

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

**Türkiye Garanti Bankası Anonim Şirketi  
And Its Financial Affiliates  
Consolidated Financial Statements  
As of and For the Six-Month Period Ended  
30 June 2016**

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

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

DRT Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik AŞ  
28 July 2016

*This report contains “Independent Accountants’  
Limited Review Report” comprising 2 pages and;  
“Consolidated Financial Statements and Related  
Disclosures and Footnotes” comprising 123 pages.*

## LIMITED REVIEW REPORT FOR THE INTERIM FINANCIAL INFORMATION

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

### *Introduction*

We have reviewed the accompanying consolidated balance sheet of Türkiye Garanti Bankası A.Ş. (“the Bank”) and its consolidated financial affiliates (together will be referred as “the Group”) as at 30 June 2016, and the consolidated statement of income, consolidated statement of income and expense items under shareholders’ equity, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Bank management is responsible for the preparation and fair presentation of the accompanying interim financial information in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Regulations” including 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 Standard 34 “Interim Financial Reporting” principles for the matters not legislated by the aforementioned regulations. Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with the Independent Auditing Standard on Review Engagements 2410, “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 conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

## *Basis for Qualified Conclusion*

Subsequent to the reversal of TL 142,000 thousands in the current period the accompanying consolidated financial statements include a general reserve amounting to TL 200,000 thousands as of the balance sheet date, provided by the Group management in prior periods in line with conservatism principle considering the circumstances which may arise from any changes in the economy or market conditions.

## *Qualified Conclusion*

Based on our review, except for the effect of the matter described in the basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not present fairly, in all material respects, the financial position of Türkiye Garanti Bankası A.Ş. and its consolidated financial affiliates as at 30 June 2016, and of the results of its operations and its cash flows for the six-month period then ended in accordance with the BRSA Accounting and Reporting Regulations.

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

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

## *Additional paragraph for English translation:*

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK AŞ  
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Şule Firuzment Bekçe  
Partner

Istanbul, 28 July 2016

**TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ  
AND ITS FINANCIAL AFFILIATES  
CONSOLIDATED INTERIM FINANCIAL REPORT  
AS OF AND FOR THE SIX-MONTH PERIOD ENDED  
30 JUNE 2016**

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The consolidated interim financial report for the six-month period ended 30 June 2016 prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

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

**Affiliates**

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

**Special Purpose Entities**

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

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

**Ferit F. Şahenk**  
Board of Directors Chairman

**Ali Fuat Erbil**  
General Manager

**Aydın Güler**  
Executive Vice President  
Responsible of Financial Reporting

**Aylin Aktürk**  
Coordinator

**Javier Bernal Dionis**  
Audit Committee Member

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

The authorized contact person for questions on this financial report:

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

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## **1 General Information**

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

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

Following the acquisition on 27 July 2015, Banco Bilbao Vizcaya Argentaria SA (BBVA)’s stake in the Bank has reached to 39.90% and BBVA has 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 971 domestic branches, nine foreign branches and three representative offices abroad. The Bank’s head office is located in Istanbul.

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

As of 30 June 2016, group of companies under BBVA that currently owns 39.90% shares of the Bank, is named 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%.

Finally, 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, has been completed on 27 July 2015. Following the acquisition, BBVA’s stake in the Bank has reached to 39.90% and BBVA has become the main shareholder. The Bank was moved to “Foreign Deposit Banks” category from “Private Deposit Bank” category by the BRSA.

As of balance sheet date, the Doğuş Group’s interest in the share capital of the Bank is at 10%.

#### **BBVA Group**

BBVA is operating for more than 150 years, providing variety of wide spread financial and non-financial services to over 47 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, the market leader in South America, and one of the largest 15 commercial banks in United States, operates in more than 30 countries with more than 100 thousand employees.

## Doğuş Group

The Doğuş Group that was established in 1951 initially for investments in construction sector, operates in seven sectors namely financial services, automotive, construction, real estate, tourism, media and energy with 132 companies and more than 30 thousand employees.

The major worldwide joint ventures of the Group are; Volkswagen AG and TÜVSÜD in automotive, CNBC, MSNBC and Condé Nast in media and, Hyatt International Ltd and HMS International Hotel GmbH (Maritim) in tourism.

The major investments of the Doğuş Group in financial sector are; Türkiye Garanti Bankası AŞ, Garanti Bank International NV, Garanti Bank Moscow, Garanti Bank SA, Garanti Finansal Kiralama AŞ, Garanti Faktoring Hizmetleri AŞ, Garanti Yatırım Menkul Kıymetler AŞ, Garanti Portföy Yönetimi AŞ, Garanti Emeklilik ve Hayat AŞ, Doğuş Gayrimenkul Yatırım Ortaklığı AŞ and Volkswagen Doğuş Tüketici Finansmanı AŞ.

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

#### **Board of Directors Chairman and Members:**

<b>Name and Surname</b>	<b>Responsibility</b>	<b>Appointment Date</b>	<b>Education</b>	<b>Experience in Banking and Business Administration</b>
Ferit Faik Şahenk	Chairman	18.04.2001	University	26 years
Süleyman Sözen	Vice Chairman	08.07.2003	University	34 years
Dr. Muammer Cüneyt Sezgin	Member	30.06.2004	PhD	28 years
Jorge Saenz Azcunaga Carranza	Independent Member of BOD and Audit Committee	31.03.2016	University	22 years
Jaime Saenz de Tejada Pulido	Member	02.10.2014	University	23 years
Maria Isabel Goiri Lartitegui	Member	27.07.2015	Master	26 years
Javier Bernal Dionis	Independent Member of BOD and Audit Committee	27.07.2015	Master	26 years
Inigo Echebarria Garate	Member	31.03.2016	Master	33 years
Belkis Sema Yurdum	Independent Member	30.04.2013	University	36 years
Sait Ergun Özen	Member	14.05.2003	University	29 years
Ali Fuat Erbil	Member and CEO	02.09.2015	PhD	24 years



**CEO and Executive Vice Presidents:**

<b>Name and Surname</b>	<b>Responsibility</b>	<b>Appointment Date</b>	<b>Education</b>	<b>Experience in Banking and Business Administration</b>
Ali Fuat Erbil	CEO	02.09.2015	PhD	24 years
Gökhan Erün	EVP-Corporate Banking and Treasury Deputy CEO	01.09.2005	Master	22 years
Onur Genç	EVP-Retail Banking Deputy CEO	20.03.2012	Master	17 years
Faruk Nafiz Karadere	EVP-SME Banking	01.05.1999	University	34 years
Halil Hüsnu Erel	EVP-Technology, Operation Center, Marketing and Business Development	16.06.1997	University	41 years
Recep Baştuğ	EVP-Commercial Banking	01.01.2013	University	26 years
Avni Aydın Düren	EVP-Legal Services	01.02.2009	Master	22 years
Betül Ebru Edin	EVP-Project Finance	25.11.2009	University	22 years
Osman Nuri Tüzün	EVP- Human Resources and Support Services	19.08.2015	Master	24 years
Aydın Güler	EVP-Finance and Accounting	03.02.2016	University	26 years
Ali Temel	Head of Credit Risk Management	03.02.2016	University	26 years
Didem Başer	EVP-Digital Banking	20.03.2012	Master	21 years

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

**1.4 Information on parent bank’s qualified shareholders**

<b>Company</b>	<b>Shares</b>	<b>Ownership</b>	<b>Paid-in Capital</b>	<b>Unpaid Portion</b>
Banco Bilbao Vizcaya Argentaria SA	1,675,800	39.9000%	1,675,800	-
Doğuş Holding AŞ	259,846	6.1868%	259,846	-

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

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

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

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

- All banking operations,
- Participating in, establishing, and trading the shares of enterprises at various sectors within the limits 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 Information on application differences between consolidation practices as per the Regulation on Preparation of Consolidated Financial Statements of Banks and as per the Turkish Accounting Standards, and entities subject to full or proportional consolidation or deducted from equity or not subject to any of these three methods**

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

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

None.

## 2 Consolidated Financial Statements

(Convenience Translation of Financial Statements Originally Issued in Turkish)

### Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates Consolidated Balance Sheet (Statement of Financial Position) At 30 June 2016

ASSETS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD			PRIOR PERIOD		
			30 June 2016			31 December 2015		
		TL	FC	Total	TL	FC	Total	
<b>I.</b>	<b>CASH AND BALANCES WITH CENTRAL BANK</b>	5.1.1	<b>2,406,076</b>	<b>22,985,278</b>	<b>25,391,354</b>	<b>2,259,681</b>	<b>23,026,956</b>	<b>25,286,637</b>
<b>II.</b>	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	5.1.2	<b>1,275,490</b>	<b>786,351</b>	<b>2,061,841</b>	<b>1,462,619</b>	<b>684,896</b>	<b>2,147,515</b>
2.1	Financial assets held for trading		1,275,490	786,351	2,061,841	1,264,501	684,896	1,949,397
2.1.1	Government securities		75,743	16,215	91,958	102,196	21,974	124,170
2.1.2	Equity securities		59,300	-	59,300	61,002	-	61,002
2.1.3	Derivative financial assets held for trading		1,134,549	764,659	1,899,208	1,095,113	629,983	1,725,096
2.1.4	Other securities		5,898	5,477	11,375	6,190	32,939	39,129
2.2	Financial assets valued at fair value through profit or loss		-	-	-	198,118	-	198,118
2.2.1	Government securities		-	-	-	-	-	-
2.2.2	Equity securities		-	-	-	-	-	-
2.2.3	Loans	5.1.5	-	-	-	198,118	-	198,118
2.2.4	Other securities		-	-	-	-	-	-
<b>III.</b>	<b>BANKS</b>	5.1.3	<b>2,089,954</b>	<b>13,488,957</b>	<b>15,578,911</b>	<b>925,430</b>	<b>15,380,736</b>	<b>16,306,166</b>
<b>IV.</b>	<b>INTERBANK MONEY MARKETS</b>		<b>40,245</b>	<b>200,996</b>	<b>241,241</b>	<b>18,715</b>	<b>61,651</b>	<b>80,366</b>
4.1	Interbank money market placements		-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market placements		-	200,996	200,996	-	61,069	61,069
4.3	Receivables from reverse repurchase agreements		40,245	-	40,245	18,715	582	19,297
<b>V.</b>	<b>FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)</b>	5.1.4	<b>18,704,239</b>	<b>4,783,064</b>	<b>23,487,303</b>	<b>19,311,243</b>	<b>5,444,527</b>	<b>24,755,770</b>
5.1	Equity securities		35,316	151,061	186,377	36,852	311,899	348,751
5.2	Government securities		18,028,388	530,510	18,558,898	18,582,761	526,266	19,109,027
5.3	Other securities		640,535	4,101,493	4,742,028	691,630	4,606,362	5,297,992
<b>VI.</b>	<b>LOANS</b>	5.1.5	<b>112,065,039</b>	<b>69,523,637</b>	<b>181,588,676</b>	<b>101,287,767</b>	<b>70,467,416</b>	<b>171,755,183</b>
6.1	Loans		111,063,801	69,168,916	180,232,717	100,451,440	69,956,397	170,407,837
6.1.1	Loans to bank's risk group	5.7	425,036	1,768,948	2,193,984	331,184	1,782,214	2,113,398
6.1.2	Government securities		-	-	-	-	-	-
6.1.3	Other		110,638,765	67,399,968	178,038,733	100,120,256	68,174,183	168,294,439
6.2	Loans under follow-up		4,841,052	907,308	5,748,360	4,404,025	1,241,788	5,645,813
6.3	Specific provisions (-)		3,839,814	552,587	4,392,401	3,567,698	730,769	4,298,467
<b>VII.</b>	<b>FACTORING RECEIVABLES</b>	5.1.6	<b>2,088,456</b>	<b>727,600</b>	<b>2,816,056</b>	<b>1,948,785</b>	<b>934,822</b>	<b>2,883,607</b>
<b>VIII.</b>	<b>INVESTMENTS HELD-TO-MATURITY (Net)</b>	5.1.7	<b>11,835,354</b>	<b>9,281,290</b>	<b>21,116,644</b>	<b>11,980,469</b>	<b>9,336,777</b>	<b>21,317,246</b>
8.1	Government securities		11,823,773	5,716,868	17,540,641	11,966,880	5,810,098	17,776,978
8.2	Other securities		11,581	3,564,422	3,576,003	13,589	3,526,679	3,540,268
<b>IX.</b>	<b>INVESTMENTS IN ASSOCIATES (Net)</b>	5.1.8	<b>37,258</b>	<b>3</b>	<b>37,261</b>	<b>37,258</b>	<b>3</b>	<b>37,261</b>
9.1	Associates consolidated under equity accounting		-	-	-	-	-	-
9.2	Unconsolidated associates		37,258	3	37,261	37,258	3	37,261
9.2.1	Financial investments in associates		33,329	-	33,329	33,329	-	33,329
9.2.2	Non-financial investments in associates		3,929	3	3,932	3,929	3	3,932
<b>X.</b>	<b>INVESTMENTS IN SUBSIDIARIES (Net)</b>	5.1.9	<b>114,236</b>	<b>1,187</b>	<b>115,423</b>	<b>114,236</b>	<b>1,166</b>	<b>115,402</b>
10.1	Unconsolidated financial investments in affiliates		-	-	-	-	-	-
10.2	Unconsolidated non-financial investments in affiliates		114,236	1,187	115,423	114,236	1,166	115,402
<b>XI.</b>	<b>INVESTMENTS IN JOINT-VENTURES (Net)</b>	5.1.10	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1	Joint-ventures consolidated under equity accounting		-	-	-	-	-	-
11.2	Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1	Financial investments in joint-ventures		-	-	-	-	-	-
11.2.2	Non-financial investments in joint-ventures		-	-	-	-	-	-
<b>XII.</b>	<b>LEASE RECEIVABLES (Net)</b>	5.1.11	<b>1,494,222</b>	<b>3,848,047</b>	<b>5,342,269</b>	<b>1,475,673</b>	<b>3,575,919</b>	<b>5,051,592</b>
12.1	Financial lease receivables		1,785,320	4,242,630	6,027,950	1,770,905	3,982,718	5,753,623
12.2	Operational lease receivables		-	-	-	-	-	-
12.3	Others		-	-	-	-	-	-
12.4	Unearned income (-)		291,098	394,583	685,681	295,232	406,799	702,031
<b>XIII.</b>	<b>DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT</b>	5.1.12	<b>18,369</b>	<b>235,568</b>	<b>253,937</b>	<b>89,064</b>	<b>591,933</b>	<b>680,997</b>
13.1	Fair value hedges		10,137	-	10,137	60,616	7,483	68,099
13.2	Cash flow hedges		8,232	235,568	243,800	28,448	584,450	612,898
13.3	Net foreign investment hedges		-	-	-	-	-	-
<b>XIV.</b>	<b>TANGIBLE ASSETS (Net)</b>	5.1.13	<b>3,289,717</b>	<b>151,129</b>	<b>3,440,846</b>	<b>3,268,338</b>	<b>144,551</b>	<b>3,412,889</b>
<b>XV.</b>	<b>INTANGIBLE ASSETS (Net)</b>	5.1.14	<b>265,112</b>	<b>23,608</b>	<b>288,720</b>	<b>229,407</b>	<b>24,224</b>	<b>253,631</b>
15.1	Goodwill		6,388	-	6,388	6,388	-	6,388
15.2	Other intangibles		258,724	23,608	282,332	223,019	24,224	247,243
<b>XVI.</b>	<b>INVESTMENT PROPERTY (Net)</b>	5.1.15	<b>298,990</b>	<b>9,209</b>	<b>308,199</b>	<b>298,970</b>	<b>8,125</b>	<b>307,095</b>
<b>XVII.</b>	<b>TAX ASSET</b>		<b>556,767</b>	<b>47,310</b>	<b>604,077</b>	<b>433,905</b>	<b>60,696</b>	<b>494,601</b>
17.1	Current tax asset		2,767	28,275	31,042	9,384	21,594	30,978
17.2	Deferred tax asset	5.1.16	554,000	19,035	573,035	424,521	39,102	463,623
<b>XVIII.</b>	<b>ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	5.1.17	<b>417,841</b>	<b>14,724</b>	<b>432,565</b>	<b>349,074</b>	<b>17,291</b>	<b>366,365</b>
18.1	Asset held for resale		417,841	14,724	432,565	349,074	17,291	366,365
18.2	Assets of discontinued operations		-	-	-	-	-	-
<b>XIX.</b>	<b>OTHER ASSETS</b>	5.1.18	<b>3,418,493</b>	<b>723,879</b>	<b>4,142,372</b>	<b>2,491,504</b>	<b>1,903,351</b>	<b>4,394,855</b>
<b>TOTAL ASSETS</b>			<b>160,415,858</b>	<b>126,831,837</b>	<b>287,247,695</b>	<b>147,982,138</b>	<b>131,665,040</b>	<b>279,647,178</b>

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates**  
**Consolidated Balance Sheet (Statement of Financial Position)**  
**At 30 June 2016**

LIABILITIES AND SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD			PRIOR PERIOD		
		30 June 2016			31 December 2015		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	5.2.1	<b>70,928,930</b>	<b>99,694,138</b>	<b>170,623,068</b>	<b>66,208,826</b>	<b>89,925,605</b>	<b>156,134,431</b>
1.1 Deposits from bank's risk group	5.7	642,020	546,021	1,188,041	500,462	421,591	922,053
1.2 Other		70,286,910	99,148,117	169,435,027	65,708,364	89,504,014	155,212,378
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	5.2.2	<b>1,910,642</b>	<b>957,556</b>	<b>2,868,198</b>	<b>1,710,457</b>	<b>912,146</b>	<b>2,622,603</b>
<b>III. FUNDS BORROWED</b>	5.2.3	<b>3,044,038</b>	<b>34,652,195</b>	<b>37,696,233</b>	<b>3,454,721</b>	<b>35,905,174</b>	<b>39,359,895</b>
<b>IV. INTERBANK MONEY MARKETS</b>		<b>6,326,136</b>	<b>1,239,528</b>	<b>7,565,664</b>	<b>12,971,931</b>	<b>3,595,865</b>	<b>16,567,796</b>
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings		930,831	-	930,831	426,678	-	426,678
4.3 Obligations under repurchase agreements	5.2.4	5,395,305	1,239,528	6,634,833	12,545,253	3,595,865	16,141,118
<b>V. SECURITIES ISSUED (Net)</b>	5.2.4	<b>5,899,481</b>	<b>9,997,336</b>	<b>15,896,817</b>	<b>4,540,183</b>	<b>10,971,414</b>	<b>15,511,597</b>
5.1 Bills		2,513,321	14,447	2,527,768	1,925,100	160,472	2,085,572
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		3,386,160	9,982,889	13,369,049	2,615,083	10,810,942	13,426,025
<b>VI. FUNDS</b>		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>	5.2.4	<b>8,253,549</b>	<b>1,038,262</b>	<b>9,291,811</b>	<b>7,190,187</b>	<b>1,389,835</b>	<b>8,580,022</b>
<b>VIII. OTHER EXTERNAL FUNDINGS PAYABLE</b>		<b>2,965,036</b>	<b>1,012,051</b>	<b>3,977,087</b>	<b>2,032,985</b>	<b>1,929,250</b>	<b>3,962,235</b>
<b>IX. FACTORING PAYABLES</b>	5.2.5	-	-	-	-	-	-
<b>X. LEASE PAYABLES (Net)</b>	5.2.6	-	-	-	-	-	-
10.1 Financial lease payables		-	-	-	-	-	-
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred expenses (-)		-	-	-	-	-	-
<b>XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT</b>	5.2.7	<b>113,846</b>	<b>499,648</b>	<b>613,494</b>	<b>10,928</b>	<b>239,563</b>	<b>250,491</b>
11.1 Fair value hedges		113,846	360,231	474,077	10,928	210,635	221,563
11.2 Cash flow hedges		-	139,417	139,417	-	28,928	28,928
11.3 Net foreign investment hedges		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	5.2.8	<b>4,548,580</b>	<b>154,342</b>	<b>4,702,922</b>	<b>4,444,409</b>	<b>150,563</b>	<b>4,594,972</b>
12.1 General provisions		3,083,091	78,591	3,161,682	2,957,392	70,584	3,027,976
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		658,299	13,269	671,568	552,104	18,891	570,995
12.4 Insurance technical provisions (Net)		252,051	29,979	282,030	221,605	29,687	251,292
12.5 Other provisions		555,139	32,503	587,642	713,308	31,401	744,709
<b>XIII. TAX LIABILITY</b>	5.2.9	<b>684,126</b>	<b>27,626</b>	<b>711,752</b>	<b>660,910</b>	<b>38,678</b>	<b>699,588</b>
13.1 Current tax liability		684,018	26,531	710,549	660,910	38,678	699,588
13.2 Deferred tax liability		108	1,095	1,203	-	-	-
<b>XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	5.2.10	-	-	-	-	-	-
14.1 Asset held for sale		-	-	-	-	-	-
14.2 Assets of discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED DEBTS</b>	5.2.11	-	-	-	-	<b>159,792</b>	<b>159,792</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	5.2.12	<b>33,145,226</b>	<b>155,423</b>	<b>33,300,649</b>	<b>30,807,168</b>	<b>396,588</b>	<b>31,203,756</b>
16.1 Paid-in capital		4,200,000	-	4,200,000	4,200,000	-	4,200,000
16.2 Capital reserves		2,050,024	(54,469)	1,995,555	1,783,549	189,097	1,972,646
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		(134,125)	14,542	(119,583)	(427,264)	143,622	(283,642)
16.2.4 Revaluation surplus on tangible assets		1,755,483	5,712	1,761,195	1,760,634	5,249	1,765,883
16.2.5 Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6 Revaluation surplus on investment property		-	-	-	-	-	-
16.2.7 Bonus shares of associates, affiliates and joint-ventures		947	-	947	947	-	947
16.2.8 Hedging reserves (effective portion)		(279,859)	(74,723)	(354,582)	(258,346)	40,226	(218,120)
16.2.9 Revaluation surplus on assets held for sale and assets of discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		695,698	-	695,698	695,698	-	695,698
16.3 Profit reserves		24,064,520	209,892	24,274,412	21,016,101	207,491	21,223,592
16.3.1 Legal reserves		1,241,962	27,826	1,269,788	1,199,314	27,314	1,226,628
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		22,137,930	5,667	22,143,597	19,164,305	3,860	19,168,165
16.3.4 Other profit reserves		684,628	176,399	861,027	652,482	176,317	828,799
16.4 Profit or loss		2,582,657	-	2,582,657	3,580,901	-	3,580,901
16.4.1 Prior periods profit/loss		-	-	-	-	-	-
16.4.2 Current period net profit/loss		2,582,657	-	2,582,657	3,580,901	-	3,580,901
16.5 Minority interest		248,025	-	248,025	226,617	-	226,617
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>137,819,590</b>	<b>149,428,105</b>	<b>287,247,695</b>	<b>134,032,705</b>	<b>145,614,473</b>	<b>279,647,178</b>

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

## Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates

### Consolidated Off-Balance Sheet Items

At 30 June 2016

OFF-BALANCE SHEET ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD			PRIOR PERIOD		
		30 June 2016			31 December 2015		
		TL	FC	Total	TL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		<b>175,187,179</b>	<b>267,478,395</b>	<b>442,665,574</b>	<b>150,726,280</b>	<b>239,794,120</b>	<b>390,520,400</b>
<b>I. GUARANTEES AND SURETIES</b>	5.3.1	<b>16,473,869</b>	<b>37,057,053</b>	<b>53,530,922</b>	<b>14,860,696</b>	<b>34,072,026</b>	<b>48,932,722</b>
1.1 Letters of guarantee		16,451,943	17,764,720	34,216,663	14,828,828	17,880,281	32,709,109
1.1.1 Guarantees subject to State Tender Law		-	995,806	995,806	-	1,099,700	1,099,700
1.1.2 Guarantees given for foreign trade operations		2,165,217	359,420	2,524,637	1,950,896	429,466	2,380,362
1.1.3 Other letters of guarantee		14,286,726	16,409,494	30,696,220	12,877,932	16,351,115	29,229,047
1.2 Bank acceptances		21,771	1,952,036	1,973,807	20,793	1,517,276	1,538,069
1.2.1 Import letter of acceptance		21,771	1,952,036	1,973,807	20,793	1,517,276	1,538,069
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		155	17,212,571	17,212,726	11,075	14,565,263	14,576,338
1.3.1 Documentary letters of credit		-	-	-	-	-	-
1.3.2 Other letters of credit		155	17,212,571	17,212,726	11,075	14,565,263	14,576,338
1.4 Guaranteed prefinancings		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Underwriting commitments		-	-	-	-	-	-
1.7 Factoring related guarantees		-	-	-	-	-	-
1.8 Other guarantees		-	127,726	127,726	-	109,206	109,206
1.9 Other sureties		-	-	-	-	-	-
<b>II. COMMITMENTS</b>		<b>40,113,006</b>	<b>13,360,995</b>	<b>53,474,001</b>	<b>37,544,577</b>	<b>12,212,173</b>	<b>49,756,750</b>
2.1 Irrevocable commitments		39,906,139	12,809,641	52,715,780	37,406,104	11,856,041	49,262,145
2.1.1 Asset purchase and sale commitments		1,026,666	5,102,367	6,129,033	35,604	3,211,242	3,246,846
2.1.2 Deposit purchase and sale commitments		-	1,398,898	1,398,898	-	16,628	16,628
2.1.3 Share capital commitments to associates and affiliates		-	4,539	4,539	-	5,297	5,297
2.1.4 Loan granting commitments		6,242,232	5,590,611	11,832,843	6,188,170	7,960,528	14,148,698
2.1.5 Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheque payments		3,321,067	-	3,321,067	3,063,075	-	3,063,075
2.1.8 Tax and fund obligations on export commitments		22,376	-	22,376	20,529	-	20,529
2.1.9 Commitments for credit card limits		28,018,236	287,950	28,306,186	26,825,955	240,665	27,066,620
2.1.10 Commitments for credit cards and banking services related promotions		11,352	-	11,352	8,561	-	8,561
2.1.11 Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12 Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		1,264,210	425,276	1,689,486	1,264,210	421,681	1,685,891
2.2 Revocable commitments		206,867	551,354	758,221	138,473	356,132	494,605
2.2.1 Revocable loan granting commitments		11,563	-	11,563	2,091	-	2,091
2.2.2 Other revocable commitments		195,304	551,354	746,658	136,382	356,132	492,514
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	5.3.2	<b>118,600,304</b>	<b>217,060,347</b>	<b>335,660,651</b>	<b>98,321,007</b>	<b>193,509,921</b>	<b>291,830,928</b>
3.1 Derivative financial instruments held for risk management		9,071,867	26,529,321	35,601,188	7,107,440	16,963,601	24,071,041
3.1.1 Fair value hedges		6,715,607	12,857,968	19,573,575	3,439,355	9,266,494	12,705,849
3.1.2 Cash flow hedges		2,356,260	13,671,353	16,027,613	3,668,085	7,697,107	11,365,192
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Trading derivatives		109,528,437	190,531,026	300,059,463	91,213,567	176,546,320	267,759,887
3.2.1 Forward foreign currency purchases/sales		15,055,494	20,667,571	35,723,065	13,657,205	19,440,673	33,097,878
3.2.1.1 Forward foreign currency purchases		6,847,739	10,982,406	17,830,145	5,309,452	11,274,973	16,584,425
3.2.1.2 Forward foreign currency sales		8,207,755	9,685,165	17,892,920	8,347,753	8,165,700	16,513,453
3.2.2 Currency and interest rate swaps		54,319,128	104,411,254	158,730,382	37,602,313	89,917,096	127,519,409
3.2.2.1 Currency swaps-purchases		17,636,873	47,779,455	65,416,328	14,376,034	34,129,707	48,505,741
3.2.2.2 Currency swaps-sales		35,029,835	28,394,105	63,423,940	19,580,059	26,224,265	45,804,324
3.2.2.3 Interest rate swaps-purchases		826,210	14,118,847	14,945,057	1,823,110	14,781,562	16,604,672
3.2.2.4 Interest rate swaps-sales		826,210	14,118,847	14,945,057	1,823,110	14,781,562	16,604,672
3.2.3 Currency, interest rate and security options		39,664,802	55,608,102	95,272,904	39,582,679	54,883,150	94,465,829
3.2.3.1 Currency call options		17,713,778	25,047,722	42,761,500	16,065,334	26,565,083	42,630,417
3.2.3.2 Currency put options		21,910,477	23,717,907	45,628,384	23,503,191	21,989,969	45,493,160
3.2.3.3 Interest rate call options		-	6,727,389	6,727,389	-	6,260,492	6,260,492
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Security call options		12,604	57,542	70,146	3,466	33,803	37,269
3.2.3.6 Security put options		27,943	57,542	85,485	10,688	33,803	44,491
3.2.4 Currency futures		281,677	290,101	571,778	4,381	283,825	288,206
3.2.4.1 Currency futures-purchases		268,312	23,935	292,247	3,965	3,463	7,428
3.2.4.2 Currency futures-sales		13,365	266,166	279,531	416	280,362	280,778
3.2.5 Interest rate futures		-	20,097	20,097	-	-	-
3.2.5.1 Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sales		-	20,097	20,097	-	-	-
3.2.6 Others		207,336	9,533,901	9,741,237	366,989	12,021,576	12,388,565
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>600,718,966</b>	<b>428,277,927</b>	<b>1,028,996,893</b>	<b>548,874,581</b>	<b>417,680,618</b>	<b>966,555,199</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>53,420,889</b>	<b>34,530,608</b>	<b>87,951,497</b>	<b>48,947,357</b>	<b>33,749,852</b>	<b>82,697,209</b>
4.1 Customers' securities held		14,719,124	-	14,719,124	14,374,137	-	14,374,137
4.2 Investment securities held in custody		21,556,954	13,880,490	35,437,444	19,795,650	13,838,529	33,634,179
4.3 Checks received for collection		14,273,224	2,669,797	16,943,021	12,307,476	2,576,003	14,883,479
4.4 Commercial notes received for collection		2,577,369	1,224,206	3,801,575	2,234,925	1,215,680	3,450,605
4.5 Other assets received for collection		72,083	13,558,765	13,630,848	71,631	13,190,928	13,262,559
4.6 Assets received through public offering		-	70,017	70,017	-	70,813	70,813
4.7 Other items under custody		222,135	3,127,333	3,349,468	163,538	2,857,899	3,021,437
4.8 Custodians		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		<b>547,298,077</b>	<b>393,747,319</b>	<b>941,045,396</b>	<b>499,927,224</b>	<b>383,930,766</b>	<b>883,857,990</b>
5.1 Securities		4,418,388	274,962	4,693,350	4,292,190	319,059	4,611,249
5.2 Guarantee notes		38,400,737	12,771,983	51,172,720	39,074,083	13,088,941	52,163,024
5.3 Commodities		6,781	-	6,781	3,142	-	3,142
5.4 Warranties		-	247,238	247,238	-	292,681	292,681
5.5 Real estates		130,385,961	76,109,146	206,495,107	113,104,394	71,837,629	184,942,023
5.6 Other pledged items		374,086,040	304,343,370	678,429,410	343,453,245	298,391,829	641,845,074
5.7 Pledged items-depository		170	620	790	170	627	797
<b>VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>		-	-	-	-	-	-
<b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>		<b>775,906,145</b>	<b>695,756,322</b>	<b>1,471,662,467</b>	<b>699,600,861</b>	<b>657,474,738</b>	<b>1,357,075,599</b>

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates**  
**Consolidated Income Statement**  
**At 30 June 2016**

INCOME AND EXPENSE ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)			
		CURRENT PERIOD 1 January 2016- 30 June 2016	PRIOR PERIOD 1 January 2015- 30 June 2015	CURRENT PERIOD 1 April 2016- 30 June 2016	PRIOR PERIOD 1 April 2015- 30 June 2015
<b>I. INTEREST INCOME</b>	5.4.1	<b>10,876,919</b>	<b>9,042,950</b>	<b>5,554,983</b>	<b>4,804,697</b>
1.1 Interest income on loans		8,331,387	6,705,286	4,279,423	3,447,975
1.2 Interest income on reserve deposits		97,932	19,984	55,046	13,369
1.3 Interest income on banks		95,710	85,459	54,307	40,113
1.4 Interest income on money market transactions		2,727	3,158	1,741	1,247
1.5 Interest income on securities portfolio		1,906,183	1,851,180	940,921	1,109,822
1.5.1 Trading financial assets		9,781	13,649	3,664	6,869
1.5.2 Financial assets valued at fair value through profit or loss		-	-	-	-
1.5.3 Financial assets available-for-sale		1,063,644	990,604	520,225	570,738
1.5.4 Investments held-to-maturity		832,758	846,927	417,032	532,215
1.6 Financial lease income		215,224	188,392	108,666	97,971
1.7 Other interest income		227,756	189,491	114,879	94,200
<b>II. INTEREST EXPENSE</b>	5.4.2	<b>5,061,356</b>	<b>4,133,812</b>	<b>2,505,155</b>	<b>2,060,827</b>
2.1 Interest on deposits		3,444,070	2,784,581	1,711,191	1,395,019
2.2 Interest on funds borrowed		547,328	586,099	265,174	298,155
2.3 Interest on money market transactions		528,961	300,871	256,511	139,478
2.4 Interest on securities issued		521,825	446,453	267,681	225,529
2.5 Other interest expenses		19,172	15,808	4,598	2,646
<b>III. NET INTEREST INCOME (I - II)</b>		<b>5,815,563</b>	<b>4,909,138</b>	<b>3,049,828</b>	<b>2,743,870</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>1,613,417</b>	<b>1,466,829</b>	<b>791,801</b>	<b>707,386</b>
4.1 Fees and commissions received		2,121,448	1,896,525	1,058,910	939,987
4.1.1 Non-cash loans		163,551	145,382	83,130	73,110
4.1.2 Others		1,957,897	1,751,143	975,780	866,877
4.2 Fees and commissions paid		508,031	429,696	267,109	232,601
4.2.1 Non-cash loans		1,519	1,647	776	1,104
4.2.2 Others		506,512	428,049	266,333	231,497
<b>V. DIVIDEND INCOME</b>	5.4.3	<b>9,062</b>	<b>5,387</b>	<b>8,961</b>	<b>5,387</b>
<b>VI. NET TRADING INCOME/LOSSES (Net)</b>	5.4.4	<b>(542,546)</b>	<b>(237,648)</b>	<b>(291,300)</b>	<b>(243,172)</b>
6.1 Trading account income/losses (Net)		114,381	305,760	79,489	46,830
6.2 Income/losses from derivative financial instruments (Net)		(1,035,966)	(1,284,595)	(643,635)	75,284
6.3 Foreign exchange gains/losses (Net)		379,039	741,187	272,846	(365,286)
<b>VII. OTHER OPERATING INCOME</b>	5.4.5	<b>1,379,008</b>	<b>779,572</b>	<b>873,626</b>	<b>286,381</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>8,274,504</b>	<b>6,923,278</b>	<b>4,432,916</b>	<b>3,499,852</b>
<b>IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>	5.4.6	<b>1,677,427</b>	<b>1,193,911</b>	<b>862,644</b>	<b>561,274</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	5.4.7	<b>3,365,782</b>	<b>3,131,015</b>	<b>1,676,771</b>	<b>1,500,915</b>
<b>XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)</b>		<b>3,231,295</b>	<b>2,598,352</b>	<b>1,893,501</b>	<b>1,437,663</b>
<b>XII. INCOME RESULTED FROM MERGERS</b>		-	-	-	-
<b>XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>		-	-	-	-
<b>XIV. GAIN/LOSS ON NET MONETARY POSITION</b>		-	-	-	-
<b>XV. PROFIT/LOSS BEFORE TAXES (XI+XII+XIII+XIV)</b>	5.4.8	<b>3,231,295</b>	<b>2,598,352</b>	<b>1,893,501</b>	<b>1,437,663</b>
<b>XVI. PROVISION FOR TAXES (±)</b>	5.4.9	<b>626,009</b>	<b>580,022</b>	<b>345,348</b>	<b>304,106</b>
16.1 Current tax charge		773,473	384,150	394,834	4,932
16.2 Deferred tax charge/(credit)		(147,464)	195,872	(49,486)	299,174
<b>XVII. NET OPERATING PROFIT/LOSS AFTER TAXES (XV±XVI)</b>	5.4.10	<b>2,605,286</b>	<b>2,018,330</b>	<b>1,548,153</b>	<b>1,133,557</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-	-	-
18.1 Income from assets held for sale		-	-	-	-
18.2 Income from sale of associates, affiliates and joint-ventures		-	-	-	-
18.3 Others		-	-	-	-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-	-	-
19.1 Expenses on assets held for sale		-	-	-	-
19.2 Expenses on sale of associates, affiliates and joint-ventures		-	-	-	-
19.3 Others		-	-	-	-
<b>XX. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XVIII-XIX)</b>	5.4.8	-	-	-	-
<b>XXI. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>	5.4.9	-	-	-	-
21.1 Current tax charge		-	-	-	-
21.2 Deferred tax charge/(credit)		-	-	-	-
<b>XXII. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XX±XXI)</b>	5.4.10	-	-	-	-
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	5.4.11	<b>2,605,286</b>	<b>2,018,330</b>	<b>1,548,153</b>	<b>1,133,557</b>
23.1 Equity holders of the bank		2,582,657	2,001,606	1,536,312	1,125,131
23.2 Minority interest		22,629	16,724	11,841	8,426
<b>Earnings per Share</b>		<b>0.615</b>	<b>0.477</b>	<b>0.366</b>	<b>0.268</b>

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

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

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates**  
**Consolidated Statement of Income/Expense Items Accounted for under Shareholders' Equity**  
**At 30 June 2016**

INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY	THOUSANDS OF TURKISH LIRA (TL)	
	CURRENT PERIOD 1 January 2016 - 30 June 2016	PRIOR PERIOD 1 January 2015 - 30 June 2015
<b>I. MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"</b>	<b>235,302</b>	<b>(619,603)</b>
<b>II. REVALUATION SURPLUS ON TANGIBLE ASSETS</b>	<b>579</b>	<b>369</b>
<b>III. REVALUATION SURPLUS ON INTANGIBLE ASSETS</b>	<b>-</b>	<b>-</b>
<b>IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES</b>	<b>31,834</b>	<b>168,645</b>
<b>V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)</b>	<b>(160,268)</b>	<b>81,601</b>
<b>VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)</b>	<b>(10,393)</b>	<b>(94,338)</b>
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS</b>	<b>-</b>	<b>-</b>
<b>VIII. OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS</b>	<b>-</b>	<b>-</b>
<b>IX. DEFERRED TAXES ON VALUE INCREASES/DECREASES</b>	<b>(37,237)</b>	<b>113,241</b>
<b>X. NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+III+IV+V+VI+VII+VIII+IX)</b>	<b>59,817</b>	<b>(350,085)</b>
<b>XI. CURRENT PERIOD PROFIT/LOSSES</b>	<b>2,605,286</b>	<b>2,018,330</b>
1.1 Net changes in fair value of securities (transferred to income statement)	238,882	96,841
1.2 Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement	(69,465)	24,053
1.3 Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-	-
1.4 Others	2,435,869	1,897,436
<b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)</b>	<b>2,665,103</b>	<b>1,668,245</b>

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates**  
**Consolidated Statement of Changes in Shareholders' Equity**  
**At 30 June 2016**

		THOUSANDS OF TURKISH LIRA (TL)																		
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes	Paid-In Capital	Inflation Adjustment to Paid-In Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Profit/(Loss)	Securities Value Increase Fund	Revaluation Surplus on Tangible and Intangible Assets	Bonus Shares of Equity Participations	Hedging Reserves	Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	Shareholders' Equity before Minority Interest	Minority Interest	Total Shareholders' Equity	
<b>PRIOR PERIOD - 1 January-30 June 2015</b>																				
I. Balances at beginning of the period		4,200,000	772,554	11,880	-	1,179,954	-	16,163,191	414,560	-	3,647,404	88,781	175,034	947	(187,023)	-	26,467,282	193,733	26,661,015	
II. Correction made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1. Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2. Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted balances at beginning of the period (I+II)		4,200,000	772,554	11,880	-	1,179,954	-	16,163,191	414,560	-	3,647,404	88,781	175,034	947	(187,023)	-	26,467,282	193,733	26,661,015	
Changes during the period	5.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IV. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V. Market value changes of securities		-	-	-	-	-	-	-	-	-	-	(508,891)	-	-	-	-	(508,891)	(19)	(508,910)	
VI. Hedging reserves		-	-	-	-	-	-	-	88,460	-	-	-	-	-	(10,189)	-	78,271	-	78,271	
6.1. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	65,281	-	65,281	
6.2. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	88,460	-	-	-	-	-	(75,470)	-	12,990	-	12,990	
VII. Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	369	-	-	-	369	-	369	
VIII. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Bonus shares of associates, affiliates and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Translation differences		-	-	-	-	1,821	-	19	78,345	-	-	-	-	-	-	-	80,185	-	80,185	
XI. Changes resulted from disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII. Changes resulted from reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.1. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.2. Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XV. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVII. Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVIII. Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIX. Current period net profit/loss		-	-	-	-	-	-	-	-	2,001,606	-	-	-	-	-	-	2,001,606	16,724	2,018,330	
XX. Profit distribution		-	-	-	-	41,634	-	3,006,824	31,946	-	(3,647,404)	-	-	-	-	-	(567,000)	(1,354)	(568,354)	
20.1. Dividends		-	-	-	-	-	-	-	-	-	(567,000)	-	-	-	-	-	(567,000)	(1,354)	(568,354)	
20.2. Transfers to reserves		-	-	-	-	41,634	-	3,006,824	31,946	-	(3,048,458)	-	-	-	-	-	-	-	-	
20.3. Others		-	-	-	-	-	-	-	-	-	(31,946)	-	-	-	-	-	-	-	-	
Balances at end of the period (III+IV+V+.....+XVIII+XIX+XX)		4,200,000	772,554	11,880	-	1,223,409	-	19,170,034	613,311	2,001,606	-	(420,110)	175,403	947	(197,212)	-	27,551,822	209,084	27,760,906	
<b>CURRENT PERIOD - 1 January-30 June 2016</b>																				
I. Balances at beginning of the period		4,200,000	772,554	11,880	-	1,226,628	-	19,168,165	751,943	-	3,580,901	(283,642)	1,765,883	947	(218,120)	-	30,977,139	226,617	31,203,756	
Changes during the period	5.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
II. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Market value changes of securities		-	-	-	-	-	-	-	-	-	-	164,059	-	-	-	-	164,059	(11)	164,048	
IV. Hedging reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	(136,528)	-	(136,528)	-	(136,528)	
4.1. Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	(128,214)	-	(128,214)	-	(128,214)	
4.2. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	(8,314)	-	(8,314)	-	(8,314)	
V. Revaluation surplus on tangible assets		-	-	-	-	-	-	8,303	-	-	-	-	(7,840)	-	-	-	463	-	463	
VI. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Bonus shares of associates, affiliates and joint-ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Translation differences		-	-	-	-	531	-	(186)	31,423	-	-	-	-	-	66	-	31,834	-	31,834	
IX. Changes resulted from disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Changes resulted from reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.1. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.2. Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XV. Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI. Others		-	-	-	-	-	-	766	-	-	-	-	(766)	-	-	-	-	-	-	
XVII. Current period net profit/loss		-	-	-	-	-	-	-	-	2,582,657	-	-	-	-	-	-	2,582,657	22,629	2,605,286	
XVIII. Profit distribution		-	-	-	-	42,629	-	2,966,549	805	-	(3,580,901)	-	3,918	-	-	-	(567,000)	(1,210)	(568,210)	
18.1. Dividends		-	-	-	-	-	-	-	-	-	(567,000)	-	-	-	-	-	(567,000)	(1,210)	(568,210)	
18.2. Transfers to reserves		-	-	-	-	42,629	-	2,966,549	805	-	(3,009,178)	-	-	-	-	-	(567,000)	-	(568,210)	
18.3. Others		-	-	-	-	-	-	-	-	-	(4,723)	-	-	-	-	-	-	-	-	
Balances at end of the period (I+II+III+.....+XVI+XVII+XVIII)		4,200,000	772,554	11,880	-	1,269,788	-	22,143,597	784,171	2,582,657	-	(119,583)	1,761,195	947	(354,582)	-	33,052,624	248,025	33,300,649	

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



(Convenience Translation of Financial Statements Originally Issued in Turkish)

**Türkiye Garanti Bankası Anonim Şirketi and Its Financial Affiliates**  
**Consolidated Statement of Cash Flows**  
**At 30 June 2016**

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		1 January 2016 30 June 2016	1 January 2015 30 June 2015
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>	5.6	<b>3,704,150</b>	<b>1,656,045</b>
1.1.1 Interests received		9,709,746	8,724,076
1.1.2 Interests paid		(5,070,723)	(4,374,677)
1.1.3 Dividend received		9,062	5,387
1.1.4 Fees and commissions received		2,121,448	1,896,525
1.1.5 Other income		1,334,402	951,259
1.1.6 Collections from previously written-off loans and other receivables		91,049	57,192
1.1.7 Payments to personnel and service suppliers		(2,742,064)	(2,567,811)
1.1.8 Taxes paid		(927,461)	(905,922)
1.1.9 Others		(821,309)	(2,129,984)
<b>1.2 Changes in operating assets and liabilities</b>	5.6	<b>(3,769,310)</b>	<b>(3,384,643)</b>
1.2.1 Net (increase) decrease in financial assets held for trading		62,434	(92,742)
1.2.2 Net (increase) decrease in financial assets valued at fair value through profit or loss		200,000	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		2,502,394	(135,597)
1.2.4 Net (increase) decrease in loans		(10,989,283)	(17,232,735)
1.2.5 Net (increase) decrease in other assets		30,001	(1,280,566)
1.2.6 Net increase (decrease) in bank deposits		(2,865,969)	(348,526)
1.2.7 Net increase (decrease) in other deposits		17,300,327	12,304,684
1.2.8 Net increase (decrease) in funds borrowed		(10,765,229)	1,860,269
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		756,015	1,540,570
<b>I. Net cash flow from banking operations</b>	5.6	<b>(65,160)</b>	<b>(1,728,598)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash flow from investing activities</b>	5.6	<b>2,310,873</b>	<b>169,781</b>
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		(235,026)	(121,157)
2.4 Sales of tangible assets		61,431	56,368
2.5 Cash paid for purchase of financial assets available-for-sale, net		(2,215,164)	(5,746,629)
2.6 Cash obtained from sale of financial assets available-for-sale, net		4,175,152	5,531,683
2.7 Cash paid for purchase of investments held-to-maturity		(253,344)	(2,279,217)
2.8 Cash obtained from sale of investments held-to-maturity		777,824	2,728,733
2.9 Others		-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash flow from financing activities</b>		<b>(179,701)</b>	<b>(48,429)</b>
3.1 Cash obtained from funds borrowed and securities issued		4,801,211	4,644,797
3.2 Cash used for repayment of funds borrowed and securities issued		(4,412,702)	(4,124,782)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		(568,210)	(568,354)
3.5 Payments for financial leases		-	(90)
3.6 Others		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>(46,710)</b>	<b>645,685</b>
<b>V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)</b>	5.6	<b>2,019,302</b>	<b>(961,561)</b>
<b>VI. Cash and cash equivalents at beginning of period</b>	5.6	<b>11,740,582</b>	<b>9,999,761</b>
<b>VII. Cash and cash equivalents at end of period (V+VI)</b>	5.6	<b>13,759,884</b>	<b>9,038,200</b>

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

### **3 Accounting Policies**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **3.2.2 Foreign currency transactions**

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

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

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

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

As of 30 June 2016, Türkiye Garanti Bankası Anonim Şirketi and the following financial affiliates are consolidated in the accompanying consolidated financial statements; Garanti Bank International (GBI), Garanti Bank Moscow (Garanti Moscow), Garanti Finansal Kiralama AŞ (Garanti Finansal Kiralama), Garanti Yatırım Menkul Kıymetler AŞ (Garanti Yatırım), Garanti Portföy Yönetimi AŞ (Garanti Portföy), Garanti Emeklilik ve Hayat AŞ (Garanti Emeklilik), Garanti Faktoring Hizmetleri AŞ (Garanti Faktoring) and Garanti Holding BV (Garanti Holding).

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

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

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

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

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

Garanti Moscow was established in 1996 to perform banking activities abroad. This bank's head office is in Moscow. The Bank owns 99.94% of its shares.

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

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

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

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

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

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

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

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

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

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

#### **3.4.2 Derivative financial instruments held for risk management**

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

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

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

The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. When discontinuing fair value hedge accounting, the cumulative fair value changes in carrying value of the hedged item arising from the hedged risk are amortised to income statement over the life of the hedged item from that date of the hedge accounting is discontinued. While discontinuing cash flow hedge accounting, 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 are recognised in income statement, the gain/losses accounted for under shareholders’ equity are recognised in income statement.

### **3.5 Interest income and expenses**

#### General

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

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

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

#### Financial lease operations

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

### **3.6 Fees and commissions**

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

### **3.7 Financial assets**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



### **3.13 Tangible assets**

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

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

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

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

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

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

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

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

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

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

#### *Investment properties*

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

Investment properties accounted at fair value are not depreciated.

### **3.14 Leasing activities**

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

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

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

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

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

### **3.16 Contingent assets**

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

### **3.17 Liabilities for employee benefits**

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

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

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

	<b>30 June 2016</b>	<b>31 December 2015</b>
Net Effective Discount Rate	2.99%	2.99%
Discount Rate	10.30%	10.30%
Expected Rate of Salary Increase	8.60%	8.60%
Inflation Rate	7.10%	7.10%

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

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

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

#### *Retirement benefit obligations*

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

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

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

	30 June 2016	
	Employer	Employee
Pension contributions	15.5%	10.0%
Medical benefit contributions	6.0%	5.0%

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

a) Benefits transferable to SSF

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

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

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

On 19 June 2008, Cumhuriyet Halk Partisi ("CHP") had applied to the Constitutional Court for the cancellation of various articles of the Law including the first paragraph of the provisional Article 20. At the meeting of the Constitutional Court on 30 March 2011, it was decided that the article 73 and the first

paragraph of the provisional Article 20 added to the law no. 5510 are not contradictory to the Constitutional Law, and accordingly the dismissal of the cancellation request has been denied with the majority of votes.

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

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

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

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

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

### **3.18 Taxation**

#### **3.18.1 Corporate tax**

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

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

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

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

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

*Tax applications for foreign branches*

**NORTHERN CYPRUS**

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

**MALTA**

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

**LUXEMBOURG**

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

*Tax applications for foreign financial affiliates*

**THE NETHERLANDS**

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

#### *RUSSIA*

The applicable corporate tax rate in Russia is 20% (2% federal and 18% regional). The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open for a longer period.

#### *ROMANIA*

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

### **3.18.2 Deferred taxes**

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

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

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

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

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

### **3.18.3 Transfer pricing**

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

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

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

### **3.19 Funds borrowed**

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

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

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

None.

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

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

### **3.22 Government incentives**

As of 30 June 2016, the Bank or its financial affiliates do not have any government incentives or grants.

### **3.23 Segment reporting**

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

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

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

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

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

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

<i>Current Period</i>	<b>Retail Banking</b>	<b>Corporate / Commercial Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
Total Operating Profit	3,283,863	2,504,066	124,217	2,353,296	8,265,442
Other	-	-	-	-	-
<b>Total Operating Profit</b>	<b>3,283,863</b>	<b>2,504,066</b>	<b>124,217</b>	<b>2,353,296</b>	<b>8,265,442</b>
Net Operating Profit	814,934	813,682	3,139	1,590,478	3,222,233
Income from Associates and Affiliates	-	-	-	9,062	9,062
<b>Net Operating Profit</b>	<b>814,934</b>	<b>813,682</b>	<b>3,139</b>	<b>1,599,540</b>	<b>3,231,295</b>
Provision for Taxes	-	-	-	(626,009)	(626,009)
<b>Net Profit</b>	<b>814,934</b>	<b>813,682</b>	<b>3,139</b>	<b>973,531</b>	<b>2,605,286</b>
Segment Assets	57,893,283	123,307,279	76,179,899	29,714,550	287,095,011
Investments in Associates and Affiliates	-	-	-	152,684	152,684
<b>Total Assets</b>	<b>57,893,283</b>	<b>123,307,279</b>	<b>76,179,899</b>	<b>29,867,234</b>	<b>287,247,695</b>
Segment Liabilities	108,737,684	67,700,646	59,106,531	18,402,185	253,947,046
Shareholders' Equity	-	-	-	33,300,649	33,300,649
<b>Total Liabilities and Shareholders' Equity</b>	<b>108,737,684</b>	<b>67,700,646</b>	<b>59,106,531</b>	<b>51,702,834</b>	<b>287,247,695</b>

<i>Prior Period</i>	<b>Retail Banking</b>	<b>Corporate / Commercial Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations</b>
Total Operating Profit	2,418,963	2,190,360	882,780	1,425,788	6,917,891
Other	-	-	-	-	-
<b>Total Operating Profit</b>	<b>2,418,963</b>	<b>2,190,360</b>	<b>882,780</b>	<b>1,425,788</b>	<b>6,917,891</b>
Net Operating Profit	(55,313)	1,151,433	773,931	722,914	2,592,965
Income from Associates and Affiliates	-	-	-	5,387	5,387
<b>Net Operating Profit</b>	<b>(55,313)</b>	<b>1,151,433</b>	<b>773,931</b>	<b>728,301</b>	<b>2,598,352</b>
Provision for Taxes	-	-	-	(580,022)	(580,022)
<b>Net Profit</b>	<b>(55,313)</b>	<b>1,151,433</b>	<b>773,931</b>	<b>148,279</b>	<b>2,018,330</b>
Segment Assets	54,964,113	115,782,773	79,127,377	29,620,252	279,494,515
Investments in Associates and Affiliates	-	-	-	152,663	152,663
<b>Total Assets</b>	<b>54,964,113</b>	<b>115,782,773</b>	<b>79,127,377</b>	<b>29,772,915</b>	<b>279,647,178</b>
Segment Liabilities	99,097,088	57,963,972	71,210,474	20,171,888	248,443,422
Shareholders' Equity	-	-	-	31,203,756	31,203,756
<b>Total Liabilities and Shareholders' Equity</b>	<b>99,097,088</b>	<b>57,963,972</b>	<b>71,210,474</b>	<b>51,375,644</b>	<b>279,647,178</b>



### 3.24 Other disclosures

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.

As of 31 December 2015, changing the existing accounting policy, it has been decided to account for taxation related levies and liabilities in the periods when the events resulting in such liabilities occurred instead of applying accrual basis of accounting as in prior years in accordance with the interpretation of TFRS Comment 21 "Levies".

As of 31 December 2015, in accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets", provisions are calculated and accounted for fees and commissions income recognized in prior years but reimbursed in subsequent periods.

Due to the aforementioned accounting policy changes, the prior years' consolidated financial statements were restated as per the TAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" standard.

The effects of the adjusting entries on the prior period's consolidated financial statements are as follows:

<i>30 June 2015</i>	<i>Reported</i>	<i>Correction</i>	<i>Restated</i>
Foreign Exchange Gains/Losses (net)	757,424	(16,237)	741,187
Other Operating Expense	3,089,037	41,978	3,131,015
Provision for Taxes	591,665	(11,643)	580,022
<b>Current Period Net Profit/Loss</b>	<b>2,064,902</b>	<b>(46,572)</b>	<b>2,018,330</b>

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

### 4.1 Consolidated total capital

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

#### 4.1.1 Components of consolidated total capital

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014<sup>(*)</sup></i>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	23,626,112	
Other Comprehensive Income according to TAS	2,718,260	
Profit	2,585,304	
Current Period Profit	2,585,304	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	947	
Minority Interest	51,231	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>33,966,288</b>	
<b>Deductions From Common Equity Tier I Capital</b>		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	786,952	-
Leasehold Improvements on Operational Leases (-)	110,741	-
Goodwill Netted with Deferred Tax Liabilities	3,833	6,388
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	137,591	229,318
Net Deferred Tax Asset/Liability (-)	12,157	20,261
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 (-)	1,531	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	-
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>1,052,805</b>	-
<b>Total Common Equity Tier I Capital</b>	<b>32,913,483</b>	-
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Shares of Third Parties in Additional Tier I Capital	-	-
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-	-
<b>Additional Tier I Capital before Deductions</b>	-	-
<b>Deductions from Additional Tier I Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Items to be Deducted from Tier I Capital During the Transition Period</b>		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	94,282	-
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 (-)	8,105	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
<b>Total Deductions from Additional Tier I Capital</b>	-	-
<b>Total Additional Tier I Capital</b>	-	-
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>32,811,096</b>	-
<b>TIER II CAPITAL</b>		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2,656,910	-
<b>Total Deductions from Tier II Capital</b>	<b>2,656,910</b>	-
<b>Deductions from Tier II Capital</b>		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014<sup>(*)</sup></i>
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	1,020,007	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	<b>1,020,007</b>	-
<b>Total Tier II Capital</b>	<b>1,636,903</b>	-
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>34,447,999</b>	-
<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	59	-
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 (-)	20,085	-
Other items to be Defined by the BRSA (-)	45,661	-
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) during the Transition Period</b>		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
<b>CAPITAL</b>		
Total Capital (Total of Tier I Capital and Tier II Capital)	34,382,194	-
Total Risk Weighted Assets	236,944,758	-
<b>CAPITAL ADEQUACY RATIOS</b>		
Consolidated CET1 Capital Ratio (%)	13.89	-
Consolidated Tier I Capital Ratio (%)	13.85	-
Consolidated Capital Adequacy Ratio (%)	14.51	-
<b>BUFFERS</b>		
Bank-specific total CET1 Capital Ratio (%)	5.654	-
Capital Conservation Buffer Ratio (%)	0.625	-
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.529	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	6.511	-
<b>Amounts Lower Than Excesses as per Deduction Rules</b>		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	569,576	-
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	3,161,682	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2,656,910	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

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

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

#### **4.1.2 Items included in capital calculation**

None.

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

<i>Current Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the capital report (*)</i>	<i>Explanation of the differences</i>
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	1,995,555	(734,333)	1,261,222	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Other Comprehensive Income According to TAS	1,982,728	(734,333)	1,248,395	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Securities Value Increase Fund	(119,583)	15,563	(104,020)	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Revaluation Surplus on Tangible Assets	1,761,195	(30,886)	1,730,309	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Revaluation Surplus on Intangible Assets	-	-	-	
Revaluation Surplus on Investment Property	-	-	-	
Hedging Reserves (Effective Portion)	(354,582)	53,456	(301,126)	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	695,698	(772,466)	(76,768)	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*); and Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Affiliates and Joint-Ventures	947	-	947	
Share Premium	11,880	-	11,880	
Profit Reserves	24,274,412	34,613	24,309,025	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Profit or Loss	2,582,657	2,647	2,585,304	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Prior Periods Profit/Loss	-	-	-	
Current Period Net Profit/Loss	2,582,657	2,647	2,585,304	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Minority Interest	248,025	(196,794)	51,231	Adjustment effect required by the Regulation on "Bank Capital" Article 10 Paragraph 4 (*)
Deductions from Common Equity Tier I Capital (-)	-	-	265,853	Deductions from Common Equity Tier 1 Capital as per the Regulation
<b>Common Equity Tier I Capital</b>	<b>33,300,649</b>		<b>32,913,483</b>	

<i>Current Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the capital report (*)</i>	<i>Explanation of the differences</i>
Subordinated Debts			-	
Deductions from Tier I Capital (-)			102,387	Deductions from Tier I Capital as per the Regulation
<b>Tier I Capital</b>			<b>32,811,096</b>	
Subordinated Debts			-	
General Provisions			2,656,910	General Loan Provision added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			1,020,007	Deductions from Tier II Capital as per the Regulation
<b>Tier II Capital</b>			<b>1,636,903</b>	
Deductions from Total Capital (-)			65,805	Deductions from Capital as per the Regulation
<b>Total</b>			<b>34,382,194</b>	

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

#### 4.2 Consolidated credit risk

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

#### 4.3 Consolidated currency risk

Foreign currency open position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 30 June 2016, the Bank and its financial affiliates' net 'on balance sheet' foreign currency short position amounts to TL 16,605,324 thousands (31 December 2015: TL 7,939,559 thousands), net 'off-balance sheet' foreign currency long position amounts to TL 16,908,664 thousands (31 December 2015: TL 9,437,913 thousands), while net foreign currency long open position amounts to TL 303,340 thousands (31 December 2015: TL 1,498,354 thousands).

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

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

	<b>USD</b>	<b>EUR</b>
<b>The Bank's foreign currency purchase rate at balance sheet date</b>	2.8710	3.1907
<u>Foreign currency rates for the days before balance sheet date:</u>		
Day 1	2.8850	3.2015
Day 2	2.8980	3.2058
Day 3	2.9340	3.2212
Day 4	2.9150	3.2393
Day 5	2.8700	3.2622
Last 30-days arithmetical average rate	2.9088	3.2691

*The Bank's consolidated currency risk*

	EUR	USD	Other FCs	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	4,790,113	14,432,610	3,762,555	22,985,278
Banks	4,964,005	7,839,967	684,985	13,488,957
Financial Assets at Fair Value through Profit/Loss	150,410	364,664	9,367	524,441
Interbank Money Market Placements	114,865	86,131	-	200,996
Financial Assets Available-for-Sale	2,159,442	2,559,367	64,255	4,783,064
Loans (*)	29,286,530	43,128,993	2,567,684	74,983,207
Investments in Associates, Affiliates and Joint-Ventures	691	-	499	1,190
Investments Held-to-Maturity	111,859	9,169,431	-	9,281,290
Derivative Financial Assets Held for Risk Management	-	-	-	-
Tangible Assets	69,397	188	73,542	143,127
Intangible Assets	-	-	-	-
Other Assets (**)	3,368,259	2,241,725	102,004	5,711,988
<b>Total Assets</b>	<b>45,015,571</b>	<b>79,823,076</b>	<b>7,264,891</b>	<b>132,103,538</b>
<b>Liabilities</b>				
Bank Deposits	999,941	2,015,901	366,478	3,382,320
Foreign Currency Deposits	31,726,941	58,784,704	4,694,990	95,206,635
Interbank Money Market Takings	63,814	888,247	287,467	1,239,528
Other Fundings	10,635,227	23,770,410	246,558	34,652,195
Securities Issued	1,915,028	7,170,321	911,987	9,997,336
Miscellaneous Payables	158,781	842,231	37,250	1,038,262
Derivative Financial Liabilities Held for Risk Management	48,472	325,237	125,939	499,648
Other Liabilities (***)	647,906	973,766	1,071,266	2,692,938
<b>Total Liabilities</b>	<b>46,196,110</b>	<b>94,770,817</b>	<b>7,741,935</b>	<b>148,708,862</b>
<b>Net 'On Balance Sheet' Position</b>	<b>(1,180,539)</b>	<b>(14,947,741)</b>	<b>(477,044)</b>	<b>(16,605,324)</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>334,898</b>	<b>15,206,745</b>	<b>1,367,021</b>	<b>16,908,664</b>
Derivative Assets	18,655,136	59,764,710	8,864,468	87,284,314
Derivative Liabilities	(18,320,238)	(44,557,965)	(7,497,447)	(70,375,650)
Non-Cash Loans	-	-	-	-
<b>Prior Period</b>				
<b>Total Assets</b>	<b>42,557,470</b>	<b>85,807,550</b>	<b>8,192,768</b>	<b>136,557,788</b>
<b>Total Liabilities</b>	<b>44,136,917</b>	<b>92,755,644</b>	<b>7,604,786</b>	<b>144,497,347</b>
<b>Net 'On Balance Sheet' Position</b>	<b>(1,579,447)</b>	<b>(6,948,094)</b>	<b>587,982</b>	<b>(7,939,559)</b>
<b>Net 'Off-Balance Sheet' Position</b>	<b>2,017,703</b>	<b>7,542,704</b>	<b>(122,494)</b>	<b>9,437,913</b>
Derivative Assets	18,087,595	48,947,401	8,290,949	75,325,945
Derivative Liabilities	(16,069,892)	(41,404,697)	(8,413,443)	(65,888,032)
Non-Cash Loans	-	-	-	-

(\*) The foreign currency-indexed loans amounting TL 5,459,570 thousands included under TL loans in the accompanying consolidated financial statements are presented above under the related foreign currency code.

(\*\*) The foreign currency indexed factoring receivables amounting TL 414,303 thousands included under TL assets in the accompanying consolidated financial statements are presented above under the related foreign currency code.

(\*\*\*) The gold deposits of TL 1,105,183 thousands included under deposits in the accompanying consolidated financial statements are presented above under other liabilities.



#### 4.4 Consolidated interest rate risk

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

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

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

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

<i>Current Period</i>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing (*)</b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	15,432,265	-	-	-	-	9,959,089	<b>25,391,354</b>
Banks	7,714,614	1,572,818	2,441,325	11,846	-	3,838,308	<b>15,578,911</b>
Financial Assets at Fair Value through Profit/Loss	19,188	26,378	33,762	19,488	34,366	1,928,659	<b>2,061,841</b>
Interbank Money Market Placements	241,230	-	-	-	-	11	<b>241,241</b>
Financial Assets Available-for-Sale	1,749,311	8,131,448	5,118,839	2,896,352	3,793,853	1,797,500	<b>23,487,303</b>
Loans	45,608,847	21,241,317	55,266,544	43,436,420	12,319,725	3,715,823	<b>181,588,676</b>
Investments Held-to-Maturity	763,511	1,547,741	5,978,383	4,470,345	6,246,145	2,110,519	<b>21,116,644</b>
Other Assets	1,062,584	1,561,574	1,905,364	2,796,428	274,824	10,180,951	<b>17,781,725</b>
<b>Total Assets</b>	<b>72,591,550</b>	<b>34,081,276</b>	<b>70,744,217</b>	<b>53,630,879</b>	<b>22,668,913</b>	<b>33,530,860</b>	<b>287,247,695</b>
<b>Liabilities</b>							
Bank Deposits	1,368,609	578,442	375,552	-	-	1,769,084	<b>4,091,687</b>
Other Deposits	83,490,100	29,255,502	17,147,765	1,705,080	4,636	34,928,298	<b>166,531,381</b>
Interbank Money Market Takings	7,064,103	97,555	285,198	63,814	38,796	16,198	<b>7,565,664</b>
Miscellaneous Payables	-	-	-	-	-	9,291,811	<b>9,291,811</b>
Securities Issued	418,644	1,985,822	3,250,152	8,183,337	1,721,413	337,449	<b>15,896,817</b>
Other Fundings	12,560,757	15,318,483	5,229,854	4,191,395	172,512	223,232	<b>37,696,233</b>
Other Liabilities	6,148	9,739	21,839	1,228	-	46,135,148	<b>46,174,102</b>
<b>Total Liabilities</b>	<b>104,908,361</b>	<b>47,245,543</b>	<b>26,310,360</b>	<b>14,144,854</b>	<b>1,937,357</b>	<b>92,701,220</b>	<b>287,247,695</b>
<b>On Balance Sheet Long Position</b>	-	-	<b>44,433,857</b>	<b>39,486,025</b>	<b>20,731,556</b>	-	<b>104,651,438</b>
<b>On Balance Sheet Short Position</b>	<b>(32,316,811)</b>	<b>(13,164,267)</b>	-	-	-	<b>(59,170,360)</b>	<b>(104,651,438)</b>
<b>Off-Balance Sheet Long Position</b>	<b>8,354,129</b>	<b>9,130,193</b>	<b>11,463,483</b>	<b>5,569,377</b>	<b>2,890,644</b>	-	<b>37,407,826</b>
<b>Off-Balance Sheet Short Position</b>	<b>(2,786,936)</b>	<b>(4,382,539)</b>	<b>(8,423,786)</b>	<b>(12,470,992)</b>	<b>(9,636,548)</b>	-	<b>(37,700,801)</b>
<b>Total Position</b>	<b>(26,749,618)</b>	<b>(8,416,613)</b>	<b>47,473,554</b>	<b>32,584,410</b>	<b>13,985,652</b>	<b>(59,170,360)</b>	<b>(292,975)</b>

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

<i>Prior Period</i>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing (*)</b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	237,533	-	-	-	-	25,049,104	<b>25,286,637</b>
Banks	7,922,534	2,103,704	2,260,840	8,924	-	4,010,164	<b>16,306,166</b>
Financial Assets at Fair Value through Profit/Loss (**)	12,065	62,686	34,492	64,627	34,813	1,740,714	<b>1,949,397</b>
Interbank Money Market Placements	80,360	-	-	-	-	6	<b>80,366</b>
Financial Assets Available-for-Sale	1,064,920	8,307,301	5,615,120	4,521,806	3,910,727	1,335,896	<b>24,755,770</b>
Loans (**)	41,509,895	23,332,111	49,834,084	42,221,450	11,525,190	3,530,571	<b>171,953,301</b>
Investments Held-to-Maturity	878,945	1,839,476	5,475,789	4,164,735	7,166,113	1,792,188	<b>21,317,246</b>
Other Assets	1,133,112	1,547,350	1,871,848	2,719,019	323,575	10,403,391	<b>17,998,295</b>
<b>Total Assets</b>	<b>52,839,364</b>	<b>37,192,628</b>	<b>65,092,173</b>	<b>53,700,561</b>	<b>22,960,418</b>	<b>47,862,034</b>	<b>279,647,178</b>
<b>Liabilities</b>							
Bank Deposits	3,493,949	1,433,808	253,033	-	-	1,779,391	<b>6,960,181</b>
Other Deposits	76,676,068	24,774,342	15,012,882	1,221,025	5,862	31,484,071	<b>149,174,250</b>
Interbank Money Market Takings	13,576,686	221,243	2,520,164	190,026	39,310	20,367	<b>16,567,796</b>
Miscellaneous Payables	-	-	-	-	-	8,580,022	<b>8,580,022</b>
Securities Issued	1,272,460	1,431,663	2,416,522	6,933,473	3,117,821	339,658	<b>15,511,597</b>
Other Fundings	14,293,797	14,500,177	4,855,756	5,461,252	185,718	222,987	<b>39,519,687</b>
Other Liabilities	2,596	40,791	9,322	-	-	43,280,936	<b>43,333,645</b>
<b>Total Liabilities</b>	<b>109,315,556</b>	<b>42,402,024</b>	<b>25,067,679</b>	<b>13,805,776</b>	<b>3,348,711</b>	<b>85,707,432</b>	<b>279,647,178</b>
<b>On Balance Sheet Long Position</b>	<b>-</b>	<b>-</b>	<b>40,024,494</b>	<b>39,894,785</b>	<b>19,611,707</b>	<b>-</b>	<b>99,530,986</b>
<b>On Balance Sheet Short Position</b>	<b>(56,476,192)</b>	<b>(5,209,396)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(37,845,398)</b>	<b>(99,530,986)</b>
<b>Off-Balance Sheet Long Position</b>	<b>5,715,518</b>	<b>8,832,982</b>	<b>11,606,458</b>	<b>5,418,346</b>	<b>2,626,080</b>	<b>-</b>	<b>34,199,384</b>
<b>Off-Balance Sheet Short Position</b>	<b>(1,973,392)</b>	<b>(5,600,588)</b>	<b>(9,071,991)</b>	<b>(10,429,335)</b>	<b>(7,396,845)</b>	<b>-</b>	<b>(34,472,151)</b>
<b>Total Position</b>	<b>(52,734,066)</b>	<b>(1,977,002)</b>	<b>42,558,961</b>	<b>34,883,796</b>	<b>14,840,942</b>	<b>(37,845,398)</b>	<b>(272,767)</b>

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

(\*\*) Loans amounting to TL 198,118 thousands included under Financial Assets at Fair Value through Profit/Loss in the accompanying consolidated financial statements are presented above under Loans.

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

<i>Current Period</i>	<b>EUR</b>	<b>USD</b>	<b>JPY</b>	<b>TL</b>
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	0.48	-	3.98
Banks	0.05-2.00	0.05-2.73	-	9.21-13.25
Financial Assets at Fair Value through Profit/Loss	2.38	5.03	-	7.16-14.61
Interbank Money Market Placements	0.05	0.40	-	8.71-8.75
Financial Assets Available-for-Sale	0.65-4.88	3.24-11.88	-	9.89-14.47
Loans	0.33-16.78	0.96-10.08	3.33	10.00-16.00
Investments Held-to-Maturity	0.19	5.52	-	9.61
<b>Liabilities</b>				
Bank Deposits	0.02-0.77	0.43-1.37	-	9.60-10.77
Other Deposits	0.01-8.00	0.01-3.75	1.11	7.00-15.00
Interbank Money Market Takings	0.15	1.40-2.62	1.49	6.00-15.23
Miscellaneous Payables	-	-	-	-
Securities Issued	3.48	5.10	0.83	10.63-12.20
Other Fundings	0.23-6.25	0.92-5.44	-	10.51-13.10

<i>Prior Period</i>	<b>EUR</b>	<b>USD</b>	<b>JPY</b>	<b>TL</b>
<b>Assets</b>				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	0.35	-	2.90
Banks	0.13-1.75	0.05-7.53	-	10.05-14.70
Financial Assets at Fair Value through Profit/Loss	4.66	4.64	-	7.07-14.56
Interbank Money Market Placements	-	0.55-2.25	-	10.00-10.29
Financial Assets Available-for-Sale	0.46-5.50	2.79-11.88	-	9.89-14.47
Loans	0.20-14.00	0.67-11.00	3.04	10.00-15.85
Investments Held-to-Maturity	0.19	5.49	-	10.76
<b>Liabilities</b>				
Bank Deposits	0.10-1.13	0.35-1.37	-	10.69-10.80
Other Deposits	0.95-9.00	1.43-3.75	1.19	7.00-11.41
Interbank Money Market Takings	0.05-0.15	0.75-2.75	1.49	6.00-13.72
Miscellaneous Payables	-	-	-	-
Securities Issued	3.42	4.83	1.01	9.94-11.92
Other Fundings	0.25-6.25	0.90-5.44	1.50	11.06-15.75

## 4.5 Consolidated position risk of equity securities

### 4.5.1 Equity shares in associates and affiliates

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

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

<i>Current Period</i>		Comparison	
Equity Securities (shares)	Carrying Value	Fair Value	Market Value
<b>1 Investment in Shares- Grade A</b>	<b>123,703</b>	-	-
Quoted Securities	-	-	-
<b>2 Investment in Shares- Grade B</b>	<b>27,097</b>	-	-
Quoted Securities	-	-	-
<b>3 Investment in Shares- Grade C</b>	<b>822</b>	-	-
Quoted Securities	-	-	-
<b>4 Investment in Shares- Grade D</b>	-	-	-
Quoted Securities	-	-	-
<b>5 Investment in Shares- Grade E</b>	<b>1,014</b>	-	-
Quoted Securities	-	-	-
<b>6 Investment in Shares- Grade F</b>	<b>48</b>	-	-
Quoted Securities	-	-	-

<i>Prior Period</i>		Comparison	
Equity Securities (shares)	Carrying Value	Fair Value	Market Value
<b>1 Investment in Shares- Grade A</b>	<b>123,682</b>	-	-
Quoted Securities	-	-	-
<b>2 Investment in Shares- Grade B</b>	<b>27,097</b>	-	-
Quoted Securities	-	-	-
<b>3 Investment in Shares- Grade C</b>	<b>822</b>	-	-
Quoted Securities	-	-	-
<b>4 Investment in Shares- Grade D</b>	-	-	-
Quoted Securities	-	-	-
<b>5 Investment in Shares- Grade E</b>	<b>1,014</b>	-	-
Quoted Securities	-	-	-
<b>6 Investment in Shares- Grade F</b>	<b>48</b>	-	-
Quoted Securities	-	-	-

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

<i>Current Period</i>		Revaluation Surpluses		Unrealized Gains and Losses		
Portfolio	Gains/Losses in Current Period	Total	Amount in Tier I Capital	Total	Amount in Core Capital	Amount in Tier I Capital
1 Private Equity Investments	-	-	-	-	-	-
2 Quoted Shares	-	-	-	10,545	-	10,545
3 Other Shares	-	2,714	2,714	-	-	-
<b>Total</b>	-	<b>2,714</b>	<b>2,714</b>	<b>10,545</b>	-	<b>10,545</b>

<i>Prior Period</i>		Revaluation Surpluses		Unrealized Gains and Losses			
Portfolio		Gains/Losses in Current Period	Total	Amount in Tier I Capital	Total	Amount in Core Capital	Amount in Tier I Capital
1	Private Equity Investments	-	-	-	-	-	-
2	Quoted Shares	-	-	-	11,203	-	11,203
3	Other Shares	-	213,303	213,303	-	-	-
<b>Total</b>		-	<b>213,303</b>	<b>213,303</b>	<b>11,203</b>	-	<b>11,203</b>

#### 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	-	-	-
3	Other Shares	152,684	152,684	12,215
<b>Total</b>		<b>152,684</b>	<b>152,684</b>	<b>12,215</b>

<i>Prior Period</i>		Carrying Value	RWA Total	Minimum Capital Requirement
Portfolio				
1	Private Equity Investments	-	-	-
2	Quoted Shares	-	-	-
3	Other Shares	152,663	152,663	12,213
<b>Total</b>		<b>152,663</b>	<b>152,663</b>	<b>12,213</b>

#### 4.6 Consolidated liquidity risk

Liquidity risk is managed by asset and liability management department (ALMD) and asset and liability Committee (ALCO) in line with 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 strategy, policy and practices, and approves the liquidity strategy and policies within the framework of risk management strategy and policies, ensures the effective of practice of policies and integrations with Bank's risk management strategy. It determines the basic metrics in liquidity risk measurement and monitoring. It 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 department 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 methods and models 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 early warning signals 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. Also, in increasing market volatility and liquidity deficit environments, cash flows of especially financial subsidiaries are monitored with the Bank's cash flow on a consolidated basis.

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

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

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

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

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

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

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

There exists “Liquidity Risk Management Contingency Funding Plan” in the Bank including mechanisms to prevent increase in liquidity risk during normal and liquidity crisis 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, stress levels determined according to probable scenarios and severity of the crisis and possible actions that can be taken in each stress level. In determination of the stress level in the plan, early warning indicators are taken into consideration.

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

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

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

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

High quality liquid assets consist of cash, deposits in central banks and securities considered as high quality liquid assets. Reserve deposits are included in high quality liquid assets, limited by the amount that is allowed by central bank to use in liquidity shortages. As of the reporting date, high quality liquid assets are composed of 5.06% cash, 47.83% deposits in central banks and 47.11% securities considered as high quality liquid assets.

The Bank’s main funding sources are deposits, funds borrowed, money market borrowings and securities issued. Consolidated funding source composition as of report date is 70.78% deposits, 18.78% funds borrowed and money market borrowings and 6.59% securities issued.

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

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

There was not any material changes in items included in consolidated LCR calculations during the period.

<i>Current Period</i>	Total Unweighted Value (Average) <sup>(*)</sup>		Total Weighted Value (Average) <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>High-Quality Liquid Assets</b>			<b>41,710,789</b>	<b>24,981,040</b>
1 Total high-quality liquid assets (HQLA)			41,710,789	24,981,040
<b>Cash Outflows</b>				
2 Retail deposits and deposits from small business customers, of which:	108,738,149	53,522,260	9,745,454	5,343,180
3 Stable deposits	22,567,223	180,907	1,128,361	9,045
4 Less stable deposits	86,170,926	53,341,353	8,617,093	5,334,135
5 Unsecured wholesale funding, of which:	47,688,804	28,390,805	27,675,051	14,804,783
6 Operational deposits	340	340	85	85
7 Non-operational deposits	33,882,962	23,905,061	16,610,982	11,742,821
8 Unsecured funding	13,805,502	4,485,404	11,063,984	3,061,877
9 Secured wholesale funding			140,949	140,949
10 Other cash outflows of which:	52,747,527	16,147,277	10,523,445	8,997,284
11 Outflows related to derivative exposures and other collateral requirements	7,139,670	7,790,204	7,139,670	7,790,204
12 Outflows related to restructured financial instruments	-	-	-	-
13 Payment commitments and other off-balance sheet commitments granted for debts to financial markets	45,607,857	8,357,073	3,383,775	1,207,080
14 Other revocable off-balance sheet commitments and contractual obligations	756,683	566,882	37,834	28,344
15 Other irrevocable or conditionally revocable off-balance sheet obligations	52,092,126	35,842,460	2,604,606	1,792,123
16 <b>Total Cash Outflows</b>			<b>50,727,339</b>	<b>31,106,663</b>
<b>Cash Inflows</b>				
17 Secured receivables	36,961	-	-	-
18 Unsecured receivables	21,991,738	8,604,821	15,499,776	6,675,505
19 Other cash inflows	814,482	4,280,166	803,990	4,275,685
20 <b>Total Cash Inflows</b>	<b>22,843,181</b>	<b>12,884,987</b>	<b>16,303,766</b>	<b>10,951,190</b>
			<b>Total Adjusted Values</b>	
21 <b>Total HQLA</b>			<b>41,710,789</b>	<b>24,981,040</b>
22 <b>Total Net Cash Outflows</b>			<b>34,423,573</b>	<b>20,155,473</b>
23 <b>Liquidity Coverage Ratio (%)</b>			<b>121.77%</b>	<b>126.93%</b>

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

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

Period	TL+FC	FC
30 April 2016	106.03%	102.83%
31 May 2016	126.18%	150.57%
30 June 2016	133.10%	127.41%



<i>Prior Period</i>	Total Unweighted Value (Average) <sup>(*)</sup>		Total Weighted Value (Average) <sup>(*)</sup>	
	TL+FC	FC	TL+FC	FC
<b>High-Quality Liquid Assets</b>			<b>39,416,728</b>	<b>27,406,063</b>
1 Total high-quality liquid assets (HQLA)			39,416,728	27,406,063
<b>Cash Outflows</b>				
2 Retail deposits and deposits from small business customers, of which:	100,556,598	48,941,016	8,499,088	4,340,569
3 Stable deposits	31,131,436	11,070,653	1,556,572	553,533
4 Less stable deposits	69,425,162	37,870,363	6,942,516	3,787,036
5 Unsecured wholesale funding, of which:	48,665,532	29,472,577	29,276,756	16,915,052
6 Operational deposits	-	-	-	-
7 Non-operational deposits	35,289,145	23,871,372	18,171,273	12,386,455
8 Unsecured funding	13,376,387	5,601,205	11,105,483	4,528,597
9 Secured wholesale funding			288,203	288,203
10 Other cash outflows of which:	51,403,023	14,852,599	9,692,156	7,208,597
11 Outflows related to derivative exposures and other collateral requirements	6,497,322	6,094,576	6,497,322	6,422,203
12 Outflows related to restructured financial instruments	-	-	-	-
13 Payment commitments and other off-balance sheet commitments granted for debts to financial markets	44,905,701	8,758,023	3,194,834	786,394
14 Other revocable off-balance sheet commitments and contractual obligations	16,748,440	11,718,247	837,422	585,912
15 Other irrevocable or conditionally revocable off-balance sheet obligations	32,151,508	22,252,881	1,607,575	1,112,644
16 <b>Total Cash Outflows</b>			<b>50,201,200</b>	<b>30,450,977</b>
<b>Cash Inflows</b>				
17 Secured receivables	19,618	194	194	194
18 Unsecured receivables	21,630,616	8,738,676	15,428,076	6,814,208
19 Other cash inflows	751,334	290,107	744,547	286,962
20 <b>Total Cash Inflows</b>	<b>22,401,568</b>	<b>9,028,977</b>	<b>16,172,817</b>	<b>7,101,364</b>
			<b>Total Adjusted Values</b>	
21 <b>Total HQLA</b>			<b>39,416,728</b>	<b>27,406,063</b>
22 <b>Total Net Cash Outflows</b>			<b>34,028,384</b>	<b>23,349,613</b>
23 <b>Liquidity Coverage Ratio (%)</b>			<b>116.04%</b>	<b>118.08%</b>

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

Period	TL+FC	FC
31 October 2015	104.50%	108.78%
30 November 2015	123.34%	115.35%
31 December 2015	120.27%	130.13%

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

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

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

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash (Cash on Hand, Money in Transit, Purchased Cheques) And Balances with the Central Bank	7,345,868	18,045,486	-	-	-	-	-	25,391,354
Banks	5,571,825	3,940,896	1,009,746	1,503,458	3,552,986	-	-	15,578,911
Financial Assets at Fair Value through Profit/Loss (**)	27,240	317,578	218,200	679,595	452,895	366,333	-	2,061,841
Interbank Money Market Placements	-	241,241	-	-	-	-	-	241,241
Financial Assets Available-for-Sale	186,377	538,818	2,577,703	506,742	9,650,354	10,027,309	-	23,487,303
Loans (**)	276,698	33,655,838	17,449,322	43,068,876	62,143,116	21,367,725	3,627,101	181,588,676
Investments Held-to-Maturity	-	408,354	-	528,659	7,742,620	12,437,011	-	21,116,644
Other Assets	2,543,276	2,115,457	1,609,073	1,746,378	3,179,853	432,049	6,155,639	17,781,725
<b>Total Assets</b>	<b>15,951,284</b>	<b>59,263,668</b>	<b>22,864,044</b>	<b>48,033,708</b>	<b>86,721,824</b>	<b>44,630,427</b>	<b>9,782,740</b>	<b>287,247,695</b>
<b>Liabilities</b>								
Bank Deposits	1,839,559	1,296,073	579,187	376,868	-	-	-	4,091,687
Other Deposits	40,265,478	77,859,211	29,369,443	17,233,470	1,790,539	13,240	-	166,531,381
Other Fundings	-	1,699,673	854,961	16,821,026	13,115,991	5,204,582	-	37,696,233
Interbank Money Market Takings	-	7,077,220	97,951	287,468	63,814	39,211	-	7,565,664
Securities Issued	-	360,243	1,937,860	3,298,722	8,551,553	1,747,356	1,083	15,896,817
Miscellaneous Payables	1,007,316	8,207,106	18,742	57,266	192	131	1,058	9,291,811
Other Liabilities (***)	2,850,240	1,332,771	766,541	855,560	747,421	655,753	38,965,816	46,174,102
<b>Total Liabilities</b>	<b>45,962,593</b>	<b>97,832,297</b>	<b>33,624,685</b>	<b>38,930,380</b>	<b>24,269,510</b>	<b>7,660,273</b>	<b>38,967,957</b>	<b>287,247,695</b>
<b>Liquidity Gap</b>	<b>(30,011,309)</b>	<b>(38,568,629)</b>	<b>(10,760,641)</b>	<b>9,103,328</b>	<b>62,452,314</b>	<b>36,970,154</b>	<b>(29,185,217)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(614,158)</b>	<b>(441,409)</b>	<b>526,610</b>	<b>50,008</b>	<b>79,959</b>	<b>-</b>	<b>(398,990)</b>
Derivative Financial Assets	-	57,168,686	23,632,160	43,270,608	11,490,962	1,531,856	-	137,094,272
Derivative Financial Liabilities	-	57,782,844	24,073,569	42,743,998	11,440,954	1,451,897	-	137,493,262
<b>Non-Cash Loans</b>	<b>-</b>	<b>8,735,555</b>	<b>4,884,820</b>	<b>6,537,833</b>	<b>1,381,604</b>	<b>201,236</b>	<b>85,292,532</b>	<b>107,033,580</b>
<b>Prior Period</b>								
<b>Total Assets</b>	<b>14,502,821</b>	<b>58,138,733</b>	<b>17,791,403</b>	<b>49,866,067</b>	<b>84,702,069</b>	<b>45,508,194</b>	<b>9,137,891</b>	<b>279,647,178</b>
<b>Total Liabilities</b>	<b>42,572,000</b>	<b>98,859,842</b>	<b>30,284,090</b>	<b>36,940,489</b>	<b>25,072,261</b>	<b>9,049,355</b>	<b>36,869,141</b>	<b>279,647,178</b>
<b>Liquidity Gap</b>	<b>(28,069,179)</b>	<b>(40,721,109)</b>	<b>(12,492,687)</b>	<b>12,925,578</b>	<b>59,629,808</b>	<b>36,458,839</b>	<b>(27,731,250)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(9,927)</b>	<b>(59,699)</b>	<b>(650,163)</b>	<b>32,032</b>	<b>87,117</b>	<b>-</b>	<b>(600,640)</b>
Derivative Financial Assets	-	46,286,344	20,165,592	38,984,741	12,510,105	1,344,295	-	119,291,077
Derivative Financial Liabilities	-	46,296,271	20,225,291	39,634,904	12,478,073	1,257,178	-	119,891,717
<b>Non-Cash Loans</b>	<b>-</b>	<b>4,256,442</b>	<b>1,122,260</b>	<b>8,073,184</b>	<b>1,221,929</b>	<b>126,820</b>	<b>83,888,837</b>	<b>98,689,472</b>

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

(\*\*) As of 31 December 2015, loans amounting to TL 198,118 thousands (30 June 2016: none) included under Financial Assets at Fair Value through Profit/Loss in the accompanying consolidated financial statements are presented above under Loans.

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

#### 4.7 Consolidated leverage ratio

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

The Bank’s leverage ratio calculated by taking average of end of month leverage ratios for prior three-month period is 8.02% (31 December 2015: 7.85%). Main reason for variance is the increase in capital higher than other items. Where the capital increased by 6.91% as a result of increase in net profits and the balance sheet exposure increased by 3.71%, off balance sheet exposure increased by 8.16%. Therefore, the current period leverage ratio increased by 17 basis points compared to prior period.

		Current Period <sup>(***)</sup>	Prior Period <sup>(***)</sup>
1	Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards <sup>(*)</sup> <sup>(**)</sup>	284,344,371	288,571,245
2	The difference between total assets prepared in accordance with Turkish Accounting Standards <sup>(*)</sup> and total assets in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” <sup>(**)</sup>	5,709,262	2,118,224
3	The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	(7,303,590)	(7,361,166)
4	The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	13,774,440	13,578,561
5	The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	8,499	3,948
6	Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	-	-
7	Total risk amount	403,676,640	385,659,874

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

<sup>(\*\*)</sup> For the current period consolidated financial statements prepared in accordance with Turkish Accounting Standards as of 31 March 2016 and for the prior period consolidated financial statements prepared in accordance with Turkish Accounting Standards as of 31 December 2015 are used.

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

	<i>Current Period<sup>(*)</sup></i>	<i>Prior Period<sup>(*)</sup></i>	
<b>On-balance sheet assets</b>			
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	284,839,722	274,606,088
2	(Assets deducted in determining Tier I capital)	(369,804)	(299,347)
3	Total on-balance sheet risks (sum of lines 1 and 2)	284,469,918	274,306,741
<b>Derivative financial instruments and credit derivatives</b>			
4	Replacement cost associated with all derivative financial instruments and credit derivatives	2,116,635	2,589,359
5	Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	7,391,937	7,379,472
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 and 5)	9,508,572	9,968,831
<b>Securities or commodity financing transactions (SCFT)</b>			
7	Risks from SCFT assets (excluding on-balance sheet)	1,310,097	1,173,806
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 and 8)	1,310,097	1,173,806
<b>Other off-balance sheet transactions</b>			
10	Gross notional amounts of off-balance sheet transactions	108,396,552	100,214,444
11	(Adjustments for conversion to credit equivalent amounts)	(8,499)	(3,948)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	108,388,053	100,210,496
<b>Capital and total risks</b>			
13	Tier I capital	32,361,953	30,270,121
14	Total risks (sum of lines 3, 6, 9 and 12)	403,676,640	385,659,874
<b>Leverage ratio</b>			
15	Leverage ratio	8.02%	7.85%

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

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

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

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

None.

#### **4.10 Risk management objectives and policies**

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

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

###### **4.10.1.1 Risk management strategy**

Risk management strategy of the parent Bank is established as part of a maintainable long term, value adding growth strategy and involves optimal allocation of economic capital to business lines considering the risk-return balance by measuring risks with the methods in compliance with its activities and national regulations and international standards. 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.

In accordance with the risk appetite framework, the Bank determines the consolidated risk level that the board of the Bank is prepared to accept in order to accomplish the goals and strategies with due consideration to the capacity of the institution to safely absorb those risks. The Bank monitors its objectives and strategies, through capital, liquidity, income recurrence and other risk appetite metrics which are determined in scope of risk appetite framework.

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 subsidiaries. Policies and procedures are prepared in compliance with applicable legislations the subsidiary subject to and parent Bank's risk management strategy, reviewed regularly and renewed if necessary.

Risk management activities are structured under the responsibility of the board of directors. 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, Risk Management Department, 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 Center, 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, the Bank aims that the importance of risk management for maintaining business operations is understood and risk awareness and sensitivity is ensured for risk decision-making and implementation mechanisms process by all employees.

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.

The Bank measures and monitors its risk exposure on consolidated and unconsolidated basis by using methods compliant with international standards and in accordance with the applicable legislation. Advanced risk management tools are utilized in measuring risks. Risk based detailed reports are prepared to put in use for the management of major risks, building strategies and decision making process, and reports are presented periodically or non-periodically to the board of directors and senior management.

The Bank established stress-testing program to measure significant risks and vulnerabilities that may arise from the negative developments or economic and financial circumstances under stress. Stress testing program covers all significant risks of the Bank. Risk based stress tests are carried out by considering the related risk factors individually and simultaneously. Additional to risk based stress tests that are applied to each significant risk types, the Bank also applies stress tests that are intended for whole bank every year, in scope of different macro economic scenarios.

Risk exposure of the Bank managed by providing effective control environment and monitoring limits. Unmitigated risks are either accepted with current risk levels or decreasing/ terminating the activity that cause the risk.

#### 4.10.1.2 Risk weighted amounts

		Risk Weighted Amounts		Minimum Capital Requirements
		<i>Current Period</i>	<i>Prior Period</i>	<i>Current Period</i>
1	Credit risk (excluding counterparty credit risk) (CCR) (*)	207,148,418	212,036,161	16,571,873
2	Of which standardised approach (SA)	207,148,418	212,036,161	16,571,873
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	3,950,501	2,769,808	316,040
5	Of which standardised approach for counterparty credit risk (SA-CCR)	3,950,501	2,769,808	316,040
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	18,241	16,339	1,459
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	3,295,050	6,826,925	263,604
17	Of which standardised approach (SA)	3,295,050	6,826,925	263,604
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	21,096,899	18,707,904	1,687,752
20	Of which basic indicator approach	21,096,899	18,707,904	1,687,752
21	Of which standardised approach	-	-	-
22	Of which advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	1,435,649	1,157,480	114,852
24	Floor adjustment	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>236,944,758</b>	<b>241,514,617</b>	<b>18,955,580</b>

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

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

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

#### **4.10.3 Consolidated credit risk**

##### **4.10.3.1 General information on consolidated credit risk**

##### **4.10.3.1.1 General qualitative information on consolidated credit risk**

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

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

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

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

Credit risk management is a structured process where credit risks are consistently assessed, quantified and monitored. In order to take the right decision, during the credit process which begins with the application of the customer and includes the phases of determination of the customer's credibility, collateralization, loan configuration, approval and usage, monitoring and closing the exposure, all required information and documents intended to identify the customer are collected in a centralized database, with this information the customer's financial strength is analysed, credit risk analysis is done, are graded according to customer LOB and activity fields and the information is kept updated by inquiring the customers. Before a loan is granted, it is ensured that risks are well-understood, sufficient evaluation has been done and after the loan is granted the loan is monitored, controlled and reported. Credit risk is managed on a portfolio basis considering the risk/return balance and asset quality of the Bank in the scope of the principles specified in the credit risk policy documents. Furthermore, loan based assessment, allocation and monitoring are carried out within the framework of related processes by related units in the Credit Group. Credit proposals, on the basis of the determined amount and in the framework of levels of authority, are concluded after being evaluated by the Regional Offices, Loans units of Headquarters, if required by the Credit Committee and the Board of Directors. Credit approval authority can be transferred starting from the Board of Directors. The authorities of Headquarters and Credit Regional Offices shall be notified in written and transfer of authority can be done.

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

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

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

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

Credit risk is measured, monitored and reported by Risk Management.

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

#### **4.10.3.1.2 Credit quality of consolidated assets**

		<i>Gross carrying value in consolidated financial statements prepared in accordance with Turkish Accounting Standards (TAS)</i>		<i>Allowances/amortisation and impairments</i>	<i>Net values</i>
		<i>Defaulted</i>	<i>Non-defaulted</i>		
1	Loans	6,447,081	225,330,105	4,678,990	227,098,196
2	Debt securities	-	43,936,982	-	43,936,982
3	Off-balance sheet exposures	311,538	71,268,346	104,962	71,474,922
4	<b>Total</b>	<b>6,758,619</b>	<b>340,535,433</b>	<b>4,783,952</b>	<b>342,510,100</b>

#### **4.10.3.1.3 Changes in stock of default loans and debt securities**

1	<b>Defaulted loans and debt securities at end of the previous reporting period</b>	<b>6,090,340</b>
2	Loans and debt securities that have defaulted since the last reporting period	2,053,602
3	Receivables back to non-defaulted status	-
4	Amounts written off	(951,763)
5	Other changes	(745,098)
6	<b>Defaulted loans and debt securities at end of the reporting period</b>	<b>6,447,081</b>

#### **4.10.3.1.4 Additional information on credit quality of consolidated assets**

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



**4.10.3.2 Consolidated credit risk mitigation**

**4.10.3.2.1 Qualitative disclosure on consolidated credit risk mitigation techniques**

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

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

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

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

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

**4.10.3.2.2 Consolidated credit risk mitigation techniques**

		<i>Exposures unsecured: carrying amount as per TAS</i>	<i>Exposures secured by collateral</i>	<i>Collateralized amount of exposures secured by collateral</i>	<i>Exposures secured by financial guarantees</i>	<i>Collateralized amount of exposures secured by financial guarantees</i>	<i>Exposures secured by credit derivatives</i>	<i>Collateralized amount of exposures secured by credit derivatives</i>
1	Loans	183,126,297	43,971,899	36,665,552	-	-	-	-
2	Debt securities	43,936,982	-	-	-	-	-	-
3	<b>Total</b>	<b>227,063,279</b>	<b>43,971,899</b>	<b>36,665,552</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4	Of which defaulted	6,364,267	82,814	26,321	-	-	-	-

**4.10.3.3 Consolidated credit risk under standardised approach**

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

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

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

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

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

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

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

#### 4.10.3.3.2 Consolidated credit risk exposure and credit risk mitigation techniques

Risk Classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1 Exposures to sovereigns and their central banks	63,033,409	2,898,864	63,033,409	1,794,458	15,187,244	23%
2 Exposures to regional and local governments	90,821	1,859	89,354	917	45,136	50%
3 Exposures to administrative bodies and non-commercial entities	58,553	5,164	58,553	1,743	60,299	100%
4 Exposures to multilateral development banks	-	-	-	-	-	-
5 Exposures to international organizations	-	-	-	-	-	-
6 Exposures to banks and brokerage houses	21,521,809	13,448,166	17,440,982	2,060,517	7,660,168	39%
7 Exposures to corporates	102,227,231	56,136,765	99,979,301	22,465,101	118,514,049	97%
8 Retail exposures	55,752,040	36,566,444	55,437,276	2,709,541	43,608,470	75%
9 Exposures secured by residential property	16,047,366	110,123	16,043,026	55,837	5,634,602	35%
10 Exposures secured by commercial property	13,611,035	1,564,052	13,593,891	900,060	8,967,413	62%
11 Past-due items	917,946	149	903,379	-	706,605	78%
12 Exposures in high-risk categories	908,678	137,081	907,934	50,154	1,367,617	143%
13 Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-

14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-
16	Equity share investments	579,755	-	579,755	-	579,755	-	579,755	100%
17	Other exposures	7,918,944	-	7,918,944	-	7,918,944	-	4,817,060	61%
<b>18</b>	<b>Total</b>	<b>282,667,587</b>	<b>110,868,667</b>	<b>275,985,804</b>	<b>30,038,328</b>	<b>207,148,418</b>			

**4.10.3.3 Consolidated exposures by asset classes and risk weights**

Regulatory portfolio		0%	10%	20%	35% secured by property mortgage	50%	75%	100%	150%	200%	Others	Total risk amount (post-CCF and CRM)
1	Exposures to sovereigns and their central banks	34,433,432	-	33,245	-	30,361,190	-	-	-	-	-	64,827,867
2	Exposures to regional and local government	-	-	-	-	90,271	-	-	-	-	-	90,271
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	60,296	-	-	-	60,296
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	-	7,164,663	-	12,219,203	-	117,633	-	-	-	19,501,499
7	Exposures to corporates	-	-	1,788,275	-	4,999,466	-	115,656,661	-	-	-	122,444,402
8	Retail exposures	-	-	1,118	-	4,108	58,141,591	-	-	-	-	58,146,817
9	Exposures secured by residential property	-	-	-	16,098,863	-	-	-	-	-	-	16,098,863
10	Exposures secured by commercial property	-	-	-	-	11,053,076	-	3,440,875	-	-	-	14,493,951
11	Past-due items	-	-	-	-	393,549	-	509,830	-	-	-	903,379
12	Exposures in high-risk categories	-	-	-	-	15,226	-	108,578	834,284	-	-	958,088
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-
16	Equity share investments	-	-	-	-	-	-	579,755	-	-	-	579,755
17	Other exposures	3,101,665	-	274	-	-	-	4,817,005	-	-	-	7,918,944
<b>18</b>	<b>Total</b>	<b>37,535,097</b>	<b>8,987,575</b>	<b>16,098,863</b>	<b>59,136,089</b>	<b>58,141,591</b>	<b>125,290,633</b>	<b>834,284</b>				<b>306,024,132</b>

**4.10.4 Consolidated counterparty credit risk**

**4.10.4.1 Qualitative disclosure on consolidated counterparty credit risk**

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

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

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

**4.10.4.2 Consolidated counterparty credit risk (CCR) approach analysis**

		<i>Replacement cost</i>	<i>Potential future exposure</i>	<i>EEPE(Effective Expected Positive Exposure)</i>	<i>Alpha used for computing regulatory EAD</i>	<i>EAD post-CRM</i>	<i>RWA</i>
1	Standardised Approach - CCR (for derivatives)	2,129,738	1,730,503		1.4	3,838,269	2,089,601
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)						
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					1,636,501	649,313
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions						
<b>6</b>	<b>Total</b>						<b>2,738,914</b>

**4.10.4.3 Consolidated capital requirement for credit valuation adjustment (CVA)**

		<i>EAD post-CRM</i>	<i>RWA</i>
	Total portfolios subject to the Advanced CVA capital obligation	-	-
1	(i) VaR component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital obligation	3,821,526	1,211,587
<b>4</b>	<b>Total subject to the CVA capital obligation</b>	<b>3,821,526</b>	<b>1,211,587</b>

**4.10.4.4 Consolidated CCR exposures by risk class and risk weights**

<b>Risk weight</b>	<i>0%</i>	<i>10%</i>	<i>20%</i>	<i>50%</i>	<i>75%</i>	<i>100%</i>	<i>150%</i>	<i>Other</i>	<i>Total credit exposure</i>
<b>Regulatory portfolio</b>									
Exposures to sovereigns and their central banks	157,281	-	-	-	-	-	-	-	157,281
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	2	-	-	2
Exposures to multilateral development banks	181,776	-	-	-	-	-	-	-	181,776
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	881,017	3,369,769	-	5,718	-	-	4,256,504
Exposures to corporates	-	-	1,647	12,026	-	830,057	-	-	843,730
Retail exposures	-	-	-	-	23,341	-	-	-	23,341
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	12,136	-	12,136
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>339,057</b>	<b>-</b>	<b>882,664</b>	<b>3,381,795</b>	<b>23,341</b>	<b>835,777</b>	<b>12,136</b>	<b>-</b>	<b>5,474,770</b>

**4.10.4.5 Collaterals for consolidated CCR**

	<i>Collateral for derivative transactions</i>				<i>Collateral for other transactions</i>	
	<i>Fair value of collateral received</i>		<i>Fair value of collateral given</i>		<i>Fair value of collateral received</i>	<i>Fair value of collateral given</i>
	<i>Segregated</i>	<i>Unsegregated</i>	<i>Segregated</i>	<i>Unsegregated</i>		
Cash-domestic currency	5,538	-	-	-	6,385,605	40,245
Cash-foreign currency	16,434	-	-	-	3,799,840	-
Domestic sovereign debts	-	-	-	-	40,245	11,111,625
Other sovereign debts	-	-	-	-	-	172,934
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	<b>21,972</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,225,690</b>	<b>11,324,804</b>

**4.10.4.6 Consolidated credit derivatives**

	<i>Protection bought</i>	<i>Protection sold</i>
<b>Notionals</b>		
Single-name credit default swaps	-	-
Index credit default swaps	-	-
Total return swaps	-	5,742,000
Credit options	-	-
Other credit derivatives	-	-
<b>Total Notionals</b>	<b>-</b>	<b>5,742,000</b>
<b>Fair Values</b>	<b>-</b>	<b>(101,275)</b>
Positive fair values (asset)	-	-
Negative fair values (liability)	-	101,275

**4.10.5 Consolidated securitisations**

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

**4.10.6 Consolidated market risk**

**4.10.6.1 Qualitative disclosure on consolidated market risk**

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

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

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

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

#### **4.10.6.2 Consolidated market risk under standardised approach**

		<b>RWA</b>
	Outright products	
1	Interest rate risk (general and specific)	1,038,062
2	Equity risk (general and specific)	141,388
3	Foreign exchange risk	1,578,700
4	Commodity risk	125,675
	Options	
5	Simplified approach	-
6	Delta-plus method	411,225
7	Scenario approach	-
8	Securitisation	-
<b>9</b>	<b>Total</b>	<b>3,295,050</b>

#### **4.10.7 Consolidated operational risk**

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

#### **4.10.8 Consolidated banking book interest rate risk**

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

## 5 Disclosures and Footnotes on Consolidated Financial Statements

### 5.1 Consolidated assets

#### 5.1.1 Cash and balances with Central Bank

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1,563,930	696,476	1,313,085	886,047
Central Bank of Turkey	842,146	21,447,271	946,596	21,896,042
Others	-	841,531	-	244,867
<b>Total</b>	<b>2,406,076</b>	<b>22,985,278</b>	<b>2,259,681</b>	<b>23,026,956</b>

#### Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	842,146	3,401,784	946,596	1,556,782
Unrestricted Time Deposits	-	286	-	5
Restricted Time Deposits	-	18,045,201	-	20,339,255
<b>Total</b>	<b>842,146</b>	<b>21,447,271</b>	<b>946,596</b>	<b>21,896,042</b>

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Collateralised/Blocked Assets	11,239	-	11,930	-
Assets Subject to Repurchase Agreements	1,324	-	8,814	-
<b>Total</b>	<b>12,563</b>	<b>-</b>	<b>20,744</b>	<b>-</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	227,663	87,480	242,997	45,551
Swap Transactions	473,553	587,453	373,851	457,241
Futures	55	108	126	34
Options	408,471	79,208	442,563	106,896
Others	24,807	10,410	35,576	20,261
<b>Total</b>	<b>1,134,549</b>	<b>764,659</b>	<b>1,095,113</b>	<b>629,983</b>

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

None.



**5.1.3 Banks**

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Banks				
Domestic banks	2,024,487	1,155,657	880,565	857,677
Foreign banks	65,467	12,333,300	44,865	14,523,059
Foreign headoffices and branches	-	-	-	-
<b>Total</b>	<b>2,089,954</b>	<b>13,488,957</b>	<b>925,430</b>	<b>15,380,736</b>

The placements at foreign banks include blocked accounts amounting TL 7,542,280 thousands (31 December 2015: TL 7,554,736 thousands) of which TL 106,653 thousands (31 December 2015: TL 96,799 thousands) and TL 73,435 thousands (31 December 2015: TL 65,058 thousands) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 7,362,192 thousands (31 December 2015: TL 7,392,879 thousands) as collateral against funds borrowed at various banks.

Furthermore, there are restricted deposits at various domestic banks amounting TL 212,354 thousands (31 December 2015: TL 153,035 thousands) as required for insurance activities.

***Due from foreign banks***

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

**5.1.4 Financial assets available-for-sale**

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

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Collateralised/Blocked Assets	2,716,246	26,642	2,170,335	30,909
Assets subject to Repurchase Agreements	4,508,063	172,934	10,879,108	1,220,819
<b>Total</b>	<b>7,224,309</b>	<b>199,576</b>	<b>13,049,443</b>	<b>1,251,728</b>

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

	<i>Current Period</i>	<i>Prior Period</i>
<b>Debt Securities</b>	<b>21,712,124</b>	<b>23,594,194</b>
Quoted at Stock Exchange	21,128,254	22,960,201
Unquoted at Stock Exchange	583,870	633,993
<b>Common Shares/Investment Fund</b>	<b>145,846</b>	<b>83,886</b>
Quoted at Stock Exchange	68,582	7,669
Unquoted at Stock Exchange	77,264	76,217
<b>Value Increase/Impairment Losses (-)</b>	<b>1,629,333</b>	<b>1,077,690</b>
<b>Total</b>	<b>23,487,303</b>	<b>24,755,770</b>

## 5.1.5 Loans

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

	<i>Current Period</i>		<i>Prior Period</i>	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
<b>Direct Lendings to Shareholders</b>	<b>197</b>	<b>144,971</b>	<b>146</b>	<b>408,529</b>
Corporates	197	144,971	146	408,529
Real Persons	-	-	-	-
<b>Indirect Lendings to Shareholders</b>	<b>2,187,405</b>	<b>381,267</b>	<b>2,113,052</b>	<b>263,954</b>
<b>Loans to Employees</b>	<b>265,342</b>	<b>102</b>	<b>250,323</b>	<b>88</b>
<b>Total</b>	<b>2,452,944</b>	<b>526,340</b>	<b>2,363,521</b>	<b>672,571</b>

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

<i>Current Period</i>	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other Changes		Extension of Repayment Plan	Other Changes
<b>Cash Loans</b>						
<b>Loans</b>	<b>172,023,094</b>	<b>3,063,190</b>	<b>313,049</b>	<b>8,209,623</b>	<b>3,339,537</b>	<b>727,250</b>
Working Capital Loans	20,195,930	391,392	218	876,662	426,754	85,820
Export Loans	7,103,912	152,581	-	183,879	94,808	24,575
Import Loans	302,758	-	-	-	-	-
Loans to Financial Sector	7,330,553	37,611	-	-	-	-
Consumer Loans	40,524,204	1,688,942	39,384	1,816,033	603,595	53,117
Credit Cards	17,394,132	-	235,444	606,306	-	404,803
Others	79,171,605	792,664	38,003	4,726,743	2,214,380	158,935
<b>Specialization Loans</b>	-	-	-	-	-	-
<b>Other Receivables</b>	-	-	-	-	-	-
<b>Total</b>	<b>172,023,094</b>	<b>3,063,190</b>	<b>313,049</b>	<b>8,209,623</b>	<b>3,339,537</b>	<b>727,250</b>

<i>Prior Period</i>	Performing Loans and Other Receivables			Loans and Other Receivables under Follow-Up		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other Changes		Extension of Repayment Plan	Other Changes
<b>Cash Loans</b>						
<b>Loans</b>	<b>162,686,478</b>	<b>2,291,261</b>	<b>276,436</b>	<b>7,919,477</b>	<b>3,230,745</b>	<b>629,728</b>
Working Capital Loans	17,872,912	180,074	247	946,741	358,070	85,849
Export Loans	7,800,944	9,384	-	143,651	67,004	35,188
Import Loans	556,941	-	-	-	-	-
Loans to Financial Sector (*)	6,982,885	58,193	-	132	-	-
Consumer Loans	37,734,044	1,646,397	41,238	1,785,596	625,868	54,626
Credit Cards	16,489,862	-	233,976	590,080	-	406,106
Others	75,248,890	397,213	975	4,453,277	2,179,803	47,959
<b>Specialization Loans</b>	-	-	-	-	-	-
<b>Other Receivables</b>	-	-	-	-	-	-
<b>Total</b>	<b>162,686,478</b>	<b>2,291,261</b>	<b>276,436</b>	<b>7,919,477</b>	<b>3,230,745</b>	<b>629,728</b>

(\*) Loans amounting to TL 198,118 thousands included under Financial Assets at Fair Value through Profit/Loss in the accompanying consolidated financial statements are presented above under "Loans to Financial Sector".

As of 30 June 2016, loans amounting to TL 5,808,275 thousands (31 December 2015: TL 5,781,904 thousands) are benefited as collateral under funding transactions.

*Collaterals received for loans under follow-up*

<i>Current Period</i>	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	43,169	3,909	-	47,078
Loans Collateralized by Mortgages	3,563,339	802,365	-	4,365,704
Loans Collateralized by Pledged Assets	795,460	58,792	-	854,252
Loans Collateralized by Cheques and Notes	107,042	541,329	-	648,371
Loans Collateralized by Other Collaterals	911,659	46,995	-	958,654
Unsecured Loans	366,615	362,643	606,306	1,335,564
<b>Total</b>	<b>5,787,284</b>	<b>1,816,033</b>	<b>606,306</b>	<b>8,209,623</b>

<i>Prior Period</i>	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	17,538	2,356	-	19,894
Loans Collateralized by Mortgages	2,863,780	690,628	-	3,554,408
Loans Collateralized by Pledged Assets	779,317	59,788	-	839,105
Loans Collateralized by Cheques and Notes	86,223	574,200	-	660,423
Loans Collateralized by Other Collaterals	1,420,354	55,544	-	1,475,898
Unsecured Loans	376,589	403,080	590,080	1,369,749
<b>Total</b>	<b>5,543,801</b>	<b>1,785,596</b>	<b>590,080</b>	<b>7,919,477</b>

*Delinquency periods of loans under follow-up*

<i>Current Period</i>	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	451,690	630,903	148,500	1,231,093
61-90 days	143,384	285,450	59,847	488,681
Other	5,192,210	899,680	397,959	6,489,849
<b>Total</b>	<b>5,787,284</b>	<b>1,816,033</b>	<b>606,306</b>	<b>8,209,623</b>

<i>Prior Period</i>	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	205,542	638,582	152,905	997,029
61-90 days	62,063	237,112	46,294	345,469
Other	5,276,196	909,902	390,881	6,576,979
<b>Total</b>	<b>5,543,801</b>	<b>1,785,596</b>	<b>590,080</b>	<b>7,919,477</b>

*Loans and other receivables with extended payment plans*

<i>Current Period</i>	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
<b>No. of Extensions</b>		
1 or 2 times	2,670,291	3,107,930
3, 4 or 5 times	156,716	210,979
Over 5 times	236,183	20,628
<b>Total</b>	<b>3,063,190</b>	<b>3,339,537</b>

<i>Prior Period</i>	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
<b>No. of Extensions</b>		
1 or 2 times	2,075,566	2,931,843
3, 4 or 5 times	113,500	282,995
Over 5 times	102,195	15,907
<b>Total</b>	<b>2,291,261</b>	<b>3,230,745</b>

<i>Current Period</i>	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
<b>Extention Periods</b>		
0 - 6 months	517,901	804,540
6 - 12 months	547,801	233,798
1 - 2 years	1,219,531	338,306
2 - 5 year	659,227	1,416,729
5 years and over	118,730	546,164
<b>Total</b>	<b>3,063,190</b>	<b>3,339,537</b>

<i>Prior Period</i>	Performing Loans and Other Receivables	Loans and Other Receivables under Follow-up
<b>Extention Periods</b>		
0 - 6 months	415,294	568,609
6 - 12 months	384,555	149,541
1 - 2 years	906,567	393,138
2 - 5 year	518,517	1,595,093
5 years and over	66,328	524,364
<b>Total</b>	<b>2,291,261</b>	<b>3,230,745</b>

**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>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Consumer Loans – TL</b>	<b>798,322</b>	<b>38,721,398</b>	<b>39,519,720</b>
Housing Loans	32,108	20,111,006	20,143,114
Automobile Loans	47,301	1,734,469	1,781,770
General Purpose Loans	718,913	16,875,923	17,594,836
Others	-	-	-
<b>Consumer Loans – FC-indexed</b>	<b>-</b>	<b>155,327</b>	<b>155,327</b>
Housing Loans	-	154,504	154,504
Automobile Loans	-	2	2
General Purpose Loans	-	821	821
Others	-	-	-
<b>Consumer Loans – FC</b>	<b>163,069</b>	<b>1,933,441</b>	<b>2,096,510</b>
Housing Loans	2,260	896,194	898,454
Automobile Loans	11	9,711	9,722
General Purpose Loans	7,416	743,951	751,367
Others	153,382	283,585	436,967
<b>Retail Credit Cards – TL</b>	<b>14,838,589</b>	<b>550,186</b>	<b>15,388,775</b>
With Installment	7,147,447	550,186	7,697,633
Without Installment	7,691,142	-	7,691,142
<b>Retail Credit Cards – FC</b>	<b>74,957</b>	<b>94,602</b>	<b>169,559</b>
With Installment	12,600	-	12,600
Without Installment	62,357	94,602	156,959
<b>Personnel Loans – TL</b>	<b>18,737</b>	<b>83,010</b>	<b>101,747</b>
Housing Loan	-	1,317	1,317
Automobile Loans	-	71	71
General Purpose Loans	18,737	81,622	100,359
Others	-	-	-
<b>Personnel Loans - FC-indexed</b>	<b>58</b>	<b>318</b>	<b>376</b>
Housing Loans	-	318	318
Automobile Loans	-	-	-
General Purpose Loans	58	-	58
Others	-	-	-
<b>Personnel Loans – FC</b>	<b>885</b>	<b>56,402</b>	<b>57,287</b>
Housing Loans	84	22,759	22,843
Automobile Loans	-	-	-
General Purpose Loans	231	27,197	27,428
Others	570	6,446	7,016
<b>Personnel Credit Cards – TL</b>	<b>101,805</b>	<b>658</b>	<b>102,463</b>
With Installment	43,560	658	44,218
Without Installment	58,245	-	58,245
<b>Personnel Credit Cards – FC</b>	<b>1,882</b>	<b>1,585</b>	<b>3,467</b>
With Installment	277	-	277
Without Installment	1,605	1,585	3,190
<b>Deposit Accounts– TL (Real Persons)</b>	<b>409,270</b>	<b>-</b>	<b>409,270</b>
<b>Deposit Accounts– FC (Real Persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>63</b>	<b>16,407,574</b>	<b>58,004,501</b>

<i>Prior Period</i>	Short-Term	Medium and Long-Term	Total
<b>Consumer Loans – TL</b>	<b>686,529</b>	<b>36,127,574</b>	<b>36,814,103</b>
Housing Loans	25,062	18,582,778	18,607,840
Automobile Loans	37,616	1,522,036	1,559,652
General Purpose Loans	623,722	16,022,760	16,646,482
Others	129	-	129
<b>Consumer Loans – FC-indexed</b>	<b>-</b>	<b>170,849</b>	<b>170,849</b>
Housing Loans	-	168,194	168,194
Automobile Loans	-	2	2
General Purpose Loans	-	2,653	2,653
Others	-	-	-
<b>Consumer Loans – FC</b>	<b>240,634</b>	<b>1,642,295</b>	<b>1,882,929</b>
Housing Loans	2,222	767,902	770,124
Automobile Loans	22	7,551	7,573
General Purpose Loans	5,065	714,582	719,647
Others	233,325	152,260	385,585
<b>Retail Credit Cards – TL</b>	<b>14,279,715</b>	<b>566,447</b>	<b>14,846,162</b>
With Installment	6,850,008	566,447	7,416,455
Without Installment	7,429,707	-	7,429,707
<b>Retail Credit Cards – FC</b>	<b>65,391</b>	<b>97,835</b>	<b>163,226</b>
With Installment	2,685	-	2,685
Without Installment	62,706	97,835	160,541
<b>Personnel Loans – TL</b>	<b>17,241</b>	<b>74,439</b>	<b>91,680</b>
Housing Loan	-	1,055	1,055
Automobile Loans	-	86	86
General Purpose Loans	17,241	73,298	90,539
Others	-	-	-
<b>Personnel Loans - FC-indexed</b>	<b>141</b>	<b>330</b>	<b>471</b>
Housing Loans	-	330	330
Automobile Loans	-	-	-
General Purpose Loans	141	-	141
Others	-	-	-
<b>Personnel Loans – FC</b>	<b>1,082</b>	<b>61,862</b>	<b>62,944</b>
Housing Loans	137	22,904	23,041
Automobile Loans	-	-	-
General Purpose Loans	238	32,620	32,858
Others	707	6,338	7,045
<b>Personnel Credit Cards – TL</b>	<b>92,376</b>	<b>460</b>	<b>92,836</b>
With Installment	37,692	460	38,152
Without Installment	54,684	-	54,684
<b>Personnel Credit Cards – FC</b>	<b>804</b>	<b>1,586</b>	<b>2,390</b>
With Installment	86	-	86
Without Installment	718	1,586	2,304
<b>Deposit Accounts– TL (Real Persons)</b>	<b>496,664</b>	<b>-</b>	<b>496,664</b>
<b>Deposit Accounts– FC (Real Persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>15,880,577</b>	<b>38,743,677</b>	<b>54,624,254</b>

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

<i>Current Period</i>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Installment-based Commercial Loans – TL</b>	<b>1,696,699</b>	<b>10,449,696</b>	<b>12,146,395</b>
Real Estate Loans	3,135	776,636	779,771
Automobile Loans	104,140	2,011,429	2,115,569
General Purpose Loans	1,589,424	7,661,631	9,251,055
Others	-	-	-
<b>Installment-based Commercial Loans - FC-indexed</b>	<b>174,376</b>	<b>1,971,361</b>	<b>2,145,737</b>
Real Estate Loans	-	53,466	53,466
Automobile Loans	5,852	578,825	584,677
General Purpose Loans	168,524	1,339,070	1,507,594
Others	-	-	-
<b>Installment-based Commercial Loans – FC</b>	<b>790,093</b>	<b>1,434,728</b>	<b>2,224,821</b>
Real Estate Loans	-	827	827
Automobile Loans	-	13,367	13,367
General Purpose Loans	208	48,032	48,240
Others	789,885	1,372,502	2,162,387
<b>Corporate Credit Cards – TL</b>	<b>2,318,933</b>	<b>7,489</b>	<b>2,326,422</b>
With Installment	1,072,141	7,489	1,079,630
Without Installment	1,246,792	-	1,246,792
<b>Corporate Credit Cards – FC</b>	<b>9,752</b>	<b>-</b>	<b>9,752</b>
With Installment	129	-	129
Without Installment	9,623	-	9,623
<b>Deposit Accounts– TL (Corporates)</b>	<b>935,370</b>	<b>-</b>	<b>935,370</b>
<b>Deposit Accounts– FC (Corporates)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>5,925,223</b>	<b>13,863,274</b>	<b>19,788,497</b>

<i>Prior Period</i>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Installment-based Commercial Loans – TL</b>	<b>1,335,639</b>	<b>9,681,444</b>	<b>11,017,083</b>
Real Estate Loans	3,237	725,187	728,424
Automobile Loans	88,500	1,968,503	2,057,003
General Purpose Loans	1,243,902	6,987,754	8,231,656
Others	-	-	-
<b>Installment-based Commercial Loans - FC-indexed</b>	<b>160,480</b>	<b>1,885,722</b>	<b>2,046,202</b>
Real Estate Loans	369	53,546	53,915
Automobile Loans	3,355	542,030	545,385
General Purpose Loans	156,756	1,290,146	1,446,902
Others	-	-	-
<b>Installment-based Commercial Loans – FC</b>	<b>785,391</b>	<b>1,455,176</b>	<b>2,240,567</b>
Real Estate Loans	-	925	925
Automobile Loans	84	12,304	12,388
General Purpose Loans	76	33,446	33,522
Others	785,231	1,408,501	2,193,732
<b>Corporate Credit Cards – TL</b>	<b>1,963,886</b>	<b>3,750</b>	<b>1,967,636</b>
With Installment	953,402	3,750	957,152
Without Installment	1,010,484	-	1,010,484
<b>Corporate Credit Cards – FC</b>	<b>7,692</b>	<b>-</b>	<b>7,692</b>
With Installment	61	-	61
Without Installment	7,631	-	7,631
<b>Deposit Accounts– TL (Corporates)</b>	<b>831,746</b>	<b>-</b>	<b>831,746</b>
<b>Deposit Accounts– FC (Corporates)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>5,084,834</b>	<b>13,026,092</b>	<b>18,110,926</b>

#### 5.1.5.6 Allocation of loans by customers

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

#### 5.1.5.7 Allocation of domestic and foreign loans

	<i>Current Period</i>	<i>Prior Period</i>
Domestic Loans	169,370,965	159,973,425
Foreign Loans <sup>(*)</sup>	10,861,752	10,632,530
<b>Total</b>	<b>180,232,717</b>	<b>170,605,955</b>

<sup>(\*)</sup> As of 31 December 2015, loans amounting to TL 198,118 thousands (30 June 2016: none) included under Financial Assets at Fair Value through Profit/Loss in the accompanying consolidated financial statements are presented above under “Foreign Loans”.



5.1.5.8 *Loans to associates and affiliates*

	<i>Current Period</i>	<i>Prior Period</i>
Direct Lending	6,382	200
Indirect Lending	-	-
<b>Total</b>	<b>6,382</b>	<b>200</b>

5.1.5.9 *Specific provisions for loans*

<i>Specific Provisions</i>	<i>Current Period</i>	<i>Prior Period</i>
Substandard Loans and Receivables - Limited Collectibility	657,677	687,181
Doubtful Loans and Receivables	971,983	661,583
Uncollectible Loans and Receivables	2,762,741	2,949,703
<b>Total</b>	<b>4,392,401</b>	<b>4,298,467</b>

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

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Substandard Loans and Receivables</b>	<b>Doubtful Loans and Receivables</b>	<b>Uncollectible Loans and Receivables</b>
<b><i>Current Period</i></b>			
(Gross amounts before specific provisions)			
Restructured Loans and Receivables	579,905	342,640	742,733
Rescheduled Loans and Receivables	6,176	4,967	20,845
<b>Total</b>	<b>586,081</b>	<b>347,607</b>	<b>763,578</b>
<b><i>Prior Period</i></b>			
(Gross amounts before specific provisions)			
Restructured Loans and Receivables	369,957	237,457	668,876
Rescheduled Loans and Receivables	8,678	2,694	33,007
<b>Total</b>	<b>378,635</b>	<b>240,151</b>	<b>701,883</b>

*Movements in non-performing loan groups*

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
<b><i>Current Period</i></b>	<b>Substandard Loans and Receivables</b>	<b>Doubtful Loans and Receivables</b>	<b>Uncollectible Loans and Receivables</b>
<b>Balances at Beginning of Period</b>	<b>1,123,595</b>	<b>889,101</b>	<b>3,633,117</b>
Additions during the Period (+)	1,624,079	23,224	79,751
Transfer from Other NPL Categories (+)	971	1,353,367	848,982
Transfer to Other NPL Categories (-)	1,413,776	787,915	1,631
Collections during the Period (-)	297,338	156,515	218,917
Write-offs (-) <sup>(*)</sup>	19,650	3,507	928,578
Corporate and Commercial Loans	19,315	257	400,737
Retail Loans	322	2,043	321,602
Credit Cards	13	1,207	206,239
Others	-	-	-
<b>Balances at End of Period</b>	<b>1,017,881</b>	<b>1,317,755</b>	<b>3,412,724</b>
Specific Provisions (-)	657,677	971,983	2,762,741
<b>Net Balance on Balance Sheet</b>	<b>360,204</b>	<b>345,772</b>	<b>649,983</b>

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

<i>Prior Period</i>	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
<b>Balances at Beginning of Period</b>	<b>675,966</b>	<b>919,137</b>	<b>2,790,951</b>
Additions during the Period (+)	2,586,434	179,228	210,323
Transfer from Other NPL Categories (+)	25,850	1,610,011	1,585,241
Transfer to Other NPL Categories (-)	1,637,208	1,568,587	15,308
Collections during the Period (-)	454,957	247,350	578,638
Write-offs (-) (*)	72,490	3,338	359,452
Corporate and Commercial Loans	72,430	3,276	185,777
Retail Loans	57	8	125,888
Credit Cards	3	54	47,787
Others	-	-	-
<b>Balances at End of Period</b>	<b>1,123,595</b>	<b>889,101</b>	<b>3,633,117</b>
Specific Provisions (-)	687,181	661,583	2,949,703
<b>Net Balance on Balance Sheet</b>	<b>436,414</b>	<b>227,518</b>	<b>683,414</b>

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

*Movements in specific loan provisions*

<i>Current Period</i>	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
<b>Balances at End of Prior Period</b>	<b>1,826,030</b>	<b>1,486,364</b>	<b>986,073</b>	<b>4,298,467</b>
Additions during the Period (+)	751,205	499,544	284,012	1,534,761
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-) (*)	137,238	244,719	113,768	495,725
Write-Offs (-) (**)	419,517	319,079	206,506	945,102
<b>Balances at End of Period</b>	<b>2,020,480</b>	<b>1,422,110</b>	<b>949,811</b>	<b>4,392,401</b>

<i>Prior Period</i>	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
<b>Balances at End of Prior Period</b>	<b>1,512,557</b>	<b>1,065,533</b>	<b>707,657</b>	<b>3,285,747</b>
Additions during the Period (+)	825,317	932,704	535,337	2,293,358
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-) (*)	253,083	387,875	208,972	849,930
Write-Offs (-) (**)	258,761	123,998	47,949	430,708
<b>Balances at End of Period</b>	<b>1,826,030</b>	<b>1,486,364</b>	<b>986,073</b>	<b>4,298,467</b>

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

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

*Non-performing loans in foreign currencies*

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Substandard Loans and Receivables</b>	<b>Doubtful Loans and Receivables</b>	<b>Uncollectible Loans and Receivables</b>
<i>Current Period</i>			
<b>Balance at End of Period</b>	<b>543,925</b>	<b>385,967</b>	<b>1,147,561</b>
Specific Provisions (-)	292,795	276,930	789,269
<b>Net Balance at Balance Sheet</b>	<b>251,130</b>	<b>109,037</b>	<b>358,292</b>
<i>Prior Period</i>			
<b>Balance at End of Period</b>	<b>518,143</b>	<b>170,186</b>	<b>1,307,310</b>
Specific Provisions (-)	226,212	92,719	982,861
<b>Net Balance at Balance Sheet</b>	<b>291,931</b>	<b>77,467</b>	<b>324,449</b>

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

	<b>Group III</b>	<b>Group IV</b>	<b>Group V</b>
	<b>Substandard Loans and Receivables</b>	<b>Doubtful Loans and Receivables</b>	<b>Uncollectible Loans and Receivables</b>
<i>Current Period (Net)</i>			
	<b>360,204</b>	<b>345,772</b>	<b>649,983</b>
Loans to Individuals and Corporates (Gross)	1,017,881	1,317,755	3,411,408
Specific Provision (-)	657,677	971,983	2,761,425
Loans to Individuals and Corporates (Net)	360,204	345,772	649,983
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1,005
Specific Provision (-)	-	-	1,005
Other Loans and Receivables (Net)	-	-	-
<i>Prior Period (Net)</i>			
	<b>436,414</b>	<b>227,518</b>	<b>683,414</b>
Loans to Individuals and Corporates (Gross)	1,123,595	889,101	3,631,801
Specific Provision (-)	687,181	661,583	2,948,387
Loans to Individuals and Corporates (Net)	436,414	227,518	683,414
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1,005
Specific Provision (-)	-	-	1,005
Other Loans and Receivables (Net)	-	-	-

*Collaterals received for non-performing loans*

<i>Current Period</i>	<b>Corporate/ Commercial Loans</b>	<b>Consumer Loans</b>	<b>Credit Cards</b>	<b>Total</b>
Loans Collateralized by Cash	15,565	131	-	15,696
Loans Collateralized by Mortgages	1,220,095	98,223	-	1,318,318
Loans Collateralized by Pledged Assets	395,481	41,701	-	437,182
Loans Collateralized by Cheques and Notes	273,186	8,181	-	281,367
Loans Collateralized by Other Collaterals	1,020,683	969,601	-	1,990,284
Unsecured Loans	295,948	459,257	950,308	1,705,513
<b>Total</b>	<b>3,220,958</b>	<b>1,577,094</b>	<b>950,308</b>	<b>5,748,360</b>

<i>Prior Period</i>	<b>Corporate/ Commercial Loans</b>	<b>Consumer Loans</b>	<b>Credit Cards</b>	<b>Total</b>
Loans Collateralized by Cash	16,662	201	-	16,863
Loans Collateralized by Mortgages	1,046,662	90,285	-	1,136,947
Loans Collateralized by Pledged Assets	444,581	53,690	-	498,271
Loans Collateralized by Cheques and Notes	369,173	9,390	-	378,563
Loans Collateralized by Other Collaterals	641,807	1,072,225	-	1,714,032
Unsecured Loans	459,543	453,027	988,567	1,901,137
<b>Total</b>	<b>2,978,428</b>	<b>1,678,818</b>	<b>988,567</b>	<b>5,645,813</b>

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

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

**5.1.5.12** *Write-off policy*

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

**5.1.6** **Factoring receivables**

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

## 5.1.7 Investments held-to-maturity

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

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Collateralised/Blocked Investments	3,487,010	1,866,905	4,956,015	2,108,752
Investments subject to Repurchase Agreements	1,720,678	294,822	4,081,537	317,809
<b>Total</b>	<b>5,207,688</b>	<b>2,161,727</b>	<b>9,037,552</b>	<b>2,426,561</b>

### 5.1.7.2 Government securities held-to-maturity

	<i>Current Period</i>	<i>Prior Period</i>
Government Bonds	17,540,641	17,776,978
Treasury Bills	-	-
Other Government Securities	-	-
<b>Total</b>	<b>17,540,641</b>	<b>17,776,978</b>

### 5.1.7.3 Investments held-to-maturity

	<i>Current Period</i>	<i>Prior Period</i>
<b>Debt Securities</b>	<b>19,007,504</b>	<b>19,522,643</b>
Quoted at Stock Exchange	18,517,478	19,106,455
Unquoted at Stock Exchange	490,026	416,188
<b>Valuation Increase / (Decrease)</b>	<b>2,109,140</b>	<b>1,794,603</b>
<b>Total</b>	<b>21,116,644</b>	<b>21,317,246</b>

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

	<i>Current Period</i>	<i>Prior Period</i>
<b>Balances at Beginning of Period</b>	<b>21,317,246</b>	<b>20,667,042</b>
Foreign Currency Differences on Monetary Assets	(130,751)	2,034,482
Purchases during the Period	264,018	1,149,619
Disposals through Sales/Redemptions (*)	(651,369)	(2,971,993)
Valuation Effect	317,500	438,096
<b>Balances at End of Period</b>	<b>21,116,644</b>	<b>21,317,246</b>

In the prior period,

(\*) As per the exceptions set out in the relevant accounting standards (TAS 39) for the sale or reclassification of investments, certain credit linked notes with a total face value of USD 300,000,000 were sold.

## 5.1.8 Investments in associates

### 5.1.8.1 Unconsolidated investments in associates

	Associates	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Emeklilik Gözetim Merkezi AŞ	İstanbul/Turkey	-	5.26
2	Bankalararası Kart Merkezi AŞ <sup>(1)</sup>	İstanbul/Turkey	10.15	10.15
3	Yatırım Finansman Menkul Değerler AŞ <sup>(1)</sup>	İstanbul/Turkey	0.77	0.77
4	İstanbul Takas ve Saklama Bankası AŞ <sup>(1)</sup>	İstanbul/Turkey	5.25	5.28
5	Borsa İstanbul AŞ <sup>(1)</sup>	İstanbul/Turkey	0.30	0.34
6	KKB Kredi Kayıt Bürosu AŞ <sup>(1)</sup>	İstanbul/Turkey	9.09	9.09
7	Türkiye Cumhuriyet Merkez Bankası AŞ <sup>(2)</sup>	Ankara/ Turkey	2.48	2.48
8	Kredi Garanti Fonu AŞ <sup>(1)</sup>	Ankara/ Turkey	1.75	1.75

	Total Assets	Shareholders' Equity	Total Fixed Assets <sup>(*)</sup>	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	9,055	7,839	1,179	386	2	651	669	-
2	62,942	34,583	45,468	207	-	4,923	2,500	-
3	993,262	73,949	4,267	3,420	336	312	722	-
4	7,509,099	897,052	97,933	76,732	2,715	65,580	42,632	-
5	913,353	852,927	190,595	7,787	27	32,864	106,528	-
6	152,693	118,976	95,290	1,050	11	5,766	9,995	-
7	450,139,064	54,629,350	684,192	6,120,123	2,238,649	20,736,851	8,529,957	-
8	308,902	300,701	6,117	3,010	-	1,710	5,828	-

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

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

(2) Financial information is as of 31 December 2015.

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

None.

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

None.

### 5.1.8.2 Consolidated investments in associates

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

	Total Assets	Shareholders' Equity	Total Fixed Assets <sup>(*)</sup>	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	35,690	35,355	54	262	994	1,781	23	19,200

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

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

**5.1.8.3 Movement of consolidated investments in associates**

	<i>Current Period</i>	<i>Prior Period</i>
<b>Balance at Beginning of Period</b>	<b>686</b>	<b>792</b>
<b>Movements during the Period</b>	<b>(52)</b>	<b>(106)</b>
Acquisitions and Capital Increases	-	-
Bonus Shares Received	-	-
Allocation from Current Period Profit	-	-
Sales	-	-
Reclassifications	-	-
Increase/Decrease in Fair Values	(52)	(106)
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
<b>Balance at End of Period</b>	<b>634</b>	<b>686</b>
<b>Capital Commitments</b>	-	-
<b>Share Percentage at the End of Period (%)</b>	-	-

*Valuation methods of consolidated investments in associates*

<b>Associates</b>	<i>Current Period</i>	<i>Prior Period</i>
Valued at Cost	-	-
Valued at Fair Value	634	686
Valued by Equity Method of Accounting	-	-

*Sectoral distribution of consolidated investments and associates*

<b>Associates</b>	<i>Current Period</i>	<i>Prior Period</i>
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	634	686
Other Associates	-	-

*Quoted consolidated investments in associates*

	<i>Current Period</i>	<i>Prior Period</i>
Quoted at Domestic Stock Exchanges	634	686
Quoted at International Stock Exchanges	-	-

*Investments in associates sold during the current period*

None.

*Investments in associates acquired during the current period*

None.

### 5.1.9 Investments in affiliates

*Information on capital adequacy of major affiliates*

<i>Current Period</i>	<b>Garanti Bank International NV</b>	<b>Garanti Finansal Kiralama AŞ</b>	<b>Garanti Holding BV</b>
<b>COMMON EQUITY TIER I CAPITAL</b>			
Paid-in Capital to be Entitled for Compensation after All Creditors	441,360	357,848	1,229,659
Share Premium	-	-	41,396
Share Cancellation Profits	-	-	-
Reserves	894,029	440,006	(269,666)
Other Comprehensive Income according to TAS	436,886	75,795	10,385
Current and Prior Periods' Profits	18,098	66,137	(4,563)
<b>Common Equity Tier I Capital Before Deductions</b>	<b>1,790,373</b>	<b>939,786</b>	<b>1,007,211</b>
<b>Deductions From Common Equity Tier I Capital</b>			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	32,233	399	231,660
Leasehold Improvements on Operational Leases (-)	-	100	8,002
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	9,335	4,144	110,254
Net Deferred Tax Asset/Liability (-)	-	-	6,850
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>41,568</b>	<b>4,643</b>	<b>356,766</b>
<b>Total Common Equity Tier I Capital</b>	<b>1,748,805</b>	<b>935,143</b>	<b>650,445</b>
<b>Total Deductions From Tier I Capital</b>	<b>6,223</b>	<b>2,763</b>	<b>78,070</b>
<b>Total Tier I Capital</b>	<b>1,742,582</b>	<b>932,380</b>	<b>572,375</b>
<b>TIER II CAPITAL</b>	<b>255,256</b>	<b>-</b>	<b>65,499</b>
<b>CAPITAL BEFORE DEDUCTIONS</b>	<b>1,997,838</b>	<b>932,380</b>	<b>637,874</b>
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	465	-
<b>TOTAL CAPITAL</b>	<b>1,997,838</b>	<b>931,915</b>	<b>637,874</b>



<i>Prior Period</i>	<b>Garanti Bank International NV</b>	<b>Garanti Finansal Kiralama AŞ</b>	<b>Garanti Holding BV</b>
<b>COMMON EQUITY TIER I CAPITAL</b>			
Paid-in Capital to be Entitled for Compensation after All Creditors	438,130	357,848	1,168,942
Share Premium	-	-	41,090
Share Cancellation Profits	-	-	-
Reserves	859,634	329,714	(327,914)
Other Comprehensive Income according to TAS	406,771	75,795	27,141
Current and Prior Periods' Profits	34,395	110,292	58,156
General Reserve for Possible Losses	-	12,000	-
<b>Common Equity Tier I Capital Before Deductions</b>	<b>1,738,930</b>	<b>885,649</b>	<b>967,415</b>
<b>Deductions From Common Equity Tier I Capital</b>			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	92,365	399	231,882
Leasehold Improvements on Operational Leases (-)	-	113	9,148
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	6,285	2,351	73,220
Net Deferred Tax Asset/Liability (-)	-	-	6,768
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>98,650</b>	<b>2,863</b>	<b>321,018</b>
<b>Total Common Equity Tier I Capital</b>	<b>1,640,280</b>	<b>882,786</b>	<b>646,397</b>
<b>Total Deductions From Tier I Capital</b>	<b>9,427</b>	<b>3,527</b>	<b>119,982</b>
<b>Total Tier I Capital</b>	<b>1,630,853</b>	<b>879,259</b>	<b>526,415</b>
<b>TIER II CAPITAL</b>	<b>253,368</b>	<b>-</b>	<b>57,607</b>
<b>CAPITAL BEFORE DEDUCTIONS</b>	<b>1,884,221</b>	<b>879,259</b>	<b>584,022</b>
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	-	-
<b>TOTAL CAPITAL</b>	<b>1,884,221</b>	<b>879,259</b>	<b>584,022</b>

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

**5.1.9.1 Unconsolidated investments in affiliates**

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

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value	Amount of Equity Requirement
1	69,279	63,081	57	1,235	1,782	3,976	4,573	-	-
2	27,316	19,266	1,229	320	100	1,108	617	-	-
3	8,399	8,131	29	137	232	(283)	1,463	-	-
4	2,458	1,836	562	-	33	61	82	-	-
5	2,095	1,896	59	141	35	450	621	-	-
6	3,330	3,380	3,323	-	-	(1)	(1)	-	-
7	849,304	79,555	745,467	14	-	(83)	14,301	-	-
8	1,567	1,436	-	-	-	593	236	-	-

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

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

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

**5.1.9.2 Movement of consolidated investments in affiliates**

	<i>Current Period</i>	<i>Prior Period</i>
<b>Balance at Beginning of Period</b>	<b>4,342,264</b>	<b>3,604,139</b>
<b>Movements during the Period</b>	<b>372,738</b>	<b>738,125</b>
Acquisitions and Capital Increases	53,484	-
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Sales/Liquidations	-	-
Reclassifications	-	-
Value Increase/Decrease (*)	287,425	470,481
Currency Differences on Foreign Affiliates	31,829	267,644
Reversal of Impairment Losses / Impairment Losses (-)	-	-
<b>Balance at End of Period</b>	<b>4,715,002</b>	<b>4,342,264</b>
<b>Capital Commitments</b>	<b>-</b>	<b>-</b>
<b>Share Percentage at the End of Period (%)</b>	<b>-</b>	<b>-</b>

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

*Valuation methods of consolidated investments in affiliates*

	<i>Current Period</i>	<i>Prior Period</i>
Valued at Cost	-	-
Valued at Fair Value (*)	4,715,002	4,342,264

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

*Sectoral distribution of consolidated investments in affiliates*

	<i>Current Period</i>	<i>Prior Period</i>
Banks	1,895,281	1,764,623
Insurance Companies	1,020,007	916,536
Factoring Companies	146,908	135,644
Leasing Companies	939,396	871,165
Finance Companies	713,410	654,296
Other Affiliates	-	-

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

*Quoted consolidated investments in affiliates*

	<i>Current Period</i>	<i>Prior Period</i>
Quoted at Domestic Stock Exchanges	146,908	135,644
Quoted at International Stock Exchanges	-	-

*Other information on consolidated investments in affiliates*

	<b>Affiliates</b>	<b>Address (City/ Country)</b>	<b>Parent Bank's Share – If Different, Voting Rights (%)</b>	<b>Shares of Other Consolidated Affiliates (%)</b>	<b>Method of Consolidation</b>
1	Garanti Finansal Kiralama AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
2	Garanti Faktoring Hizmetleri AŞ	Istanbul/Turkey	81.84	-	Full Consolidation
3	Garanti Yatırım Menkul Kıymetler AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
4	Garanti Portföy Yönetimi AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
5	Garanti Emeklilik ve Hayat AŞ	Istanbul/Turkey	84.91	-	Full Consolidation
6	Garanti Bank International NV	Amsterdam/The Netherlands	100.00	-	Full Consolidation
7	Garanti Bank Moscow	Moscow/Russia	99.94	-	Full Consolidation
8	Garanti Holding BV	Amsterdam/The Netherlands	100.00	-	Full Consolidation
9	G Netherlands BV	Amsterdam/The Netherlands	-	100.00	Full Consolidation
10	Garanti Bank SA	Bucharest/Romania	-	100.00	Full Consolidation
11	Motoractive IFN SA	Bucharest/Romania	-	100.00	Full Consolidation
12	Ralfi IFN SA	Bucharest/Romania	-	100.00	Full Consolidation

	<b>Total Assets</b>	<b>Shareholders' Equity</b>	<b>Total Fixed Assets (*)</b>	<b>Interest Income</b>	<b>Income on Securities Portfolio</b>	<b>Current Period Profit/Loss</b>	<b>Prior Period Profit/Loss</b>	<b>Company's Fair Value</b>
1	5,181,623	939,387	101,207	201,355	-	66,137	61,506	-
2	2,865,398	179,495	5,560	129,150	-	13,733	12,707	-
3	121,919	62,290	11,629	571	1,262	14,822	4,376	-
4	50,976	45,393	4,813	2,078	-	6,122	3,792	-
5	1,584,556	1,201,279	37,619	71,227	1,648	121,927	95,440	-
6	16,327,563	1,753,976	84,872	279,074	52,897	18,098	25,964	-
7	311,545	144,281	24,670	4,689	5,420	904	(9,011)	-
8	1,086,558	1,086,472	-	-	-	(96)	(95)	-
9	1,145,016	995,720	-	25	-	25,674	763	-
10	6,316,731	810,700	56,504	130,122	16,170	(13,587)	36,274	-
11	472,317	60,732	4,396	14,434	-	4,563	3,740	-
12	291,410	39,321	3,985	21,462	-	7,293	9,395	-

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

*Consolidated investments in affiliates disposed during the current period*

None.

*Consolidated investments in affiliates acquired during the current period*

None.

**5.1.10 Investments in joint-ventures**

None.

### 5.1.11 Lease receivables

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

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
Less than 1 Year	2,431,659	2,128,780	2,192,663	1,883,470
Between 1-5 Years	3,277,057	2,915,458	3,194,715	2,824,748
Longer than 5 Years	319,234	298,031	366,245	343,374
<b>Total</b>	<b>6,027,950</b>	<b>5,342,269</b>	<b>5,753,623</b>	<b>5,051,592</b>

#### 5.1.11.2 Net financial lease receivables

	<i>Current Period</i>	<i>Prior Period</i>
Gross Financial Lease Receivables	6,027,950	5,753,623
Unearned Income on Financial Lease Receivables (-)	(685,681)	(702,031)
Terminated Lease Contracts (-)	-	-
<b>Net Financial Lease Receivables</b>	<b>5,342,269</b>	<b>5,051,592</b>

#### 5.1.11.3 Financial lease agreements

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

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

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

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

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

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

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

## 5.1.12 Derivative financial assets held for risk management

### 5.1.12.1 Positive differences on derivative financial instruments held for risk management

Derivative Financial Assets Held for Risk Management	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedges	10,137	-	60,616	7,483
Cash Flow Hedges	8,232	235,568	28,448	584,450
Net Foreign Investment Hedges	-	-	-	-
<b>Total</b>	<b>18,369</b>	<b>235,568</b>	<b>89,064</b>	<b>591,933</b>

As of 30 June 2016, 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	31,226,284	18,369	470,738	18,791,415	101,340	120,219
-TL	7,715,607	18,369	113,846	5,239,355	89,064	10,928
-FC	23,510,677	-	356,892	13,552,060	12,276	109,291
Cross Currency Swaps	4,374,904	235,568	142,756	5,279,626	579,657	130,272
-TL	1,356,260	-	-	1,868,085	-	-
-FC	3,018,644	235,568	142,756	3,411,541	579,657	130,272
<b>Total</b>	<b>35,601,188</b>	<b>253,937</b>	<b>613,494</b>	<b>24,071,041</b>	<b>680,997</b>	<b>250,491</b>

#### 5.1.12.1.1 Fair value hedge accounting

Current Period						
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item	Net Fair Value Change of Hedging Item		Income Statement Effect (gains/losses from derivative financial instruments)
				Asset	Liability	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	200,338	1,952	(215,688)	(13,398)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	19,484	-	(15,194)	4,290
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	43,993	8,185	(117,256)	6,935
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	(15,077)	-	(125,939)	(141,016)

<b>Prior Period</b>						
<b>Hedging Item</b>	<b>Hedged Item</b>	<b>Type of Risk</b>	<b>Fair Value Change of Hedged Item</b>	<b>Net Fair Value Change of Hedging Item</b>		<b>Income Statement Effect (gains/losses from derivative financial instruments)</b>
				<b>Asset</b>	<b>Liability</b>	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	65,224	8,104	(78,491)	(5,163)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	173	-	(313)	(140)
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(48,755)	59,995	(12,487)	(1,247)
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	(13,669)	-	(130,272)	(143,941)

#### 5.1.12.1.2 Cash flow hedge accounting

<b>Current Period</b>							
<b>Hedging Item</b>	<b>Hedged Item</b>	<b>Type of Risk</b>	<b>Fair Value Change of Hedged Item</b>		<b>Gains/Losses Accounted under Shareholders' Equity in the Period</b>	<b>Gains/Losses Accounted under Income Statement in the Period</b>	<b>Ineffective Portion (net) Accounted under Income Statement</b>
			<b>Asset</b>	<b>Liability</b>			
Interest Rate Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates	-	(153)	(222)	(82)	(17)
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	8,232	(115,157)	(102,431)	(4,387)	(2,371)
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	-	(7,289)	(5,924)	(2,882)	(1,246)
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	235,568	-	(43,762)	(48,024)	82
Cross Currency Swaps	Fixed-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	-	(16,818)	(1,516)	1,553	-

In the current period, the loss reclassified from the shareholders' equity to the income statement due to the ceased hedging transactions amounted to TL 619 thousands (31 December 2015: a gain of TL 1,238 thousands). In the prior period, the loss recognised in the shareholders' equity amounted to TL 619 thousands (30 June 2016: none).

<b>Prior Period</b>							
<b>Hedging Item</b>	<b>Hedged Item</b>	<b>Type of Risk</b>	<b>Fair Value Change of Hedged Item</b>		<b>Gains/Losses Accounted under Shareholders' Equity in the Period</b>	<b>Gains/Losses Accounted under Income Statement in the Period</b>	<b>Ineffective Portion (net) Accounted under Income Statement</b>
			<b>Asset</b>	<b>Liability</b>			
Interest Rate Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates	74	-	101	133	-
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	33,167	(28,928)	8,616	847	(1,219)
Cross Currency Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	262,771	-	4,416	24,784	11
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	316,886	-	69,335	70,610	921

#### 5.1.13 Tangible assets

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

#### 5.1.14 Intangible assets

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

#### 5.1.15 Investment property

	<i>Current Period</i>	<i>Prior Period</i>
<b>Net Book Value at Beginning Period</b>	<b>307,095</b>	<b>296,191</b>
Additions	20	-
Transfers to Tangible Assets	-	(18,009)
Fair Value Change	1,084	29,279
Net Currency Translation Differences on Foreign Affiliates	-	(366)
<b>Net Book Value at End of Current Period</b>	<b>308,199</b>	<b>307,095</b>

The investment property is held for operational leasing purposes.

As of 31 December 2015, a total gain of TL 25,734 thousands from revaluation of investment property is included in other operating income.

#### 5.1.16 Deferred tax asset

As of 30 June 2016, on a consolidated basis the Bank has a deferred tax asset of TL 573,035 thousands (31 December 2015: TL 463,623 thousands) calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences in its consolidated financial statements.

As of 30 June 2016, there is a deferred tax asset of TL 793,017 thousands (31 December 2015: TL 701,422 thousands) and deferred tax liability of TL 219,982 thousands (31 December 2015: TL 237,799 thousands) presented as net in the accompanying consolidated financial statements on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

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



	<i>Current Period</i>		<i>Prior Period</i>	
	<b>Tax Base</b>	<b>Deferred Tax Amount</b>	<b>Tax Base</b>	<b>Deferred Tax Amount</b>
Provisions (*)	935,241	188,780	849,242	170,497
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	1,589,460	312,024	725,454	172,572
Revaluation Differences on Real Estates	(1,734,103)	(26,691)	(1,810,410)	(27,620)
Other	512,519	98,922	823,326	148,174
<b>Deferred Tax Asset, Net</b>	<b>1,303,117</b>	<b>573,035</b>	<b>587,612</b>	<b>463,623</b>

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

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

As of 30 June 2016, TL 147,464 thousands of deferred tax income (30 June 2015: TL 195,872 thousands of deferred tax expense) and TL 37,237 thousands of deferred tax expense (31 December 2015: TL 100,910 thousands of deferred tax income) were recognised in the income statement and the shareholders' equity, respectively.

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

	<i>Current Period</i>	<i>Prior Period</i>
<b>End of Prior Period</b>		
<b>Cost</b>	<b>375,548</b>	<b>186,179</b>
<b>Accumulated Depreciation</b>	<b>(9,183)</b>	<b>(7,972)</b>
<b>Net Book Value</b>	<b>366,365</b>	<b>178,207</b>
<b>End of Current Period</b>		
Additions	127,076	279,871
Disposals (Cost)	(55,962)	(90,648)
Disposals (Accumulated Depreciation)	818	3,886
Reversal of Impairment / Impairment Losses (-)	(1,951)	(1,583)
Depreciation Expense for Current Period (-)	(3,985)	(5,097)
Currency Translation Differences on Foreign Operations	204	1,729
<b>Cost</b>	<b>444,915</b>	<b>375,548</b>
<b>Accumulated Depreciation (-)</b>	<b>(12,350)</b>	<b>(9,183)</b>
<b>Net Book Value</b>	<b>432,565</b>	<b>366,365</b>

As of balance sheet date, the net book values of assets held for sale on which rights of repurchase exist amounting to TL 311,289 thousands (31 December 2015: TL 258,845 thousands).

#### 5.1.18 Other Assets

##### 5.1.18.1 Receivables from term sale of assets

	<i>Current Period</i>	<i>Prior Period</i>
Sale of Investments in Associates, Affiliates and Joint – Ventures	-	-
Sale of Real Estates	-	-
Sale of Available for Sale Assets	14,368	-
Sale of Other Assets	2,287	3,127
<b>Total</b>	<b>16,655</b>	<b>3,127</b>

##### 5.1.18.2 Prepaid expenses

	<i>Current Period</i>	<i>Prior Period</i>
Prepaid Expenses	489,402	440,202
Prepaid Taxes	31,042	30,978

## 5.2 Consolidated liabilities

### 5.2.1 Maturity profile of deposits

<i>Current Period</i>	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit	Total
<b>Saving Deposits</b>	<b>8,670,501</b>	-	<b>2,881,596</b>	<b>36,225,320</b>	<b>996,533</b>	<b>511,258</b>	<b>461,767</b>	<b>4,467</b>	<b>49,751,442</b>
<b>Foreign Currency</b>	<b>22,194,116</b>	-	<b>7,592,340</b>	<b>37,509,367</b>	<b>4,209,731</b>	<b>7,232,321</b>	<b>16,417,404</b>	<b>51,356</b>	<b>95,206,635</b>
Residents in Turkey	15,340,937	-	6,618,603	33,893,905	1,762,955	1,239,808	940,615	50,218	59,847,041
Residents in Abroad	6,853,179	-	973,737	3,615,462	2,446,776	5,992,513	15,476,789	1,138	35,359,594
<b>Public Sector Deposits</b>	<b>1,211,600</b>	-	<b>4,168</b>	<b>49,030</b>	<b>197</b>	<b>522</b>	<b>51</b>	-	<b>1,265,568</b>
<b>Commercial Deposits</b>	<b>7,032,014</b>	-	<b>3,082,927</b>	<b>5,735,575</b>	<b>388,015</b>	<b>163,627</b>	<b>91,649</b>	-	<b>16,493,807</b>
<b>Others</b>	<b>193,425</b>	-	<b>115,080</b>	<b>616,254</b>	<b>697,245</b>	<b>829,242</b>	<b>257,500</b>	-	<b>2,708,746</b>
<b>Precious Metal</b>	<b>963,822</b>	-	-	<b>20,639</b>	-	<b>1,751</b>	<b>118,971</b>	-	<b>1,105,183</b>
<b>Bank Deposits</b>	<b>1,839,559</b>	-	<b>624,299</b>	<b>522,872</b>	<b>745,049</b>	<b>289,525</b>	<b>70,383</b>	-	<b>4,091,687</b>
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	5,915	-	27,287	302,274	219	40,762	2,101	-	378,558
Foreign Banks	800,831	-	597,012	220,598	744,830	248,763	68,282	-	2,680,316
Special Financial	1,032,813	-	-	-	-	-	-	-	1,032,813
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>42,105,037</b>	-	<b>14,300,410</b>	<b>80,679,057</b>	<b>7,036,770</b>	<b>9,028,246</b>	<b>17,417,725</b>	<b>55,823</b>	<b>170,623,068</b>

<i>Prior Period</i>	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit	Total
<b>Saving Deposits</b>	<b>7,210,589</b>	-	<b>3,017,987</b>	<b>34,280,140</b>	<b>1,118,714</b>	<b>331,736</b>	<b>481,267</b>	<b>4,699</b>	<b>46,445,132</b>
<b>Foreign Currency</b>	<b>21,211,733</b>	-	<b>7,390,379</b>	<b>31,760,376</b>	<b>4,087,063</b>	<b>4,362,671</b>	<b>14,824,285</b>	<b>56,573</b>	<b>83,693,080</b>
Residents in Turkey	14,335,218	-	6,434,951	28,233,795	2,651,959	1,081,183	839,169	55,408	53,631,683
Residents in Abroad	6,876,515	-	955,428	3,526,581	1,435,104	3,281,488	13,985,116	1,165	30,061,397
<b>Public Sector Deposits</b>	<b>624,252</b>	-	<b>7,629</b>	<b>26,642</b>	<b>43</b>	<b>144</b>	<b>31</b>	-	<b>658,741</b>
<b>Commercial Deposits</b>	<b>6,173,951</b>	-	<b>3,647,512</b>	<b>4,528,359</b>	<b>176,380</b>	<b>389,619</b>	<b>17,802</b>	-	<b>14,933,623</b>
<b>Others</b>	<b>210,284</b>	-	<b>89,689</b>	<b>1,147,371</b>	<b>268,316</b>	<b>3,434</b>	<b>524,269</b>	-	<b>2,243,363</b>
<b>Precious Metal</b>	<b>1,087,124</b>	-	<b>106</b>	<b>11,175</b>	-	<b>57</b>	<b>101,849</b>	-	<b>1,200,311</b>
<b>Bank Deposits</b>	<b>1,824,611</b>	-	<b>2,119,796</b>	<b>1,078,563</b>	<b>1,708,201</b>	<b>100,524</b>	<b>128,486</b>	-	<b>6,960,181</b>
Central Bank of Turkey	-	-	700,209	-	-	-	-	-	700,209
Domestic Banks	3,158	-	862,517	436,397	2,080	24	4	-	1,304,180
Foreign Banks	719,751	-	557,070	642,166	1,706,121	100,500	128,482	-	3,854,090
Special Financial	1,101,702	-	-	-	-	-	-	-	1,101,702
Others	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>38,342,544</b>	-	<b>16,273,098</b>	<b>72,832,626</b>	<b>7,358,717</b>	<b>5,188,185</b>	<b>16,077,989</b>	<b>61,272</b>	<b>156,134,431</b>

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

**5.2.1.1.1 Deposits exceeding insurance limit**

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

	Covered by Deposit Insurance		Over Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	26,656,599	24,403,854	22,735,037	22,487,622
Foreign Currency Saving Deposits	16,685,705	15,714,350	35,785,255	9,930,605
Other Saving Deposits	497,757	590,229	764,920	1,282,499
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-

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

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

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

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

	Current Period	Prior Period
Deposits and Other Accounts held at Foreign Branches	759,328	673,677
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	741,893	662,161
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-	-

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

Trading Derivatives	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	265,679	103,491	218,374	131,764
Swap Transactions	1,283,492	722,295	1,101,708	602,757
Futures	-	-	32	3,320
Options	336,675	121,912	354,764	154,904
Others	24,796	9,858	35,579	19,401
<b>Total</b>	<b>1,910,642</b>	<b>957,556</b>	<b>1,710,457</b>	<b>912,146</b>

**5.2.3 Funds borrowed**

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
Domestic Banks and Institutions	1,021,905	1,351,352	1,047,230	1,255,372
Foreign Banks, Institutions and Funds	2,022,133	33,300,843	2,407,491	34,649,802
<b>Total</b>	<b>3,044,038</b>	<b>34,652,195</b>	<b>3,454,721</b>	<b>35,905,174</b>

**5.2.3.1 Maturities of funds borrowed**

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Short-Term	1,186,618	2,520,785	1,094,237	2,447,861
Medium and Long-Term	1,857,420	32,131,410	2,360,484	33,457,313
<b>Total</b>	<b>3,044,038</b>	<b>34,652,195</b>	<b>3,454,721</b>	<b>35,905,174</b>

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 30 June 2016, the accumulated credit risk change and the credit risk change recognised in the income statement amounted to gains of TL 137,400 thousands and of TL 10,104 thousands, respectively. The carrying value of the related financial liability amounted to TL 5,604,600 thousands, and the related current period income amounted to TL 10,104 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>	<b>TL</b>		<b>FC</b>	
	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Short-Term</b>	<b>Medium and Long-Term</b>
	Nominal	2,576,649	3,637,360	14,355
Cost	2,460,843	3,348,780	14,355	10,254,162
Carrying Value (*)	2,513,321	3,386,160	14,447	9,982,889

<i>Prior Period</i>	<b>TL</b>		<b>FC</b>	
	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Short-Term</b>	<b>Medium and Long-Term</b>
	Nominal	1,968,860	2,790,047	160,141
Cost	1,885,919	2,635,443	160,141	11,089,721
Carrying Value (*)	1,925,100	2,615,083	160,472	10,810,942

(\*) The Bank and/or its financial affiliates repurchased the Bank's own TL securities with a total face value of TL 196,807 thousands (31 December 2015: TL 162,821 thousands) and foreign currency securities with a total face value of TL 593,522 thousands (31 December 2015: TL 638,989 thousands) and netted off such securities in the accompanying consolidated financial statements.

The Bank classified certain securities amounting to TL 64,964 thousands and RON 34,500,000 as financial liability at fair value through profit/loss at the initial recognition. As of 30 June 2016, the accumulated negative credit risks changes, and the negative and positive credit risk changes recognised in the income statement amounted to TL 233 thousands and TL 2,263 thousands, and TL 233 thousands and TL 340 thousands, respectively. The carrying value of the related financial liability amounted to TL 65,841 thousands and TL 27,974 thousands, and the related current period losses and gains amounted to TL 862 thousands and TL 381 thousands, respectively.

**5.2.4.2 Funds provided through repurchase transactions**

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Domestic Transactions</b>	<b>5,395,291</b>	-	<b>12,545,178</b>	-
Financial Institutions and Organizations	5,329,754	-	12,475,300	-
Other Institutions and Organizations	37,854	-	36,759	-
Individuals	27,683	-	33,119	-
<b>Foreign Transactions</b>	<b>14</b>	<b>1,239,528</b>	<b>75</b>	<b>3,595,865</b>
Financial Institutions and Organizations	-	1,239,528	-	3,595,865
Other Institutions and Organizations	-	-	-	-
Individuals	14	-	75	-
<b>Total</b>	<b>5,395,305</b>	<b>1,239,528</b>	<b>12,545,253</b>	<b>3,595,865</b>

**5.2.4.3 Miscellaneous payables**

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Payables from credit card transactions	7,890,312	73,014	6,886,185	57,684
Payables from insurance transactions	27,349	179	20,858	238
Other	335,888	965,069	283,144	1,331,913
<b>Total</b>	<b>8,253,549</b>	<b>1,038,262</b>	<b>7,190,187</b>	<b>1,389,835</b>

**5.2.5 Factoring payables**

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

**5.2.6 Lease payables**

**5.2.6.1 Financial lease payables**

None.

**5.2.6.2 Operational lease agreements**

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

**5.2.7 Derivative financial liabilities held for risk management**

<b>Derivative Financial Liabilities Held for Risk Management</b>	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Fair Value Hedges	113,846	360,231	10,928	210,635
Cash Flow Hedges	-	139,417	-	28,928
Net Foreign Investment Hedges	-	-	-	-
<b>Total</b>	<b>113,846</b>	<b>499,648</b>	<b>10,928</b>	<b>239,563</b>

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

## 5.2.8 Provisions

### 5.2.8.1 General provisions

	<i>Current Period</i>	<i>Prior Period</i>
<b>General Provision for</b>	<b>3,161,682</b>	<b>3,027,976</b>
Loans and Receivables in Group I	2,473,481	2,521,714
- Additional Provision for Loans and Receivables with Extended Maturities	193,609	111,213
Loans and Receivables in Group II	347,112	354,149
- Additional Provision for Loans and Receivables with Extended Maturities	188,792	96,507
Non-Cash Loans	155,096	152,113
Others	185,993	-

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

	<i>Current Period</i>	<i>Prior Period</i>
Short-Term Loans	54,836	29,733
Medium and Long Term Loans	22,710	11,412
<b>Total</b>	<b>77,546</b>	<b>41,145</b>

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

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

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

### 5.2.8.4 Other provisions

#### 5.2.8.4.1 General reserves for possible losses

	<i>Current Period</i>	<i>Prior Period</i>
General Reserves for Possible Losses	200,000	342,000

#### 5.2.8.4.2 Other provisions for possible losses

	<i>Current Period</i>	<i>Prior Period</i>
Reserve for Employee Benefits	671,568	570,995
Insurance Technical Provisions, Net	282,030	251,292
Provision for Promotion Expenses of Credit Cards (*)	96,010	89,757
Provision for Lawsuits	45,455	41,734
Other Provisions	141,215	169,109
<b>Total</b>	<b>1,236,278</b>	<b>1,122,887</b>

(\*) 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 7 December 2015 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 2,408,349 thousands at 31 December 2015 as details are given in the table below.

Furthermore, an actuarial report was prepared as of 31 December 2015 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 7 December 2015 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 1,336,959 thousands thousands remains as of 31 December 2015 as details are given in the table below.

The Bank’s management, acting prudently, did not consider the health premium surplus amounting TL 528,011 thousands as stated above and resulted from the present value of medical benefits and health premiums transferable to SSF as of 31 December 2015. However, despite this treatment there are no excess obligation that needs to be provided against.

	<i>31 December 2015</i>
<b>Transferable Pension and Medical Benefits:</b>	
Net present value of pension benefits transferable to SSF	(608,796)
Net present value of medical benefits and health premiums transferable to SSF	528,011
General administrative expenses	(33,702)
<b>Present Value of Pension and Medical Benefits Transferable to SSF (1)</b>	<b>(114,487)</b>
<b>Fair Value of Plan Assets (2)</b>	<b>2,522,836</b>
<b>Asset Surplus over Transferable Benefits ((2)-(1)=(3))</b>	<b>2,408,349</b>
<b>Non-Transferable Benefits:</b>	
Other pension benefits	(592,937)
Other medical benefits	(478,453)
<b>Total Non-Transferable Benefits (4)</b>	<b>(1,071,390)</b>
<b>Asset Surplus over Total Benefits ((3)-(4)=(5))</b>	<b>1,336,959</b>
<b>Net Present Value of Medical Benefits and Health Premiums Transferable to SSF – but not considered acting prudently (6)</b>	<b>(528,011)</b>
<b>Present Value of Asset Surplus/(Defined Benefit Obligation) ((5)-(6))</b>	<b>808,948</b>

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

	<i>31 December 2015</i>
	%
Discount Rate (*)	10.30
Inflation Rate (*)	7.10
Future Real Salary Increase Rate	1.5
Medical Cost Trend Rate	40% above inflation
Future Pension Increase Rate (*)	7.10

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

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual retiring at age 60 is 17 for males, and at age 58 for females is 23.

## **5.2.9 Tax liability**

### **5.2.9.1 Current tax liability**

#### **5.2.9.1.1 Tax liability**

As of 30 June 2016, the corporate tax liability amounts to TL 410,980 thousands (31 December 2015: TL 376,241 thousands) after offsetting with prepaid taxes.

#### **5.2.9.1.2 Taxes payable**

	<i>Current Period</i>	<i>Prior Period</i>
Corporate Taxes Payable	410,980	376,241
Taxation on Securities Income	115,501	110,210
Taxation on Real Estates Income	4,200	3,396
Banking Insurance Transaction Tax	121,032	100,514
Foreign Exchange Transaction Tax	100	74
Value Added Tax Payable	7,963	13,190
Others	40,503	87,846
<b>Total</b>	<b>700,279</b>	<b>691,471</b>

#### **5.2.9.1.3 Premiums payable**

	<i>Current Period</i>	<i>Prior Period</i>
Social Security Premiums-Employees	3,702	2,701
Social Security Premiums-Employer	2,363	2,206
Bank Pension Fund Premium-Employees	193	18
Bank Pension Fund Premium-Employer	369	18
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	1,166	1,021
Unemployment Insurance-Employer	2,430	2,132
Others	47	21
<b>Total</b>	<b>10,270</b>	<b>8,117</b>

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

As of 30 June 2016, the deferred tax liability amounts to TL 1,203 thousands (31 December 2015: -).

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

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

## **5.2.11 Subordinated debts**

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



## 5.2.12 Shareholders' equity

### 5.2.12.1 Paid-in capital

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

### 5.2.12.2 Registered share capital system

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

### 5.2.12.3 Capital increases in current period

None.

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

None.

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

None.

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

None.

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

None.

### 5.2.12.8 Securities value increase fund

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
<b>Investments in Associates, Affiliates and Joint-Ventures</b>	-	-	-	-
Valuation Difference	-	-	-	-
Exchange Rate Difference	-	-	-	-
<b>Securities Available-for-Sale</b>	<b>(134,125)</b>	<b>14,542</b>	<b>(427,264)</b>	<b>143,622</b>
Valuation Difference	(134,125)	14,542	(427,264)	143,622
Exchange Rate Difference	-	-	-	-
<b>Total</b>	<b>(134,125)</b>	<b>14,542</b>	<b>(427,264)</b>	<b>143,622</b>

**5.2.12.9 Revaluation surplus**

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Movables	-	-	-	-
Real Estates	1,579,068	5,712	1,587,371	5,249
Gain on Sale of Investments in Associates and Affiliates and Real Estates to be used for Capital Increases	176,415	-	173,263	-
Revaluation Surplus on Leasehold Improvements	-	-	-	-
<b>Total</b>	<b>1,755,483</b>	<b>5,712</b>	<b>1,760,634</b>	<b>5,249</b>

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

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

**5.2.12.11 Legal reserves**

	<i>Current Period</i>	<i>Prior Period</i>
I. Legal Reserve	1,020,516	1,013,056
II. Legal Reserve	249,272	213,572
Special Reserves	-	-
<b>Total</b>	<b>1,269,788</b>	<b>1,226,628</b>

**5.2.12.12 Extraordinary reserves**

	<i>Current Period</i>	<i>Prior Period</i>
Legal Reserves allocated in compliance with the Decisions Made on the Annual General Assembly	22,143,597	19,168,165
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital	-	-
<b>Total</b>	<b>22,143,597</b>	<b>19,168,165</b>

**5.2.12.13 Minority interest**

	<i>Current Period</i>	<i>Prior Period</i>
<b>Balance at Beginning of Period</b>	<b>226,617</b>	<b>193,733</b>
Profit Share of Affiliates Net Profits	22,629	34,213
Prior Period Dividend Payment	(1,210)	(1,354)
Increase/(Decrease) in Minority Interest due to Sales	-	-
Others	(11)	25
<b>Balance at End of Period</b>	<b>248,025</b>	<b>226,617</b>

### 5.3 Consolidated off-balance sheet items

#### 5.3.1 Off-balance sheet contingencies

##### 5.3.1.1 Irrevocable credit commitments

The Bank and its consolidated financial affiliates have term asset purchase and sale commitments of TL 6,129,033 thousands (31 December 2015: TL 3,246,846 thousands), commitments for cheque payments of TL 3,321,067 thousands (31 December 2015: TL 3,063,075 thousands) and commitments for credit card limits of TL 28,306,186 thousands (31 December 2015: TL 27,066,620 thousands).

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

	<i>Current Period</i>	<i>Prior Period</i>
Letters of Guarantee in Foreign Currency	17,764,720	17,880,281
Letters of Guarantee in TL	16,451,943	14,828,828
Letters of Credit	17,212,726	14,576,338
Bills of Exchange and Acceptances	1,973,807	1,538,069
Prefinancings	-	-
Other Guarantees	127,726	109,206
<b>Total</b>	<b>53,530,922</b>	<b>48,932,722</b>

A specific provision of TL 104,962 thousands (31 December 2015: TL 102,109 thousands) is made for unliquidated non-cash loans of TL 311,538 thousands (31 December 2015: TL 313,985 thousands) recorded under the off-balance sheet items as of 30 June 2016.

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	4,479,226	4,157,201
<i>With Original Maturity of 1 Year or Less</i>	485,402	454,207
<i>With Original Maturity of More Than 1 Year</i>	3,993,824	3,702,994
Other Non-Cash Loans	49,051,696	44,775,521
<b>Total</b>	<b>53,530,922</b>	<b>48,932,722</b>

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

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

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

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

### 5.3.2 Financial derivative instruments

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

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

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

**5.3.4 Contingent liabilities and assets**

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

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

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

## 5.4 Consolidated income statement

### 5.4.1 Interest income

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
<b>Interest Income from Loans</b>				
Short-term loans	2,589,061	142,522	1,970,719	171,757
Medium and long-term loans	3,926,552	1,637,113	3,026,184	1,507,248
Loans under follow-up	32,941	3,198	24,440	4,938
Premiums Received from Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>6,548,554</b>	<b>1,782,833</b>	<b>5,021,343</b>	<b>1,683,943</b>

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

#### 5.4.1.2 Interest income from banks

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Central Bank of Turkey	-	7,576	-	396
Domestic Banks	47,302	4,185	46,442	9,332
Foreign Banks	1,195	35,452	6,923	22,366
Foreign Head Offices and Branches	-	-	-	-
<b>Total</b>	<b>48,497</b>	<b>47,213</b>	<b>53,365</b>	<b>32,094</b>

#### 5.4.1.3 Interest income from securities portfolio

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Financial Assets Held for Trading	8,905	876	9,964	3,685
Financial Assets Valued at Fair Value Through Profit	-	-	-	-
Financial Assets Available-for-Sale	943,821	119,823	880,238	110,366
Investments Held-to-Maturity	581,430	251,328	617,742	229,185
<b>Total</b>	<b>1,534,156</b>	<b>372,027</b>	<b>1,507,944</b>	<b>343,236</b>

As disclosed in the accounting policies, the parent Bank values CPI-indexed government bonds in its securities portfolio according to the reference index on the issue date and the index that is calculated according to the expected inflation rate. The inflation rate used during the valuation is being updated during the year when it is considered necessary. As of 30 June 2016, the valuation of such securities was made according to 8% of annual inflation expectation. If the valuation of such securities was performed according to the reference index valid as of 30 June 2016, the parent Bank's securities value increase fund under the equity would increase by TL 24,563 thousands (net), whereas the interest income on securities portfolio would decrease by TL 70,332 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	700	286

## 5.4.2 Interest expenses

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

	<i>Current Period</i>		<i>Prior Period</i>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Banks				
Central Bank of Turkey	-	-	-	206
Domestic Banks	30,155	18,077	46,368	20,496
Foreign Banks	129,238	230,774	175,310	230,015
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	139,084	-	113,704
<b>Total</b>	<b>159,393</b>	<b>387,935</b>	<b>221,678</b>	<b>364,421</b>

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

### 5.4.2.2 Interest expenses paid to associates and affiliates

	<i>Current Period</i>	<i>Prior Period</i>
Interest Paid to Investments in Associates and Affiliates	1,787	816

### 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

<i>Current Period</i>	<b>Demand Deposits</b>	<b>Time Deposits</b>					<b>Accumulating Deposit Accounts</b>	<b>Total</b>
		<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>6-12 Months</b>	<b>Over 1 Year</b>		
<b>Turkish Lira</b>								
Bank Deposits	512	91,551	-	290	575	-	-	92,928
Saving Deposits	716	125,168	1,835,807	56,130	18,357	23,534	-	2,059,712
Public Sector Deposits	-	245	2,367	5	17	1	-	2,635
Commercial Deposits	1,689	152,793	279,469	21,776	16,283	33,440	-	505,450
Others	1	6,507	49,449	4,829	38,097	12,575	-	111,458
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
<b>Total TL</b>	<b>2,918</b>	<b>376,264</b>	<b>2,167,092</b>	<b>83,030</b>	<b>73,329</b>	<b>69,550</b>	<b>-</b>	<b>2,772,183</b>
<b>Foreign Currency</b>								
Foreign Currency Deposits	21,275	30,384	366,897	27,242	42,173	168,064	266	656,301
Bank Deposits	1	9,440	1,103	699	1,968	1,743	-	14,954
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	10	-	2	620	-	632
<b>Total FC</b>	<b>21,276</b>	<b>39,824</b>	<b>368,010</b>	<b>27,941</b>	<b>44,143</b>	<b>170,427</b>	<b>266</b>	<b>671,887</b>
<b>Grand Total</b>	<b>24,194</b>	<b>416,088</b>	<b>2,535,102</b>	<b>110,971</b>	<b>117,472</b>	<b>239,977</b>	<b>266</b>	<b>3,444,070</b>

Prior Period	Demand Deposits	Time Deposits					Accumulating Deposit Accounts	Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year		
<b>Turkish Lira</b>								
Bank Deposits	367	33,115	-	-	-	-	-	33,482
Saving Deposits	65	154,740	1,401,880	62,380	41,979	29,649	-	1,690,693
Public Sector Deposits	-	222	1,107	7	-	1	-	1,337
Commercial Deposits	158	123,248	240,246	10,984	15,374	25,169	-	415,179
Others	4	6,440	50,058	794	4,450	15,943	-	77,689
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
<b>Total TL</b>	<b>594</b>	<b>317,765</b>	<b>1,693,291</b>	<b>74,165</b>	<b>61,803</b>	<b>70,762</b>	<b>-</b>	<b>2,218,380</b>
<b>Foreign Currency</b>								
Foreign Currency Deposits	21,588	30,779	272,831	44,986	60,104	109,018	464	539,770
Bank Deposits	3	23,299	1,160	1,140	92	68	-	25,762
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	7	-	8	654	-	669
<b>Total FC</b>	<b>21,591</b>	<b>54,078</b>	<b>273,998</b>	<b>46,126</b>	<b>60,204</b>	<b>109,740</b>	<b>464</b>	<b>566,201</b>
<b>Grand Total</b>	<b>22,185</b>	<b>371,843</b>	<b>1,967,289</b>	<b>120,291</b>	<b>122,007</b>	<b>180,502</b>	<b>464</b>	<b>2,784,581</b>

#### 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
<b>Income</b>	<b>38,263,542</b>	<b>48,934,323</b>
Trading Account Income	1,091,599	1,262,723
Derivative Financial Instruments	5,229,719	6,878,121
Foreign Exchange Gain	31,942,224	40,793,479
<b>Losses (-)</b>	<b>38,806,088</b>	<b>49,171,971</b>
Trading Account Losses	977,218	956,963
Derivative Financial Instruments	6,265,685	8,162,716
Foreign Exchange Losses	31,563,185	40,052,292
<b>Total</b>	<b>(542,546)</b>	<b>(237,648)</b>

TL 1,652,204 thousands (30 June 2015: TL 2,150,202 thousands) of foreign exchange gains and TL 1,412,360 thousands (30 June 2015: TL 1,857,876 thousands) of foreign exchange losses are resulted from the exchange rate changes of derivative transactions.

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

In this respect; the Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 2,001,770 thousands, USD 1,210,132,303 and EUR 156,885,339 and for its bonds with a total face value of TL 1,355,000 thousands and USD 265,400,000 and fixed-rate coupons by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, gains of TL 219,822 thousands and TL 65,222 thousands (30 June 2015: a gain of TL 39,799 thousands and a loss of TL 27,848 thousands resulting from outstanding transactions at that date) resulted from the related fair value calculations for the hedged loans and bonds were accounted for under trading income/losses in the income statement, respectively.

In addition; the Bank also entered into cross currency swap agreements in order to hedge its fixed-rate bonds issued for a total principal value of AUD 175,000,000 and RON 85,500,000 with the same face values and terms. Accordingly, in the current period, a loss of TL 15,077 thousands (30 June 2015: TL 13,007 thousands resulting from outstanding transactions at that date) resulted from the fair value changes of the securities issued and funds borrowed subject to hedge accounting were accounted for under trading income/losses in the income statement.

The Bank also enters into interest rate and cross currency swap agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied cash flow hedge accounting for its funds borrowed amounting to USD 87,809,730 and EUR 42,105,266, securitization borrowings amounting to USD 131,250,000 and EUR 179,036,848 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 500,000,000 and deposits amounting to USD 300,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a gain of TL 20,261 thousands and a loss of TL 99,598 thousands (30 June 2015: gains of TL 64,563 thousands and TL 10,216 thousands resulting from outstanding transactions at that date) resulting from cross currency and interest rate swap agreements were recognised under shareholders' equity.

One of the Bank's consolidated affiliate enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the affiliate applied fair value hedge accounting for fixed rate eurobonds with a total face value of USD 240,193,000 and EUR 145,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, net gains of TL 16,466 thousands (30 June 2015: -) resulting from the related fair value calculations for the hedged bonds were accounted for under trading income/losses in the income statement.

One of the Bank's consolidated affiliate enters into interest rate agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the affiliate applied cash flow hedge accounting for its funds borrowed amounting to USD 319,807,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a net loss of TL 3,026 thousands (30 June 2015: -) resulting from interest rate swap agreements were recognised under shareholders' equity.



One of the Bank's consolidated affiliate enters into foreign currency derivative contracts to hedge the foreign currency risk of its expected future cash flows. In this respect, the affiliate applied cash flow hedge accounting for its loans granted in Turkish Lira by designating swaps with the same face value amount and similar terms; TL 255,000,000 sell and USD 80,076,154 buy and USD 80,076,154 sell and EUR 69,829,075 buy. Accordingly, in the current period, losses of TL 1,137 thousands (30 June 2015:-) resulting from currency derivative contracts were recognized under shareholder's equity.

#### 5.4.5 Other operating income

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

As of 21 June 2016, the acquisition of Visa Europe Ltd. by Visa Inc. has been completed. In acquisition, the Bank and a consolidated financial affiliate have sold their two shares in Visa Europe Ltd. with a nominal of EUR 10.00 for a consideration of EUR 61,376,433 in cash and 22.284 in "C Type Visa Inc." shares. The income generated from the sale share is recognized under the "Other Operating Income".

In the current period, a part of non-performing receivables of the Bank amounting to TL 568,263 thousands (30 June 2015: TL 79,276 thousands) were sold for a consideration of TL 52,479 thousands (30 June 2015: TL 14,765 thousands). Considering the related provisions of TL 566,818 thousands (30 June 2015: TL 79,087 thousands) in the financial statements, a gain of TL 51,009 thousands (30 June 2015: TL 14,576 thousands) is recognized under "other operating income".

A part of non-performing receivables of a consolidated financial affiliate of the Bank amounting to TL 59,867 thousands (30 June 2015: TL 73,042 thousands) were sold for a consideration of TL 4,023 thousands (30 June 2015: TL 12,975 thousands). An income from this sale amounting to TL 1,459 thousands is recognized under "other operating income" and an expense amounting to TL 2,125 thousands is recognized under "other operating expense", and accordingly a net loss of TL 666 thousands (30 June 2015: a gain of TL 6,817 thousands) considering the related provision of TL 55,178 thousands (30 June 2015: TL 66,884 thousands) had been provided against in the accompanying consolidated financial statements in prior periods. The revenues earned from subsequent collections of the sold receivables in prior period, amounting to TL 66 thousands (30 June 2015: TL 1,902 thousands) is recognized in the income statement under "other operating income" in the current period.

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

	<i>Current Period</i>	<i>Prior Period</i>
Specific Provisions for Loans and Other Receivables	<b>1,419,361</b>	<b>791,110</b>
<i>Loans and receivables in Group III</i>	626,219	348,092
<i>Loans and receivables in Group IV</i>	437,567	328,376
<i>Loans and receivables in Group V</i>	355,575	114,642
General Provisions	<b>150,693</b>	<b>304,389</b>
Provision for Possible Losses	-	<b>35,000</b>
Impairment Losses on Financial Assets	<b>502</b>	<b>932</b>
<i>Financial assets at fair value through profit or loss</i>	499	932
<i>Financial assets available-for-sale</i>	3	-
Impairment Losses on Associates, Affiliates and Investments Held-to-Maturity	-	-
<i>Associates</i>	-	-
<i>Affiliates</i>	-	-
<i>Joint ventures (business partnership)</i>	-	-
<i>Investments held-to-maturity</i>	-	-
Others	<b>106,871</b>	<b>62,480</b>
<b>Total</b>	<b>1,677,427</b>	<b>1,193,911</b>

#### 5.4.7 Other operating expenses

	<i>Current Period</i>	<i>Prior Period</i>
Personnel Costs	1,387,799	1,203,516
Reserve for Employee Termination Benefits	34,146	27,187
Defined Benefit Obligation	-	-
Impairment Losses on Tangible Assets	-	940
Depreciation Expenses of Tangible Assets	117,698	106,550
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortisation Expenses of Intangible Assets	41,871	30,537
Decrease in Value of Equity Accounting Shares	-	-
Impairment Losses on Assets to be Disposed	1,977	895
Depreciation Expenses of Assets to be Disposed	3,985	2,233
Impairment Losses on Assets Held for Sale and Discontinued Assets	-	-
Other Operating Expenses	1,236,849	1,175,784
<i>Operational lease related expenses</i>	204,887	176,996
<i>Repair and maintenance expenses</i>	28,487	26,660
<i>Advertisement expenses</i>	87,219	69,722
<i>Other expenses</i> (*)	916,256	902,406
Loss on Sale of Assets	3,048	2,743
Others (**)(***)	538,409	580,630
<b>Total</b>	<b>3,365,782</b>	<b>3,131,015</b>

(\*) Includes lawsuit, execution and other legal expenses beared by the Bank of fees and commissions income recognized in prior years but reimbursed, in the amount of TL 34,895 thousands (30 June 2015: TL 25,469 thousands), as per the decision of the Turkish Competition Board or the related courts.

(\*\*) Includes saving-deposits-insurance-fund related expenses of TL 113,828 thousands (30 June 2015: TL 94,435 thousands) and insurance-business claim losses of TL 63,097 thousands (30 June 2015: TL 36,112 thousands) in the current period.

(\*\*\*) Includes repayments, by the Bank in the current period, of fees and commissions income recognised in prior years in the amount of TL 71,155 thousands (30 June 2015: TL 145,580 thousands) as per the decision of the Turkish Competition Board or the related courts.

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

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

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

As of 30 June 2016, on a consolidated basis, the Bank recorded a current tax expense of TL 773,473 thousands (30 June 2015: TL 384,150 thousands) and a deferred tax benefit of TL 147,464 thousands (30 June 2015: a deferred tax expense of TL 195,872 thousands).

##### *Deferred tax benefit/charge on timing differences*

<b>Deferred tax (benefit)/charge on timing differences</b>	<i>Current Period</i>	<i>Prior Period</i>
Increase in Tax Deductable Timing Differences (+)	(138,501)	(94,923)
Decrease in Tax Deductable Timing Differences (-)	29,990	181,639
Increase in Taxable Timing Differences (-)	46,006	129,154
Decrease in Taxable Timing Differences (+)	(84,959)	(19,998)
<b>Total</b>	<b>(147,464)</b>	<b>195,872</b>

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

<b>Deferred tax (benefit)/charge arising on timing differences, tax losses and tax deductions and exemptions</b>	<i>Current Period</i>	<i>Prior Period</i>
(Increase)/Decrease in Tax Deductable Timing Differences (net)	(116,518)	76,527
(Increase)/Decrease in Taxable Timing Differences (net)	(38,953)	109,156
(Increase)/Decrease in Tax Losses (net)	8,007	10,189
(Increase)/Decrease in Tax Deductions and Exemptions (net)	-	-
<b>Total</b>	<b>(147,464)</b>	<b>195,872</b>

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

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

**5.4.11 Net profit/loss**

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

None.

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

None.

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

	<i>Current Period</i>	<i>Prior Period</i>
Net Profit/(Loss) of Minority Interest	22,629	16,724

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

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

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

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

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

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

## 5.7 Related party risks

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

#### 5.7.1.1 Loans and other receivables

*Current Period:*

Bank's Risk Group	Associates, Affiliates and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
<b>Loans and Other Receivables</b>						
Balance at beginning of period	33,129	3,616	57,550	827,462	2,184,276	472,865
Balance at end of period	43,134	3,639	193,582	277,209	2,309,980	601,973
<b>Interest and Commission Income</b>	2,097	3	235	4	74,766	183

*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
<b>Loans and Other Receivables</b>						
Balance at beginning of period	17,504	8,259	402,167	328,209	1,643,236	703,307
Balance at end of period	33,129	3,616	57,550	827,462	2,184,276	472,865
<b>Interest and Commission Income</b>	859	4	158	4	55,108	127

#### 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
<b>Deposits</b>						
Balance at beginning of period	31,511	28,674	337,764	649,010	552,778	351,510
Balance at end of period	44,219	31,511	535,362	337,764	608,460	552,778
<b>Interest Expenses</b>	1,787	816	357	3,228	2,118	5,152

#### 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
<b>Transactions at Fair Value Through Profit/(Loss)</b>						
Balance at beginning of period	12,675	2,789	16,403,422	10,825,180	-	5,770
Balance at end of period	13,643	12,675	20,430,299	16,403,422	-	-
<b>Total Profit/(Loss)</b>	90	9	(147,477)	29,555	-	-
<b>Transactions for Hedging:</b>						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
<b>Total Profit/(Loss)</b>	-	-	-	-	-	-

**5.7.2 Bank's risk group**

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

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

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

The cash loans of the risk group amounting TL 2,193,984 thousands (31 December 2015: TL 2,113,398 thousands) compose 1.21% (31 December 2015: 1.23%) of the Bank's total consolidated cash loans and 0.76% (31 December 2015: 0.76%) of the Bank's total consolidated assets. The total loans and similar receivables amounting TL 2,546,696 thousands (31 December 2015: TL 2,274,955 thousands) compose 0.89% (31 December 2015: 0.81%) of the Bank's total consolidated assets. The non-cash loans of the risk group amounting TL 882,821 thousands (31 December 2015: TL 1,303,943 thousands) compose 1.65% (31 December 2015: 2.66%) of the Bank's total consolidated non-cash loans. The deposits of the risk group amounting TL 1,188,041 thousands (31 December 2015: TL 922,053 thousands) compose 0.70% (31 December 2015: 0.59%) of the Bank's total consolidated deposits. The funds borrowed by the Bank and its consolidated financial affiliates from their risk group amounting to TL 6,382 thousands (31 December 2015: TL 12,669 thousands) compose 0.02% (31 December 2015: 0.03%) of the Bank's total consolidated funds borrowed. The pricing in transactions with the risk group companies is set on an arms-length basis.

The credit card (POS) payables to the related parties, amounted to TL 27,288 thousands (31 December 2015: TL 44,741 thousands). A total rent income of TL 1,871 thousands (30 June 2015: TL 1,800 thousands) was recognized for the real estates rented to the related parties.

Operating expenses for TL 4,312 thousands as of 30 June 2016 (30 June 2015: TL 2,565 thousands) were incurred for the IT services rendered by the related parties. Other income of TL 1,271 thousands (30 June 2015: TL 81 thousands) for the IT services rendered and banking services fee income of TL 551 thousands (30 June 2015: TL 656 thousands) were recognized from the related parties.

Fixed-rate securities brokerage fee of TL 180 thousands (30 June 2015: -) were received from the affiliates.

Operating expenses of TL 1,933 thousands (30 June 2015: TL 2,947 thousands) for advertisement and broadcasting services, of TL 20,592 thousands (30 June 2015: TL 20,317 thousands) for operational leasing services, and of TL 6,188 thousands (30 June 2015: TL 5,367 thousands) for travelling services rendered by the related parties were recognized as expense.

Fleet business customer acquisition fee of TL 287 thousands (30 June 2016: -) was recognized as income for the services rendered by the affiliates in the same period of prior year.

The net payment provided or to be provided to the key management of the Bank and its consolidated financial affiliates amounts to TL 78,958 thousands as of 30 June 2016 (30 June 2015: TL 74,486 thousands) including compensations paid to key management personnel who left their position during the year.

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

None.

**5.7.2.4 Transactions accounted for under equity method**

None.

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

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

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

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

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



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

None.

## 5.10 Other Disclosures on Activities

### 5.10.1 Information on international risk ratings

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

##### MOODY'S (July 2016)

Outlook	Under review due to probable rating decrease
Long Term FC Deposit	Baa3*
Long Term TL Deposit	Baa3*
Short Term FC Deposit	P-3*
Short Term TL Deposit	P-3*
Basic Loan Assessment	ba1*
Adjusted Loan Assessment	baa3*
Long Term National Scale Rating (NSR)	Aa3.tr*
Short Term NSR	TR-1*

(\*) Under review due to probable rating decrease.

##### STANDARD AND POORS (July 2016)

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

##### FITCH RATINGS (June 2016)

Outlook	Stable
Long Term FC Outlook	BBB
Short Term FC Outlook	F2
Long Term TL Outlook	BBB
Short Term TL Outlook	F2
Financial Capacity	bbb-
Support	2
NSR	AAA(tur)

##### JCR EURASIA RATINGS (April 2016)

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

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

**MOODY'S (March 2016) (\*)**

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

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

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

**FITCH RATINGS (June 2016) (\*)(\*\*)**

<b>Foreign Currency</b>	
Long Term	BBB
Short Term	F2
Outlook	Stable
Support	2
<b>Turkish Lira</b>	
Long Term	BBB
Short Term	F2
Outlook	Stable
<b>National</b>	AAA
Outlook	Stable

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

(\*\*) Under positive follow-up.

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

**FITCH RATINGS (June 2016) (\*)(\*\*)**

<b>Foreign Currency</b>	
Long Term	BBB
Short Term	F2
Outlook	Stable
Support	2
<b>Turkish Lira</b>	
Long Term	BBB
Short Term	F2
Outlook	Stable
<b>National</b>	AAA
Outlook	Stable

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

(\*\*) Under positive follow-up.

**STANDARD AND POORS (May 2016) (\*)**

<b>Foreign Currency</b>	
Long Term	BB+
Short Term	B
Outlook	Stable
<b>Turkish Lira</b>	
Long Term	BB+
Short Term	B
Outlook	Stable

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

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

**FITCH RATINGS (May 2016) (\*)**

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

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

**5.10.2 Dividend**

As per the decision made at the annual general assembly of shareholders of the parent Bank on 31 March 2016, the distribution of the net profit of the year 2015, was as follows;

<b>2015 PROFIT DISTRIBUTION TABLE</b>	
<b>2015 Net Profit</b>	<b>3,406,507</b>
A – I. Legal reserve (Turkish Commercial Code 519/1) at 5%	-
Undistributable funds	(4,723)
B – First dividend at 5% of the paid-in capital	(210,000)
C – Extraordinary reserves at 5% after above deductions	(159,826)
D – Second dividend to the shareholders	(357,000)
E – Extraordinary reserves	(2,639,258)
F – II. Legal reserve (Turkish Commercial Code 519/2)	(35,700)

**5.10.3 Other disclosures**

None.

## **6 Limited Review Report**

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

The consolidated financial statements of the Bank and its financial affiliates as of 30 June 2016, have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (a member of Deloitte Touche Tohmatsu Limited) and the limited review report dated 28 July 2016, is presented before the accompanying consolidated financial statements.

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

None.

## 7 Interim Report

### 7.1 Introduction

#### 7.1.1 About Garanti

Established in 1946, Garanti Bank is **Turkey’s second largest private bank** with consolidated assets of US\$ 100.1 billion as of June 30, 2016.

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, Russia and Romania.

As of June 30, 2016, Garanti provides a wide range of financial services to its 14.4 million customers with approximately 20 thousand employees through an **extensive distribution network** of 971 domestic branches; 7 foreign branches in Cyprus, one in Luxembourg and one in Malta; 3 international representative offices in London, Düsseldorf and Shanghai with 4,650 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 is controlled by two powerful entities, Banco Bilbao Vizcaya Argentaria S.A. (BBVA) and Doğuş Group with shares of 39.9% and 10.0%, respectively. Having shares publicly traded in Turkey, depositary receipts in the UK and the USA, Garanti has an actual free float of 50.06% in Borsa Istanbul as of June 30, 2016.

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\$ 81.9 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 June 30, 2016.

T.GARANTİ BANKASI A.Ş. SHAREHOLDING STRUCTURE			
Shareholders	Number of shares	Nominal (TL)	Share %
BBVA(BANCO BILBAO VIZCAYA ARGENTARIA S.A)	167.580.000.000	1.675.800.000,00	39,9000
DOĞUŞ HOLDİNG A.Ş.	25.984.637.253	259.846.372,53	6,1868
DOĞUŞ ARAŞTIRMA GELİŞTİRME VE MÜŞAVİRLİK HİZ. A.Ş.	15.955.423.702	159.554.237,02	3,7989
DOĞUŞ NAKLİYAT VE TİC. A.Ş.	60.654.629	606.546,29	0,0144
<b>DOĞUŞ GROUP TOTAL</b>	<b>42.000.715.584</b>	<b>420.007.155,84</b>	<b>10,0002</b>
<b>OTHERS</b>	<b>210.419.284.416</b>	<b>2.104.192.844,16</b>	<b>50,0998</b>
<b>GRAND TOTAL</b>	<b>420.000.000.000</b>	<b>4.200.000.000,00</b>	<b>100,0000</b>

### 7.1.3 The amendments in the Articles of Association during period of 01.04.2016-30.06.2016

There is no change during the period.

### 7.1.4 Macro Outlook for the first 6 month period of 2016

**Annual growth was 4.8% in 1Q16.** Although growth rate slowed down from 5.7% in 4Q15 to 4.8% in 1Q16, it remained robust. Domestic demand -including stocks (0.4pp)- contributed 6.4pp, while external demand gave a negative contribution (1.5pp). Private consumption grew by 6.9%, the highest rate since 3Q11 when GDP growth was running at a rate close to 9%. Public expenditures continued to support with 8.5% growth (vs. 8.7% growth in 4Q15) mainly through consumption expenditures. Private investments contracted by 0.3%, a negative signal for medium and longer term growth dynamics. In sectorial detail, the growth rate in the industrial sector was 5.7% (1.6pp cont.) in line with indicative monthly industrial production figures. Construction sector benefited from the Government pre-election promises and grew by 6.6% (0.4pp cont.). The growth in the agricultural sector was 2.7%, lower than its 5-year average of 5.5%. Services sector continued to be supportive with 5.1% growth in the absence of a major deterioration in tourism related sectors.

**IP growth slowed down.** Industrial production (IP) grew by only 0.6% YoY in April, after increasing by 5.6% in 1Q16. Confirming the slowdown, average manufacturing PMI in 2Q16 also decreased to 48.6 which is the sharpest fall recorded since 1Q09. Going into the summer season, the recent initiative on Russian sanctions is likely to erase the negative burden on growth stemming from both goods and services exports, together with the pushing factors of minimum wage hike and refugee impact. All in all, risks are balanced around our 3.9% above consensus growth forecast for 2016.

**Current account adjustment continues.** Current account deficit to GDP ratio improved further to 4.2% in 1Q16, from 4.5% in 2015-end. 12-month cumulative current account deficit further improved to US\$ 28.6bn in April from US\$ 29.5bn in 1Q16, while core CAB (exc. gold and energy) improved to a deficit of US\$ 0.6bn from US\$ 1.8bn in the same period.

**5-months budget performance at highest of 12 years.** Central government budget balance gave a surplus of TL 9bn in the first five months of 2016, which is the highest surplus of the last 12 years for the same period. Primary surplus has increased by TL 7.7bn from the same period of the previous year to TL 33.3bn. Budget revenues increased by 16.7% YoY to TL 230.9bn. Budget expenditures increased by 10.8% YoY to TL 221.9bn. In this period tax revenues increased by 11.5% to TL 183.4bn while non-interest expenditures were up by 14.7% to TL 197.7bn.

**Turkey's gross debt stock/GDP has been increasing for the last 3 quarters.** Turkey's gross debt stock/GDP ratio increased to 58.1% in 1Q16 from 55.3% in 4Q15. EU-defined public debt stock/GDP ratio declined from 32.9% to 32.3% in the same period.

**2Q16-end inflation is at 7.6%.** Although average inflation in 2Q16 declined from 8.6% in 1Q15 to 6.9%, the end of period level has increased. Unlike its seasonal behaviour, food inflation was extraordinarily low in March-April period, which explains most of the decrease in annual headline inflation in that period. However, as a result of reversing conditions in food industry and with the exclusion of the additional base effect, June inflation jumped. Therefore, annual headline inflation of 2Q16-end increased to 7.6%, from 7.5% in 1Q16-end.

**Central Bank (CBRT) cut the upper bound of the corridor 4 times in the first half.** The rate cutting process of the Monetary Policy Committee which started with 25bps by the end of 1Q16, continued in 2Q16 with 50bps cut in each month, adding up to 150bps in total. Thus, the upper bound of the interest rate corridor, which declined to 10.50% by the end of 1Q16, was cut further to 9% by the end of 2Q16. Both the lower bound of the corridor and 1-week repo rate were left intact at 7.25% and 7.50%, respectively. Hence, the decline in the CBRT average funding rate remained modest as it fell from 8.9% at the end of 1Q16 to only 8.2% by the end of 2Q16.

TL depreciated by 10% YoY against currency basket in 2Q16 on average vs. 18% in 1Q16. Benchmark bond yield which was at 10.9% on average in 1Q16, declined to 9.4% on average in 2Q16. The 2Q16-end benchmark bond yield was at 8.75%.

#### **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**

##### **In the first half of 2016, Garanti's support to the economy through cash and non-cash lending exceeded TL 235 bn**

**Türkiye Garanti Bankası A.Ş.**, announced its financial statements dated June 30, 2016. Based on the consolidated financials, in the first half of 2016, the Bank posted a consolidated **net income** of TL 2 billion 605 million 286 thousand. With the **asset size** of TL 287 billion 247 million 695 thousand, Garanti's contribution to the economy through **cash and non-cash lending** reached TL 235 billion 119 million 598 thousand. The Bank delivered an **ROAE** (Return on Average Equity) of 16.0% and an **ROAA** (Return on Average Assets) of 1.8%.

Commenting on the financial results, **Garanti Bank Chairman F. Ferit Şahenk** stated that: "We have recently seen that new uncertainties and risks could be easily added to the existing ones in the current environment of ongoing low global economic activity in terms of global production, trade and demand. The surprising results of Brexit referendum have once again shown the potential impact of such uncertainties on the global economy.

First quarter growth figures confirmed that the relatively strong growth performance of the Turkish economy has been ongoing. It is also pleasing that the current account deficit continues to decline in terms of both level and as a share of GDP. I believe that our economic growth performance will be at least as strong as that of last year.

Garanti Bank has shown a successful performance in the first half of the year with the aim of contributing as much as possible to the Turkish economy and creating maximum value. With our sustainable growth strategy and our dynamic and innovative approach, we will continue to be among the leading institutions of the Turkish financial sector in the upcoming period as well. Operating with a technology, efficiency and customer focus will always be at the core of the service provision philosophy of Garanti. Taking this opportunity, I would like to sincerely thank once again my colleagues, our esteemed clients, shareholders, and all other stakeholders."



Commenting on the financial results, **Garanti Bank CEO Fuat Erbil** stated: “We successfully completed the first half of 2015 in creating value for all our stakeholders. While increasing our support to the economy via our lending activities, with the trust of our customers we grew our deposits above sector. Since the beginning of the year, Garanti has been the choice of 500 thousand new customers. We greet over 150 thousand customers each day at our branches serving in every city of Turkey. In shaping the balance sheet through sustainable growth strategy, Garanti continued to strengthen its capital base, and set even higher efficiency and excellence targets for its internationally certified operations. We strive to place ourselves in our customers lives and continue to reflect the innovative and human centric culture of Garanti in our products and services consistently through each and every channel. Having the highest number of digital banking customer base in Turkey, Garanti ensures its 1.3 million customers to perform banking transactions with ease every day, solely through digital channels. The Video Chat Loan service we started offering in April carries human touch to digital platforms, and allows access to information and experts anywhere as if you are at a branch. Increasing customer satisfaction and loyalty constitutes the base of our business model.”

Touching upon Garanti’s efforts in the area of women entrepreneurship surpassing its 10<sup>th</sup> year, **Erbil** said: “We maintain our uninterrupted support to pave the way of women entrepreneurs. With numerous projects materialized, we assume the leadership position of ‘Women’s Banking’ activities today. Simultaneously we organize support programs for early stage entrepreneurs and SMEs of all sizes and from all sectors to access necessary resources, connect with their customers and open to global markets. To support entrepreneurial ecosystem and innovation, Garanti established an entrepreneurship base as part of GarantiPartners platform, which will be used as an office space, hosting entrepreneurs with valuable ideas from all sectors. With our entrepreneurship accelerator program GarantiPartners, we continue to work swiftly in order to make significant contributions to the entrepreneurship ecosystem. I would like to thank my colleagues who lead the sector and carry Garanti forward in every field, and our stakeholders who trust us.”

Commenting on the recent developments in our country, **Erbil** said: “We believe that our country will come out stronger from all that was encountered with more powerful democracy and economy. During all these extraordinary days, there was no adverse impact on the sector and on Garanti. Being aware of the responsibility held in this critical period, as Garanti, we will continue to support our economy.

**Selected Figures of Garanti Bank’s Consolidated Financial Statements (June 30, 2016)**

Profit before Taxes and Provisions*	TL 4,944.8 million	Cash Loans	TL 181,588.7 million
Profit before Taxes	TL 3,231.3 million	Non-Cash Loans	TL 53,530.9 million
Net Income	TL 2,605.3 million	Total Assets	TL 287,247.7 million
Deposits	TL 170,623.1 million	Shareholders’ Equity	TL 33,300.6 million

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

- Net income was TL 2 billion 605 million and 286 thousand.
- In compliance with the legal legislation and international regulations, a total amount of TL 2 billion 339 million 559 thousand was reserved for tax provisions, loans and other provisions.
- Total assets increased by 2.7% year-to-date and reached TL 287 billion 247 million 695 thousand.
- Return on Average Assets (ROAA) reached 1.8% as of June 30, 2016.\*\*
- Shareholders’ equity increased by 6.7% year-to-date and reached TL 33.3 billion.
- Return on Average Equity (ROAE) reached 16.0% as of June 30, 2016.\*\*

- Contribution made to the real economy through cash and non-cash loans increased by 6.5% year-to-date and reached TL 235 billion 119 million 598 thousand as of June 30, 2016.
- Total loan market share and TL loan market share increased to 11.8% and 11.0% year-to-date respectively and FC loan market share realized at 13.6%.
- Mortgage loans market share increased to 14.5% and consumer loans market share increased to 14.7%.
- Total customer deposits increased by 11.6% year-to-date and reached TL 166 billion 531 million and 381 thousand, while market share in total customer deposits reached 12.3%.
- Capital base further strengthened and Capital adequacy ratio (CAR) reached 14.5%.
- Sound asset quality was preserved and non-performing loan (NPL) ratio remained below sector average.

\* Reserve for employee termination benefits and impairment losses on assets to be disposed are included in total provisions and deducted from profit before taxes and provisions.

\*\*Excludes non-recurring items (Income from NPL sale, Visa sale income, gains on asset sale, fee rebates, provision rev. from Miles&Smiles and effect of collateral re-assessment) when annualizing Net Income for the second half of the year.

You may access the earnings presentation regarding the BRSA consolidated financial results as of and for the period ending June 30,2016 in English from Garanti Bank Investor Relations website at [www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com)

<b>Garanti With Numbers</b>	<b>31.12.2015</b>	<b>31.03.2016</b>	<b>30.06.2016</b>
Branch Network	983	984	983
+ Domestic	971	972	971
+ Abroad	12	12	12
Personnel	19,692	19,855	19,937
ATM	4,504	4,540	4,650
POS*	600,989	619,166	629,700
Total Customers	13,863,933	14,080,443	14,337,851
Digital Banking Customers**	3,993,457	4,227,980	4,403,599
Mobile Banking Customers**	2,530,757	2,826,304	3,036,965
Credit Card Customers	6,162,816	6,264,889	6.333.570
Credit Cards	9,706,572	9,736,692	9,787,762
Debit Cards	8,640,478	8,619,516	8.748.045
* Includes shared and virtual POS.			
** Active customers only -- min. 1 login or call per quarter.			

<b>Selected Sector Figures (TL million)</b>	<b>31.12.2015</b>	<b>01.04.2016</b>	<b>01.07.2016</b>	<b>YtD Δ</b>
<b>Total Deposits</b>	<b>1,245,289</b>	<b>1,281,633</b>	<b>1,316,216</b>	<b>5.70%</b>
Bank Deposits	73,920	79,500	79,286	7.26%
Customer Deposits	1,171,369	1,202,133	1,236,930	5.60%
TL Deposits	675,001	690,798	725,489	7.48%
FC Deposits (US\$ mn)	171,343	181,820	178,032	3.90%
Customer Demand Deposits	218,182	222,817	235,953	8.15%
<b>Total Loans</b>	<b>1,346,865</b>	<b>1,364,805</b>	<b>1,414,726</b>	<b>5.04%</b>
TL Loans	927,992	944,453	980,582	5.67%
FC Loans (US\$ mn)	144,597	149,579	151,210	4.57%
Retail Loans*	571,934	575,105	589,355	3.05%
Housing	137,893	141,145	145,705	5.67%
Auto	20,329	20,002	20,192	(0.67%)
General Purpose Loans	320,123	321,162	327,126	2.19%
Credit Cards	93,589	92,796	96,332	2.93%
<i>Loans/Deposits</i>	<i>108.2%</i>	<i>106.5%</i>	<i>107.5%</i>	
<b>Gross NPL</b>	<b>42,705</b>	<b>45,332</b>	<b>47,304</b>	<b>10.77%</b>
<i>NPL ratio</i>	<i>3.1%</i>	<i>3.2%</i>	<i>3.2%</i>	
<i>NPL coverage</i>	<i>75.4%</i>	<i>76.4%</i>	<i>75.8%</i>	
Gross NPL in retail loans	17,056	18,451	19,469	14.15%
<i>NPL ratio in retail loans</i>	<i>2.9%</i>	<i>3.1%</i>	<i>3.2%</i>	
Gross NPL in credit cards	7,416	7,578	7,461	0.61%
<i>NPL ratio in credit cards</i>	<i>7.3%</i>	<i>7.5%</i>	<i>7.2%</i>	
<b>F/X Position, net (US\$ mn)</b>	<b>300</b>	<b>974</b>	<b>55</b>	
on B/S	(31,435)	(26,163)	(20,901)	
off B/S	31,735	27,136	20,957	
Source: BRSA weekly sector data, commercial banks only				
*Including consumer and commercial installment loans				

<b>Garanti Market Shares* (%)</b>	<b>YTD Δ</b>	<b>01.07.2016</b>
Total Performing Loans	↑	11.8%
TL Loans	↑	11.0%
FC Loans	↓	13.6%
Credit Cards - Issuing (Cumulative)	↑	20.1%
Credit Cards - Acquiring (Cumulative)	↑	20.9%
Consumer Loans**	↑	14.7%
Total Customer Deposits	↑	12.3%
TL Customer Deposits	↓	9.7%
FC Customer Deposits	↑	15.9%
Customer Demand Deposits	↑	13.8%
Mutual Funds	↓	10.0%
* 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 2016. You may access the related presentation that was published on the Public Disclosure Platform, the Bank's website and Garanti Bank Investor Relations' website at [www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com) in [Operating Plan Guidance Presentations](#) section.

As of June 30,2016, there are no revisions to the forward looking statements regarding the expectations for the year 2016.

## 7.2 Information regarding management and corporate governance practices

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

#### Audit Committee Members:

<b>Name Surname</b>	<b>Title</b>	<b>Appointment Date</b>	<b>Education</b>	<b>Experience in Banking &amp; Business Administration</b>
Jorge Sáenz-Azcúnaga Carranza	Independent Board Member	31.03.2016	Undergraduate	23 years
Javier Bernal Dionis	Independent Board Member	27.07.2015	Graduate	26 years

**Managers of the Internal Systems Units:**

<b>Name Surname</b>	<b>Title</b>	<b>Appointment Date</b>	<b>Education</b>	<b>Experience in Banking &amp; Business Administration</b>
Ebru Ogan Knottnerus	Head of Risk Management	01.04.2016	Undergraduate	25 years
Osman Bahri Turgut	Head of Internal Audit	01.08.2015	Undergraduate	25 years
Emre Özbek	SVP of Compliance	01.08.2015	Undergraduate	17 years
Barış Ersin Gülcan	SVP of Internal Control	06.03.2014	Graduate	18 years
Beyza Yapıcı	SVP of Internal Capital and Operational Risk	01.04.2016	Undergraduate	18 years
Semra Kuran	SVP of Market Risk and Credit Risk Control	01.04.2016	Undergraduate	19 years

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

**7.2.2** You may reach the summary of the Board of Directors' Annual Report presented to Ordinary General Meeting of Shareholders and information about human resources practices, policy and remuneration in the 2015 Annual Report that was published on the Public Disclosure Platform, the Bank's website and Garanti Bank Investor Relations' website, access at the link below:

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

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

**7.2.4** You may reach information pursuant to the Regulation on the Provision of Support Services to Banks and the Authorization of Support Service Providers, the type of the services and information on the individuals and institutions that provided the support services in the 2015 Annual Report that was published on the Public Disclosure Platform, the Bank's website and Garanti Bank Investor Relations' website, access at the link below:

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

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

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

You may find information regarding the assessment of financial position, profitability and debt payment capability, risk management explanations and ratings in the financial statements as of and for the three-month period ended 30 June 2016 and the independent accountants' limited review report. Additionally, you may find detailed information in the earnings presentation regarding financial results of the related period published on Garanti Bank Investor Relations website at [www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com).

You may find financial information on Garanti Bank for the most recent five year period in the 2015 Annual Report that was published on the Public Disclosure Platform, the Bank's website, Garanti Bank Investor Relations website and at [www.garantiannualreport.com](http://www.garantiannualreport.com). Furthermore, you may access detailed information from Garanti Bank Investor Relations website at [www.garantiinvestorrelations.com](http://www.garantiinvestorrelations.com) in the [Garanti with Numbers](#) section.

#### **7.4 Announcements regarding important developments during 01.04.2016-30.06.2016 period**

- On April 6, 2016, JCR Eurasia Rating has affirmed the ratings of Türkiye Garanti Bankası A.Ş. as ‘AAA (Trk)’ on the Long Term National Scale, ‘BBB’ on the Long Term International Foreign Currency Scale and ‘BBB+’ on the Long Term International Local Currency Scale along with ‘Stable’ outlooks.
- Our Bank has signed a syndicated loan agreement with 367-days maturity in the amount of EUR 1.25 billion, comprising of two separate tranches in the amount of EUR 814,625,000 and USD 479,325,000 on 29th April 2016. The loan which will be used for trade finance purposes has been executed with commitments received from 42 banks from 15 countries. The all-in cost has been realized as Euribor+0.75% and Libor+0.85%, respectively.
- On May 10, 2016, Standard & Poor’s revised the ratings of Türkiye Garanti Bankası A.Ş.
  - Following the revision of Turkey’s outlook to “Stable”, outlook of the ratings of Türkiye Garanti Bankası A.Ş. has been also revised up to “Stable” from “Negative”. The stable outlook reflects the expectation that the Bank would receive group support from its foreign parent if its stand-alone credit profile were to worsen through deterioration in its operating conditions.
  - Long Term FC Issuer Credit Rating affirmed at BB+, Long Term TL Issuer Credit Rating affirmed at BB+
  - Stand-alone Credit Profile (SACP) affirmed at bb+
- On May 11, 2016, Moody’s recalibrated Turkey’s national rating scale and accordingly repositions national scale ratings (NSR) of Garanti. Garanti Bank’s assigned national scale ratings following the recalibration is presented below. The outlook for the NSR rating was withdrawn. The repositioned NSRs do not signify a change in credit risk, since the global scale rating remains unchanged.
  - **NSR LT Deposits**
    - Former**  
Rating Aa3.tr  
Outlook: Negative
    - Current**  
Rating Aa1.tr  
Outlook: Withdrawn
  - **NSR ST Deposits**
    - Former**  
Rating: TR-1  
Outlook: -
    - Current**  
Rating:TR-1  
Outlook: -
- At our Bank's Board of Directors meeting dated June 02, 2016, it was resolved that the existing capital of Garanti Holding B.V., established in the Netherlands and a fully owned subsidiary of our Bank, be increased by an amount of EUR 16,300,000 and the Head Office be authorized to conduct the capital increase and all other operations in this regard.
- On June 10, 2016, Fitch Ratings has affirmed the IDRs, Viability Rating (VRs) and Support Rating of Türkiye Garanti Bankası A.Ş. Below is the full list of rating actions:
  - Long-term FC and LC IDRs : 'BBB'; Outlook Stable
  - Short-term FC and LC IDRs: 'F2'
  - Viability Rating affirmed at 'bbb-'
  - Support Rating: '2'
  - National Long-term Rating: 'AAA(tur)' ; Outlook Stable
  - Senior unsecured notes 'BBB'/F2'

- The legal process regarding the sale of the share owned by the Bank to Visa Inc. in the nominal amount of EUR 10.00 representing the share capital of Visa Europe Ltd. has been completed. Our Bank has been paid EUR 58,422,751.23 in cash and is receiving 21,215 “C Type Visa Inc. shares”. The financial effects of such transaction will be reflected into the financial statements of Bank for the period ending as of June 30, 2016.
- Our Bank has sold its non-performing loan portfolio receivables arising from credit cards, general purpose loans, overdraft loans and expenses in the principal amount of TL 139,045,179.13 as of May 31, 2016, and non-performing portfolio commercial receivables arising from commercial loans, credit cards, cheque accounts, overdraft loans and expenses in the principal amount of TL 92,641,397.04 as of May 20, 2016 for a total consideration of TL 17,850,000.00; to Turkasset Varlık Yönetim A.Ş.
- Our Bank has secured a loan from international credit markets with 1098 days maturity in the amount of USD 50 million.
- In our public disclosure dated April 21, 2015; it was announced that an annulment action was filed by our Bank before 2nd Administration Court of Ankara against the decision of Turkish Competition Board regarding the administrative fine imposed on our Bank, such annulment action was rejected, and our Bank appealed such decision to the Council of State.

We have been informed that the appeal has been rejected by the 13th Chamber of the Council of State with its decision no. 2015/2447 Esas and 2015/4006 Karar. Our Bank will request revision of the decision within the legal period.

- Our Bank has obtained a loan in the amount of USD 300 million with a maturity of 3 years from The Export-Import Bank of China with regard to the financing of the imports from People’s Republic of China.

## **7.5 Announcements regarding important developments for debt instruments issuance and redemptions during 01.04.2016 - 30.06.2016 period**

- On its meeting held on October 9, 2015, T. Garanti Bankası A.Ş. Board of Directors has authorized the Head Office to take the necessary actions, subject to market conditions, to arrange and sign the documents with regard to mortgage covered bond issuance in one or more tranches, with different series and maturities, and having fixed and/or floating interest rates to be determined at the issuance times, to the extent that the relevant legislation allows, up to EUR 2 billion in total or equivalent in any other currency including Turkish Lira, to be sold without public offering outside Turkey.

Accordingly, it was announced in the weekly bulletin of the Capital Markets Board (“CMB”) numbered 2016/10 that the application for mortgage covered bond issuance has been approved by the CMB.

- The 370-day maturity discounted bond which was issued upon the approval of the Capital Markets Board dated Mar. 23, 2015 by public offering on Apr. 07, 2015 with bookbuilding on Apr.2-3-6, 2015 with TRSGRAN41619 ISIN code, and TL 230,630,775 nominal value, is redeemed on 11/04/2016.
- Upon the approval of the Capital Markets Board dated Mar. 30, 2016, T. Garanti Bankası A.Ş. issued below bank bonds and discounted bonds by public offering following the bookbuilding on April 6-7-8, 2016. The details relating to the issues are determined as below.

Total nominal amount of TL 50,000,000, with a maturity of 101 days, dated 21/07/2016, Garanti Bank Bond;

- ISIN Code of TRQGRAN71628;
- Annual Compound Rate: 10.52042%;
- Simple Rate: 10.14274%;
- Issue Price: TL 97.270

Total nominal amount of TL 225,000,000, with a maturity of 371 days, dated 17/04/2017,  
Discounted Bond;

- ISIN Code of TRSGRAN41718;
- Annual Compound Rate: 11.24055%;
- Simple Rate: 11.25057%
- Issue Price: TL 89.738

- The issuance of the structured note with a nominal value of TL 46,795,000 and a term of 63 days to qualified investors has been realized as of 19.04.2016.
- The issuance of the structured note with a nominal value of TL 25,635,000 and a term of 57 days to qualified investors has been realized as of 05.05.2016.
- The 175-day maturity bond which was issued upon the approval of the Capital Markets Board dated Nov.10, 2015 by public offering on Nov.23, 2015 with book building on Nov.18-19-20, 2015 with TRQGRAN51612 ISIN code, and TL 113,676,839 nominal value, is redeemed on 16/05/2016.
- The 94-day maturity bond which was issued upon the approval of the Capital Markets Board dated Jan.29, 2016 by public offering on Feb.12, 2016 with bookbuilding on Feb.9-10-11, 2016 with TRQGRAN51638 ISIN code, and TL 358,852,671 nominal value, is redeemed on 16/05/2016.
- The 122-day maturity bond which was issued upon the approval of the Capital Markets Board dated Jan.7, 2016 by public offering on Jan.15.12, 2016 with book building on Jan.12-13-14, 2016 with TRQGRAN51620 ISIN code, and TL 114,724,047 nominal value, is redeemed on 16/05/2016.
- Upon the approval of the Capital Markets Board dated May 4, 2016, T. Garanti Bankası A.Ş. issued below bank bond by public offering following the bookbuilding on May 12-13, 2016.

Total nominal amount of TL 70,000,000, with a maturity of 66 days, dated 16/05/2016, Garanti Bank Bond:

- ISIN code of TRQGRAN71636;
- Annual Compound Rate: 9.90937%
- Simple Rate: 9.52977%
- Issue Price: TL 98.306

- The issuance of the bank bond in the nominal value of TL 385.700.000 with a maturity of 116 days and bank bond in the nominal value of TL 102,000,000 with a maturity of 175 days to be sold qualified investors has been realized as of 16.05.2016.
- The 67-day maturity structured debt instruments which was issued with the purpose of selling to qualified investors on Mar.18, 2016 with book building on Mar.17, 2016 with TR0GRAN005H7 ISIN code, is redeemed on 24/05/2016.
- The issuance of the structured note with a nominal value of TL 31,371,081 and a term of 63 days to qualified investors has been realized as of 25.05.2016.
- The issuance of the structured note with a nominal value of TL 7,957,690 and a term of 63 days to qualified investors has been realized as of 10.06.2016.
- The 90-day maturity bond which was issued upon the approval of the Capital Markets Board dated Mar.11, 2016 by public offering on Mar.15, 2016 with book building on Mar.8-14,2016 with TRQGRAN61611 ISIN code, and TL 4,959,148 nominal value, is redeemed on 13/06/2016.
- The 371-day maturity discounted bond which was issued upon the approval of the Capital Markets Board dated May.28, 2015 by public offering on Jun.08, 2015 with book building on Jun.3-4-5, 2015 with TRSGRAN61617 ISIN code, and TL 290,636,846 nominal value, is redeemed on 13/06/2016.



- The issuance of the bank bond in the nominal value of TL 300,000,000 with a maturity of 147 days and discounted bond in the nominal value of TL 419,808,574 with a maturity of 371 days to be sold qualified investors has been realized as of 13.06.2016.
- The 63-day maturity structured debt instruments which was issued with the purpose of selling to qualified investors on Apr.19, 2016 with bookbuilding on Apr.15-18, 2016 with TR0GRAN005P0 ISIN code, is redeemed on 21/06/2016.
- 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 XS1412584861, dated 18.05.2017, in total nominal amount of JPY 1,000,000,000, issue date of 17.05.2016

- ISIN code of XS1431330528, dated 21.06.2017, in total nominal amount of JPY 2,000,000,000, issue date of 20.06.2016

Important developments during 01.04.2016-30.06.2016 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](http://www.garantiinvestorrelations.com)) and at the link below.

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