for which cash outflow might be necessary, and disclosed it under Note 5.2.8.5.2, other provisions. There are various other lawsuits which are unlikely to occur and for which cash outflow is not expected to incur.

It is possible that the parent Bank or its consolidated financial affiliates may be required to provide additional collateral for the derivative transactions involved due to changes in certain financials indicators such as CDS levels, currency exchange rates, interest rates etc. As of 31 December 2017, there was no payment made related with such contingent liabilities.

5.3.5 Services rendered on behalf of third parties

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

5.4 Consolidated income statement

5.4.1 Interest income

5.4.1.1 Interest income from loans (*)

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Interest Income from Loans				
Short-term loans	5,436,172	409,067	5,242,992	295,014
Medium and long-term loans	11,940,768	4,024,730	8,394,047	3,569,896
Loans under follow-up	96,457	5,401	68,875	6,738
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	17,473,397	4,439,198	13,705,914	3,871,648

(*) 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	183,942	40,641	-	16,194
Domestic Banks	117,086	30,024	100,472	14,113
Foreign Banks	2,734	77,323	1,939	72,408
Foreign Head Offices and Branches	-	-	-	-
Total	303,762	147,988	102,411	102,715

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	39,154	2,066	19,420	2,860
Financial Assets Valued at Fair Value Through Profit	-	-	-	-
Financial Assets Available-for-Sale	2,373,490	176,533	1,801,732	237,716
Investments Held-to-Maturity	1,599,271	601,108	1,110,089	522,984
Total	4,011,915	779,707	2,931,241	763,560

As disclosed in the accounting policies, the parent Bank values CPI-indexed government bonds in its securities portfolio according to the reference index on the issue date and the index that is calculated according to the expected inflation rate. The inflation rate used during the valuation is being updated during the year when it is considered necessary. As of 31 December 2017, the valuation of such securities was made according to annual inflation as of balance sheet date.

5.4.1.4 Interest income received from associates and affiliates

	<i>Current Period</i>	<i>Prior Period</i>
Interest Received from Investments in Associates and Affiliates	2,345	1,529

5.4.2 Interest expenses

5.4.2.1 Interest expenses on funds borrowed (*)

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Central Bank of Turkey	-	289	-	-
Domestic Banks	46,760	49,257	56,433	44,514
Foreign Banks	116,875	655,665	244,765	498,026
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	454,323	-	299,374
Total	163,635	1,159,534	301,198	841,914

(*) Includes also fees and commissions expenses on borrowings

5.4.2.2 Interest expenses paid to associates and affiliates

	Current Period	Prior Period
Interest Paid to Investments in Associates and Affiliates	9,379	3,900

5.4.2.3 Interest expenses on securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Expenses on Securities Issued	776,934	802,710	550,322	544,205

5.4.2.4 Maturity structure of interest expense on deposits

Current Period	Demand Deposits	Time Deposits						Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year	Accumulating Deposit Accounts	
Turkish Lira								
Bank Deposits	1,021	105,615	391	562	294	-	-	107,883
Saving Deposits	4,614	223,243	4,370,937	145,994	38,490	61,578	-	4,844,856
Public Sector Deposits	-	1,808	2,800	376	261	1	-	5,246
Commercial Deposits	719	527,769	827,351	30,770	48,634	95,500	-	1,530,743
Others	4	17,708	94,131	19,304	23,829	147,150	-	302,126
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Total TL	6,358	876,143	5,295,610	197,006	111,508	304,229	-	6,790,854
Foreign Currency								
Foreign Currency Deposits	31,612	93,169	1,000,587	66,303	138,439	289,895	779	1,620,784
Bank Deposits	87	17,950	246	1,336	1,258	3,243	-	24,120
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	13	42	-	16	4,020	-	4,091
Total FC	31,699	111,132	1,000,875	67,639	139,713	297,158	779	1,648,995
Grand Total	38,057	987,275	6,296,485	264,645	251,221	601,387	779	8,439,849

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

5.4.2.5 Interest expense on repurchase agreements

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Interest Paid on Repurchase Agreements	1,149,513	20,733	971,391	28,657

5.4.2.6 Financial lease expenses

None.

5.4.2.7 Interest expenses on factoring payables

None.

5.4.3 Dividend income

	<i>Current Period</i>	<i>Prior Period</i>
Trading Financial Assets	908	2,182
Financial Assets Valued at Fair Value through Profit or	-	-
Financial Assets Available-for-Sale	2,116	966
Others	4,792	5,940
Total	7,816	9,088

5.4.4 Trading income/losses (net)

	<i>Current Period</i>	<i>Prior Period</i>
Income	65,014,044	79,863,123
Trading Account Income	1,514,746	2,105,247
Derivative Financial Instruments	9,872,180	11,007,318
Foreign Exchange Gain	53,627,118	66,750,558
Losses (-)	66,856,071	80,606,776
Trading Account Losses	1,839,443	1,718,623
Derivative Financial Instruments	13,138,901	11,933,107
Foreign Exchange Losses	51,877,727	66,955,046
Total	(1,842,027)	(743,653)

TL 5,093,268 thousands (31 December 2016: TL 3,963,481 thousands) of foreign exchange gains and TL 3,994,210 thousands (31 December 2016: TL 4,420,767 thousands) of foreign exchange losses are resulted from the exchange rate changes of derivative transactions.

The Bank enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied fair value hedge accounting for the fixed rate eurobonds issued in 2011 with a total face value of USD 500,000,000, maturity of 10 years and maturity date of 20 April 2021 which were priced at 6.375% originally and had a coupon rate of 6.25%, by designating interest rate swaps with the same face values and terms. In June 2012, the Bank ceased to apply hedge accounting and accordingly fair value calculations for these bonds. The accumulated fair value differences incurred starting from the date of hedge accounting up to the date on which it was ceased, are amortized as per the effective interest-rate method in compliance with TAS 39.

In this respect; the Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 1,876,938, USD 957,763,108 and EUR 225,212,078, for its bonds with a total face value of TL 855,000 thousands and USD 59,900,000 and fixed-rate coupons by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, losses of TL 51,347 thousands and TL 19,552 thousands (31 December 2016: a gain of TL 492 thousands and a loss of TL 14,515 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 3,527 thousands (31 December 2016: a loss of TL 13,071 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 63,861,622 and EUR 34,210,526, securitization borrowings amounting to USD 43,750,000 and EUR 104,794,733 and commitments amounting to USD 7,857,183 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 755,121,951 and EUR 90,000,000 and deposits amounting to TL 50,000 thousands, USD 955,000,000 and EUR 136,473,684 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, gains of TL 47,621 thousands and TL 93,010 thousands (31 December 2016: gains of TL 46,482 thousands and TL 39,553 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 70,774,355 and EUR 150,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a net loss of TL 918 thousands (31 December 2016: a net gain of TL 7,607 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 149,807,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a net gain of TL 444 thousands (31 December 2016: a net gain of TL 863 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 1,052,590 sell and EUR 226,145,529 buy, RON 90,000,000 sell and EUR 19,447,206 buy, ZAR 46,663,945 sell and EUR 2,997,986 buy. Accordingly, in the current period, a net loss of TL 1,523 thousands (31 December 2016: a net loss of TL 1,526 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 865,748 thousands (31 December 2016: TL 1,059,931 thousands) were sold for a consideration of TL 56,015 thousands (31 December 2016: TL 79,774 thousands). Considering the related provisions of TL 854,989 thousands (31 December 2016: TL 1,058,459 thousands) in the financial statements, a gain of TL 45,256 thousands (31 December 2016: TL 78,276 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 332,791 thousands (31 December 2016: TL 250,832 thousands) were sold for a total consideration of TL 30,288 thousands (31 December 2016: TL 50,062 thousands). A gain from these sales amounting to TL 21,918 thousands is recognized under "other operating income" (31 December 2016: a net loss of TL 251 thousands from other operating income of TL 1,086 thousands and other operating expenses of TL 1,337 thousands) considering the related provision of TL 324,421 thousands (31 December 2016: TL 200,519 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 507 thousands (31 December 2016: TL 89 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	1,782,034	2,717,101
<i>Loans and receivables in Group III</i>	564,991	558,362
<i>Loans and receivables in Group IV</i>	613,855	1,165,685
<i>Loans and receivables in Group V</i>	603,188	993,054
General Provisions	497,877	213,321
Provision for Possible Losses	860,000	100,000
Impairment Losses on Financial Assets	9,012	19
<i>Financial assets at fair value through profit or loss</i>	717	19
<i>Financial assets available-for-sale</i>	8,295	-
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	532,940	356,655
Total	3,681,863	3,387,096

5.4.7 Other operating expenses

	<i>Current Period</i>	<i>Prior Period</i>
Personnel Costs	3,205,846	2,881,465
Reserve for Employee Termination Benefits	46,291	43,676
Defined Benefit Obligation	-	-
Impairment Losses on Tangible Assets	677	-
Depreciation Expenses of Tangible Assets	286,244	242,978
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortisation Expenses of Intangible Assets	107,554	89,117
Decrease in Value of Equity Accounting Shares	-	-
Impairment Losses on Assets to be Disposed	1,707	3,571
Depreciation Expenses of Assets to be Disposed	-	8,831
Impairment Losses on Assets Held for Sale and Discontinued Assets	-	-
Other Operating Expenses	3,056,863	2,771,702
<i>Operational lease related expenses</i>	470,021	426,616
<i>Repair and maintenance expenses</i>	66,231	70,890
<i>Advertisement expenses</i>	202,213	191,219
<i>Other expenses (*)</i>	2,318,398	2,082,977
Loss on Sale of Assets	12,372	4,953
Others (**)(***)	906,202	986,095
Total	7,623,756	7,032,388

(*) 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 30,715 thousands (31 December 2016: TL 56,209 thousands), as per the decision of the Turkish Competition Board or the related courts.

(**) Includes saving-deposits-insurance-fund related expenses of TL 258,217 thousands (31 December 2016: TL 229,846 thousands) and insurance-business claim losses of TL 179,480 thousands (31 December 2016: TL 136,945 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 31,330 thousands (31 December 2016: TL 110,146 thousands) as per the decision of the Turkish Competition Board or the related courts.

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

TL 15,686,570 thousands (31 December 2016: TL 12,255,733 thousands) of the profit before taxes is derived from net interest income and TL 3,860,413 thousands (31 December 2016: TL 3,275,690 thousands) from net fees and commissions income. The total operating expenses amounted to TL 7,623,756 thousands (31 December 2016: TL 7,032,388 thousands). The profit before taxes reached to TL 8,349,437 thousands (31 December 2016: TL 6,490,950 thousands) increasing by 28.6% (31 December 2016: 39.3%) as compared to the prior year.

5.4.9 Information on provision for taxes for continued and discontinued operations

As of 31 December 2017, on a consolidated basis, the Bank recorded a current tax expense of TL 2,284,299 thousands (31 December 2016: TL 1,035,607 thousands) and a deferred tax income of TL 322,836 thousands (31 December 2016: a deferred tax expense of TL 307,584 thousands).

Deferred tax benefit/charge on timing differences

Deferred tax (benefit)/charge on timing differences	Current Period	Prior Period
Increase in Tax Deductable Timing Differences (+)	(304,276)	(96,757)
Decrease in Tax Deductable Timing Differences (-)	72,557	256,784
Increase in Taxable Timing Differences (-)	103,916	171,135
Decrease in Taxable Timing Differences (+)	(195,033)	(23,578)
Total	(322,836)	307,584

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

Deferred tax (benefit)/charge arising on timing differences, tax losses and tax deductions and exemptions	Current Period	Prior Period
(Increase)/Decrease in Tax Deductable Timing Differences (net)	(238,055)	150,307
(Increase)/Decrease in Taxable Timing Differences (net)	(91,117)	147,557
(Increase)/Decrease in Tax Losses (net)	6,336	9,720
(Increase)/Decrease in Tax Deductions and Exemptions (net)	-	-
Total	(322,836)	307,584

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

None.

5.4.11 Net profit/loss

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

None.

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

None.

5.4.11.3 Minority interest's profit/loss

	Current Period	Prior Period
Net Profit/(Loss) of Minority Interest	55,918	42,468

5.4.12 Components of other items in income statement

The items in others under "Fees and commissions received" and "Fees and commissions paid" in the consolidated income statement include mainly fees and commissions related with credit card transactions and other banking services.

5.5 Consolidated statement of changes in shareholders' equity

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

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

None.

5.5.1.2 Increases due to cash flow hedges

The Bank enters into swap contracts to convert variable interest rates on its borrowings to fixed interest rates for cash flow hedging purposes. After netting with the related deferred tax effect, an increase of TL 42,155 thousands (31 December 2016: TL 9,025 thousands) is presented in the shareholders' equity for such hedges assessed as effective.

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

As of 31 December 2017, an increase of TL 674,152 thousands (31 December 2016: TL 459,301 thousands) that was resulted from the foreign currency translation of consolidated foreign affiliates performances, is presented under translation differences in the shareholders' equity.

5.5.2 Any decreases arising from application of accounting for financial instruments

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

As of 31 December 2017, an increase of TL 256,534 thousands (31 December 2016: TL 47,864 thousands) resulted from the revaluation of financial assets available-for-sale at fair value after being netted with the related deferred tax liability effect and a loss of TL 30,723 thousands (31 December 2016: a gain of TL 214,415 thousands) that was transferred to the income statement from "securities value increase fund" are presented as the current period movements in securities value increase fund in the statement of changes in shareholders' equity.

5.5.2.2 Decreases due to cash flow hedges

None.

5.5.3 Transfers to legal and extraordinary reserves

	<i>Current Period</i>	<i>Prior Period</i>
Transfers to Legal Reserves from Prior Year Profits	115,719	43,229
Transfers to Extraordinary Reserves from Prior Year Profits	3,511,961	2,965,949

5.5.4 Issuance of share certificates

Please refer to Note 5.2.12.3.

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

None.

5.5.6 Compensation of prior period losses

None.

5.6 Consolidated statement of cash flows

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

The net cash outflows arising from banking operations amount to TL 4,872,591 thousands (31 December 2016: a net cash inflows of TL 2,253,924 thousands). TL 13,152,134 thousands (31 December 2016: TL 3,358,704 thousands) of these net cash outflows is generated from the cash outflows resulted from the change in operating assets and liabilities and TL 8,279,543 thousands (31 December 2016: TL 5,612,628 thousands) from the cash inflows resulted from operating profit. The “net increase/decrease in other liabilities” under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to an increase of TL 1,190,368 thousands (31 December 2016: a decrease of TL 114,950 thousands). The net cash inflows from financing activities amount to TL 4,582,854 thousands (31 December 2016: a net cash outflows of TL 379,641 thousands).

The effect of changes in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 597,337 thousands (31 December 2016: TL 928,129 thousands).

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

Please refer to Notes 5.1.8.1 and 5.1.9.2.

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

None.

5.6.4 Cash and cash equivalents at beginning of period

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

5.6.5 Cash and cash equivalents at end of period

	<i>Current Period</i>	<i>Prior Period</i>
Cash on Hand	2,847,903	2,205,903
<i>Cash in TL</i>	<i>1,297,568</i>	<i>1,357,697</i>
<i>Cash in Foreign Currency</i>	<i>1,550,335</i>	<i>848,206</i>
Cash Equivalents	12,104,609	13,486,239
<i>Others</i>	<i>12,104,609</i>	<i>13,486,239</i>
Total	14,952,512	15,692,142

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

The placements at foreign banks include blocked accounts amounting TL 8,944,602 thousands (31 December 2016: TL 7,557,761 thousands) of which TL 2,717,355 thousands (31 December 2016: TL 116,841 thousands) and TL 134,832 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 6,092,415 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 334,998 thousands (31 December 2016: TL 254,130 thousands) as required for insurance activities.

The blocked account at the Central Bank of Turkey with a principal of TL 19,280,068 thousands (31 December 2016: TL 13,027,376 thousands) is for the reserve deposits in foreign currency and gold against the Banks' liabilities in Turkish Lira, foreign currencies and gold. The Bank also keeps a collateral of EUR 668,000,000 at the Central Bank of Turkey for borrowing activities in TL money market.

5.6.7 Additional information

5.6.7.1 Restrictions on the Bank's potential borrowings

None.

5.6.7.2 Cash inflows presenting increase in banking activity related capacity

None.

5.7 Related party risks

5.7.1 Transactions with parent bank's risk group;

5.7.1.1 Loans and other receivables

Current Period:

Bank's Risk Group	Associates, Affiliates and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	31,850	3,476	1,660,778	385,799	2,320,156	735,944
Balance at end of period	84,052	3,530	1,398,195	1,548,939	2,710,219	896,963
Interest and Commission Income	4,148	16	5,109	93	178,284	3,981

Prior Period:

Bank's Risk Group	Associates, Affiliates and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	33,129	3,616	57,550	827,462	2,184,276	472,865
Balance at end of period	31,850	3,476	1,660,778	385,799	2,320,156	735,944
Interest and Commission Income	2,453	5	484	8	136,871	404

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	97,361	46,726	375,171	545,105	409,424	554,648
Interest Expenses	9,379	3,890	14,861	773	19,704	5,526

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	7,239	13,344	39,433,377	13,797,354	792,918	843,120
Total Profit/(Loss)	(63)	120	14,444	(403,644)	2,269	(4,582)
Transactions for Hedging						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit/(Loss)	-	-	-	-	-	-

5.7.2 Bank's risk group

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

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

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

The cash loans of the risk group amounting TL 2,662,333 thousands (31 December 2016: TL 2,216,830 thousands) compose 1.16% (31 December 2016: 1.10%) of the Bank's total consolidated cash loans and 0.75% (31 December 2016: 0.71%) of the Bank's total consolidated assets. The bond purchased by the Bank and its consolidated financial affiliates from their risk group, amounted to TL 21,757 thousands (31 December 2016: none). The total loans and similar receivables amounting TL 4,192,466 thousands (31 December 2016: TL 4,012,784 thousands) compose 1.18% (31 December 2016: 1.29%) of the Bank's total consolidated assets. The non-cash loans of the risk group amounting TL 2,449,432 thousands (31 December 2016: TL 1,125,219 thousands) compose 4.36% (31 December 2016: 2.01%) of the Bank's total consolidated non-cash loans. The deposits of the risk group amounting TL 881,956 thousands (31 December 2016: TL 1,146,479 thousands) compose 0.44% (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: none) 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 97,932 thousands (31 December 2016: TL 65,017 thousands). A total rent income of TL 4,452 thousands (31 December 2016: TL 3,946 thousands) was recognized for the real estates rented to the related parties.

Operating expenses for TL 4,910 thousands as of 31 December 2017 (31 December 2016: TL 6,607 thousands) were incurred for the IT services rendered by the related parties. Other income of TL 4,003 thousands (31 December 2016: TL 2,556 thousands) for the IT services rendered and banking services fee income of TL 24,659 thousands (31 December 2016: TL 1,176 thousands) were recognized from the related parties.

There were no fixed-rate securities brokerage fee (31 December 2016: TL 434 thousands) received from the risk group.

Operating expenses of TL 391 thousands (31 December 2016: TL 4,377 thousands) for advertisement and broadcasting services, of TL 53,736 thousands (31 December 2016: TL 44,246 thousands) for financial leasing services, and of TL 16,288 thousands (31 December 2016: TL 11,727 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 150,727 thousands as of 31 December 2017 (31 December 2016: TL 137,735 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 Garanti Yatırım Menkul Kıymetler AŞ and Garanti Emeklilik ve Hayat AŞ. Accordingly, all the branches of the Bank serve as agencies to sell the insurance products to customers. Agency services for trading of securities on behalf of the Bank's customers are rendered by specialized branches (Investment Centers).

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

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

5.8.1 Domestic and foreign branches and representative offices of parent bank

Parent Bank					
	Number of Branches	Number Of Employees	Country		
Domestic Branches	937	18,750			
Foreign Representative Offices	1	1	1- Germany		
	1	1	2- England		
	1	1	3- China		
				Total Assets	Legal Capital
Foreign Branches	1	14	1- Malta	38,057,395	-
	7	73	2- NCTR	2,391,963	15,520

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

In 2017, two domestic branches were opened and 25 branches were closed. In addition, the banking activities of the Luxembourg branch abroad were ceased.

5.8.3 Information on consolidated financial subsidiaries of parent bank

Garanti Bank International NV					
	Number of Branches	Number Of Employees	Country		
Foreign Representative Offices	1	15	1- Turkey		
	1	-	2- Switzerland		
				Total Assets	Legal Capital
Head office-the Netherlands	1	210	1-The Netherlands	19,300,705	EUR 136,836,000
Foreign Branches	1	21	2- Germany	70,693	-

Garanti Bank SA					
	Number of Branches	Number Of Employees	Country	Total Assets	Legal Capital
Romania Head Office and Branches	78	989	Romania	10,963,206	RON 1,208,086,946

Other consolidated foreign financial subsidiaries

	Number Of Employees	Country	Total Assets	Legal Capital
Garanti Holding BV	-	the Netherlands	1,541,868	EUR 385,388,600
G Netherlands BV	-	the Netherlands	1,564,918	EUR 120,682,821
Motoractive IFN SA	75	Romania	798,100	RON 40,138,655
Ralfi IFN SA	188	Romania	593,204	RON 10,661,500

Consolidated domestic financial subsidiaries

	Number Of Employees	Total Assets	Legal Capital
Garanti Finansal Kiralama AŞ	143	5,440,877	350,000
Garanti Faktoring AŞ	156	3,451,880	79,500
Garanti Emeklilik ve Hayat AŞ	810	2,164,598	50,000
Garanti Yatırım Menkul Kıymetler AŞ	341	170,260	8,328
Garanti Portföy Yönetimi AŞ	44	80,928	25,000
Garanti Yatırım Ortaklığı AŞ	8	36,730	32,000

5.9 Matters arising subsequent to the balance sheet date

At the board of directors meeting held on 31 January 2018, the Bank decided to distribute TL 1,750,000 thousands of the net profit of the year 2017 as dividend to its shareholders at the annual general assembly for the approval of shareholders.

6 Other Disclosures on Activities

6.1 Information on international risk ratings

6.1.1 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

6.1.2 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.

6.1.3 International risk ratings of Garanti Faktoring, a consolidated affiliate

FITCH RATINGS (June 2017) (*)

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

(*) Latest date in risk ratings or outlooks.

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

FITCH RATINGS (June 2017) (*)

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

(*) Latest date in risk ratings or outlooks.

STANDARD AND POORS (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.

6.1.5 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.

6.2 Dividends

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)

6.3 Other disclosures

None.

7 Independent Auditors' Report

7.1 Disclosure on independent auditors' report

The consolidated financial statements of the Bank and its financial affiliates as of 31 December 2017, have been audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member of KPMG International Cooperative) and the independent auditors' report dated 31 January 2018, is presented before the accompanying consolidated financial statements.

7.2 Disclosures and footnotes prepared by independent auditors

None.