

*(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 Three-Month Period Ended

31 March 2017

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

**With Independent Accountants'
Limited Review Report Thereon**

**Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik AŞ
26 April 2017**

*This report contains "Independent Accountants'
Limited Review Report" comprising 2 pages and;
"Consolidated Financial Statements and Related
Disclosures and Footnotes" comprising 119 pages.*



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

Independent Auditors' Report on Review of Consolidated Interim Financial Information

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

Introduction

We have reviewed the accompanying consolidated statement of financial position of Türkiye Garanti Bankası A.Ş. ("the Bank") and its consolidated financial subsidiaries (together "the Group") as at 31 March 2017 and the related consolidated statement of income, consolidated statement of income and expense items under shareholders' equity, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the three month period then ended and notes, comprising a summary of significant accounting policies and other explanatory information. The Bank Management is responsible for the preparation and fair presentation of these consolidated interim financial information in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and the requirements of Turkish Accounting Standard 34 "Interim Financial Reporting" principles for those matters not regulated by the aforementioned legislations. Our responsibility is to express a conclusion on these consolidated interim financial information based on our review.

Scope of Review

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



Basis for Qualified Conclusion

The accompanying consolidated interim financial information as at 31 March 2017 include a general provision of total TL 500,000 thousands, of which TL 200,000 thousands had been recognized as expense in the current period, and TL 300,000 thousands had been recognized as expense in prior periods, which is provided by the Bank management for the possible effects of the negative circumstances which may arise in economy or market conditions.

Qualified Conclusion

Based on our review, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information do not present fairly, in all material respects, the consolidated financial position of Türkiye Garanti Bankası AŞ and its financial subsidiaries as at 31 March 2017, and its consolidated financial performance and its consolidated cash flows for the three month period then ended in accordance with the BRSA Accounting and Reporting Legislation.

Other Matter

The consolidated financial statements of the Bank as at and for the year ended 31 December 2016 and as at and for the three-month period ended 31 March 2016 were audited and reviewed by another auditor who expressed a qualified opinion and a qualified conclusion due to the general reserve provisions provided by the Bank on 30 January 2017 and 27 April 2016 respectively.

Report on Other Legal and Regulatory Requirements

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

Additional paragraph for convenience translation to English:

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

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of KPMG International Cooperative



Murat Aisan
Partner, SMMM

26 April 2017
İstanbul, Turkey

**TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ
AND ITS FINANCIAL AFFILIATES
CONSOLIDATED INTERIM FINANCIAL REPORT AS OF AND
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017**

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The consolidated interim financial report for the three-month period ended 31 March 2017 prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

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

Affiliates

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

Special Purpose Entities

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

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

Ferit F. Şahenk
Board of Directors Chairman

Ali Fuat Erbil
General Manager

Aydın Güler
Executive Vice President
Responsible of Financial Reporting

Aylin Aktürk
Coordinator

Javier Bernal Dionis
Audit Committee Member

**Jorge Saenz - Azcunaga
Carranza**
Audit Committee Member

The authorized contact person for questions on this financial report:

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

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

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

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

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

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

BBVA Group

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

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

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

Doğuş Group

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

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

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

Board of Directors Chairman and Members:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Ferit Faik Şahenk	Chairman	18.04.2001	University	27 years
Süleyman Sözen	Vice Chairman	08.07.2003	University	35 years
Dr. Muammer Cüneyt Sezgin	Member	30.06.2004	PhD	29 years
Jorge Saenz Azcunaga Carranza	Independent Member of BOD and Audit Committee	31.03.2016	University	23 years
Jaime Saenz de Tejada Pulido	Member	02.10.2014	University	24 years
Maria Isabel Goiri Lartitegui	Member	27.07.2015	Master	27 years
Javier Bernal Dionis	Independent Member of BOD and Audit Committee	27.07.2015	Master	27 years
Inigo Echebarria Garate	Member	31.03.2016	Master	34 years
Belkis Sema Yurdum	Independent Member	30.04.2013	University	37 years
Sait Ergun Özen	Member	14.05.2003	University	30 years
Ali Fuat Erbil	Member and CEO	02.09.2015	PhD	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
Mahmut Akten	EVP-Retail Banking	17.01.2017	Master	17 years
Cemal Onaran	EVP-SME Banking	17.01.2017	University	26 years
Halil Hüsnu Erel	EVP-Technology, Operation Center, Marketing and Business Development	16.06.1997	University	42 years
Recep Baştuğ	EVP-Commercial Banking	01.01.2013	University	27 years
Avni Aydın Düren	EVP-Legal Services	01.02.2009	Master	23 years
Betül Ebru Edin	EVP-Project Finance	25.11.2009	University	23 years
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
Didem Başer	EVP-Digital Banking	20.03.2012	Master	22 years

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

1.4 Information on parent bank’s qualified shareholders

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

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

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

1.5 Summary information on parent bank’s activities and services

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

- All banking operations,
- Participating in, establishing, and trading the shares of enterprises at various sectors within the limits setforth by the Banking Law;
- Providing attorneyship, insurance agency, brokerage and freight services in relation with banking activities,

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

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

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

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

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

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

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

None.

2 Consolidated Financial Statements

(Convenience Translation of Financial Statements Originally Issued in Turkish)

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

ASSETS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD			PRIOR PERIOD		
			31 March 2017			31 December 2016		
			TL	FC	Total	TL	FC	Total
I.	CASH AND BALANCES WITH CENTRAL BANK	5.1.1	3,418,955	27,821,076	31,240,031	6,723,712	17,227,762	23,951,474
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	5.1.2	2,484,305	771,557	3,255,862	2,801,058	1,004,483	3,805,541
2.1	Financial assets held for trading		2,484,305	771,557	3,255,862	2,801,058	1,004,483	3,805,541
2.1.1	Government securities		262,561	60,430	322,991	73,157	29,492	102,649
2.1.2	Equity securities		72,175	-	72,175	60,379	-	60,379
2.1.3	Derivative financial assets held for trading		2,137,422	703,722	2,841,144	2,661,587	952,126	3,613,713
2.1.4	Other securities		12,147	7,405	19,552	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	954,783	14,810,866	15,765,649	1,214,509	15,666,535	16,881,044
IV.	INTERBANK MONEY MARKETS		4,721	174,044	178,765	22,180	351,691	373,871
4.1	Interbank money market placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market placements		-	174,044	174,044	-	351,691	351,691
4.3	Receivables from reverse repurchase agreements		4,721	-	4,721	22,180	-	22,180
V.	FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	5.1.4	19,807,361	4,589,878	24,397,239	18,497,281	5,486,167	23,983,448
5.1	Equity securities		40,490	198,816	239,306	40,985	177,828	218,813
5.2	Government securities		18,982,957	718,615	19,701,572	17,669,410	722,603	18,392,013
5.3	Other securities		783,914	3,672,447	4,456,361	786,886	4,585,736	5,372,622
VI.	LOANS	5.1.5	129,053,401	83,315,437	212,368,838	119,985,680	81,423,416	201,409,096
6.1	Loans		127,991,157	82,976,656	210,967,813	118,980,397	81,095,327	200,075,724
6.1.1	Loans to bank's risk group	5.7	397,019	1,991,663	2,388,682	402,351	1,814,479	2,216,830
6.1.2	Government securities		-	-	-	-	-	-
6.1.3	Other		127,594,138	80,984,993	208,579,131	118,578,046	79,280,848	197,858,894
6.2	Loans under follow-up		5,368,437	887,840	6,256,277	5,272,774	851,687	6,124,461
6.3	Specific provisions (-)		4,306,193	549,059	4,855,252	4,267,491	523,598	4,791,089
VII.	FACTORING RECEIVABLES	5.1.6	1,562,581	1,031,189	2,593,770	1,912,128	939,095	2,851,223
VIII.	INVESTMENTS HELD-TO-MATURITY (Net)	5.1.7	11,861,901	11,246,693	23,108,594	12,139,123	10,970,573	23,109,696
8.1	Government securities		11,854,961	7,074,916	18,929,877	12,122,339	6,986,465	19,108,804
8.2	Other securities		6,940	4,171,777	4,178,717	16,784	3,984,108	4,000,892
IX.	INVESTMENTS IN ASSOCIATES (Net)	5.1.8	37,258	3	37,261	37,258	3	37,261
9.1	Associates consolidated under equity accounting		-	-	-	-	-	-
9.2	Unconsolidated associates		37,258	3	37,261	37,258	3	37,261
9.2.1	Financial investments in associates		33,329	-	33,329	33,329	-	33,329
9.2.2	Non-financial investments in associates		3,929	3	3,932	3,929	3	3,932
X.	INVESTMENTS IN SUBSIDIARIES (Net)	5.1.9	114,236	1,776	116,012	114,236	1,622	115,858
10.1	Unconsolidated financial investments in affiliates		-	-	-	-	-	-
10.2	Unconsolidated non-financial investments in affiliates		114,236	1,776	116,012	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	1,415,123	4,320,654	5,735,777	1,399,086	4,395,174	5,794,260
12.1	Financial lease receivables		1,671,193	4,767,736	6,438,929	1,655,755	4,843,852	6,499,607
12.2	Operational lease receivables		-	-	-	-	-	-
12.3	Others		-	-	-	-	-	-
12.4	Unearned income (-)		256,070	447,082	703,152	256,669	448,678	705,347
XIII.	DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT	5.1.12	89,130	571,774	660,904	79,472	586,823	666,295
13.1	Fair value hedges		84,424	16,957	101,381	73,946	11,534	85,480
13.2	Cash flow hedges		4,706	554,817	559,523	5,526	575,289	580,815
13.3	Net foreign investment hedges		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)	5.1.13	3,525,178	153,621	3,678,799	3,533,533	147,088	3,680,621
XV.	INTANGIBLE ASSETS (Net)	5.1.14	303,382	32,871	336,253	296,078	31,575	327,653
15.1	Goodwill		6,388	-	6,388	6,388	-	6,388
15.2	Other intangibles		296,994	32,871	329,865	289,690	31,575	321,265
XVI.	INVESTMENT PROPERTY (Net)	5.1.15	543,878	-	543,878	543,825	-	543,825
XVII.	TAX ASSET		266,866	45,916	312,782	199,330	61,348	260,678
17.1	Current tax asset		-	17,811	17,811	679	26,657	27,336
17.2	Deferred tax asset	5.1.16	266,866	28,105	294,971	198,651	34,691	233,342
XVIII.	ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	5.1.17	713,518	19,531	733,049	591,738	13,277	605,015
18.1	Asset held for resale		713,518	19,531	733,049	591,738	13,277	605,015
18.2	Assets of discontinued operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	5.1.18	3,189,053	439,266	3,628,319	3,015,207	709,873	3,725,080
TOTAL ASSETS			179,345,630	149,346,152	328,691,782	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 March 2017

LIABILITIES AND SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD			PRIOR PERIOD		
		31 March 2017			31 December 2016		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	5.2.1	75,249,640	109,944,001	185,193,641	76,025,777	102,664,036	178,689,813
1.1 Deposits from bank's risk group	5.7	614,587	1,115,544	1,730,131	675,720	470,759	1,146,479
1.2 Other		74,635,053	108,828,457	183,463,510	75,350,057	102,193,277	177,543,334
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	5.2.2	2,061,793	683,403	2,745,196	2,639,416	1,074,569	3,713,985
III. FUNDS BORROWED	5.2.3	2,065,136	45,356,082	47,421,218	3,127,679	43,454,174	46,581,853
IV. INTERBANK MONEY MARKETS		14,941,546	782,260	15,723,806	10,704,025	526,168	11,230,193
4.1 Interbank money market takings		7,251,279	91	7,251,370	2,501,180	87	2,501,267
4.2 Istanbul Stock Exchange money market takings		970,980	-	970,980	915,105	-	915,105
4.3 Obligations under repurchase agreements	5.2.4	6,719,287	782,169	7,501,456	7,287,740	526,081	7,813,821
V. SECURITIES ISSUED (Net)	5.2.4	6,137,464	14,208,600	20,346,064	5,871,646	11,874,002	17,745,648
5.1 Bills		2,835,583	-	2,835,583	2,240,063	-	2,240,063
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		3,301,881	14,208,600	17,510,481	3,631,583	11,874,002	15,505,585
VI. FUNDS		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. MISCELLANEOUS PAYABLES	5.2.4	9,674,433	968,164	10,642,597	8,260,088	1,079,660	9,339,748
VIII. OTHER EXTERNAL FUNDINGS PAYABLE		2,518,085	886,953	3,405,038	2,204,123	966,216	3,170,339
IX. FACTORING PAYABLES	5.2.5	-	-	-	-	-	-
X. LEASE PAYABLES (Net)	5.2.6	-	-	-	-	-	-
10.1 Financial lease payables		-	-	-	-	-	-
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	5.2.7	3,930	251,244	255,174	26,671	316,643	343,314
11.1 Fair value hedges		3,930	210,572	214,502	26,671	250,273	276,944
11.2 Cash flow hedges		-	40,672	40,672	-	66,370	66,370
11.3 Net foreign investment hedges		-	-	-	-	-	-
XII. PROVISIONS	5.2.8	5,273,661	190,882	5,464,543	4,851,864	181,009	5,032,873
12.1 General provisions		3,234,326	99,321	3,333,647	3,118,954	96,579	3,215,533
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		804,378	21,051	825,429	710,204	20,321	730,525
12.4 Insurance technical provisions (Net)		289,613	37,333	326,946	274,375	32,400	306,775
12.5 Other provisions		945,344	33,177	978,521	748,331	31,709	780,040
XIII. TAX LIABILITY	5.2.9	854,365	8,169	862,534	466,400	11,866	478,266
13.1 Current tax liability		854,345	8,169	862,514	466,400	11,866	478,266
13.2 Deferred tax liability		20	-	20	-	-	-
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	-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	5.2.12	36,257,744	374,227	36,631,971	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		1,830,147	100,705	1,930,852	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		(118,308)	14,932	(103,376)	(484,900)	(58,725)	(543,625)
16.2.4 Revaluation surplus on tangible assets		1,736,869	6,072	1,742,941	1,685,290	5,772	1,691,062
16.2.5 Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6 Revaluation surplus on investment property		-	-	-	-	-	-
16.2.7 Bonus shares of associates, affiliates and joint-ventures		947	-	947	947	-	947
16.2.8 Hedging reserves (effective portion)		(469,022)	79,701	(389,321)	(419,123)	65,447	(353,676)
16.2.9 Revaluation surplus on assets held for sale and assets of discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		667,781	-	667,781	667,781	-	667,781
16.3 Profit reserves		28,434,983	261,689	28,696,672	24,505,679	242,760	24,748,439
16.3.1 Legal reserves		1,347,321	30,957	1,378,278	1,241,962	29,560	1,271,522
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		25,877,419	7,876	25,885,295	22,185,729	6,576	22,192,305
16.3.4 Other profit reserves		1,210,243	222,856	1,433,099	1,077,988	206,624	1,284,612
16.4 Profit or loss		1,511,706	11,833	1,523,539	5,105,291	-	5,105,291
16.4.1 Prior periods profit/loss		-	-	-	-	-	-
16.4.2 Current period net profit/loss		1,511,706	11,833	1,523,539	5,105,291	-	5,105,291
16.5 Minority interest		280,908	-	280,908	267,808	-	267,808
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		155,037,797	173,653,985	328,691,782	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 March 2017

OFF-BALANCE SHEET ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD			PRIOR PERIOD		
		31 March 2017		Total	31 December 2016		Total
TL	FC	TL	FC				
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		165,174,894	282,878,198	448,053,092	162,878,081	280,614,485	443,492,566
I. GUARANTEES AND SURETIES	5.3.1	17,971,998	38,914,957	56,886,955	17,138,984	38,946,496	56,085,480
1.1 Letters of guarantee		17,956,870	21,196,422	39,153,292	17,111,138	20,901,575	38,012,713
1.1.1 Guarantees subject to State Tender Law		-	1,194,551	1,194,551	-	1,029,481	1,029,481
1.1.2 Guarantees given for foreign trade operations		2,208,315	374,205	2,582,520	2,134,070	332,444	2,466,514
1.1.3 Other letters of guarantee		15,748,555	19,627,666	35,376,221	14,977,068	19,539,650	34,516,718
1.2 Bank acceptances		13,173	1,757,472	1,770,645	27,846	2,099,488	2,127,334
1.2.1 Import letter of acceptance		13,173	1,757,472	1,770,645	27,846	2,099,488	2,127,334
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		1,955	15,779,493	15,781,448	-	15,754,367	15,754,367
1.3.1 Documentary letters of credit		-	-	-	-	-	-
1.3.2 Other letters of credit		1,955	15,779,493	15,781,448	-	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		-	181,570	181,570	-	191,066	191,066
1.9 Other sureties		-	-	-	-	-	-
II. COMMITMENTS		41,928,888	11,853,440	53,782,328	39,448,303	10,404,168	49,852,471
2.1 Irrevocable commitments		41,780,936	6,622,526	48,403,462	39,310,120	5,369,433	44,679,553
2.1.1 Asset purchase and sale commitments		1,677,289	5,116,387	6,793,676	204,021	3,752,040	3,956,061
2.1.2 Deposit purchase and sale commitments		-	-	-	-	74,040	74,040
2.1.3 Share capital commitments to associates and affiliates		-	5,526	5,526	-	5,266	5,266
2.1.4 Loan granting commitments		7,435,312	951,535	8,386,847	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		3,716,102	-	3,716,102	3,555,087	-	3,555,087
2.1.8 Tax and fund obligations on export commitments		26,791	-	26,791	24,000	-	24,000
2.1.9 Commitments for credit card limits		28,651,791	421,875	29,073,666	27,849,250	377,443	28,226,693
2.1.10 Commitments for credit cards and banking services related promotions		6,918	-	6,918	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		266,733	127,203	393,936	701,653	122,922	824,575
2.2 Revocable commitments		147,952	5,230,914	5,378,866	138,183	5,034,735	5,172,918
2.2.1 Revocable loan granting commitments		23,695	4,860,819	4,884,514	23,040	4,653,740	4,676,780
2.2.2 Other revocable commitments		124,257	370,095	494,352	115,143	380,995	496,138
III. DERIVATIVE FINANCIAL INSTRUMENTS	5.3.2	105,274,008	232,109,801	337,383,809	106,290,794	231,263,821	337,554,615
3.1 Derivative financial instruments held for risk management		9,982,560	40,147,794	50,130,354	10,145,282	34,208,867	44,354,149
3.1.1 Fair value hedges		7,764,949	14,230,996	21,995,945	7,307,595	14,701,424	22,009,019
3.1.2 Cash flow hedges		2,217,611	25,916,798	28,134,409	2,837,687	19,507,443	22,345,130
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Trading derivatives		95,291,448	191,962,007	287,253,455	96,145,512	197,054,954	293,200,466
3.2.1 Forward foreign currency purchases/sales		13,175,977	20,147,610	33,323,587	11,723,664	16,145,274	27,868,938
3.2.1.1 Forward foreign currency purchases		4,164,994	12,459,480	16,624,474	3,833,951	10,111,495	13,945,446
3.2.1.2 Forward foreign currency sales		9,010,983	7,688,130	16,699,113	7,889,713	6,033,779	13,923,492
3.2.2 Currency and interest rate swaps		69,866,023	136,986,297	206,852,320	62,027,010	133,439,424	195,466,434
3.2.2.1 Currency swaps-purchases		26,596,808	57,289,325	83,886,133	23,993,140	55,350,676	79,343,816
3.2.2.2 Currency swaps-sales		42,784,591	39,072,126	81,856,717	37,539,222	41,571,364	79,110,586
3.2.2.3 Interest rate swaps-purchases		242,312	20,312,423	20,554,735	247,324	18,258,692	18,506,016
3.2.2.4 Interest rate swaps-sales		242,312	20,312,423	20,554,735	247,324	18,258,692	18,506,016
3.2.3 Currency, interest rate and security options		12,089,958	24,053,342	36,143,300	22,338,459	38,228,684	60,567,143
3.2.3.1 Currency call options		6,169,144	8,003,668	14,172,812	9,793,681	16,465,095	26,258,776
3.2.3.2 Currency put options		5,867,693	9,015,504	14,883,197	12,487,141	14,903,735	27,390,876
3.2.3.3 Interest rate call options		-	6,133,780	6,133,780	-	5,927,914	5,927,914
3.2.3.4 Interest rate put options		-	872,400	872,400	-	843,120	843,120
3.2.3.5 Security call options		17,126	13,995	31,121	10,871	44,410	55,281
3.2.3.6 Security put options		35,995	13,995	49,990	46,766	44,410	91,176
3.2.4 Currency futures		101,703	105,552	207,255	37,173	144,751	181,924
3.2.4.1 Currency futures-purchases		14,778	81,225	96,003	14,586	80,808	95,394
3.2.4.2 Currency futures-sales		86,925	24,327	111,252	22,587	63,943	86,530
3.2.5 Interest rate futures		-	51,390	51,390	-	100,121	100,121
3.2.5.1 Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sales		-	51,390	51,390	-	100,121	100,121
3.2.6 Others		57,787	10,617,816	10,675,603	19,206	8,996,700	9,015,906
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		655,247,088	560,031,319	1,215,278,407	631,736,919	528,278,312	1,160,015,231
IV. ITEMS HELD IN CUSTODY		48,889,094	44,190,544	93,079,638	48,564,102	41,691,499	90,255,601
4.1 Customers' securities held		14,668,427	-	14,668,427	15,065,124	-	15,065,124
4.2 Investment securities held in custody		17,046,988	17,536,890	34,583,878	16,489,131	17,080,586	33,569,717
4.3 Checks received for collection		14,252,817	3,292,536	17,545,353	14,117,779	3,153,993	17,271,772
4.4 Commercial notes received for collection		2,628,438	1,118,819	3,747,257	2,551,368	1,165,068	3,716,436
4.5 Other assets received for collection		83,019	18,358,432	18,441,451	78,792	16,103,427	16,182,219
4.6 Assets received through public offering		-	88,396	88,396	-	85,344	85,344
4.7 Other items under custody		209,405	3,795,471	4,004,876	261,908	4,103,081	4,364,989
4.8 Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		606,357,994	515,840,775	1,122,198,769	583,172,817	486,586,813	1,069,759,630
5.1 Securities		4,165,679	297,048	4,462,727	4,588,155	315,976	4,904,131
5.2 Guarantee notes		37,490,102	15,611,164	53,101,266	37,868,541	14,996,659	52,865,200
5.3 Commodities		11,393	-	11,393	-	19,841	19,841
5.4 Warranties		-	220,556	220,556	-	206,513	206,513
5.5 Real estates		147,634,321	102,656,114	250,290,435	140,621,890	92,300,194	232,922,084
5.6 Other pledged items		417,056,499	397,055,837	814,112,336	400,074,220	378,767,417	778,841,637
5.7 Pledged items-depository		-	56	56	170	54	224
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		820,421,982	842,909,517	1,663,331,499	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 March 2017

INCOME AND EXPENSE ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD 1 January 2017- 31 March 2017	PRIOR PERIOD 1 January 2016- 31 March 2016
I. INTEREST INCOME	5.4.1	6,232,114	5,321,936
1.1 Interest income on loans		4,961,102	4,051,964
1.2 Interest income on reserve deposits		54,635	42,886
1.3 Interest income on banks		59,287	41,403
1.4 Interest income on money market transactions		3,189	986
1.5 Interest income on securities portfolio		918,540	965,262
1.5.1 Trading financial assets		4,972	6,117
1.5.2 Financial assets valued at fair value through profit or loss		-	-
1.5.3 Financial assets available-for-sale		476,926	543,419
1.5.4 Investments held-to-maturity		436,642	415,726
1.6 Financial lease income		111,131	106,558
1.7 Other interest income		124,230	112,877
II. INTEREST EXPENSE	5.4.2	2,760,612	2,556,201
2.1 Interest on deposits		1,800,115	1,732,879
2.2 Interest on funds borrowed		333,512	282,154
2.3 Interest on money market transactions		296,615	272,450
2.4 Interest on securities issued		316,522	254,144
2.5 Other interest expenses		13,848	14,574
III. NET INTEREST INCOME (I - II)		3,471,502	2,765,735
IV. NET FEES AND COMMISSIONS INCOME		921,039	821,616
4.1 Fees and commissions received		1,199,856	1,062,538
4.1.1 Non-cash loans		98,486	80,421
4.1.2 Others		1,101,370	982,117
4.2 Fees and commissions paid		278,817	240,922
4.2.1 Non-cash loans		1,336	743
4.2.2 Others		277,481	240,179
V. DIVIDEND INCOME	5.4.3	112	101
VI. NET TRADING INCOME/LOSSES (Net)	5.4.4	(266,772)	(251,246)
6.1 Trading account income/losses (Net)		(231,867)	34,892
6.2 Income/losses from derivative financial instruments (Net)		(171,501)	(392,331)
6.3 Foreign exchange gains/losses (Net)		136,596	106,193
VII. OTHER OPERATING INCOME	5.4.5	625,352	505,382
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		4,751,233	3,841,588
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	5.4.6	842,407	814,783
X. OTHER OPERATING EXPENSES (-)	5.4.7	1,913,177	1,689,011
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		1,995,649	1,337,794
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	1,995,649	1,337,794
XVI. PROVISION FOR TAXES (±)	5.4.9	459,013	280,661
16.1 Current tax charge		615,148	378,639
16.2 Deferred tax charge/(credit)		(156,135)	(97,978)
XVII. NET OPERATING PROFIT/LOSS AFTER TAXES (XV±XVI)	5.4.10	1,536,636	1,057,133
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	1,536,636	1,057,133
23.1 Equity holders of the bank		1,523,539	1,046,345
23.2 Minority interest		13,097	10,788
Earnings per Share		0.363	0.249

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 March 2017

INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY	THOUSANDS OF TURKISH LIRA (TL)	
	CURRENT PERIOD 1 January 2017 - 31 March 2017	PRIOR PERIOD 1 January 2016 - 31 March 2016
I. MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"	544,315	283,008
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	-	289
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	144,759	40,523
V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)	16,179	(97,026)
VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	(60,658)	(12,495)
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS	-	-
VIII. OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	-	-
IX. DEFERRED TAXES ON VALUE INCREASES/DECREASES	(95,167)	(32,594)
X. NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+III+IV+V+VI+VII+VIII+IX)	549,428	181,705
XI. CURRENT PERIOD PROFIT/LOSSES	1,536,636	1,057,133
1.1 Net changes in fair value of securities (transferred to income statement)	11,045	450
1.2 Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement	(27,966)	(36,676)
1.3 Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-	-
1.4 Others	1,553,557	1,093,359
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)	2,086,064	1,238,838

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

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

		THOUSANDS OF TURKISH LIRA (TL)																		
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY		Footnotes	Paid-In Capital	Inflation Adjustment to Paid-In Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Profit/(Loss)	Securities Value Increase Fund	Revaluation Surplus on Tangible and Intangible Assets	Bonus Shares of Equity Participations	Hedging Reserves	Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity
PRIOR PERIOD - 1 January-31 March 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																				
IV.	Mergers	5.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Market value changes of securities		-	-	-	-	-	-	-	-	-	-	228,575	-	-	-	-	228,575	(7)	228,568
VI.	Hedging reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	(87,617)	-	(87,617)	-	(87,617)
6.1.	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(77,621)	-	(77,621)	-	(77,621)
6.2.	Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	(9,996)	-	(9,996)	-	(9,996)
VII.	Revaluation surplus on tangible assets		-	-	-	-	-	-	5,132	-	-	-	-	(4,901)	-	-	-	231	-	231
VIII.	Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares of associates, affiliates and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Translation differences		-	-	-	-	599	-	(159)	40,080	-	-	-	-	-	3	-	40,523	-	40,523
XI.	Changes resulted from disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes resulted from reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1.	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2.	Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Others		-	-	-	-	-	-	-	766	-	-	-	(766)	-	-	-	-	-	-
XIX.	Current period net profit/loss		-	-	-	-	-	-	-	-	1,046,345	-	-	-	-	-	-	1,046,345	10,788	1,057,133
XX.	Profit distribution		-	-	-	-	36,711	-	2,972,467	805	-	(3,580,901)	-	3,918	-	-	-	(567,000)	-	(567,000)
20.1.	Dividends		-	-	-	-	-	-	-	-	-	(567,000)	-	-	-	-	-	(567,000)	-	(567,000)
20.2.	Transfers to reserves		-	-	-	-	36,711	-	2,972,467	-	-	(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	-	1,263,938	-	22,146,371	792,828	1,046,345	-	(55,067)	1,764,134	947	(305,734)	-	31,638,196	237,398	31,875,594
CURRENT PERIOD - 1 January-31 March 2017																				
I.	Balances at beginning of the period	5.5	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																				
II.	Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Market value changes of securities		-	-	-	-	-	-	-	-	-	-	440,249	-	-	-	-	440,249	3	440,252
4.1.	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(35,583)	-	(35,583)	-	(35,583)
4.2.	Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	12,943	-	12,943	-	12,943
V.	Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	(48,526)	-	(48,526)	-	(48,526)
VI.	Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares of associates, affiliates and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Translation differences		-	-	-	-	1,396	-	376	142,749	-	-	-	300	-	(62)	-	144,759	-	144,759
IX.	Changes resulted from disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes resulted from reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1.	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2.	Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Others		-	-	-	-	-	-	170,294	-	-	-	-	(170,294)	-	-	-	-	-	-
XVII.	Current period net profit/loss		-	-	-	-	-	-	-	-	1,523,539	-	-	-	-	-	-	1,523,539	13,097	1,536,636
XVIII.	Profit distribution		-	-	-	-	105,360	-	3,522,320	5,738	-	(5,105,291)	-	221,873	-	-	-	(1,250,000)	-	(1,250,000)
18.1.	Dividends		-	-	-	-	-	-	-	-	-	(1,250,000)	-	-	-	-	-	(1,250,000)	-	(1,250,000)
18.2.	Transfers to reserves		-	-	-	-	105,360	-	3,522,320	-	-	(3,627,680)	-	-	-	-	-	-	-	-
18.3.	Others		-	-	-	-	-	-	-	5,738	-	(227,611)	-	221,873	-	-	-	-	-	-
Balances at end of the period (I+II+III+.....+XVI+XVII+XVIII)			4,200,000	772,554	11,880	-	1,378,278	-	25,885,295	1,328,326	1,523,539	-	(103,376)	1,742,941	947	(389,321)	-	36,351,063	280,908	36,631,971

(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 March 2017

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		1 January 2017 31 March 2017	1 January 2016 31 March 2016
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities	5.6	2,545,347	2,031,976
1.1.1 Interests received		5,798,494	4,860,679
1.1.2 Interests paid		(2,432,932)	(2,558,912)
1.1.3 Dividend received		108	101
1.1.4 Fees and commissions received		1,199,856	1,062,538
1.1.5 Other income		384,583	532,928
1.1.6 Collections from previously written-off loans and other receivables		50,764	49,381
1.1.7 Payments to personnel and service suppliers		(1,537,228)	(1,335,867)
1.1.8 Taxes paid		(275,477)	(476,499)
1.1.9 Others		(642,821)	(102,373)
1.2 Changes in operating assets and liabilities	5.6	(3,118,896)	3,623,472
1.2.1 Net (increase) decrease in financial assets held for trading		(235,455)	(55,186)
1.2.2 Net (increase) decrease in financial assets valued at fair value through profit or loss		-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		(5,112,351)	2,885,925
1.2.4 Net (increase) decrease in loans		(11,254,096)	(6,293,977)
1.2.5 Net (increase) decrease in other assets		414,208	(566,891)
1.2.6 Net increase (decrease) in bank deposits		586,205	(247,870)
1.2.7 Net increase (decrease) in other deposits		5,937,432	8,679,366
1.2.8 Net increase (decrease) in funds borrowed		5,049,217	(1,672,596)
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		1,495,944	894,701
I. Net cash flow from banking operations	5.6	(573,549)	5,655,448
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash flow from investing activities	5.6	124,192	1,101,370
2.1 Cash paid for purchase of associates, affiliates and joint-ventures		-	-
2.2 Cash obtained from sale of associates, affiliates and joint-ventures		-	-
2.3 Purchases of tangible assets		(119,256)	(119,355)
2.4 Sales of tangible assets		18,320	37,861
2.5 Cash paid for purchase of financial assets available-for-sale, net		(1,717,814)	(1,058,388)
2.6 Cash obtained from sale of financial assets available-for-sale, net		1,814,279	1,519,344
2.7 Cash paid for purchase of investments held-to-maturity		(139,349)	(114,463)
2.8 Cash obtained from sale of investments held-to-maturity		268,012	836,371
2.9 Others		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		1,268,256	756,490
3.1 Cash obtained from funds borrowed and securities issued		4,317,715	2,530,781
3.2 Cash used for repayment of funds borrowed and securities issued		(1,799,459)	(1,774,291)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		(1,250,000)	-
3.5 Payments for financial leases		-	-
3.6 Others		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		39,433	(304,132)
V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)	5.6	858,332	7,209,176
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	16,550,474	18,949,758

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

3 Accounting Policies

3.1 Basis of presentation

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

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

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

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

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

3.2 Strategy for use of financial instruments and foreign currency transactions

3.2.1 Strategy for use of financial instruments

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

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

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

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

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

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

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

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

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

3.2.2 Foreign currency transactions

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

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

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

3.3 Information on consolidated affiliates

As of 31 March 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 Doğuş Holding AŞ in May 2010. As of 27 January 2011 the consolidated affiliate's legal named changed to Garanti Holding BV from D Netherlands BV.

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

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

3.4 Forwards, options and other derivative transactions

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

3.4.1 Derivative financial instruments held for trading

The derivative transactions mainly consist of foreign currency and interest rate swaps, foreign currency options and forward foreign currency purchase/sale contracts. There are no embedded derivatives.

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

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

3.4.2 Derivative financial instruments held for risk management

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

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

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

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

3.5 Interest income and expenses

General

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

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

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

Financial lease operations

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

3.6 Fees and commissions

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

3.7 Financial assets

3.7.1 Financial assets at fair value through profit or loss

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

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

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

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

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

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

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

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

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

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

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

Loans and receivables are financial assets raised through providing money, commodity and services to debtors.

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

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

3.8 Impairment of financial assets

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

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

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

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

3.9 Netting and derecognition of financial instruments

3.9.1 Netting of financial instruments

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

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

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

3.9.2 Derecognition of financial assets

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

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

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

3.10 Repurchase and resale agreements and securities lending

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

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

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

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

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

3.12 Goodwill and other intangible assets

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

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

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

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

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

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

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

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

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

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

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

3.13 Tangible assets

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

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

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

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

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

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

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

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

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

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

Investment properties

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

Investment properties accounted at fair value are not depreciated.

3.14 Leasing activities

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

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

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

3.15 Provisions and contingent liabilities

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

3.16 Contingent assets

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

3.17 Liabilities for employee benefits

Severance indemnities and short-term employee benefits

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

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

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

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

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

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

Retirement benefit obligations

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

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

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

	31 March 2017	
	Employer	Employee
Pension contributions	15.5%	10.0%
Medical benefit contributions	6.0%	5.0%

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

a) Benefits transferable to SSF

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

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

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

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

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

b) Other benefits not transferable to SSF

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

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

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

3.18 Taxation

3.18.1 Corporate tax

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

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

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

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

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

Tax applications for foreign branches

NORTHERN CYPRUS

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

MALTA

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

LUXEMBOURG

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

Tax applications for foreign financial affiliates

THE NETHERLANDS

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

ROMANIA

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

3.18.2 Deferred taxes

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

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

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

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

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

3.18.3 Transfer pricing

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

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

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

3.19 Funds borrowed

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

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

3.20 Shares and share issuances

None.

3.21 Confirmed bills of exchange and acceptances

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

3.22 Government incentives

As of 31 March 2017, the Bank or its financial affiliates do not have any government incentives or grants.

3.23 Segment reporting

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

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

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

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

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

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

<i>Current Period</i>	Retail Banking	Corporate / Commercial Banking	Investment Banking	Other	Total Operations
Total Operating Profit	1,869,181	1,684,093	53,777	1,144,070	4,751,121
Other	-	-	-	-	-
Total Operating Profit	1,869,181	1,684,093	53,777	1,144,070	4,751,121
Net Operating Profit	709,252	879,461	3,681	403,143	1,995,537
Income from Associates and Affiliates	-	-	-	112	112
Net Operating Profit	709,252	879,461	3,681	403,255	1,995,649
Provision for Taxes	-	-	-	459,013	459,013
Net Profit	709,252	879,461	3,681	(55,758)	1,536,636
Segment Assets	62,871,961	149,804,433	87,439,516	28,422,599	328,538,509
Investments in Associates and Affiliates	-	-	-	153,273	153,273
Total Assets	62,871,961	149,804,433	87,439,516	28,575,872	328,691,782
Segment Liabilities	120,442,017	69,085,733	81,429,267	21,102,794	292,059,811
Shareholders' Equity	-	-	-	36,631,971	36,631,971
Total Liabilities and Shareholders' Equity	120,442,017	69,085,733	81,429,267	57,734,765	328,691,782

<i>Prior Period</i>	Retail Banking	Corporate / Commercial Banking	Investment Banking	Other	Total Operations
Total Operating Profit	1,419,893	1,264,726	68,882	1,087,986	3,841,487
Other	-	-	-	-	-
Total Operating Profit	1,419,893	1,264,726	68,882	1,087,986	3,841,487
Net Operating Profit	215,869	372,734	5,804	743,286	1,337,693
Income from Associates and Affiliates	-	-	-	101	101
Net Operating Profit	215,869	372,734	5,804	743,387	1,337,794
Provision for Taxes	-	-	-	280,661	280,661
Net Profit	215,869	372,734	5,804	462,726	1,057,133
Segment Assets	61,499,413	140,924,123	80,712,705	28,832,579	311,968,820
Investments in Associates and Affiliates	-	-	-	153,119	153,119
Total Assets	61,499,413	140,924,123	80,712,705	28,985,698	312,121,939
Segment Liabilities	116,243,213	67,671,139	74,092,285	18,319,395	276,326,032
Shareholders' Equity	-	-	-	35,795,907	35,795,907
Total Liabilities and Shareholders' Equity	116,243,213	67,671,139	74,092,285	54,115,302	312,121,939

3.24 Other disclosures

None.

4 Consolidated Financial Position and Results of Operations and Risk Management

4.1 Consolidated total capital

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

4.1.1 Components of consolidated total capital

<i>Current Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	27,514,275	
Other Comprehensive Income according to TAS	3,338,800	
Profit	1,525,502	
Current Period Profit	1,525,502	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	947	
Minority Interest	52,536	
Common Equity Tier I Capital Before Deductions	37,416,494	
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 (-)	1,086,360	-
Leasehold Improvements on Operational Leases (-)	111,153	-
Goodwill Netted with Deferred Tax Liabilities	5,111	6,388
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	215,543	269,106
Net Deferred Tax Asset/Liability (-)	9,694	12,117
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 (-)	1,923	-
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 (-)	-	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
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	1,429,784	-
Total Common Equity Tier I Capital	35,986,710	-
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 (-)	55,164	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	2,423	-
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)	35,929,123	-
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)	2,993,201	-
Total Deductions from Tier II Capital	2,993,201	-
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	2,993,201	
Total Equity (Total Tier I and Tier II Capital)	38,922,324	
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	96	
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 (-)	68,945	
Other items to be Defined by the BRSA (-)	42,479	
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)	38,810,804	-
Total Risk Weighted Assets	270,220,368	-
CAPITAL ADEQUACY RATIOS		
Consolidated CET1 Capital Ratio (%)	13.32	-
Consolidated Tier I Capital Ratio (%)	13.30	-
Consolidated Capital Adequacy Ratio (%)	14.36	-
BUFFERS		
Bank-specific total CET1 Capital Ratio (%)	6.808	-
Capital Conservation Buffer Ratio (%)	1.250	-
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	1.058	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	6.363	-
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	-	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
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 (**)	1,190,154	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	302,005	-
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)	3,333,647	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2,993,201	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

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

(**) 250% risk weight is applied to TL 1,190,154 thousands according to Regulation on “Capital Adequacy Ratio” Annex-1 Paragraph 73, which is not deducted from Common Equity Tier 1 Capital.

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

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

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014^(*)</i>
Total Equity (Total Tier I and Tier II Capital)	38,010,161	
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	31	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	56,325	
Other items to be Defined by the BRSA (-)	36,994	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) during the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	37,916,811	-
Total Risk Weighted Assets	258,425,540	-
CAPITAL ADEQUACY RATIOS		
Consolidated CET1 Capital Ratio (%)	13.63	-
Consolidated Tier I Capital Ratio (%)	13.59	-
Consolidated Capital Adequacy Ratio (%)	14.67	-
BUFFERS		
Bank-specific total CET1 Capital Ratio (%)	5.658	-
Capital Conservation Buffer Ratio (%)	0.625	-
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.533	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	6.672	-
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
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

None.

4.1.3 Reconciliation of capital items to balance sheet

<i>Current Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the capital report (*)</i>	<i>Explanation of the differences</i>
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	1,930,852	(891,356)	1,039,496	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Other Comprehensive Income According to TAS	1,918,025	(891,356)	1,026,669	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Securities Value Increase Fund	(103,376)	8,874	(94,502)	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Revaluation Surplus on Tangible Assets	1,742,941	(36,807)	1,706,134	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)	(389,321)	(90,985)	(480,306)	Items not included in the calculation as per Regulation's Article 9-1-f
Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	-	-	-	
Other Capital Reserves	667,781	(772,438)	(104,657)	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*); and Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Affiliates and Joint-Ventures	947	-	947	
Share Premium	11,880	-	11,880	
Profit Reserves	28,696,672	43,374	28,740,046	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Profit or Loss	1,523,539	1,963	1,525,502	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Prior Periods Profit/Loss	-	-	-	
Current Period Net Profit/Loss	1,523,539	1,963	1,525,502	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Minority Interest	280,908	(228,372)	52,536	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Deductions from Common Equity Tier I Capital (-)	-		343,424	Deductions from Common Equity Tier 1 Capital as per the Regulation
<i>Common Equity Tier I Capital</i>	36,631,971		35,986,710	

<i>Current Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the capital report (*)</i>	<i>Explanation of the differences</i>
Subordinated Debts			-	
Deductions from Tier I Capital (-)			57,587	Deductions from Tier I Capital as per the Regulation
<i>Tier I Capital</i>			35,929,123	
Subordinated Debts			-	
General Provisions			2,993,201	General Loan Provision added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
<i>Tier II Capital</i>			2,993,201	
Deductions from Total Capital (-)			111,520	Deductions from Capital as per the Regulation
<i>Total</i>			38,810,804	

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

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

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

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

4.2 Consolidated credit risk

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

4.3 Consolidated currency risk

Foreign currency open position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 31 March 2017, the Bank and its financial affiliates' net 'on balance sheet' foreign currency short position amounts to TL 17,857,274 thousands (31 December 2016: TL 16,885,902 thousands), net 'off-balance sheet' foreign currency long position amounts to TL 20,909,271 thousands (31 December 2016: TL 18,057,131 thousands), while net foreign currency long open position amounts to TL 3,051,997 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:	3.6350	3.8849
<u>Foreign currency rates for the days before balance sheet date:</u>		
Day 1	3.6250	3.8902
Day 2	3.6430	3.9188
Day 3	3.6150	3.9288
Day 4	3.6100	3.9288
Day 5	3.6100	3.8979
Last 30-days arithmetical average rate	3.6632	3.9147

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	9,032,948	15,024,137	3,763,991	27,821,076
Banks	6,063,009	6,721,494	2,026,363	14,810,866
Financial Assets at Fair Value through Profit/Loss	103,369	435,159	15,522	554,050
Interbank Money Market Placements	174,044	-	-	174,044
Financial Assets Available-for-Sale	2,160,121	2,426,140	3,617	4,589,878
Loans (*)	36,574,272	49,471,732	3,443,001	89,489,005
Investments in Associates, Affiliates and Joint-Ventures	1,178	-	601	1,779
Investments Held-to-Maturity	136,199	11,110,494	-	11,246,693
Derivative Financial Assets Held for Risk Management	26,429	82,974	-	109,403
Tangible Assets	88,178	263	57,811	146,252
Intangible Assets	-	-	-	-
Other Assets (**)	3,904,883	1,989,547	119,315	6,013,745
Total Assets	58,264,630	87,261,940	9,430,221	154,956,791
Liabilities				
Bank Deposits	1,124,032	2,632,390	397,438	4,153,860
Foreign Currency Deposits	34,640,566	63,216,765	5,858,600	103,715,931
Interbank Money Market Takings	505,037	277,132	91	782,260
Other Fundings	14,005,768	31,236,664	113,650	45,356,082
Securities Issued	2,229,669	10,904,208	1,074,723	14,208,600
Miscellaneous Payables	103,791	790,456	73,917	968,164
Derivative Financial Liabilities Held for Risk Management	47,187	69,858	-	117,045
Other Liabilities (***)	459,864	857,017	2,195,242	3,512,123
Total Liabilities	53,115,914	109,984,490	9,713,661	172,814,065
Net 'On Balance Sheet' Position	5,148,716	(22,722,550)	(283,440)	(17,857,274)
Net 'Off-Balance Sheet' Position	(2,525,457)	22,453,057	981,671	20,909,271
Derivative Assets	16,411,093	60,388,247	7,089,904	83,889,244
Derivative Liabilities	(18,936,550)	(37,935,190)	(6,108,233)	(62,979,973)
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 6,173,568 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 246,222 thousands included under TL assets in the accompanying consolidated financial statements are presented above under the related foreign currency code.

(***) The gold deposits of TL 2,074,210 thousands included under deposits in the accompanying consolidated financial statements are presented above under other liabilities.

4.4 Consolidated interest rate risk

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

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

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

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

<i>Current Period</i>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing (*)	Total
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	19,458,905	-	-	-	-	11,781,126	31,240,031
Banks	7,376,750	2,828,511	2,006,867	13,053	-	3,540,468	15,765,649
Financial Assets at Fair Value through Profit/Loss	45,564	17,090	22,307	101,473	218,353	2,851,075	3,255,862
Interbank Money Market Placements	178,765	-	-	-	-	-	178,765
Financial Assets Available-for-Sale	2,248,538	3,415,652	9,573,594	3,594,797	3,517,341	2,047,317	24,397,239
Loans	44,661,252	35,401,345	58,977,268	56,047,221	12,622,975	4,658,777	212,368,838
Investments Held-to-Maturity	2,647,704	3,046,382	3,008,183	4,535,503	7,298,676	2,572,146	23,108,594
Other Assets	840,375	1,483,968	2,170,439	2,851,381	306,889	10,723,752	18,376,804
Total Assets	77,457,853	46,192,948	75,758,658	67,143,428	23,964,234	38,174,661	328,691,782
Liabilities							
Bank Deposits	1,313,153	209,487	182,493	-	-	3,370,769	5,075,902
Other Deposits	97,857,229	26,162,083	13,783,669	1,134,121	14,316	41,166,321	180,117,739
Interbank Money Market Takings	14,762,717	255,508	136,950	505,037	49,193	14,401	15,723,806
Miscellaneous Payables	-	-	-	-	-	10,642,597	10,642,597
Securities Issued	1,119,081	2,124,037	5,191,352	7,501,772	3,991,706	418,116	20,346,064
Other Fundings	14,650,244	19,063,929	7,710,639	5,203,493	471,430	321,483	47,421,218
Other Liabilities	6,417	10,349	5,937	-	-	49,341,753	49,364,456
Total Liabilities	129,708,841	47,825,393	27,011,040	14,344,423	4,526,645	105,275,440	328,691,782
On Balance Sheet Long Position	-	-	48,747,618	52,799,005	19,437,589	-	120,984,212
On Balance Sheet Short Position	(52,250,988)	(1,632,445)	-	-	-	(67,100,779)	(120,984,212)
Off-Balance Sheet Long Position	13,768,868	19,151,114	5,246,583	6,104,599	4,723,062	-	48,994,226
Off-Balance Sheet Short Position	(3,073,868)	(11,155,041)	(4,715,236)	(18,560,421)	(11,522,926)	-	(49,027,492)
Total Position	(41,555,988)	6,363,628	49,278,965	40,343,183	12,637,725	(67,100,779)	(33,266)

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

<i>Prior Period</i>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing (*)	Total
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	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	-	0.82	-	2.81
Banks	(0.36)-1.60	0.60-3.65	-	9.15-13.00
Financial Assets at Fair Value through Profit/Loss	2.17	5.03	-	4.16-15.90
Interbank Money Market Placements	0.01	-	-	-
Financial Assets Available-for-Sale	0.65-4.63	3.25-11.88	-	9.89-12.02
Loans	0.17-13.00	1.20-10.59	-	11.00-15.38
Investments Held-to-Maturity	0.19	5.54	-	13.19
Liabilities				
Bank Deposits	0.01-0.25	1.00-1.50	-	11.09-12.00
Other Deposits	0.01-5.50	0.01-2.25	0.94	7.00-14.30
Interbank Money Market Takings	-	2.05-2.62	-	11.40-12.70
Miscellaneous Payables	-	-	-	-
Securities Issued	3.58	5.25	0.64	10.09-12.91
Other Fundings	0.25-4.55	0.96-5.45	-	10.02-25.00

<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	124,292	-	-
	Quoted Securities	-	-	-
2	Investment in Shares- Grade B	27,097	-	-
	Quoted Securities	-	-	-
3	Investment in Shares- Grade C	822	-	-
	Quoted Securities	-	-	-
4	Investment in Shares- Grade D	-	-	-
	Quoted Securities	-	-	-
5	Investment in Shares- Grade E	1,014	-	-
	Quoted Securities	-	-	-
6	Investment in Shares- Grade F	48	-	-
	Quoted Securities	-	-	-

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

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

<i>Current Period</i>		Revaluation Surpluses		Unrealized Gains and Losses		
Portfolio	Gains/Losses in Current Period	Total	Amount in Tier I Capital	Total	Amount in Core Capital	Amount in Tier I Capital
		1	Private Equity Investments	-	-	-
2	Quoted Shares	-	-	13,175	-	13,175
3	Other Shares	-	18,428	-	-	-
	Total	-	18,428	13,175	-	13,175

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

4.5.4 Capital requirement as per equity shares

<i>Current Period</i>		Carrying Value	RWA Total (*)	Minimum Capital Requirement
1	Private Equity Investments	-	-	-
2	Quoted Shares	-	-	-
3	Other Shares	153,273	153,009	12,241
Total		153,273	153,009	12,241

<i>Prior Period</i>		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 March 2017, 250% risk weight is applied to TL 1,190,154 thousands (31 December 2016: TL 1,125,107 thousands) according to Regulation on "Capital Adequacy Ratio" Annex-1 Paragraph 73 and Regulation on "Bank Capital" Article 9 Paragraph 4 (ç), which is not deducted from Common Equity Tier 1 Capital.

4.6 Consolidated liquidity risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.6.1 Liquidity coverage ratio

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

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

High quality liquid assets consist of cash, deposits in central banks and securities considered as high quality liquid assets. Reserve deposits are included in high quality liquid assets, limited by the amount that is allowed by central bank to use in liquidity shortages. As of the reporting date, high quality liquid assets are composed of 4.48% cash, 53.98% deposits in central banks and 41.54% 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 66.30% deposits, 22.61% funds borrowed and money market borrowings and 7.28% securities issued.

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

<i>Current Period</i>	Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
	TL+FC	FC	TL+FC	FC
High-Quality Liquid Assets			47,526,713	30,615,751
1 Total high-quality liquid assets (HQLA)			47,526,713	30,615,751
Cash Outflows				
2 Retail deposits and deposits from small business customers, of which:	125,678,341	64,010,328	11,336,404	6,390,540
3 Stable deposits	24,628,586	209,859	1,231,429	10,493
4 Less stable deposits	101,049,755	63,800,469	10,104,975	6,380,047
5 Unsecured wholesale funding, of which:	52,517,649	32,301,012	29,198,931	16,713,992
6 Operational deposits	-	-	-	-
7 Non-operational deposits	40,358,658	28,038,667	20,044,369	14,122,601
8 Unsecured funding	12,158,991	4,262,345	9,154,562	2,591,391
9 Secured wholesale funding			-	-
10 Other cash outflows of which:	50,438,554	12,185,701	11,877,443	10,790,333
11 Outflows related to derivative exposures and other collateral requirements	9,069,593	10,281,717	9,069,593	10,281,717
12 Outflows related to restructured financial instruments	-	-	-	-
13 Payment commitments and other off-balance sheet commitments granted for debts to financial markets	41,368,961	1,903,984	2,807,850	508,616
14 Other revocable off-balance sheet commitments and contractual obligations	597,552	472,503	29,878	23,625
15 Other irrevocable or conditionally revocable off-balance sheet obligations	62,514,852	44,900,672	3,125,743	2,245,034
16 Total Cash Outflows			55,568,399	36,163,524
Cash Inflows				
17 Secured receivables	8,226	-	-	-
18 Unsecured receivables	21,151,064	9,671,228	14,618,003	7,435,216
19 Other cash inflows	1,103,430	7,635,665	1,101,047	7,632,964
20 Total Cash Inflows	22,262,720	17,306,893	15,719,050	15,068,180
			Total Adjusted Values	
21 Total HQLA			47,526,713	30,615,751
22 Total Net Cash Outflows			39,849,349	21,095,344
23 Liquidity Coverage Ratio (%)			119.49	146.69

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

The table below presents the last three months' consolidated liquidity ratios:

Period	TL+FC	FC
31 January 2017	122.02%	129.27%
28 February 2017	123.98%	169.87%
31 March 2017	112.48%	140.94%

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

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

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

4.6.2 Contractual maturity analysis of liabilities according to remaining maturities

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

4.6.3 Maturity analysis of assets and liabilities according to remaining maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
Current Period								
Assets								
Cash (Cash on Hand, Money in Transit, Purchased Cheques) And Balances with the Central Bank	9,810,532	21,429,499	-	-	-	-	-	31,240,031
Banks	5,032,101	3,952,112	1,023,551	2,035,949	3,721,936	-	-	15,765,649
Financial Assets at Fair Value through Profit/Loss (**)	47,565	551,849	530,456	1,188,019	437,287	500,686	-	3,255,862
Interbank Money Market Placements	-	178,765	-	-	-	-	-	178,765
Financial Assets Available-for-Sale	239,306	56,012	24,709	1,109,839	11,683,703	11,283,670	-	24,397,239
Loans	496,482	32,241,764	18,279,174	52,382,517	79,886,592	24,689,084	4,393,225	212,368,838
Investments Held-to-Maturity	-	229,674	3,152	1,238,258	9,014,043	12,623,467	-	23,108,594
Other Assets	2,044,739	1,740,952	1,537,815	1,919,843	3,240,502	788,419	7,104,534	18,376,804
Total Assets	17,670,725	60,380,627	21,398,857	59,874,425	107,984,063	49,885,326	11,497,759	328,691,782
Liabilities								
Bank Deposits	3,417,823	1,183,071	289,932	185,076	-	-	-	5,075,902
Other Deposits	46,928,214	91,839,964	26,257,699	13,842,317	1,227,253	22,292	-	180,117,739
Other Fundings	-	1,537,458	9,726,389	12,393,179	16,579,934	7,184,258	-	47,421,218
Interbank Money Market Takings	-	14,772,463	256,726	140,194	505,037	49,386	-	15,723,806
Securities Issued	-	1,097,283	2,077,669	5,240,523	7,925,904	4,004,685	-	20,346,064
Miscellaneous Payables	2,350,043	8,268,062	4,220	18,254	-	434	1,584	10,642,597
Other Liabilities (**)	2,154,208	972,112	668,538	1,072,087	676,578	368,829	43,452,104	49,364,456
Total Liabilities	54,850,288	119,670,413	39,281,173	32,891,630	26,914,706	11,629,884	43,453,688	328,691,782
Liquidity Gap	(37,179,563)	(59,289,786)	(17,882,316)	26,982,795	81,069,357	38,255,442	(31,955,929)	-
Net Off-Balance Sheet Position	-	11,807	18,300	504,644	(125,188)	190,021	-	599,584
Derivative Financial Assets	-	57,757,613	20,854,651	37,491,685	9,029,073	1,705,245	-	126,838,267
Derivative Financial Liabilities	-	57,745,806	20,836,351	36,987,041	9,154,261	1,515,224	-	126,238,683
Non-Cash Loans	-	9,225,214	4,787,847	4,350,724	1,128,979	133,404	91,043,115	110,669,283
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.

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

4.7 Consolidated leverage ratio

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

The Bank’s consolidated leverage ratio calculated by taking average of end of month leverage ratios for the last three-month period is 8.00% (31 December 2016: 8.23%). Main reason for the variance compared to prior period is the increase in balance sheet and off balance sheet exposures higher than the increase in capital. While the capital increased by 3.79% as a result of increase in net profits, the balance sheet exposure increased by 6.41% and off balance sheet exposure increased by 8.61%. Therefore, the current period leverage ratio decreased by 23 basis points compared to prior period.

	<i>Current Period</i> ^(***)	<i>Prior Period</i> ^(***)
1 Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards ^{(*) (**)}	308,318,527	291,042,716
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” ^(**)	3,803,412	4,087,480
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	(9,163,256)	(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	16,108,169	14,523,665
5 The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	4,507,479	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	452,247,673	423,189,090

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

^(**) For the current period consolidated financial statements prepared in accordance with Turkish Accounting Standards as of 31 December 2016 and for the prior period consolidated financial statements prepared in accordance with Turkish Accounting Standards as of 30 September 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)	325,021,339	305,441,515
2	(Assets deducted in determining Tier I capital)	(400,975)	(380,379)
3	Total on-balance sheet risks (sum of lines 1 and 2)	324,620,364	305,061,136
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative financial instruments and credit derivatives	4,140,576	3,494,125
5	Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	9,243,521	8,482,319
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 and 5)	13,384,097	11,976,444
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	2,481,226	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)	2,481,226	1,645,458
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	116,269,465	107,056,472
11	(Adjustments for conversion to credit equivalent amounts)	(4,507,479)	(2,550,420)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	111,761,986	104,506,052
Capital and total risks			
13	Tier I capital	36,155,184	34,836,155
14	Total risks (sum of lines 3, 6, 9 and 12)	452,247,673	423,189,090
Leverage ratio			
15	Leverage ratio	8.00%	8.23%

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

4.8 Fair values of financial assets and liabilities

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

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

None.

4.10 Risk management objectives and policies

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

4.10.1 Risk management strategy and weighted amounts

4.10.1.1 Risk management strategy

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

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

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

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

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

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

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

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

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

4.10.1.2 Risk weighted amounts

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR) (*)	230,626,346	222,091,394	18,450,108
2	Of which standardised approach (SA)	230,626,346	222,091,394	18,450,108
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	5,111,976	5,680,859	408,958
5	Of which standardised approach for counterparty credit risk (SA-CCR)	5,111,976	5,680,859	408,958
6	Of which internal model method (IMM)	-	-	-
7	Equity position in banking book under basic risk weighting or internal rating-based	-	-	-
8	Equity investments in funds – look-through approach	-	-	-
9	Equity investments in funds – mandate-based approach	-	-	-
10	Equity investments in funds – 1250% risk weighting approach	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB supervisory formula approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	6,616,663	6,136,375	529,333
17	Of which standardised approach (SA)	6,616,663	6,136,375	529,333
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	24,147,629	21,096,899	1,931,810
20	Of which basic indicator approach	24,147,629	21,096,899	1,931,810
21	Of which standardised approach	-	-	-
22	Of which advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	3,717,754	3,420,013	297,420
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	270,220,368	258,425,540	21,617,629

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

4.10.2 Consolidated financial statements and regulatory exposures reconciliation

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

4.10.3 Consolidated credit risk

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

4.10.4 Consolidated counterparty credit risk

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

4.10.5 Consolidated securitisations

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

4.10.6 Consolidated market risk

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

4.10.7 Consolidated operational risk

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

4.10.8 Consolidated banking book interest rate risk

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

4.10.9 Remuneration policy

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

5 Disclosures and Footnotes on Consolidated Financial Statements

5.1 Consolidated assets

5.1.1 Cash and balances with Central Bank

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1,144,430	820,465	1,357,697	848,206
Central Bank of Turkey	2,274,525	26,653,878	5,366,015	15,500,506
Others	-	346,733	-	879,050
Total	3,418,955	27,821,076	6,723,712	17,227,762

Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	2,274,525	5,224,378	5,366,015	155
Unrestricted Time Deposits	-	-	-	38
Restricted Time Deposits	-	21,429,500	-	15,500,313
Total	2,274,525	26,653,878	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

	Current Period		Prior Period	
	TL	FC	TL	FC
Collateralised/Blocked Assets	14,650	-	13,777	-
Assets Subject to Repurchase Agreements	9,119	-	3,983	-
Total	23,769	-	17,760	-

5.1.2.2 Positive differences on derivative financial assets held for trading

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	158,919	51,469	249,419	51,101
Swap Transactions	1,717,089	576,709	1,985,329	803,335
Futures	111	279	3	1,097
Options	261,303	72,264	426,836	92,514
Others	-	3,001	-	4,079
Total	2,137,422	703,722	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	849,636	2,359,679	823,557	831,980
Foreign banks	105,147	12,451,187	390,952	14,834,555
Foreign headoffices and branches	-	-	-	-
Total	954,783	14,810,866	1,214,509	15,666,535

The placements at foreign banks include blocked accounts amounting TL 6,025,183 thousands (31 December 2016: TL 7,557,761 thousands) of which TL 136,994 thousands (31 December 2016: TL 116,841 thousands) and TL 95,355 thousands (31 December 2016: TL 96,147 thousands) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 5,792,834 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 263,865 thousands (31 December 2016: TL 254,130 thousands) as required for insurance activities.

Due from foreign banks

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

5.1.4 Financial assets available-for-sale

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Collateralised/Blocked Assets	5,869,892	26,607	2,976,848	21,803
Assets subject to Repurchase Agreements	4,493,973	958,902	4,306,605	655,413
Total	10,363,865	985,509	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	22,460,763	22,639,523
Quoted at Stock Exchange	21,938,585	22,067,470
Unquoted at Stock Exchange	522,178	572,053
Common Shares/Investment Fund	181,770	174,953
Quoted at Stock Exchange	84,791	82,203
Unquoted at Stock Exchange	96,979	92,750
Value Increase/Impairment Losses (-)	1,754,706	1,168,972
Total	24,397,239	23,983,448

5.1.5 Loans

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

	<i>Current Period</i>		<i>Prior Period</i>	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct Lendings to Shareholders	-	307,004	-	168,241
Corporates	-	307,004	-	168,241
Real Persons	-	-	-	-
Indirect Lendings to Shareholders	2,369,175	736,804	2,204,037	474,103
Loans to Employees	299,501	168	293,178	146
Total	2,668,676	⁵⁶ 1,043,976	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	
		Extension of Repayment Plan	Other Changes		Extension of Repayment Plan	Other Changes
Cash Loans						
Loans	200,084,400	3,288,793	631,973	10,883,413	4,603,929	1,210,527
Working Capital Loans	31,459,187	282,849	29,976	1,186,715	664,163	193,373
Export Loans	11,478,998	131,205	-	310,687	106,826	43,782
Import Loans	287,780	-	-	15,936	-	-
Loans to Financial Sector	5,994,265	29,262	-	14,734	-	-
Consumer Loans	44,761,183	2,377,384	49,216	1,849,840	652,290	54,251
Credit Cards	18,845,585	-	457,244	444,481	-	228,790
Others	87,257,402	468,093	95,537	7,061,020	3,180,650	690,331
Specialization Loans	-	1,262	13,053	-	-	-
Other Receivables	-	-	-	-	-	-
Total	200,084,400	3,290,055	645,026	10,883,413	4,603,929	1,210,527

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

(*) The loans granted to the shareholder of a strategically important company operating in the telecommunication sector amounting to USD 951,407,360.63 and EUR 7,738,591 (31 December 2016: USD 951,407,360.63 and EUR 7,656,878) are classified under "Performing Loans and Other Receivables". Discussions between the shareholders of the company, creditor banks and related sovereign institutions have started regarding restructuring of loans granted including a possible change in shareholder structure and a positive outcome of these discussions is expected.

As of 31 March 2017, loans amounting to TL 6,033,375 thousands (31 December 2016: TL 5,269,501 thousands) are benefited as collateral under funding transactions.

Collaterals received for loans under follow-up

<i>Current Period</i>	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	49,905	3,842	-	53,747
Loans Collateralized by Mortgages	5,276,910	934,976	-	6,211,886
Loans Collateralized by Pledged Assets	200,562	65,386	-	265,948
Loans Collateralized by Cheques and Notes	84,753	540,397	-	625,150
Loans Collateralized by Other Collaterals	2,505,749	36,432	-	2,542,181
Unsecured Loans	471,213	268,807	444,481	1,184,501
Total	8,589,092	1,849,840	444,481	10,883,413

<i>Prior Period</i>	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

<i>Current Period</i>	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	507,317	762,176	154,842	1,424,335
61-90 days	173,664	264,296	56,076	494,036
Other	7,908,111	823,368	233,563	8,965,042
Total	8,589,092	1,849,840	444,481	10,883,413

<i>Prior Period</i>	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

<i>Current Period</i>	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
No. of Extensions		
1 or 2 times	3,184,013	4,365,137
3, 4 or 5 times	71,537	145,117
Over 5 times	34,505	93,675
Total	3,290,055	4,603,929

<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	327,629	777,186
6 - 12 months	308,600	239,687
1 - 2 years	1,266,538	479,962
2 - 5 year	1,216,574	1,974,158
5 years and over	170,714	1,132,936
Total	3,290,055	4,603,929

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

5.1.5.3 *Maturity analysis of cash loans*

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

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

<i>Current Period</i>	Short-Term	Medium and Long-Term	Total
Consumer Loans – TL	739,012	42,236,657	42,975,669
Housing Loans	32,875	22,023,523	22,056,398
Automobile Loans	56,091	2,085,096	2,141,187
General Purpose Loans	650,046	18,128,038	18,778,084
Others	-	-	-
Consumer Loans – FC-indexed	78	160,083	160,161
Housing Loans	78	159,770	159,848
Automobile Loans	-	2	2
General Purpose Loans	-	311	311
Others	-	-	-
Consumer Loans – FC	199,667	2,522,076	2,721,743
Housing Loans	3,321	1,294,908	1,298,229
Automobile Loans	275	13,151	13,426
General Purpose Loans	9,299	876,022	885,321
Others	186,772	337,995	524,767
Retail Credit Cards – TL	15,291,885	725,847	16,017,732
With Installment	7,402,097	725,847	8,127,944
Without Installment	7,889,788	-	7,889,788
Retail Credit Cards – FC	97,536	109,257	206,793
With Installment	22	-	22
Without Installment	97,514	109,257	206,771
Personnel Loans – TL	20,480	101,169	121,649
Housing Loan	-	1,824	1,824
Automobile Loans	-	73	73
General Purpose Loans	20,480	99,272	119,752
Others	-	-	-
Personnel Loans - FC-indexed	-	391	391
Housing Loans	-	391	391
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Personnel Loans – FC	1,102	65,266	66,368
Housing Loans	73	27,024	27,097
Automobile Loans	-	-	-
General Purpose Loans	270	31,020	31,290
Others	759	7,222	7,981
Personnel Credit Cards – TL	106,320	1,113	107,433
With Installment	43,859	1,113	44,972
Without Installment	62,461	-	62,461
Personnel Credit Cards – FC	1,711	1,950	3,661
With Installment	-	-	-
Without Installment	1,711	1,950	3,661
Deposit Accounts– TL (Real Persons)	565,042	-	565,042
Deposit Accounts– FC (Real Persons)	-	-	-
Total	17,022,833	45,923,809	62,946,642

<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	1,724,511	14,015,079	15,739,590
Real Estate Loans	2,593	873,725	876,318
Automobile Loans	95,730	2,172,154	2,267,884
General Purpose Loans	1,626,188	10,969,200	12,595,388
Others	-	-	-
Installment-based Commercial Loans - FC-indexed	250,940	2,423,325	2,674,265
Real Estate Loans	-	72,847	72,847
Automobile Loans	6,360	743,119	749,479
General Purpose Loans	244,580	1,607,359	1,851,939
Others	-	-	-
Installment-based Commercial Loans – FC	996,656	1,783,157	2,779,813
Real Estate Loans	-	592	592
Automobile Loans	31	13,979	14,010
General Purpose Loans	708	74,451	75,159
Others	995,917	1,694,135	2,690,052
Corporate Credit Cards – TL	2,884,619	57,377	2,941,996
With Installment	1,349,334	57,377	1,406,711
Without Installment	1,535,285	-	1,535,285
Corporate Credit Cards – FC	12,451	-	12,451
With Installment	245	-	245
Without Installment	12,206	-	12,206
Deposit Accounts– TL (Corporates)	846,217	-	846,217
Deposit Accounts– FC (Corporates)	-	-	-
Total	6,715,394	18,278,938	24,994,332

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

5.1.5.6 Allocation of loans by customers

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

5.1.5.7 Allocation of domestic and foreign loans

	<i>Current Period</i>	<i>Prior Period</i>
Domestic Loans	195,686,038	185,557,687
Foreign Loans	15,281,775	14,518,037
Total	210,967,813	200,075,724

5.1.5.8 Loans to associates and affiliates

	<i>Current Period</i>	<i>Prior Period</i>
Direct Lending	19,507	13,289
Indirect Lending	-	-
Total	19,507	13,289

5.1.5.9 Specific provisions for loans

Specific Provisions	Current Period	Prior Period
Substandard Loans and Receivables - Limited Collectibility	442,892	522,689
Doubtful Loans and Receivables	1,170,977	1,175,099
Uncollectible Loans and Receivables	3,241,383	3,093,301
Total	4,855,252	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	314,439	677,686	956,660
Rescheduled Loans and Receivables	4,098	2,524	93,894
Total	318,537	680,210	1,050,554
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 (+)	586,265	21,917	44,144
Transfer from Other NPL Categories (+)	3,640	569,879	427,250
Transfer to Other NPL Categories (-)	566,923	427,230	6,619
Collections during the Period (-)	134,735	120,891	154,957
Write-offs (-) ^(*)	126	-	109,798
Corporate and Commercial Loans	-	-	1,322
Retail Loans	126	-	55,056
Credit Cards	-	-	53,420
Others	-	-	-
Balances at End of Period	670,954	1,614,812	3,970,511
Specific Provisions (-)	442,892	1,170,977	3,241,383
Net Balance on Balance Sheet	228,062	443,835	729,128

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

<i>Prior Period</i>	Group III	Group IV	Group V
	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

<i>Current Period</i>	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
Balances at End of Prior Period	2,320,019	1,483,459	987,611	4,791,089
Additions during the Period (+)	157,594	224,775	161,211	543,580
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-) (*)	138,823	146,910	83,760	369,493
Write-Offs (-) (**)	1,322	55,182	53,420	109,924
Balances at End of Period	2,337,468	1,506,142	1,011,642	4,855,252

<i>Prior Period</i>	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
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	250,128	464,012	1,324,016
Specific Provisions (-)	88,523	285,677	958,855
Net Balance at Balance Sheet	161,605	178,335	365,161
<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>			
Loans to Individuals and Corporates (Gross)	670,954	1,614,812	3,969,196
Specific Provision (-)	442,892	1,170,977	3,240,068
Loans to Individuals and Corporates (Net)	228,062	443,835	729,128
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1,004
Specific Provision (-)	-	-	1,004
Other Loans and Receivables (Net)	-	-	-
<i>Prior Period (Net)</i>			
Loans to Individuals and Corporates (Gross)	782,835	1,571,135	3,769,175
Specific Provision (-)	522,689	1,175,099	3,091,985
Loans to Individuals and Corporates (Net)	260,146	396,036	677,190
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1,005
Specific Provision (-)	-	-	1,005
Other Loans and Receivables (Net)	-	-	-

Collaterals received for non-performing loans

<i>Current Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	3,129	175	-	3,304
Loans Collateralized by Mortgages	1,571,980	148,696	-	1,720,676
Loans Collateralized by Pledged Assets	460,483	49,038	-	509,521
Loans Collateralized by Cheques and Notes	273,052	7,456	-	280,508
Loans Collateralized by Other Collaterals	1,011,959	1,043,581	-	2,055,540
Unsecured Loans	212,887	462,122	1,011,719	1,686,728
Total	3,533,490	1,711,068	1,011,719	6,256,277

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

5.1.5.11 *Liquidation policy for uncollectible loans and receivables*

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

5.1.5.12 *Write-off policy*

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

5.1.6 **Factoring receivables**

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

5.1.7 Investments held-to-maturity

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Collateralised/Blocked Investments	7,693,164	4,218,551	5,793,705	4,341,183
Investments subject to Repurchase Agreements	2,235,425	-	3,147,892	-
Total	9,928,589	4,218,551	8,941,597	4,341,183

5.1.7.2 Government securities held-to-maturity

	<i>Current Period</i>	<i>Prior Period</i>
Government Bonds	18,929,877	19,108,804
Treasury Bills	-	-
Other Government Securities	-	-
Total	18,929,877	19,108,804

5.1.7.3 Investments held-to-maturity

	<i>Current Period</i>	<i>Prior Period</i>
Debt Securities	20,635,926	20,705,624
Quoted at Stock Exchange	20,392,863	20,462,344
Unquoted at Stock Exchange	243,063	243,280
Valuation Increase / (Decrease)	2,472,668	2,404,072
Total	23,108,594	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	410,033	2,051,504
Purchases during the Period	102,303	314,669
Disposals through Sales/Redemptions	(586,197)	(1,186,759)
Valuation Effect	72,759	613,036
Balances at End of Period	23,108,594	23,109,696

5.1.8 Investments in associates

5.1.8.1 Unconsolidated investments in associates

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

	Total Assets	Shareholders' Equity	Total Fixed Assets ^(*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	9,996	7,954	1,706	173	2	658	316	-
2	80,262	39,897	50,021	1,068	-	10,403	3,869	-
3	819,877	71,866	3,321	20,212	1,467	(6,129)	(1,951)	-
4	8,006,348	1,043,686	100,540	287,723	6,345	211,565	174,728	-
5	1,107,694	1,043,695	218,607	37,646	1,002	261,945	256,910	-
6	219,532	148,046	158,333	2,188	111	34,759	34,774	-
7	522,864,251	71,767,643	685,646	8,726,740	2,744,355	23,115,976	20,736,851	-
8	314,961	304,494	7,586	18,431	-	5,530	5,484	-

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

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

Unconsolidated investments in associates sold during the current period

None.

Unconsolidated investments in associates acquired during the current period

None.

5.1.8.2 Consolidated investments in associates

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

	Total Assets	Shareholders' Equity	Total Fixed Assets ^(*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	35,977	35,677	73	140	381	310	1,004	24,320

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

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

5.1.8.3 Movement of consolidated investments in associates

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

Quoted consolidated investments in associates

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

Investments in associates sold during the current period

None.

Investments in associates acquired during the current period

None.

5.1.9 Investments in affiliates

Information on capital adequacy of major affiliates

<i>Current Period</i>	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	536,351	357,848	1,497,198
Share Premium	-	-	50,403
Share Cancellation Profits	-	-	-
Reserves	945,025	567,914	(257,561)
Other Comprehensive Income according to TAS	729,328	-	14,867
Current and Prior Periods' Profits	44,513	27,761	39,764
Common Equity Tier I Capital Before Deductions	2,255,217	953,523	1,344,671
Deductions From Common Equity Tier I Capital			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	46,144	452	347,936
Leasehold Improvements on Operational Leases (-)	-	86	7,370
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	14,563	6,541	182,098
Net Deferred Tax Asset/Liability (-)	-	-	9,694
Total Deductions from Common Equity Tier I Capital	60,707	7,079	547,098
Total Common Equity Tier I Capital	2,194,510	946,444	797,573
Total Deductions From Tier I Capital	3,641	1,635	47,948
Total Tier I Capital	2,190,869	944,809	749,625
TIER II CAPITAL	194,245	-	83,356
CAPITAL BEFORE DEDUCTIONS	2,385,114	944,809	832,981
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	586	-
TOTAL CAPITAL	2,385,114	944,223	832,981

<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	-	-	-
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	76,999	64,979	54	1,418	3	2,724	2,404	-	-
2	26,888	14,511	624	169	-	(274)	(54)	-	-
3	5,595	4,394	24	106	9	600	(288)	-	-
4	2,515	1,629	1,038	-	9	38	(8)	-	-
5	2,631	1,821	49	44	-	126	340	-	-
6	4,022	4,023	4,016	-	-	(1)	(1)	-	-
7	1,157,406	29,603	1,037,043	40	-	4,953	(6,905)	-	-
8	2,976	1,807	-	-	-	229	110	-	-

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

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

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

5.1.9.2 Movement of consolidated investments in affiliates

	<i>Current Period</i>	<i>Prior Period</i>
Balance at Beginning of Period	5,069,629	4,342,264
Movements during the Period	370,039	727,365
Acquisitions and Capital Increases	-	53,484
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Sales/Liquidations	-	(157,635)
Reclassifications	-	-
Value Increase/Decrease (*)	235,951	411,275
Currency Differences on Foreign Affiliates	134,088	420,241
Reversal of Impairment Losses / Impairment Losses (-)	-	-
Balance at End of Period	5,439,668	5,069,629
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

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

Valuation methods of consolidated investments in affiliates

	<i>Current Period</i>	<i>Prior Period</i>
Valued at Cost	-	-
Valued at Fair Value (*)	5,439,668	5,069,629

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

Sectoral distribution of consolidated investments in affiliates

	<i>Current Period</i>	<i>Prior Period</i>
Banks	2,204,402	2,025,895
Insurance Companies	1,190,155	1,125,108
Factoring Companies	157,616	151,548
Leasing Companies	953,076	925,310
Finance Companies	934,419	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	157,616	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	5,524,759	953,072	9,802	102,607	-	27,761	35,444	-
2	2,647,732	192,508	7,668	63,755	-	7,055	6,110	-
3	123,687	81,618	13,983	477	1,288	14,128	10,255	-
4	61,314	56,204	4,074	1,366	-	3,992	2,471	-
5	1,849,039	1,401,506	40,237	41,912	642	76,369	57,579	-
6	18,321,248	2,210,562	106,367	128,480	20,674	44,513	28,593	-
7	1,322,777	1,322,594	-	-	-	(71)	(40)	-
8	1,383,587	1,196,813	-	33	-	(2,011)	372	-
9	7,838,825	1,020,183	282,057	68,491	6,166	33,119	7,995	-
10	643,032	90,031	4,959	9,159	-	2,991	2,260	-
11	403,101	56,906	5,786	12,752	-	2,818	3,987	-

(*) 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	2,695,544	2,386,771	2,708,046	2,396,795
Between 1-5 Years	3,370,975	2,999,722	3,428,328	3,056,205
Longer than 5 Years	372,410	349,284	363,233	341,260
Total	6,438,929	5,735,777	6,499,607	5,794,260

5.1.11.2 Net financial lease receivables

	Current Period	Prior Period
Gross Financial Lease Receivables	6,438,929	6,499,607
Unearned Income on Financial Lease Receivables (-)	(703,152)	(705,347)
Terminated Lease Contracts (-)	-	-
Net Financial Lease Receivables	5,735,777	5,794,260

5.1.11.3 Financial lease agreements

Criteria applied for financial lease agreements

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

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

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

Details monitored subsequent to signing of financial lease agreements

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

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

5.1.12 Derivative financial assets held for risk management

5.1.12.1 Positive differences on derivative financial instruments held for risk management

Derivative Financial Assets Held for Risk Management	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedges	84,424	16,957	73,946	11,534
Cash Flow Hedges	4,706	554,817	5,526	575,289
Net Foreign Investment Hedges	-	-	-	-
Total	89,130	571,774	79,472	586,823

As of 31 March 2017, the face values and the net fair values, recognised in the balance sheet, of the derivative financial instruments held for risk management purposes, are summarized below:

	<i>Current Period</i>			<i>Prior Period</i>		
	Face Value	Asset	Liability	Face Value	Asset	Liability
Interest Rate Swaps	43,008,204	172,736	105,280	35,828,669	146,128	138,470
-TL	8,764,949	89,130	3,930	8,307,595	79,472	26,671
-FC	34,243,255	83,606	101,350	27,521,074	66,656	111,799
Cross Currency Swaps	7,122,150	488,168	149,894	8,525,479	520,167	204,844
-TL	1,217,611	-	-	1,837,687	-	-
-FC	5,904,539	488,168	149,894	6,687,792	520,167	204,844
Total	50,130,354	660,904	255,174	44,354,148	666,295	343,314

5.1.12.1.1 Fair value hedge accounting

Current Period						
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item	Net Fair Value Change of Hedging Item		Income Statement Effect (gains/losses from derivative financial instruments)
				Asset	Liability	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	19,736	31,317	(64,125)	(13,072)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(42,135)	46,019	(101)	3,783
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(22,085)	23,484	(16,077)	(2,853)
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	(12,448)	-	(134,199)	(146,647)
Cross Currency Swaps	Fixed-rate commercial loans	Interest rate and foreign currency exchange rate risk	539	561	-	1,100

Prior Period						
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item	Net Fair Value Change of Hedging Item		Income Statement Effect (gains/losses from derivative financial instruments)
				Asset	Liability	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	42,431	15,833	(75,781)	(17,517)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(42,169)	48,387	(344)	5,874
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(27,048)	20,917	(36,290)	(1,649)
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	(13,071)	-	(164,529)	(177,600)
Cross Currency Swaps	Fixed-rate commercial loans	Interest rate and foreign currency exchange rate risk	77 231	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	103	-	30	(3)	-
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	54,188	(18,897)	13,639	(6,646)	(32)
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	17,625	(6,080)	(1,417)	(1,684)	-
Cross Currency Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	-	-	-	-	-
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	461,808	-	1,948	(17,383)	38
Cross Currency Swaps	Fixed-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	25,799	(15,695)	2,256	(2,256)	-

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

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

5.1.13 Tangible assets

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

5.1.14 Intangible assets

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

5.1.15 Investment property

	<i>Current Period</i>	<i>Prior Period</i>
Net Book Value at Beginning Period	543,825	307,095
Additions	53	231,273
Disposals	-	(8,125)
Transfers to Tangible Assets	-	12,098
Fair Value Change	-	1,484
Net Currency Translation Differences on Foreign Affiliates	-	-
Net Book Value at End of Current Period	543,878	543,825

The investment property is held for operational leasing purposes.

5.1.16 Deferred tax asset

As of 31 March 2017, on a consolidated basis the Bank has a deferred tax asset of TL 294,971 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 March 2017, there is a deferred tax asset of TL 597,700 thousands (31 December 2016: TL 530,797 thousands) and deferred tax liability of TL 302,729 thousands (31 December 2016: TL 297,455 thousands) presented as net in the accompanying consolidated financial statements on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

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

	<i>Current Period</i>		<i>Prior Period</i>	
	Tax Base	Deferred Tax Amount	Tax Base	Deferred Tax Amount
Provisions (*)	1,167,180	235,005	976,182	196,283
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	(452,624)	(62,472)	(427,008)	(95,290)
Revaluation Differences on Real Estates	(1,732,791)	(25,401)	(1,732,442)	(25,313)
Other	747,070	147,839	802,238	157,662
Deferred Tax Asset, Net	(271,165)	294,971	(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 March 2017, TL 156,135 thousands of deferred tax income (31 March 2016: TL 97,978 thousands) and TL 95,167 thousands of deferred tax expense (31 December 2016: TL 62,489 thousands of deferred tax income) were recognised in the income statement and the shareholders’ equity, respectively.

5.1.17 Assets held for sale and assets of discontinued operations

	<i>Current Period</i>	<i>Prior Period</i>
End of Prior Period		
Cost	621,671	375,548
Accumulated Depreciation	(16,656)	(9,183)
Net Book Value	605,015	366,365
End of Current Period		
Additions	144,017	347,416
Disposals (Cost)	(16,984)	(99,936)
Disposals (Accumulated Depreciation)	436	1,358
Reversal of Impairment / Impairment Losses (-)	7	(3,514)
Depreciation Expense for Current Period (-)	-	(8,831)
Currency Translation Differences on Foreign Operations	558	2,157
Cost	749,269	621,671
Accumulated Depreciation (-)	(16,220)	(16,656)
Net Book Value	733,049	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 436,516 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	17,493	16,670
Sale of Other Assets	2,308	2,305
Total	19,801	18,975

5.1.18.2 Prepaid expenses

	<i>Current Period</i>	<i>Prior Period</i>
Prepaid Expenses	654,062	527,538
Prepaid Taxes	17,811	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	9,577,378	-	3,047,836	38,061,508	1,648,276	395,133	517,722	3,748	53,251,601
Foreign Currency	26,493,470	-	11,181,987	44,224,390	3,899,361	7,019,368	10,842,774	54,581	103,715,931
Residents in Turkey	18,709,743	-	10,317,642	40,090,470	1,744,045	1,315,378	851,242	53,408	73,081,928
Residents in Abroad	7,783,727	-	864,345	4,133,920	2,155,316	5,703,990	9,991,532	1,173	30,634,003
Public Sector Deposits	1,115,135	-	3,135	28,813	109	5,405	24	-	1,152,621
Commercial Deposits	7,744,627	-	3,638,586	4,744,248	185,976	160,530	968,056	-	17,442,023
Others	192,128	-	129,063	1,175,583	11,952	63,647	908,980	-	2,481,353
Precious Metal	1,805,476	-	-	50,636	27,115	16,707	174,276	-	2,074,210
Bank Deposits	3,417,823	-	1,012,059	263,257	102,981	180,850	98,932	-	5,075,902
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	3,118	-	482,023	2,010	96,258	21,368	12,503	-	617,280
Foreign Banks	1,200,573	-	530,036	261,247	6,723	159,482	86,429	-	2,244,490
Special Financial	2,214,132	-	-	-	-	-	-	-	2,214,132
Others	-	-	-	-	-	-	-	-	-
Total	50,346,037	-	19,012,666	88,548,435	5,875,770	7,841,640	13,510,764	58,329	185,193,641

<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	27,941,673	27,843,202	24,919,678	25,576,417
Foreign Currency Saving Deposits	18,932,335	17,180,146	42,781,330	39,472,238
Other Saving Deposits	868,089	821,559	1,347,460	1,471,382
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-

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

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

5.2.1.3 Saving deposits not covered by insurance limits

5.2.1.3.1 Saving deposits of individuals not covered by insurance limits:

	Current Period	Prior Period
Deposits and Other Accounts held at Foreign Branches	885,347	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	673,760	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	178,150	65,067	242,280	67,634
Swap Transactions	1,726,961	503,574	2,023,979	857,048
Futures	119	206	106	964
Options	156,563	111,872	373,051	144,526
Others	-	2,684	-	4,397
Total	2,061,793	683,403	2,639,416	1,074,569

5.2.3 Funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	2,574,234	-	1,880,102
Domestic Banks and Institutions	551,020	1,439,607	1,153,848	1,540,125
Foreign Banks, Institutions and Funds	1,514,116	41,342,241	1,973,831	40,033,947
Total	2,065,136	45,356,082	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	875,837	7,625,911	1,237,683	4,284,065
Medium and Long-Term	1,189,299	37,730,171	1,889,996	39,170,109
Total	2,065,136	45,356,082	3,127,679	43,454,174

The Bank classified certain borrowings obtained through securitisations amounting to USD 2,000,000,000 as financial liability at fair value through profit/loss at the initial recognition. As of 31 March 2017, the accumulated credit risk change and the credit risk change recognised in the income statement amounted to a gain of TL 170,940 thousands and a loss of TL 271,198 thousands, respectively. The carrying value of the related financial liability amounted to TL 7,099,060 thousands.

5.2.3.2 Disclosures for concentration areas of bank's liabilities

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

5.2.4 Other external funds

5.2.4.1 Securities issued

<i>Current Period</i>	TL		FC	
	Short-Term	Medium and Long-Term	Short-Term	Medium and Long-Term
	Nominal	2,868,147	3,549,263	-
Cost	2,755,529	3,288,618	-	14,548,745
Carrying Value (*)	2,835,583	3,301,881	-	14,208,600

<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	-
Cost	2,203,896	3,552,593	-	12,242,657
Carrying Value (*)	2,240,063	3,631,583	-	11,874,002

(*) The Bank and/or its financial affiliates repurchased the Bank's own TL securities with a total face value of TL 109,497 thousands (31 December 2016: TL 107,896 thousands) and foreign currency securities with a total face value of TL 789,282 thousands (31 December 2016: TL 764,060 thousands) and netted off such securities in the accompanying consolidated financial statements.

The Bank classified certain securities amounting to TL 210,058 thousands and RON 34,500,000 as financial liability at fair value through profit/loss at the initial recognition. As of 31 March 2017, the accumulated positive and negative credit risks changes, and the positive credit risk changes recognised in the income statement amounted to TL 6 thousands and TL 2,052 thousands, and TL 6 thousands and TL 340 thousands, respectively. The carrying value of the related financial liability amounted to TL 213,139 thousands and TL 32,495 thousands, and the related current period losses and gains amounted to TL 3,066 thousands and TL 337 thousands, respectively.

5.2.4.2 Funds provided through repurchase transactions

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Domestic Transactions	6,719,246	-	7,287,738	-
Financial Institutions and Organizations	6,651,910	-	7,196,813	-
Other Institutions and Organizations	18,254	-	40,765	-
Individuals	49,082	-	50,160	-
Foreign Transactions	41	782,169	2	526,081
Financial Institutions and Organizations	-	782,169	-	526,081
Other Institutions and Organizations	10	-	-	-
Individuals	31	-	2	-
Total	6,719,287	782,169	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	7,938,963	47,993	7,833,260	41,268
Payables from insurance transactions	28,024	198	32,366	240
Other	1,707,446	919,973	394,462	1,038,152
Total	9,674,433	968,164	8,260,088	1,079,660

5.2.5 Factoring payables

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

5.2.6 Lease payables

5.2.6.1 Financial lease payables

None.

5.2.6.2 Operational lease agreements

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

5.2.7 Derivative financial liabilities held for risk management

Derivative Financial Liabilities Held for Risk Management	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Fair Value Hedges	3,930	210,572	26,671	250,273
Cash Flow Hedges	-	40,672	-	66,370
Net Foreign Investment Hedges	-	-	-	-
Total	3,930	251,244	26,671	316,643

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

5.2.8 Provisions

5.2.8.1 General provisions

	<i>Current Period</i>	<i>Prior Period</i>
General Provision for	3,333,647	3,215,533
Loans and Receivables in Group I	1,839,315	1,754,506
Loans and Receivables in Group II	939,433	872,064
Non-Cash Loans	356,265	360,322
Others	198,634	228,641

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

	<i>Current Period</i>	<i>Prior Period</i>
Short-Term Loans	18,483	1,241
Medium and Long Term Loans	6,400	270
Total	24,883	1,511

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

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

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

5.2.8.4 Other provisions

5.2.8.4.1 General reserves for possible losses

	<i>Current Period</i>	<i>Prior Period</i>
General Reserves for Possible Losses	500,000	300,000

5.2.8.4.2 Other provisions for possible losses

	<i>Current Period</i>	<i>Prior Period</i>
Reserve for Employee Benefits	825,429	730,525
Insurance Technical Provisions, Net	326,946	306,775
Provision for Promotion Expenses of Credit Cards (*)	105,847	99,131
Provision for Lawsuits	58,088	56,474
Other Provisions	182,795	189,826
Total	1,499,105	1,382,731

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

Recognized liability for defined benefit plan obligations

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

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

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

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

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

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

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

5.2.9 Tax liability

5.2.9.1 Current tax liability

5.2.9.1.1 Tax liability

As of 31 March 2017, the corporate tax liability amounts to TL 565,162 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	565,162	119,401
Taxation on Securities Income	117,052	122,010
Taxation on Real Estates Income	4,049	3,752
Banking Insurance Transaction Tax	113,442	120,305
Foreign Exchange Transaction Tax	95	86
Value Added Tax Payable	11,002	16,107
Others	41,591	82,880
Total	852,393	464,541

5.2.9.1.3 Premiums payable

	<i>Current Period</i>	<i>Prior Period</i>
Social Security Premiums-Employees	3,740	5,029
Social Security Premiums-Employer	2,057	3,571
Bank Pension Fund Premium-Employees	137	21
Bank Pension Fund Premium-Employer	201	21
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	1,290	1,220
Unemployment Insurance-Employer	2,650	2,613
Others	46	1,250
Total	10,121	13,725

5.2.9.2 Deferred tax liability

As of 31 March 2017, the deferred tax liability amounts to TL 20 thousands (31 December 2016: -).

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

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

5.2.11 Subordinated debts

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

5.2.12 Shareholders' equity

5.2.12.1 Paid-in capital

	<i>Current Period</i>	<i>Prior Period</i>
Common shares	4,200,000	4,200,000
Shares repurchased	-	-
Paid-in common shares	4,200,000	4,200,000
Preference shares	-	-

5.2.12.2 Registered share capital system

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

5.2.12.3 Capital increases in current period

None.

5.2.12.4 Capital increases from capital reserves in current period

None.

5.2.12.5 Capital commitments for current and future financial periods

None.

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

None.

5.2.12.7 Information on privileges given to stocks representing the capital

None.

5.2.12.8 Securities value increase fund

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Investments in Associates, Affiliates and Joint-Ventures			-	-
Valuation Difference			-	-
Exchange Rate Difference			-	-
Securities Available-for-Sale	(118,308)	14,932	(484,900)	(58,725)
Valuation Difference	(118,308)	14,932	(484,900)	(58,725)
Exchange Rate Difference	-	-	-	-
Total	(118,308)	14,932	(484,900)	(58,725)

5.2.12.9 Revaluation surplus

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Movables	-	-	-	-
Real Estates	1,508,875	6,072	1,508,875	5,772
Gain on Sale of Investments in Associates and Affiliates and Real Estates to be used for Capital Increases	227,994	-	176,415	-
Revaluation Surplus on Leasehold Improvements	-	-	-	-
Total	1,736,869	6,072	1,685,290	5,772

5.2.12.10 Bonus shares of associates, affiliates and joint-ventures

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

5.2.12.11 Legal reserves

	<i>Current Period</i>	<i>Prior Period</i>
I. Legal Reserve	1,025,007	1,022,250
II. Legal Reserve	353,271	249,272
Special Reserves	-	-
Total	1,378,278	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	25,885,295	22,192,305
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital	-	-
Total	25,885,295	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	13,097	42,468
Prior Period Dividend Payment	-	(1,210)
Increase/(Decrease) in Minority Interest due to Sales	-	-
Others	3	(67)
Balance at End of Period	280,908	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 6,793,676 thousands (31 December 2016: TL 3,956,061 thousands), commitments for cheque payments of TL 3,716,102 thousands (31 December 2016: TL 3,555,087 thousands) and commitments for credit card limits of TL 29,073,666 thousands (31 December 2016: TL 28,226,693 thousands).

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

	<i>Current Period</i>	<i>Prior Period</i>
Letters of Guarantee in Foreign Currency	21,196,422	20,901,575
Letters of Guarantee in TL	17,956,870	17,111,138
Letters of Credit	15,781,448	15,754,367
Bills of Exchange and Acceptances	1,770,645	2,127,334
Prefinancings	-	-
Other Guarantees	181,570	191,066
Total	56,886,955	56,085,480

A specific provision of TL 131,791 thousands (31 December 2016: TL 134,609 thousands) is made for unliquidated non-cash loans of TL 358,058 thousands (31 December 2016: TL 355,861 thousands) recorded under the off-balance sheet items as of 31 March 2017.

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

5.3.1.3 Non-cash loans

	<i>Current Period</i>	<i>Prior Period</i>
Non-Cash Loans against Cash Risks	5,453,989	5,128,893
<i>With Original Maturity of 1 Year or Less</i>	333,176	331,380
<i>With Original Maturity of More Than 1 Year</i>	5,120,813	4,797,513
Other Non-Cash Loans	51,432,966	50,956,587
Total	56,886,955	56,085,480

5.3.1.4 Other information on non-cash loans

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

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

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

5.3.2 Financial derivative instruments

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

5.3.3 Credit derivatives and risk exposures on credit derivatives

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

5.3.4 Contingent liabilities and assets

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

5.3.5 Services rendered on behalf of third parties

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

5.4 Consolidated income statement

5.4.1 Interest income

5.4.1.1 Interest income from loans (*)

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Interest Income from Loans				
Short-term loans	1,305,065	116,677	1,262,981	73,655
Medium and long-term loans	2,532,840	982,037	1,896,820	801,312
Loans under follow-up	22,983	1,500	15,353	1,843
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	3,860,888	1,100,214	3,175,154	876,810

(*) 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	812	7,393	-	2,982
Domestic Banks	23,333	5,476	20,640	905
Foreign Banks	449	21,824	585	16,291
Foreign Head Offices and Branches	-	-	-	-
Total	24,594	34,693	21,225	20,178

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	4,226	746	5,656	462
Financial Assets Valued at Fair Value Through Profit	-	-	-	-
Financial Assets Available-for-Sale	415,582	61,344	480,486	62,933
Investments Held-to-Maturity	279,502	157,140	291,014	124,711
Total	699,310	219,230	777,156	188,106

As disclosed in the accounting policies, the parent Bank values CPI-indexed government bonds in its securities portfolio according to the reference index on the issue date and the index that is calculated according to the expected inflation rate. The inflation rate used during the valuation is being updated during the year when it is considered necessary. As of 31 March 2017, the valuation of such securities was made according to 7% of annual inflation expectation. If the valuation of such securities was performed according to the reference index valid as of 31 March 2017, the parent Bank's securities value increase fund under the equity would decrease by TL 235,100 thousands (net), whereas the interest income on securities portfolio would increase by TL 576,577 thousands.

5.4.1.4 Interest income received from associates and affiliates

	<i>Current Period</i>	<i>Prior Period</i>
Interest Received from Investments in Associates and Affiliates	437	303

5.4.2 Interest expenses

5.4.2.1 Interest expenses on funds borrowed (*)

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Banks	61,396	164,870	87,748	123,571
Central Bank of Turkey	-	-	-	-
Domestic Banks	13,969	11,524	16,248	7,064
Foreign Banks	47,427	153,346	71,500	116,507
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	107,246	-	70,835
Total	61,396	272,116	87,748	194,406

(*) Includes also fees and commissions expenses on borrowings

5.4.2.2 Interest expenses paid to associates and affiliates

	<i>Current Period</i>	<i>Prior Period</i>
Interest Paid to Investments in Associates and Affiliates	1,777	728

5.4.2.3 Interest expenses on securities issued

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

5.4.2.4 Maturity structure of interest expense on deposits

<i>Current Period</i>	Demand Deposits	Time Deposits						Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year	Accumulating Deposit Accounts	
Turkish Lira								
Bank Deposits	275	28,913	15	113	125	-	-	29,441
Saving Deposits	1,683	61,281	929,845	27,816	8,719	12,722	-	1,042,066
Public Sector Deposits	-	668	751	2	136	-	-	1,557
Commercial Deposits	247	91,213	154,184	4,057	4,293	23,081	-	277,075
Others	-	4,346	17,154	941	13,013	21,486	-	56,940
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Total TL	2,205	186,421	1,101,949	32,929	26,286	57,289	-	1,407,079
Foreign Currency								
Foreign Currency Deposits	7,955	22,170	226,269	9,419	41,178	71,907	230	379,128
Bank Deposits	3	11,264	69	424	411	760	-	12,931
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	60	21	85	811	-	977
Total FC	7,958	33,434	226,398	9,864	41,674	73,478	230	393,036
Grand Total	10,163	219,855	1,328,347	42,793	67,960	130,767	230	1,800,115

<i>Prior Period</i>	Demand Deposits	Time Deposits					Accumulating Deposit Accounts	Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year		
Turkish Lira								
Bank Deposits	282	34,708	-	146	364	-	-	35,500
Saving Deposits	167	65,894	926,876	27,776	7,262	11,271	-	1,039,246
Public Sector Deposits	-	176	1,065	2	5	1	-	1,249
Commercial Deposits	42,042	72,114	131,516	5,832	9,367	13,686	-	274,557
Others	-	3,107	37,348	3,678	12,049	6,466	-	62,648
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Total TL	42,491	175,999	1,096,805	37,434	29,047	31,424	-	1,413,200
Foreign Currency								
Foreign Currency Deposits	11,085	14,971	175,755	14,311	18,715	78,448	202	313,487
Bank Deposits	3,579	1,965	152	57	52	51	-	5,856
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	12	-	-	324	-	336
Total FC	14,664	16,936	175,919	14,368	18,767	78,823	202	319,679
Grand Total	57,155	192,935	1,272,724	51,802	47,814	110,247	202	1,732,879

5.4.2.5 *Interest expense on repurchase agreements*

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

5.4.2.6 *Financial lease expenses*

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

5.4.2.7 *Interest expenses on factoring payables*

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

5.4.3 **Dividend income**

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

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

	<i>Current Period</i>	<i>Prior Period</i>
Income	21,654,818	18,329,872
Trading Account Income	762,456	568,119
Derivative Financial Instruments	4,477,081	3,593,908
Foreign Exchange Gain	16,415,281	14,167,845
Losses (-)	21,921,590	18,581,118
Trading Account Losses	994,323	533,227
Derivative Financial Instruments	4,648,582	3,986,239
Foreign Exchange Losses	16,278,685	14,061,652
Total	(266,772)	(251,246)

TL 2,577,333 thousands (31 March 2016: TL 1,417,630 thousands) of foreign exchange gains and TL 2,645,162 thousands (31 March 2016: TL 1,094,324 thousands) of foreign exchange losses are resulted from the exchange rate changes of derivative transactions.

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

In this respect; the Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 2,966,662 thousands, USD 1,055,789,593 and EUR 190,409,023, for its bonds with a total face value of TL 965,000 thousands and USD 250,400,000 and fixed-rate coupons and for its fixed-rate loans with a total principal of RON 215,939,842 by designating interest rate swaps and cross currency swaps with the same face values and terms. Accordingly, in the current period, losses of TL 21,861 thousands and TL 23,059 thousands (31 March 2016: gains of TL 171,116 thousands and TL 14,961 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 12,448 thousands (31 March 2016: TL 14,203 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 75,835,676 and EUR 39,473,684, securitization borrowings amounting to USD 87,500,000 and EUR 141,915,787 by designating cross currency swaps with the same face values and terms, and eurobonds with a total nominal value of USD 10,000,000, the collateralised borrowings amounting to TL 500,000 thousands and USD 250,000,000, borrowings amounting to USD 650,000,000, securitizations amounting to USD 790,000,000, EUR 90,000,000 and deposits amounting to USD 880,000,000 and EUR 50,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, gains of TL 48,427 thousands and TL 51,110 thousands (31 March 2016: a gain of TL 41,273 thousands and a loss of TL 59,057 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 78,435,000 and EUR 137,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a net loss of TL 811 thousands (31 March 2016: a net gain of TL 12,173 thousands) resulting from the related fair value calculations for the hedged bonds were accounted for under trading income/losses in the income statement.

One of the Bank's consolidated affiliate enters into interest rate agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the affiliate applied cash flow hedge accounting for its funds borrowed amounting to USD 249,807,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a net gain of TL 523 thousands (31 March 2016: a net loss of TL 1,799 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 348,690,000 sell and EUR 91,356,627 buy, CHF 487,510 sell and EUR 447,983 buy, RON 45,000,000 sell and EUR 9,838,216 buy, GBP 112,107,234 sell and EUR 130,985,161 buy, USD 206,048,750 sell and EUR 188,654,099 buy, ZAR 46,663,945 sell and EUR 2,997,986 buy. Accordingly, in the current period, a net gain of TL 1,692 thousands (31 March 2016:-) resulting from currency derivative contracts were recognized under shareholder's equity.

5.4.5 Other operating income

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

In the current period, a part of non-performing receivables of the Bank amounting to TL 109,710 thousands (31 March 2016: TL 334,179 thousands) were sold for a consideration of TL 9,010 thousands (31 March 2016: TL 30,810 thousands). Considering the related provisions of TL 109,710 thousands (31 March 2016: TL 333,801 thousands) in the financial statements, a gain of TL 9,010 thousands (31 March 2016: TL 30,426 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 86,775 thousands (31 March 2016: TL 11,135 thousands) were sold for a total consideration of TL 16,914 thousands (31 March 2016: TL 1,459 thousands). A gain from these sales amounting to TL 16,914 thousands (31 March 2016: TL 1,459 thousands) is recognized under "other operating income" considering the related provision of TL 86,775 thousands (31 March 2016: TL 11,135 thousands) had been provided against in the accompanying consolidated financial statements in prior periods. A revenue earned from subsequent collections of such receivables sold in prior periods, amounting to TL 23 thousands (31 March 2016: TL 13 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	451,630	677,750
<i>Loans and receivables in Group III</i>	383,871	422,667
<i>Loans and receivables in Group IV</i>	17,542	33,663
<i>Loans and receivables in Group V</i>	50,217	221,420
General Provisions	127,016	74,282
Provision for Possible Losses	200,000	-
Impairment Losses on Financial Assets	919	36
<i>Financial assets at fair value through profit or loss</i>	919	36
<i>Financial assets available-for-sale</i>	-	-
Impairment Losses on Associates, Affiliates and Investments Held-to-Maturity	-	-
<i>Associates</i>	-	-
<i>Affiliates</i>	-	-
<i>Joint ventures (business partnership)</i>	-	-
<i>Investments held-to-maturity</i>	-	-
Others	62,842	62,715
Total	842,407	814,783

5.4.7 Other operating expenses

	<i>Current Period</i>	<i>Prior Period</i>
Personnel Costs	810,275	694,317
Reserve for Employee Termination Benefits	19,264	16,374
Defined Benefit Obligation	-	-
Impairment Losses on Tangible Assets	7	3
Depreciation Expenses of Tangible Assets	69,673	58,866
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortisation Expenses of Intangible Assets	25,730	20,420
Decrease in Value of Equity Accounting Shares	-	-
Impairment Losses on Assets to be Disposed	11	1,312
Depreciation Expenses of Assets to be Disposed	-	1,969
Impairment Losses on Assets Held for Sale and Discontinued Assets	-	-
Other Operating Expenses	711,817	597,377
<i>Operational lease related expenses</i>	115,855	101,409
<i>Repair and maintenance expenses</i>	10,220	12,473
<i>Advertisement expenses</i>	48,965	36,574
<i>Other expenses (*)</i>	536,777	446,921
Loss on Sale of Assets	411	1,084
Others (**)(***)	275,989	297,289
Total	1,913,177	1,689,011

(*) Includes lawsuit, execution and other legal expenses beared by the Bank of fees and commissions income recognized in prior years but reimbursed, in the amount of TL 9,009 thousands (31 March 2016: TL 16,956 thousands), as per the decision of the Turkish Competition Board or the related courts.

(**) Includes saving-deposits-insurance-fund related expenses of TL 85,336 thousands (31 March 2016: TL 60,545 thousands) and insurance-business claim losses of TL 37,730 thousands (31 March 2016: TL 21,481 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 10,236 thousands (31 March 2016: TL 43,481 thousands) as per the decision of the Turkish Competition Board or the related courts.

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

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

5.4.9 Information on provision for taxes for continued and discontinued operations

As of 31 March 2017, on a consolidated basis, the Bank recorded a current tax expense of TL 615,148 thousands (31 March 2016: TL 378,639 thousands) and a deferred tax income of TL 156,135 thousands (31 March 2016: TL 97,978 thousands).

Deferred tax benefit/charge on timing differences

Deferred tax (benefit)/charge on timing differences	<i>Current Period</i>	<i>Prior Period</i>
Increase in Tax Deductable Timing Differences (+)	(97,007)	(82,550)
Decrease in Tax Deductable Timing Differences (-)	10,158	13,692
Increase in Taxable Timing Differences (-)	66,455	29,240
Decrease in Taxable Timing Differences (+)	(135,741)	(58,360)
Total	(156,135)	(97,978)

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	<i>Current Period</i>	<i>Prior Period</i>
(Increase)/Decrease in Tax Deductable Timing Differences (net)	(84,461)	(74,778)
(Increase)/Decrease in Taxable Timing Differences (net)	(69,286)	(29,120)
(Increase)/Decrease in Tax Losses (net)	(2,388)	5,920
(Increase)/Decrease in Tax Deductions and Exemptions (net)	-	-
Total	(156,135)	(97,978)

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

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

5.4.11 Net profit/loss

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

None.

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

None.

5.4.11.3 Minority interest’s profit/loss

	<i>Current Period</i>	<i>Prior Period</i>
Net Profit/(Loss) of Minority Interest	13,097	10,788

5.4.12 Components of other items in income statement

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

5.5 Consolidated statement of changes in shareholders' equity

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

5.6 Consolidated statement of cash flows

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

5.7 Related party risks

5.7.1 Transactions with parent bank's risk group;

5.7.1.1 Loans and other receivables

Current Period:

Bank's Risk Group	Associates, Affiliates and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	31,850	3,476	1,660,778	385,799	2,320,156	735,944
Balance at end of period	64,086	3,547	54,813	405,834	2,462,855	982,016
Interest and Commission Income	643	207	348	24	43,427	462

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	1,540	1	134	2	37,930	99

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	78,435	46,726	1,073,663	545,105	578,033	554,648
Interest Expenses	1,777	728	2,190	158	4,351	1,317

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	12,811	13,344	27,117,910	13,797,354	973,198	843,120
Total Profit/(Loss)	12	182	7,527	(81,039)	1,505	1,543
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 2,388,682 thousands (31 December 2016: TL 2,216,830 thousands) compose 1.12% (31 December 2016: 1.10%) of the Bank's total consolidated cash loans and 0.73% (31 December 2016: 0.71%) of the Bank's total consolidated assets. The total loans and similar receivables amounting TL 2,581,754 thousands (31 December 2016: TL 4,012,784 thousands) compose 0.79% (31 December 2016: 1.29%) of the Bank's total consolidated assets. The non-cash loans of the risk group amounting TL 1,391,397 thousands (31 December 2016: TL 1,125,219 thousands) compose 2.45% (31 December 2016: 2.01%) of the Bank's total consolidated non-cash loans. The deposits of the risk group amounting TL 1,730,131 thousands (31 December 2016: TL 1,146,479 thousands) compose 0.93% (31 December 2016: 0.64%) of the Bank's total consolidated deposits. There are no funds borrowed by the Bank and its consolidated financial affiliates from their risk group (31 December 2016: -) of the Bank's total consolidated funds borrowed. The pricing in transactions with the risk group companies is set on an arms-length basis.

The credit card (POS) payables to the related parties, amounted to TL 61,133 thousands (31 December 2016: TL 65,017 thousands). A total rent income of TL 1,129 thousands (31 March 2016: TL 967 thousands) was recognized for the real estates rented to the related parties.

Operating expenses for TL 1,194 thousands as of 31 March 2017 (31 March 2016: TL 2,845 thousands) were incurred for the IT services rendered by the related parties. Other income of TL 717 thousands (31 March 2016: TL 636 thousands) for the IT services rendered and banking services fee income of TL 1,363 thousands (31 March 2016: TL 243 thousands) were recognized from the related parties.

There were no fixed-rate securities brokerage fee (31 March 2016: TL 180 thousands) received from the risk group.

Operating expenses of TL 34 thousands (31 March 2016: TL 802 thousands) for advertisement and broadcasting services, of TL 12,996 thousands (31 March 2016: TL 9,021 thousands) for operational leasing services, and of TL 1,991 thousands (31 March 2016: TL 1,604 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 37,895 thousands as of 31 March 2017 (31 March 2016: TL 39,184 thousands) including compensations paid to key management personnel who left their position during the year.

5.7.2.3 Other matters not required to be disclosed

None.

5.7.2.4 Transactions accounted for under equity method

None.

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

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

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

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

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

5.9 Matters arising subsequent to the balance sheet date

None.

5.10 Other Disclosures on Activities

5.10.1 Information on international risk ratings

5.10.1.1 Parent bank's international risk ratings

MOODY'S (March 2017)

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

STANDARD AND POORS (January 2017)

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

FITCH RATINGS (February 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)

JCR EURASIA RATINGS (April 2016)

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

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

MOODY'S (October 2016) (*)

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

(*) Latest date in risk ratings or outlooks.

5.10.1.3 International risk ratings of Garanti Faktoring, a consolidated affiliate

FITCH RATINGS (February 2017) (*)

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

(*) Latest date in risk ratings or outlooks.

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

FITCH RATINGS (February 2017) (*)

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

(*) Latest date in risk ratings or outlooks.

STANDARD AND POORS (January 2017) (*)

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

(*) Latest date in risk ratings or outlooks.

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

FITCH RATINGS (February 2017) (*)

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

(*) Latest date in risk ratings or outlooks.

5.10.2 Dividend

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

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

5.10.3 Other disclosures

None.

6 Limited Review Report

6.1 Disclosure on limited review report

The consolidated financial statements of the Bank and its financial affiliates as of 31 March 2017, have been reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (a member firm of KPMG International Cooperative) and the limited review report dated 26 April 2017, is presented before the accompanying consolidated financial statements.

6.2 Disclosures and footnotes prepared by independent accountants

None.

7 Interim Activity Report

7.1 Introduction

7.1.1 About Garanti

Established in 1946, Garanti Bank is **Turkey’s second largest private bank** with consolidated assets of US\$ 90.4 billion as of 31 March 2017.

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

As of 31 March 2017, Garanti provides a wide range of financial services to its 14.5 million customers with more than 19 thousand employees through an **extensive distribution network** of 956 domestic branches; 7 foreign branches in Cyprus, one in Luxembourg and one in Malta; 3 international representative offices in London, Düsseldorf and Shanghai with 4,794 ATMs, an award-winning Call Center, internet, mobile and social banking platforms, all built on **cutting-edge technological infrastructure**.

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

Following the **best practices in corporate governance**, Garanti’s majority shareholder is Banco Bilbao Vizcaya Argentaria S.A. (BBVA) with 49.85% share. Having shares publicly traded in Turkey, depositary receipts in the UK and the USA, Garanti has an actual free float of 50.07% in Borsa Istanbul as of 31 March 2017.

With its dynamic business model and superior technology integrated to its innovative products and services, Garanti continues to differentiate itself and facilitate the lives of its customers. Its **custom-tailored solutions** and **wide product variety** play a key role in reaching US\$ 74.1 billion cash and non-cash loans. The **high asset quality** attained through advanced risk management systems and established risk culture place Garanti apart in the sector.

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

7.1.2 Capital and shareholding structure

Garanti has paid-in capital of TL 4,200,000,000 as of 31 March 2017.

T.GARANTİ BANKASI A.Ş SHAREHOLDING STRUCTURE			
Shareholders	Number of shares	Nominal (TL)	Share %
BBVA(BANCO BILBAO VIZCAYA ARGENTARIA S.A)	209,370,000,000	2,093,700,000.00	49.85
OTHERS	210,630,000,000	2,106,300,000.00	50.15
GRAND TOTAL	420,000,000,000	4,200,000,000.00	100.00

7.1.3 The amendments in the articles of association during period of 01.01.2017-31.03.2017

There is no change during the period.

7.1.4 Macro Outlook for the first 3 months period of 2017

V-shaped recovery after the slump in 3Q16. 4Q16 GDP grew by 3.5% YoY, significantly above the market and our expectation of 1.9%, after falling by 1.3% YoY in 3Q16. Most part of the positive surprise in 4Q growth is explained by the significant upward revision of the first three quarters' GDP figures, from 2.2% YoY to 2.6% YoY. Thus GDP grew by 2.9% in 2016. In the composition of the growth; domestic demand including stocks contributed 4.2pp, while net exports, mostly due to the problems in the tourism sector, subtracted 1.3pp from the growth rate of last year. Private consumption was weak by 1.4pp contribution, government consumption and total investments both contributed by almost 1pp to the growth in 2016.

February IP growth signaled a gradual recovery. The calendar adjusted industrial production (IP) grew by 1% YoY below the consensus of 3% and BBVA-GB estimate of 4% in February. IP growth has not confirmed the robust recovery in soft indicators so far in 2017 but still shows the economy is gradually recovering toward its potential. The moderation of IP comes basically from the capital goods and to a smaller extent nondurable goods. Energy and capital goods continued to give positive contributions by 1.2pp and 0.9pp, respectively; while consumer goods did not give contribution at all and intermediate goods kept contracting. In the coming period, we expect to see the continuum of economic recovery on the back of increased fiscal expansion and rapidly recovering credits.

Core current account deficit eased in February. 12-month-cumulative current account deficit (CAD) deteriorated from USD32.6bn (3.8% of GDP) in 2016 to USD33.7bn by end-February. When both net energy and gold trade are excluded, the deficit falls from USD9.5bn to USD7.7bn. We expect the CAD to GDP ratio to deteriorate toward 5% in 2017 on the back of higher oil prices and only a limited recovery in the tourism sector.

Budget figures signaled deterioration in 1Q17. In the first 3 months of 2017, budget revenues rose by 9.9% YoY, while expenditures surged by 21.3% YoY, increasing the gap above the Government targets. Thus, 12-month cumulative budget deficit realized as TL44.2bn and primary surplus as TL8.4bn. According to our estimates, budget deficit to GDP may be around 1.7% in 1Q17. We expect a further worsening of budget deficit to circa 2.5% of GDP in 2017 from 1.1% in 2016.

Turkey's external debt stock/GDP was 47.2% in 2016. By end 2016, gross external debt stock/GDP level was 47.2%, increased from 46.0% in 2015. EU-defined general government debt stock/GDP ratio increased from 27.3% in 3Q16 to 28.3% by end 2016. It was 27.5% in 2015.

Inflation breached the double digits in 1Q17. Annual CPI inflation jumped to 11.3% in March, which was 8.5% by end 2016. Core inflation also surged to 9.5% from 7.5% in the same period. Unfavorable base effects of food and pass through from FX depreciation were the main drivers behind the deterioration in inflation outlook. We expect headline CPI to remain mostly in double-digits and core inflation to continue to rise towards double digits and to stay there until the last quarter in the absence of a significant currency appreciation.

Central Bank (CBRT) increased its average funding rate by 320bps year-to-date. Following the increased volatility in FX and worsening inflation expectations, the CBRT has started to use Late Liquidity Window (LLW) as its main policy tool by mid-January. In this regard, CBRT funding composition occurs only through the O/N lending (9.25%) and the LLW (11.75%). Hence, CBRT increased its average funding rate to 11.5% from 8.3% by end 2016 by allocating a higher share from the LLW.

TL financial assets started the year under sell-off but currently somewhat stabilized. TL depreciated by 23% against currency basket in 1Q17 on average after depreciating by 12% in 4Q16 in annual terms. TL hit the level of 3.52 against the US dollar by end 2016. Benchmark bond yield which was at 10.7% at the end of 2016, increased to 11.4% in 1Q17.

7.1.5 Summary financial information regarding the operating results for the current period, the comments of the chairman of the board of directors and the CEO

As of 31 March 2017,

Garanti’s contribution to economy exceeded TL 269 billion.

Türkiye Garanti Bankası A.Ş., announced its financial statements dated 31 March 2017. Based on the consolidated financials, in the first three months of 2017, the Bank posted a consolidated **net income** of TL 1 billion 536 million 636 thousand. While Garanti’s **asset size** reached TL 328 billion 691 million 782 thousand, its contribution to the economy through **cash and non-cash lending** exceeded TL 269 billion 255 million 793 thousand. The Bank’s **ROAE** (Return on Average Equity) improved to 18.9% and an **ROAA** (Return on Average Assets) to 2.1%.

Commenting on the financial results, Garanti Bank Chairman F. Ferit Şahenk stated that: “Global economic activity has been picking up recently. World economic growth is projected to increase from 3.1% in 2016 to 3.5% this year. The momentum is especially visible in advanced economies. After six consecutive years of growth slowdown, developing economies are also expected to perform better than the previous year, in 2017.

Despite geopolitical risks and uncertainties, Turkish economy managed to grow by 2.9% in 2016. Thanks to the favorable public debt dynamics, supportive economic policies that have been introduced in a very timely and effective manner have started to pay off. The soundness of the banking sector also plays an instrumental role in this process. I believe that the performance of the Turkish economy will be stronger in 2017.

In this context, Garanti Bank has been supporting the economy by maintaining its above sector TL loan growth. I would like to congratulate my colleagues for successful first quarter financials. Garanti Bank will continue to play a leading role in the sector with its strong capital structure, highly qualified human resources and sound balance sheet management. Addressing the changing needs of our customers in the most effective and innovative way will continue to be our top priority mission. Taking this opportunity, I would like to thank my colleagues, our esteemed clients, shareholders, and all other stakeholders.”

Commenting on the financial results, **Garanti Bank’s CEO Fuat Erbil** said: “We made a solid start to 2017 with a remarkable core banking performance. While maintaining our leadership in consumer lending, we grew our TL business banking loans by 14% in the first three months of 2017. As of today, the loans we have provided under the Credit Guarantee Fund surpassed 10 billion liras. We continue to support the economy with our strong capital and diversified funding resources. The US\$ 500 million 6 year tenure Eurobond we issued in March is an important indicator of confidence in Garanti and in Turkey during a turbulent period in the global financial markets. With over 19 thousand employees and the expansive branch network in every city of Turkey, we continue to be alongside our customers. As a pioneer in digital transformation for over 20 years, today we reached a point where we bring the banking service to our customer’s location. In addition to the capability of quick transaction processing without branch visits, we cater to our customers the privilege of private expert consultations on subjects requiring specialist knowledge. The digitalization journey we started with BonusFlas in payment systems, continues with Garantili Isler (Garanti for Merchants) web platform for SMEs. Furthermore, we commenced the period of financing for digitalization in agriculture.”

Expressing the pride for the recognitions of Garanti’s efforts by international authorities, **Erbil** said; “We were chosen ‘Best Investment Bank in Turkey’ by Global Finance for the financing we provided to projects. We qualified for the FTSE4GOOD Emerging Index with our performance in environmental, social and governance areas. We became the first and only company from Turkey to be listed in the Bloomberg Financial Services Gender Equality Index, with our HR practices and the support we provide to women for their increased role in business life and higher contribution to the economy. We continue to work relentlessly to add sustainable value to all our stakeholders.”

Selected Figures of Garanti Bank’s Consolidated Financial Statements (31 March 2017)

Profit before Taxes and Provisions (*)	TL 2,857.3 million	Cash Loans	TL 212,368.8 million
Profit before Taxes	TL 1,995.6 million	Non-Cash Loans	TL 56,887.0 million
Net Income	TL 1,536.6 million	Total Assets	TL 328,691.8 million
Deposits	TL 185,193.6 million	Shareholders’ Equity	TL 36,632.0 million

Highlights from Garanti Bank's Consolidated Financials for Three-month Period ended 31 March 2017

- Net income was TL 1 billion 536 million and 636 thousand.
- In compliance with the legal legislation and international regulations, a total amount of TL 1 billion 320 million 702 thousand was reserved for tax provisions, loans and other provisions. (*)
- Total assets increased by 5.3% year-to-date and reached TL 328 billion 691 million 782 thousand.
- Return on Average Assets (ROAA) reached 2.1%. (**)
- Shareholders' equity increased by 2.3% year-to-date and reached TL 36.6 billion.
- Return on Average Equity (ROAE) reached 18.9%. (**)
- Contribution made to the real economy through cash and non-cash loans increased by 4.6% year-to-date and reached TL 269 billion 255 million 793 thousand as of 31 March 2017.
- Total loans, FC loans and TL loans market shares realized at 11.8%, 12.6% and 11.3% respectively.
- Market shares of "mortgage loans" and "consumer loans including credit cards" were 13.8% and 14.4%, respectively.
- Total customer deposits increased by 3.4% year-to-date and reached TL 180 billion 117 million and 739 thousand, while market share of total customer deposits was realized at 11.4%.
- Capital adequacy ratio (CAR) reached 14.4%.
- Non-performing loan (NPL) ratio decreased to 2.88%.

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

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

You may access the earnings presentation regarding the BRSA consolidated financial results as of and for the period ending 31 March 2017 in English from Garanti Bank Investor Relations website at www.garantiinvestorrelations.com

Garanti With Numbers	31.12.2016	31.03.2017
Branch Network	971	968
+ Domestic	959	956
+ Abroad	12	12
Personnel	19,689	19,506
ATM	4,825	4,794
POS (*)	635,865	651,727
Total Customers (**)	14,615,584	14,486,423
Digital Banking Customers (***)	4,878,893	5,064,828
Mobile Banking Customers (***)	3,682,950	4,087,257
Credit Card Customers	6,484,464	6,538,906
Credit Cards	9,792,199	9,820,321
Debit Cards	8,930,780	9,059,049
(*) Includes shared and virtual POS.		
(**) Decrease in number of active customers is due to exclusion of customers with inadequate documentation.		
(***) Active customers only -- min. 1 login or call per quarter.		

Selected Sector Figures (TL million)	30.12.2016	31.03.2017	QoQ Δ
Total Deposits	1,456,721	1,523,459	4.6%
Bank Deposits	84,930	86,853	2.3%
Customer Deposits	1,371,791	1,436,606	4.7%
TL Deposits	796,373	793,747	(0.3%)
FC Deposits (US\$ mn)	164,278	177,728	8.2%
Customer Demand Deposits	272,217	293,550	7.8%
Total Loans	1,565,364	1,656,978	5.9%
TL Loans	1,040,940	1,119,420	7.5%
FC Loans (US\$ mn)	149,700	148,626	(0.7%)
Retail Loans ^(*)	628,221	681,715	8.5%
Housing	159,069	167,665	5.4%
Auto	20,149	19,746	(2.0%)
General Purpose Loans ^(**)	348,771	392,634	12.6%
Credit Cards	100,233	101,669	1.4%
<i>Loans/Deposits Ratio</i>	<i>107.5%</i>	<i>108.8%</i>	
Gross NPL	54,705	57,118	4.4%
<i>NPL ratio</i>	<i>3.2%</i>	<i>3.1%</i>	
<i>NPL coverage</i>	<i>77.8%</i>	<i>78.9%</i>	
Gross NPL in retail loans	22,479	23,296	3.6%
<i>NPL ratio in retail loans</i>	<i>4.1%</i>	<i>3.9%</i>	
Gross NPL in credit cards	7,904	8,090	2.4%
<i>NPL ratio in credit cards</i>	<i>7.3%</i>	<i>7.4%</i>	
F/X Position, net (US\$ mn)	(1,191)	(286)	
on B/S	(21,144)	(40,237)	
off B/S	19,953	39,951	
Source: BRSA weekly sector data, commercial banks only			
(*) Including consumer and commercial installment loans			
(**) Including other and overdraft loans			

Garanti Market Shares ^(*) (%)	YTD Δ	31.03.2017
Total Performing Loans	↓	11.8%
TL Loans	↑	11.3%
FC Loans	↓	12.6%
Credit Cards - Issuing (Cumulative)	↑	20.4%
Credit Cards - Acquiring (Cumulative)	↓	20.8%
Consumer Loans ^(**)	↓	14.4%
Total Customer Deposits	↓	11.4%
TL Customer Deposits	↓	9.4%
FC Customer Deposits	↓	13.7%
Customer Demand Deposits	↑	13.3%
Mutual Funds	↑	10.2%
(*) Based on BRSA weekly data for commercial banks only.		
(**) Retail consumer loans, credit cards and other retail loans.		

Forward looking statements regarding the expectations

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

As of 31 March 2017, there are no revisions to the forward looking statements regarding the expectations for the year 2017.

7.2 Information regarding management and corporate governance practices

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

Audit Committee Members:

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

Managers of the Internal Systems Units:

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

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

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

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

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

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

7.3 Assessment of financial information and risk management

You may find information regarding the assessment of financial position, profitability and debt payment capability, risk management explanations and ratings in the financial statements as of and for the nine-month period ended 31 March 2017 and the independent accountants' limited review report. Additionally, you may find detailed information in the earnings presentation regarding financial results of the related period published on Garanti Bank Investor Relations website at www.garantiinvestorrelations.com.

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

7.4 Announcements regarding important developments in the period of 01.01.2017-31.03.2017

- As per the Article 10 of the "Communiqué on Material Events Disclosure" (II-15.1) of Capital Markets Board, T. Garanti Bankası A.Ş has announced its forward looking statements regarding the expectations for the year 2017. For more information, please visit [Garanti Investor Relations website](#).
- Our Bank and Turkish Airlines A.O. ("THY"), signed a new agreement in order to maintain for the period between 1st of April 2017 – 31st of March 2018 their long lasting cooperation regarding the issuance of Miles&Smiles credit card to THY FFP members, which will come to an end at 1st of April 2017.
- Standard & Poor's (S&P) revised the outlook of the sovereign ratings on the Republic of Turkey to Negative from Stable on its report dated 27 January 2017. Accordingly, S&P revised the outlook of Türkiye Garanti Bankası A.Ş (Bank) ratings to Negative from Stable. S&P, affirmed the Bank's Long Term Foreign Currency and Long Term Local Currency ratings at "BB" and Stand-alone Credit Profile (SACP) rating at "bb+" level.
- Following Turkey's sovereign rating downgrade on 27 January 2017, Fitch Ratings has revised down T Garanti Bankası A.Ş (Garanti)'s Long-term foreign currency Issuer Default Rating (IDR) and Long-term local currency IDR, yet preserved them at investment grade. The Outlooks on the bank's IDRs have been revised to Stable from Negative. Garanti's Support Rating has been affirmed at '2', reflecting Fitch's view that the bank's parent continues to have a strong propensity to provide support, given the bank's ownership structure, strategic importance and integration.
You may view the ratings for Garanti Bank at [Garanti Investor Relations website](#).
- The Board of Directors of our Bank resolved on 2 March 2017 that the Ordinary General Meeting of Shareholders of T. Garanti Bankası A.Ş. be held on 30 March 2017 Thursday, at 10:00 a.m. at Levent, Nispetiye Mahallesi, Aytar Caddesi No:2, Besiktas – Istanbul, with the following agenda, and the Head Office be authorized to conduct any and all acts in relation with the Ordinary General Meeting of Shareholders and to determine the persons who will be authorized in this regard.

AGENDA

- 1- Opening, formation and authorization of the Board of Presidency for signing the minutes of the Ordinary General Meeting of Shareholders,
- 2- Reading and discussion of the Board of Directors' Annual Activity Report,
- 3- Reading and discussion of the Independent Auditors' Reports,
- 4- Reading, discussion and ratification of the Financial Statements,
- 5- Release of the Board Members,
- 6- Determination of profit usage and the amount of profit to be distributed according to the Board of Directors' proposal,
- 7- Determination of the remuneration of the Board Members,
- 8- Informing the shareholders about remuneration principles of the Board Members and directors having the administrative responsibility in accordance with the Corporate Governance Principle no. 4.6.2 promulgated by Capital Markets Board of Turkey,
- 9- Informing the shareholders with regard to charitable donations realized in 2016, and determination of an upper limit for the charitable donations to be made in 2017 in accordance with the banking legislation and Capital Markets Board regulations,
- 10- Authorization of the Board Members to conduct business with the Bank in accordance with Articles 395 and 396 of the Turkish Commercial Code, without prejudice to the provisions of the Banking Law,
- 11- Informing the shareholders regarding significant transactions executed in 2016 which may cause conflict of interest in accordance with the Corporate Governance Principle no. 1.3.6 promulgated by Capital Markets Board of Turkey.

- You may find Information Document, Profit Distribution Table, Minutes and Resolutions regarding Ordinary General Meeting of Shareholders which was held on 31 March 2017 from Garanti Bank Investor Relations web site.
https://www.garantiinvestorrelations.com/en/corporate-governance/Ordinary-General_Shareholders-Meetings/Ordinary-General-Meeting-of-Shareholders/102/0/0
- The Board of Directors of our Bank resolved on 2 March 2017 that below matter be submitted for the approval of our shareholders during the Ordinary General Meeting of Shareholders dated 30 March 2017, that dividend distribution be initiated on 24 April 2017 and the Head Office be authorized to conduct legal applications and procedures regarding the distribution of profit.
The distribution of the profit of the year 2016 in the amount of TL 5,070,549,118.13 after the tax deduction be as follows in accordance with Article 45- of the Articles of Association of our Bank titled as “Distribution of the Profit”:
The distribution of a cash gross dividend to our Shareholders in the amount of TL 1,250,000,000.00 in total equivalent to 29.76 % of the paid-in capital of the Bank (which is TL 4,200,000,000) consisting of first cash gross dividend in the amount of TL 210,000,000.00 equivalent to 5% of the Bank’s paid-in capital and second cash gross dividend in the amount of TL 1,040,000,000.00.
- Moody’s revised the outlook of the sovereign ratings on the Republic of Turkey to Negative from Stable on its report dated 17 March 2017.
Accordingly, Moody’s revised the outlook of Türkiye Garanti Bankası A.Ş (Bank) ratings to Negative from Stable. Moody’s affirmed the Bank’s Long Term Foreign Currency rating at “Ba2”, Long Term Local Currency rating at “Ba1” and the Baseline Credit Assessment (BCA) at "ba2" level.
- Per disclosure dated 22 March 2017, BBVA has completed the acquisition of the 9.95% of the total issued capital of Türkiye Garanti Bankasi A.S. from Doğu Group and BBVA’s total stake in Garanti Bank reached 49.85%.
- Our Bank has sold its non-performing loan portfolio receivables arising from credit cards, general purpose loans, overdraft loans and expenses in the total principal amount of TL 109,750,395.51 as of 19 February 2017, for a total consideration of TL 9,010,000.00 to Sümer Varlık Yönetim A.Ş.
- Garanti Bank secured a financing in the amount of USD 78,997,500 which is equivalent to EUR 75 million, with 6 years maturity from European Investment Bank (EIB). The proceedings of the loan will be on-lent to small and medium sized enterprises.

7.5 Announcements regarding important developments for debt instruments issuance and redemptions in the period of 01.01.2017-31.03.2017

- Pursuant to the authority given Head Office of Bank by The Board of Directors of the Bank’s resolution dated 30 November 2016, our application to issue all kinds of debt instruments including but not limited to fixed or floating rate bonds, debentures and/or credit risk-based and other structured debt instruments up to the aggregate amount of TL 20,000,000,000.- (twenty billion Turkish Lira) in Turkish Lira currency with different types and maturity dates, to be sold domestically by public offering or to qualified investors in one or more issuances, was made to the Banking Regulation and Supervision Agency and Capital Markets Board.
- As a result of our application to the Capital Markets Board pursuant to our Board of Directors’ resolution dated 30 November 2016, the registration of our bank bonds, debentures and/or structured debt instruments in the total nominal amount of TL 20,000,000,000 (twenty billion Turkish Lira) was published in the Capital Markets Board’s weekly bulletin numbered 2017/09.
- It has been announced that pursuant to the authority given to the Head Office by the resolution of The Board of Directors dated 2 June 2016 for a 1-year period, our application to issue all kinds of debt instruments including but not limited to bills/ bonds and/ or credit risk-based debt instruments and other structured debt instruments in Turkish Liras up to the aggregate amount of 6.000.000.000

TL (six billion Turkish Liras), subject to fixed or floating interest rate and different maturity dates with the purpose of selling domestically to qualified investors, was approved by the Capital Markets Board on October 4, 2016.

Below bank bonds and structured note issuances has been realized.

-Total nominal amount of TL 70,000,000 with a maturity of 63 days, dated 06.04.2017, ISIN code of TR0GRAN00AM9

-Total nominal amount of TL 138,650,000 with a maturity of 105 days, dated 22.05.2017, ISIN code of TRQGRAN51745

-Total nominal amount of TL 10,191,000 with a maturity of 63 days, dated 11.04.2017 ISIN code of TR0GRAN00AP2

-Total nominal amount of TL 50,000,000 with a maturity of 63 days, dated 14.04.2017, ISIN code of TR0GRAN00AU2

-Total nominal amount of TL 50,000,000 with a maturity of 91 days, dated 12.05.2017, ISIN code of TR0GRAN00AV0

-Total nominal amount of TL 12,797,400 with a maturity of 63 days, dated 28.04.2017, ISIN code of TR0GRAN00B68

-Total nominal amount of TL 7,774,614 with a maturity of 63 days, dated 05.05.2017, ISIN code of TR0GRAN00BA2

-Total nominal amount of TL 6,254,350 with a maturity of 62 days, dated 18.05.2017, ISIN code of TR0GRAN00BO3

-Total nominal amount of TL 5.070.806 with a maturity of 62 days, dated 25.05.2017, ISIN code of TR0GRAN00BV8

-T. Garanti Bankası A.Ş. issued below bank bonds and discounted bonds by public offering following the bookbuilding on March 6-7, 2017.

-Total nominal amount of TL 410,744,578 with a maturity of 368 days, dated 19.03.2018, Garanti Bank Bond: ISIN code of TRSGRAN31818

-T. Garanti Bankası A.Ş. issued below bank bonds and discounted bonds by public offering following the bookbuilding on March 6-7, 2017.

-Total nominal amount of TL 119,130,000, with a maturity of 103 days, dated 19.06.2017, Garanti Bank Bond: ISIN code of TRQGRAN61710

-T. Garanti Bankası A.Ş. issued below bank bonds and discounted bonds by public offering following the bookbuilding on January 19, 2017.

-Total nominal amount of TL 124,510,000 , with a maturity of 103 days, dated 03.05.2017, Garanti Bank Bond: ISIN code of TRQGRAN51737

-T. Garanti Bankası A.Ş. issued below bank bonds and discounted bonds by public offering following the bookbuilding on January 19, 2017.

-Total nominal amount of TL 211,950,000 with a maturity of 95 days, dated 22.05.2017, Garanti Bank Bond: ISIN code of TRQGRAN51752

-Total nominal amount of TL 567,672,263 with a maturity of 368 days, dated 19.02.2018, Garanti Bank Bond: ISIN code of TRSGRAN21819

- Our Bank has mandated BBVA, Citigroup, Goldman Sachs, J.P. Morgan, MUFG and SMBC Nikko for an issuance of U.S. dollar-denominated Eurobond to be sold to real persons and legal entities resident abroad. The fixed rate notes with nominal amount of USD 500 million, 6 year maturity, redemption date of 16 March 2023 and semi-annual coupon payments, have the yield and the coupon rate of 5.875%.

Application for the CMB issuance certificate has been made regarding the issuance of debt instrument at abroad in the amount of USD 500 million.

- The 64-day maturity structured notes, which were issued upon the approval of the Capital Markets Board dated Oct.4, 2016, by selling to qualified investors on Dec.6, 2016 with bookbuilding on Dec.5, 2016 with TR0GRAN00980 ISIN code and TL 50,000,000 nominal value, is redeemed on 08/02/2017.
- The 63-day maturity structured notes, which were issued upon the approval of the Capital Markets Board dated Oct.4, 2016, by selling to qualified investors on Dec.9, 2016 with bookbuilding on Dec.8, 2016 with TR0GRAN009D8 ISIN code and TL 50.000.000 nominal value, is redeemed on 10/02/2017.
- The 370-day maturity discounted bonds, which were issued upon the approval of the Capital Markets Board dated Jan.29, 2016 by public offering on Feb.9-10-11, 2016 with bookbuilding on Feb.12, 2016 with TRSGRAN21728 ISIN code and TL 459,409,290 nominal value, is redeemed on 16/02/2017.
- The 101-day maturity bonds, which were issued upon the approval of the Capital Markets Board dated Oct.4, 2016 by sale to qualified investors on Nov.7, 2016 with bookbuilding on Nov.3-4, 2016 with TRQGRAN21714 ISIN code and TL 301,000,000 nominal value, is redeemed on 16/02/2017.
- The 370-day maturity discounted bonds, which were issued upon the approval of the Capital Markets Board dated Jan.7, 2016 by public offering on Jan.15, 2016 with bookbuilding on Jan.12-13-14, 2016 with TRSGRAN11729 ISIN code and TL 284,235,403 nominal value, is redeemed on 19/01/2017.
- The 64-day maturity structured notes, which were issued upon the approval of the Capital Markets Board dated Oct.4, 2016, by selling to qualified investors on Nov.24, 2016 with book building on Nov.21-22-23, 2016 with TR0GRAN008Z3 ISIN code and TL 4,472,550.00 nominal value, is redeemed on 27/01/2017.
- The 368-day maturity discounted bonds, which were issued upon the approval of the Capital Markets Board dated Aug.11, 2015 by public offering on Jan.28, 2016 with book building on Jan.27, 2016 with TRSGRAN11737 ISIN code and TL 100,000,000 nominal value, is redeemed on 30/01/2017.
- The 728-day maturity fixed coupon bonds which was issued upon the approval of the Capital Markets Board dated Dec.25, 2014 by public offering on Jan.12, 2015 with bookbuilding on Jan.7-8-9 2015 with TRSGRAN11711 ISIN code, is redeemed on 09/01/2017
- The 366-day maturity discounted bonds, which were issued upon the approval of the Capital Markets Board dated March.11, 2016 by public offering on March.8-14, 2016 with bookbuilding on March.15, 2016 with TRSGRAN31719 ISIN code and TL 334,701,455 nominal value, is redeemed on 16/03/2017.
- It was announced that GMTN (Global Medium Term Notes) program has been established by our Bank in order to arrange borrowing instruments issuance transactions in any currency with different series and maturities.

Below CMB issuance certificates have been received in regards to the issuances under the GMTN programme.

- ISIN code of XS1551057554, dated 18.01.2018, in total nominal amount of EUR 23,000,000, issue date of 17.01.2017

Important developments during 01.07.2016-30.09.2016 period were announced and the disclosures were uploaded to the Public Disclosure Platform. All the announcements are shared at Garanti Bank Investor Relations web site (www.garantiinvestorrelations.com) and at the link below.

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