



Türkiye Garanti Bankası Anonim Şirketi
Unconsolidated 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 Accountant’s
Limited Review Report” comprising 2 pages
and; “Unconsolidated Financial Statements and
Related Disclosures and Footnotes” comprising 108
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 Unconsolidated Interim Financial Information

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

Introduction

We have reviewed the accompanying unconsolidated statement of financial position of Türkiye Garanti Bankası A.Ş. ("the Bank") as at 31 March 2017 and the related unconsolidated statement of income, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated interim financial information do not present fairly, in all material respects, the unconsolidated financial position of Türkiye Garanti Bankası AŞ as at 31 March 2017, and its unconsolidated financial performance and its unconsolidated cash flows for the three month period then ended in accordance with the BRSA Accounting and Reporting Legislation.

Other Matter

The unconsolidated 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 unconsolidated interim financial information is not consistent, in all material respects, with the reviewed unconsolidated 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 unconsolidated interim financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying unconsolidated 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 unconsolidated interim financial statements and IFRS.

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



Murat Alsan
Partner, SMMM

26 April 2017
İstanbul, Turkey

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

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The unconsolidated interim financial report for the three-month period 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 the Bank
2. Unconsolidated Financial Statements of the Bank
3. Accounting Policies
4. Financial Position and Results of Operations, and Risk Management Applications of the Bank
5. Disclosures and Footnotes on Unconsolidated Financial Statements
6. Limited Review Report
7. Interim Report

The unconsolidated 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
Financial Reporting
Executive Vice President

Hakan Özdemir
General Accounting
Senior Vice President

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 the 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 Bank’s shareholder structure, management and internal audit, direct and indirect shareholders, change in shareholder structure during the period and information on bank’s 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%. Accordingly, BBVA and the Doğuş Group continued to have mutual control on the Bank’s management.

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 agreements 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 the 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
Sait Ergun Özen	Member	14.05.2003	University	30 years
Süleyman Sözen	Vice Chairman	08.07.2003	University	35 years
Dr. Muammer Cüneyt Sezgin	Member	30.06.2004	PhD	29 years
Belkıs Sema Yurdum	Independent Member	30.04.2013	University	37 years
Jaime Saenz de Tejada Pulido	Member	02.10.2014	University	24 years
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
Ali Fuat Erbil	Member and CEO	02.09.2015	PhD	25 years
Jorge Saenz Azcunaga Carranza	Independent Member of BOD and Audit Committee	31.03.2016	University	23 years
Inigo Echebarria Garate	Member	31.03.2016	Master	34 years

CEO and Executive Vice Presidents:

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

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

1.4 Information on the bank's qualified shareholders

Name / 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 the bank's activities and services

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

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

- Developing economical and financial relations with foreign organizations,
- Dealing with all economic operations in compliance with the Banking Law.

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

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

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

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

None.

2 Unconsolidated Financial Statements

(Convenience Translation of Financial Statements Originally Issued in Turkish)

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

ASSETS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD 31 March 2017			PRIOR PERIOD 31 December 2016		
		TL	FC	Total	TL	FC	Total
I. CASH AND BALANCES WITH CENTRAL BANK	(5.1.1)	3,418,943	27,650,865	31,069,808	6,723,703	17,061,431	23,785,134
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	(5.1.2)	2,383,884	631,209	3,015,093	2,683,405	823,023	3,506,428
2.1 Financial assets held for trading		2,383,884	631,209	3,015,093	2,683,405	823,023	3,506,428
2.1.1 Government securities		239,243	60,430	299,673	41,945	29,492	71,437
2.1.2 Equity securities		24,610	-	24,610	21,137	-	21,137
2.1.3 Derivative financial assets held for trading		2,120,031	563,370	2,683,401	2,620,323	770,662	3,390,985
2.1.4 Other securities		-	7,409	7,409	-	22,869	22,869
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	(5.1.2)	-	-	-	-	-	-
2.2.4 Other securities		-	-	-	-	-	-
III. BANKS	(5.1.3)	164,796	10,157,802	10,322,598	446,654	11,872,272	12,318,926
IV. INTERBANK MONEY MARKETS		-	174,044	174,044	-	351,691	351,691
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		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	(5.1.4)	19,807,361	1,408,122	21,215,483	18,497,281	1,415,288	19,912,569
5.1 Equity securities		40,490	173,428	213,918	40,985	153,922	194,907
5.2 Government securities		18,982,957	316,272	19,299,229	17,669,410	341,720	18,011,130
5.3 Other securities		783,914	918,422	1,702,336	786,886	919,646	1,706,532
VI. LOANS	(5.1.5)	127,817,389	68,095,872	195,913,261	118,726,991	67,321,237	186,048,228
6.1 Performing loans		126,755,145	68,095,872	194,851,017	117,721,708	67,321,237	185,042,945
6.1.1 Loans to bank's risk group	(5.7)	401,352	2,637,668	3,039,020	434,870	2,529,219	2,964,089
6.1.2 Government securities		-	-	-	-	-	-
6.1.3 Others		126,353,793	65,458,204	191,811,997	117,286,838	64,792,018	182,078,856
6.2 Loans under follow-up		5,368,437	-	5,368,437	5,272,774	-	5,272,774
6.3 Specific provisions (-)		4,306,193	-	4,306,193	4,267,491	-	4,267,491
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. INVESTMENTS HELD-TO-MATURITY (Net)	(5.1.6)	11,861,901	11,795,680	23,657,581	12,139,123	11,501,061	23,640,184
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	4,720,764	4,727,704	16,784	4,514,596	4,531,380
IX. INVESTMENTS IN ASSOCIATES (Net)	(5.1.7)	36,698	-	36,698	36,698	-	36,698
9.1 Associates consolidated under equity accounting		-	-	-	-	-	-
9.2 Unconsolidated associates		36,698	-	36,698	36,698	-	36,698
9.2.1 Financial investments in associates		33,032	-	33,032	33,032	-	33,032
9.2.2 Non-financial investments in associates		3,666	-	3,666	3,666	-	3,666
X. INVESTMENTS IN AFFILIATES (Net)	(5.1.8)	2,543,177	3,000,726	5,543,903	2,426,067	2,747,797	5,173,864
10.1 Unconsolidated financial investments in affiliates		2,438,941	3,000,726	5,439,667	2,321,831	2,747,797	5,069,628
10.2 Unconsolidated non-financial investments in affiliates		104,236	-	104,236	104,236	-	104,236
XI. INVESTMENTS IN JOINT-VENTURES (Net)	(5.1.9)	-	-	-	-	-	-
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)	(5.1.10)	-	-	-	-	-	-
12.1 Financial lease receivables		-	-	-	-	-	-
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT	(5.1.11)	89,130	545,752	634,882	79,472	509,742	589,214
13.1 Fair value hedges		84,424	16,734	101,158	73,946	10,420	84,366
13.2 Cash flow hedges		4,706	529,018	533,724	5,526	499,322	504,848
13.3 Net foreign investment hedges		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(5.1.12)	3,382,078	278	3,382,356	3,388,468	280	3,388,748
XV. INTANGIBLE ASSETS (Net)	(5.1.13)	244,743	13	244,756	238,996	17	239,013
15.1 Goodwill		-	-	-	-	-	-
15.2 Other intangibles		244,743	13	244,756	238,996	17	239,013
XVI. INVESTMENT PROPERTY (Net)	(5.1.14)	670,423	-	670,423	670,370	-	670,370
XVII. TAX ASSET		192,947	-	192,947	127,709	-	127,709
17.1 Current tax asset		-	-	-	-	-	-
17.2 Deferred tax asset	(5.1.15)	192,947	-	192,947	127,709	-	127,709
XVIII. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(5.1.16)	670,475	-	670,475	589,726	-	589,726
18.1 Assets held for sale		670,475	-	670,475	589,726	-	589,726
18.2 Assets of discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(5.1.17)	3,034,037	641,789	3,675,826	2,880,105	896,793	3,776,898
TOTAL ASSETS		176,317,982	124,102,152	300,420,134	169,654,768	114,500,632	284,155,400

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

Türkiye Garanti Bankası Anonim Şirketi
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)	75,812,489	91,631,289	167,443,778	76,285,152	84,946,445	161,231,597
1.1	Deposits from bank's risk group	(5.7)	1,523,178	1,132,765	2,655,943	1,473,675	496,796	1,970,471
1.2	Others		74,289,311	90,498,524	164,787,835	74,811,477	84,449,649	159,261,126
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(5.2.2)	2,042,475	552,236	2,594,711	2,608,676	887,946	3,496,622
III.	FUNDS BORROWED	(5.2.3)	1,672,847	39,912,386	41,585,233	2,121,662	38,164,706	40,286,368
IV.	INTERBANK MONEY MARKETS	(5.2.4)	13,959,932	-	13,959,932	9,769,387	-	9,769,387
4.1	Interbank money market takings		7,251,279	-	7,251,279	2,501,180	-	2,501,180
4.2	Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3	Obligations under repurchase agreements		6,708,653	-	6,708,653	7,268,207	-	7,268,207
V.	SECURITIES ISSUED (Net)	(5.2.4)	4,870,683	13,988,280	18,858,963	4,769,223	11,667,656	16,436,879
5.1	Bills		1,647,234	-	1,647,234	1,213,929	-	1,213,929
5.2	Asset backed securities		-	-	-	-	-	-
5.3	Bonds		3,223,449	13,988,280	17,211,729	3,555,294	11,667,656	15,222,950
VI.	FUNDS		-	-	-	-	-	-
6.1	Borrower funds		-	-	-	-	-	-
6.2	Others		-	-	-	-	-	-
VII.	MISCELLANEOUS PAYABLES	(5.2.4.3)	9,591,901	786,041	10,377,942	8,191,446	896,693	9,088,139
VIII.	OTHER EXTERNAL FUNDINGS PAYABLE		2,469,474	712,610	3,182,084	2,155,786	825,526	2,981,312
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	LEASE PAYABLES (Net)	(5.2.5)	11,458	-	11,458	17,092	-	17,092
10.1	Financial lease payables		12,184	-	12,184	18,404	-	18,404
10.2	Operational lease payables		-	-	-	-	-	-
10.3	Others		-	-	-	-	-	-
10.4	Deferred expenses (-)		726	-	726	1,312	-	1,312
XI.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	(5.2.6)	3,930	218,998	222,928	26,671	252,865	279,536
11.1	Fair value hedges		3,930	196,469	200,399	26,671	231,062	257,733
11.2	Cash flow hedges		-	22,529	22,529	-	21,803	21,803
11.3	Net foreign investment hedges		-	-	-	-	-	-
XII.	PROVISIONS	(5.2.7)	4,942,513	75,398	5,017,911	4,542,015	71,989	4,614,004
12.1	General provisions		3,234,326	54,788	3,289,114	3,118,954	52,209	3,171,163
12.2	Restructuring reserves		-	-	-	-	-	-
12.3	Reserve for employee benefits		768,415	-	768,415	679,871	-	679,871
12.4	Insurance technical provisions (Net)		-	-	-	-	-	-
12.5	Other provisions		939,772	20,610	960,382	743,190	19,780	762,970
XIII.	TAX LIABILITY	(5.2.8)	795,488	989	796,477	413,611	1,773	415,384
13.1	Current tax liability		795,488	989	796,477	413,611	1,773	415,384
13.2	Deferred tax liability		-	-	-	-	-	-
XIV.	LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(5.2.9)	-	-	-	-	-	-
14.1	Assets held for sale		-	-	-	-	-	-
14.2	Assets of discontinued operations		-	-	-	-	-	-
XV.	SUBORDINATED DEBTS	(5.2.10)	-	-	-	-	-	-
XVI.	SHAREHOLDERS' EQUITY	(5.2.11)	35,973,519	395,198	36,368,717	35,253,222	285,858	35,539,080
16.1	Paid-in capital		4,200,000	-	4,200,000	4,200,000	-	4,200,000
16.2	Capital reserves		3,327,920	148,954	3,476,874	2,824,926	57,875	2,882,801
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		1,131,692	70,742	1,202,434	630,378	(8,235)	622,143
16.2.4	Revaluation surplus on tangible assets		1,678,016	-	1,678,016	1,626,437	-	1,626,437
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		1,891	-	1,891	1,891	-	1,891
16.2.8	Hedging reserves (effective portion)		(164,495)	78,212	(86,283)	(114,596)	66,110	(48,486)
16.2.9	Revaluation surplus on assets held for sale and assets of discontinued operations		-	-	-	-	-	-
16.2.10	Other capital reserves		668,936	-	668,936	668,936	-	668,936
16.3	Profit reserves		26,920,050	246,244	27,166,294	23,157,747	227,983	23,385,730
16.3.1	Legal reserves		1,295,409	15,480	1,310,889	1,191,409	14,751	1,206,160
16.3.2	Status reserves		-	-	-	-	-	-
16.3.3	Extraordinary reserves		25,624,641	7,876	25,632,517	21,966,338	6,576	21,972,914
16.3.4	Other profit reserves		-	222,888	222,888	-	206,656	206,656
16.4	Profit or loss		1,525,549	-	1,525,549	5,070,549	-	5,070,549
16.4.1	Prior periods profit/loss		-	-	-	-	-	-
16.4.2	Current period net profit/loss		1,525,549	-	1,525,549	5,070,549	-	5,070,549
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			152,146,709	148,273,425	300,420,134	146,153,943	138,001,457	284,155,400

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

Türkiye Garanti Bankası Anonim Şirketi
Income Statement
For the Three-Month Period Ended 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)	5,814,398	4,896,735
1.1 Interest income on loans		4,771,083	3,859,036
1.2 Interest income on reserve deposits		54,529	42,745
1.3 Interest income on banks		26,821	17,656
1.4 Interest income on money market transactions		2,828	785
1.5 Interest income on securities portfolio		897,653	927,473
1.5.1 Trading financial assets		3,831	4,183
1.5.2 Financial assets valued at fair value through profit or loss		-	-
1.5.3 Financial assets available-for-sale		448,346	501,409
1.5.4 Investments held-to-maturity		445,476	421,881
1.6 Financial lease income		-	-
1.7 Other interest income		61,484	49,040
II. INTEREST EXPENSE	(5.4.2)	2,625,211	2,407,204
2.1 Interest on deposits		1,775,178	1,697,759
2.2 Interest on funds borrowed		285,504	223,790
2.3 Interest on money market transactions		267,630	251,240
2.4 Interest on securities issued		282,467	219,450
2.5 Other interest expenses		14,432	14,965
III. NET INTEREST INCOME (I - II)		3,189,187	2,489,531
IV. NET FEES AND COMMISSIONS INCOME		874,779	781,125
4.1 Fees and commissions received		1,135,079	1,009,852
4.1.1 Non-cash loans		92,106	74,484
4.1.2 Others		1,042,973	935,368
4.2 Fees and commissions paid		260,300	228,727
4.2.1 Non-cash loans		945	743
4.2.2 Others		259,355	227,984
V. DIVIDEND INCOME	(5.4.3)	108	-
VI. NET TRADING INCOME/LOSSES (Net)	(5.4.4)	(301,862)	(247,343)
6.1 Trading account income/losses		(252,498)	1,472
6.2 Income/losses from derivative financial instruments		(171,886)	(372,406)
6.3 Foreign exchange gains/losses		122,522	123,591
VII. OTHER OPERATING INCOME	(5.4.5)	372,468	347,874
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		4,134,680	3,371,187
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	(5.4.6)	755,363	748,323
X. OTHER OPERATING EXPENSES (-)	(5.4.7)	1,643,190	1,482,959
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		1,736,127	1,139,905
XII. INCOME RESULTED FROM MERGERS		-	-
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		201,126	141,940
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-
XV. OPERATING PROFIT/LOSS BEFORE TAXES (XI+XII+XIII+XIV)	(5.4.8)	1,937,253	1,281,845
XVI. PROVISION FOR TAXES (±)	(5.4.9)	411,704	241,307
16.1 Current tax charge		562,078	336,263
16.2 Deferred tax charge/(credit)		(150,374)	(94,956)
XVII. NET OPERATING PROFIT/LOSS AFTER TAXES (XV±XVI)	(5.4.10)	1,525,549	1,040,538
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)	1,525,549	1,040,538
Earnings per Share		0.363	0.248

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi

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

For the Three-Month Period Ended 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"	505,868	195,077
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	-	-
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	145,683	37,200
V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)	13,503	(92,870)
VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	(60,656)	(12,495)
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS	-	-
VIII. OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	34,825	73,478
IX. DEFERRED TAXES ON VALUE INCREASES/DECREASES	(85,136)	(15,481)
X. NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+III+IV+V+VI+VII+VIII+IX)	554,087	184,909
XI. CURRENT PERIOD PROFIT/LOSSES	1,525,549	1,040,538
1.1 Net changes in fair value of securities (transferred to income statement)	(3,202)	(6,323)
1.2 Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement	(25,013)	(39,074)
1.3 Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-	-
1.4 Others	1,553,764	1,085,935
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)	2,079,636	1,225,447

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi
Statement of Changes in Shareholders' Equity
For the Three-Month Period Ended 31 March 2017

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)															
		Paid-In Capital	Capital Reserves from Inflation Adj.s 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	Accu. Rev. Surp. on Assets Held for Sale and Assets of Discont. Op.s	Total Shareholders' Equity
PRIOR PERIOD (1 January - 31 March 2016)																	
I. Balances at beginning of the period		4,200,000	772,554	11,880	-	1,168,329	-	19,159,612	100,008	-	3,406,507	441,960	1,631,907	1,891	86,407	-	30,981,055
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)	(5.5)	4,200,000	772,554	11,880	-	1,168,329	-	19,159,612	100,008	-	3,406,507	441,960	1,631,907	1,891	86,407	-	30,981,055
Changes during the period																	
IV. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Market value changes of securities		-	-	-	-	-	-	-	-	-	-	160,046	-	-	-	-	160,046
VI. Hedging reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	(85,815)	-	(85,815)
6.1. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(75,819)	-	(75,819)
6.2. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	(9,996)	-	(9,996)
VII. Revaluation surplus on tangible assets		-	-	-	-	-	-	5,132	-	-	-	-	(5,132)	-	-	-	-
VIII. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares of associates, affiliates and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Translation differences		-	-	-	-	155	-	69	2,178	-	-	34,798	-	-	-	-	37,200
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		-	-	-	-	-	-	-	-	-	-	73,478	-	-	-	-	73,478
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		-	-	-	-	-	-	-	1,040,538	-	-	-	-	-	-	-	1,040,538
XX. Profit distribution		-	-	-	-	35,700	-	2,799,084	805	-	(3,406,507)	-	3,918	-	-	-	(567,000)
20.1. Dividends		-	-	-	-	-	-	-	-	-	(567,000)	-	-	-	-	-	(567,000)
20.2. Transfers to reserves		-	-	-	-	35,700	-	2,799,084	-	-	(2,834,784)	-	-	-	-	-	-
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	-	1,204,184	-	21,964,663	102,991	1,040,538	-	710,282	1,629,927	1,891	592	-	31,639,502
CURRENT PERIOD (1 January - 31 March 2017)																	
I. Balances at beginning of the period		4,200,000	772,554	11,880	-	1,206,160	-	21,972,914	103,038	-	5,070,549	622,143	1,626,437	1,891	(48,486)	-	35,539,080
Changes during the period	(5.5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Market value changes of securities		-	-	-	-	-	-	-	-	-	-	411,378	-	-	-	-	411,378
IV. Hedging reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	(37,797)	-	(37,797)
4.1. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	10,729	-	10,729
4.2. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	(48,526)	-	(48,526)
V. Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares of associates, affiliates and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Translation differences		-	-	-	-	729	-	371	10,494	-	-	134,088	-	-	-	-	145,682
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		-	-	-	-	-	-	-	-	-	-	34,825	-	-	-	-	34,825
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		-	-	-	-	-	-	-	1,525,549	-	-	-	-	-	-	-	1,525,549
XVIII. Profit distribution		-	-	-	-	104,000	-	3,488,938	5,738	-	(5,070,549)	-	221,873	-	-	-	(1,250,000)
18.1. Dividends		-	-	-	-	-	-	-	-	-	(1,250,000)	-	-	-	-	-	(1,250,000)
18.2. Transfers to reserves		-	-	-	-	104,000	-	3,488,938	-	-	(3,592,938)	-	-	-	-	-	(0)
18.3. Others		-	-	-	-	-	-	-	5,738	-	(227,611)	-	221,873	-	-	-	(0)
Balances at end of the period (I+II+III+.....+XVI+XVII+XVIII)		4,200,000	772,554	11,880	-	1,310,889	-	25,632,517	119,270	1,525,549	-	1,202,434	1,678,016	1,891	(86,283)	-	36,368,717

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

Türkiye Garanti Bankası Anonim Şirketi
Statement of Cash Flows
For the Three-Month Period Ended 31 March 2017

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD 1 January 2017- 31 March 2017	PRIOR PERIOD 1 January 2016- 31 March 2016
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		2,174,329	1,822,261
1.1.1 Interests received		5,342,342	4,526,761
1.1.2 Interests paid		(2,286,769)	(2,517,464)
1.1.3 Dividend received		108	-
1.1.4 Fees and commissions received		1,135,079	1,009,852
1.1.5 Other income		119,970	349,346
1.1.6 Collections from previously written-off loans and other receivables		31,993	46,162
1.1.7 Payments to personnel and service suppliers		(1,435,339)	(1,274,469)
1.1.8 Taxes paid		(129,391)	(327,397)
1.1.9 Others	(5.6)	(603,664)	9,470
1.2 Changes in operating assets and liabilities		(3,057,069)	2,073,251
1.2.1 Net (increase) decrease in financial assets held for trading		(216,843)	(55,168)
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		(4,465,998)	969,928
1.2.4 Net (increase) decrease in loans		(10,040,608)	(5,295,373)
1.2.5 Net (increase) decrease in other assets		52,245	(839,910)
1.2.6 Net increase (decrease) in bank deposits		556,682	(195,200)
1.2.7 Net increase (decrease) in other deposits		5,621,579	8,287,581
1.2.8 Net increase (decrease) in funds borrowed		5,224,112	(1,737,105)
1.2.9 Net increase (decrease) in matured payables			
1.2.10 Net increase (decrease) in other liabilities	(5.6)	211,762	938,498
I. Net cash flow from banking operations		(882,740)	3,895,512
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash flow from investing activities		(762,314)	1,083,911
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		(83,989)	(96,862)
2.4 Sales of tangible assets		15,286	30,693
2.5 Cash paid for purchase of financial assets available-for-sale		(1,487,170)	(577,019)
2.6 Cash obtained from sale of financial assets available-for-sale		664,573	1,005,191
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		268,335	836,371
2.9 Others	(5.6)	-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		2,377,226	802,226
3.1 Cash obtained from funds borrowed and securities issued		3,578,915	2,060,898
3.2 Cash used for repayment of funds borrowed and securities issued		(1,195,470)	(1,256,166)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		-	-
3.5 Payments for financial leases		(6,219)	(2,506)
3.6 Others (payments for founder shares repurchased)	(5.6)	-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(5.6)	(79,949)	(294,332)
V. Net increase/(decrease) in cash and cash equivalents		652,223	5,487,317
VI. Cash and cash equivalents at beginning of period		13,011,575	8,878,118
VII. Cash and cash equivalents at end of period		13,663,798	14,365,435

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

3 Accounting policies

3.1 Basis of presentation

The Bank prepares its 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 unconsolidated 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 affiliates valued at equity basis of accounting.

Accounting policies and accounting estimates on which the accompanying 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 as in the 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 financial statements, financial performance and on Bank’s accounting policies and accounting estimates. New and revised Turkish Accounting Standards issued but not yet effective have no material effect on the financial statements, financial performance and on 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 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 Bank’s 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 has 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 is 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 Bank’s 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 management of interest and liquidity risks 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 and the differences are recorded as foreign exchange gain or loss in the income statement.

In the unconsolidated financial statements, the financial affiliates are accounted for using the equity method in accordance with the Communiqué published on the Official Gazette dated 9 April 2015 no. 29321 related to the amendments to the Turkish Accounting Standard 27 (TAS 27) "Separate Financial Statements". In this context, foreign affiliates' asset and liability items in the balance sheet are translated into Turkish Lira by using foreign exchange rates as of the balance sheet date whereas income and expense items are translated into Turkish Lira by using average foreign exchange rates for the related period. Foreign exchange differences arising from translation of income and expense items and other equity items are accounted under capital reserves under equity.

From 1 September 2015, it has been started to apply investment hedge amounting to EUR 342,104,617 in total among net investments in Garanti Bank International NV and Garanti Holding BV having capitals denominated in foreign currencies and long term foreign currency borrowings. Foreign exchange losses in the amount of TL 208,304 thousands, arising from conversion of both foreign currency net investments and long term foreign currency borrowings are accounted under capital reserves and hedging reserves, respectively under equity as of 31 March 2017. There is no ineffective portion arising from net investment hedge accounting.

3.3 Investments in associates and affiliates

In the unconsolidated financial statements, the financial affiliates are accounted for using the equity method in accordance with the Communiqué published on the Official Gazette dated 9 April 2015 no. 29321 related to the amendments to the Turkish Accounting Standard 27 (TAS 27) "Separate Financial Statements".

In accordance with the Turkish Accounting Standard 28 (TAS 28) for "Investments in Associates and Joint Ventures" through the equity method, the carrying value of financial affiliates are accounted in the financial statements with respect to the Bank's share in these investments' net asset value. While the Bank's share on profits or losses of financial affiliates are accounted in the Bank's income statement, the Bank's share in other comprehensive income of financial affiliates are accounted in the Bank's other comprehensive income statement.

Non-financial affiliates are accounted at cost in the financial statements after provisions for impairment losses deducted, if any, in accordance with TAS 27.

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 enters into interest rate and cross currency swap transactions in order to hedge the change 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 fixed-rate financial assets available for sale, such changes are reclassified from shareholders' equity to income statement.

The Bank enters 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 recognised in shareholders' equity is removed and included in income statement in the same period when the hedged cash flows effect the income or loss.

The Bank performs effectiveness test 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

Interests 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 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.

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, such assets 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 has 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 can not be determined reliably, are valued at amortized costs by using 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 values and the discounted values are recorded in “securities value increase fund” under the shareholders’ equity. In case of sales, the gain/losses arising from fair value measurement 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 by the Bank 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 provides specific and general allowances for loan and other receivables classified 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. The allowances are recorded in income statement of the related period.

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

3.9 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.

The Bank provides specific allowances for non-performing loan and other receivables in accordance with the Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables. Such allowances are recorded under “loans” as negative balances 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

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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 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 income statement.

3.10 Repurchase and resale agreements and securities lending

Securities sold under repurchase agreements are recorded on the balance sheet in compliance with the Uniform Chart of Accounts. Accordingly, government bonds and treasury bills sold to customers under repurchase agreements are classified as “Investments Subject to Repurchase Agreements” and valued based on the Bank management’s future intentions, either at market prices or using discounting method with internal rate of return. The 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, 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 income statement. The Bank has no discontinued operations.

3.12 Goodwill and other intangible assets

The Bank’s intangible assets consist of softwares, intangible rights and other intangible assets.

Goodwill and other intangible assets are recorded at cost in compliance 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. Estimated useful lives of the Bank’s intangible assets are 3-15 years, and amortisation rates are 6.67-33.3%.

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

3.13 Tangible assets

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

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

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

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

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

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets. The depreciation rates and the 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. If an inflow of economic benefits to the Bank 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 Bank is 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 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

The above rates are effective rates, whereas the rates applied for the calculation differ according to the employees' 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 TAS 19.

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 numbered 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”) 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 first paragraph of the provisional Article 20 of the Law is 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 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 TAS 19.

3.18 Taxation

3.18.1 Corporate tax

Effective from 1 January 2006, statutory income is subject to corporate tax at 20% in Turkey. 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 are not subject to withholding tax. As per the decisions no.2009/14593 and no.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 tax legislation, 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.

The 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.

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 are reported as net in the financial statements.

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 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 does 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 names 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 is as follows:

<i>Current Period</i>	Retail Banking	Corporate / Commercial Banking	Investment Banking	Other	Total Operations
Total Operating Profit	1,845,532	1,541,026	52,076	695,938	4,134,572
Other	-	-	-	-	-
Total Operating Profit	1,845,532	1,541,026	52,076	695,938	4,134,572
Net Operating Profit	706,794	756,548	3,580	470,223	1,937,145
Income from Associates and Affiliates	-	-	-	108	108
Net Operating Profit	706,794	756,548	3,580	470,331	1,937,253
Provision for Taxes	-	-	-	411,704	411,704
Net Profit	706,794	756,548	3,580	58,627	1,525,549
Segment Assets	60,305,937	135,607,324	87,951,716	10,974,556	294,839,533
Investments in Associates and Affiliates	-	-	-	5,580,601	5,580,601
Total Assets	60,305,937	135,607,324	87,951,716	16,555,157	300,420,134
Segment Liabilities	111,241,350	63,083,623	81,941,041	7,785,403	264,051,417
Shareholders’ Equity	-	-	-	36,368,717	36,368,717
Total Liabilities and Shareholders’ Equity	111,241,350	63,083,623	81,941,041	44,154,120	300,420,134

<i>Prior Period</i>	Retail Banking	Corporate / Commercial Banking	Investment Banking	Other	Total Operations
Total Operating Profit	1,408,705	1,148,870	65,894	747,718	3,371,187
Other	-	-	-	-	-
Total Operating Profit	1,408,705	1,148,870	65,894	747,718	3,371,187
Net Operating Profit	219,923	290,502	4,574	766,846	1,281,845
Income from Associates and Affiliates	-	-	-	-	-
Net Operating Profit	219,923	290,502	4,574	766,846	1,281,845
Provision for Taxes	-	-	-	241,307	241,307
Net Profit	219,923	290,502	4,574	525,539	1,040,538
Segment Assets	59,084,680	126,963,548	81,188,982	11,707,628	278,944,838
Investments in Associates and Affiliates	-	-	-	5,210,562	5,210,562
Total Assets	59,084,680	126,963,548	81,188,982	16,918,190	284,155,400
Segment Liabilities	106,985,273	61,415,792	74,568,141	5,647,114	248,616,320
Shareholders' Equity	-	-	-	35,539,080	35,539,080
Total Liabilities and Shareholders' Equity	106,985,273	61,415,792	74,568,141	41,186,194	284,155,400

3.24 Other disclosures

None.

4 Financial Position and Results of Operations and Risk Management

4.1 Total capital

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

4.1.1 Components of 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	27,166,294	
Other Comprehensive Income according to TAS	2,998,060	
Profit	1,525,549	
Current Period Profit	1,525,549	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	1,891	
Common Equity Tier I Capital Before Deductions	36,676,228	
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 (-)	387,872	-
Leasehold Improvements on Operational Leases (-)	98,405	-
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	175,917	219,896
Net Deferred Tax Asset/Liability (-)	-	-
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 (-)	-	-
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 (-)	-	-
Mortgage Servicing Rights not deducted (-)	-	-
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 (-)	-	

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014^(*)</i>
Total Deductions from Common Equity Tier I Capital	664,117	
Total Common Equity Tier I Capital	36,012,111	
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)	-	
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 (-)	43,979	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	35,968,132	
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)	2,678,423	
Total Deductions from Tier II Capital	2,678,423	
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	2,678,423	
Total Equity (Total Tier I and Tier II Capital)	38,646,555	
Total Tier I Capital and Tier II Capital (Total Equity)		

		Amount as per the regulation before 1/1/2014 ^(*)
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 (-)	68,359	
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)	38,535,621	-
Total Risk Weighted Assets	242,047,310	-
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	14.88	-
Tier I Capital Ratio (%)	14.86	-
Capital Adequacy Ratio (%)	15.92	-
BUFFERS		
Bank-specific total CET1 Capital Ratio	6.767	-
Capital Conservation Buffer Ratio (%)	1.250	-
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.017	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	7.81	-
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	217.806	-
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)	3,289,114	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2,678,423	-
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.

<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	23,385,730	
Other Comprehensive Income according to TAS	2,759,735	
Profit	5,070,549	
Current Period Profit	5,070,549	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	1,891	
Common Equity Tier I Capital Before Deductions	36,202,339	
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 (-)	732,893	-
Leasehold Improvements on Operational Leases (-)	103,037	-
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	128,006	213,344
Net Deferred Tax Asset/Liability (-)	-	-
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 (-)	-	-
Mortgage Servicing Rights not deducted (-)	-	-
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	965,666	
Total Common Equity Tier I Capital	35,236,673	
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	-	

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014^(*)</i>
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
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 (-)	85,338	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	35,151,335	
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)	2,596,082	
Total Deductions from Tier II Capital	2,596,082	
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	2,596,082	
Total Equity (Total Tier I and Tier II Capital)	37,747,417	
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 (-)	55,860	
Other items to be Defined by the BRSA (-)	36,994	

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014^(*)</i>
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)	37,654,532	-
Total Risk Weighted Assets	232,322,344	-
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	15.17	-
Tier I Capital Ratio (%)	15.13	-
Capital Adequacy Ratio (%)	16.21	-
BUFFERS		
Bank-specific total CET1 Capital Ratio	5.635	-
Capital Conservation Buffer Ratio (%)	0.625	-
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.51	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	8.21	-
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	153,379	-
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)	3,171,163	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2,596,082	-
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.

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 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	3,476,874	(852,915)	2,623,959	
Other Comprehensive Income According to TAS	3,463,103	(852,915)	2,610,188	
Securities Value Increase Fund	1,202,434	-	1,202,434	
Revaluation Surplus on Tangible Assets	1,678,016	-	1,678,016	
Revaluation Surplus on Intangible Assets	-	-	-	
Revaluation Surplus on Investment Property	-	-	-	
Hedging Reserves (Effective Portion)	(86,283)	(80,361)	(166,644)	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	668,936	(772,554)	(103,618)	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Affiliates and Joint-Ventures	1,891	-	1,891	
Share Premium	11,880	-	11,880	
Profit Reserves	27,166,294	-	27,166,294	
Profit or Loss	1,525,549	-	1,525,549	
Prior Periods Profit/Loss	-	-	-	
Current Period Net Profit/Loss	1,525,549	-	1,525,549	
Deductions from Common Equity Tier I Capital (-)	-	-	276,245	Deductions from Common Equity Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	36,368,717		36,012,111	
Subordinated Debts			-	
Deductions from Tier I Capital (-)			43,979	Deductions from Tier 1 Capital as per the Regulation
Tier I Capital			35,968,132	
Subordinated Debts			-	
General Provisions			2,678,423	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			2,678,423	
Deductions from Total Capital (-)			110,934	Deductions from Capital as per the Regulation
Total			38,535,621	

<i>Prior Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the capital report</i>	<i>Explanation of 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	2,882,801	(842,188)	2,040,613	
Other Comprehensive Income According to TAS	2,869,030	(842,188)	2,026,842	
Securities Value Increase Fund	622,143	-	622,143	
Revaluation Surplus on Tangible Assets	1,626,437	-	1,626,437	
Revaluation Surplus on Intangible Assets	-	-	-	
Revaluation Surplus on Investment Property	-	-	-	
Hedging Reserves (Effective Portion)	(48,486)	(69,634)	(118,120)	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	668,936	(772,554)	(103,618)	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Affiliates and Joint-Ventures	1,891	-	1,891	
Share Premium	11,880	-	11,880	
Profit Reserves	23,385,730	-	23,385,730	
Profit or Loss	5,070,549	-	5,070,549	
Prior Periods Profit/Loss	-	-	-	
Current Period Net Profit/Loss	5,070,549	-	5,070,549	
Deductions from Common Equity Tier I Capital (-)	-		232,773	Deductions from Common Equity Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	35,539,080		35,236,673	
Subordinated Debts			-	
Deductions from Tier I Capital (-)			85,338	Deductions from Tier 1 Capital as per the Regulation
Tier I Capital			35,151,335	
Subordinated Debts			-	
General Provisions			2,596,082	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			2,596,082	
Deductions from Total Capital (-)			92,885	Deductions from Capital as per the Regulation
Total			37,654,532	

4.2 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 Currency risk

Foreign currency position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 31 March 2017, the Bank's net 'on balance sheet' foreign currency short position amounts to TL 17,877,169 thousands (31 December 2016: TL 17,200,230 thousands), net 'off-balance sheet' foreign currency long position amounts to TL 20,888,357 thousands (31 December 2016: TL 18,461,666 thousands), while net foreign currency long open position amounts to TL 3,011,188 thousands (31 December 2016: TL 1,261,436 thousands).

The foreign currency position risk of the Bank 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. 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
Foreign currency purchase rates at balance sheet date	3.6350	3.8849
<u>Exchange 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 rates	3.6632	3.9147

The Bank's currency risk:

<i>Current Period</i>	EUR	USD	Other FCs	Total
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	9,004,826	15,010,932	3,635,107	27,650,865
Banks	3,013,658	6,590,776	553,368	10,157,802
Financial Assets at Fair Value through Profit/Loss	123,245	348,774	-	472,019
Interbank Money Market Placements	174,044	-	-	174,044
Financial Assets Available-for-Sale	77,810	1,330,312	-	1,408,122
Loans (*)	28,773,589	44,768,798	727,053	74,269,440
Investments in Associates, Affiliates and Joint-Ventures	3,000,726	-	-	3,000,726
Investments Held-to-Maturity	136,199	11,659,481	-	11,795,680
Derivative Financial Assets Held for Risk Management	630	82,751	-	83,381
Tangible Assets	15	263	-	278
Intangible Assets	-	-	-	-
Other Assets	161,116	470,202	7,296	638,614
Total Assets	44,465,858	80,262,289	4,922,824	129,650,971
Liabilities				
Bank Deposits	795,264	2,387,198	170,487	3,352,949
Foreign Currency Deposits	24,774,511	59,530,867	1,898,753	86,204,131
Interbank Money Market Takings	-	-	-	-
Other Fundings	10,833,687	29,076,650	2,049	39,912,386
Securities Issued	2,229,669	10,951,309	807,302	13,988,280
Miscellaneous Payables	44,679	729,370	11,992	786,041
Derivative Financial Liabilities Held for Risk Management	18,577	66,222	-	84,799
Other Liabilities (**)	263,309	845,609	2,090,636	3,199,554
Total Liabilities	38,959,696	103,587,225	4,981,219	147,528,140
Net 'On Balance Sheet' Position	5,506,162	(23,324,936)	(58,395)	(17,877,169)
Net 'Off-Balance Sheet' Position	(3,383,166)	24,118,211	153,312	20,888,357
Derivative Assets	12,442,567	57,828,570	4,040,546	74,311,683
Derivative Liabilities	15,825,733	33,710,359	3,887,234	53,423,326
Non-Cash Loans	-	-	-	-
Prior Period				
Total Assets	42,167,078	75,254,202	2,640,045	120,061,325
Total Liabilities	36,222,880	96,223,885	4,814,790	137,261,555
Net 'On Balance Sheet' Position	5,944,198	(20,969,683)	(2,174,745)	(17,200,230)
Net 'Off-Balance Sheet' Position	(4,526,285)	20,945,530	2,042,421	18,461,666
Derivative Assets	14,374,090	58,983,474	4,395,536	77,753,100
Derivative Liabilities	18,900,375	38,037,944	2,353,115	59,291,434
Non-Cash Loans	-	-	-	-

(*) The foreign currency-indexed loans amounting TL 6,173,568 thousands included under TL loans in the accompanying balance sheet are presented above under the related foreign currency codes.

(**) Other liabilities include gold deposits of TL 2,074,209 thousands.

4.4 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	19,458,904	-	-	-	-	11,610,904	31,069,808
Banks	4,147,522	2,030,442	1,014,598	-	-	3,130,036	10,322,598
Financial Assets at Fair Value through Profit/Loss	7,644	11,664	13,125	82,112	216,770	2,683,778	3,015,093
Interbank Money Market Placements	174,044	-	-	-	-	-	174,044
Financial Assets Available-for-Sale	2,248,537	3,415,652	9,524,789	2,827,365	1,196,374	2,002,766	21,215,483
Loans	39,555,000	32,228,437	53,442,566	53,736,099	12,746,392	4,204,767	195,913,261
Investments Held-to-Maturity	3,192,624	3,046,382	3,008,183	4,535,503	7,298,676	2,576,213	23,657,581
Other Assets	4,513	160	-	17,333	2,307	15,027,953	15,052,266
Total Assets	68,788,788	40,732,737	67,003,261	61,198,412	21,460,519	41,236,417	300,420,134
Liabilities							
Bank Deposits	695,777	118,710	66,000	-	-	3,397,458	4,277,945
Other Deposits	88,581,188	23,902,815	10,971,362	8,701	-	39,701,767	163,165,833
Interbank Money Market Takings	13,954,914	607	-	-	-	4,411	13,959,932
Miscellaneous Payables	-	-	-	-	-	10,377,942	10,377,942
Securities Issued	851,574	1,540,144	4,891,326	7,171,339	4,038,684	365,896	18,858,963
Other Fundings	14,246,468	15,514,555	6,837,542	4,280,944	457,150	248,574	41,585,233
Other Liabilities	8,134	14,193	10,512	1,146	-	48,160,301	48,194,286
Total Liabilities	118,338,055	41,091,024	22,776,742	11,462,130	4,495,834	102,256,349	300,420,134
On Balance Sheet Long Position	-	-	44,226,519	49,736,282	16,964,685	-	110,927,486
On Balance Sheet Short Position	(49,549,267)	(358,287)	-	-	-	(61,019,932)	(110,927,486)
Off-Balance Sheet Long Position	13,042,316	17,952,295	5,246,583	5,275,797	4,723,062	-	46,240,053
Off-Balance Sheet Short Position	(2,347,316)	(9,956,222)	(4,715,236)	(17,731,619)	(11,522,926)	-	(46,273,319)
Total Position	(38,854,267)	7,637,786	44,757,866	37,280,460	10,164,821	(61,019,932)	(33,266)

(*) Interest accruals are also 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	-	-	-	-	5,892,702	23,785,134
Banks	3,926,271	1,934,196	1,989,280	-	-	4,469,179	12,318,926
Financial Assets at Fair Value through Profit/Loss	7,624	22,679	15,205	26,655	42,663	3,391,602	3,506,428
Interbank Money Market Placements	351,690	-	-	-	-	1	351,691
Financial Assets Available-for-Sale	2,613,361	5,750,771	5,630,419	2,729,802	1,684,778	1,503,438	19,912,569
Loans	43,310,831	22,078,517	55,780,392	48,273,126	12,730,401	3,874,961	186,048,228
Investments Held-to-Maturity	1,025,906	2,002,859	5,554,835	5,329,013	7,297,741	2,429,830	23,640,184
Other Assets	3,886	176	-	16,494	2,306	14,569,378	14,592,240
Total Assets	69,132,001	31,789,198	68,970,131	56,375,090	21,757,889	36,131,091	284,155,400
Liabilities							
Bank Deposits	645,554	9,261	207,533	-	-	2,856,198	3,718,546
Other Deposits	88,684,664	20,652,616	11,479,265	180,101	-	36,516,405	157,513,051
Interbank Money Market Takings	9,763,295	-	-	-	-	6,092	9,769,387
Miscellaneous Payables	-	-	-	-	-	9,088,139	9,088,139
Securities Issued	506,828	1,335,786	4,599,655	7,523,662	2,143,691	327,257	16,436,879
Other Fundings	13,807,571	14,873,592	6,853,254	4,343,480	164,288	244,183	40,286,368
Other Liabilities	6,058	9,469	20,681	1,686	-	47,305,136	47,343,030
Total Liabilities	113,413,970	36,880,724	23,160,388	12,048,929	2,307,979	96,343,410	284,155,400
On Balance Sheet Long Position	-	-	45,809,743	44,326,161	19,449,910	-	109,585,814
On Balance Sheet Short Position	(44,281,969)	(5,091,526)	-	-	-	(60,212,319)	(109,585,814)
Off-Balance Sheet Long Position	8,000,925	10,184,917	12,492,698	4,640,715	4,244,593	-	39,563,848
Off-Balance Sheet Short Position	(1,313,961)	(4,549,173)	(9,696,072)	(12,903,699)	(11,205,806)	-	(39,668,711)
Total Position	(37,595,005)	544,218	48,606,369	36,063,177	12,488,697	(60,212,319)	(104,863)

(*) Interest accruals are also 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	0.07	0.60	-	9.15
Financial Assets at Fair Value through Profit/Loss	2.17	5.03	-	10.98
Interbank Money Market Placements	0.01	-	-	-
Financial Assets Available-for-Sale	-	5.34	-	12.02
Loans	3.95	5.75	-	15.38
Investments Held-to-Maturity	0.19	5.54	-	13.19
Liabilities				
Bank Deposits	-	1.50	-	11.09
Other Deposits	0.85	1.96	0.94	7.80
Interbank Money Market Takings	-	-	-	11.40
Miscellaneous Payables	-	-	-	-
Securities Issued	3.58	5.25	0.64	10.69
Other Fundings	0.97	2.73	-	10.02

<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	0.05	0.90	-	9.09
Financial Assets at Fair Value through Profit/Loss	2.18	5.77	-	10.16
Interbank Money Market Placements	0.05	-	-	-
Financial Assets Available-for-Sale	-	5.64	-	10.08
Loans	3.92	5.61	3.41	15.26
Investments Held-to-Maturity	0.19	5.53	-	10.22
Liabilities				
Bank Deposits	0.20	1.21	-	9.39
Other Deposits	0.88	1.95	1.22	7.48
Interbank Money Market Takings	-	-	-	8.30
Miscellaneous Payables	-	-	-	-
Securities Issued	3.48	5.13	0.64	10.34
Other Fundings	0.95	2.60	-	10.26

4.5 Position risk of equity securities in banking book

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	5,476,613	5,364,501	83,689
	Quoted Securities	82,450	82,450	83,689
2	Investment in Shares- Grade B	102,264	75,166	82,466
	Quoted Securities	75,167	75,166	82,466
3	Investment in Shares- Grade C	662	-	-
	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	-	-	-

(*) In current period, the balances are as per the results of equity accounting application.

<i>Prior Period</i>		Comparison		
Equity Securities (shares)		Carrying Value	Fair Value^(*)	Market Value
1	Investment in Shares- Grade A	5,109,467	4,997,355	83,689
	Quoted Securities	79,275	79,275	83,689
2	Investment in Shares- Grade B	99,371	72,273	82,466
	Quoted Securities	72,273	72,273	82,466
3	Investment in Shares- Grade C	662	-	-
	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	-	-	-

(*) In prior period, the balances are as per the results of equity accounting application.

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

<i>Current Period</i>		Gains/Losses in Current Period	Revaluation Surpluses		Unrealised Gains and Losses		
Portfolio			Total	Amount in Tier I Capital ^(*)	Total	Amount in Core Capital	Amount in Tier I Capital ^(*)
1	Private Equity Investments	-	-	-	-	-	-
2	Quoted Shares	-	72,364	72,364	-	-	-
3	Other Shares	-	3,192,290	3,192,290	-	-	-
Total		-	3,264,654	3,264,654	-	-	-

(*) The balances are as per the results of equity accounting application.

<i>Prior Period</i>		Gains/Losses in Current Period	Revaluation Surpluses		Unrealised Gains and Losses		
Portfolio			Total	Amount in Tier I Capital	Total	Amount in Core Capital	Amount in Tier I Capital ^(*)
1	Private Equity Investments	-	-	-	-	-	-
2	Quoted Shares	-	66,295	66,295	-	-	-
3	Other Shares	-	2,915,577	2,915,577	-	-	-
Total		-	2,981,872	2,981,872	-	-	-

(*) The balances are as per the results of equity accounting application.

4.5.4 Capital requirement as per equity shares

<i>Current Period</i>		Carrying Value	RWA Total	Minimum Capital Requirement
Portfolio				
1	Private Equity Investments	-	-	-
2	Quoted Shares	157,616	157,616	12,609
3	Other Shares	5,422,985	5,422,985	433,839
Total		5,580,601	5,580,601	446,448

<i>Prior Period</i>		Carrying Value	RWA Total	Minimum Capital Requirement
Portfolio				
1	Private Equity Investments	-	-	-
2	Quoted Shares	151,548	151,548	12,124
3	Other Shares	5,059,013	5,059,013	404,721
Total		5,210,561	5,210,561	416,845

4.6 Liquidity risk management and liquidity coverage ratio

Liquidity risk is managed by asset and liability management department (ALMD) and asset and liability committee (ALCO) in line with risk management 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 risk 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 Bank monitors the cash flows regarding assets and liabilities and forecasts the required liquidity in future periods. 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 crises and possible actions that can be taken.

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

4.6.1 Liquidity coverage ratio

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

Items in balance sheet and off balance sheet items are taken into account after being multiplied by the coefficients advised in the Regulation. In LCR calculation 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. The Bank's high quality liquid assets are composed of 4.07% cash, 51.70% deposits in central banks and 44.23% securities considered as high quality liquid assets.

The Bank's main funding sources are deposits, funds borrowed, money market borrowings and securities issued. Funding source composition in report date is 66.39% deposits, 22.02% funds borrowed and money market borrowings and 7.48% securities issued.

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

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

<i>Current Period</i>		Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
		TL+FC	FC	TL+FC	FC
High-Quality Liquid Assets				43,121,986	24,613,502
1	Total high-quality liquid assets (HQLA)	50,815,434	30,883,222	43,121,986	24,613,502
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:	114,544,710	53,837,879	9,507,476	4,999,232
3	Stable deposits	24,313,005	-	1,128,818	-
4	Less stable deposits	90,231,705	53,837,879	8,378,658	4,999,232
5	Unsecured wholesale funding, of which:	45,548,235	25,998,002	22,549,863	12,619,224
6	Operational deposits	-	-	-	-
7	Non-operational deposits	37,552,012	24,654,256	17,587,956	11,438,926
8	Unsecured funding	7,996,223	1,343,746	4,961,907	1,180,298
9	Secured wholesale funding				
10	Other cash outflows of which:	50,850,391	12,247,966	11,210,822	10,067,759
11	Outflows related to derivative exposures and other collateral requirements	8,904,333	9,998,262	8,268,310	9,284,101
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	41,946,058	2,249,704	2,942,512	783,658
14	Other revocable off-balance sheet commitments and contractual obligations	1,031	1,031	48	48
15	Other irrevocable or conditionally revocable off-balance sheet obligations	63,209,422	45,738,816	2,934,723	2,123,588
16	Total Cash Outflows			46,202,932	29,809,851
Cash Inflows					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	14,371,780	4,450,075	8,734,493	3,200,807
19	Other cash inflows	1,379,140	7,795,924	1,280,630	7,239,072
20	Total Cash Inflows	15,750,920	12,245,999	10,015,123	10,439,879
				Total Adjusted Value	
21	Total HQLA			43,121,986	24,613,502
22	Total Net Cash Outflows			36,187,809	19,369,972
23	Liquidity Coverage Ratio (%)			119.22	128.18

(*) The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

The table below presents highest, lowest and average liquidity coverage ratios of the first three months of 2017:

<i>Current Period</i>	Highest	Date	Lowest	Date	Average
TL+FC	126.35	07.02.2017	101.07	02.01.2017	119.22
FC	169.59	29.03.2017	70.68	02.01.2017	128.18

<i>Prior Period</i>	Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
	TL+FC	FC	TL+FC	FC
High-Quality Liquid Assets			38,835,305	19,540,092
1 Total high-quality liquid assets (HQLA)	46,512,925	25,746,123	38,835,305	19,540,092
Cash Outflows				
2 Retail deposits and deposits from small business customers, of which:	105,424,258	46,163,615	8,669,017	4,286,621
3 Stable deposits	24,131,224	-	1,120,378	-
4 Less stable deposits	81,293,033	46,163,615	7,548,639	4,286,621
5 Unsecured wholesale funding, of which:	43,358,024	23,960,602	22,621,537	12,415,263
6 Operational deposits	-	-	-	-
7 Non-operational deposits	34,102,671	21,343,725	16,418,382	10,064,078
8 Unsecured funding	9,255,353	2,616,877	6,203,155	2,351,184
9 Secured wholesale funding			342,707	342,707
10 Other cash outflows of which:	51,592,370	14,605,068	10,661,642	9,671,066
11 Outflows related to derivative exposures and other collateral requirements	7,987,916	9,169,525	7,417,350	8,514,559
12 Outflows related to restructured financial instruments	-	-	-	-
13 Payment commitments and other off-balance sheet commitments granted for debts to financial markets	43,604,454	5,435,543	3,244,292	1,156,507
14 Other revocable off-balance sheet commitments and contractual obligations	1,451,196	1,444,887	67,377	67,084
15 Other irrevocable or conditionally revocable off-balance sheet obligations	55,210,937	38,427,025	2,563,365	1,784,112
16 Total Cash Outflows			44,925,645	28,566,853
Cash Inflows				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	14,943,851	4,830,047	9,153,351	3,425,254
19 Other cash inflows	1,325,052	5,914,162	1,230,405	5,491,722
20 Total Cash Inflows	16,268,903	10,744,209	10,383,756	8,916,976
			Total Adjusted Value	
21 Total HQLA			38,835,305	19,540,092
22 Total Net Cash Outflows			34,541,889	19,649,877
23 Liquidity Coverage Ratio (%)			113.06	94.26

(*) The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

The table below presents highest, lowest and average liquidity coverage ratios of the year 2016:

<i>Prior Period</i>	Highest	Date	Lowest	Date	Average
TL+FC	128.41	21.10.2016	99.22	23.11.2016	113.06
FC	128.99	22.12.2016	71.48	01.01.2017	94.26

4.6.2 Contractual maturity analysis of liabilities according to remaining maturities

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

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 of Turkey	9,640,308	21,429,500	-	-	-	-	-	31,069,808
Banks	3,116,708	2,334,705	139,644	1,021,571	3,709,970	-	-	10,322,598
Financial Assets at Fair Value through Profit/Loss	-	545,319	458,944	1,105,453	406,093	499,284	-	3,015,093
Interbank Money Market Placements	-	174,044	-	-	-	-	-	174,044
Financial Assets Available-for-Sale	213,918	56,011	24,709	1,060,780	10,903,765	8,956,300	-	21,215,483
Loans	438,373	29,075,951	16,848,445	48,969,167	74,293,752	22,233,118	4,054,455	195,913,261
Investments Held-to-Maturity	-	229,674	3,152	1,238,258	9,014,043	13,172,454	-	23,657,581
Other Assets	2,044,734	999,109	160	4,706	21,976	420,788	11,560,793	15,052,266
Total Assets	15,454,041	54,844,313	17,475,054	53,399,935	98,349,599	45,281,944	15,615,248	300,420,134
Liabilities								
Bank Deposits	3,389,361	698,760	121,244	68,580	-	-	-	4,277,945
Other Deposits	39,105,291	88,930,653	24,002,885	11,070,837	48,269	7,898	-	163,165,833
Other Fundings	-	603,445	8,156,570	11,130,313	14,134,449	7,560,456	-	41,585,233
Interbank Money Market Takings	-	13,959,324	608	-	-	-	-	13,959,932
Securities Issued	-	817,658	1,461,193	4,936,206	7,592,119	4,051,787	-	18,858,963
Miscellaneous Payables	2,333,582	8,044,360	-	-	-	-	-	10,377,942
Other Liabilities (**)	2,154,208	722,343	601,206	936,438	643,327	360,917	42,775,847	48,194,286
Total Liabilities	46,982,442	113,776,543	34,343,706	28,142,374	22,418,164	11,981,058	42,775,847	300,420,134
Liquidity Gap	(31,528,401)	(58,932,230)	(16,868,652)	25,257,561	75,931,435	33,300,886	(27,160,599)	-
Net Off-Balance Sheet Position	-	63,229	7,347	493,985	(135,988)	190,021	-	618,594
Derivative Financial Assets	-	54,504,618	18,431,434	31,332,261	7,606,538	1,122,510	-	112,997,361
Derivative Financial Liabilities	-	54,441,389	18,424,087	30,838,276	7,742,526	932,489	-	112,378,767
Non-Cash Loans	-	8,141,688	3,521,898	6,031,612	71,507	-	91,043,115	108,809,820
Prior Period								
Total Assets	15,229,277	51,552,662	17,519,406	48,190,111	91,629,362	45,374,791	14,659,791	284,155,400
Total Liabilities	41,754,663	109,450,229	24,403,593	35,071,476	22,305,686	9,912,259	41,257,494	284,155,400
Liquidity Gap	(26,525,386)	(57,897,567)	(6,884,187)	13,118,635	69,323,676	35,462,532	(26,597,703)	-
Net Off-Balance Sheet Position	-	568,524	(102,511)	547,321	(14,041)	87,715	-	1,087,008
Derivative Financial Assets	-	57,011,286	23,414,855	29,279,277	7,694,661	967,692	-	118,367,771
Derivative Financial Liabilities	-	56,442,762	23,517,366	28,731,956	7,708,702	879,977	-	117,280,763
Non-Cash Loans	-	5,280,818	3,890,088	5,972,633	136,128	-	89,084,131	104,363,798

(*) 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 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 leverage ratio calculated by taking average of end of month leverage ratios for prior three-month period is 8.59% (31 December 2016: 8.83%). Main reason for the variance compared to December 2016, is the high increase in on-balance and off-balance sheet items. While the capital increased by 3.87% mainly as a result of increase in net profits, the balance sheet exposure increased by 6.34% and the off balance sheet exposure increased by 6.66%. Therefore, the current period leverage ratio decreased by 24 basis points compared to prior period.

On-balance sheet assets		<i>Current Period</i> (*)	<i>Prior Period</i> (*)
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	296,419,985	278,685,369
2	(Assets deducted in determining Tier I capital)	(391,844)	(300,326)
3	Total on-balance sheet risks (sum of lines 1 and 2)	296,028,142	278,385,043
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative instruments and credit derivatives	3,920,527	3,285,514
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	9,080,411	8,303,567
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	13,000,937	11,589,081
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	2,330,274	1,586,346
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	2,330,274	1,586,346
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	114,447,945	105,623,641
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)	109,940,466	103,073,221
Capital and total risks			
13	Tier I capital	36,191,982	34,842,798
14	Total risks (sum of lines 3, 6, 9 and 12)	421,299,819	394,633,691
Leverage ratio			
15	Leverage ratio	8.59%	8.83%

(*) 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 communiqué “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.

4.10.1.1 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 directions 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) ^(*)	208,965,597	202,032,520	16,717,248
2	Of which standardised approach (SA)	208,965,597	202,032,520	16,717,248
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	4,763,737	5,270,570	381,099
5	Of which standardised approach for counterparty credit risk (SA-CCR)	4,763,737	5,270,570	381,099
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	6,064,083	5,704,124	485,127
17	Of which standardised approach (SA)	6,064,083	5,704,124	485,127
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	21,709,380	18,931,681	1,736,750
20	Of which basic indicator approach	21,709,380	18,931,681	1,736,750
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)	544,513	383,449	43,561
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	242,047,310	232,322,344	19,363,785

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

4.10.2 Linkages between financial statements and risk amounts

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

4.10.3 Credit risk

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

4.10.4 Counterparty credit risk

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

4.10.5 Securitisations

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

4.10.6 Market risk

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

4.10.7 Operational risk

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

4.10.8 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 article 35 of the “Guidelines on Sound Remuneration Practices in Banks”.

5 Disclosures and Footnotes on Unconsolidated Financial Statements

5.1 Assets

5.1.1 Cash and balances with Central Bank

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1,144,418	650,255	1,357,688	681,875
Central Bank of Turkey	2,274,525	26,653,878	5,366,015	15,500,506
Others	-	346,732	-	879,050
Total	3,418,943	27,650,865	6,723,703	17,061,431

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 Information on 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

None.

5.1.2.2 Positive differences on derivative financial assets held for trading

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	171,228	31,396	257,212	38,001
Swap Transactions	1,688,198	515,763	1,936,417	702,752
Futures	-	279	-	1,097
Options	260,605	15,932	426,694	28,812
Other	-	-	-	-
Total	2,120,031	563,370	2,620,323	770,662

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	60,018	1,455,111	55,714	746
Foreign banks	104,778	8,702,691	390,940	11,871,526
Foreign headoffices and branches	-	-	-	-
Total	164,796	10,157,802	446,654	11,872,272

The placements at foreign banks include blocked accounts amounting TL 5,960,691 thousands (31 December 2016: TL 7,439,697 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 5,728,342 thousands (31 December 2016: TL 7,226,709 thousands) as collateral against funds borrowed at various banks.

Due from foreign banks

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

5.1.4 Financial assets available-for-sale

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Collateralised/Blocked Assets	5,869,892	6,936	2,976,848	-
Assets subject to Repurchase Agreements	4,493,973	-	4,306,605	-
Total	10,363,865	6,936	7,283,453	-

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

	<i>Current Period</i>	<i>Prior Period</i>
Debt Securities	19,314,559	18,572,775
Quoted at Stock Exchange	18,828,709	18,035,819
Unquoted at Stock Exchange	485,850	536,956
Common Shares/Investment Funds	161,199	155,150
Quoted at Stock Exchange (*)	84,791	82,203
Unquoted at Stock Exchange	76,408	72,947
Value Increases/Impairment Losses (-)	1,739,725	1,184,644
Total	21,215,483	19,912,569

5.1.5 Loans

5.1.5.1 Loans and advances to shareholders and employees of the Bank

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct Lendings to Shareholders	-	301,723	-	166,331
Corporates	-	301,723	-	166,331
Individuals	-	-	-	-
Indirect Lendings to Shareholders	2,153,893	736,804	2,121,617	474,103
Loans to Employees	230,194	105	222,026	101
Total	2,384,087	1,038,632	2,343,643	640,535

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
Loans	184,384,294	3,185,858	457,205	10,466,723	4,473,918	1,072,243
Working Capital Loans	27,570,319	282,839	-	1,178,138	664,163	193,373
Export Loans	9,881,060	131,205	-	269,243	106,826	43,782
Import Loans	3,318	-	-	-	-	-
Loans to Financial Sector	4,394,401	10	-	38	-	-
Consumer Loans	42,059,901	2,348,710	-	1,811,315	649,857	54,251
Credit Cards	18,688,452	-	457,205	443,340	-	228,790
Others	81,786,843	423,094	-	6,764,649	3,053,072	552,047
Specialization Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	184,384,294	3,185,858	457,205	10,466,723	4,473,918	1,072,243

(*) The loan granted to the shareholder of a strategically important company operating in the telecommunication sector amounting to USD 951,407,360.63 is 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.

<i>Prior Period</i>	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total) ^(*)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other Changes		Extension of Repayment Plan	Other Changes
Cash Loans						
Loans	175,775,487	3,571,299	428,047	9,267,458	4,128,388	718,164
Working Capital Loans	21,388,726	475,748	-	1,165,695	512,795	175,499
Export Loans	8,998,517	136,762	-	254,813	109,642	23,312
Import Loans	241	-	-	-	-	-
Loans to Financial Sector	4,913,881	318	-	48	-	-
Consumer Loans	40,856,208	2,333,953	-	1,919,430	647,127	55,300
Credit Cards	18,332,885	-	428,047	521,527	-	280,601
Others	81,285,029	624,518	-	5,405,945	2,858,824	183,452
Specialization Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	175,775,487	3,571,299	428,047	9,267,458	4,128,388	718,164

(*) The loan granted to the shareholder of a strategically important company operating in the telecommunication sector amounting to USD 951,407,360.63 is 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.

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	-
Loans Collateralized by Mortgages	4,996,784	934,976	-	5,931,760
Loans Collateralized by Pledged Assets	154,192	65,386	-	219,578
Loans Collateralized by Cheques and Notes	84,753	540,397	-	625,150
Loans Collateralized by Other Collaterals	2,499,646	7,613	-	2,507,259
Unsecured Loans	426,788	259,101	443,340	1,129,229
Total	8,212,068	1,811,315	443,340	10,466,723

<i>Prior Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
	Loans Collateralized by Cash	47,618	4,620	-
Loans Collateralized by Mortgages	3,995,662	974,409	-	4,970,071
Loans Collateralized by Pledged Assets	1,006,009	69,944	-	1,075,953
Loans Collateralized by Cheques and Notes	12,488	560,040	-	572,528
Loans Collateralized by Other Collaterals	1,370,667	9,058	-	1,379,725
Unsecured Loans	394,057	301,359	521,527	1,216,943
Total	6,826,501	1,919,430	521,527	9,267,458

Delinquency periods of loans under follow-up;

<i>Current Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	184,074	756,730	154,842	1,095,646
61-90 days	155,083	235,048	55,363	445,494
Others	7,872,911	819,537	233,135	8,925,583
Total	8,212,068	1,811,315	443,340	10,466,723

<i>Prior Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	174,568	740,357	194,622	1,109,547
61-90 days	153,267	261,027	56,740	471,034
Others	6,498,666	918,046	270,165	7,686,877
Total	6,826,501	1,919,430	521,527	9,267,458

Loans and other receivables with extended payment plans;

No. of Extensions	<i>Current Period</i>		<i>Prior Period</i>	
	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
1 or 2 times	3,084,720	4,348,916	3,247,551	4,038,596
3, 4 or 5 times	69,768	110,444	106,419	78,645
Over 5 times	31,370	14,558	217,329	11,147

Extention Periods	<i>Current Period</i>		<i>Prior Period</i>	
	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
0-6 months	304,837	737,566	341,505	702,729
6-12 months	308,554	205,232	442,811	182,553
1-2 years	1,192,174	451,514	1,406,109	302,040
2-5 year	1,214,528	1,960,153	1,219,866	1,753,567
5 years and over	165,765	1,119,453	161,008	1,187,499

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
Other	-	-	-
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
Other	-	-	-
Consumer Loans – FC	383	47,808	48,191
Housing Loans	-	27,140	27,140
Automobile Loans	272	13,131	13,403
General Purpose Loans	111	7,537	7,648
Other	-	-	-
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	51,572	-	51,572
With Installment	22	-	22
Without Installment	51,550	-	51,550
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
Other	-	-	-
Personnel Loans - FC-indexed	-	391	391
Housing Loans	-	391	391
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans – FC	-	113	113
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	113	113
Other	-	-	-
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	608	-	608
With Installment	-	-	-
Without Installment	608	-	608
Deposit Accounts– TL (Real persons)	565,042	-	565,042
Deposit Accounts– FC (Real persons)	-	-	-
Total	16,775,380	43,273,181	60,048,561

<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
Other	-	-	-
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
Other	-	-	-
Consumer Loans – FC	141	46,333	46,474
Housing Loans	-	26,918	26,918
Automobile Loans	112	12,136	12,248
General Purpose Loans	29	7,279	7,308
Other	-	-	-
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	45,286	-	45,286
With Installment	16	-	16
Without Installment	45,270	-	45,270
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
Other	-	-	-
Personnel Loans - FC-indexed	-	378	378
Housing Loans	-	378	378
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans – FC	-	163	163
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	163	163
Other	-	-	-
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	583	-	583
With Installment	-	-	-
Without Installment	583	-	583
Deposit Accounts– TL (Real persons)	523,189	-	523,189
Deposit Accounts– FC (Real persons)	-	-	-
Total	16,615,237	42,262,310	58,877,547

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
Other	-	-	-
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
Other	-	-	-
Installment-based Commercial Loans – FC	739	89,022	89,761
Real Estate Loans	-	592	592
Automobile Loans	31	13,979	14,010
General Purpose Loans	708	74,451	75,159
Other	-	-	-
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	5,719,477	16,584,803	22,304,280

<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
Other	-	-	-
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
Other	-	-	-
Installment-based Commercial Loans – FC	710	86,457	87,167
Real Estate Loans	-	637	637
Automobile Loans	42	14,356	14,398
General Purpose Loans	668	71,464	72,132
Other	-	-	-
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	5,613,457	13,639,976	19,253,433

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	191,253,852	181,422,064
Foreign Loans	3,597,165	3,620,881
Total	194,851,017	185,042,945

5.1.5.8 Loans to associates and affiliates

	<i>Current Period</i>	<i>Prior Period</i>
Direct Lending	885,136	842,967
Indirect Lending	-	-
Total	885,136	842,967

5.1.5.9 Specific provisions for loans

	<i>Current Period</i>	<i>Prior Period</i>
Substandard Loans and Receivables - Limited Collectibility	377,602	451,816
Doubtful Loans and Receivables	1,126,471	1,126,227
Uncollectible Loans and Receivables	2,802,120	2,689,448
Total	4,306,193	4,267,491

5.1.5.10 Non-performing loans and other receivables (NPLs) (Net)

Non-performing loans and other receivables restructured or rescheduled

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
<i>Current Period</i>			
(Gross Amounts before Specific Provisions)	165,132	586,952	767,868
Restructured Loans and Receivables	165,132	586,952	767,868
Rescheduled Loans and Receivables	-	-	-
<i>Prior Period</i>			
(Gross Amounts before Specific Provisions)	125,617	665,093	717,588
Restructured Loans and Receivables	125,617	665,093	717,588
Rescheduled Loans and Receivables	-	-	-

Movements in non-performing loans and other receivables

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
<i>Current Period</i>			
Balances at Beginning of Period	576,487	1,476,489	3,219,798
Additions during the Period (+)	536,887	14,161	11,435
Transfer from Other NPL Categories (+)	-	524,745	384,073
Transfer to Other NPL Categories (-)	524,745	384,073	-
Collections during the Period (-)	116,906	110,297	129,907
Write-offs (-) (*)	-	-	109,710
Corporate and Commercial Loans	-	-	1,322
Retail Loans	-	-	54,968
Credit Cards	-	-	53,420
Others	-	-	-
Balances at End of Period	471,723	1,521,025	3,375,689
Specific Provisions (-)	377,602	1,126,471	2,802,120
Net Balance on Balance Sheet	94,121	394,554	573,569

(*) of which TL 109,710 thousands is resulted from 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	786,183	756,847	2,860,995
Additions during the Period (+)	3,048,885	56,393	127,180
Transfer from Other NPL Categories (+)	-	2,781,448	1,798,932
Transfer to Other NPL Categories (-)	2,781,448	1,798,932	-
Collections during the Period (-)	477,133	317,939	491,290
Write-offs (-) (*)	-	1,328	1,076,019
Corporate and Commercial Loans	-	1,178	515,367
Retail Loans	-	-	289,608
Credit Cards	-	150	271,044
Others	-	-	-
Balances at End of Period	576,487	1,476,489	3,219,798
Specific Provisions (-)	451,816	1,126,227	2,689,448
Net Balance on Balance Sheet	124,671	350,262	530,350

(*) of which TL 1,059,931 thousands is resulted from 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	1,916,652	1,364,327	986,512	4,267,491
Additions during the Period(+)	129,348	206,708	151,298	487,354
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-)	128,072	136,217	74,653	338,942
Write-offs (-) (*)	1,322	54,968	53,420	109,710
Balances at End of Period	1,916,606	1,379,850	1,009,737	4,306,193

(*) of which TL 109,710 thousands is resulted from sale of non-performing loans.

<i>Prior Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Balances at End of Prior Period	1,329,001	1,270,403	968,294	3,567,698
Additions during the Period(+)	1,255,839	897,204	591,817	2,744,860
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-)	152,378	514,410	302,405	969,193
Write-offs (-) (*)	515,810	288,870	271,194	1,075,874
Balances at End of Period	1,916,652	1,364,327	986,512	4,267,491

(*) of which TL 1,058,459 thousands is resulted from sale of non-performing loans.

Non-performing loans and other receivables 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	50,892	370,231	729,193
Specific Provisions (-)	23,233	241,171	519,592
Net Balance at Balance Sheet	27,659	129,060	209,601
<i>Prior Period</i>			
Balance at End of Period	34,476	363,587	722,774
Specific Provisions (-)	29,951	234,409	512,422
Net Balance at Balance Sheet	4,525	129,178	210,352

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>			
	94,121	394,554	573,569
Loans to Individuals and Corporates (Gross)	471,723	1,521,025	3,374,374
Specific Provision (-)	377,602	1,126,471	2,800,805
Loans to Individuals and Corporates (Net)	94,121	394,554	573,569
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>			
	124,671	350,262	530,350
Loans to Individuals and Corporates (Gross)	576,487	1,476,489	3,218,482
Specific Provision (-)	451,816	1,126,227	2,688,132
Loans to Individuals and Corporates (Net)	124,671	350,262	530,350
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	1,433,976	148,660	-	1,582,636
Loans Collateralized by Pledged Assets	194,002	49,038	-	243,040
Loans Collateralized by Cheques and Notes	213,847	7,456	-	221,303
Loans Collateralized by Other Collaterals	926,493	887,021	-	1,813,514
Unsecured Loans	95,066	399,837	1,009,737	1,504,640
Total	2,866,513	1,492,187	1,009,737	5,368,437

<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	1,391,416	142,402	-	1,533,818
Loans Collateralized by Pledged Assets	192,660	47,119	-	239,779
Loans Collateralized by Cheques and Notes	211,665	7,286	-	218,951
Loans Collateralized by Other Collaterals	919,836	861,462	-	1,781,298
Unsecured Loans	95,253	413,963	986,512	1,495,728
Total	2,813,846	1,472,416	986,512	5,272,774

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 Investments held-to-maturity

5.1.6.1 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

5.1.6.2 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

5.1.6.3 Investments held-to-maturity

	<i>Current Period</i>	<i>Prior Period</i>
Debt Securities	21,184,913	21,236,112
Quoted at Stock Exchange	20,392,863	20,462,344
Unquoted at Stock Exchange	792,050	773,768
Valuation Increase/(Decrease)	2,472,668	2,404,072
Total	23,657,581	23,640,184

5.1.6.4 Movement of investments held-to-maturity

	<i>Current Period</i>	<i>Prior Period</i>
Balances at Beginning of Period	23,640,184	21,755,812
Foreign Currency Differences On Monetary Assets	395,649	1,963,183
Purchases during the Period	139,349	498,479
Disposals through Sales/Redemptions	(586,197)	(1,186,759)
Valuation Effect	68,596	609,469
Balances at End of Period	23,657,581	23,640,184

5.1.7 Investments in associates

5.1.7.1 Investments in associates

	Associate	Address (City/ Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1	Bankalararası Kart Merkezi AŞ ⁽¹⁾	İstanbul/Turkey	10.15	10.15
2	Yatırım Finansman Menkul Değerler AŞ ⁽¹⁾	İstanbul/Turkey	0.77	0.77
3	İstanbul Takas ve Saklama Bankası AŞ ⁽¹⁾	İstanbul/Turkey	5.25	5.28
4	Borsa İstanbul AŞ ⁽¹⁾	İstanbul/Turkey	0.30	0.30
5	KKB Kredi Kayıt Bürosu AŞ ⁽¹⁾	İstanbul/Turkey	9.09	9.09
6	Türkiye Cumhuriyet Merkez Bankası AŞ ⁽¹⁾	Ankara /Turkey	2.48	2.48
7	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	80,262	39,897	50,021	1,068	-	10,403	3,869	-
2	819,877	71,866	3,321	20,212	1,467	(6,129)	(1,951)	-
3	8,006,348	1,043,686	100,540	287,723	6,345	211,565	174,728	-
4	1,107,694	1,043,695	218,607	37,646	1,002	261,945	256,910	-
5	219,532	148,046	158,333	2,188	111	34,759	34,774	-
6	522,864,251	71,767,643	685,646	8,726,740	2,744,355	23,115,976	20,736,851	-
7	314,961	304,494	7,586	18,431	-	5,530	5,484	-

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

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

5.1.7.2 Movement of investments in associates

	<i>Current Period</i>	<i>Prior Period</i>
Balance at Beginning of Period	36,698	36,698
Movements during the Period	-	-
Acquisitions	-	-
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Sales	-	-
Increase in Market Values	-	-
Impairment Reversals/(Losses)	-	-
Balance at End of Period	36,698	36,698
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

5.1.7.3 Sectoral distribution of investments and associates

Investments in Associates	<i>Current Period</i>	<i>Prior Period</i>
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	34,984	34,984
Other Associates	1,714	1,714

5.1.7.4 Quoted associates

None.

5.1.7.5 Valuation methods of investments in associates

Investments in Associates	<i>Current Period</i>	<i>Prior Period</i>
Valued at Cost	36,698	36,698
Valued at Fair Value	-	-

5.1.7.6 Investments in associates sold during the current period

None.

5.1.7.7 Investments in associates acquired during the current period

None.

5.1.8 Investments in affiliates

5.1.8.1 Information on capital adequacy of major affiliates

The Bank does not have any capital needs for its affiliates included in the calculation of its consolidated capital adequacy standard ratio. Information on capital adequacy of major affiliates is presented below.

<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
General Reserve for Possible Losses	-	-	-
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

5.1.8.2 Investments in affiliates

	Affiliate	Address (City/ Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group 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	Garanti Finansal Kiralama AŞ	Istanbul/Turkey	100.00	100.00
7	Garanti Faktoring AŞ	Istanbul/Turkey	81.84	81.84
8	Garanti Yatırım Menkul Kıymetler AŞ	Istanbul/Turkey	100.00	100.00
9	Garanti Portföy Yönetimi AŞ	Istanbul/Turkey	100.00	100.00
10	Garanti Emeklilik ve Hayat AŞ	Istanbul/Turkey	84.91	84.91
11	Garanti Bank International NV	Amsterdam/the Netherlands	100.00	100.00
12	Garanti Holding BV	Amsterdam/the Netherlands	100.00	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
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	5,524,759	953,072	9,802	102,607	-	27,761	35,444	-
7	2,647,732	192,508	7,668	63,755	-	7,055	6,110	-
8	123,687	81,618	13,983	477	1,288	14,128	10,255	-
9	61,314	56,204	4,074	1,366	-	3,992	2,471	-
10	1,849,039	1,401,506	40,237	41,912	642	76,369	57,579	-
11	18,321,248	2,210,562	106,367	128,480	20,674	44,513	28,593	-
12	1,322,777	1,322,594	-	-	-	(71)	(40)	-

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

5.1.8.3 Movement of investments in affiliates

	Current Period	Prior Period
Balance at Beginning of Period	5,173,864	4,446,499
Movements during the Period	370,039	727,365
Acquisitions	-	53,484
Bonus Shares Received	-	-
Earnings from Current Year Profit	201,126	398,272
Sales/Liquidations	-	(157,635)
Reclassification of Shares	-	-
Increase/(Decrease) in Market Values	34,825	13,003
Currency Differences on Foreign Affiliates	134,088	420,241
Impairment Reversals/(Losses)	-	-
Balance at End of Period	5,543,903	5,173,864
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

5.1.8.4 Sectoral distribution of investments in affiliates

Affiliates	Current Period	Prior Period
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	934,418	841,767
Other Affiliates	104,236	104,236

5.1.8.5 Quoted affiliates

None.

5.1.8.6 Valuation methods of investments in affiliates

Affiliates	Current Period	Prior Period
Valued at Cost	104,236	104,236
Valued at Fair Value (*)	5,439,667	5,069,628

(*) The balances are as per the results of equity accounting application.

5.1.8.7 Investments in affiliates disposed during the current period

None.

5.1.8.8 Investments in affiliates acquired during the current period

None.

5.1.9 Investments in Joint-Ventures

None.

5.1.10 Lease receivables (net)

None.

5.1.11 Derivative financial assets held for risk management

5.1.11.1 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	16,734	73,946	10,420
Cash Flow Hedges	4,706	529,018	5,526	499,322
Net Foreign Investment Hedges	-	-	-	-
Total	89,130	545,752	79,472	509,742

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:

	Current Period			Prior Period		
	Face Value	Asset	Liability	Face Value	Asset	Liability
Interest Rate Swaps	39,558,876	172,513	88,729	30,864,971	144,968	115,007
-TL	8,764,949	89,130	3,930	8,307,595	79,472	26,671
-FC	30,793,927	83,383	84,799	22,557,376	65,496	88,336
Cross Currency Swaps	3,815,155	462,369	134,199	3,670,474	444,246	164,529
-TL	869,647	-	-	944,728	-	-
-FC	2,945,508	462,369	134,199	2,725,746	444,246	164,529
Total	43,374,031	634,882	222,928	34,535,445	589,214	279,536

5.1.11.1.1 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	(23,059)	23,261	(1,974)	(1,772)
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	(14,515)	19,803	(17,079)	(11,791)
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	(13,071)	-	(164,529)	(177,600)
Cross Currency Swaps	Fixed-rate commercial loans	Interest rate and foreign currency exchange rate risk	231	343	-	574

5.1.11.1.2 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	(16,449)	12,942	(5,949)	(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

As of 31 December 2016 the loss reclassified from the shareholders' equity to the income statement due to the ceased hedging transactions amounted to TL 619 thousands (31 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	46,611	(21,803)	20,313	(20,654)	(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

5.1.12 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”.

5.1.13 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”.

5.1.14 Investment property

	<i>Current Period</i>	<i>Prior Period</i>
Net Book Value at Beginning Period	670,370	381,270
Additions	53	231,273
Transfers to Tangible Assets	-	50,110
Fair Value Change	-	7,717
Net Book Value at End of Current Period	670,423	670,370

The investment property is held for operational leasing purposes.

5.1.15 Deferred tax asset

As of 31 March 2017, the Bank has a deferred tax asset of TL 192,947 thousands (31 December 2016: TL 127,709 thousands) calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences.

The Bank does not have any deferred tax assets on tax losses carried forward or tax deductions and exemptions as of 31 March 2017. However, there is a deferred tax asset of TL 478,771 thousands (31 December 2016: TL 407,822 thousands) and deferred tax liability of TL 285,824 thousands (31 December 2016: TL 280,113 thousands) presented as net in the accompanying 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 such differences 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 (*)	1,130,856	226,171	944,764	188,953
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	(475,139)	(69,026)	(506,334)	(115,638)
Revaluation Differences on Real Estates	(1,722,648)	(22,865)	(1,722,648)	(22,865)
Other	288,964	58,667	386,302	77,259
Total Deferred Tax Asset, Net	(777,967)	192,947	(897,916)	127,709

(*) 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’ financial assets.

As of 31 March 2017, TL 150,374 thousands of deferred tax income (31 March 2016: TL 94,956 thousands) and TL 85,137 thousands of deferred tax expense (31 December 2016: TL 84,586 thousands) are recognised in the income statement and the shareholders’ equity, respectively.

5.1.16 Assets held for sale and assets of discontinued operations

	<i>Current Period</i>	<i>Prior Period</i>
End of Prior Period		
Cost	606,380	356,160
Accumulated Depreciation (-)	(16,654)	(9,181)
Net Book Value	589,726	346,979
End of Current Period		
Additions	94,298	335,793
Disposals (Cost)	(13,991)	(82,753)
Disposals (Accumulated Depreciation)	435	1,358
Impairment Losses (-)	7	(2,820)
Depreciation Expense for Current Period (-)	-	(8,831)
Currency Translation Differences on Foreign Operations	-	-
Cost	686,695	606,380
Accumulated Depreciation (-)	(16,220)	(16,654)
Net Book Value	670,475	589,726

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).

5.1.17 Other assets

5.1.17.1 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 Financial Assets Available-for-Sale	17,493	16,670
Sale of Other Assets	2,308	2,305
Total	19,801	18,975

5.1.17.2 Prepaid expenses, taxes and similar items

	<i>Current Period</i>	<i>Prior Period</i>
Prepaid Expenses	596,713	477,898
Prepaid Taxes	-	-

5.1.18 Accrued interest and income

The details of accrued interest and income allocated to the related items on the assets side of the balance sheet are as follows:

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Central Bank of Turkey	61,886	-	79,969	38
Financial Assets at Fair Value through Profit or Loss	218	159	19	599
Banks	2,987	14,852	3,611	21,752
Interbank Money Markets	-	-	-	1
Financial Assets Available-for-Sale	1,772,025	16,823	1,299,160	9,371
Loans	2,084,341	1,058,182	2,031,750	837,928
Investments Held-to-Maturity	2,474,294	101,919	2,302,531	127,299
Other Accruals	4,033	-	3,799	-
Total	6,399,784	1,191,935	5,720,839	996,988

5.2 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 Accounts	Total
Saving Deposits	9,568,459	-	2,997,268	38,053,008	1,616,603	391,904	517,722	3,748	53,148,712
Foreign Currency Deposits	18,682,159	-	9,907,952	42,448,196	2,441,973	4,696,537	7,972,733	54,581	86,204,131
Residents in Turkey	17,967,411	-	9,739,319	39,810,027	1,628,614	968,537	806,871	53,408	70,974,187
Residents in Abroad	714,748	-	168,633	2,638,169	813,359	3,728,000	7,165,862	1,173	15,229,944
Public Sector Deposits	1,115,135	-	3,135	28,813	109	5,405	24	-	1,152,621
Commercial Deposits	7,741,936	-	3,789,563	5,347,087	159,866	159,451	906,905	-	18,104,808
Other	192,126	-	129,063	1,175,583	11,952	63,647	908,980	-	2,481,351
Precious Metal Deposits	1,805,476	-	-	50,636	27,115	16,707	174,276	-	2,074,210
Bank Deposits	3,389,361	-	500,057	165,949	20,779	102,867	98,932	-	4,277,945
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	2,883	-	482,023	2,010	18,595	99,031	12,503	-	617,045
Foreign Banks	1,172,346	-	18,034	163,939	2,184	3,836	86,429	-	1,446,768
Special Financial Institutions	2,214,132	-	-	-	-	-	-	-	2,214,132
Other	-	-	-	-	-	-	-	-	-
Total	42,494,652	-	17,327,038	87,269,272	4,278,397	5,436,518	10,579,572	58,329	167,443,778

<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 Accounts	Total
Saving Deposits	9,362,638	-	3,519,154	39,387,584	523,583	360,800	470,517	4,046	53,628,322
Foreign Currency Deposits	15,943,064	-	5,585,618	41,555,186	1,796,018	5,229,260	9,800,564	56,941	79,966,651
Residents in Turkey	15,250,673	-	5,462,031	39,058,254	1,582,659	1,059,641	1,085,221	55,783	63,554,262
Residents in Abroad	692,391	-	123,587	2,496,932	213,359	4,169,619	8,715,343	1,158	16,412,389
Public Sector Deposits	493,327	-	72,724	27,688	116	4,994	24	-	598,873
Commercial Deposits	8,186,591	-	4,193,368	5,320,846	126,355	163,481	872,965	-	18,863,606
Other	212,836	-	140,766	1,023,250	52,904	447,810	553,501	-	2,431,067
Precious Metal Deposits	1,753,776	-	-	82,984	12,264	22,493	153,015	-	2,024,532
Bank Deposits	2,849,464	-	392,429	73,408	183,837	121,962	97,446	-	3,718,546
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	3,619	-	391,559	15,107	16,180	118,267	14,442	-	559,174
Foreign Banks	1,685,663	-	870	58,301	167,657	3,695	83,004	-	1,999,190
Special Financial Institutions	1,160,182	-	-	-	-	-	-	-	1,160,182
Other	-	-	-	-	-	-	-	-	-
Total	38,801,696	-	13,904,059	87,470,946	2,695,077	6,350,800	11,948,032	60,987	161,231,597

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

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	27,905,275	27,807,137	24,854,037	25,449,970
Foreign Currency Saving Deposits	9,971,717	8,323,858	37,244,855	34,340,843
Other Saving Deposits	868,089	821,559	1,127,764	1,114,240
Deposits held at Foreign Branches Under Foreign Insurance Coverage	-	-	-	-
Deposits held at Off-Shore Branches 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

	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	670,527	748,443
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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	188,180	49,123	242,659	61,117
Swap transactions	1,698,044	447,367	1,993,468	745,041
Futures	-	206	-	964
Options	156,251	55,540	372,549	80,824
Other	-	-	-	-
Total	2,042,475	552,236	2,608,676	887,946

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	371,299	537,622	343,595	502,401
Foreign Banks, Institutions and Funds	1,301,548	36,800,530	1,778,067	35,782,203
Total	1,672,847	39,912,386	2,121,662	38,164,706

5.2.3.1 Maturities of funds borrowed

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Short-Term	368,598	3,121,103	341,819	2,452,722
Medium and Long-Term	1,304,249	36,791,283	1,779,843	35,711,984
Total	1,672,847	39,912,386	2,121,662	38,164,706

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 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, and the related current period loss amounted to TL 271,198 thousands.

5.2.3.2 Disclosures for concentration areas of bank's liabilities

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

5.2.4 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	1,658,698	3,475,783	-
Cost	1,604,530	3,213,538	-	14,340,608
Carrying Value (*)	1,647,234	3,223,449	-	13,988,280

<i>Prior Period</i>	TL		FC	
	Short-Term	Medium and Long-Term	Short-Term	Medium and Long-Term
	Nominal	1,240,773	3,756,256	-
Cost	1,197,023	3,477,513	-	12,044,056
Carrying Value (*)	1,213,929	3,555,294	-	11,667,656

(*) The Bank repurchased its own TL securities with a total face value of TL 108,304 thousands (31 December 2016: TL 107,896 thousands) and foreign currency securities with a total face value of USD 206,730,000 (31 December 2016: USD 206,730,000) and netted off such securities in the accompanying 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	6,708,612	-	7,268,205	-
Financial Institutions and Organizations	6,645,097	-	7,189,589	-
Other Institutions and Organizations	18,160	-	31,248	-
Individuals	45,355	-	47,368	-
Foreign Transactions	41	-	2	-
Financial Institutions and Organizations	-	-	-	-
Other Institutions and Organizations	10	-	-	-
Individuals	31	-	2	-
Total	6,708,653	-	7,268,207	-

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	40,596	7,833,260	37,377
Other	1,652,938	745,445	358,186	859,316
Total	9,591,901	786,041	8,191,446	896,693

5.2.5 Lease payables (Net)

5.2.5.1 Financial lease payables

	<i>Current Period</i>		<i>Prior Period</i>	
	Gross	Net	Gross	Net
Up to 1 Year	10,970	10,311	16,612	15,406
1-4 Years	1,214	1,147	1,792	1,686
More than 4 Years	-	-	-	-
Total	12,184	11,458	18,404	17,092

5.2.5.2 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.

5.2.6 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	196,469	26,671	231,062
Cash Flow Hedges	-	22,529	-	21,803
Net Foreign Investment Hedges	-	-	-	-
Total	3,930	218,998	26,671	252,865

5.2.7 Provisions

5.2.7.1 General provisions

	<i>Current Period</i>	<i>Prior Period</i>
General Provision for	3,289,114	3,171,163
Loans and Receivables in Group I	1,798,283	1,713,424
Loans and Receivables in Group II	936,378	869,171
Non-Cash Loans	355,819	359,927
Others	198,634	228,641

5.2.7.2 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.

5.2.7.3 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”.

5.2.7.4 Other provisions

5.2.7.4.1 General reserves for possible losses

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

5.2.7.4.2 Other provisions

	<i>Current Period</i>	<i>Prior Period</i>
Reserve for Employee Benefits	768,415	679,871
Provision for Promotion Expenses of Credit Cards (*)	101,712	95,340
Provision for Lawsuits	53,932	53,174
Other Provisions	172,947	179,847
Total	1,097,006	1,008,232

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

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

	<i>Current Period</i>	<i>Prior Period</i>
	<i>%</i>	<i>%</i>
Discount Rate (*)	11.50	10.30
Inflation Rate (*)	7.80	7.10
Future Real Salary Increase Rate	1.50	1.50
Medical Cost Trend Rate	40% above inflation	40% above inflation
Future Pension Increase Rate (*)	7.80	7.10

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

5.2.8 Tax liability

5.2.8.1 Current tax liability

5.2.8.1.1 Tax liability

As of 31 March 2017, the Bank had a current tax liability of TL 526,698 thousands (31 December 2016: TL 94,095 thousands) after offsetting with prepaid taxes.

5.2.8.1.2 Taxes payable

	<i>Current Period</i>	<i>Prior Period</i>
Corporate Taxes Payable	526,698	94,095
Taxation on Securities Income	117,052	122,010
Taxation on Real Estates Income	4,049	3,752
Banking Insurance Transaction Tax	110,663	114,846
Foreign Exchange Transaction Tax	95	86
Value Added Tax Payable	4,156	10,398
Others	29,654	66,639
Total	792,367	411,826

5.2.8.1.3 Premiums

	<i>Current Period</i>	<i>Prior Period</i>
Social Security Premiums-Employees	53	51
Social Security Premiums-Employer	65	62
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	1,201	1,118
Unemployment Insurance-Employer	2,420	2,258
Others	33	27
Total	4,110	3,558

5.2.8.2 Deferred tax liability

None.

5.2.9 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”.

5.2.10 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”.

5.2.11 Shareholders’ equity

5.2.11.1 Paid-in capital

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

5.2.11.2 Registered share capital system

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

5.2.11.3 Capital increases in current period

None.

5.2.11.4 Capital increases from capital reserves in current period

None.

5.2.11.5 Capital commitments for current and future financial periods

None.

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

None.

5.2.11.7 Information on privileges given to stocks representing the capital

None.

5.2.11.8 Securities value increase fund

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Investments in Associates, Affiliates and Joint-Ventures	1,249,300	52,911	1,115,043	18,255
Valuation difference	1,249,300	52,911	1,115,043	18,255
Exchange rate difference	-	-	-	-
Securities Available-for-Sale	(117,608)	17,831	(484,665)	(26,490)
Valuation difference	(117,608)	17,831	(484,665)	(26,490)
Exchange rate difference	-	-	-	-
Total	1,131,692	70,742	630,378	(8,235)

5.2.11.9 Revaluation surplus

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Movables	-	-	-	-
Real Estates	1,450,022	-	1,450,022	-
Gain on Sale of Investments in Associates and Affiliates and Real Estates allocated for Capital Increases	227,994	-	176,415	-
Revaluation Surplus on Leasehold Improvements	-	-	-	-

5.2.11.10 Bonus shares of associates, affiliates and joint-ventures

	<i>Current Period</i>	<i>Prior Period</i>
Garanti Yatırım Menkul Değerler AŞ	942	942
Kredi Kartları Bürosu AŞ	481	481
Garanti Ödeme Sistemleri AŞ	401	401
Tat Konserve AŞ	36	36
Doğuş Gayrimenkul Yatırım Ortaklığı AŞ	22	22
Yatırım Finansman Menkul Değerler AŞ	9	9
Total	1,891	1,891

5.2.11.11 Legal reserves

	<i>Current Period</i>	<i>Prior Period</i>
I. Legal Reserve	961,049	960,320
II. Legal Reserve	349,840	245,840
Special Reserves	-	-

5.2.11.12 Extraordinary reserves

	<i>Current Period</i>	<i>Prior Period</i>
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	25,632,517	21,972,914
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital	-	-

5.2.12 Accrued interest and expenses

The details of accrued interest and expenses allocated to the related items on the liability side of the balance sheet are as follows:

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Deposits	415,805	189,151	355,115	215,921
Funds Borrowed	47,481	201,093	87,549	156,634
Interbank Money Markets	4,411	-	6,092	-
Other Accruals	129,689	807,164	110,766	758,635
Total	597,386	1,197,408	559,522	1,131,190

5.3 Off-Balance Sheet Items

5.3.1 Off-balance sheet contingencies

5.3.1.1 Irrevocable credit commitments

The Bank has term asset purchase and sale commitments of TL 6,046,427 thousands (31 December 2016: TL 3,281,772 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 28,652,169 thousands (31 December 2016: TL 27,849,612 thousands).

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

	<i>Current Period</i>	<i>Prior Period</i>
Letters of Guarantee in Foreign Currency	20,610,371	20,378,358
Letters of Guarantee in TL	17,948,504	17,101,636
Letters of Credit	14,836,977	15,010,812
Bills of Exchange and Acceptances	1,770,645	2,127,334
Prefinancings	-	-
Other Guarantees	160,767	155,016
Total	55,327,264	54,773,156

A specific provision of 131,791 TL 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 in the accompanying financial statements.

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
With Original Maturity of 1 Year or Less	333,176	331,380
With Original Maturity of More Than 1 Year	5,120,813	4,797,513
Other Non-Cash Loans	49,873,275	49,644,263
Total	55,327,264	54,773,156

5.3.1.4 Sectoral risk concentration of 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 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
Short-term loans	1,289,266	76,426	1,220,672	39,598
Medium and long-term loans	2,516,030	866,378	1,873,441	709,973
Loans under follow-up	22,983	-	15,352	-
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	3,828,279	942,804	3,109,465	749,571

(*) Includes also the fee and commission 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	1,073	31	2,352	62
Foreign Banks	674	16,838	604	11,656
Foreign Head Offices and Branches	-	-	-	-
Total	2,559	24,262	2,956	14,700

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	3,085	746	3,721	462
Financial Assets Valued at Fair Value through Profit or Loss	-	-	-	-
Financial Assets Available-for-Sale	415,582	32,764	479,200	22,209
Investments Held-to-Maturity	279,502	165,974	291,014	130,867
Total	698,169	199,484	773,935	153,538

As disclosed in the accounting policies, the 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 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	14,971	10,965

5.4.2 Interest Expenses

5.4.2.1 Interest expenses on funds borrowed (*)

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	45,852	132,405	63,853	89,102
Central Bank of Turkey	-	-	-	-
Domestic Banks	6,071	2,318	4,309	1,580
Foreign Banks	39,781	130,087	59,544	87,522
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	107,247	-	70,835
Total	45,852	239,652	63,853	159,937

(*) Includes also the fee and commission expenses on borrowings

5.4.2.2 Interest expenses paid to associates and affiliates

	Current Period	Prior Period
Interest Paid to Investments in Associates and Affiliates	33,340	18,195

5.4.2.3 Interest expenses on securities issued

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

5.4.2.4 Maturity structure of interest expense on deposits

Current Period	Account Description	Demand Deposits	Time Deposits					Accumulating Deposit Accounts	Total
			Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over		
Turkish Lira									
	Bank Deposits	273	28,915	-	-	-	-	-	29,188
	Saving Deposits	3	60,224	929,584	27,135	8,664	12,722	-	1,038,332
	Public Sector Deposits	-	668	751	2	136	-	-	1,557
	Commercial Deposits	5	98,212	159,843	3,980	4,627	22,837	-	289,504
	Other	-	4,346	17,154	941	13,013	21,490	-	56,944
	“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
	Total TL	281	192,365	1,107,332	32,058	26,440	57,049	-	1,415,525
Foreign Currency									
	Foreign Currency Deposits	2	20,753	223,527	6,801	36,298	59,846	230	347,457
	Bank Deposits	-	11,219	-	-	-	-	-	11,219
	“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
	Precious Metal Deposits	-	-	60	21	85	811	-	977
	Total FC	2	31,972	223,587	6,822	36,383	60,657	230	359,653
	Grand Total	283	224,337	1,330,919	38,880	62,823	117,706	230	1,775,178

Prior Period	Demand Deposits	Time Deposits					Accumulating Deposit Accounts	Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over		
Turkish Lira								
Bank Deposits	232	34,653	-	-	-	-	-	34,885
Saving Deposits	11	65,144	926,210	27,262	7,213	11,271	-	1,037,111
Public Sector Deposits	-	176	1,065	2	5	1	-	1,249
Commercial Deposits	7	89,877	159,697	7,152	11,643	16,014	-	284,390
Other	-	3,107	37,348	3,678	12,049	6,470	-	62,652
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Total TL	250	192,957	1,124,320	38,094	30,910	33,756	-	1,420,287
Foreign Currency								
Foreign Currency Deposits	75	13,996	172,992	11,854	15,567	58,159	202	272,845
Bank Deposits	-	4,291	-	-	-	-	-	4,291
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	12	-	-	324	-	336
Total FC	75	18,287	173,004	11,854	15,567	58,483	202	277,472
Grand Total	325	211,244	1,297,324	49,948	46,477	92,239	202	1,697,759

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)

	Current Period	Prior Period
Income	19,155,432	16,794,030
Trading Account Income	292,106	195,619
Gains from Derivative Financial Instruments	4,195,921	3,398,266
Foreign Exchange Gains	14,667,405	13,200,145
Losses (-)	19,457,294	17,041,373
Trading Account Losses	544,604	194,147
Losses from Derivative Financial Instruments	4,367,807	3,770,672
Foreign Exchange Losses	14,544,883	13,076,554
Total	(301,862)	(247,343)

TL 2,095,068 thousands (31 March 2016: TL 982,594 thousands) of foreign exchange gains and TL 1,961,838 thousands (31 March 2016: TL 802,165 thousands) of foreign exchange losses are resulted from the exchange rate changes of derivative financial 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.

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 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 and 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 (31 March 2016: TL 41,273 thousands) and TL 51,110 thousands (31 March 2016: a loss of TL 59,057 thousands) resulting from cross currency and interest rate swap agreements were recognised under shareholders' equity, respectively.

The Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 2,966,662 thousands, USD 1,055,789,593 and EUR 190,409,023, for its fixed-rate loans with a total principal of RON 215,939,842, for its bonds with a total face value of TL 965,000 thousands and USD 250,400,000 and fixed-rate coupons by designating interest rate swaps and cross currency swaps with the same face values and terms. Accordingly, in the current period, a loss of TL 21,861 thousands (31 March 2016: TL 171,116 thousands) and a loss of TL 23,059 thousands (31 March 2016: a gain of TL 14,961 thousands) resulted from the related fair value calculations for the hedged loans and bonds were accounted for under net 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) 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.

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 increase of investment property and income on custody services.

In the current period, a part of non-performing receivables of the Bank amounting to TL 109,710 thousands were sold for a consideration of TL 9,010 thousands. Considering the related provision of TL 109,710 thousands made in the financial statements, a gain of TL 9,010 thousands is recognized under "Other Operating Income".

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	417,284	648,016
<i>Loans and Receivables in Group III</i>	377,492	413,386
<i>Loans and Receivables in Group IV</i>	17,135	32,387
<i>Loans and Receivables in Group V</i>	22,657	202,243
General Provisions	115,372	63,514
Provision for Possible Losses	200,000	-
Impairment Losses on Securities	353	36
<i>Financial Assets at Fair Value through Profit or Loss</i>	353	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</i>	-	-
<i>Investments Held-to-Maturity</i>	-	-
Others	22,354	36,757
Total	755,363	748,323

5.4.7 Other operating expenses

	<i>Current Period</i>	<i>Prior Period</i>
Personnel Costs	696,558	594,269
Reserve for Employee Termination Benefits	17,935	15,296
Defined Benefit Obligation	-	-
Impairment Losses on Tangible Assets	-	-
Depreciation Expenses of Tangible Assets	61,283	51,909
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortisation Expenses of Intangible Assets	15,246	12,190
Impairment Losses on Investments Accounted under Equity Method	-	-
Impairment Losses on Assets to be Disposed	1	1,302
Depreciation Expenses of Assets to be Disposed	-	1,969
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	658,755	567,972
<i>Operational Lease related Expenses</i>	104,017	92,985
<i>Repair and Maintenance Expenses</i>	7,015	9,662
<i>Advertisement Expenses</i>	46,101	34,377
<i>Other Expenses^(*)</i>	501,622	430,948
Loss on Sale of Assets	358	708
Others ^(**)	193,054	237,344
Total	1,643,190	1,482,959

^(*) Includes lawsuits, execution and other legal expenses borne 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 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 from continued and discontinued operations

As of 31 March 2017, the Bank recorded a tax charge of TL 562,078 thousands (31 March 2016: TL 336,263 thousands) and a deferred tax income of TL 150,374 thousands (31 March 2016: TL 94,956 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 deductible timing differences (+)	85,693	68,710
Decrease in tax deductible timing differences (-)	(4,326)	(6,694)
Increase in taxable timing differences (-)	(64,360)	(18,913)
Decrease in taxable timing differences (+)	133,367	51,853
Total	150,374	94,956

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 deductible timing differences (net)	81,367	62,016
Increase/(decrease) in taxable timing differences (net)	69,007	32,940
Increase/(decrease) in tax losses (net)	-	-
Increase/(decrease) in tax deductions and exemptions (net)	-	-
Total	150,374	94,956

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 the 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.

5.4.12 Components of other items in income statement

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

5.5 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 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 the Bank's risk group; lendings and deposits and other related party transactions outstanding at period end and income and expenses from such transactions incurred during the period

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	3,774,509	2,081,628	1,660,775	383,890	2,126,252	723,935
Balance at end of period	3,945,915	2,180,980	54,809	400,546	2,158,528	982,016
Interest and Commission Income	14,971	207	345	24	38,434	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	3,837,790	2,197,037	52,056	827,462	2,047,670	467,468
Balance at end of period	3,774,509	2,081,628	1,660,775	383,890	2,126,252	723,935
Interest and Commission Income	11,055	113	134	2	30,163	98

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	900,256	687,407	536,399	336,153	533,816	543,360
Balance at end of period	1,021,794	900,256	1,066,672	536,399	567,477	533,816
Interest Expense	23,662	17,787	2,190	158	4,351	1,314

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 or (Loss):						
Balance at beginning of period	557,282	421,708	13,251,152	16,146,894	843,120	-
Balance at end of period	1,211,449	557,282	26,345,448	13,251,152	973,198	843,120
Total Profit/(Loss)	11,748	(13,070)	6,301	(78,789)	1,505	1,543
Transactions for Hedging:						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit/(Loss)	-	-	-	-	-	-

5.7.2 The 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 3,039,020 thousands (31 December 2016: TL 2,964,089 thousands) compose 1.55% (31 December 2016: 1.59%) of the Bank's total cash loans and 1.01% (31 December 2016: 1.04%) of the Bank's total assets. The total loans and similar receivables amounting TL 6,159,252 thousands (31 December 2016: TL 7,561,536 thousands) compose 2.05% (31 December 2016: 2.66%) of the Bank's total assets. The non-cash loans of the risk group amounting TL 3,563,542 thousands (31 December 2016: TL 3,189,453 thousands) compose 6.44% (31 December 2016: 5.82%) of the Bank's total non-cash loans.

The deposits of the risk group amounting TL 2,655,943 thousands (31 December 2016: TL 1,970,471 thousands) compose 1.59% (31 December 2016: 1.22%) of the Bank's total deposits. The funds borrowed by the Bank from its risk group amounting TL 13,011,616 thousands (31 December 2016: TL 11,952,196 thousands) compose 31.29% (31 December 2016: 29.67%) of the Bank's total 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 221,191 thousands (31 December 2016: TL 216,508 thousands). A total rent income of TL 2,527 thousands (31 March 2016: TL 2,938 thousands) was recognized for the real estates rented to the related parties.

Operating expenses for TL 5,890 thousands (31 March 2016: TL 2,559 thousands) were incurred for the IT services rendered by the related parties. Banking services fees of TL 5,814 thousands (31 March 2016: TL 332 thousands) were recognized from the related parties.

Insurance brokerage fee of TL 35,875 thousands (31 March 2016: TL 27,915 thousands), shares brokerage fee of TL 8,598 thousands (31 March 2016: TL 6,736 thousands), and fixed-rate securities brokerage fee of TL 2,800 thousands (31 March 2016: TL 1,027 thousands) were recognized as income from the services rendered for the affiliates.

Operating expenses of TL 39 thousands (31 March 2016: TL 872 thousands) for advertisement and broadcasting services, of TL 11,668 thousands (31 March 2016: TL 10,478 thousands) for operational leasing services, and of TL 1,822 thousands (31 March 2016: TL 1,513 thousands) for travelling services rendered by the related parties were recognized as expense.

As of 31 March 2017, the net payment provided or to be provided to the key management of the Bank amounts to TL 28,221 thousands (31 March 2016: TL 25,172 thousands).

5.7.2.3 Other matters not required to be disclosed

None.

5.7.2.4 Transactions accounted for under equity method

Please refer to Note 5.1.8 investments in affiliates.

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

The Bank has agency contracts with Garanti Yatırım Menkul Kıymetler AŞ and Garanti Emeklilik ve Hayat AŞ. Accordingly, all the branches of the Bank serve as agencies to sell the 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 the Bank's internal use are partly arranged through financial leasing.

5.8 Domestic, Foreign and Off-Shore Branches or Equity Investments, and Foreign Representative Offices

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 Balance Sheet Date

None.

5.10 Other Disclosures on Activities of the Bank

5.10.1 Bank's latest international risk ratings

MOODY'S (21 March 2017)

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

STANDARD AND POORS (31 January 2017)

Long Term FC Obligations	BB
Long Term TL Deposit	BB
Outlook	Negative
Credit Profile (independent from the bank's shareholders and the rating of its resident country)	bb+

FITCH RATINGS (2 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 (6 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

5.10.2 Dividends

As per the decision made at the annual general assembly of shareholders of the 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 Disclosures on limited review report

The unconsolidated financial statements of the Bank 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 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 unconsolidated assets of US\$ 82.6 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\$ 69.1 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 251 billion.

Türkiye Garanti Bankası A.Ş., announced its financial statements dated 31 March 2017. Based on the unconsolidated financials, in the three months of 2017, the Bank posted an unconsolidated **net income** of TL 1 billion 525 million 549 thousand. While Garanti’s **asset size** reached TL 300 billion 420 million 134 thousand, its contribution to the economy through **cash and non-cash lending** exceeded TL 251 billion 240 million 525 thousand. The Bank’s **ROAE** (Return on Average Equity) improved to 19.0% and **ROAA** (Return on Average Assets) to 2.3%.

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 Unconsolidated Financial Statements (31 March 2017)

Profit before Taxes and Provisions*	TL 2,710.6 million	Cash Loans	TL 195,913.3 million
Profit before Taxes	TL 1,937.3 million	Non-Cash Loans	TL 55,327.3 million
Net Income	TL 1,525.5 million	Total Assets	TL 300,420.1 million
Deposits	TL 167,443.8 million	Shareholders’ Equity	TL 36,368.7 million

Highlights from Garanti Bank's Unconsolidated Financials for Three-month Period Ended 31 March 2017

- Net income was TL 1 billion 525 million and 549 thousand.
- In compliance with the legal legislation and international regulations, a total amount of TL 1 billion 185 million was reserved for tax provisions, loans and other provisions. (*)
- Total assets increased by 5.7% year-to-date and reached TL 300 billion 420 million 134 thousand.
- Return on Average Assets (ROAA) reached 2.3%. (**)
- Shareholders' equity increased by 2.3% year-to-date and reached TL 36.4 billion.
- Return on Average Equity (ROAE) reached 19.0%. (**)
- Contribution made to the real economy through cash and non-cash loans increased by 4.3% year-to-date and reached TL 251 billion 240 million 525 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 3.6% year-to-date and reached TL 163 billion 165 million and 834 thousand, while market share in total customer deposits realized at 11.4%.
- Capital adequacy ratio (CAR) realized at 15.9%.
- Non-performing loan (NPL) ratio decreased to 2.68%.

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

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

You may access the earnings presentation regarding the BRSA unconsolidated financial results as of and for the period ending 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.		

7.1.6 Forward looking statements regarding the expectations

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

- 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-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 Bankası A.S. from Doğuş 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 4 October 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 TROGRAN00AM9

-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 TROGRAN00AP2

-Total nominal amount of TL 50,000,000 with a maturity of 63 days, dated 14.04.2017, ISIN code of TROGRAN00AU2

-Total nominal amount of TL 50,000,000 with a maturity of 91 days, dated 12.05.2017, ISIN code of TROGRAN00AV0

-Total nominal amount of TL 12,797,400 with a maturity of 63 days, dated 28.04.2017, ISIN code of TROGRAN00B68

- 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>