

GARANTI BANK 2016 ANNUAL REPORT

CONTENTS

INTRODUCTION

- 1. Annual Report Compliance Opinion
- 2. Agenda of the Ordinary General Shareholders' Meeting

ABOUT GARANTI

- 5. Corporate Profile
- 6. Shareholding Structure
- 7. Our Vision and Mission
- 8. Main Pillars of Our Strategy
- 9. Strategic Priorities
- 10. Our Core Values
- 11. Milestones in Garanti's History
- 15. Sustainability Policy
- 17. Garanti's Competitive Advantages
- 19. Garanti with Numbers

2016 OVERVIEW AND 2017 OUTLOOK

- 23. 2016 Macroeconomic Overview
- 25. Letter from the Chairman
- 26. Letter from the CEO
- 29. 2017 Outlook

GARANTI IN 2016

- 33. Assessment of Financial Position, Profitability and Debt Payment Capability
- 34. Performance Indicators and Ratios
- 37. Garanti's Position in the Sector
- 39. Garanti Bank Share
- 41. Garanti Bank's Ratings
- 42. Profit Distribution
- 43. Awards

2016 ACTIVITIES AND PROJECTIONS

- 49. Retail Banking
- 50. Private Banking
- 51. Housing Finance
- 52. Consumer Finance
- 53. SME Banking
- 54. Commercial Banking
- 55. Corporate Banking
- 56. Project Finance

57. Cash Management and Transaction Banking

- 58. Payment Systems / Debit and Credit Cards
- 59. Branchless Banking / Digital Channels
- 61. Call Center
- 62. Customer Experience Management
- 63. Assets and Liabilities Management Department
- 64. Treasury
- 65. International Banking
- 66. Insurance and Pension
- 67. Anti-Fraud Monitoring Department
- 68. ABACUS
- 69. Human Resources
- 70. Learning and Development
- 71. Occupational Health and Safety

GARANTI'S INTEGRATED SUBSIDIARIES

- 73. GarantiBank International N.V.
- 74. Garanti Romania
- 75. Garanti Pension and Life
- 76. Garanti Securities
- 77. Garanti Asset Management
- 78. Garanti Leasing
- 79. Garanti Fleet
- 80. Garanti Factoring
- 81. Garanti Payment Systems
- 82. Garanti Mortgage
- 83. Garanti Technology

CONTINUOUS DEVELOPMENT AND INNOVATION

- 85. Organization and Process Development
- 86. Customer Analytics, Innovation and Product Development
- 87. We are Innovators

SUSTAINABLE BANKING

- 93. Sustainable Banking
- 98. Sponsorships

CORPORATE GOVERNANCE

- 101. Summary of the Board of Directors' Annual Report
- 103. Board of Directors
- 107. Senior Management
- 112. Garanti Bank Organization Chart
- 113. Organizational Changes
- 115. Committees and Committee Meetings Attendance

RISK MANAGEMENT

- 125. Risk Management Policies
- 134. Support Services Providers
- 136. Important Developments Regarding 2016 Operations
- 139. Audit Committee's Assessment of the Operations of Internal Control, Internal Audit and Risk Management Systems
- 141. Related Party Risks

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- 145. Corporate Governance Principles Compliance Report
- 163. Declaration of Responsibility

164. Financial Tables - Unconsolidated

268. Financial Tables - Consolidated

379. Türkiye Garanti Bankası A.Ş. Directory

INTRODUCTION

Considered as a symbol of good luck in all cultures, the four-leaf clover is rarely found in the nature. Hence, it is believed that only lucky people chance upon the four-leaf clover. Looking at the values it has contributed to the lives of its customers, employees, shareholders and the society over the course of 70 years that it has been active, it is no coincidence that clover is the symbol of Garanti.

Working towards a sustainable world with its responsible, consistent, human-centric and innovative business model, Garanti **generates the good luck of the four-leaf clover** and shares it not just with Turkey, but the world.

“Sharing moments”... It grows happiness, lessens sorrow, lets you enjoy life more and makes it easier to deal with hardships. The ones on your side along the road are crucial.

Acting on the motto of “offering our customers a perfect customer experience by putting them at the center of all our operations and activities”, Garanti works to understand its customers, devise solutions that suit their needs, deliver the best service experience and ensure their satisfaction on an ongoing basis. To this end, the Bank “listens” to the answers of its customers, and designs its processes from their perspective, vesting them in a fast-moving, understandable and simple format. Through its competent human resource, Garanti maintains a clear, transparent, courteous, solution-oriented and pleasant interaction with customers. The Bank constantly invests in digital platforms, thus backing its activities with state-of-the-art technology, and offers pioneering solutions.

All of these guarantee that Garanti is **instantly** alongside its customers for all their needs, which makes up one of the Bank’s core values.

“Happiness always comes with friends”, says famous poet Euripides. Although happiness has a different description for everyone, there are also many common “instants” of happiness.

Achieving your wishes... Your dream house, that car you wish you owned, your passion to set up your own company, your desire to grow your business... New beginnings, new thrills, new achievements...

Working hard to get there... Building your own good luck... Friends by your side who give courage and support... Garanti is right in that “instant”... Garanti is a friend that encourages you, supports you through good and bad days, and shares your happiness.

Believing that customer satisfaction can be achieved through delivering a good experience to customers at all points of contact, Garanti, drawing its courage therefrom, has been asking its clients **“Anything else we can help you with?”** for 70 years... Constantly working, continually improving and delivering service at its customers’ doorsteps through every channel...

Garanti offers customized solutions and a rich product range. It makes life easier for its customers. It provides the facilities to make their dreams come true. Maintaining its sustainability focus, Garanti works to maximize the value it contributes to its investors, stakeholders and the economy.

Taking its goal beyond creating merely economic value, Garanti targets to add value to the environment, the society and the world. While backing global efforts in relation to climate change, the Bank also extends support to renewable energy investments, as it also signs its name under initiatives promoting women’s participation in the economy...

Garanti writes a success story with the economic and social outputs in its sector and in Turkey... It generates good luck and shares it. With the confidence derived from all of these factors, Garanti makes a point of **“Sharing Moments” in its 2016 Annual Report.**

We will be standing by you tomorrow, as we always have done... Today and always... And we will be asking, “Anything else we can help you with?”



(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT
ON THE MANAGEMENT'S ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT

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

Report on the Audit of Management's Annual Report in accordance with Independent Auditing Standards

We have audited the annual report of Türkiye Garanti Bankası A.Ş. ("the Bank") and its consolidated subsidiaries (together will be referred as "the Group") for the period ended 31 December 2016.

Management's Responsibility for the Annual Report

The Bank Management is responsible for the preparation and fair presentation of the annual report which is consistent with the consolidated financial statements prepared 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 Standards for the matters not legislated by the aforementioned regulations ("the consolidated financial statements") in accordance with the Article 514 of the Turkish Commercial Code No. 6102 ("TCC") and the regulation on "Preparing and Publishing the Annual Report by Banks" published in the Official Gazette dated 1 November 2006 and No. 26333, and for such internal control as management determines relevant to the preparation and fair presentation of such annual report.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's annual report based on our audit conducted in accordance with the provisions of the Article 397 of the TCC and the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314. Our audit involves whether the financial information provided in the annual report are fairly presented and consistent with the consolidated financial statements, based on our audit report dated 30 January 2017.

We conducted our audit in accordance with Independent Auditing Standards, which is a part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information provided in the annual report are fairly presented and consistent with the consolidated financial statements and are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the historical financial information. The procedures selected depend on the auditor's judgment.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial information provided in the Management's annual report, in all material respects, are fairly presented and consistent with the audited consolidated financial statements.

Other Legal and Regulatory Requirements

In accordance with paragraph three of the Article 402 of the TCC, nothing significant has come to our attention that may cause us to believe that the Bank may not continue its activities for the foreseeable future in accordance with Independent Auditing Standard 570 "Going Concern".

Istanbul, 2 March 2017

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Müjde Şehsuvaroğlu, Partner

AGENDA OF THE ORDINARY GENERAL SHAREHOLDERS' MEETING

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



“WELCOME ON BOARD”

WHAT A THRILL IT IS - THE FIRST DAY AT WORK... GARANTI'S EMPLOYEES ARE THE DRIVERS AND THE ASSURANCE OF ITS QUALITY. HENCE, 'EMPLOYEE HAPPINESS' IS A STRATEGIC PRIORITY FOR THE BANK. GREETING THE ENTHUSIASTIC NEW HIRES WITH THE 'WELCOME ON BOARD' PROGRAM ON THEIR FIRST DAY AT WORK, GARANTI OFFERS A SIGNIFICANT CAREER OPPORTUNITY TO EACH EMPLOYEE.

ADOPTING A FAIR AND TRANSPARENT MANAGEMENT POLICY BASED ON PERFORMANCE AND INTERNAL PROMOTION, GARANTI INVESTS IN ITS HUMAN RESOURCE. IN 2016, GARANTI FILLED VACANT POSITIONS INTERNALLY AT A RATE OF 85%, WHILE 88 PEOPLE JOINED THE BANK IN MANAGEMENT TRAINEE PROGRAMS, AND 1,250 PEOPLE WERE EMPLOYED INTO OTHER POSITIONS.

ABOUT GARANTI



CORPORATE PROFILE



Established in 1946, Garanti Bank is **Turkey's second largest private bank** with consolidated assets of US\$ 88.8 billion as of December 31, 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 and Romania.

As of December 31, 2016, Garanti provides a wide range of financial services to its more than 14.6 million customers with approximately 20 thousand employees through an **extensive distribution network** of 959 domestic branches; 7 foreign branches in Cyprus, one in Luxembourg and one in Malta; 3 international representative offices in London, Düsseldorf and Shanghai with 4,825 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.

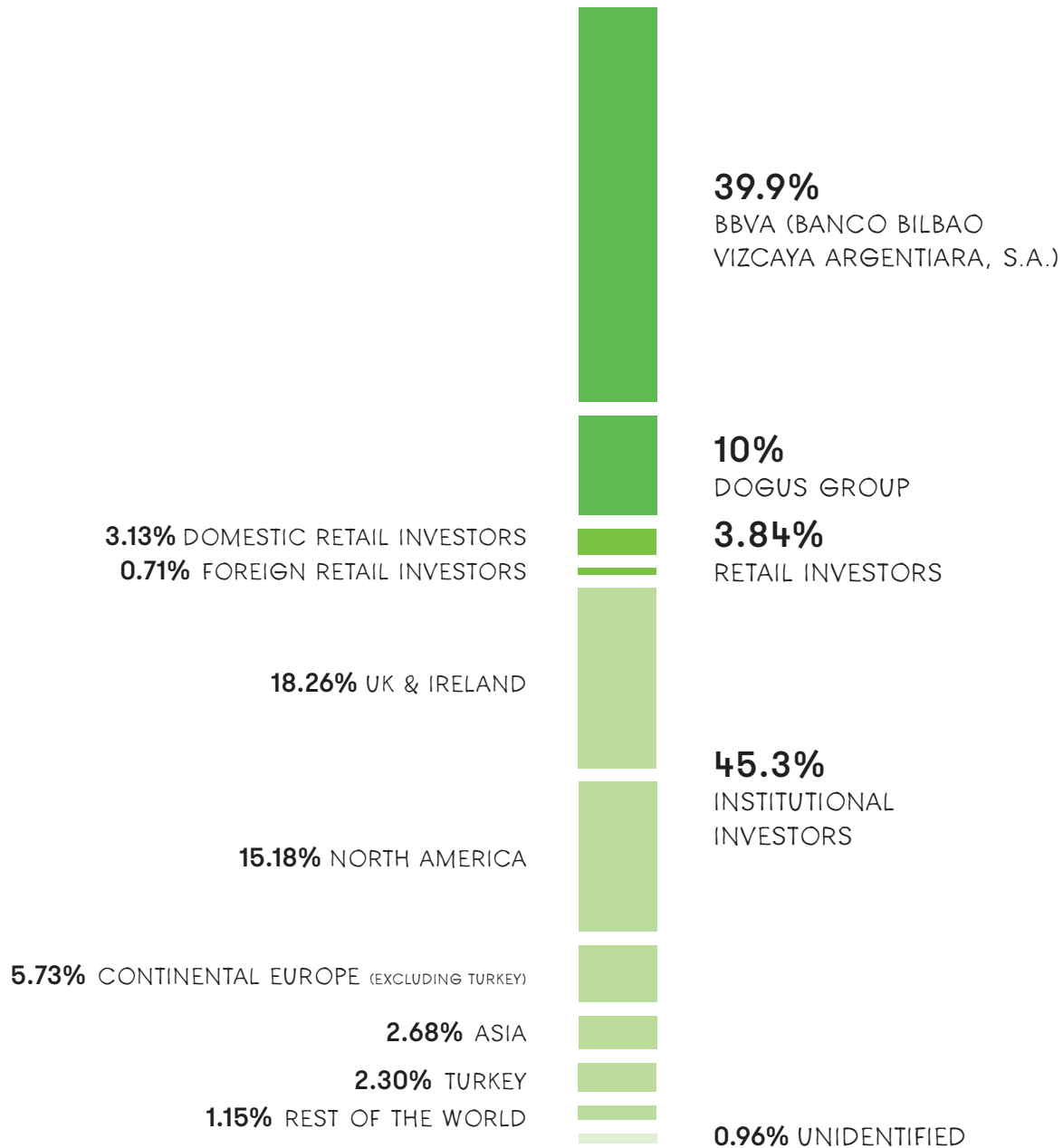
Following the **best practices in corporate governance**, Garanti is controlled by two powerful entities, Banco Bilbao Vizcaya Argentaria S.A. (BBVA) and Doğuş Group with shares of 39.9% and 10.0%, respectively. Having shares publicly traded in Turkey, depositary receipts in the UK and the USA, Garanti has an actual free float of 50.06% in Borsa Istanbul as of December 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\$ 73.3 billion cash and non-cash loans. The **high asset quality** attained through advanced risk management systems and established risk culture place Garanti apart in the sector.

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

Note: Per disclosure dated February 21, 2017, Dogus Group and BBVA have reached an agreement for Dogus Group to transfer its shares representing 9.95% of the total issued share capital of Garanti Bank to BBVA at TL 7.95 per share. Upon corporate approvals of Dogus Group and certain other regulatory actions, completion of the transaction is expected to occur in the first half of 2017.

SHAREHOLDING STRUCTURE



Insider Holdings

The chairman, members of the Board of Directors, the CEO and the Executive Vice Presidents are allowed to own publicly-traded shares of Garanti Bank; their transactions in Garanti Bank shares are publicly disclosed pursuant to Capital Markets Board regulations.

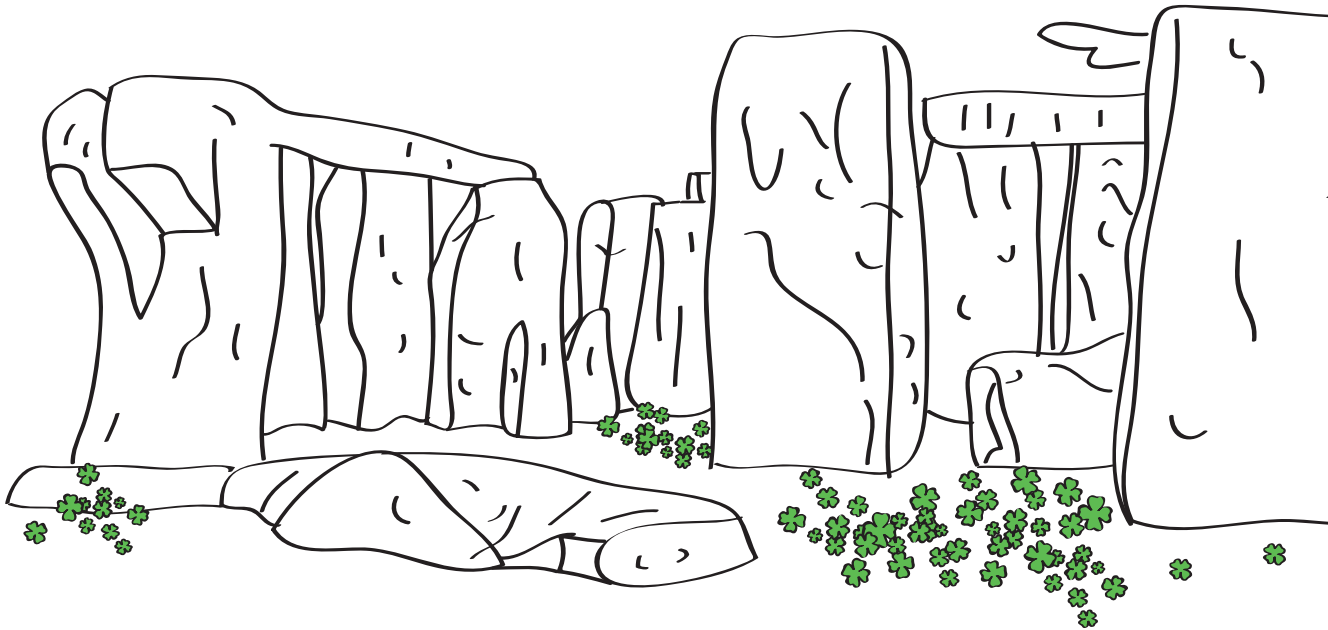
Note: Institutional shareholder and foreign individual shareholder composition data based on IPREO Shareholder ID Analysis dated January 2017; the actual free float ratio and the share of local individual shareholders are all based on Central Agency Registry Agency data.

OUR VISION

To be the best bank in Europe

OUR MISSION

To continuously and noticeably increase the value we create for our customers, shareholders, employees, the society and the environment by leveraging our effectiveness, agility and organizational efficiency.





MAIN PILLARS OF OUR STRATEGY

“OUR CUSTOMERS”

- Listen to our customers, understand their needs, satisfy them above and beyond their expectations by offering the highest service quality and innovative solutions
- Help our customers achieve their targets and make an impact on their lives
- Garanti customer satisfaction constitution

“GARANTI EMPLOYEES”

- Competent, well-educated and who value continuous progress
- Respectful of the society and the environment, pleasant, solution-oriented, enthusiastic and leader of their own tasks
- Fair, transparent, responsible and ethical banking professionals

“OUR BUSINESS MODEL”

- Leading transformation in parallel with technological and digital developments
- Backed by state-of-the-art IT infrastructure, the best and the fastest technological equipment
- Effectiveness and productivity focused efficient business model from branches to digital channels through omni-channel approach, aligned with the latest innovations of the era

OUR STRATEGIC PRIORITIES

IMPROVE CUSTOMER EXPERIENCE AND EFFECTIVELY EXPAND OUR CUSTOMER BASE

- Offer our customers an excellent customer experience by placing them at the center of all our activities and efforts
- Design our processes from our customers' perspective, vesting them in a swift, easy and plain format
- Always be clear, transparent, respectful, solution-oriented and pleasant with our customers
- Having long-lived relationships with our customers that is built on trust by enhancing their satisfaction and promoter scores

DIGITALIZATION

- Constantly invest in digital platforms so as to provide unrivaled customer experience, transaction convenience, and pioneering solution suggestions
- Expand our digital customer base and increase the share of digital channels in our sales

SUSTAINABLE GROWTH AND OPTIMAL CAPITAL UTILIZATION

- Use capital effectively so as to maximize the value to be created
- Create the highest value for our investors, stakeholders and the economy
- Focus on disciplined and sustainable growth in all business lines from retail to corporate banking on the basis of true banking principle

EFFICIENT RISK MANAGEMENT

- World-class risk measurements
- Strict adherence to solid asset quality



EFFICIENCY FOCUS

- Constantly improve business models and processes with operational efficiency point of view
- Cost and revenue synergies

EMPLOYEE HAPPINESS

- Enhance employee satisfaction and focus on employee development
- Form teams possessing team spirit, acting with shared wisdom and delivering results
- Embrace a fair and transparent management policy, based on performance and focused on promoting from within

OUR CORE VALUES

"AS A BANK AND AS BANKING PROFESSIONALS, WE ARE ETHICAL AND RESPONSIBLE"

- We are banking professionals who are transparent, clear and responsible in interactions with all stakeholders, particularly with our customers.
- We abide by corporate governance values, ethical and corporate values.
- We rigorously follow rules and regulations without compromise.
- We are aware of the impact of our personal reputation upon our corporate reputation.
- Individual and organizational clean conscience is of paramount importance.

"THE MOST IMPORTANT ELEMENT FOR US IS THE PEOPLE"

- The strength and assurance of our quality lies within our employees.
- We place emphasis on delegating responsibilities and encourage to take initiative.
- We recognize good work and exemplary behavior, and care about appreciation.
- We are highly energetic, we support each other, we share information and experience.

"WE VALUE CONTINUOUS PROGRESS"

- We aim to achieve continuous progress in our competence and quality in all aspects.
- Investing in our people and technology to achieve continuous progress is an inseparable element of our policy.
- Our approach to improve our service quality is proactive. We aim to anticipate our customers' needs and expectations and strive to provide solutions in advance.

"WE ARE AWARE OF OUR ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES"

- We minimize the environmental and social impact of the Bank's operations, products and services.
- We develop high standards for supporting social development and environmental protection paying regard to value creation for the society and the environment.
- We believe the environmental and social values Garanti creates for all stakeholders will set an example not only for the banking sector but also for the entire economy and provide significant contribution to the development of our country.

MILESTONES



1946

- Founded in Ankara.

1983

- Joined Doğuş Group, a conglomerate operating in finance, industrial and services sectors.

1990

- Went public; its shares began trading on the ISE.

1993

- First Turkish company to issue shares in international markets.

1995

- First bank to work during lunch time.
- Introduced the first Cash Management Account in Turkey (E.L.M.A.).

1996

- First private bank to launch "Business Owner Package" dedicated to support SMEs.
- First bank in Turkey to establish a dedicated Cash Management Department.

1997

- Became the first multi-branch private bank in Turkey to offer real-time online services.
- The first Turkish bank to offer internet and telephone banking together.
- Offered Turkey's first Direct Debit System.

1999

- The first bank to offer "Virtual P.O.S." system.
- Launched Turkey's first e-trade website (eticaret.garanti.com.tr)
- First bank in the world to issue trade payment rights securitization.

2000

- Introduced Bonus Card, Turkey's first chip-based and multibranded credit card.
- Introduced Shop&Miles, Turkey's first credit card that earns miles while shopping.

2001

- Merged with Ottoman Bank, another banking subsidiary of Doğuş Group.

2002

- Established Turkey's first interbank card platform with Bonus Card.

2003

- Offered Turkey's first Online Direct Debit System.

2005

- First bank in the world to offer SMS-based money transfer via CepBank.
- First Turkish company to receive the Investors in People (IIP) achievement certificate for the quality of its human resources practices.
- Turkey's first cardless bill payment and money deposit transactions through ATM.
- General Electric and Doğuş Group became equal strategic partners in Garanti Bank.

2006

- Introduced world's first flexible credit card, FlexiCard, enabling customization of all parameters including financial and visual.
- Introduced Bonus Trink, the PayPass featured credit card with contactless chip technology.
- Initiated Turkey's first bill payment service via P.O.S. machines.
- Offered "5 minute loan" service whereby the applicant receives the evaluation in 5 minutes.
- First bank in Turkey to create "paperless banking" operating environment and first bank in the world with ID scanning facilities in branches.
- The first Turkish private bank to offer "Woman Entrepreneurs Support Package".
- The only bank in Turkey with exclusive rights to issue American Express Centurion Line Cards and to accept merchants to its network.

2007

- Partnership agreement with one of the prominent insurance companies in Europe, Eureko B.V. (the Netherlands) to transfer 80% of shares in Garanti Insurance and 15% of shares in Garanti Pension.

- Launched “Garanti Discount”, Turkey’s first web-based supplier financing system.
- Launched Turkey’s first Direct Debit System with risk sharing model.
- Introduced PayPass featured Bonus Trink credit cards in the form of watch and key fob – both firsts in Europe and sticker-a first in the world.
- Introduced Environmentally Friendly Bonus Card, a first in Turkey and Europe with its features as an ecologic product such as its plastic, communication materials and donation characteristics.
- First bank in Turkey to offer web-based transactions on TurkDex (The Turkish Derivatives Exchange) via online banking.

2008

- Bought back founder share certificates, an important move toward improved corporate governance.
- Launched Turkey’s first Inventory Finance System.
- Established Turkey’s first mortgage call center, 444 EVİM.
- Launched Loan via P.O.S., commercial installment loan offered through P.O.S. system, a first in the world and in Turkey.
- Performed Turkey’s first cardless remittance via ATMs, where both parties are non-bank customers and want to transfer money.
- Founded the Teachers Academy Foundation (ÖRAV), with the aim of fostering consistent personal and professional development of teachers.

2009

- Turkey’s first bank to offer “e-government” payments.
- Introduced Money Card, Turkey’s first credit card which is multi-branded and also offers brand-specific loyalty benefits.
- Launched Turkey’s first last minute EFT service.
- Offered Western Union transactions via Internet branch as a first in the world.
- Developed Turkey’s first Gold Financing System.
- Launched DCC (Dynamic Currency Conversion) P.O.S. enabling foreign card holders to pay in their own currencies.
- Started calculating its greenhouse gas emissions.

2010

- Established the Sustainability Committee.
- Submitted its greenhouse gas emissions and climate change strategy to the Carbon Disclosure Project (CDP) .
- Introduced another first in Turkey by performing Western Union transactions through ATMs.
- Launched the world’s first NFC (Near Field Communication) payment enabled SIM card “Bonuslu Avea”.

- Joined Global Banking Alliance For Women, the largest network of banks offering service to small and medium-sized business owner women, as the first and only member from Turkey.

2011

- Banco Bilbao Vizcaya Argentaria (BBVA) and Doğuş Group became equal strategic partners in Garanti Bank, through BBVA’s acquisition of shares from GE Capital Corporation and Doğuş Holding A.Ş.
- Sold its 20% shareholding in Eureko Insurance to Eureko B.V. by exercising its put option.
- Joined UNEP FI (The United Nations Environment Programme Finance Initiative).
- SALT was established to provide long-lasting support to culture and experimental thinking in Turkey.
- Entered the Carbon Disclosure Project (CDP) Global 500 Report 2011, a global reporting system on climate change.
- Became the first private enterprise to issue the longest tenor Eurobond in Turkey.
- Provided Turkey’s first TL-denominated long-term project finance facility.
- Introduced Cep-T Paracard in collaboration with Turkcell and MasterCard, Turkey’s first prepaid card.

2012

- Set up its Environmental Management System and Environmental Policy.
- Signed up to the United Nations Global Compact.
- Became the first bank in Turkey to become a member of the Turkish Business Council for Sustainable Development (TBCSD).
- Introduced Garanti Link which offers special campaigns to social media users as a first in Turkey.
- Introduced Net Account as a first in Turkey which offers a variety of returns based on income, saving capability and habits, and with regard to opening dates and regular payment amounts.

MILESTONES

- Established sector's first Auto Loan Support Line; 444OTOM.
- Became the first bank in Turkey to apply Call Steering, apprehending the request expressed by the customer and directing them to the related task point.
- Launched world's first banking application for Windows 8.
- In partnership with Shell, introduced Shell Partner Card as a first in Turkey to combine cash and fuel management in a single card.
- Introduced Turkey's first contactless SME specific credit card, Easy Card.
- Introduced Takas Kart (Barter Card) that enables the automation of cash flow between dairy industries, milk cooperatives, and milk producers through merging the means of exchange with technology on a plastic card.
- First Bank in the world to offer web-based solution to the working capital needs of car dealers for the purchase of second hand cars via Exchange Finance.

2013

- Provider of the highest-amount loan with the longest maturity in the world under the DPR (Diversified Payment Rights) securitization program.
- Issuer of the longest-maturity in Turkey under the Medium Term Note Program, and the first Turkish issuer of notes denominated in euro, Czech koruna, Romanian leu, Swiss franc and Australian dollar.
- Launched the first mobile contactless payment in the world for Mastercard and Visa users in collaboration with Turkcell.
- Established a long-term loyalty program aimed at real estate agents with the program "Garanti Mortgage Secures Retirement for Real Estate Agents", a first in Turkey.
- Became the first bank to launch a website dedicated to providing information on urban transformation at www.kentseldonusumcevaplari.com.
- Successfully led and finalized the financing of the first big-ticket electricity generation privatization.
- Began receiving general-purpose loan applications with the secure form made available on Facebook, a first in the world.
- Became the first Turkish bank to enable Money transfers via Facebook and Twitter. This represents the launch of social platform-compatible version of CepBank.
- Took digital transaction banking one step further and introduced iGaranti, a service embedded into the lives of people, which signifies a first in the mobile world.
- Became the first Turkish bank to have a presence on all of the leading platforms with the Mobile Phone Branch.
- Became the first Turkish bank to set up new branches with a Disabled-Friendly Banking approach.
- Boasts being the first Turkish bank to be assigned an A level for its Sustainability Report by GRI (Global Reporting Initiative).

2014

- The first Turkish issuer of notes denominated in Japanese Yen under the Medium Term Note program.
- Qualified for the Borsa Istanbul Sustainability Index with its sustainability approach and performance based on environmental, governance and social criteria.
- The first Turkish bank to release its Sustainability Report in accordance with the "comprehensive" option according to the GRI's new G4 Sustainability Reporting Guidelines.
- The first Turkish bank to receive a Green Office Diploma from WWF Turkey upon successful completion of the WWF Green Office Programme at its Head Office building.
- Named "CDP 2014 Turkey Climate Disclosure Leader" by getting the highest score among the 42 companies evaluated in the CDP's "Turkey Carbon Disclosure Leadership Index".
- The first Turkish bank to sign the Women's Empowerment Principles launched by the United Nations.
- Received limited assurance for GHG emissions for the first time in the fifth submission of its GHG emissions and climate change strategy to the CDP.
- The first in the world in the use of banking products/services on social media with the application forms received via Facebook, "Sigortam Garanti'de" (Insurance at Garanti), "Emekli Maaşım Garanti'de" (Pension at Garanti) and "Garanti ile NET Birikimler" (Net Savings with Garanti).
- The first bank in Turkey offering payment services via garanti.com.tr using Garanti Bank cards for Bill Payments, Government/ Tax Payments and GSM top-ups.
- The first bank in Turkey that enables loan applications received via any channel to be finalized on the Internet Banking.
- iGaranti Glass application became the world's first financial application developed for Google Glass.
- Integrated the Beacon technology, which offers a unique shopping experience by communicating with nearby devices, into banking via iGaranti.

- Launched a groundbreaking initiative with the Voice Control feature developed by iGaranti, which allows users to transfer money to the accounts of people in their social networks by voice, as well as browsing within the application.
- International Finance Corporation (IFC) published a report evaluating Garanti's model of supporting women entrepreneurs and its efforts in this field, which is referenced as a case study in the international arena.

2015

- The only Turkish company to qualify for the Dow Jones Sustainability Emerging Markets Index.
- First Turkish bank to become a signatory to the "Caring for Climate (C4C)" and "Business Leadership Criteria on Carbon Pricing" initiatives.
- First Turkish company to join the A-list, top performers group, in the CDP Climate Change Program and to qualify to be included in the "CDP Global Leaders Report".
- Supported and collaborated with Sabancı University Corporate Governance Forum of Turkey for the launch of CDP's Water Program.
- Released its first CDP Water Report and became one of the first 15 companies responding to the CDP Water Program in Turkey.
- One and only Turkish bank to declare its "Climate Change Action Plan" in 2015, recognizing the urgency of Turkey's transition to low-carbon economy.
- First bank to set up the Covered Bond Program allowing TL and FC issuances.
- First bank enabling preliminary auto loan applications via Facebook with the Automik app developed on this social network.
- Broke new ground in Turkey by offering banking service via WhatsApp by providing Branch/Paramatik ATM addresses and real-time market data.
- Authored a first among large-scale banks in Turkey by introducing "iPad Banking Application" enabling Customer Relationship Managers in branches to offer service to customers from outside the branches as well.
- First Turkish bank to join the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) Business Hub.
- First bank from Turkey to join WeConnect International, a global platform established to incorporate women-owned businesses in the supply chain.
- First private bank to be integrated into the Farmer Registration System database of the Ministry of Food, Agriculture and Livestock and to perform online queries.
- Authored a first in Turkey by initiating iTunes Code sales from Internet Banking and Mobile Banking platforms.
- First in Turkey to add money withdrawal with QR code feature to the login page preceding the password field in Mobile Banking so as to permit money withdrawal from an ATM without logging in.
- Launched BonusFlash, a first in the credit card sector. Giving

access to all cards and a large number of transactions unavailable on mobile applications until then from a single platform, BonusFlash also analyzes spending habits and sends Push notifications regarding the campaigns that best suit the customers.

- Introduced Turkey's first Occupational Health and Safety software and rolled it out in all of its locations.
- The first Turkish bank to finance an infrastructure investment in Turkey with a subordinated junior loan.



2016

- Once again placed in the top performers group A-list, and became the only company from Turkey to receive the CDP Climate Performance Leadership Award for two consecutive years.
- As a result of its reporting to the 2016 CDP Water Program, placed in the A band and became the top performing company in Turkey.
- Launched GarantiPartners Venture Base under the entrepreneurship acceleration program.
- Launched GarantiOne, the application developed for users in between the ages 18-25.
- In order to reduce branch density and customer waiting times; Garanti Mobile Branch was enhanced to include appointment set-up, queue number, ticket operations and branch density map features
- Offered Mobile Transaction Assistant (MIA) in Garanti Mobile Branch enabling voice commands.
- Became the first bank from Turkey to launch the Mobile Video Loan Application feature, which enabled Garanti Mobile Branch customers to talk face-to-face to with loan consultants.
- Implemented an e-invoice feature on Garanti Corporate Internet Branch and became the leading bank to enable customers to track, manage and pay all e-invoices.
- The first issuer from Turkey to issue notes denominated in Turkish Lira under the Medium Term Note program.
- Signed the largest loan agreement China Exim Bank provided to a bank in Turkey.
- Completed a leading project in Turkey by analyzing the community investment areas and their impact with a global social impact assessment methodology and by revealing the outputs with financial data.

SUSTAINABILITY

SUSTAINABILITY POLICY

To strengthen its vision to be the best bank in Europe, and its mission of increasing the value it creates for customers, shareholders, employees, the society and the environment by leveraging its effectiveness , agility and organizational efficiency, Garanti Bank acknowledges the importance of conducting its business activities in a responsible manner, and aims through this Policy Statement to ascertain the guiding principles for its Sustainability strategy and efforts. The principles support Garanti Bank in effectively defining and addressing material sustainability risks and opportunities facing the Bank in Turkey. This Policy Statement, covering the Bank’s business activities in Turkey, has been developed in line with the corporate regulations and legislations, and is entered into effect by a prior approval of the Board of Directors.

Overall Sustainability Vision

Sustainability issues are gaining importance within the Turkish society, and are increasingly impacting the banking sector. Garanti Bank strongly believes that operating sustainably is a key driver to the long-term success of the Bank, and aims to be the leader in introducing and implementing sustainable banking to Turkey.

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 Bank aspires to achieve its aim of sustainable banking through technological innovations, managing the environmental footprint of its operations and developing sound environmental & social risk assessment as part of its risk management framework. The Bank also recognizes the importance of an effective organizational structure and strong corporate governance to maintain ongoing development and successfully deliver its sustainability objectives. Furthermore, Garanti Bank is aware of the need to collaborate and engage with its peers and suppliers on a global level to identify new opportunities, capture emerging best practices and products and remain a sustainability leader in Turkey.

Responsibility for Sustainability Policy Framework

The Board of Directors is authorized and responsible to approve the Sustainability Policy. The monitoring, amendment, improvement, implementation and enforcement of the Policy is under direct responsibility of the Sustainability Committee. All changes and amendments should be subsequently approved by the Board of Directors, then published internally and made public through the Bank’s website.

SUSTAINABILITY STRATEGY

With its sustainability strategy, Garanti Bank acknowledges the importance of conducting its business activities in a responsible manner and further strengthens its mission of increasing the value it creates for its stakeholders. Garanti Bank's strategic priorities are:

Corporate & Commercial Customers

Advise our corporate clients to help them make their businesses more sustainable

Extend E&S risk framework and management systems across the bank, local and international subsidiaries

SME & Retail Customers

Strengthen the financial capacity of Turkish women by providing them financial education and access to our products and services

Support financial planning and health of our retail clients

Develop innovative sustainable financial products linked to material issues for society and Garanti

Stakeholders

Develop and implement a financial education program

Engage with stakeholders and build partnership

Support philanthropic programs with a focus on material issues for society

Sustainability Principles

Garanti Bank focuses on improving the basics of banking by integrating sustainability into its operations through the following principles.

Focusing on Customers through Sustainable Finance

- Introduce new practices to Turkey that go beyond common practices and compliance to relevant national laws and regulations;
- Enhance E&S risk processes across the Bank and its subsidiaries to minimize the negative impact of lending and investment activities;
- Educate customers on Sustainability and become a trusted advisor in supporting and facilitating customers to minimize their own footprint;
- Develop products and services that help catalyze the transition towards a more sustainable economy, increase financial inclusion and commit to ethical marketing and selling.

Page 93

Focusing on Communities

- Invest in communities through direct contributions and development of mutually beneficial partnerships;
- Build on Garanti Bank's current philanthropy and sponsoring activities to further increase the wellbeing and lifestyle of Turkish communities.

Page 95

Focusing on Managing Environmental Impact of Operations

- Measure and monitor the Bank's environmental footprint, and implement measures to increase resource and energy efficiencies;
- Set targets to reduce emissions and resource usage in targeted areas and increase cost-effectiveness;
- Work closely with suppliers to benefit from the latest environmentally friendly solutions and expand sustainability across the supply chain.

Page 94

Focusing on Human Resources

- Monitor employee satisfaction and ensure a fair remuneration and benefits scheme at all seniority levels;
- Continuously educate employees and proactively engage them to develop and implement sustainable initiatives in their day-to-day activities, both at and outside work.

Page 97

Focusing on Stakeholders

- Liaise and engage with different stakeholders at the national and international levels to follow the latest developments and include their views into decision-making processes;
- Play an active role in increasing financial education and sustainability awareness within Turkish society;
- Report transparently on issues material for the Bank and its major stakeholders.

Page 96

Focusing on Corporate Sustainability Governance

- Adopt an effective governance structure to develop, implement and monitor sustainability actions within the Bank;
- Integrate sustainable banking into Garanti Bank's operations in line with the bank identity and culture.

Page 97



To reach its strategic priorities, Garanti Bank emphasizes on:

Governance to enhance integration of sustainability within the Bank;
HR to enhance employees' knowledge and life style and its
Environmental Footprint to enhance operational efficiency.

Through this strategy, Garanti Bank aims to create a positive impact on:

**The Business World,
Financial System,
Communities and
Individuals.**

GARANTI'S COMPETITIVE ADVANTAGES

DYNAMIC HUMAN RESOURCES CAPABLE OF MAKING A DIFFERENCE

- HR policies targeted at employee satisfaction
- Awarded talent programs
- ~21,000 employee suggestion & ideas collected
- 88% of employees are university graduates
- First company from Turkey to earn the "Gold Certificate" from Investors in People (IIP) for the second time
- 36 hours/employee training per annum
- 113,000 hours of trainings are delivered through technological methods

STATE-OF-THE-ART TECHNOLOGY

- Business-integrated IT
- Fully in-house developed, custom-fit IT solutions
- Uninterrupted transaction capability and infrastructure security
- Dynamic and advanced technology enabling quick customer service time
- Reputation as "innovator"
- Continuous investment in technology since 90s

INNOVATIVE CUSTOMER-ORIENTED PRODUCTS AND SERVICES

- Differentiating with innovative, flexible and custom-tailored solutions
- Blending customer needs and tendencies with evolving trends
- Conducting market research and listening to customers
- Encouraging employees to share their suggestion and innovative ideas

BEST CUSTOMER RELATIONSHIP MANAGEMENT SOLUTIONS

- Systems enabling profitability & propensity analysis and product development
- Sophisticated segmentation systems
- Multi-channel CRM tools offering effective & timely solutions
- Operational efficiency, sales effectiveness and digitalization
- Making a difference in customer experience with smart business processes

STRONG BRAND AND REPUTATION

- Customer centricity measured periodically via Customer Centricity Index based on quantitative parameters
- Consistent communication and corporate responsibility projects continuously contribute to brand perception
- Wholistic reputation management approach and strong reputation index
- Customers define Garanti as "leader in technology, innovative and offers appropriate solutions"

EXCEPTIONAL DATA WAREHOUSING AND MANAGEMENT REPORTING (MR)

- Centralized MR, enabling management to take timely actions
- Proactive business support in the decision-making process
- One of the best practices in Turkish market in terms of data consistency, reliability and report generation efficiency
- Reports generating significant inputs for Asset Liability Management process

CENTRALIZED OPERATIONS

- First bank to set up centralized operations in Turkey
- 99% centralization ratio
- Warehousing all data electronically
- First bank in Turkey to create "paperless banking" operating environment
- First bank in the world to implement ID scanning facilities in branches
- Alleviating branches' operational workloads through effective use of technology
- Best in class operational efficiencies and superior employee productivity

SINGLE POINT OF CONTACT FOR ALL FINANCIAL NEEDS

- International banking operations in the Netherlands and Romania since 1990s
- Leading position in bancassurance
- 23 out of 100 new pension participants in Turkey choose Garanti
- Fastest mortgage process in the world by granting within the same day of application as long as the appraisal report is ready
- Leading position with TL 14 billion factoring volume and total assets of TL 2.9 billion
- Leading position in leasing sector with more than 2,800 contracts
- Turkey's first asset management company
- Strong presence in capital markets with 8% brokerage market share and over 10% in the futures market

EXTENSIVE BRANCH NETWORK

- 100% Geographical Coverage
- Presence in 81 cities
- Tripled branch network since 2002
- 58% of branch openings since 2005 are outside of Istanbul, Ankara and Izmir
- Highest per branch efficiency by loans, customer deposits and ordinary banking income

OMNI-CHANNEL CONVENIENCE WITH SEAMLESS EXPERIENCE ACROSS ALL CHANNELS

- 92% of non-cash financial transactions occur via digital channels
- Offering solutions based on tendencies and location, Bonus Flaş: nearly 3 million downloads within the first year of its launch
- Leading position in internet & mobile banking
- First bank to provide applications in all major operating platforms
- 4,825 ATMs facilitating >200 transactions
- Leading financial call center with more than 72 million customer contacts per year
- Offering personalized financial management services
- 1 out of every 4 transactions handled via digital channels in Turkey go through "Garanti"



GARANTI WITH NUMBERS

BRANCHES

971

983

1,005

1,001

936

ATMs

4,825

4,504

4,152

4,003

3,508



NUMBER OF EMPLOYEES

19,689

19,692

19,036

18,738

17,285



TOTAL CUSTOMERS

14,615,584

13,863,933

13,075,181

12,400,077

11,724,760

MOBILE BANKING CUSTOMERS**

3,682,950

2,504,845

1,547,579

842,191

439,634

INTERNET BANKING CUSTOMERS**

4,878,893

3,856,176

3,264,206

2,655,303

2,367,473



DEBIT CARDS

8,930,780

8,640,478

8,020,023

7,350,311

7,014,706

CREDIT CARDS

9,792,199

9,706,572

9,374,003

9,302,545

9,088,470

POS*

635,865

600,989

541,012

534,148

501,919

2016

2015

2014

2013

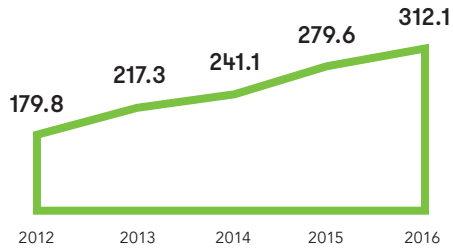
2012

* Includes shared and virtual POS

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

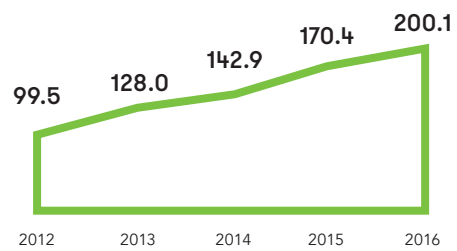
ASSETS

(TL Billion)



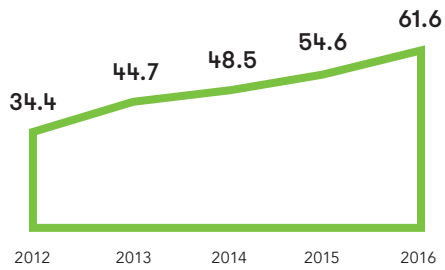
PERFORMING CASH LOANS

(TL Billion)



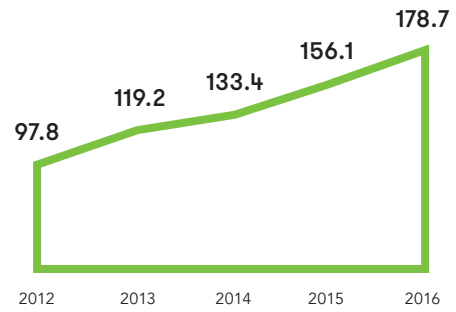
CONSUMER LOANS

(TL Billion)



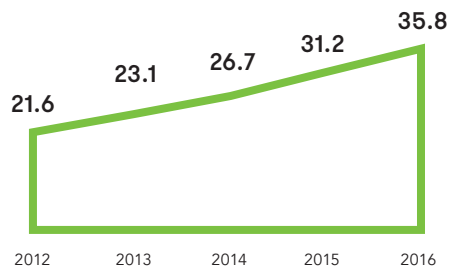
DEPOSITS

(TL Billion)



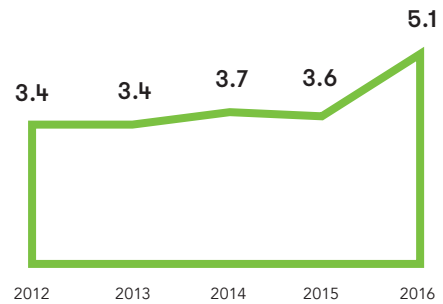
SHAREHOLDERS' EQUITY

(TL Billion)



NET INCOME

(TL Billion)





“MAY YOU HAVE A PROSPEROUS DAY”

HAVING HIS OR HER OWN BUSINESS IS THE DREAM OF MANY... BEING THE ‘GUARANTEE OF SMEs’ AND ‘FUTURE GUARANTEE OF TRADESMEN’, GARANTI IS THE BIGGEST SUPPORTER OF THOSE WHO MAKE THAT DREAM COME TRUE.

BESIDES OFFERING A BROAD PRODUCT RANGE FULFILLING THE NEEDS OF THE SMEs, TRADESMEN AND NEW BUSINESS OWNERS ENGAGED IN VARIOUS SECTORS, GARANTI, WITH A FOCUS ON EFFICIENT GROWTH, CARRIES SMEs TO THE FUTURE WITH ITS INNOVATIVE APPROACH. GARANTI WALKS BY YOUR SIDE NOT ONLY WHEN YOU SET UP YOUR BUSINESS, BUT ALSO AS YOU MOVE AHEAD, THROUGH GOOD DAYS AND BAD! COMMERCIAL INSTALLMENT LOANS GARANTI DISBURSED TO SMALL AND MEDIUM-SIZED ENTERPRISES WENT UP BY 28% DURING 2016.

2016 OVERVIEW & 2017 OUTLOOK



2016 MACROECONOMIC OVERVIEW



A ROUGH YEAR

2016 saw the precursors of a series of conjunctural changes in the world and national economy, whose effects will become more evident in 2017. While the growth in the world economy remained almost flat, the inflation took an upturn around the globe, driven by oil prices that got stronger particularly in the second half of the year. This drove capital inflows to developed countries, while leading emerging countries like Turkey to live through a rough year owing to the specific risks entailed.

FLAT GLOBAL GROWTH

At the onset of 2016, the US Federal Reserve (the Fed) finally started hiking rates; however, the ensuing concerns that the structural transformation of the Chinese economy would end up in a slowdown that would be highly above the anticipations, the poor data from the US and the Brexit referendum for the UK to leave European Union pushed concerns over global growth in the first half of the year. This led developed economy central banks such as the European Central Bank (ECB) and The Bank of Japan (BoJ) to take further expansionary steps and to carry on with their supportive monetary policies. Hence, the optimism that resulted from the anticipated high global liquidity prompted capital flows in favor of emerging economies.

In the second half of the year, growth concerns were eased with the good data coming from the US and China, combined with the expectation that the Brexit would extend over a long period of time, while the US presidential election gained the forefront. The upturn in oil prices and Trump's US election win brought along a series of changes and volatilities. In this sense, the global economy is undergoing the start of a new conjunctural change. In particular, inflation projections that got higher in the US since end-September, which were further strengthened following the outcome of the Presidential election, caused remarkable rises in bond prices in developed countries. This triggered the reversal of the risk appetite, which was in favor of emerging economies in the first half of the year in general, along with capital outflows from these countries. While these developments are not expected to have a significant effect on the Fed's policy decisions, the Fed increased the interest rates once again by 25 basis points after a one-year gap. The Fed released projections implying at a tighter interest rate path in 2017, which resulted in the expectation that there may be three rate hikes instead of two during the course of the year.

In the period ahead, the rise in oil prices that is supported by the low base effect and anticipated to become more marked with the OPEC decision to cut production, coupled with growth and budget deficits that will gain speed with the possible economic policies to be introduced in the Trump era, could accelerate inflation and keep bond rates high in the US. This is likely to weigh upon Turkey's risk premiums, as it will affect the risk appetite towards emerging economies.

THE TURKISH ECONOMY LEFT A TOUGH YEAR BEHIND

In 2016, the Turkish economy remained resilient in spite of the deteriorated risk perception towards emerging economies in the second half of the year and although it was negatively decoupled from other emerging economies owing to political and geopolitical developments. In the case of Turkey, the events that followed the July incident instigated negative decoupling for Turkish financial assets and the depreciation of the Turkish currency gained speed in this period.

One of the most noteworthy events of last year was the revision in the national accounts data. Turkish Statistical Institute (TurkStat) made the revision at the time of its publication of the third quarter data on December 12th. As a result, real growth rate for the period from 2010 through 2015 was revised from 5.2% to 7.4% after the global crisis. The rise in value-added was largely observed in the upward revision to the investments item, while the sectorial production details revealed higher contributions rather in services and construction industries. As the first-half growth rate for 2016 was revised from 3.9% to 4.5% in the new series, the third quarter saw an annual contraction for the first time since 2009, which was 1.8%. At the last quarter, a limited recovery started, driven by the measures adopted by the economy administration.

Thanks to supportive incentives, there has been a momentum particularly in consumer loans. The public sector also increased its expenditures, sustaining its support to the economy. On the other hand, merely moderate recuperation in the industrial production in the October-November period, the weak consumer and real sector confidence, and the manufacturing industry PMI that still lagged below the 50-threshold indicated that the recovery in the fourth quarter was somewhere between weak to moderate.

On the inflation front, although the annual inflation went down to 7% in November due to weak food prices; exchange rate pass-through on import prices, higher energy prices and increased taxes levied on passenger car and alcohol/tobacco prices prevailed the effect created by weak demand conditions, and drove the inflation quickly to 8.5% at the end of the year. At year-end 2015, inflation rate was 8.8%. Remaining high, the inflation further worsened long-term expectations and made inflation rigidity even clearer.

In terms of external balance, after declining to USD 32,3 billion (3.8% of national income) at end-2015, the 12-month cumulative current deficit went up to USD 33,7 billion in November 2016 despite weak domestic demand countered by external factors. The current deficit will probably close the year around this level. Increased oil prices and the currently ongoing shrinking contribution from the services balance acted as external factors and caused the current deficit to pick up.

CONTINUED VOLATILITY IN FINANCIAL MARKETS

Backed also by the rapidly declining inflation led by food prices, the Central Bank of the Republic of Turkey (CBRT) introduced the simplification steps in relation to the monetary policy as of March, which it had announced in August 2015. In this frame, the upper band of the interest rate corridor was reduced by 250 basis points from 10.75% to 8.25% in the March-September period. This way, the CBRT pulled the average funding cost to 7.8% in September, leaving the one-week repo rate intact, which had reached 9% at the onset of the year. However, the CBRT later halted rate cuts in October due to the depreciation in TL and increased volatility, and increased the one-week repo rate by 50 basis points and the upper band by 25 basis points in a surprise move for the markets in November. Hence, the CBRT carried its average funding cost to the order of 8.3% at the end of 2016.

The developments in the world economy and the CBRT's actions have been decisive on the market interest rates. After starting the year around 11%, two-year benchmark bond rate dropped to below 9% at the end of June, backed by the worldwide optimism in the first half of the year. However, the globally higher inflation projections that drove the interest rates in developed countries upwards from the dip they had descended to, and increased emerging market risk premiums. Accordingly, the benchmark rate closed the year at 10.7%. On the other hand, the Turkish lira depreciated by 11% on average against the US dollar and the EUR-USD currency basket throughout the year. The loss was even sharper on the basis of year-end figures. TL closed the year at 3.52 against the US Dollar, depreciating 21% compared to end-2015.

LIMITED DETERIORATION IN BUDGET AND DEBT STOCK FIGURES

In a year of continued high tax and non-tax revenues performance, the realizations of the central government budget turned out to be more positive than the targets in the Medium Term Plan (MTP). Although the ratio of the central government budget deficit to the GDP showed limited deterioration from 1.0% at the end of 2015 to 1.1%, the decline in the ratio of primary surplus to the GDP was more pronounced (YE2015: 1.3%; YE2016: 0.8%). On the other hand, the ratio of EU-defined public debt stock to the GDP remained almost flat with its YE2015 value, and stood at 27.4% in the third quarter of 2016. The ratio was 27.5% at the end of 2015.

LETTER FROM THE CHAIRMAN

Dear Stakeholders,

Uncertainties and risks increased due to unforeseen developments in main advanced countries in 2016, while global economic activity had already been ongoing at a slow pace.

In addition to the impact of global financial developments on emerging markets, 2016 was not a stable year for Turkey due also to geopolitical risks and uncertainties. I believe that 2017 will be much better for the Turkish economy thanks to the banking sector with strong fundamentals, sound public financial indicators and vibrant private sector.

As one of the leading and most innovative players of the Turkish financial sector, Garanti Bank had a successful performance in such a challenging year. We over-performed many of our targets in 2016 with our strong equity capital, asset quality, diversified distribution channels and digital banking infrastructure.

Despite the challenging developments in international markets, we successfully supported our resources with external financing operations. In a context in which supporting the economy became crucial, we continued to expand our credit portfolio without losing momentum and provide financing to the real sector as much as possible.

Garanti Bank seeks to further reinforce its leader position in the Turkish banking sector with qualified human resources, unparalleled technological infrastructure, customer-oriented service provision approach and innovative products and services.

Last year, our focus was not only on supporting the economy. We also continued our activities based on the principle of "giving back to society". We will move forward in line with our sensitivity to contribute to education, sports, arts-culture and environment.



Garanti Bank will sustain its hard work and strong performance with the invaluable experience of the BBVA.

Taking this opportunity, I would like to thank first and foremost my devoted colleagues as well as our esteemed clients, shareholders, and all other partners for their continuous support and confidence.

Sincerely,

Ferit F. Şahenk
Chairman

Dear Stakeholders,

2016 was defined by the prevailing uncertainties in global economies and had a busy agenda due to political developments. The UK referendum on leaving the European Union and the US presidential elections were the key events affecting the global markets and emerging economies including Turkey.

Despite increasing volatility in the global economy as well as unexpected events and challenging conditions in Turkey, Turkish economy and banking sector overcame the difficulties and sustained their solid position on the back of strong fundamentals.

As Garanti Bank, we have successfully completed this rough year with our solid balance sheet structure, leading capital, asset quality and liquidity indicators. We have outperformed our targets in many areas. However, for us, the most critical achievement this year was to sustain our uninterrupted support to the economy. We continued to stand by our retail customers whenever they need us and preserved our position as Turkey's leading consumer bank. TL corporate loans remained as a strategic focus for us. With the help of close relationships we have established with our SME customers, we kept working not just as their bank, but also as their business partners. As a consequence of all these factors, in 2016 we surpassed TL 256 billion in total cash and non-cash loans with an 11.8% market share.

As always, we are building our growth strategy on prioritizing risk-return balance. Our NPL ratio was registered as 2.8%, thus maintaining a level below the sector's average. We are ending the year as the strongest bank in the sector in terms of solvency ratios. We are in a position to support consistent growth with our solid capital base.

On the funding side, deposits continued to be the main funding source. We increased our TL customer deposit base by 17% in line with the sector. More importantly, we have achieved 22% growth in our demand deposit base, which indicates our stance as the preferred bank of customers. Demand deposits currently make up nearly one fourth of our deposits. Besides deposits, we have actively tapped alternative funding sources while managing our costs. We have become the first bank in the sector to roll over the



syndicated loan facility by 100% in the second half of the year, with the participation of 34 banks from 15 countries, and proved our success in international markets once again.

In line with our strategic priorities, we consistently worked also in 2016 to further improve the customers' experience and to be alongside our customers in all financial decisions they make. We constantly develop and transform ourselves initiatives to ensure that our customers can benefit the most from the opportunities digital era has to offer. In addition to making all our existing products available also on digital channels, we are introducing products and services specifically designed for digital channels to guarantee an excellent customer experience. As a result of our visionary investments, today we manage Turkey's largest digital customer base with close to 5 million digital customers. There is nothing coincidental about the fact that one out of every four transactions handled via digital channels in Turkey goes through "Garanti".

In addition to our support to the economy, we continued to be involved in projects that add real value to the society and the environment.

LETTER FROM THE CEO

The total amount of financing we have provided for renewable energy investments reached USD 4.8 billion by the end of 2016. On the wind energy financing, we are by far the leader with 32% market share in Turkey's installed wind power capacity. On the other hand, we are actively supporting the efforts against climate change through our products designed to encourage efficient use of water.

We succeeded to be listed in CDP Global A-list, the top group in the CDP rankings among companies disclosing their climate change strategies using the CDP platform. Being the first company in Turkey to be named in the list for two consecutive years, we have also taken our place among "2016 CDP Climate Leaders". Once again in 2016, we were the only company from Turkey qualified to be included in the Dow Jones Sustainability Emerging Markets Index. In addition to all these, we have authored another important achievement and we have been included in the FTSE4GOOD Emerging Index that made its debut in 2016.

In 2016, we have celebrated the 10th anniversary of our initiatives focused on woman entrepreneurship, which were unprecedented at the time of their inception. We keep standing by the women entrepreneurs in our country with the Women Entrepreneurs Meetings, co-organized with KAGIDER (Women Entrepreneurs Association of Turkey) since 2008, Women Entrepreneurs Executive School held in collaboration with BUYEM (Boğaziçi University Lifelong Learning Center), as well as Turkey's Woman Entrepreneur Competition organized in cooperation with the Ekonomist magazine and KAGIDER.

In addition to numerous practices and initiatives we have developed to empower women socially and economically, our projects in human resources, and studies carried out with the customers and the society for gender equality made us the first and only company from Turkey to qualify for the Bloomberg Financial Services Gender-Equality Index.

In June 2016, we have launched GarantiPartners Entrepreneurship Base to help flourish the entrepreneurial ecosystem in Turkey. To date, the program received nearly 1,500 applications from entrepreneurs, and so far, we have added 14 projects in GarantiPartners portfolio and accelerated them.

As Garanti, we are driven by the strategy of creating permanent value for the community and real benefit for our stakeholders in all corporate social responsibility projects we carry out. Within this context, education has long been at the top of the topics of utmost importance for us. Aiming to support the professional and personal development of our teachers and contributing to the implementation of an education system that encourages thinking, inquiring and researching; ÖRAV, the Teachers' Academy Foundation we have set up in 2008, offered training to almost 140 thousand teachers assigned all over Turkey in the eight years since its inception. Through these teachers, ÖRAV lit the way for 8 million students and supported their development.

Through "Math-Science Learning with Fun", a collaborative project with the Educational Volunteers of Turkey (TEGV), we are targeting to build core math and science knowledge and skills of nearly 100,000 primary school students over the course of 3.5 years, and thus contribute to raising generations with scientific thinking and problem solving skills.

In 2016, under the roof of SALT, our gift to Turkey's cultural and intellectual life, 75 exhibitions were hosted at SALT Galata and SALT Ulus, which altogether attracted 1.8 million art lovers. On the other hand, we hosted over 30 thousand music enthusiasts in 50 concerts organized in 2016 within the framework of our "Garanti Jazz Green" sponsorship that has been ongoing for 19 years with the motive of sharing jazz music with large audiences.

Sports and basketball continued to be another field that we proudly support. We have been the main sponsor of the Turkish National Men's Basketball Team since 2001 and Turkish National Women's Basketball Team since 2005. A total of 55 thousand students received basketball training in 81 centers at the 12 Giant Men Basketball Schools that we have been supporting since 2002. In 2016, more than 4,000 junior athletes trained in these schools.

Being a leading institution in Turkey, we acknowledge our responsibilities with respect to the economic advancement of our country and our contributions to the community, and we continue to act by this awareness. In the year ahead, we will continue offering the best experience to our customers by placing them at the focus of all our activities, creating the highest value for all our stakeholders, and investing for happier Garanti customers and employees.

Sincerely,



Ali Fuat Erbil
President & CEO

2017 OUTLOOK

In 2016, risk perception towards emerging economies deteriorated in the second half of the year, while the Turkish economy was negatively decoupled from the other emerging economies due to political and geopolitical events. Despite all these adverse developments, Turkey's macroeconomic indicators remained resilient and the Turkish banking industry preserved its strong dynamics.

In 2017, asset growth of Garanti Bank is expected to remain loan-driven. Total loans are anticipated to have a moderate growth of ~11% and growth is expected to be led by TL loans. TL loans are expected to be ~15%. TL lending growth is expected to continue to be driven by business loans while moderate growth in consumer loans is also expected to be supportive. In 2017, FC loans are anticipated to record a limited growth. Particularly loans to Public-Private Partnership (PPP) projects in the renewable energy and construction industries are expected to support this growth.

In 2017, Garanti Bank will continue to actively shape its fund mix in order to manage maturity mismatch and optimize its funding costs. While deposits will make the larger part of the funding base, focus on deposits growth will remain on sticky, low-cost mass deposits. The share of retail and SME deposits in total TL deposits is intended to reach 83%, and the share of customer demand deposits in total customer deposits is aimed to be preserved at its high level of 22%. Besides deposits, Garanti will keep utilizing alternative funding resources. The Bank will observe repo and interbank money market borrowing opportunities, and will continue to utilize long-term overseas funding facilities depending on market conditions, and thus keep strengthening its FC funding profile. In this context, utilization of syndications and securitizations will be supportive.

In 2017, Garanti targets to preserve its asset quality via its proactive and consistent approach to risk management. New NPL inflows are anticipated to be flattish on top of its high base in 2016. On the other hand, collections are presumed to rise above 15% year-over-year. The NPL ratio is expected to be 3.0%, slightly above its 2016 level. Total coverage ratio (special and general provisions) is projected to be 142%. In addition, free provisions of about TL 300 million will be maintained as a buffer against volatile market conditions.

In the year coming, cumulative net interest margin including swap costs will be preserved on the back of dynamic assets-liabilities management. While growth focus will remain on sticky and low-cost mass deposits, funding composition will be actively managed through utilization of alternative funding instruments and swaps. Furthermore, disciplined loan pricing will be maintained. CPI-linkers will continue to provide hedging against inflationist pressures.

Double-digit growth momentum reached in 2016 will be maintained on the net fees and commissions income front, and around 10% growth will be attained. This will allow Garanti to preserve the highest net fees and commissions income base that it possesses. Net fees and commissions income will be backed by diversified businesses. Payment systems commissions, cash loans, insurance commissions and money transfers will make up areas of growth to gain the forefront in 2017. Another target is to secure 30% share for sales via digital channels within total sales.

It is estimated that the operating expenses of Garanti will increase by 6% in 2017. Costs/Income Ratio will improve by around 1.5 points on top of the remarkable improvement in 2016. In addition, Operating Expenses/Average Assets Ratio is anticipated to improve by nearly 10 points over 2016.

2017 will likely see continued volatilities in national and global markets. Despite challenging market conditions, Garanti is targeting to sign its name under new success stories drawing on its differentiated dynamic business model and its strategies targeted at sustainable profitability. In 2017, return on average equity is expected to be in the range of 15.5-16% level whereas return on average assets is expected to be ~2%.



EXPECTATIONS REGARDING THE GROUP IN 2017

Garanti operates as an integrated financial services group through its leading financial subsidiaries offering services in life insurance and pension, leasing, factoring, brokerage and asset management in Turkey, along with its international subsidiaries operating in Romania and the Netherlands. Garanti aims to make sure that the synergy captured with its subsidiaries is powerfully sustained in 2017, and the subsidiaries are expected to increase their shares within the Group's net income.

In 2017, the Group will keep working towards preserving and improving its asset quality in geographies where its subsidiaries in Romania and the Netherlands pursue their banking operations. Targets include sustaining productivity increase while preserving its asset quality, upgrading the strong balance sheet structure, and boosting and maintaining the profit generation capability.

With respect to its operations in Turkey, the Group kept its losses in terms of total funds at minimum despite the new market entrants and the number of participants that lost pace across the entire sector, and preserved its market share in the Private Pension System (PPS) to a large extent in 2016. In the number of participants, the Group captured momentum and increased its market share. At the bottom line, it was the most profitable company* in the sector parallel to its targets. The rise in the number of participants and profitability on the private pension front is anticipated to persist in 2017, and to affect the operating results positively, while solid premium production is projected to continue and keep supporting profitability in the life insurance department.

The Group also envisages continued outperformance of the sector's average in leasing, which should reflect on 2017 results as well. The positive contribution expected from stock, derivatives and FX trading volumes to commissions is anticipated to support profitability.

In 2017, the Group aims to adhere to its sustainability-focused growth strategy that maintains asset quality, increases productivity and generates capital. The strong share of loans within the assets structure will be maintained, and proactive risk management concept will back the preservation of solid asset quality as it did in previous

years. The Group aims to sustain its cumulative net interest margin through an active assets and liabilities management. With their double digit growth rates, fees and commissions income is intended to remain as one of the Group's significant income generators. The Group will carry on with active productivity management and will focus on molding its business model with an eye on potential growth areas. As before, the Group will persist with its initiatives to create long-term value in 2017; yet, it will continue to keep the operating expenses under control. Standing out with its robust capitalization, the Group will retain this quality and move forward. In the light of all of these, the Group will preserve its ability to generate sustainable profit on the back of its differentiated business model.

** Based on the latest data available as of the date of this writing*



“MAY YOU HAVE A GREAT LIFE IN YOUR NEW HOME”

THE HOUSE YOU HAVE ALWAYS DREAMT OF... THAT HAPPY DAY FINALLY ARRIVED - YOU ARE IN YOUR OWN HOUSE... STANDING BY ITS CUSTOMERS THROUGH EVERY STEP OF THE HOME PURCHASING PROCESS, GARANTI THUS COMPOSES NEW HAPPY MORTGAGE STORIES EVERY DAY. IN 2016, MORE THAN 68,000 PEOPLE BECAME HOMEOWNERS WITH GARANTI'S LOANS THANKS TO CONSTANTLY IMPROVED, CUSTOMER-FRIENDLY HOUSING FINANCE LENDING PROCESSES AND THE BANK'S EXPERTISE IN THIS FIELD. GARANTI, CONTINUING TO DIFFERENTIATE ITSELF, INCREASED THE NUMBER OF HOUSING LOAN CUSTOMERS IT FINANCED TO MORE THAN 519,000.

ON THE OTHER HAND, THANKS TO ITS COLLABORATIONS WITH DEVELOPERS, GARANTI MORTGAGE EXTENDED CREDIT LINES TO CUSTOMERS WISHING TO BECOME HOMEOWNERS THROUGH MORE THAN 455 PROJECTS ON THE MARKET.

GARANTI IN 2016



ASSESSMENT OF FINANCIAL POSITION, PROFITABILITY AND DEBT PAYMENT CAPABILITY

In 2016, Garanti preserved its leading position in the Turkish banking sector thanks to its customer-centric and innovative business model, liquid and strong balance sheet structure, effective risk management and solid capital base. In the reporting period, consolidated net profit of Garanti reached TL 5 billion 148 million. The Bank's return on average equity (RoAE) and return on average assets (RoAA) went up to 15.4% and 1.8%, respectively.

Garanti's consolidated total assets increased by 12% on an annual basis and reached TL 312 billion. The Bank's asset growth remained loan-driven. In 2016, cash loans sustained a disciplined and moderate growth momentum and increased by 17% year-over-year. TL loans were the key driver behind the credit expansion of Garanti. While TL loans increased by 18% on an annual basis, this growth figure went above the budget target set at the start of the year. TL business banking loans grew 25% annually, leading the TL loan growth. Garanti maintained its focus on retail loans, which create high yields as well as cross-sell opportunities. Registering growth rates of 17% in mortgage loans and 25% in auto loans, the Bank further strengthened its leading position in total consumer loans, mortgage loans and auto loans. Garanti commands the largest merchant network and the broadest credit card customer base. Backed with these capabilities, Garanti consolidated its pioneering position in payment systems in 2016. The ongoing domestic and global volatilities and uncertainties within the year led to the postponement of some investments that were expected to be launched in 2016 to coming periods, and as such, prevented the targeted growth in FC lending from materializing. However, potential projects in the following years are anticipated to support growth going forward.

33

Garanti, displays a proactive and consistent approach to risk assessment, which ensures preservation of its solid asset quality. The Bank's NPL ratio was registered as 3.0% and total coverage ratio as 131% in the reporting period, aligned with the projections at the onset of 2016.

Garanti preserved its liquid balance sheet composition in 2016. The dynamically managed funding base of the Bank continued to be largely composed of deposits. The growth in customer deposits base, at 17%, was in line with the loan expansion in 2016. Garanti deliberately avoided pricing competition, and chose to base the

expansion in deposit base on sustainable banking relationships. Total demand deposits grew by almost 22% on an annual basis and their share to total deposits went up to their highest-ever ratio at 26%. With the aim of managing asset-liability duration gap and optimizing funding costs, Garanti continued to diversify its funding structure by actively tapping alternative funding sources.

Garanti successfully preserved its ability to generate sustainable income on the back of dynamic balance sheet management even in a challenging year dominated by uncertainties and volatilities. Garanti boasts the highest net interest margin, and the highest net fees and commissions base among its peers, two characteristics the Bank further improved on during 2016. The Bank's net interest margin expanded above projections, while net fees and commissions base kept growing. Garanti maintained its focus on efficiency and effectively managed its operating costs.

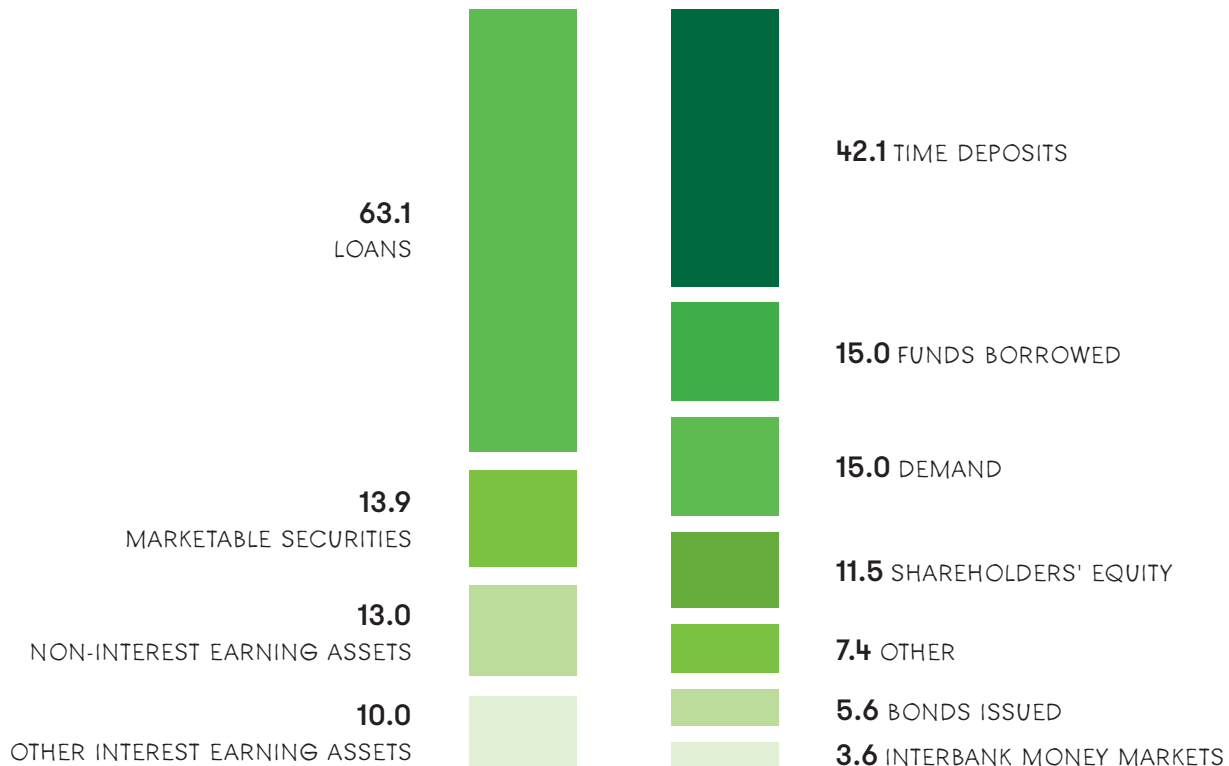
In 2016, Garanti further strengthened its solid capitalization on the back of its sustainable and profitable growth strategy. The Bank posted a Basel-III compliant Capital Adequacy ratio of 14.7% and a Common Equity Tier I ratio of 13.6%. At Garanti, common equity Tier-1 corresponds to 93% of total shareholders' equity.

Garanti's recurring strong performance comes not as a result of ad-hoc steps, but of a long-lived and well-planned journey. Also in the period ahead, Garanti will be making decisions with an eye on the needs of future generations, and will keep fulfilling its share of the responsibility for a sustainable future. The Bank will move ahead with its vision of "being the best bank in Europe", while remaining adhered to the outlines of its existing strategy.



PERFORMANCE INDICATORS AND RATIOS

Garanti, with its long-term sustainable growth strategy aimed at continuous value creation reached a consolidated asset size of TL 312.1 billion in 2016. Garanti's liquid balance sheet, sound asset quality and strong capitalization are the reflections of its differentiated business model.



COMPOSITION OF ASSETS (%)

Increasing share of loans in assets through uninterrupted support to the economy

Disciplined and selective growth while preserving sound asset quality

Dynamically shaped marketable securities portfolio against volatile market conditions

COMPOSITION OF LIABILITIES (%)

Comfortable liquidity level reinforced with effectively managed funding mix

Solid funding base reigned by deposits and reinforced with diversified funding sources

Strong capital driving the long-term sustainable growth

PERFORMANCE INDICATORS AND RATIOS

Placing its customers at the core of its operations with the aim of providing unrivaled customer experience, Garanti by constantly investing in HR and digital platforms offers pioneering solutions and offerings in the sector.

In 2016;



We welcomed 160 thousand customers in our branches each day.



We asked feedback of approximately 316 thousand customers after our services.



Employee Engagement Score improved significantly to 66%.



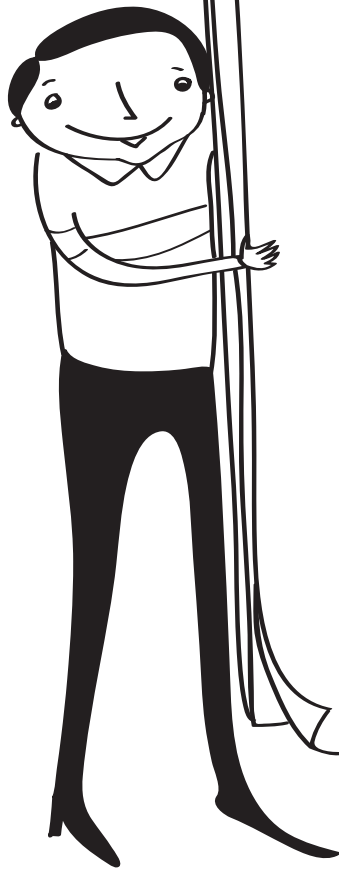
Share of digital sales in total sales increased to 26%.



Total lending to women entrepreneurs reached TL 3.2 billion.



Loans provided to renewable energy projects amounted to USD 4.8 billion.



COMMON
EQUITY
TIER-1

13.6%

CAPITAL
ADEQUACY
RATIO

14.7%

ROAE

15.4%

ROAA

1.8%

OPERATING
EXPENSES /
AVERAGE ASSETS

2.4%

TOTAL CASH
COVERAGE
RATIO*

131%

NON-PERFORMING
LOANS RATIO

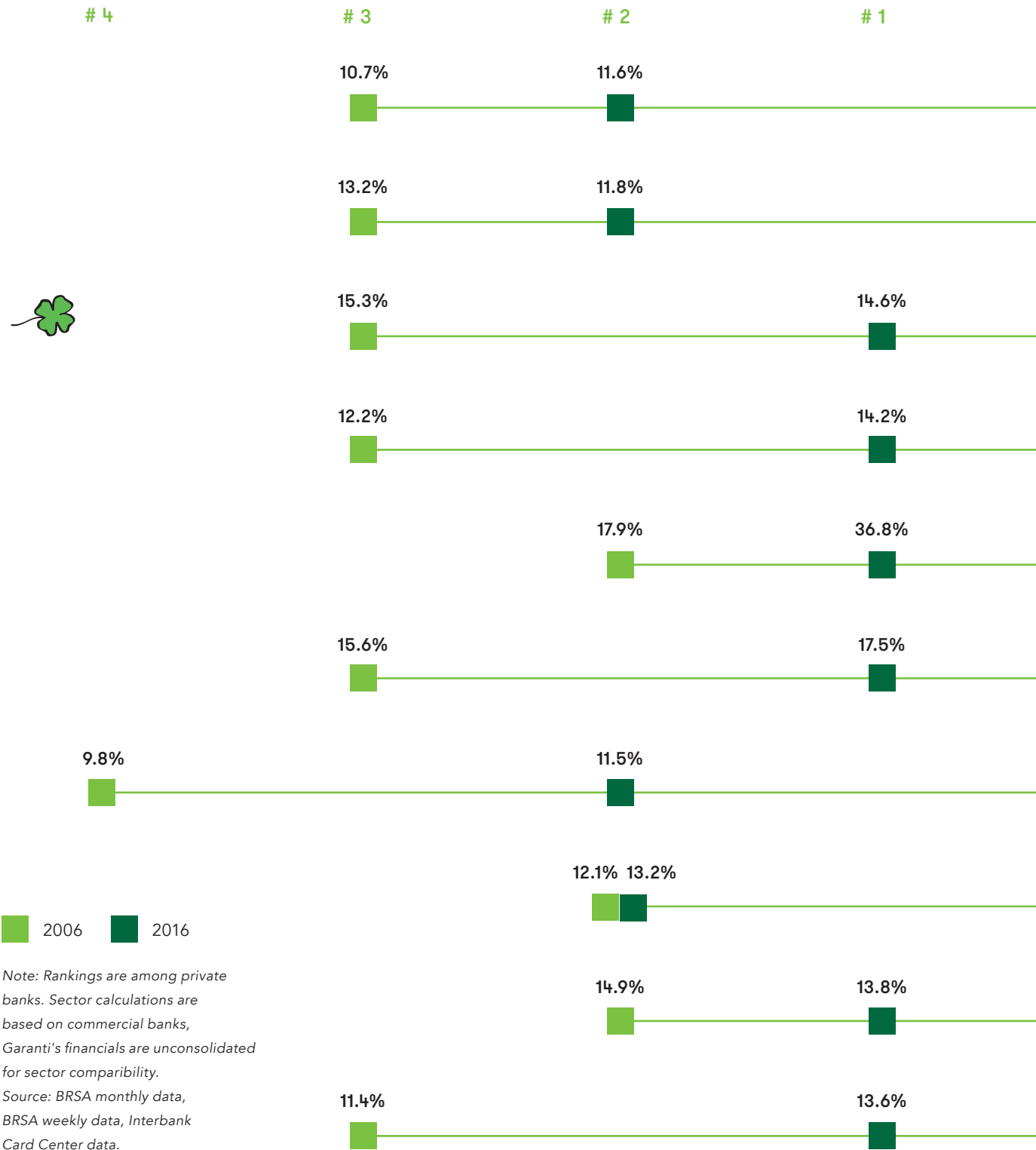
3.0%

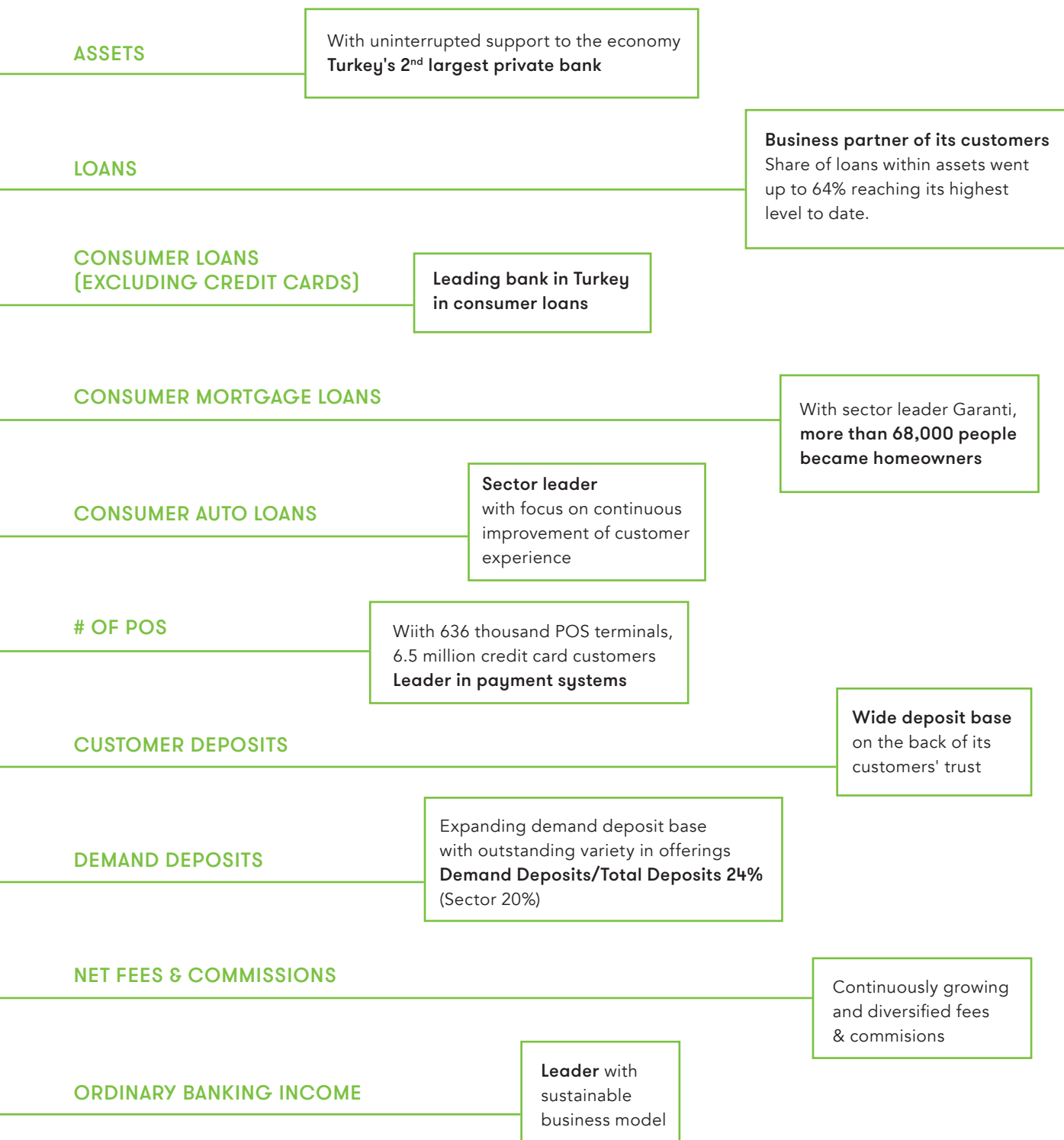


Garanti, with its increasing customer focus in asset-mix, prioritized risk-return balance, solid funding base, strengthened capital structure and high sustainable income generation capacity, preserved its leading position in 2016.

* Defined as; specific and general provisions / Non-performing loans.

GARANTI'S POSITION IN THE SECTOR





GARANTI BANK SHARE

Garanti Bank initially **offered its shares to public in 1990** and has become **the first company from Turkey** to offer its shares on international markets in 1993.

Garanti's **Depository Receipts** are listed on the **London Stock Exchange Main Market** and OTC (Over-The-Counter) Markets in the USA. In 2012, Garanti participated in the prestigious tier of the U.S. Over-The-Counter (OTC) market, **OTCQX International Premier**, where companies traded must meet high financial standards and an effective disclosure process. Having qualified in 2014 to join **OTCQX® ADR 30 Index** launched by OTC Markets Group Inc. in cooperation with the Bank of New York Mellon, Garanti has established itself among the top 30 Depository Receipts traded on the OTCQX marketplace, selected based on their market capitalization, volume and liquidity.

Garanti Bank has a market capitalization of **TL 32 billion (USD 9 billion)** as of the end of 2016. With a free float ratio of **50.06%** and **TL 16 billion** floating market capitalization, Garanti also has the highest free float in BIST 100. Garanti Bank share (GARAN) is **the most traded stock** in Istanbul Stock Exchange with an **average daily turnover of TL 770 million (USD 256 million)** and has BIST 100 turnover market share of **21%**. GARAN was the most traded stock by foreign investors with a total foreign transactions turnover of **USD 30 billion** in 2016. Share has the highest weight of around **10%** in BIST 100 and **11%** in BIST 30 as of 2016 year end.

Garanti's **Depository Receipts** program reached a size of **130 million shares** as of 2016 year-end. In addition to the DRs trading on the London Stock Exchange, over the years Garanti has established itself among the top Depository Receipts traded on **OTCQX International Premier** marketplace. GARAN is in **top 10 percentile** by market capitalization in the OTCQX. Out of all ADRs traded on the OTCQX, GARAN has the fourth highest average daily trading volume in 2016.

Foreign investors share in Garanti's actual free float of %50.06 is **88%** with a composition that is spread to around **35 countries**. The institutional shareholder structure of Garanti by region is **18.3% UK** and Ireland, **15.2% North America**, **5.7% Europe**, **2.7% Asia** and **2.3% Turkey**. Garanti has more than **49** thousand individual shareholders that are registered in Turkey.

Garanti works towards continuously and noticeably increasing the value created for its stakeholders. During 2016, Garanti Investor Relations took part in **31** national and international investor

conferences held in **15** cities in Asia, USA and Europe with the participation of the administrative team, in addition to one-on-one meetings with **809** international investment funds. Garanti organized live webcasts/ teleconferences bringing its senior management together with the investor community in 2016, and made presentations on its financial results four times a year, as well as on its operating plan that described its future projections. The podcasts of these teleconferences were posted on the Investor Relations website. Investor Relations (IR) website, IR applications on iPad and Android tablet prepared both in Turkish and English for the convenience of the investor community enable investors from all around the world to have easy access to all the information they need. Garanti successfully integrates sustainability into all of its activities and banking operations and has been recognized by the national and international authorities for its achievements. In 2014, GARAN was qualified for the **BIST Sustainability Index** and **BIST Corporate Governance Index** and successfully preserved its place since then. Garanti continued to be **the only company from Turkey listed in the Dow Jones SustainabilityTM Emerging Markets Index**, after being qualified in 2015. In addition to these, Garanti, qualified for the **FTSE4Good Emerging Markets Index** which is the independent organization, jointly owned by the London Stock Exchange and the Financial Times and designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. FTSE4GOOD is recognized as one of the important indices to be looked into by the investors who want to make responsible investments.

GARAN SYMBOL & CODES

ISTANBUL - Borsa Istanbul
 SYMBOL: GARA
 SEDOL: BO3MYP5
 ISIN: TRAGARAN91N1
 CUSIP: M4752S106



Depository Receipts Level-1

LONDON - London Stock Exchange
 SYMBOL: TGBD
 SEDOL: 2599818
 ISIN: US9001487019
 CUSIP: 900148701

NEW YORK - OTCQX International Premier
 SYMBOL: TKGBY
 ISIN: US9001486029
 CUSIP: 900148602

Depository Receipts - 144A

LONDON - London Stock Exchange
 SYMBOL: 39IS
 SEDOL: 2557571
 ISIN: US9001487019
 CUSIP: 900148701

NEW YORK - OTC Markets
 SYMBOL: TKGZY
 ISIN: US9001486029
 CUSIP: 900148602

TL 32 BILLION
MARKET CAPITALIZATION
 MOST VALUABLE
 BANK IN TURKEY

TL 770 BILLION
**AVERAGE DAILY
 TURNOVER**
 THE MOST TRADED STOCK OF BIST100

21%
**TURNOVER
 MARKET SHARE**

\$ 30 BILLION
TOTAL FOREIGN TRANSACTIONS
 THE MOST TRADED STOCK
 BY FOREIGNERS

10%
 HIGHEST WEIGHT
 IN BIST100

TL 16 BILLION
**FLOATING MARKET
 CAPITALIZATION**
 HIGHEST IN BIST100

50.06%
 FREE FLOAT
 RATIO

35 COUNTRIES
 WIDE SHAREHOLDER
 BASE

1.21
 EARNING
 PER SHARE (TL)

GARANTI IN 2016

40

EQUITY ANALYSTS' RATINGS

Garanti Bank shares are widely covered by analysts of leading domestic and international investment banks and brokerage houses. In 2016, 27 institutions have regularly issued research reports on Garanti. As of the end of 2015, 21 analysts had "BUY", 5 analysts had "HOLD" and 1 analysts had "SELL" recommendation on Garanti stock.



GARANTI BANK 2016 ANNUAL REPORT

GARANTI BANK RATINGS

Garanti Bank is rated by Fitch Ratings, Moody's, Standard & Poors and JCR Eurasia. The Long Term TL and FC ratings of Garanti Bank assessed by Fitch Ratings, Moody's and JCR Eurasia Ratings represent investment grade. Garanti Bank is included in the Borsa Istanbul (BIST) Corporate Governance Index by achieving an overall corporate governance score of **9.27** assigned by JCR Eurasia Ratings for its superior compliance with Capital Markets Board Corporate Governance Principles.

CREDIT RATINGS

Fitch Ratings (Outlook: Stable)

Long Term FC	BBB-
Long Term LC	BBB-

Moody's (Outlook: Stable)

Long Term FC Deposits	Ba2
Long Term LC Deposits	Ba1

Standard&Poor's (Outlook: Negative)

Long Term FC	BB
Long Term LC	BB

JCR Eurasia Ratings (Outlook: Stable)

Long Term International FC	BBB
Long Term International LC	BBB+

You may follow Garanti Investor Relations web site www.garantiinvestorrelations.com, for recent information.

Below you may find more information on Garanti Bank's ratings and their definitions.

Fitch Ratings:

June 10, 2016: Affirmed Long-term Issuer Default Ratings (IDRs) as 'BBB', Short-term IDRs as 'F2' and National Rating as 'AAA(tur)', Support Rating as '2'. Outlook was also affirmed as "Stable".

August 25, 2016: Fitch Ratings revised the outlook on Turkey's Sovereign Issuer Default Ratings to "Negative" from "Stable". Accordingly, outlook on Bank's ratings is revised to "Negative" from "Stable". Bank's ratings are affirmed.

August 25, 2016: Fitch Ratings revised the outlook on Turkey's Sovereign Issuer Default Ratings to "Negative" from "Stable".

February 2, 2017: Following Turkey's sovereign rating downgrade on 27 January 2017, revised down Bank's Long-term foreign currency Issuer Default Rating (IDR) and Long-term local currency IDR, yet preserved them at investment grade. The Outlooks on the bank's IDRs have been revised to Stable from Negative. Garanti's Support Rating has been affirmed at '2', reflecting Fitch's view that the bank's parent continues to have a strong propensity to provide support, given the bank's ownership structure, strategic importance and integration. Downgraded Long-Term Foreign Currency and Local Currency IDRs to "BBB-" from "BBB"; Short-Term Foreign Currency and Local Currency IDRs to "F3" from "F2"; Viability Rating to "bb+" from "bbb-"; Senior unsecured long term debt to "BBB-" from "BBB"; Senior unsecured short term debt to "F3" from "F2". Affirmed National Long-Term Credit Rating at 'AAA(tur)' and its outlook at Stable.

National Long Term Credit: AAA(tur) 'AAA' National Ratings denote the highest rating assigned by the agency in its National Rating scale for that country. This rating is assigned to issuers or obligations with the lowest expectation of default risk relative to all other issuers or obligations in the same country.

Long Term FC/LC: BBB- Good credit quality, indicates that expectations of credit risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

Moody's:

May 11, 2016: Turkey's national rating scale was recalibrated and accordingly the Bank's national scale rating (NSR) is repositioned. With the new rating scale, the Bank's Long Term NSR of "Aa3.tr" was restated as "Aa1.tr" and the outlook for the NSR was withdrawn. The repositioned NSRs do not signify a change in credit risk, since the credit ratings remain unchanged.

July 19, 2016: Placed the Bank's ratings under review for downgrade following the placement of the Turkish sovereign rating under review for downgrade.

September 26, 2016: Revised the credit ratings of 17 Turkish banks, including Garanti, following the downgrade of Turkey's government debt rating to a non-investment grade on September 23, 2016. Accordingly, Fitch downgraded the ratings as follows; Long Term FC Deposit rating to "Ba2" from "Baa3", Long Term TL Deposit rating to "Ba1" from "Baa3", Short Term TL and FC Deposit ratings to "Not-Prime" form "P-3", Baseline Credit Assessment (BCA) rating to "ba2" from "ba1". Outlook that was placed "Under Review" was announced to be "Stable".

Long Term National Scale Rating: Aa1.tr Demonstrate the strongest creditworthiness relative to other domestic issuers.

Long Term FC Deposit: Ba2 / Long Term LC Deposit: Ba1 Obligations are judged to be speculative and are subject to substantial credit risk.

Standard & Poor's:

May 10, 2016: Following the revision of Turkey's outlook to "Stable", outlook of the Bank's ratings has been also revised up to "Stable" from "Negative". 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. Credit ratings are affirmed.

July 22, 2016: Downgraded Long Term Foreign Currency Sovereign rating on the Republic of Turkey from "BB+" to "BB", Long Term Local Currency Sovereign rating from "BBB-" to "BB+", and revised its outlook to "Negative" from "Stable" on its report dated July 20 2016. Accordingly, they lowered the Bank's Long Term Foreign Currency and Long Term Local Currency ratings from "BB+" to "BB", and revised its outlook to "Negative" from "Stable". Bank's Stand-alone Credit Profile (SACP) was affirmed at "bb+".

CORPORATE GOVERNANCE RATING

JCR Eurasia Ratings (Outlook: Positive)

Overall Compliance Score 9.27

Sections	Weight	Score
Shareholders	25%	9.22
Disclosure and Transparency	25%	9.25
Stakeholders	15%	9.23
Board of Directors	35%	9.34

November 8, 2016: Revised the outlook of the sovereign ratings on the Republic of Turkey to Stable from Negative on its report dated November 4, 2016. According to S&P's announcement, this revision reflects their view that policymakers will continue to implement economic reforms which will help to underpin economic stability, despite persistent domestic and external risks. Accordingly, they revised the outlook of Bank's ratings to "Stable" from "Negative" and affirmed credit ratings.

February 2, 2017: Revised the outlook of the sovereign ratings on the Republic of Turkey to Negative from Stable on its report dated January 27, 2017. Accordingly, revised the outlook of the Bank's ratings to Negative from Stable while affirming its ratings.

Long Term FC/LC: BB An obligor is less vulnerable in the near term than other lower - rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments.

JCR Eurasia Ratings:

April 6, 2016: Affirmed Long Term International FC ratings at "BBB", Long Term International LC ratings at "BBB+", Short Term International FC rating at "A-3", Short Term International LC rating at "A-2", Long Term National rating at "AAA(Trk)", Short Term National rating at "A-1+(Trk)", Sponsor Support at "1" and Stand Alone rating at "A". Outlook affirmed as "Stable".

National Long Term Credit Rating: AAA(Trk) The highest level of capacity of the obligor to honor its financial commitment on the obligation.

Long Term International FC: BBB / Long Term International LC: BBB+ An adequate level of capacity to honor the financial commitment on the obligation. However, this capacity is more likely to diminish in the future than in the cases of the higher rating categories.

JCR Eurasia Ratings Corporate Governance Rating:

The CMB pursued a significant change regarding the methodology of calculation of compliance rating scores in the beginning of 2014. Based on the recent CMB legislation, the new scoring methodology consists of two stages in which companies are allocated a base and a full score. In the new system, companies are first assigned a base score with a maximum of 85 points determining their compliance with the rules and practices outlined in the Code. In the second stage, an additional 15 points may be awarded depending on the efficient implementation and value creation achieved through practices exceeding those specified in the principles. Practices not stated in the Code but determined by JCR Eurasia Rating as best governance practices are also taken into account in the assignment of additional points. The Code consists of four main sections; Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors, and these main sections' coefficients, which were determined by the CMB, are 25%, 25%, 15% and 35%, respectively. Garanti increased its overall corporate governance score to 9.27 from 9.20 in JCR ER's report dated December 9, 2016 and continued to be included in the Borsa Istanbul (BIST) Corporate Governance Index for its superior compliance with Capital Markets Board Corporate Governance Principles. Increase in the score was due to improvement in the Shareholders (to 9.22 from 9.07) and Board of Directors (to 9.34 from 9.25) sections.

PROFIT DISTRIBUTION

Our Bank ended its 71th fiscal year with a profit of **TL 5,070,549,118.13**. We propose our esteemed shareholders profit be distributed as detailed in the table below in accordance with the "Article 45 - Distribution of the Profit" of the Articles of Association of the Bank, and the Head Office be authorized to initiate on April 24, 2017 the distribution of gross cash dividend and conduct the operations regarding the issue.

Sincerely,
Board of Directors

2016 DISTRIBUTION OF THE PROFIT TABLE – (TURKISH LIRA)

NET PROFIT	5,070,549,118.13
A - 5% for the 1 st Legal Reserve Fund (TCC 519/1)	0.00
B - First Dividend corresponding to the 5% of the paid up capital	210,000,000.00
C - 5% Extraordinary Reserve Fund	243,027,455.91
D - Second Dividend To Ordinary Shareholders	1,040,000,000.00
2 nd Legal Reserve Fund (TCC 519/2)	104,000,000.00
The other funds have to be kept in the bank	227,611,427.90
D - Extraordinary Reserve Fund	3,245,910,234.32

INFORMATION ON 2016 DIVIDEND PAYOUT RATIO

Group	Total Dividend Amount		Total Dividend/Net Distributable Profit	Dividend Per Share (Nominal Value: TL 1)		
	Cash (TL)	Bonus Share (TL)	Ratio (%)	Amount (TL)	Ratio (%)	
GROSS(*)	-	1,250,000,000.00	-	24.65%	0.29762	29.76190
NET	-	1,062,500,000.00	-	20.95%	0.25298	25.29762

(*) Tax withholding in the rate of 15% shall not be deducted from the cash dividend payments made to full taxpayer institutions and limited taxpayer institutions that generate income in Turkey via offices or permanent representatives.

AWARDS

GARANTI NAMED AS TURKEY'S BEST BANK FOR SUSTAINABILITY

Became the only company from Turkey to be a component of **CDP Global A List** two years in a row and received the **"CDP 2016 Climate Leadership Award"**.

Took place among the companies that received the highest scores from **CDP Water Program**. Accordingly, Garanti received the **"CDP Turkey 2016 Water Leadership Award"**.

At the III. Istanbul Carbon Summit, Garanti received the **"Low Carbon Hero"** award for its Climate Change Action Plan.

Garanti was named the **"National Champion"** at the European Business Awards in the category of "Environmental & Corporate Sustainability" for the second consecutive year.

Its Climate Change Action Plan also earned Garanti the **"Sustainable Business Award"** in the "Energy and Carbon Management" category from the Sustainability Academy Turkey.

Garanti was recognized with the **"Sustainable Energy Excellence Award"** within the frame of the Mid-size Sustainable Energy Financing Facility (MidSEFF) program led by the European Bank for Reconstruction and Development (EBRD).

TURKEY'S BEST RETAIL BANK

Once again, Garanti was named **"The Best Retail Bank of Turkey"** by the World Finance Magazine, one of the world's eminent business and finance magazines. Having claimed the same award also last year, Garanti became the first Turkish bank to reproduce the same successful result for two consecutive years.

TURKEY'S BEST CASH MANAGEMENT BANK

Garanti was recognized once again as **"Turkey's Best Cash Management Bank"** by Global Finance, one of the world's leading finance magazines. As a result of the assessment that uses various criteria including product diversity and market share, Garanti was awarded for its broad product range, primarily for its supply chain, collection and payment solutions.

BEST PRIVATE BANK OF TURKEY

Garanti was elected the **"Best Private Bank of Turkey"** in the 2016 International Finance Awards by Acquisition International Company.

BEST TRADE BANK IN TURKEY

Garanti was named the **"Best Trade Bank in Turkey"** by TFR (Trade & Forfeiting Review), becoming the first bank to earn the title under the recently established Turkey category.

Global Finance magazine selected Garanti the **"Best Trade Finance Bank in Turkey"** for the 6th consecutive year.

THE BEST PROJECT FINANCE HOUSE IN EMEA

EMEA Finance, one of the most prestigious institutions in its field, named Garanti the **"Best Project Finance House"** in Europe, Middle East and Africa region for the fourth time in a row.

Garanti was presented with the **"Project and Acquisition Finance Bank of the Year in Turkey"** award by ACQ Global Magazine for the flexible and customer-centric solutions suggested in project and acquisition finance.

Worldwide Financial Advisor Awards Magazine recognized Garanti as the **"Most Trusted Project Finance House of the Year in Turkey"** for its continued project finance support to customers.

Garanti received the **"Best Project Finance House of the Year in Turkey"** award by InterContinental Finance Magazine.

EXCELLENT QUALITY IN STRAIGHT THROUGH PROCESSING

Received **"Quality"** awards from Standard Chartered and Commerzbank for achieving high Straight Through Processing (STP) volumes in USD and EUR money transfers.

Earned the **"Operational Excellence"** award for the second time in a row from Wells Fargo for its high service quality.



BEST CALL CENTER IN EMEA

Garanti Bank Call Center collected awards in 3 different categories and received **“Gold”** in “Best Customer Loyalty Program”, **“Silver”** in “Best in Customer Service” and **“Bronze”** in “Best Sales Campaign” categories at the 2016 Top Ranking Performers Awards - EMEA Region, a recognition program by Contact Center World, the most prestigious contact center organization worldwide that covers contact centers from different sectors.

NO LIMITS IN AWARDS FOR MIA, THE MOBILE INTERACTIVE ASSISTANT

At the 7th International Data Corporation (IDC) Turkey CIO Summit 2016 themed “Leading Your Organization's Digital Transformation”, Garanti ranked **“second”** in the “Best Innovation Project of the Year” and “Digital Channels” categories, and **“third”** in the “Customer Experience” category for its Voice Technologies Project - MIA, the Mobile Interactive Assistant.

Received the **“Celent Model Bank Award”** in the “Digital Banking Transformation” category.

Won given the **“Product Innovation”** award at Global Finance’s “Innovators 2016 - Transaction Services Awards” with its Mobile Interactive Assistant (MIA).

MIA also brought **“Bronze”** to Garanti in the “Experimental & Innovation” category at the Stevie International Business Awards.

SHOWER OF AWARDS FOR BONUSFLAŞ

Launched by Garanti Payment Systems (GÖSAŞ) in November 2015, BonusFlaş application claimed the **“Most Innovative Product”** award at MasterCard’s Catalyst 2016 event themed “Looking at the World Through the Eyes of Changemakers” for being the most innovative newcomer in the Turkish payment systems market in 2015. BonusFlaş earned this remarkable award for its capability to offer various features including campaign follow-up, card information queries, limit increase requests, debt payments and mobile payments through a single platform.

BonusFlaş also received **“Gold”** in “Lead Generation and **“Silver”** in “Mobile Native” categories at “The Smarties Turkey” awards organized by Mobile Marketing Association (MMA).

BONUS - TURKEY’S LOVEMARK IN CREDIT CARDS FOR THE 8TH TIME

Bonus, the Garanti credit card with the most freebies, was recognized as the **“Lovemark”** in the credit cards category for the eighth time in Turkey’s Lovemarks 2016 survey carried out by MediaCat in collaboration with IPSOS. In this year’s survey that adopted a more in-depth methodology to identify the brands that Turkish consumers love, Bonus came out as the lovemark in credit cards for the eighth consecutive year.

GLOBAL FINANCE DIGITAL AWARDS

In the 17th edition of the “Best Digital Banks” awards organized by Global Finance, Garanti was recognized in the **“Best Website Design”**, **“Best Integrated Consumer Bank Site”**, and **“Best Mobile Banking App”** sub-categories under the Consumer Banks main category.

GARANTI CEP CANNOT GET ENOUGH OF AWARDS

Garanti Cep became the only Turkish mobile banking application evaluated among 11 European banks at the 2016 Mobile Functionality Benchmark by Forrester. Garanti was named **“Best in Class in Europe”** in “Marketing and Sales” and “Cross Channels” categories.

GOLDEN SPIDER AWARDS GO TO GARANTI

At the 14th Golden Spider (Altın Örümcek) Web Awards, Garanti was crowned with the **“Most Accessible Website in Turkey”** and **“Best Internet Banking in Turkey”** awards, and was named the **“People’s Favorite”** in “Internet Banking” and “Banking & Finance” categories.

Moreover Garanti Cep received **“First Place”** prize in “Mobile Application - Banking & Finance” category.

AWARDS

GARANTI MARKS THE STEVIE INTERNATIONAL BUSINESS AWARDS

www.garanti.com.tr earned Garanti **"Gold Stevie"** in the "Financial Services" category, while bringing **"Bronze Stevie"** in "Best Overall Web Design" category in Web Site Awards at the Stevie International Business Awards. Garanti claimed **"Bronze Stevie"** in "Integrated Mobile Experience" and "Utilities & Services" sub-categories in the App Awards Categories with Garanti Cep. Garanti received the **"Bronze"** in the Travel category under App Awards with "Unlock Turkey".

In addition, Garanti was honored with a **"Silver Stevie"** in the "Company of the Year - Banking" category.

GARANTI WEBSITE IS THE BEST IN CLASS

Garanti website was voted **"Best in Class"** in Banking and Financial Services category at the Interactive Media Awards.

BEST ATM EXPERIENCE

At the Bank Customer Experience Summit 2016, Garanti was honored with the **"First Prize"** in the "Best ATM Experience" category with its revamped Paramatik ATMs.

AWARDS SHOWER ON GARANTI'S IMAGINATIVE PUBLICITIES

At Mediacat Felis Awards, Garanti received **"Felis"** awards in "TV Usage" and "Financial Services" categories under the Media Section with its 4.5G Video Loan advertising; in "Scripted Online Content" and "Internet Film" categories under the Branded Content and Entertainment section with its Experimental Banking Returns advertising film, and in Live Experience Games section with Garanti - Fleeing Home adventure game.

Additionally, 4.5G Video Loan Advertising was awarded **"Silver Apple"** in the "Media Usage/Best TV Implementation" category and **"Bronze Apple"** in "Product and Service/Service" category at Crystal Apple Turkey Advertising Awards Competition.

GARANTI, THE MOST SOCIAL BRAND

Having ranked at the top of the brands in Turkey in the Social Brand 100 research conducted by Diplomacy.Live, a platform under the Digital Research Association, Garanti was voted the **"Most Social Brand"**.

INVESTOR RELATIONS WEBSITE CLINCHES STEVIE AWARD

Garanti received **"Bronze"** at Stevie Awards 2016 in the "Best Investor Relations Site" category.

ADDITIONAL AWARDS FOR GARANTI ANNUAL REPORT

Garanti's 2015 Annual Report earned **"Silver"** and **"Best of Turkey - Grand Award"** at the International ARC Awards organized by Mercomm, while claiming **"Bronze"** at LACP Vision Awards. Garanti also took home a **"Bronze Stevie"** in the "Best Annual Report - Print" category.

NEW PRIZES FOR GARANTI IR APPLICATION

Garanti Bank Investor Relations iPad application "Garanti IR" claimed the only **"Gold"** prize given out in the "Applications" category at the 2015/2016 Mercury Excellence Awards, while also capturing the **"Grand Award"**.

BEST DIGITAL BANK IN ROMANIA

Garanti Bank SA was named the **"Best Consumer Digital Bank in Romania"** by Global Finance magazine. In 2016, the Bank was also selected **"Best Digital Bank"** in Romania in consumer banks category for the fourth consecutive year with its internet banking application.

PERFECT SCORE FOR GARANTI FACTORING

In a repeat of 2015 results, Garanti Factoring was voted the **"Best Factoring Company in the World"** at the 48th Annual Meeting of the Factors Chain International (FCI). Becoming the first-ever company to achieve a **"100 - perfect score"** in the FCI assessment, Garanti Factoring has been so far the first company from Turkey to rank in the global top 10 in 2016 in the rankings of export and import factoring companies.

Garanti Factoring's 2016 Annual Report was awarded **"Honors"** in "Printing and Production" category at Mercomm's ARC Awards, **"Bronze"** in "Covers: Special Treatment" category, as well as **"Honors"** in the "Print" category at Mercomm's Galaxy Awards.

Garanti factoring was named the **"Most Admired Factoring Company in Turkey"** in 2016 by Capital Magazine.

GARANTI LEASING'S QUALITY CROWNED WITH AN AWARD

Garanti Leasing notched up its successful performance in 2016 and received the **"World Quality Commitment Convention 2016 Award"** in the "Platinum" category, for its excellent initiatives in quality, leadership, technology and innovation.

GARANTI MORTGAGE WEBSITE IS BEST IN CLASS

Turkey's first mortgage website backed by a bank, GarantiMortgage.com won **"Bronze"** in the "Banking" category at the Stevie International Business Awards and was named **"Best In Class"** at the Interactive Media Awards.

At the 14th Golden Spider (Altın Örümcek) Web Awards, garantimortgage.com has become the first non-bank website to claim the **"First"** prize in the "Banking and Finance" category in the past five years. Collecting two additional prizes, the website ranked **"Second"** in the "Best Mobile Site" and **"Third"** in the "Best Corporate Website" categories.

GARANTI ASSET MANAGEMENT - TURKEY'S BEST AND MOST INNOVATIVE ASSET MANAGEMENT COMPANY

Garanti Asset Management was named the **"Best Investment Management Company, Equities, Turkey 2016"** by the World Finance Magazine, a globally eminent business and finance magazine.

In addition, the Company was selected the **"Most Innovative Asset Management Company, Turkey 2016"** for SMART Mutual Funds which are set up and managed by Garanti Asset Management by International Finance Magazine, a leading finance publication. With this award, the company has become the one and only Turkish asset management company to be recognized in this field.

GARANTI PENSION INUNDATED WITH AWARDS

Garanti Pension became the first and only private pension and life insurance company in the sector to receive **"Environmental Management System"** and **"OHSAS 18001 Occupational Health and Safety Management System"** certificates following the ISO 14001 Environmental Management System audit conducted in July by TUV-SUD, an independent third-party certification agency based in Germany.

Garanti Pension received the **"Best Management of Customer Experience"** award in the "Life and Pension" category at the A.L.F.A. Awards (Actionable, Leader, Fast, Ambitious), a recognition program developed by Method Research Company.

At TEGEP Learning and Development Awards, organized to support corporate learning and development investments and initiatives,

Garanti Pension collected two awards with its HR application "Employee Experience Standards", and its corporate social responsibility project, "Back to School".

Undersigning a major achievement at the Contact Center World Awards, which is regarded as one of the most prestigious recognition programs in the international call center sector, Garanti Pension was selected the **"Best Call Center"** in the EMEA region in its category. With the top spot earned, the Company qualified to compete in the Contact Center World Awards World Finals identifying the world's best operations based on a global assessment of the top ranking performers of EMEA, America and Asia-Pacific region finals. At the World Finals, Garanti Pension claimed **"Gold"** in its category and enjoyed the pride of being named the **"Best Contact Center in the World"**.

At the prestigious international Stevie Awards, Garanti Pension was named the winner of **"Gold"** in the "Human Resources Department of the Year" and **"Bronze"** in the "Creative Team of the Year" categories in the field of Human Resources.

Garanti Pension and Life received the **"Human Respect Award"** from Kariyer.net, which is given to companies that receive at least 10,000 job applications and reply to 99% of them within 21 days.

Achieving a Corporate Governance Compliance score of **9.45** from TKYD (Corporate Governance Association of Turkey), Garanti Pension was honored with the **"Company With the Highest Corporate Governance Rating Award"** in the category of "non-public companies". Garanti Pension is the first company to receive a corporate governance rating score among insurance and pension companies.

Garanti Pension's 2015 Annual Report won **"Gold"** at the LACP Vision Awards, and also earned **"Gold"** in the "Insurance" category in the "Interactive Annual Report" segment at the ARC Awards, the Oscars of annual reports.





“YOU ARE ALL GEARED UP FOR THE BUSINESS LIFE. GODSPEED!”

HERE IS ANOTHER GRADUATION... BUT THIS ONE IS TOTALLY DIFFERENT; IT IS THE FIRST STEP OF A NEW VENTURE... HAVING ESPOUSED IT AS A PRINCIPLE TO FACILITATE ACCESS OF WOMEN ENTREPRENEURS TO FINANCING, EXECUTE FREE-OF-CHARGE EDUCATIONAL COLLABORATIONS TO ENSURE SUSTAINABILITY OF THEIR VENTURES, AND ENCOURAGE THEM TO REALIZE THEIR FULL POTENTIALS, GARANTI, IN 2016, CELEBRATED THE 10TH ANNIVERSARY OF ITS INITIATIVES FOCUSED ON WOMAN ENTREPRENEURSHIP, WHICH WERE UNPRECEDENTED AT THE TIME OF THEIR INCEPTION.

ONE OF THESE INITIATIVES IS THE WOMEN ENTREPRENEURS EXECUTIVE SCHOOL, REALIZED IN COLLABORATION WITH BUYEM (BOGAZIÇI UNIVERSITY LIFELONG LEARNING CENTER). GEARING UP WOMEN ENTREPRENEURS FULLY FOR THE TOUGH BUSINESS LIFE, THE PROJECT EVIDENCES HOW GARANTI ALWAYS STANDS BY WOMEN ENTREPRENEURS. TOTAL VOLUME OF LOANS GARANTI MADE AVAILABLE TO WOMEN ENTREPRENEURS TO DATE REACHED TL 3.2 BILLION.

2016 ACTIVITIES & PROJECTIONS



RETAIL BANKING

351K
BECAME
CAR OWNERS

442K
BECAME
HOMEOWNERS

1.7 MILLION
CONSUMER LOAN
CUSTOMERS

Garanti has been operating in the retail banking segment for 29 years. Set apart from the competition with its technology, rich product range, and efficient and dynamic process management, Garanti touches the lives of its millions of customers. The retail sales and relationship management team of 2,600 people of Garanti provides its 13.2 million retail customers with quality service.

ACTIVITIES IN 2016

Consumer Loans

Having increased its share in the consumer loans market (excluding consumer credit cards) to 14.6%, Garanti remained the biggest private bank lender to consumers in 2016.

Garanti disbursed general purpose loans (GPLs) to approximately 1 million individuals in 2016. With the total amount of GPLs adding up to TL 18 billion, Garanti reached 11.52% market share in this department.

In another successful year, Garanti preserved its leadership among private banks with its mortgage loan volume reaching TL 22.6 billion and 14.2% market share.

Retail Deposits, Saving and Investment

Despite the fluctuations in the economic environment and in exchange rates, Garanti was able to accurately read into the market and its customers' needs in 2016. The Bank was not only able to manage its deposit costs effectively, but also increased its market share in the aggregate of TL and FC time deposit products.

Being instrumental in instilling a habit of saving up in 356 thousand customers with its NET Saving Account product, Garanti also introduced the Government Incentivised Marriage & Housing Accumulating Accounts to encourage Turkish citizens to save up money in 2016. The amount of gold collected in 2016 during the "Gold Collection Days", which were initiated by Garanti in 2012 for regaining the gold coins kept at home for the financial system, increased by 25% year-on.

In April 2015, Garanti launched SMART Funds that invest in a number of commodity market products in domestic and overseas markets. Garanti introduced SMART Funds to nearly 26,000 retail customers and reached more than TL 570 million in volume by the end of 2016. Contributing a brand new perspective to investing and having quickly grown in as short a period of time as 1.5 years, SMART Funds have become the largest variable fund available in the market.

Segment Banking

Targeting long-lived and sustainable business relationships with its customers and working to this end, Garanti won 1.5 million new retail customers in 2016. The Bank continued to grow the number of its retail salary customers, which is a major factor determining the preferred primary bank in the case of customers working with multiple banks. Aiming to become the special bank of retirees, Garanti upped the number of its retired salary customers by 35% in 2016.

PROJECTIONS FOR 2017

In 2017, Garanti will take the following actions, among others:

As always, customer satisfaction will be the top priority for the Bank. Along this line, Garanti will develop new internal tools and improve its processes based on this perspective. In keeping with the constantly growing digitization trend in the banking business, Garanti will continue to offer easily accessible new products and services in this area that it leads and keep increasing the share of digital channels in sales; Amid an environment of ongoing regulatory compliance requirements in the industry, Garanti will focus on improving efficiency in its business processes, resource utilization, and customer relations in order to reach its sustainable profitability target. Within the frame of these strategies, savings accounts, consumer loans and investment products will remain as key focal points.

Furthermore, Garanti will secure increased penetration of payment/loyalty products attracting customers' cash flows to the Bank and work towards end-to-end integration of the sales and services processes of these products, in line with its goal of increasing the depth of its working relationship with the customers.

Note: Car & homeowners refer to unique customers with auto and/or mortgage loans until 2016YE. Consumer loan customers include auto & mortgage loans, but exclude overdraft accounts.

SECTOR'S
BROADEST
PRODUCT RANGE

25%
GROWTH IN ASSETS
UNDER MANAGEMENT

> 6,500
CUSTOMERS

Operating in the segment for 11 years, Garanti Masters Private Banking sustained its solid position in the sector with its innovative and dynamic business philosophy, technology, experienced team and broad product range in 2016. Working exclusively with individual investors, Garanti Masters serves more than 6,500 clients through 11 Private Banking branches, seven of which are in İstanbul and four are in Adana, Ankara, Bursa and İzmir.

In 2016, Garanti Masters was able to increase assets under management by 25%. Having adopted sustainable growth strategy, Garanti Masters builds its successful performance upon its competent, experienced human resources, quality service understanding focused on mutual trust, and management based in transparency and openness.

With an asset management concept centered on optimizing risk versus return balance, Garanti Masters Private Banking develops products that fit its clients' risk appetite, needs and expectations. Along these lines, Private Banking continued to offer structured deposit products allowing its clients to generate returns on the changes in financial markets while furnishing principal guarantee for their TL or FC savings.

With the privileges offered, Garanti Masters not only secures better returns for its clients versus other alternatives, but also renders non-financial services to add value to clients' lives by hosting events in various fields including economy, arts and sports.

Combining 11 years of expertise, know-how and experience with innovative products and services carefully designed according to client expectations, Garanti Masters makes a difference in its segment with the private banking service it offers.

ACTIVITIES IN 2016

In 2016, Garanti Masters Private Banking;

- increased the assets under management by 25%;
- intermediated the sales of Structured Deposits and Corporate Bonds worth more than TL 1,040 million in total;
- disbursed 273 new loans, which were worth TL 84 million in total.

PROJECTIONS FOR 2017

The volatility that plagued the markets in 2016 has once again demonstrated the importance of receiving private banking service from qualified and experienced institutions and people. In 2017, Garanti Masters Private Banking will sustain its proven strategy in fulfilling client needs and expectations amid volatile market conditions with its broad product range, customer-centric service model and integrated services.

Through "Structured Notes" slated for introduction in 2017, Garanti Masters Private Banking intends to present qualified investors with the opportunity to make their investments with various maturity, risk and return rate options including, commodity, FC, bonds, bills, options, forwards and similar financial asset-backed alternatives.

In an increasingly competitive environment driven by the growth of the private banking segment in the world and in Turkey, Garanti Masters will keep exercising the same diligence for differentiating all of its products and services.



HOUSING FINANCE

TL 22.6 BILLION
TOTAL HOUSING
LOANS WORTH

21 PRODUCTS
TURKEY'S BROADEST
PRODUCT RANGE

MORE THAN **68,000** PEOPLE
BECAME HOMEOWNERS
WITH GARANTI

Standing by its customers through every step of the home purchasing process, Garanti Bank thus continues to produce new happy mortgage stories constantly. Garanti maintains its leading position in the sector with its rich product range, continuously improved and accelerated customer-friendly housing loan processes, specialized and certified employees, a dedicated website offering various calculation tools and all necessary information, and the 444 EVIM call center responding to customers' housing loan questions 24/7.

In 2016 that saw continued intense competition and sustained expansion of the sector, Garanti reached 14.2% market share and maintained its leading position. The housing loans portfolio grew by 15.1% reaching TL 22.6 billion.

ACTIVITIES IN 2016

In 2016, Garanti;

Kept offering the best service to its customers on the back of Mortgage Expertise Certificate Training courses organized since 2007.

Increased the number of housing loan customers it financed to more than 519,000, continuing to differentiate itself, as always, with its expertise rather than competitive pricing.

Kept supporting communication with real estate offices employing effective field sales management. The number of participants in the campaign "Garanti Mortgage Secures Retirement for Real Estate Agents" showed a rapid growth also in its fourth year.

Garanti established new collaborations with construction firms and included housing projects developed by new small or medium sized contracting companies in its portfolio, besides sizable projects in view of the conjuncture. In this vein, Garanti focused on EGYO (Emlak Konut REIT) and Urban Transformation projects and increased its performance in development financing activities.

With new financing models devised and the turn-key urban transformation project, Garanti intermediated interest-backed borrowing demands of individuals and institutions within the framework of urban transformation projects.

PROJECTIONS FOR 2017

In 2017, Garanti will continue to work toward increasing retail housing loan disbursements that will support inclusion of new projects and urban transformation.

"Garanti, the Mortgage Expert" will keep standing out with its expertise and speed amid market conditions characterized by volatilities and intense competition. Garanti will maintain its sector leadership by increasing its efficiency across all distribution channels, and contacting all the customers who have interacted with Garanti through any channel.



34,619

CUSTOMERS FINANCED VIA
ONE STOP SHOP SYSTEM

554

IN-NETWORK
AUTO DEALERS

37% SHARE

IN THE INTERBANK MARKET ON
CONSUMER AUTO LOANS

Focused on the distributors and dealers in automotive industry, Consumer Finance Department -operates with its Head Office and field teams with the ultimate goal of managing the financial needs of the sector with a holistic approach, drawing on its organization that will allow end-to-end single-handed management of auto finance and dealer finance across the Bank.

The development of the Department was driven mainly by efforts to find ways to contribute more added value to business partners, while striving to constantly upgrade the experience provided to customers during the auto loan disbursement process.

Thanks to the One Stop Shop (OSS) System that eliminates the branch dependency and enables to complete the loan process at point of sale, 34,619 customers bought their cars by instantly provided with the fitting financial product right where the vehicle was sold.

ACTIVITIES IN 2016

Targeting to achieve growth along with its business partners in the sector and being the first to formulate a dealer-centric business model, Garanti Bank achieved significant results in this field in 2016.

In 2016, Garanti Bank increased:

- Its interbank market share in auto loans to 26% and captured leadership in the sector.
- Its interbank market share in consumer auto loans to 37% and thus, signed its name under 1out of every 3 vehicles financed by banks.
- The number of in-network auto dealers to 554.
- The efficiency of One Stop Shop - Second Hand Vehicle Finance application and financed more than 6,471 vehicles.

PROJECTIONS FOR 2017

Taking an integrated approach to address the auto loan experience of its customers in view of the constantly changing habits and needs, Consumer Finance Department set the following goals for 2017:

- Bring digital solutions, which have become a key in daily life, to financial needs. To this end, the Department will keep working on to launch the business models that will bring dealers and

distributors together with end-customers through digital channels and will ensure automated management of the auto loan process over these channels.

- Design product initiatives that will respond to complementary needs of the customers along with the auto loans without requiring them to go to a Bank branch, as part of the OSS process.
- On the other hand, introduce a new product aimed at responding to dealers' stock finance needs with flexible solutions customized to the sector's and customers' needs.
- Carry on with efforts to reproduce its success in "lending at the sales point" in the automotive industry for other consumer finance products both on physical and digital sales points. In this context, Consumer Finance Department targets to launch financial solutions in different retail sectors.

SME BANKING

TL 62.1 BILLION
BANKING VOLUME

TL 23.7 BILLION
TOTAL LENDING VOLUME

With an organizational structure covering small business and micro business sections, Garanti SME Banking continues to act as the "Guarantee of SMEs" and the "Future Guarantee of Tradesmen". Serving a customer base made up of businesses with a turnover of up to TL 8 million and their shareholders, Garanti SME Banking offers a broad range of products fulfilling the needs of SMEs, tradesmen and startups operating in various sectors, and also carries SMEs to the future with its innovative approach that supports their digitization.

ACTIVITIES IN 2016

In 2016, Garanti SME Banking worked to satisfy the diverse needs of SMEs and increased its share in the sector. To this end, the Bank had a productive year acquiring new customers in all segments.

Garanti SME Banking attained the following results in 2016:

- Banking volume and total cash loans reached TL 62.1 billion and TL 23.7 billion, respectively.
- New installment commercial loans worth TL 13 billion were extended to SMEs.
- Total lending to women entrepreneurs to date reached TL 3.2 billion.
- Installment commercial loan rate extended to small and medium businesses grew by 28%.
- At 3.36%, NPL ratio remained below the sector average of 4.87%.
- Number of applications received for GarantiPartners, a startup accelerator program launched in 2015, reached 1,500, and 14 entrepreneurs were entitled to take part in the program. On another front, the Entrepreneurship Base set up in June provides office space to entrepreneurs, while also hosting various events, training programs, mentor meetings and other gatherings targeted at entrepreneurs.

PROJECTIONS FOR 2017

In 2017, Garanti will keep contributing to economy through financing SMEs, the driving engine of Turkish economy. Being the Bank of SMEs, Garanti has the following goals:

- Support digital transformation of SMEs so as to help them use IT technologies efficiently and enable them to handle their transactions more easily and

quickly through efficient use of digital delivery channels,

- Improve information and advisory services so as to provide SMEs with easier access to information, as well as present tools to improve their marketing skills,
- Design solutions for diverse needs of SMEs by establishing partnerships and collaborations with powerful brands and institutions,
- Endeavor to advance SMEs specifically in provinces that do not receive adequate financing support from banks,
- Facilitate access of women entrepreneurs to financing, execute free-of-charge educational collaborations to ensure sustainability, and encourage them to realize their full potentials,
- Contribute to the development of entrepreneurial ecosystem in Turkey to present the Turkish economy with new businesses and enterprises,
- Cooperate with national and international financial institutions to give SMEs access to affordable financing,
- Broaden the use of Credit Guarantee Fund (in Turkish: KGF) to give a greater number of SMEs access to loans,
- Offer diverse financing solutions to customers engaged in foreign trade, while arranging their cash flows with transaction packages and backing foreign trade customers for their needs with its expert team.

Note: Calculated according to the official Small and Medium Sized Enterprises (SME) definition (enterprises employing less than 250 people annually and not exceeding TL 40 million either in annual net sales proceeds or financial balance sheet). Unless otherwise specified, the numbers cited are based on the SME definition of Garanti Bank.

26.8%
EXPANSION IN TL
CASH LOANS

LEADER
POSITION

53,910
CUSTOMERS

Remaining the primary business partner of its customers in 2016 owing to its customized boutique solutions and customer-centric approach, Garanti Commercial Banking maintains and further strengthens its pioneering and leading position in the sector with a banking volume in excess of TL 129 billion.

Commercial Banking extends support to its customers with a lending volume amounting to TL 95 billion, and gets 31% share out of the Bank's total working volume, while at the same time continuing to create value for the Bank's other business lines and subsidiaries.

Garanti Commercial Banking offers service to 53,910 customers from different sectors with its expert and dynamic sales team of 753 people assigned to 22 commercial branches and 225 branches in 52 provinces.

Consolidating its service quality and broad product range with its expertise in relationship banking and technology, Commercial Banking maintains a win-win relationship with its customers. Prioritizing solid asset structure and profitability with its efficient capital and risk management, Commercial Banking creates healthy and sustainable value.

ACTIVITIES IN 2016

Continuing to serve as the main bank of its customers in 2016, Commercial Banking retained its position as the first commercial solution partner to come to mind. Moving ahead with the strategy of increasing the depth of its relations with customers and rendering them sustainable, Commercial Banking continued to make a difference with its rapid and custom-tailored solutions.

2016 in Numbers

- 22.6% growth in TL loans
- 21.0% expansion in TL deposits
- 18.3% rise in non-interest income

Ensuring that customers receive qualified service from the right people at the right point based on its new organizational structure, Commercial Banking increased its productivity, as well as customer satisfaction. Offering financial consulting to customers of any scale, Commercial Banking achieved broad-based growth. Drawing on the support and synergy of its majority shareholder BBVA, a dedicated

team for multinational customers provided the required solutions and got ahead of competition also in this segment.

PROJECTIONS FOR 2017

In 2017, Commercial Banking will keep supporting its customers based on its holistic service approach, and further strengthen its position as the main bank of its customers.

Aiming to increase its market share in TL Loans, Commercial Banking will decrease its NPL ratio through healthy and sustainable growth. On the back of efficient risk and capital management, asset quality and profitability which are set as strategic priorities, will remain in focus,

Commercial Banking, accurately analyzing the needs of customers of any scale, will deepen relationships with the customers through its constantly enhanced service quality, and increase its broad-based growth and penetration.

Garanti Commercial Banking will remain as the trusted address preferred by clients to invest their savings.

Targeting to be the point of reference and the first address in commercial banking also in 2017, Garanti Commercial Banking will keep increasing customer satisfaction with its qualified human resource.



CORPORATE BANKING

FULL SUPPORT TO
NATIONAL ECONOMY

CUSTOM-TAILORED
INNOVATIVE AND CREATIVE
SERVICE APPROACH

SOLUTION PARTNER
THROUGHOUT THE BUSINESS
RELATIONS CHAIN

Having pioneered the banking sector by defining Corporate Banking as a separate business line in the early 1990s, Garanti, today, is regarded as the preferred primary banking partner of multinational corporations operating in Turkey and of major Turkish conglomerates under every market condition.

The solution-oriented approach, extensive and flexible product array backed by technology, custom-tailored service concept and effective customer relationship management all play an important part in the Garanti's sustained leadership in corporate banking business line. Garanti Corporate Banking combines innovative and creative products and services based on knowledge, supported by technology, and enabled by financial power with an expert marketing team that accurately analyzes customer needs and produces solutions on project basis, thus continuing to reinforce its pioneering position in the sector.

Garanti Corporate Banking offers advanced solutions in project finance, treasury and cash management fields, alongside the retail and SME banking services, payment system products and investment banking facilities as well as providing leasing, factoring and insurance solutions through its integrated subsidiaries; standing by its customers in every field and plays a pivotal role in their entire business chain. Through this holistic understanding, providing service for clients' dealers, suppliers, employees and shareholders is an essential part of Garanti's sustainable value chain. As Garanti enhances banking by providing customized, innovative and creative services to corporate customers, it adds value to all stakeholders. Corporate banking has an indispensable position within the Garanti's vision of long-term, sustainable value-creation.

As a business line with limited new client acquisition, Corporate Banking builds its primary strategy on the notion of establishing long-lasting cooperation with its customers and further deepening existing relationships. Its strategy in corporate banking, its perspective in customer relationships and team spirit are the key factors that make Garanti's solid performance sustainable in this segment.

Garanti carries out product and service delivery to its customers with its proficient team in the four exclusive corporate branches, three in Istanbul and one in Ankara.

ACTIVITIES IN 2016

In 2016, which was characterized by global economic fluctuations and high level of volatility, Garanti Corporate Banking once again fulfilled the needs of customers in a timely manner with custom-made solutions via its dynamic marketing team, and strengthened its house bank position

While succeeding projects, which contribute to the economic progress of Turkey, Garanti was also able to met its targets of maximizing customer satisfaction and achieving profitable growth at the same time.

PROJECTIONS FOR 2017

Garanti, backing its experience, competitive edge and corporate competencies in corporate banking with its customer-centric and innovative perspective, will continue to act as the primary business partner of its customers and keep making a difference in the sector by taking optimum advantage of opportunities.

In 2017, Garanti will stand by its customers under any circumstances, and will keep converting its potential in this field into performance by signing its name under initiatives that will contribute to Turkey's economic progress.



\$ 2.3 BILLION
FINANCING TO
PROJECTS IN 2016

\$ 12.7 BILLION
TOTAL EXPOSURE

32% MARKET SHARE
LEADER IN WIND ENERGY
FINANCING

In 2016, Garanti continued to support Turkey's sustainable growth with project finance loans it has disbursed. Despite stagnated market conditions, Garanti secured loan commitments worth approximately USD 2.3 billion in project and acquisition finance as of year end, and the Bank's total cash and non-cash project finance exposure increased from USD 12.5 billion to USD 12.7 billion, up 1.8% year-to-year.

ACTIVITIES IN 2016

As major infrastructure projects gained the foreground in 2016, Garanti preserved its strong standing in project finance transactions not only as a creditor, but also taking on lead roles of coordination and structuring in a number of project finance deals.

Energy

Garanti, one of the leading banks in the energy sector, continued to support renewable energy projects in 2016. Garanti provided around USD 750 million to the renewable energy projects with a total installed capacity of 775 MW and increased the share of renewable energy projects in its power generation portfolio by risk to around 60%.

Garanti has incorporated its in-depth knowledge in the wind energy with a market share of 32%, to solar energy and expanded its footprint in the renewable sector. Garanti was able to provide in total around USD 250 million to the solar energy with an installed capacity of circa. 225 MW thanks to new lending products for mass funding.

In 2016, the amount of large-scale HEPP project investments declined, while EUAS (Electricity Generation Company) HEPP privatizations became prominent. Garanti provided USD 250 million to Aşağı Kaleköy HEPP project, the largest HEPP investment with an installed capacity of 500 MW in Turkey in 2016.

Garanti has also contributed USD 120 million for the financing of 144 MW Kadıncık I-II HEPP Privatization and refinancing of 276 MW of eight existing hydro projects in various regions of Turkey. The total loan amount was around USD 720 million.

Acquisition Finance

2016 has been a less active year in company acquisitions as compared to previous years, both in terms of the number and volume of deals.

Garanti had a USD 400 million ticket in the financing package of USD 1.0 billion disbursed to acquisitions finalized in the reporting period with a total worth of USD 1.5 billion.

Besides acquisition finance, Garanti contributed USD 350 million to syndicated and structured corporate finance deals worth USD 1.2 billion made available to Turkey's major companies.

Transportation and Infrastructure

Garanti committed EUR 255 million as the Facility Agent to above EUR 1 billion financing provided to Salı Pazarı Cruise Terminal, a landmark project of 2016 that is set to add a new coastline to Istanbul.

With a ticket of USD 150 million, Garanti was part of the USD 800 million funding provided for the refinancing of the debts of both Kazancı Holding and Aksa Doğalgaz owning 20 gas distribution sites and also covering financing of new investments.

Garanti provided EUR 172 million to the EUR 344 million financing package made available to 1,081-bed Eskişehir City Hospital, one of the city hospital projects developed under the PPP (Public Private Partnership) scheme.

PROJECTIONS FOR 2017

In 2016 that was infected with numerous negative events, investments slowed down as compared to previous years. While the cautious attitude is anticipated to perpetuate in 2017, PPP-based infrastructure projects including big bridge and motorway projects and healthcare city investments, EUAS HEPP privatizations, renewable energy investments and local coal projects are expected to make the highlights of the coming year. Garanti aims to maintain its pioneering and leading position in project and acquisition finance in 2017, as it did in previous years.

CASH MANAGEMENT AND TRANSACTION BANKING

112,622

BUYERS IN DCS

15% RISE

IN TRANSACTION NUMBERS
OF MONEY TRANSFERS

14.9% SHARE

MARKET LEADER IN INTERBANK
MONEY TRANSFERS

Well-known for breaking new grounds in the sector, Garanti has been the pioneer bank in the sector to recognize and invest in the field of Cash Management by establishing a dedicated department in 1996.

Backed by its solid technology, Garanti has led the sector in offering new products and services such as the direct collection system in Turkey launched in 1997, followed by tax integration and supplier financing system. Parallel to the new banking era that started in 2008, which put core banking services in the forefront, Garanti added Transaction Banking to its Cash Management functions. Since 2011, Garanti has been offering privileged service specifically designed for cash management needs of its foreign customers via MNC Desk (MultiNational Corporation Desk).

Cash Management and Transaction Banking distinguishes itself in the sector with its ability to generate customer-driven revenues thanks to its long-lasting experience, expertise, superior technology, and customer-centric approach.

Recognized as Turkey's Best Cash Management Bank by Global Finance in 2016, Garanti listens to its customers to offer payment and collection methods tailored to the needs and business models of its customers, and delivers new financial solutions for the entire supply chain with its dynamic structure and innovative perspective.

ACTIVITIES IN 2016

In 2016, Garanti Cash Management and Transaction Banking continued to diversify its product portfolio and furnish quality service while working to fulfill customer needs.

Being the first bank to implement the Direct Collection System (DCS) in Turkey, Garanti reached 47,416 buyers/receivers in B2B (business to business) and 65,206 in B2C (business to customer) in 2016. On the Cash Collection side, Garanti retained its interbank leadership with more than 572,000 trips to 2,833 destinations, backed by quality service and comprehensive logistics support.

During 2016, Garanti Cash Management and Transaction Banking continued to offer the solutions its customers needed in collection and payment processes, and remained the leader in the sector with a 14.9% market share in EFT transactions and 12.4% share in collection checks. The Bank attained 15% growth in the number of money transfer transactions in the same period.

E-solution processes remained in the focal point of the activities of Garanti Cash Management and Transaction Banking in 2016. E-invoice product integration system was launched in 2016, which enabled E-invoice to be used in integration with cash management products. New business models were launched for the mobile payments world, while investments went on to upgrade the local and international payment infrastructure. Service range was broadened through addition of new features to Garanti Connect, which allows global customers to utilize SWIFT FileAct payment infrastructure under international standards. This move helped Garanti preserve and further strengthen its strategic position to become the main bank of multinational companies.

PROJECTIONS FOR 2017

In 2017, Garanti Cash Management and Transaction Banking plans to focus on advanced financial solutions by taking advantage of the new regulatory arrangements, as well as advancements in technology, with a special emphasis on Garanti Discount, a web-based Supplier Finance System introduced as a first in the sector in 2007, and DCS Discount included in its product portfolio in 2012.

Furthermore, Garanti Cash Management and Transaction Banking targets to design new, pioneering integration initiatives in a bid to facilitate customers' day-to-day payment/collection and cash flow movements in every department of life. Having made its debut in foreign supplier finance transactions in 2015, Garanti is committed to sustaining its expansion in this aspect also in 2017. While 2017 will be the scene to introduction of new solutions and new products in relation to e-transformation, Garanti aims to respond to customers' local and international payment needs much more efficiently as a result of investments in the payment infrastructure.

PAYMENT SYSTEMS / DEBIT AND CREDIT CARDS

6.5 MILLION
LEADER IN CREDIT
CARD CUSTOMERS

TL 8.6 BILLION
LEADER IN
CREDIT CARD RETAIL
VOLUME

9.1 MILLION
LEADER IN PLASTIC
CREDIT CARDS



With approximately 19 million cards in the total number of debit and credit cards and nearly 6.5 million credit card customers, Garanti maintained and further strengthened its value offer "the most popular, the most used and the most bonus points-earner" in 2016.

Garanti ended 2016 by consolidating its leadership in a number of areas in the payment systems and credit cards segment:

- Leader in the number of credit card customers with 6.5 million,
- Leader in the number of plastic credit cards with 9.1 million,
- Leader in credit cards retail issuing volume with 21.3% market share,
- Leader in contactless credit cards issuing volume with 45.7% market share,
- Leader in credit cards issuing cash volume with 19.7% market share,
- Leader in e-commerce volume with 23.2% market share,
- Leader in the number of member merchants with 17.5% market share,
- Leader in international credit cards issuing volume with 38.7% market share.

ACTIVITIES IN 2016

In the payment systems field, expansions secured in the products of Cash Advance, Money in Installments, Skip Payment, Post-Purchase Installment, Skip Spending and Additional Installment products, and increased use of digital channels served to sustained leadership in cash market share and also contributed significantly to overall profitability. By dynamically resolving customer issues and ensuring customer satisfaction, approximately 1.5 million cards were recovered for the card portfolio. The number of Bonus credit cards went up to 6.9 million. Bonus cardholders' bonus spendings amounted to TL 231 million.

The number of Miles&Smiles branded credit cards hit 1 million. Miles&Smiles credit cards gave away 8% more miles to users as compared with 2015, bringing the figure to 11 billion miles. Having attained an annual expansion of 22.5% in retail volume, Miles&Smiles credit card has secured the highest rise in retail volume among all Garanti retail credit cards. The number of American Express cards went up by 18% year-over-year; coupled with approximately 13% expansion in its retail volume, American Express Cards outgrew the total credit card market. Remaining the most used commercial card in the past year in the commercial cards segment, Garanti commercial cards were used for 1 out of every 3 transactions.

BonusFlaş

Launched in November 2015, BonusFlaş application boasts 2.5 million downloads, an outstanding number reached exactly one year after its debut. The application's success is further evidenced by statistics such as the total participation number of 5.5 million in 4,000 campaigns posted in BonusFlaş and that 9 out of every 10 users re-used the app.

Bonus Platform

Allowing the customers of 10 other banks other than Garanti to use the Bonus brand, the Bonus Platform is the largest card platform in Turkey. The platform covers DenizBank, TEB, Garanti Bank SA, Şekerbank, ING Bank, Türkiye Finans Katılım Bankası (TFKB), Burgan Bank, ABank, ICBC Turkey Bank ve Fibabank. The Bonus Platform closed 2016 as the leader with a market share of 31% in terms of turnover.

PROJECTIONS FOR 2017

Working toward the goal of "A Garanti Card in Every Pocket", Garanti Bank aims to achieve its target of creating a "cashless society in Turkey" by 2023 by expanding the market and by adding new links to the chain of leaderships it has sustained in 2016. For 2017, Garanti has set the following targets:

- Introduce new features addressing the needs of different segments to become the main card used by customers,
- Follow-up new technology and new trends to offer "first"s to its customers so as to make life easier for them,
- Grow and retain market leadership in cash products through solutions catering to customer needs,
- Carry on with developments for BonusFlaş app so as to enhance customer satisfaction and better fulfill their needs.

BRANCHLESS BANKING / DIGITAL CHANNELS

DIGITAL CHANNELS USED
FOR 92% OF NON-CASH
FINANCIAL TRANSACTIONS

3.7 MILLION
ACTIVE MOBILE
BANKING CUSTOMERS

4.9 MILLION
ACTIVE DIGITAL
BANKING CUSTOMERS

Garanti Digital Channels enables 4.9 million digitally active customers to execute any banking transaction any time, anywhere, with 4,825 Paramatik ATMs, an award-winning Call Center, its Internet Banking that has been leading novelties, and its Mobile Banking platform. While 3.7 million of these customers actively use mobile banking, those using mobile banking only numbered 2.5 million.

Approximately 470 million transactions are performed through digital channels annually. Digital channels are used for 92% of all financial transactions at the Bank, excluding cash transactions. Aiming to offer its customers an instant, convenient and uninterrupted experience, Digital Channels succeeds in remaining the leader of digital banking year after year.

Garanti, in an effort to manage brand awareness and corporate reputation on social networks, is present in 18 different social platforms with 60 social media accounts. Garanti continues to be the financial institution with the most followers in Turkey and in Europe with more than 1.6 million followers on Facebook and over 5 million followers overall. "GarantiyeSor" (Ask Garanti) responds to user questions and comments within 2 hours maximum and offers service 24/7 via social media. On social media platforms, Garanti makes use of creative contents and initiatives that support its corporate image and contribute to business results by offering a description of products and services, which are at the same time aligned with the entertaining nature of social networks.

ACTIVITIES IN 2016

Internet Banking

Enabling more than 550 transactions and having over 2.7 million active customers, Garanti Internet Banking has been instrumental in the execution of more than 11 million financial transactions on a monthly basis during 2016, while the number of transactions per year added up to 141 million. While 22% of time deposit accounts have been opened through online banking, the rate of GPL disbursements finalized on online banking has reached 17% in 2016.

- In 2016, Garanti Internet Banking has been revamped with a modern design and added capabilities. The website now features responsive design, which allows the layout to adapt accordingly when accessed through mobile phones.
- The "Card Purchase Objection" step has been added under Garanti Internet Banking/Cards menu. The new feature allows

customers to raise their objections online to any purchase charged to their cards and to follow-up the status of their objections. Turkey's first online purchase objection feature digitized the process typically handled via fax and email, thereby mitigating the operational workload on branches.

- Modular Auto Insurance has been launched, which enables customers to determine their own premiums through addition/exclusion of coverage and undertakings via Garanti Internet Banking. Customers can clearly see the coverage provided by the policy they purchase and set the premium payable by reducing the coverage, if so they wish.

Mobile Financial Services

The number of monthly transactions carried out with Mobile Banking reached 14 million, while that of active customers topped 3.7 million. The number of active mobile banking customers grew by 46% in the twelve months to end-2016.

- Users can apply for General Purpose Loans via Mobile Banking, and receive the borrowed amount in their accounts without going to a branch. They can also establish video contact with their credit advisors to get live support and complete the application process with face-to-face contact using the "Live video chat" function.
- ATM/Branch transactions on Mobile Banking have been entirely revamped. Customers are now able to get an appointment to perform their transactions at the appropriate date and time at a branch, once the relevant transaction, point of service and branch have been selected. Users can review the density and expected wait times at branches on the ATM/Branch map.
- MIA, Mobile Transaction Assistant incorporated in Mobile Banking, allows users to handle their banking transactions with voice based completely on natural speech.



MIA facilitates a number of transactions including account and card transactions, money transfers, exchange rate queries, FC trading, etc.

Paramatik ATMs

Facilitating more than 200 transactions besides cash withdrawals, the Paramatik network reached 4,825 ATMs in over 250 locations in 2016. The ratio of cash deposits to cash withdrawals from Paramatik ATMs was 107%. While 300 million transactions per year were carried out from Paramatik ATMs, users who do not have an account with Garanti executed more than 20 million transactions using the cardless menu. Through renewed Paramatik ATMs, customers started to receive service based on user-friendly, simplified transaction flows.

- Customers can now instantly access the summary information about most-frequently used accounts and to most-frequently performed transactions as soon as they sign in using their cards.
- Loan repayments can now be made through Paramatik ATMs quickly and easily.
- Paramatik ATMs can now give back banknotes, in addition to coins.

Alo Garanti

Alo Garanti, with more than 5 million inbound calls, continued to introduce novelties using speech technologies. Following the 2013 launch of the Call Steering system, which was a first in the Turkish financial services sector, 2014 marked the inception of the Speech Transactions era. Speech Transaction functionalities allow handling of many transactions just by speaking, including balance inquiries, change of statement closing week, credit card debit inquiries and payments, current period purchases, etc.

GarantiOne

Addressing the youth segment between the ages of 18-25, GarantiOne is a mobile banking platform incorporating special functions and campaigns totally overlapping with the lifestyle of the youth. With GarantiOne, users do not pay any internal/interbank money transfer or card fees. Using the "Send a Gift" function, they send gifts to friends. Categorized viewing of their expenses also enable comparisons with average expenses incurred by comparable Garanti customers. The application also shows month-end balance by taking future transactions into account, and presents the transactions that can be performed depending on the amount

that will remain in the account. The number of customers using GarantiOne, which was launched exclusively for the youth in October 2016, closed in on 300,000. In 2017, new services are planned to be added to GarantiOne, which will differ according to the needs of the target audience.

PROJECTIONS FOR 2017

Strictly focused on offering a better experience on digital channels at all times and a follower of omni-channel strategy, Garanti Digital Channels aims to reach the users at the right time with the right message. Customers are contacted through the best-fitting channel by use of smart decision techniques. After starting to offer service through third-party service and messaging applications such as WhatsApp and BiP in addition to digital channels in 2016, Garanti Digital Channels will improve this structure on every possible platform in 2017, based on its vision of being accessible by customers anywhere they need. The solutions that will respond to their financial needs will be delivered to customers through prediction of the time they will need it and employment of API ecosystem. Digital Channels will maintain its leadership in digital channels by continued monitoring and implementation of new technologies, and will put mobile channels at the heart of this experience.

In 2017, Garanti aims to increase customer interaction and dialogue through efficient advertisement, innovatively designed competitions and campaigns on social networks, while using them in a creative and pioneering fashion. The Bank intends to make use of social networks both for promoting its products and services, and also as an active sales platform.

CALL CENTER



72.8 MILLION
CUSTOMER
CONTACTS

4 MILLION
PRODUCTS SOLD

34 SECONDS
SECTOR'S LEADER WITH AN
AVERAGE RESPONSE TIME

Having adopted the goal of giving its customers a unique experience, Garanti Bank Call Center keeps leading the sector with its solid technology, competent and dynamic employees, innovative and solution-oriented customer service approach.

Recognizing the importance of high quality and consistent service delivery, the Call Center having a track record of 18 years, analyzes customer needs timely and accurately, and offers its customers easily accessible services targeted at first call resolution. In addition, Garanti Bank Call Center formed a financial products portfolio in parallel with the Bank's strategies that evidences its commitment and claim in this respect. The Call Center handled 13.2% of all the calls in the financial sector with an average response time of 34 seconds with its qualified team of 1,170 agents, and preserved its position as the leader in the fields where it is active.

ACTIVITIES IN 2016

Remaining Turkey's largest financial Call Center in 2016, with the number of customer contacts that went up to 72.8 million, Garanti Call Center kept making a pronounced difference in its sector with a call response rate of 97.8%, the key service performance indicator.

Thanks to the projects designed on the principle of "right customer, right channel, right product", Garanti Bank Call Center instantly connected the customers, reached via either incoming or outgoing calls, with customer representatives specialized in the services and products that the specific customers were interested in and kept ensuring utmost efficiency in fulfillment of demands and needs. With the number of financial products in its portfolio increased to 33, Garanti Bank Call Center broke a new record with over 4 million products sold in 2016, raising the bar even further.

In 2016, Garanti Bank Call Center once again retained its leadership in loan telesales and got a significant share out of Garanti Bank's total lending volume, in the marketing and sales of general purpose, mortgage and auto loans through the dedicated hotlines at 444 0 335, 444 EVIM and 444 OTOM.

One of the largest sales channels in total credit card sales for the Bank with a share of 19.9%, Garanti Call Center successfully carried on with centralized management of the retention efforts for all Garanti Bank credit cards.

Besides presenting high value-added and strategic products, Garanti Call Center has taken on an important role in expanding the use of BonusFlaş and GarantiOne applications by Garanti customers, two new products of the digital world making financial lives of customers easier.

Having centrally handled 63% of calls coming into branches' switchboards during the reporting period, Garanti Call Center delivered faster, solution-oriented service to its customers, thereby ensuring significant alleviation of the workload on in-system branches. Through these calls handled with an average response time of 11 seconds, the Call Center gave its customers a high quality and speedy service experience.

Combining its solid technology and long-lasting experience with "Customer-Centric Approach" that has always been its top priority, the Call Center further leveraged its service concept providing superior customer experience and introduced many innovative projects in 2016.

PROJECTIONS FOR 2017

Continuing to produce customer-centric solutions through its innovations in technology, Garanti Bank Call Center is targeting to invest in voice technologies once again in 2017. Along with its developments in voice technologies, Call Center will continue to render its service to customers much faster, easier and reliable.

Having completed its transformation into a profit center and contributing significant added value to Garanti Bank, the Call Center will adhere to its mission of breaking new ground in its sector, by presenting its customers with strong and distinctive experiences.

CUSTOMER EXPERIENCE MANAGEMENT

CUSTOMER INSIGHT

EXPERIENCE ENHANCING ACTIONS

PIONEER IN ESTABLISHING CUSTOMER-CENTRIC CULTURE

Customer happiness comes at the top of the core values that make Garanti what it is. Garanti believes that, in order to make its customers feel happy, beside fast and high quality service, it is also important to understand customers' expectations from life, make them feel secure and create an emotional bond with them. Building a good customer experience is one of the top strategic priorities and indispensable passions for Garanti senior management, as well. The Customer Committee holds regular meetings led by the CEO to discuss the topics related to customer experience. The activities aimed at improving customer experience rely on a five-step methodology:

Multichannel Customer Listening

In addition to extensive customer experience researches, regular after service surveys are conducted with customers who have critical services at branches. Customers may pass on their complaints via e-mail, websites and social media as well as a dedicated team that serves on a private telephone number and branded as "Customer Hotline". Complaints are assessed carefully and resolved as soon as possible.

Root Cause Analysis

Regular analyses of customer feedback serve to identify the root causes of complaints and moments of contact when customer needs and expectations were either exceeded or unfulfilled. All information is synthesized to form customer insights. Projects for improvement areas are devised and changes in customer feedback are monitored after the implementation of the projects.

Customer Journeys

Improving the customer experience calls for improving not only separate touch points but the entire journey end-to-end. Therefore, a journey perspective is adopted and used in design phase. Each step is experienced through the customer's eyes and solutions are provided to satisfy the needs and expectations at any given moment at the maximum extent possible.

Delivering Through Change Management

Garanti employees play an influential role to create good customer experience. To maximize employee engagement, employees are kept informed and educated on a regular basis. Interfaces and systems are developed with the goal of facilitating service delivery by employees to customers. Building a good customer experience is incorporated in the definition of success for every employee at any level.

Quality Control with After-Service Surveys

The effects of these activities upon customer experience are measured by way of surveys conducted for each employee. Employees can track customer feedback on daily basis, which they then use as a resource to take necessary action to enhance

the experience they provide. Garanti is the only Turkish bank to have its complaint handling system internationally endorsed with ISO 10002:2004 Complaints Handling System certification, which it initially received from the British Standards Institution (BSI) in 2006 and has been renewing annually since then.

ACTIVITIES IN 2016

- Reorganization was undertaken with the objective of strengthening customer experience management. Experience design teams and complaint handling teams were merged, producing the dual result of end-to-end customer experience management and wider sphere of influence for the team.
- The Customer Committee commenced activities.
- Average number of monthly complaints went down by 30% over the past year as a result of improvements.
- Introduced in 2015, after service surveys continued at an increased speed. 316,000 customers who had critical experiences were contacted in 2016.

PROJECTIONS FOR 2017

- Continue with insight generation about customers and offer guidance to all the teams,
- Carry out regular root cause analyses; transform analysis results into actions that improve customer experience and mitigate complaints,
- Keep improving customer journeys,
- Give experiences beyond their expectations to customers who convey their complaints,
- Ensure that the customer-centric corporate culture is maintained and further expanded,
- Produce first contact resolutions on every channel, particularly introduce solutions that will support branch employees in handling the complaints,
- Adopt customized solution creation approach to meet diverse customer needs, and formulate the necessary processes and technical infrastructure.

ASSETS AND LIABILITIES MANAGEMENT DEPARTMENT

STRONG AND
EFFICIENT BALANCE
SHEET MANAGEMENT

DYNAMIC SECURITIES
PORTFOLIO MANAGEMENT IN
VOLATILE MARKET CONDITIONS

Assets and Liabilities Management Department (ALM) works to maximize risk-adjusted return on Garanti Bank's capital, to maximize net interest margin of its balance sheet, and to minimize fluctuations in net interest margin. Garanti's interest rate, country credit, structural FC and liquidity risks are managed within the frame of the targets set by the Assets and Liabilities Committee (ALCO).

To this end, ALM monitors market conditions, interest rate and volume trends of balance sheet items, risk parameters and capital level; determines investing, funding, and hedging strategies, and takes necessary actions in spot or derivatives markets in the light of quantitative analyses it conducts.

ACTIVITIES IN 2016

Fund inflows to emerging countries made the highlight of the first half of 2016, which were driven particularly by the signs that the Fed's interest rate policy would proceed more loosely than was anticipated. However, the second half of the year saw rapid depreciation of the Turkish lira due to economic and political shocks: Brexit, July 15 Coup Attempt, downgraded rating assigned to Turkey by Moody's and Trump's victory in the US presidential elections led to high volatility in the markets.

To this backdrop, ALM aimed to optimize permanence of liability items and diversify funding facilities, while composing the assets items so as to maximize risk-adjusted return on capital.

Particularly in the second half of the year, the liquidity instruments of the Central Bank of the Republic of Turkey (CBRT) were employed and effective and productive liquidity management was ensured both in TL and FC items in the face of stricter FC funding terms. Within the frame of its simplification policy, the CBRT gradually curbed its lending rate by 2.50% starting from the onset of the year.

Furthermore, there was a trend to switch from FC to TL deposits due to the shocks in the second half of the year, which led to declined TL deposit rates. On the other hand, repriced risk-free curves owing to elevated US inflation and global growth anticipations following Trump's victory in the US presidential elections pushed FC borrowing costs upwards. In this context, maturity and currency compositions both in deposit and interbank funding items were managed so as to maximize net interest margin and minimize liquidity risk. Domestic and international TL-denominated issues were carried out and securitization based FC borrowings took place.

Off-balance sheet financial hedging was taken on for interest rate risk management purposes. The Bank's entire securities portfolio apart from the ones held for trading was handed over to ALM Interest Rate Risk Management. ALM Interest Rate Risk Management oversaw the size and composition of ALM Securities Portfolio in line with the decisions passed by ALCO and in view of liquidity and funding risk, interest rate risk, FC and capital risks with the objectives of generating revenues, managing the Bank's interest rate risk position, securing liquidity, and fulfilling collateralization requirements as and when necessary.

Within the frame of structural exchange rate risk management, the Bank's financial soundness was hedged against exchange rate modification, thus ensuring the stability of, and preserving, capital ratios and profit/loss figure; the Bank targeted to maintain debt payment capability and to ensure its alignment with internal limits.

PROJECTIONS FOR 2017

2017 promises to be a dramatic year for global and emerging markets, and for the Turkish markets alike. Important factors of the coming year will include the steps to be taken by the Fed in relation to liquidity and monetary policy, the responses of Europe and Japan to the Fed's next steps, and the course of commodity prices.

In emerging markets, country-specific fragilities will gain the foreground; macro parameters such as external balance, internal balance, growth potential and inflation will be watched closely by investors and they will also set the shares to be claimed by countries in portfolio allocations.

ALM will take necessary actions based on a cautious optimism with respect to management of balance sheet liquidity risk, interest rate risk, the Bank's securities portfolio, structural exchange rate risk, and capital.

60% SHARE
IN LOCAL INTERBANK
FX MARKET

USD 160 BILLION
SPOT FX TRADING



Throughout 2016 dominated by totally unexpected events in the Turkish and world markets, Garanti Treasury pursued its operations without losing its focus on customer satisfaction and without injuring its profitability.

Treasury Markets

A market maker in TL bonds and bills market and in derivatives market (VIOP), Garanti remained as an active player in other securities, derivatives, currency and gold markets. Reaching 17% share in the BIST bonds market, Garanti preserved its weight in currency markets. Having carved its name as a good liquidity provider in the international currency market, Garanti successfully kept its market share at 60%, a solid figure it had secured in the local interbank market last year.

Following the reorganization of 2016, Treasury Markets team incorporated new products under its responsibility. Within this frame, the team strove to fulfill customer needs at the optimum level particularly in interest rate derivatives, while observing the delicate balance between competitive pricing and unit profitability.

In the event of reduced volume of customer transactions despite intense efforts for preventing a slowdown in the rate of economic growth, the priority of Treasury Markets team amid the competition that will take place to attract the potentially reduced demand will be to derive profits on the back of regular, reliable trading margins driven by customer satisfaction, to be a prestigious liquidity provider in the interbank market and to broaden the product range with innovative approaches.

Treasury Marketing and Financial Solutions

In 2016, Treasury Marketing and Financial Solutions team continued to play an important role in the pricing critical deposit and lending products for customers. On the other hand, the team successfully intermediated customer transactions involving spot FX worth more than USD 160 billion (20% market share), and FX and IR derivatives worth more than USD 87 billion.

On another front, the team increased the customer volume, which results from a wide variety of structured products and solutions offered to customers with specific needs, to USD 9 billion. In addition to these activities, gave support to the Bank itself and to all other institutional customers that needed financing with the help of a specialized professional team and had them get access to capital markets to issue bonds under the guidance and consultancy service offered by

Garanti Securities With all these efforts, in 2016, the team has played an active role in book building amounting to more than TL 9 billion in aggregate, involving various products Garanti will continue to contribute to the development of these markets also in the period ahead.

The priority of Treasury Marketing and Financial Solutions team in 2017 will still be to carry out all treasury transactions asked by customers as quickly as possible at the best possible price and to respond to all sorts of their specific needs based on treasury products with the most efficient solutions possible, thanks to the superior technology and human resource at its disposal.

Derivatives

In 2016 that saw sustained growing interest of international markets in emerging markets, Garanti continued to grow while monitoring the risk/yield balance, funding quality, and efficient collateral management principles.

The international legislation setting out the USA's and EU's "strict" rule-based approach to risks in the form of Dodd Frank Act, Sox and EMIR has been a key factor that affected Garanti and the infrastructure of treasury processes directly. These integrations and diversified financial products and services driven by technological developments boosted the importance attached to risk management on a global scale.

Proactive risk management and compliance with international legislation will maintain their importance in 2017, when several projects initiated in 2016 and aimed at securing more efficient risk monitoring and full automation of treasury processes will be finalized. For all international market participants, standardized collateralization and swap structures of treasury products will be a material factor mitigating systematic risk. In this context, the objective in the period ahead will be "healthy growth", rather than growth only, along with effective risk management.

INTERNATIONAL BANKING

>USD 3,2 BILLION
SECURED
IN NEW FUNDS

2,650 BANKS
BROAD CORRESPONDENT
NETWORK



Garanti offers distinctive service to its customers thanks to its long-term relationships with the correspondent network and innovative financing products. Sustainable foreign funding capacity and customer-centric service policy makes Garanti Turkey's leading bank.

ACTIVITIES IN 2016

Correspondent Banking

The Correspondent Banking team, responsible for relationship management with international banks, successfully manages a broad correspondent network of approximately 2,650 banks in more than 150 countries. Underpinning this success are strong relationship management, sustainable ancillary business, and customer satisfaction ensured by the distinctive service quality in international operations.

In 2016, Garanti continued its success in securing foreign funding from correspondent banks in spite of the volatile market conditions, owing to its effective relationship management. Garanti remained as the main relationship bank in Turkey for international correspondents with its strong relationship management and its ability in generating sustainable ancillary business.

Structured Finance

USD 138 million equivalent MTNs have been issued. With TL 200 million, Garanti has been the first Turkish entity to issue in this currency under the program in Turkey.

In May, syndicated loan of EUR 1.25 billion with a term of 367 days was renewed at a cost of Euribor+0.75% for the Euro tranche and Libor+0.85% for the USD tranche.

In June, a 1,098-day maturity loan for USD 50 million was secured.

In addition, a credit agreement for EUR 100 million for 12 year maturity was signed with Proparco for the financing of renewable energy resources.

In November, 367-day maturity syndicated loan of USD 1.3 billion was renewed. The cost was Euribor+1.00% for the facility's Euro tranche and Libor+1.10% for USD tranche. A financing in the total amount of USD 310 million and EUR 50 million with maturities of 5 years through Diversified Payment Rights securitization program was secured and Garanti once again endorsed its success in international markets.

Trade Finance

Garanti continued to act as the solution partner of its customers in keeping with its pioneering role and expertise in trade finance.

In 2016, Garanti sustained its financing support to its customers' investments on the back of long-term import finance facilities secured via export credit agencies.

The Bank developed new cooperation with export credit agencies and creditor banks. From China EximBank, Garanti secured a 3-year maturity loan of USD 300 million to be used for financing imports from China, and signed its name under the highest-amount loan obtained from China EximBank by a bank from Turkey. The Bank started to cooperate with the CBRT in rediscount credit structure, and made this facility available to its customers.

Thanks to its cooperation with correspondent banks, Garanti provided funding and guarantorship to its customers' exports to new markets at favorable terms

Acting as its clients' consultant bank in foreign trade, Garanti kept organizing seminars to share its experience and knowledge in this field with its clients.

PROJECTIONS FOR 2017

Garanti pursues to provide sustainable external funding thanks to its experience in capital markets, its relationships with credit agencies built on trust, and its innovative products. The Bank targets to expand its correspondent network and best meet the client needs for international transactions. Garanti aims to provide specialized solutions for its clients' and enter into new cooperation in this area with correspondent banks and export credit agencies.

INSURANCE AND PRIVATE PENSION

SOLID TECHNOLOGY

CUSTOMIZABLE PRODUCTS

CUSTOMER-CENTRIC PRACTICES

Owing to the collaboration and strong synergy maintained with Eureka Sigorta (Eureka Insurance) and Garanti Emeklilik ve Hayat (Garanti Pension and Life), Garanti preserves its leadership in the sector, uncompromising its unconditional customer satisfaction principle and innovative approach. Offering a one-stop shop system to fulfill all financial needs of its customers simply and rapidly, Garanti continues to grow by deepening its expertise in bancassurance and to provide insurance and pension products to its customers via all of its channels.

ACTIVITIES IN 2016

Banks remain as solid delivery channel and preserve their importance for the insurance industry. While banks were responsible for 84.0%* of total premium production in life insurance, their production share in non-life insurance was 13.0%*. Garanti, in 2016 got respective market shares of 14.1%* and 9.7%* in non-life and life insurance on the back of its successful bancassurance activities.

The ongoing positive effect of 25% state contribution has driven continued interest in Private Pension system and growth of the sector. While total number of participants in system reached 6.6 million**, Garanti reached its customers through all channels, increasing the number of its participants to 1.130 thousand** and total funds under management to TL 9.5 billion. Garanti captured 17.1%** market share in number of participants and 15.7%** share in total funds.

While introducing new product designs that suit customers' requests and needs, Garanti also increased accessibility of its existing products. In this vein, Garanti Modular Auto Insurance began to be offered through garanti.com.tr in addition to Garanti Internet and Garanti Cep channels. Garanti customers and non-customers can purchase modular auto insurance through garanti.com.tr using any card and without logging in. This new product allows car owners to define coverage and additional features depending on their needs and requests to obtain an advantageous price, and thus have a customized modular auto insurance. Complementary health insurance policy allowing customers registered with Social Security Institution (SGK) to receive service from private healthcare institutions without paying any difference, has been redesigned with a rich selection of coverage types.

Travel Health Insurance began to be sold via Garanti Cep. By this means, Garanti customers are able to obtain cover for themselves and their loved ones within seconds, at the most favorable terms, against emergency

healthcare expenses that may be incurred in trips to foreign countries.

PROJECTIONS FOR 2017

An unchanged goal for Garanti in 2017 will be to make effective use of digital media for bancassurance activities and to maintain interactive communication with its customers. Along this line, marketing efforts aimed at raising an increased awareness of insurance among customers through new product initiatives and revisions to existing products will continue at the same speed. While integration of available products to all channels will be carried on, existing products and processes will be reformatted in line with demands and needs of customers using these channels. Customizable products will be given forefront and channel-specific innovative products and services will be offered. Investments will be made particularly in mobile channels and priority will still rest with new developments so that customers can benefit from insurance services at any time. Garanti Modular Auto policy, which can be easily purchased through garanti.com.tr by Garanti customers and non-customers alike, will represent the first one of insurance products addressing all. On the Private Pension System front, automatic participation system will commence. The sector's growth is anticipated to accelerate with this arrangement whereby private and public sector employees below the age of 45 will be automatically included in private pension system. Taking advantage of this development, Garanti will sustain its growth trend in the number of participants and total funds, and will further cement its strong position in this segment.

In 2017, Garanti will continue to break new ground in bancassurance with its solid technology, supported customer-centric practices and products designed to cater to customer needs.

* As of December 31, 2016

** As of December 30, 2016

ANTI-FRAUD MONITORING DEPARTMENT

CUSTOMER-CENTRIC APPROACH

Adopting an “enterprise external fraud prevention” approach within the framework of customer protection principles, Anti-Fraud Monitoring Department centrally monitors incidents of fraud involving card transactions, account transactions and loan product applications carried out through any branch or non-branch channel by Garanti Bank customers since 2007.

Within the scope of monitoring and controlling operational risks that Garanti is exposed to, Anti-Fraud Monitoring Department is charged with the development of strategies to proactively monitor, detect, control and prevent acts of external fraud. The Department takes rapid, efficient and customer-centric actions that give the foreground to customer experience against constantly changing fraud trends thanks to its ever-growing experience and expertise, combined with its ability to quickly adapt to new technologies. Through analyses of fraud incidents, the Department works to minimize the potential losses of the Bank and the customers that may arise due to acts of external fraud.

The Department formulates views and suggestions on the Bank’s new product and service developments upon assessing the same with respect to external fraud risks. The Department also carries out all necessary examination and investigation about acts of external fraud, sharing related information within the Bank and with other banks. In addition, the Department carries out training and awareness programs to help Garanti employees understand the importance of the prevention of fraud risks and to establish this culture throughout the Bank.

As required by its fraud prevention, monitoring and system development functions, the Department closely follows up technological developments to increase the security of products and services provided via digital delivery channels, as well as of card-based payment systems, and to prevent credit card and consumer loan application frauds and attempts of account takeover. To this end, the Department develops strategies that are compliant with Garanti’s policies and takes the most efficient and effective actions quickly.

ACTIVITIES IN 2016

In line with the Bank’s customer protection principle, the Department kept successfully managing potential reputational and financial losses that might result from acts of external fraud. In 2016, the Department displayed a superior performance against

CENTRALIZED AND HOLISTIC CONTROLS

DYNAMIC AND RISK-FOCUSED ACTIONS

fraud attempts, which might have led clients and the Bank to sustain losses, thanks to customer-centric strategies and an ability to take action instantly.

Garanti Bank carried on with initiatives for raising increased awareness of current fraud incidents at financial sector institutions and in related sectors, and kept working towards creating awareness of fraud among customers. It is among Garanti’s top priorities to make sure that its customers transact in a secure environment, feeling at ease. Accordingly, the Department extended support to increase sensitivity towards fraud incidents through text messages and/or emails sent to customers from time to time, in addition to informative warnings posted on the Bank’s website.

Technical and infrastructural works continued in order to develop fraud monitoring software in conformity with state-of-the art technology. Support was extended to relevant teams for development efforts aimed at minimizing fraud risks in existing and new products and processes.

In today’s world where data security is crucial, steps were taken to increase the sensitivity of related organizations in Turkey about the subject. In this respect, review efforts were initiated regarding control mechanisms that can be devised on the basis of customer transaction security.

PROJECTIONS FOR 2017

In 2017, the Anti-Fraud Monitoring Department will keep strengthening fraud monitoring systems with integrated, advanced technology and software in parallel to the customer-centric strategy of Garanti. Continuous, close relationship with stakeholders will be maintained in a bid to develop efficient and effective actions based on the observation of customers’ experiences during transacting while protecting them.

USD 557 BILLION
TRANSACTION VOLUME

7,315 POINTS
YEAR-ROUND NON-
STOP CASH SERVICE

99% CENTRALIZATION
RATIO IN OPERATIONAL
TRANSACTIONS

As Turkey's first bank to centralize its operations, Garanti alleviates operational load on its branches, enhances employee productivity through active use of technology. The Bank ensures superior quality, timely and error-free execution of operational transactions of its millions of customers through ABACUS. Branches and customers are provided with year-round non-stop cash service at 7,315 points. Garanti channels 99% of all operational transactions of branches to ABACUS made up of a dynamic team of 1,094 experts. ABACUS handles the following tasks for Garanti Bank and its customers:

- All foreign trade transactions,
- Issuance of domestic and international letters of guarantee,
- SWIFT transactions,
- All operations regarding commercial loan disbursements and system entry of related collaterals,
- Verification of documents submitted with housing/auto/general-purpose loan applications,
- All domestic payments including EFT, tax and SGK premium collections,
- Bulk salary payments/bulk internal and interbank (EFT) money transfers,
- Physical and electronic archiving processes,
- Confiscation processes and query letters received from governmental offices,
- Management of correspondence with the Arbitration Committee for Consumer Problems,
- Data entry of hard copy credit card applications/forms,
- POS application and installation follow-up,
- After-sale support services for credit cards,
- Check and promissory note transactions,
- Investment account opening and account transfer operations,
- Cash support services including cash collection and delivery.



In addition to these services, ABACUS offers consultancy service by closely monitoring all changes in legislation with a potential impact upon the activities of Garanti.

ACTIVITIES IN 2016

In another intense and productive year, ABACUS successfully brought the projects in progress to completion and kept offering service at high standards with projects and processes initiated based on an innovative approach. Through effective use of technology, ABACUS significantly contributed to alleviation of branches' operational workloads and achievement of targets. The Bank's loss resulting from operational errors was a mere USD 8,000 within a total turnover of

USD 557 billion and approximately 50 million transactions handled by ABACUS. Highlights of 2016 activities for high quality service delivery and reduced risks are:

- Reducing workload of branches and increasing operational efficiency by providing first level maintenance to branch ATMs in central locations during weekends and holidays by Cash Planning and Operation Department teams,
- Quicker access to real property data upon integration with the TAKBIS System of the Land Registry and Cadastre Directorate,
- Detection of EFT instructions involving a single transaction through optical character recognition system, and revision of EFT entry/approval process accordingly.

PROJECTIONS FOR 2017

Having identified improvement areas that will further upgrade service quality, ABACUS will continue to work toward enhancing internal customer satisfaction and alleviating the workload of branches. ABACUS will collaborate with Garanti Technology to minimize the manual steps in processes and to mitigate operational risks by improving control points and maximizing automation. Handling transactions in an error-free and timely manner by making use of all technological facilities will remain the primary goal of activities. Targets for 2017:

- Faster execution of mortgage releases using e-signature through Land Registry Office & E-Release integration,
- Handling the MARS creation procedures for legal entities,
- Incorporation of all cheque book applications under the QR-code cheque book implementation,
- Remote updating of cash counting machines used at branch teller-desks,
- Automation of Cash Balance Target monitoring system, resulting in more efficient management of physical cash balance,
- Upgrading armored vehicles tracking system with RFID technology and proactive controls.

HUMAN RESOURCES

1,338

NEW EMPLOYEES

85%

VACANT POSITIONS FILLED WITH
INTERNAL RECRUITMENT RATE

Focusing on its human resource as its most valuable asset in all of its activities, Garanti Bank continues to invest in its people and adhere to world-class practices based on its innovative practices.

ACTIVITIES IN 2016

As part of employer brand management efforts, focus was placed on providing higher number of İYİ (Work Life Relation) events and services to all employees in order to enhance employee satisfaction and ensure a richer working experience. Average number of events and services per employee went up from 9 in 2014 and 17 in 2015 to 20 in 2016. Targeting a transparent, risk-observant and sustainable system, the incentive model for the employees at the branches and regional offices has been modified. "Welcome on Board" programs were introduced to speed up adjustment of new hires at the Bank and branch, regional office and regional office loans managers who are novice in their assigned locations.

The competency model which has been used since 2000, defining "Being a Garanti Employee" has been updated in 2016 to accurately reflect the Bank's corporate culture. HR processes including recruitment, career planning, and performance appraisal, and training and development programs have been modified in accordance with the new competency model. By creating an employee centric career planning model, the employee meetings were structured in line with the coaching model and the communication frequency was increased. Increased number of HR Consultants served to enhance employee communication and communication quality. 1,326 branch visits and 702 regional office visits were conducted. 893 "İşimiz İnsan" (Our Business is People) meetings with branch managers and 15,666 career meetings with employees were held.

During 2016, 88 people joined Garanti under the Management Trainee Program and 1,250 others were recruited for other positions. 91 university students were given the chance to do internship at branches, regional offices and HQ business units. Full transition to online interview and test implementation has been realized for recruitment processes. In order to handpick the right candidates and to improve processes, HR Analytics project was introduced, which is based in interpretation of statistical data. Domestic Violence Platform was established to support employees' family lives, to lend a hand to employees suffering from domestic violence when they need it, and to provide guidance to managers about the effects of domestic violence on the workplace. Garanti also set up Domestic Violence

Hotline offering service around the clock exclusively to Garanti employees and their next of kin.

In the second year of the Wish Tree initiative launched as part of Employee Volunteering activities, Garanti employees made the wishes of 2,468 students from 14 primary schools across Turkey come true.

PROJECTIONS FOR 2017

Based on its employee-centric approach, Garanti Human Resources will continue to focus on accurately positioning its employer brand for its existing and potential employees. All HR practices that will be carried out in this scope will start to use labor analytics modeling at a greater extent to design more accurate and speedy decision-making processes. In addition to those, building the managers' leadership skills will remain a priority topic.

A new initiative will be candidate satisfaction and Garantili Kariyer (Career at Garanti) software will be migrated to the mobile platform.

Garanti HR will keep concentrating on processes supporting managers' communications with their subordinates for employee satisfaction purposes, and continue to organize İYİ services and events aimed at enhancing the efficiency of internal communication.

Along with the new Head Quarter's incentive model, a new performance system will be enforced, which supports continuous communication, is aligned with the Bank's objectives and differentiates high performance.

Garanti will keep making more systematic use of various channels, including employee opinions, the Intranet, employee satisfaction questionnaire and idea platform GONG in order to enhance HR practices and the working environment.

LEARNING AND DEVELOPMENT

648,000
HOURS OF
TOTAL TRAINING

"GARANTI CORPORATE
LEARNING" PLATFORM

Having the vision of creating the best human resource in the financial services sector, ensuring continuous development and regarding training as an investment tool, Garanti Bank once again proved the importance it attaches to employee development in the sector by introducing the new "Garanti Corporate Learning" platform which is "plain, easy to understand, innovative and compliant with UX experience standards". Based on its approach "creating exceptional learning experience" as the primary initiative, Garanti will carry on with the world-class available to its employees in the periods ahead.

ACTIVITIES IN 2016

In 2016, a total of 648,000 hours of training were given in line with the Bank's strategies. Technology-based training hours accounted for 17% of total training hours.

Customer experience, digitalization, compliance , big data analysis and leadership development were the main topics.

Under the Bank's customer experience strategy, development programs offering a global perspective and incorporating best practices were organized to bring the new customer experience approaches into general knowledge and use. The main topics addressed included Design Thinking, Customer Journey Maps, Neuroscience, New Consumer Psychology

In training programs aimed at providing a deeper understanding of digitalization, digital banking practices and examples from around the world and Turkey were tackled.

The training series on "Big Data Analysis", which occupies a substantial place in the formulation of marketing strategies, served to increase the breadth of the expertise of experienced employees particularly in marketing business lines.

Supporting leadership development and specifically guiding the managers to proficiency in coaching/mentoring have been among the most important agenda items in 2016. Employees at any level were offered classroom and online development solutions, which will help them display the competencies expected of them under the new competency model.

PROJECTIONS FOR 2017

A pioneer in bringing new learning and technology trends to employees by closely following them, Garanti will maintain this approach in 2017.

Development solutions that will enhance customer satisfaction and give an in-depth understanding of digitization to branch and regional office employees as well will be extended, and all Garanti employees will be supported to monitor new trends and products.

Based on the Bank's commitment to social responsibility, Woman Leadership Training Program will be carried out in collaboration with UN Women Empowerment to support women in business life. In an effort to ensure continuous development in aspects affecting employee engagement, a video series will be created for managers' development, which they will be able to watch any time they wish.

New generation learning technologies will be enriched on the basis of cooperations with universities and training firms in and out of Turkey. In this frame, emphasis will be on the current technology solutions and applications such as use of "virtual reality".



OCCUPATIONAL HEALTH AND SAFETY

41,412
HOURS OF
OHS SERVICE

21,811
HOURS OF
OHS TRAINING

62
COMMITTEE
MEETINGS

After giving momentum to Occupational Health and Safety (OHS) practices via the OHS team set up under the HR Department in 2013, Garanti Bank repositioned this organization as OHS Division in 2015.

OHS Division carries out its activities across the country with a team of 41 people covering Occupational Safety Experts (OSEs), On-Site Physicians and On-Site Nurses. OHS requirements at all locations are fulfilled under the coordination of the HQ OHS Division. OHS determinations and suggestions are coordinated and followed-up with the relevant business lines. Unbroken OHS communication is ensured with the support of OHS Employee Representatives present in all locations.

ACTIVITIES IN 2016

Services furnished by OSEs, On-Site Physicians and On-Site Nurses during 2016 totaled 41,412 hours.

Covering 8 hours of face-to-face and 4 hours of distant training sessions, OHS training programs and other specialized programs offered to employees added up to 21,811 hours.

In order to effectively communicate OHS culture, short films were produced by Garanti Drama Club, and started to be used in training programs.

Ergonomic Risk Assessments were carried out aimed at specialized job groups. The results obtained were evaluated and findings were shared with the relevant units. In addition, Ergonomics Training has been redesigned according to risk groups.

Garanti further developed the OHS software in use, thereby exhibiting its distinction from other financial services institutions in Turkey. OHS software was made available to closely related organizations including Disaster Recovery and Business Continuity Section and Construction Unit, thus increasing the internal efficiency of OHS culture.

Workplace accidents in all locations, findings established, and suggestions received were tracked together with relevant units also during 2016. Ongoing activities included provision of OSE and On-Site Physician services at 20 locations with 50 and more employees, regular quarterly OHS Committee Meetings and updating risk

assessments to reflect the changes in workplace conditions. In the reporting period, Patient Appointment System (PAS) was developed within the scope of Occupational Health practices. Rolled out gradually, PAS allows employees to get a doctor's appointment through the system, thereby securing efficient use of time and delivery of quality healthcare service. This initiative also served to more structured performance of new-hire and periodic examinations and outpatient services by On-Site Physicians.

PROJECTIONS FOR 2017

Exceeding the regulatory requirements in its OHS practices, Garanti Bank is gearing up to initiate work related to ISO 45001 OHS Management System that will replace OHSAS 18001 OHS Management System in 2017.

OHS software developments for technologic adaptation that will control the location-based OHS service are targeted to be completed in the first half of 2017.

The national regulatory requirement to appoint an On-Site Physician and OSE to each location, the enforcement of which has been postponed to July 1, 2017, continues to be addressed as a comprehensive project.

Driving safety training programs, which emerged among the outcomes of Garanti Bank Risk Assessment, are being taken beyond the existing online training modules, and designed as up-to-date short films for social responsibility purposes.



GARANTI'S INTEGRATED SUBSIDIARIES

GARANTIBANK INTERNATIONAL N.V.

A3 LONG-TERM BANK
DEPOSITS RATING
FROM MOODY'S

16.7%
COMMON EQUITY
TIER 1 RATIO

45%
INCREASE IN NET INCOME
TO € 16.4 MILLION

GarantiBank International N.V. is a mid-sized European bank focused on stakeholder-centric transactional banking, offering simple yet customized products to retail, corporate and institutional clients. In the retail banking segment, GarantiBank International N.V. has more than 85 thousand on-line deposit customers in the Netherlands and in Germany. In the corporate and institutional segments, GarantiBank International N.V. provides trade and commodity financing, cash management, receivable financing and other selected transactional banking products to an international clientele. Pursuing its operations in the European Union, GarantiBank International N.V. constantly strengthens its collaboration with global and regional financial institutions.

Established in the Netherlands in 1990 as a wholly-owned subsidiary of Garanti, GarantiBank International N.V. furnishes services through its head office in Amsterdam and its branch in Dusseldorf, Germany along with its representative offices in Turkey and Switzerland. GarantiBank International N.V. operates in compliance with Dutch and European Union laws and regulations under the supervision of the European Central Bank (ECB), Dutch Central Bank (De Nederlandsche Bank - DNB) and the Dutch Authority of Financial Markets (De Autoriteit Financiële Markten - AFM).

GarantiBank International N.V.'s long-term deposits rating of "A3" was reaffirmed by Moody's Investors Service on October 11, 2016. The rating ranks as the third-best long term deposit rating among the commercial banks based in the Netherlands rated by Moody's.

ACTIVITIES IN 2016

In terms of any leverage, capital and liquidity ratios, GarantiBank International N.V. is comfortably positioned within the regulatory boundaries while the non-performing loans ratio improved from previous year's 4.87% to 2.13%.

In line with its proven strategy, GarantiBank International N.V. augmented its lending to its European customers while making use of both simple and customized products. GarantiBank International N.V. also gradually expands its wholesale borrowings by means of further penetration to corporate clientele and through a higher level of collaboration with a broadened group of global and regional lenders on variety of funding products.

Besides successful business results and rigorous alignment initiatives in relation to the ultimate parent BBVA Group, GarantiBank International N.V. implemented noteworthy projects for improving its operational efficiency in 2016. The efforts in this vein particularly included automation of incoming payments, trade finance products and collateral management.

On the lending front transactional trade finance products and corporate lending to European counterparties gained momentum. Wholesale borrowing embodied a well-balanced mix of transactional and structured borrowing products in addition to syndicated borrowing; in this context, new lenders were added to the wholesale borrowing counterparty set.

In June 2016, GarantiBank International N.V. concluded its annual one-year dual tranche (EUR and USD) syndicated borrowing facility being equivalent to EUR 250 million, involving 22 lending banks from 12 countries. The number of lenders and the amount of the facility have been increased as compared to the previous year. The all-in cost of the facility is 60 bps for the Euro tranche, whereas it is 75 bps over Libor for the USD tranche.

PROJECTIONS FOR 2017

In 2017, digitalization and operational efficiency, diversification of the loan book further towards European clients and diversification of the funding structure shall be the key themes while preserving the retail deposit base in the Netherlands and Germany. The effective use of the digital technologies in internal and external processes will enhance the competitiveness of GarantiBank International N.V. going forward.

**Based on Dutch GAAP standards.*



84 BRANCHES
AND OVER
1,000 EMPLOYEES

10TH LARGEST BANK
IN ROMANIA IN TERMS
OF ASSET SIZE

PRODUCT DIVERSITY
AND HIGH
QUALITY SERVICE

Garanti Romania Group is constituted by GarantiBank SA, which was established in 1998 and serves its customers in all business lines with a network of 84 branches covering whole Romania and over 1,000 employees, and two non-banking financial institutions, Garanti Leasing (Motoractive IFN SA) and Garanti Consumer Finance (Ralfi IFN SA). Taking place among the most prestigious banks in Romania for 19 years, GarantiBank SA attains sustainable growth defying challenging market conditions by offering quality services and constantly diversified products to its clients.

ACTIVITIES IN 2016

GarantiBank SA further strengthened its solid position in the sector with its product diversity, high service quality and customer focused strategy and ranked 10th by assets in 2016.

Its successful performance in the sector has been acknowledged by a number of awards including

- "Lending Dynamics" award in Lending Category at the Top Bankers Gala,
- "The Most Dynamic and Innovative Bank" award by English publication Nine O'clock at the 25th Year Award Gala
- Special award for "e-network" by E-finance magazine
- "Best Banking Product" and "Bank of the Year in Risk Management in 2016" by Finmedia Press.

Corporate Banking business line, targeting top tier Romanian, multinational and Turkish companies, offering services in investment finance solutions that suit their needs, continued to focus on the opportunities in the sector. Maintaining its strong position in SME banking with customer focused service, the Bank authored a first in Romania by supporting women entrepreneurs, channeling credit lines provided by IFC, a World Bank Group institution. Retail Banking and Payment Systems excelled in their innovative approach predominantly to the housing loan and credit cards businesses in line with the group's strategy, and kept growing. The Bank, taking on a pioneering role with its investments in technology, continued to break new grounds in the Romanian banking sector in 2016 as well. The Bank remained the only one in the country with a whole network of cash in-cash out ATMs, while also launching Mobile Banking application during the year. Owing to its pioneering initiatives in digital banking and the emphasis on product development, the Bank was named "Best Consumer Digital Bank in Romania" by Global Finance, one of the world's premier financial magazines. It was also

recognized as "Best Digital Bank in Romania" in consumer banking for the 4th consecutive year with its Internet banking application. Being one of the first banks using social media to connect with its customers, the Bank ranks 3rd in Romania on the basis of "Highest Number of Followers in the Financial Services Sector" with more than 305 thousand followers on Facebook.

Garanti Leasing Romania

Garanti Leasing Romania carried on with its consistent on the back of credit lines acquired from multi-national financial institutions. Increasing its assets by 21% to EUR 154 million, it fortified its position as one of the most important leasing companies in the sector. The product portfolio of Garanti Leasing Romania is composed of vehicles, equipment and real estate.

Garanti Consumer Finance Romania

Garanti Consumer Finance Romania expanded its distribution network from 56 sales centers to 68 and increased the number of direct sales agents by 14.6% in 2016. This allowed a 35.5% rise in new loan volume, resulting in a more positive outlook for 2017. Furthermore, the profitability improved by 68.7%.

PROJECTIONS FOR 2017

All the companies making up Garanti Romania Group intend to keep a close eye on new opportunities in pursuit of continued organic and sustainable growth, and stay one step ahead of the competition. Focusing on sustainable development of its businesses without compromising its prudent risk evaluation approach, Garanti Romania Group aims to make a difference in the market through new products and services designed to cater to customer needs in 2017.

GARANTI PENSION AND LIFE

1.1* MILLION
SECTOR'S LEADER
WITH PARTICIPANTS

TL 246 MILLION
SECTOR'S LEADER**
WITH NET PROFIT

+68
NET PROMOTER
SCORE

Garanti Pension and Life combines the powerful Garanti brand name with its customer-centric approach to business, technology, expertise and know-how to stand out and make a difference in the sector.

The company services 1.1* million pension participants and more than 1.8*** million policyholders with its 860 employees.

In 2016, Garanti Pension reached TL 9.5* billion in total fund volume, TL 1,047* million in net annual contributions, and TL 410 million in life insurance premium production. Leaving behind yet another successful year, Garanti Pension remained the sector's most profitable company** with a net profit of TL 246 million, a title it has held for the past six years.

Having adopted the unchanging goal of offering the best experience to its customers, Garanti Pension succeeded in raising its already remarkably high net promoter score of +63 to +68 in 2016 according to research conducted by an independent research company.

The corporate governance compliance rating grade of Garanti Pension, as the first company to get one among insurance and pension companies, is determined as 9.45 in 2016 which is the highest grade in "companies who are not publicly traded" category.

ACTIVITIES IN 2016

The new regulation enacted in 2016 imposed a cap on the annual sum of the entrance fee and administrative expenses fee charged to private pension contracts, which is equal to 8.5% of the monthly gross minimum wage. The deductions will be charged for a period of 5 years only and will also cover the contracts made prior to the enactment of the regulation.

In the new world order of limited income, Garanti Pension focused on growing its sales to draw on the advantage of scale economy. Carrying on with its investments in technology at a high speed, Garanti Pension was thus able to curb its operating costs and succeeded in increasing its net profit by 29% over the previous year.

After 2013 and 2015, 2016 has also been the scene to new regulatory arrangements in the private pension system. Under the new law that will come into force in 2017, auto enrolment is to start for private and public sector employees who are under the age 45. This new practice is going to start with private sector firms with more than

1,000 employees in 1st of January. With the staged entrance, firms with more than 100 employees and public administrations within the scope of general and special budget will be included in the system.

In 2017, with the inclusion of firms with more than 100 employees and public sector workers, 6.4 million new participants are expected to enter the private pension system. Aiming to offer optimum service to its customers in the automatic private pension system as in the existing system, Garanti Pension targets to be the sector's leader, as always, backed by the powerful synergy created with Garanti Bank.

In the reporting period, Garanti Pension:

- reached a market share of 15.7%* with a total fund volume of TL 9.5* billion;
- had a market share of 17.1%* with 1.1 million* participants, a figure that put the company in the sector's leader position;
- got 8.2%*** market share in the life insurance segment with a premium production of TL 410 million.

PROJECTIONS FOR 2017

In the years ahead, Garanti Pension will keep leading the sector in bancassurance, and continue to guide the sector with its innovative implementations. The sector's most profitable company since 2010, Garanti Pension intends to maintain its focus on all aspects of operational expenses in 2017.

Garanti Pension targets to develop new projects in the light of its identified strategies in other areas including process innovation, operational efficiency and smart business processes that it has concentrated on, in order to excel its service quality.

* PMC (Pension Monitoring Center) data, as of December 30th

**IAT (Insurance Association of Turkey) data, as of September 2016

*** IAT data, as of December 2016

8.2% MARKET SHARE

MARKET LEADER IN
THE EQUITY MARKET

CUSTOMER
SATISFACTION
FOCUS

INCREASED PRODUCT
DIVERSITY THROUGH
DIGITAL PLATFORMS



Possessing an experienced team, a superior performance in brokerage services and Turkey's most extensive distribution network built upon the agency relationship with Garanti Bank, Garanti Securities reaches the largest number of retail investors. Having become the sector leader with an 8.2% market share in the equity market and boasting over a 10% transaction volume in the Derivatives Market (VIOP) in 2016, Garanti Securities intends to reach more investors by broadening its product range in 2017.

Sales and Marketing

While continuing to offer quality services to its clients based on its experience in the equity and derivatives markets, Garanti Securities has solidified its presence in the FX and Options markets since 2015. Garanti Securities has increased its market share in 2016, becoming the sector leader. It now has the largest number of clients in the sector and has developed its customer relations by making customer satisfaction its focal point. By launching its website, trading platform and mobile application projects in 2016, Garanti Securities now offers more efficient services to its clients.

Treasury

Garanti Securities registered a transaction volume of USD 57.9 billion in the Leveraged Transactions market as of December 2016 and achieved a transaction volume of USD 185 million in petroleum products. In an effort to increase its product diversity, Garanti Securities plans to launch CFD indices in 2017. As one of the most active trading entities in the Derivatives Market (VIOP) in the equity index and equity options markets in 2016, Garanti Securities recorded a TL 112.3 billion VIOP transaction volume as of December 2016, which put the company in third place among its peers. The company reached a volume of TL 670 million in the Securities Lending Market at the end of December 2016.

Corporate Finance

In 2016, Garanti Securities offered services to its clients in mergers and acquisitions, the issuance of debt instruments, capital increases and exercising of retirement rights and appraisals. In the reporting period, the company successfully finalized the transfer of the minority shares in Belenco to Darby, the dedicated private equity arm of U.S.-based Franklin Templeton. In this transaction, Garanti Securities acted as the sell-side advisor to the Peker Group. In addition, Garanti Securities provided buy-side advisory services and acted as the finance arranger for the Daloğlu family in the acquisition of Lafarge's 50% stake in Dalsan Alçı.

During 2016, Garanti Securities issued 68 bonds and bills worth TL 9.4 billion in total.

Research

In 2016, Garanti Securities' research team continued to guide its clients through the tough market conditions with an expanded research scope, a diversified product structure and reports containing timely and precise recommendations.

The Research Department publishes daily, periodic, sector-specific and thematic reports, produces investment recommendations and delivers research reports on equities, the macroeconomy, FX, commodity and fixed-income securities. 2017 plans include broadening the research scope with new companies and products and sharing the data with a wider set of clients through the efficient use of diverse media.

International Institutional Sales

The Institutional Sales (IS) Department provides brokerage services in the equity and derivatives markets to foreign/domestic institutional investors and foreign brokerage companies which are interested and active in the Turkish capital markets. IS also provides brokerage services to local investors in the major global equity markets.

The IS department increased its market share in 2016 and reached its highest annual trading volume. IS increased its commission revenues in the equity and derivatives markets with new customer acquisitions. Having strengthened its technological infrastructure by introducing Borsa Istanbul's colocation service, IS increased its trading volume and income through improved speed and efficiency for order transmissions.

GARANTI ASSET MANAGEMENT

TL 14.3 BILLION
TOTAL ASSETS UNDER
MANAGEMENT

TL 9.5 BILLION
PENSION FUNDS UNDER
MANAGEMENT

TL 4.4 BILLION
MUTUAL FUNDS UNDER
MANAGEMENT

Turkey's first asset management company, Garanti Asset Management (GPY) has pioneered the sector for 20 years with its consistent asset management performance, comprehensive research activities and robust risk management.

In its activities, GPY aims to attain maximum efficiency in the management of customer assets, and to deliver sustainable performance. In addition, the company targets to offer "innovative investment opportunities" to its clients. Underlying the company's success is its commitment to combine its investment philosophy that relies on concrete knowledge with its experienced investment team and a professional service approach, and fulfillment of customer demands in any market condition.

Making a difference in the sector with its efficient business discipline and approach to risk management, GPY, with a professional human resource of 55 persons, 16 of whom make up the investment team, provides services in the management of: Mutual Funds, Pension Funds, and Discretionary Portfolios.

ACTIVITIES IN 2016

Based on its strong performance, GPY's total assets under management reached TL 14.2 billion as at year-end 2016.

Mutual Funds

At the end of 2016, the mutual funds sector reached TL 43.1 billion in assets under management (AUM), and GPY held 10.1% market share with AUM of TL 4.4 billion. Under the agreement for the management of foreign assets of SMART Funds concluded with BlackRock, the world's top firm in its respective field, GPY intends to bring BlackRock's expertise in international markets through SMART Funds and to achieve enhanced performance. Investing in multiple asset classes at home and abroad, SMART Funds took place among the outstanding products of 2016. Having secured intense demand from investors, SMART Conservative Variable Fund became the highest-growing qualified fund among variable funds with a size of TL 529 million that it has reached since the onset of 2016. In 2016, bilateral agreements were made with a number of distributors for actively marketing Mutual Funds. The first remarkable newcomers of the year included the Eurobond Fund set up in January 2016 for investors preferring to invest in FX and First Private Hedge Fund, GPY's first private fund.

GPY continues to manage two UCITS funds launched in March 2014 on BBVA's SICAV platform incorporated in Luxembourg.

Pension Funds

At the end of 2016 when the Pension Funds sector reached TL 60.8 billion overall, total Pension Funds under management by GPY amounted to TL 9.5 billion, translating into 15.6% market share. Among funds under management, Equity, Flexible and Fixed Income funds performed solidly and beat the competition to claim the top ranks.

Responsible Investment Practices

A signatory of the United Nations Principles for Responsible Investment (UNPRI) since 2011, GPY makes its investment decisions within the frame of the Responsible Investment Policy, which is designed to integrate environmental, social and corporate management factors in investment processes.

PROJECTIONS FOR 2017

SMART Funds are anticipated to remain the priority preference of the investors and to stand out with their performances also in 2017. Through collaboration with fund distribution companies on active marketing of funds, it is intended to help increase the sales volume of GPY Mutual Funds. On the Mutual Funds front, it is anticipated that FX-based Share Classes implementation, for which infrastructure work is in progress, will boost the interest of investors opting to invest in FX mutual funds.

GPY will continue to develop its Private Fund Establishment and Management business in line with the ever-increasing demand from investors. Another target is to increase the number of pension companies that are provided fund management service in keeping with the expansion of the Private Pension System.

USD 741 MILLION
TRANSACTION VOLUME

2,814
CONTRACTS



Garanti Leasing has been carrying out the leasing transactions of a broad customer base of corporate customers, commercial customers, and small and medium-sized enterprises for 26 years through its branches spread across Turkey. Boasting the nation's most extensive service network with 17 branches, Garanti Leasing makes use of a diversified set of channels including the call center, website, mobile site, social media and Garanti Bank branches to reach its clients.

Pursuing its operations within the frame of its vision spelled out as "being Europe's best leasing company", Garanti Leasing aims to maintain the high customer satisfaction rate and net promoter score that it secured on the back of its comprehensive activities. Believing that happy employees will create happy clients, Garanti Leasing implements "employee satisfaction survey" regularly to measure its employees satisfaction and supports the improvement areas.

Garanti Leasing is the only Turkish leasing company rated both by Standards & Poor's (S&P) and Fitch Ratings. A well-known player also in the international markets, the company is set apart from its competitors with its qualified human resource, solid technical infrastructure, high funding capability and diversity of borrowing resources on the international markets.

ACTIVITIES IN 2016

Founding its activities on quality services that create distinction in the eyes of its customers and a business approach uncompromising profitability, Garanti Leasing maintains a performance above the sector average as one of the biggest leasing companies in the sector.

Based on data for the period of 01.01.2016-31.12.2016 Garanti Leasing registered a transaction volume of USD 741 million, and 2,814 contracts.

In 2016, the company redesigned its "leasing packages" that vary according to sectors in machinery and equipment financing, thereby achieving increased speed in responding to the needs of the SME segment, in particular. Launched for handling secondhand equipment sales, leasingdepo.com website was revamped during 2016. Remaining the one and only sales platform geared towards this goal in the sector, the website was actively used, attracting an ever increasing number of visitors and applications.

In the reporting period, Garanti Leasing took place in printed media, radio stations, social media and digital media with the marketing communication campaign carried out with the tagline "Lease your way to machinery, and Garanti Lease your way to leasing". Underlining that leasing should be the first financing method to be considered for machinery acquisitions, the communication campaign was intended to help drive the development of the sector.

Garanti Leasing, directly contacting its clients through the application forms available on its website, maintains effective communication with its clients on the back of the most extensive use of social media in the sector through Facebook, Twitter, Instagram and LinkedIn.

PROJECTIONS FOR 2017

In 2017, Garanti Leasing will continue to further strengthen its dynamic and specialized human resource, robust delivery channels, extensive branch network, superior technology and its asset quality.

In the year ahead, Garanti Leasing aims to take advantage of service and distribution capabilities to reach targeted sectors and a wider customer base, and to focus on types of equipment with expected increases in usage rates primarily construction and metal processing sectors equipments, followed by textile, tourism, real estate, renewable energy and healthcare equipment by promoting better vendor relations.

40%

RISE IN THE NUMBER
OF CUSTOMERS

6 CITIES

REGIONAL OFFICE
ESTABLISHMENT

TL 1.2 BILLION

TOTAL ASSET
SIZE REACHED

Garanti Fleet offers long-term fleet rental service for the passenger cars of all makes and models sold in Turkey to companies of any size from SMEs to corporate businesses, as well as to individual customers.

Providing extensive, rapid and reliable fleet management services across Turkey drawing on the strength of Garanti brand and its robust financial structure, Garanti Fleet achieves full compliance with the maintenance and repair standards established by the automotive industry. Garanti Fleet proactively plans every detail from the tires to be used to the service points where maintenance and repair services will be received, thus ensuring unbroken high quality service throughout the rental cycle.

Having adopted the mission of contributing permanent value to its customers, Garanti Fleet aims at unconditional and sustainable customer satisfaction. Set apart from its competition with its customer centric service approach and its expert human resource, Garanti Fleet holds a unique position in the sector thanks to its advanced risk management systems and technology.

ACTIVITIES IN 2016

With the goal of rendering better and faster service to its customers, Garanti Fleet uninterruptedly continues with its innovation projects. Garanti Fleet authored many new initiatives also in 2016:

- A total of six "Regional Offices" were set up in the cities of Adana, Ankara, Bursa, İzmir, Gaziantep and Konya with the aim of providing faster service to customers in the regions they are located.
- In keeping with the target of furnishing service at corporate standards to its constantly growing customer portfolio, the team of employees kept growing and reached 110 people.
- Remodeling the organizational structure in a bid to enhance process efficiency in the face of its quickly growing car pool and increasing number of customers, Customer Service Center, Marketing and Business Development units have been set up.
- The number of customers serviced went up by 40% to 5,187 in line with the sustainable growth strategy.
- The number of first-time rentals increased by 63% year-on and was registered as 9,800. The total car pool expanded by 24% and reached 17,406 vehicles as of year-end 2016.

- The company's total assets reached TL 1.2 billion as of year-end 2016.
- In keeping with the importance attached to driving safety, "Safe and Defensive Driving Techniques" and "Advanced Driving Techniques" training continued to be offered to the users of the cars leased by the company. The training courses, which are provided in collaboration with a specialist professional institution, are planned to be carried on in 2017.

PROJECTIONS FOR 2017

In 2017, Garanti Fleet will;

- Reorganize car dealers into sales channels in addition to sales teams and the digital sales channel,
- Continue to invest in its technology and competent human resource,
- Launch new website and mobile applications as part of digitization initiatives,
- Keep introducing improvements to the organizational processes which will speed up work flow and increase business productivity,
- Organize new special offer campaigns in cooperation with car brands,
- Work to attain the target of reaching a car pool of 21,500 vehicles and more than 7,500 customers.



TURKEY'S BEST FACTORING COMPANY

FCI: BEST EXPORT FACTOR OF THE YEAR

9.26 HIGHEST CORPORATE GOVERNANCE RATING IN THE FACTORING SECTOR

Established in 1990 under the name Aktif Finans Faktoring Hizmetleri A.Ş. for offering factoring service to industrial and commercial companies, Garanti Factoring began operating under the "Garanti" roof in 2002. The company changed its company name to Garanti Faktoring Hizmetleri A.Ş. the same year, and to Garanti Faktoring A.Ş. in 2014.

Garanti Factoring went public and was quoted on Borsa Istanbul in 1993 based on the authorization received from the Capital Markets Board of Turkey (CMB). Garanti Factoring's 8.4% shares in free float are being traded on BIST National Market under the ticker symbol "GARFA".

Providing integrated solutions for domestic and overseas trading through its funding, guarantee and collection products, Garanti Factoring has a broad customer base. Garanti Factoring furnishes domestic and overseas factoring services via 20 branches across Turkey to entities with extensive supplier and dealer networks, with a particular focus on SMEs, exporters and importers, based on an approach concentrated on customer needs.

ACTIVITIES IN 2016

Sustaining its support to the real sector, Garanti Factoring reached TL 2.9 billion in total assets size at the end of 2016, and carried out a total of 35,275 factoring transactions with 7,395 customers.

Posting TL 19.7 million in net profit, the company increased its shareholders' equity to TL 185 million on an annual basis.

During 2016, Garanti Factoring diversified its funding resources with bond issuances worth TL 1,010 million in nominal terms, and delivered lower-cost financing to its customers.

The company ranked No.2 in the sector with 11.5% market share in business volume.

Garanti Factoring generated TL 7.6 billion on domestic transactions, TL 1 billion on import transactions and TL 5.4 billion on export transactions, and booked a total business volume of TL 14 billion in 2016.

In the reporting period, the company improved its Corporate Governance Rating to "9.26", a score that helped it remain on the BIST Corporate Governance Index as the highest-rated factoring company.

PROJECTIONS FOR 2017

Given the economic developments in Turkey and in surrounding geographies, Garanti Factoring predicts that the factoring sector will increase its focus on transactions carried out with the SMEs more than ever before. To this end, the company is continuing to develop its lending and operational processes so as to maximize its efficiency and productivity in its services to all of its customers, SMEs coming first. Garanti Factoring will keep up with its customer acquisition activities by utilizing digital channels along with conventional ones. In the period ahead, Garanti Factoring is anticipating rises in structured Supplier Finance and in transactions backed by Eximbank policies.

GARANTI PAYMENT SYSTEMS

TL 10.5 BILLION
ACQUIRING VOLUME

21.3% MARKET SHARE
LEADER IN RETAIL CREDIT
CARD TRANSACTION VOLUME

23.2% MARKET SHARE
LEADER IN E-COMMERCE

Turkey's first and only payment systems establishment, Garanti Payment Systems (GÖSAŞ) was once again the market's leader in its 17th year thanks to successful integration of products with technology ever since its establishment.

GÖSAŞ boasts the broadest card portfolio in the market and offers high quality service to customers with diverse needs. With cash advance, money in installment, skip payment post-purchase installment, skip spending post-purchase installment and additional installment products, GÖSAŞ facilitates convenient fulfillment of cash needs of all cardholders and arrangement of their payments.

The author of a number of groundbreaking initiatives in Turkey and the world, GÖSAŞ:

- Continues to possess Turkey's only network of merchant members accepting VISA, MasterCard, JCB, American Express®, CUP, Diners and Discover cards.
- Keeps offering service to 10 banks being one of the two system operators in Turkey dealing with the settlement of card-based payment systems through its "Takasnet Clearance and Settlement System".
- Enables payments/collections independent of time and place through Virtual POS and GarantiPay Mobile Payment Service, in addition to its Kolay Vezne (Easy Teller) and Ödeme Noktası (Payment Point) services. The Company brings various payment solutions such as Dial-up POS, ADSL POS, Mobile POS, Garanti Collection System and Cash Register POS to member merchants.

ACTIVITIES IN 2016

- With over 1.6 million followers on Facebook, Bonus continues to be the most popular and most followed banking product on social media in Turkey and in Europe. Bonus has become the 2nd most followed brand in Turkey, not only in credit cards but also in the entire financial services category.
- Bonus was recognized as the Lovemark in the credit cards category for the eighth consecutive time in Turkey's Lovemarks 2016 survey conducted by MediaCat in collaboration with IPSOS.
- Bonus American Express was repositioned in order to capture market share in supermarkets and fuel oil stations, as well as to increase product penetration. As a result of this move, volume growth in sectors with giveaways from Bonus American Express was double the sector growth attained by Garanti credit cards and registered as 15%.

- In March 2016, GarantiPay's integration with gib.gov.tr - Internet Tax Office was finalized. This made GarantiPay Turkey's website with the highest collection volume and the one and only mobile/alternative payment instrument on a channel belonging to a public agency.
- During 2016, GÖSAŞ focused on offering service separately to customer segments that it has defined as Micro SMEs, Dealers and Commercial/Corporate. The rapid application process designed for Micro SMEs ensured delivery of cards to customers at a much higher speed. The Shared Card program specific to dealers facilitated product purchases, while customized payment solutions were developed for Commercial/Corporate firms.

PROJECTIONS FOR 2017

In 2017, GÖSAŞ targets to;

- Sustain its expansion in retail credit cards; ensure profitability and growth while fulfilling diverse needs of customers through new solutions and cash products,
- Give cardholders faster and easier access to products and services provided by member merchants through products that allow payments independent of time and place in line with the evolving needs of customers,
- Sustain the growth trend in incorporated micro SMEs and sole proprietorships, while designing a new product that will offer special conveniences abroad and in all business expenses to legal entity clients doing business with China and Far East,
- Improve the common card product and introduce company-specific limit and working conditions based on agreements to be made with institutionalized firms.

14.2% MARKET SHARE
AMONG THE SECTOR'S
LEADERS IN MORTGAGE LOANS

MORE THAN
561,000
MORTGAGE LOANS

Turkey's first housing finance company, Garanti Konut Finansmanı Danışmanlık Hizmetleri A.Ş. (Garanti Mortgage) began operations in October 2007, right after the Mortgage Law went into effect.

In the 9 years after its establishment, Garanti Mortgage has built the broadest range of mortgage products in Turkey. Offering mortgage services delivered by specialist portfolio managers who have completed the "Mortgage Expertise Certificate Program", Garanti Mortgage stands out with its product diversity, the importance attached to distribution channels and its superior service quality.

In addition to Garanti branches, the company reaches customers by employing various channels including call center, Internet and mobile banking platforms, real estate agents, property developers, and housing and commercial projects under construction.

Garanti Mortgage conducts detailed analyses of its customers and areas served, and organizes tailor-made campaigns for professional groups and areas with growth potential.

ACTIVITIES IN 2016

The revamped garantimortgage.com has been intended to give easy access to visitors to all processes related to mortgage and to let them convey their requests easily. In addition, the new garantimortgage.com has been designed to be compatible with smart phones and tablet PCs, which have become indispensable parts of everyday life. The website is just one click away for all who wish to obtain a mortgage loan.

As part of efforts to increase efficiency of digital channels, potential customers were directed to 444 EVİM with the target of increasing the number of applications received through this channel. As a result of the process improvement projects carried out, the share of mortgage loans disbursed through 444 EVİM within all mortgage loans increased by 4.6%.

As of the end of 2016, through campaigns designed for various sectors and professional groups, more than 561,000 mortgage loans have been financed.

16% RISE IN
APPLICATIONS RECEIVED
THROUGH GARANTI WEBSITES

The company engaged in over 180 new housing projects during 2016. Customers wishing to become homeowners were extended credit lines through more than 455 projects on the market, thanks to the company's collaborations with developers.

Garanti Mortgage continues to get involved in small and medium scaled housing projects across Anatolia, as well as to sizable projects mostly in Istanbul, Ankara and Izmir.

The company enhanced its efficiency in urban transformation initiatives with its dedicated call center (444 0 332), website (kentseldonusumcevaplari.com) and expert urban transformation team.

PROJECTIONS FOR 2017

Predicting an intense competitive environment in 2017, Garanti Mortgage aims to increase efficiency across all distribution channels, offer the best fitting repayment plans to customer's budget with its broad product range, and speed up the lending process through improvements.

"Garanti, the Mortgage Expert" is committed to sustaining its leadership in the sector amid fierce competition, thanks to its existing differentiating services and practices, which the company will further enhance during 2017.



GARANTI TECHNOLOGY

3,022
IT PROJECTS

REMOTE RM SERVICE
MODEL INTRODUCED

OVER 5,000
ACTIVE USERS OF STEP MOBILE
APPLICATION PLATFORM

Garanti Technology (GT) has been offering services in information technology since 1981. Having undersigned many firsts since its incorporation, GT awards a critical competitive edge to Garanti and its subsidiaries with innovative and creative products, services, applications developed in-house and consultancy services provided.

Constantly investing in state-of-the-art technology, uninterrupted processing capability, infrastructure security, cost efficiency and energy saving in the light of corporate governance and international quality standards, GT maintains its leadership in the sector with all of its functions.

ACTIVITIES IN 2016

During 2016, GT continued to invest in technological infrastructure and carried out projects integrating all technological innovations and enhancements with business processes. Having achieved a perfect harmony between technology and banking, the Garanti family thus improved its business processes; enhanced operational efficiency, and launched numerous novelties that cater to the needs of its customers. GT completed 3,022 IT projects in 2016.

GT kept modernizing the technology used for the development of banking software to transform them into applications that deliver better user experience, allow faster production, incorporate more security elements and are easier to manage. This conversion occurred both in the technology used, and in the software development processes.

GT aims to adapt banking software run on established platforms to service-based, specific cloud architectures in order to increase efficiency, decrease brand dependence and activate capacity utilization, and thereby benefit the advantages of such architecture. The investments initiated in this respect for transformation of the technology architecture are in progress. Increased digital use leads to greater exposure of internal users and customers to cyber security risks, and the improved threat profile results in elevated effect of the diversified risks of the digital environment. Investments in the field of security sharpens GT's monitoring effectiveness, while allowing the company to put measures in place more rapidly and to become aware of global threats at an earlier time via networks that it belongs to. In this framework, GT's Internet access architecture has been restructured with a risk-based perspective and was vested in a structure that is less prone to threats thanks to the additional

capacity provided. STEP, a mobile application platform designed to provide customers with an uninterrupted and high quality banking experience in branch and non-branch environments, allows work forwarding to Abacus operations center, monitoring sales processes, and more efficient tracking of customers' cash flows. Having surpassed 5,000 active users, the platform has served to increase customer visits by 62% with the same sales force. Smoothly running on tablet and desktop PCs, the STEP platform continues to act as the cornerstone of Garanti's new operational system. Remote RM service model has been launched, which will provide centralized service to customers opting to receive an effective remote CRM service. This business model is intended to increase the share the bank has with these customers. Having started to employ agile methods in solution deployment aimed at alleviating the operational load on development teams along with conventional methods, GT charges ahead with becoming Bimodal IT.

PROJECTIONS FOR 2017

Also in 2017, GT will keep designing its financial products and services in view of customer needs and keep reshaping the finance world of the future. Having spelled out its strategy for 2017 as "Better IT, Better Business", GT will continue to invest in cloud technology and microservices in order to ensure cost saving and introduction of solutions at a faster pace, and will position its application architecture and security layers so as to support these technologies. Through these initiatives, GT is targeting to better adjust to the new business models presented by the constantly digitizing world, and to deliver its clients a better customer experience by transforming Big Data infrastructure investments into business intelligence solutions and open application platforms.



CONTINUOUS DEVELOPMENT & INNOVATION

ORGANIZATION AND PROCESS DEVELOPMENT

68% BRANCH TIME ALLOCATED TO SALES AND RELATIONSHIP MANAGEMENT FOR RETAIL AND SME CUSTOMERS

Organization and Process Development Department carries out projects for designing necessary organizational structures, devising service models and developing process infrastructures for maximizing efficiency and productivity of Garanti Bank's strategies. The Department plays a key role in making a difference for customers and for building productive business models by rapidly adapting to the constantly changing business environment and customer expectations.

ACTIVITIES IN 2016

Process Development

General purpose loans and overdraft accounts applications can now be initiated from Garanti Internet/Mobile banking and applications received from any channel can now be finalized via Garanti Internet/Mobile banking channels.

Cross selling platform was created to offer basic banking products to customers coming in for opening an account, thus increasing cross selling opportunities. Work was carried out on the Early Warning System, Customer Analysis Reports and collection processes on the commercial loans side. Information on potential fraud incidents is provided to enterprises that make salary payments via Garanti. In relation to the Law on the Protection of Personal Data and commencement of distribution of electronic identity cards, harmonization efforts were completed for banking processes involving receipt of personal data and identity verification. Processes related to investment products were redesigned in accordance with the amended CMB legislation.

The new commercial debit card product was introduced. Objections to card spendings can now be conveyed via Garanti Internet. Digital solutions are made available for cash management products as part of e-invoice practices. Integration was ensured with TAKBIS (Title Deed and Cadastre Information System) for obtaining up-to-date title deed information for properties held in pledge and necessary data for processes were obtained.

Organizational Efficiency

As part of harmonization efforts with BBVA, coordination and organizational structuring actions were taken across the Bank. SME-Micro Business Banking Marketing Department was set up to offer services focused on customers in the SME-Micro segment. Offering remote service to retail customers who prefer digital channels, "Retail

%9 IMPROVEMENT IN WAITING TIMES AT BRANCH LOBBIES

Banking Remote RM" service was expanded. The Commercial Branch Model was redesigned to ensure higher quality service to customers serviced by commercial branches. For integrated customer experience, Customer Experience Management and Customer Satisfaction unit functions were restructured together under a unified roof. The Bank's Internal Control Model was redesigned.

PROJECTIONS FOR 2017

Customer Focus

Enhancing service quality through mobilization of sales force and digitized processes, and incorporating customer feedback in design efforts at a greater extent will be among the top priorities of 2017. Other primary initiatives will include servicing retail and SME customers with a broader product range via digital channels, integration of tablet banking into processes, expanding the outreach of remote video consultancy by specialized teams, and enhancing customer service quality utilizing mobile technology in lobby management.

Efficiency

Planned initiatives for 2017 include redesigning commercial lending processes within the context of integration and centralization; automated incorporation of financial statements; improvement of early warning systems and collection processes; upgrading cash management products and revising member merchant processes.

Organizational Efficiency

The main topics of the year ahead will be increasing the efficiency of the organization of sales processes so as to encompass the business model with subsidiaries in order to support the Bank's growth strategy and customer satisfaction, and creating flexible and universal job designs to suit the mobilization concept.

CUSTOMER ANALYTICS, INNOVATION AND PRODUCT DEVELOPMENT

248 PRODUCTS

SOLUTIONS FOR
DIVERSE NEEDS

2,109

INNOVATIVE IDEAS
FROM EMPLOYEES



Garanti Bank adopts approaches that respond to diverse needs through products, services and business models designed with the aim of touching its customers' lives. The Bank develops products and business models based on an innovative and distinctive banking notion and design principles.

ACTIVITIES IN 2016

Brand, Sponsorship, Communication and Reputation

To determine various segments' perception of Garanti Bank, and to measure the impact of brand and communication activities, 6 surveys were conducted (Reputation Survey, Brand Image Tracking (in 2 periods), Advertising Tracking, Product Communication Identification, Brand Color Image), while 3 sponsorship surveys were completed (Jazz Festival Sponsorship, Awareness of Corporate Social Responsibility Initiatives, Basketball Sponsorship).

Customer Needs and Experience

The surveys conducted in this field included "Survey to Determine the Motivations Behind Active Use of Banking Transactions", which looked into the motivations and barriers behind salary customers' use of the bank in which their salaries are deposited. A second one was "Household Finance Management Survey" that focused on spending, saving and income/expense management methods and distribution of responsibility among partners.

In 2016, Garanti organized the second edition of the "Corporate Intrapreneurship Program", to which 32 ideas were submitted. Owners six of ideas were included in a one-week practical training to learn about lean start up methodology and build on their ideas. At the end of the program, 4 owners presented their expanded ideas to the senior management, which resolved to launch one of the ideas within the Bank, using lean methods.

Employee ideas played a big part not only in Corporate Intrapreneurship, but also in the development of Garanti Bank's projects that will help improve customer experience. 866 ideas were submitted to project based ideation platform named "Atölye" initiated with the slogan "For Our Customers", four of which were rewarded and will be put into life. Furthermore, "Önersen" platform allowing employees to share their innovative ideas about product and service upgrades or new product and service designs with the relevant business units at any time has been instrumental in collecting 1,243 suggestions during 2016.

PROJECTIONS FOR 2017

Banking and financial technology services have been undergoing a radical change and transformation in recent years, urging banks to increase their product and service solutions enabling customers to perform banking transactions independent of time and place. Garanti Bank will keep offering new products and services with this awareness in 2017.

Due to the arrangements resulting from the e-transformation in Turkey, trade and business processes are rapidly spreading in the virtual environment. Watching this transformation closely, Garanti will enable remote, easy and quick handling of business processes by offering a larger portfolio of easy-to-use e-products and services.

Along the line, weight will be given to investments in infrastructure and focus will be placed on making sure that branches are abreast of technological transformation, as well as on offering high value-adding service to clients. In order to raise awareness of financial health, platforms will be created which will offer personalized suggestions to help people plan in advance for their financial needs and improve their financial status and which will have the capability to perform their related transactions.

Warning mechanisms and solutions enabling automatic trading will be developed in FX investment transactions for customers keeping a close eye on the movements in exchange rates. The lean entrepreneurship model employed in Corporate Entrepreneurship program will be rolled out across the Bank. Innovative models will be adopted for joint business development projects in cooperation with business units, and work will continue to explore unfulfilled customer needs within the frame of customer-centric value proposals and to furnish solutions catering to these needs.

WE ARE INNOVATORS

PUTTING ITS CUSTOMERS AT THE HEART OF ALL OF ITS ACTIVITIES WHEN DESIGNING THE BANK'S 248 PRODUCTS AND SERVICES, GARANTİ CONSTANTLY INVESTS IN DIGITIZATION, AND WORKS TO DELIVER PERFECT CUSTOMER EXPERIENCE.

Garanti aims to create a swift, smooth and effective financial environment that will contribute benefits for its customers through new products and services designed around customer needs in view of the future dynamics and the advancements in technology and in the sector.

WE ARE WORKING TO PRESENT UNRIVALED CUSTOMER EXPERIENCE, TRANSACTION CONVENIENCE, AND PIONEERING SOLUTION SUGGESTIONS BY CONSTANTLY INVESTING IN DIGITAL PLATFORMS.

Internet Banking

For logging into Garanti Internet Banking, Mobile Notification Log-in option has been introduced as an alternative to the second authentication factor options that included SMS PIN, Cep Şifrematik application/Şifrematik device for generating one-time passwords, and Mobile Signature. This initiative ensured savings from SMS costs, while ensuring efficiency.

Garanti Internet users having private pension contracts can switch to Garanti Pension Internet branch from Garanti Internet Banking with a single click.

The new garantimortgage.com website designed to be compatible also with smart phones and tablet PCs allows users to get information, and convey their demands, about all processes related to housing loans.

Enabling users to select the coverage suiting their own needs, Modular Auto Insurance applications can now be made using Garanti Cep mobile application and Garanti Internet Banking. Besides offering its customers the capability to design customized motor own damage policies, Garanti has been the first bank in Turkey to make the no-claims discount available outright, which is normally earned at the end of one year. In addition, non-customer users are able to purchase Modular Auto Insurance Advantageous Casco from Garanti Internet using any credit card.

Garanti Cep Mobile Banking

Delivering a brand new digital experience, Mobile Interactive Assistant (MIA) enables transacting with voice on Garanti Cep mobile banking.

With its notification configuration and content completely revamped, the application now uses notifications with emojis to let the users know of incoming money, due dates of their bills, and similar information.

A mobile application has been developed which allows customers wishing to receive service from branches to get an appointment and queue number from the mobile application. The application using mobile technology lets the user see the real-time density in a given branch to select the branch from which to receive service and to steer the customer to digital channels. This initiative served to balance the workload on branches, while also enhancing customer service quality and experience. A new Digital Routing Staff role was designed; in this temporary position, the employees will be responsible for steering customers to digital channels at branches with high lobby density in order to help customers make use of digital channels and to teach them how to use the related channels.

Travel Health Insurance, enabling customers to obtain cover within seconds for emergency healthcare expenses that may be incurred in trips to foreign countries, began to be sold via Garanti Cep Mobile Banking.

Also corporate customers can now quickly log in to Garanti Cep Mobile Banking, without entering their customer numbers.

Member merchants owning a POS device can now resolve blockage of their POS devices from Garanti Cep Mobile Banking at any time they want, and access all the details of their accounts.



BIP

Under a collaborative project of Garanti Bank and Turkcell, CepBank users can send money using the BIP texting application, and all BIP users can access market data and the nearest Garanti Paramatik ATM/Branch locations.

Social Platforms

Based on its principle to “be wherever the customers are”, Garanti follows up new features introduced on social platforms such as **Facebook Live video streaming, Instagram Stories, and Twitter Moments** and create projects and contents in parallel therewith with the objective of being active on all platforms.

In keeping with the social media’s trend to actively penetrate our lives, Garanti added the instant messaging feature via **Facebook Messenger**, in addition to the Garanti’ye Sor (Ask Garanti) team’s instant customer communication through Facebook Form and messages.

In a bid to let potential and existing customers perform their banking transactions also through social platforms, Garanti remains **Turkey’s first and only bank** facilitating direct application to a number of products and applications from consumer general purpose loans to the Women Entrepreneur Competition for its Facebook followers via the apps on this platform.

Call Center

In an effort to measure customer experience and satisfaction and to enhance service quality and performance, Garanti Bank Call Center received positive feedbacks at a ratio of above 91% throughout the year in the Customer Satisfaction Questionnaire offered to customers through the IVR system. In addition, the Bank delivered distinctive customer experience with the Wait Time Announcement introduced, which secures 94% accuracy.

Garanti Bank Call Center added a new dimension to loan application and information services with the Live Video Chat application introduced on the Full Support line, thereby consolidating its leadership position in the sector.

Paramatik ATM Network

With revamped Paramatik ATMs, Garanti began offering user-friendly, simplified transaction flows to its customers. As soon as customers log in with their cards, they immediately view the summary information for their most frequently used accounts and most

frequently performed transactions, and can easily and quickly make their loan repayments using Paramatik ATMS. Furthermore, the Paramatik ATMs can now give back banknotes, in addition to coins.

Making it possible for all to understand the investment world and to make investments, and unifying Garanti’s expertise in investing under a single roof, Paragaranti became an even stronger platform with its revamped format. You can set smart alarms on Paragaranti to instantly catch opportunities, and perform your transactions quickly via Garanti’s digital channels. Also, Garanti E-Trader and GarantiFX web platforms were revamped to incorporate HTML5 technology and user-friendly interface.

WE REMAIN AS THE SOLUTION PARTNERS OF THE SMEs

Garanti Internet Personal Banking and Garanti Cep Personal mobile application now allow execution of transactions relating to General Purpose Loan and Overdraft Account products. Besides General Purpose Loan, Overdraft Account new product and Overdraft Account limit increase application and disbursement, SME customers can use digital channels to handle basic loan transactions such as document tracking, account modification and installment payment.

Adding a new link to supportive initiatives that will contribute to business development of SMEs and enhance their brand equities, the Bank introduced the service Garanti Corporate Brand Builder MarkaOl. With “Garanti Corporate Brand Builder”, SMEs can get information and support in various topics including logo, corporate identity, brand name selection, mascot, website design, packaging design, and leaflet, brochure, catalogue, banner and newspaper ad designs.

WE ARE INNOVATORS

Garanti extended support to Interregional Joint Venture Project (in Turkish: BORGIP) co-executed by TUSIAD (Turkish Business Association) and TURKONFED (Turkish Enterprise and Business Confederation) in order to support the entrepreneurs in Anatolia and to offer necessary resources such as mentorship and training.

With “Garanti Find an Overseas Market” introduced in cooperation with TurkishExporter, the Bank helped SMEs penetrate new markets, and find new customers and grow in overseas markets. Through this service, SMEs are able to use existing packages of TurkishExporter for free for a certain period of time, and SMEs holding a Garanti credit card can purchase them at special prices.

WE ARE SUPPORTING ENTREPRENEURS

Aiming to support and accelerate early startups and viable initiatives of any scale from any sector with the potential to attract investment and to grow, GarantiPartners platform began offering service to entrepreneurs in its new center, the Entrepreneurship Base. The Entrepreneurship Base extends versatile support to entrepreneurs including mentorship, specific training, cooperation opportunities with Garanti, commercial reference, consultancy in various topics, marketing and PR support, networking and cloud services, as well as physical office space.

To date, GarantiPartners Startup Accelerator Program received 1,500 applications, and 14 entrepreneurs were entitled to take part in the program following the reviews and meetings held.

WE STAND BY THE FARMERS

We began organizing Agricultural Digitization Meetings to present the benefits to be derived from the use of digital technology in the agricultural sector. The topics addressed in this frame included gathering data from the field via sensors and satellite, their assessment, and communication of the actions to be taken by the farmer with SMS or smart phone applications, and post-harvest benefits of digitization.

WE SUPPORT SAVING AND INVESTING

In 2016, Garanti introduced the Trousseau Account and Home Account products to encourage Turkish citizens to save up money. Within the frame of customized service and innovative solution concept, Garanti Asset Management set up Garanti Asset Management First Private Hedge Fund, the company’s first private fund, in February 2016.

For investors preferring to invest in foreign currency, Garanti Asset Management offered the Eurobond Fund in January 2016.

WE SUPPORT EDUCATION

Based on the “Self-Tailored Development” vision, the Bank introduced the new Garanti Education platform, which is “plain, easy to understand, innovative and compliant with UX experience standards”. Enabling easy tracking of all development processes and creating personal development plans, the new platform offers extended development solutions in each of the General Banking, Loans, Investment, Customer Experience and Sales, and Leadership faculties with its program structure that supports continuous development.

WE STAND BY THE RETIREES

With Turkey’s first and only Call Steering project in the private pension and life insurance sectors, 84% of all calls were routed using call steering and 12% of all calls were completed without being connected to a customer agent.

“Healthy Women” life insurance product was introduced against women’s cancers and thyroid cancer.

After the Environmental Management System has been certified in March with ISO 14001 by TUVSUD, a German certification agency, the company has become **Turkey’s first and only** private pension and life insurance company to have obtained ISO 14001 Environmental Management System certification.

Following the OHSAS 18001 certification granted by TUVSUD, a German certification agency, to the Occupational Health and Safety Management System in July, it has become **Turkey’s first and only** private pension and life insurance company to have earned OHSAS 18001 certification.

With the aim of increasing the interaction of Garanti Pension with its followers and to promote the company's awareness on online platforms, "Always By Your Side" blog went live in 2016, which covers rich content about hobbies, personal development, life and families.

WE RECOGNIZE OUR RESPONSIBILITIES AND WORK TO CREATE SUSTAINABLE VALUE

Within the frame of responsible banking concept and leading in Turkey, Garanti carried out Prioritization and Social Impact Assessments, using a global impact measuring methodology that reveals results on the basis of quantitative (monetised) data, with the purpose of determining its social investment areas and to measure the impact created by its initiatives in these fields.

In keeping with the Equator Principles, Garanti reduced the investment amount limit for projects subjected to Environmental and Social Impact Assessment Model from USD 20 million to USD 10 million. Greenfield projects with an investment value above a certain threshold, which are compliant with its Environmental and Social Loan Policies and sectoral principles, undergo the Environmental and Social Impact Assessment Process, and Garanti engages in a careful cooperation with its clients regarding the management of potential risks.

The Bank presented its Climate Change Action Plan at COP 22, the United Nations Conference of the Parties held in November in Marrakesh.

Garanti signed the Paris Pledge for Action, which targets to limit the global temperature rise to +2 °C maximum.

Garanti has committed to the Science-Based Target initiative, which encourages bolder steps from businesses in setting their corporate GHG targets.

Extending support to women's empowerment and development, the Bank launched the Woman Executive Initiative aiming to attain an increased rate of women serving in the Bank's senior management. Duly adapting its Occupational Health and Safety software, Garanti intended to ensure efficient monitoring of processes from a single point with the organizations it cooperates.

During 2016, "Patient Appointment System (PAS)" has been developed within the scope of Occupational Health practices. PAS eliminates wait times at the outpatient clinic, and allows better

planning of examinations that are required to be performed by the On-Site Physicians according to regulations.

WE CONSTANTLY IMPROVE OUR BUSINESS MODELS AND PROCESSES WITH OUR OPERATIONAL EFFICIENCY FOCUS

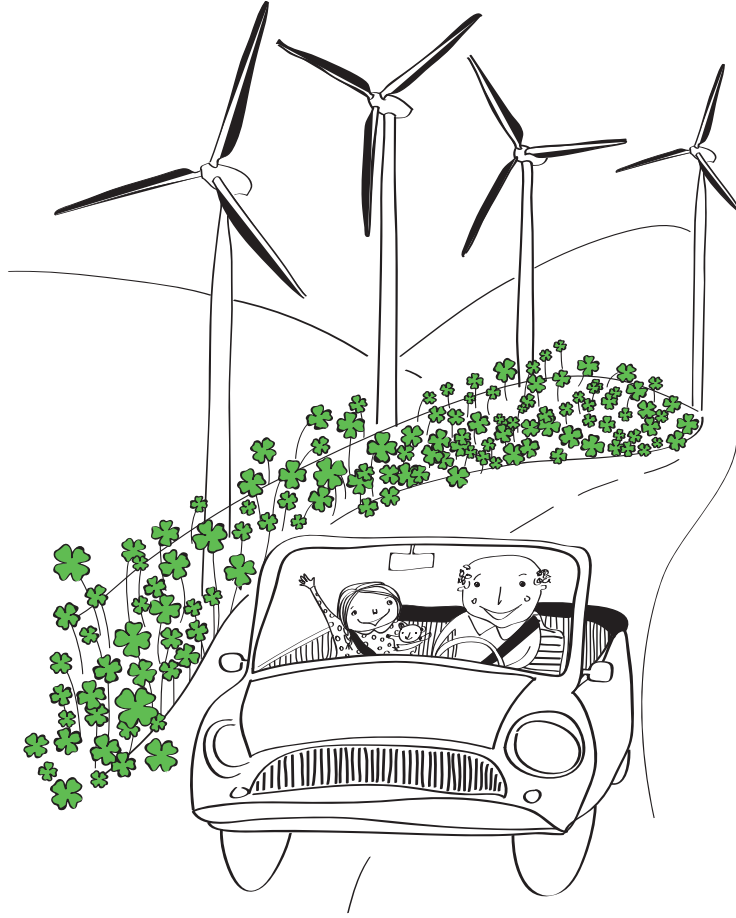
TAKBIS (Title Deed and Cadastre Information System) integration project was introduced, which served to reduce transaction times and increase operational efficiency.

Completing Cash Management integration within the frame of e-invoice, Garanti has been the pioneering bank to offer the e-invoice platform, which will enable customers to transfer their e-invoices to the Bank's system and use them directly in such processes as payments, collections and discounts, and will also facilitate cash flow follow-up.

The KOFAX system, which reduces manual entries in money transfer transactions, detects EFT instructions involving a single transaction. Revision of EFT entry/approval process according to this structure brought about increased efficiency.

In line with the developments in the sector, systemic integration was carried out between MFKS (Central Invoice Recording System) and Garanti Factoring automation system, as a result of the collaboration with KKB (Credit Bureau of Turkey) led by the FKB (Association of Financial Institutions) within the frame of centralization of invoices to be taken over.





**“HERE IS A WORD OF ADVICE MY CHILD”
OUR ENERGY IS FOR OUR FUTURE AND OUR CHILDREN**

IT IS CRUCIAL TO USE RENEWABLE ENERGY SOURCES FOR A CLEAN, BEAUTIFUL, LIVABLE AND SUSTAINABLE WORLD... THIS IS PROBABLY ONE OF THE KEY ADVICES A GRANDFATHER CAN GIVE TO HIS GRANDCHILD IN OUR DAY... REGARDING SUSTAINABILITY AS AN INTEGRAL PART OF ITS BUSINESS MODEL, GARANTI ESPOUSES THE FIGHT AGAINST CLIMATE CHANGE AS A PRINCIPLE. EVERY YEAR, THE BANK PLEDGES TO GIVE WEIGHT TO RENEWABLE ENERGY IN ENERGY GENERATION PROJECTS THAT IT PROVIDES WITH FINANCING. GARANTI PRIORITIZES WIND AND SOLAR ENERGY PROJECTS BECAUSE OF THEIR MINIMAL ENVIRONMENTAL AND SOCIAL IMPACT.

THE TOTAL AMOUNT OF FINANCING GARANTI HAS ALLOCATED TO RENEWABLE ENERGY INVESTMENTS REACHED USD 4.8 BILLION BY THE END OF 2016. ON THE WIND ENERGY FINANCING FRONT, THE BANK IS THE MARKET LEADER BY A LARGE MARGIN WITH 32% MARKET SHARE IN TURKEY'S INSTALLED WIND POWER CAPACITY.

SUSTAINABLE BANKING



SUSTAINABLE BANKING

Building on the Bank's core values, Garanti 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.

To powerfully spell out its vision to be the best bank in Europe, and its mission of increasing the value it creates for its stakeholders, Garanti approved its new Sustainability Strategy and Policy, underlining the emphasis it places on responsible business conduct, in April 2014.

I. SUSTAINABLE FINANCE AND OUR CUSTOMERS

Garanti evaluates all loan requests, irrespective of any limit, in terms of its Environmental and Social Loan Policies. Greenfield projects with an investment value above a certain threshold, which are compliant with its policies and sectoral principles, undergo the Environmental and Social Impact Assessment System, and Garanti engages in a careful cooperation with its clients regarding the management of potential risks. In 2016, Garanti decreased the investment amount limit for projects subjected to Environmental and Social Impact Assessment Model from USD 20 million to USD 10 million.

With the objective of spreading this approach across all of its stakeholders, Garanti continued to cooperate with its integrated subsidiaries during 2016. In addition to initiatives carried out by Garanti Asset Management and Garanti Factoring in 2015, Garanti Pension successfully completed the ISO 14001 audit of the Environmental Management System, for which necessary work was initiated in 2015. Additionally, Garanti Pension also commenced related work to get OHSAS 18001 Occupation Health and Safety certification.

In accordance with its Climate Change Action Plan released in 2015, Garanti concentrates its efforts against climate change in the four main headings of carbon pricing and prioritizing renewable energy investments, reducing deforestation, managing water risks through climate change adaptation, and establishing green office standards.

In addition to environmental and social risk management embedded into its lending processes, Garanti aims to support sustainable development through its numerous products and services in various business lines from SME banking to retail banking and project finance. With 32% share in the financing of total installed

wind capacity in Turkey, Garanti sustains its support to transition to low-carbon economy with its special product designed for unlicensed solar energy projects below 1 MW and specific solutions furnished to support Turkey's battle against climate change and to resolve various risks including drought.

In 2015, Garanti had been the only Turkish company to qualify for the Dow Jones Sustainability Emerging Markets Index, one of the most prestigious sustainability indices in the world. The repeat of this achievement in 2016 made Garanti the one and only company from Turkey to qualify for the index for two consecutive years. Additionally, Garanti Bank achieved another significant success by qualifying for the "FTSE4GOOD Emerging Index" the year of its launch. FTSE4GOOD, designed by FTSE, an independent organization jointly owned by London Stock Exchange and Financial Times, measures companies' environmental, social and governance performance.

In an effort to raise awareness of sustainability among its customers as well, Garanti organized the second edition of the training program on sustainability, environmental and social risk management. Similar to the previous year, the program was attended by the Bank's corporate customers from the energy and infrastructure industries.

Having started the renovation of its branches and Paramatik ATM network in 2012, and having trained its employees in this respect, Garanti Bank aims to increase the accessibility of its banking services through initiatives geared towards people with disabilities. Organizing gatherings such as Anatolian Meetings and KOBILGI SME Meetings in order to inform the SMEs, the backbone of the economy, Garanti also considers it as an important responsibility to support women entrepreneurs for the social and economic advancement of Turkey.

Through seven seminars co-organized with the municipalities in Trabzon, Kocaeli, Mersin and Istanbul, Garanti has helped improve financial literacy of 2,719 women in 2016. Following the seminars, 212 women wishing to set up their own businesses received assistance in the form of practical workshops. In a bid to support the financial literacy of a broader audience, Garanti established a Facebook group, "KALP Women's Platform". As of year-end 2016, Garanti had helped enhance financial awareness of over 50,000 women through KALP.

It has been 10 years since the inception of Garanti's initiatives focused on women entrepreneurs, which were unprecedented at the time. In this context, nearly 7,000 women were reached in 33 meetings held in 32 cities since 2008 until end-2016 within the frame of Women Entrepreneurs Meetings, a co-organization of Garanti and the Women Entrepreneurs Association of Turkey (in Turkish: KAGIDER) aiming to inform women entrepreneurs in basic topics.

Garanti celebrated the 10th edition of Turkey's Woman Entrepreneur Competition organized in cooperation with the Ekonomist magazine and KAGIDER, which was launched for encouraging women entrepreneurship and sharing their stories with the whole country.

In 2016, 338 women from the cities of Mersin, Alanya, Bodrum and Manisa received their certificates upon completion of the Women Entrepreneurs Executive School, a training program launched in 2012 in collaboration with BUYEM (Boğaziçi University Lifelong Learning Center).

Number of applications received for GarantiPartners, a startup accelerator program initiated in 2015, reached 1,500, and 14 entrepreneurs were entitled to take part in the program following the reviews and meetings held. The Entrepreneurship Base set up in June provided office space to entrepreneurs, while also hosting various events, training programs, mentor meetings and other related gatherings.

Garanti is the main sponsor of the Entrepreneurship Foundation (in Turkish: Girvak) working to drive the culture of entrepreneurship and to encourage youth to consider entrepreneurship as a career alternative since 2014. Each year, the Foundation admits a set number of university students aged 17-25 to the Fellow Program. The youngsters experience entrepreneurship by learning from their inspirational role models, taking part in various entrepreneurship

activities and networking. The goal of the Fellow Program is to help the youth follow their own path, leaving their footprints along the way.

After receiving 6,400 applications for the program in its debut year that rocketed up to 30,000 in its second year, Girvak attracted 61,000 applications from 81 provinces in Turkey in 2016. At Girvak that currently has 100 Fellows from 34 universities and 36 Alumni, 29 startups pursue their operations presently.



In 2016, Garanti began organizing Digitalization of Agriculture Program in cooperation with DOKTAR, an organization seeking to offer high-productivity, low-cost solutions for the agricultural industry. With meetings held in two cities in the reporting period, the initiative entails informative meetings with farmers in Turkey's various cities regarding "the importance of digitization in agriculture, maximizing productivity at lower costs through digital tools, and the necessity of digitization in agriculture for the future".

II. ENVIRONMENTAL IMPACT OF OUR OPERATIONS

In 2016, Garanti preserved the number of points of service under the ISO14001 certified Environmental Management System so as to ensure 100% coverage of its employees.

The Environmental Management System that Garanti expanded across all of its service points encompasses the Bank's suppliers and the indirect environmental and social impact resulting from its loan disbursements, as well as environmental impact arising from facility operations.

In the seventh submission of its GHG emissions and climate change strategy to the Carbon Disclosure Project (CDP), Garanti has been the only company from Turkey to be A-listed, the



list of top performers in the CDP Climate Change Program, for two years in a row. Hence, Garanti received the CDP 2016 Climate Leader award. Additionally, Garanti made a commitment to the "Science-Based Target" initiative that encourages bolder steps from businesses in setting their corporate GHG targets.

Garanti was one of the top performers in the CDP Turkey Water Program, which was launched with Garanti's support and cooperation, and received CDP 2016 Turkey Water Leader Award.

III. CREATING VALUE FOR COMMUNITIES

In its projects that create value for the society and place "people" in their focal points, Garanti identified its main areas of focus as education, culture and cultural heritage, supporting participation of people with disabilities in social and economic life, and environment. The Bank targets to be beneficial to the society through initiatives in these fields.

Education

The Teachers Academy Foundation (ÖRAV) was established by Garanti Bank in August 2008 with the objective of contributing to the personal and professional development of teachers, who can help raise inquisitive, investigative, self-confident new generations aware of their personal and societal responsibilities, who have analytical thinking skills, recognize the importance of continuous personal development, have espoused universal values and are capable of owning the country's cultural heritage.

ÖRAV, the first and the only non-governmental organization focusing on this area in Turkey, educated nearly 144,150 teachers to date in 81 provinces through the projects "High School - Learning and Leading Teacher", "Result Oriented Communications", "Program for the Development of Education Executives", "The Chemistry of Teaching", and "Creative Child, Creative Mind". In addition to ongoing projects, eKampüs website, which was designed as a complementary platform for continuing education and information sharing, has 111,115 active registered users.

The educational program "Math-Science Learning with Fun" developed by the Educational Volunteers of Turkey (in Turkish: TEGV) to improve primary school students' math and science skills and problem solving capabilities was launched in 2015 with the sponsorship of Garanti. Offered by TEGV volunteers, the program is anticipated to reach 100,000 students at the end of 3 years.

Math, Learning with Fun program aims to teach children basic mathematical principles and skills, to contribute to a positive approach among children towards math, and mitigate possible

anxiety. Through cognitive exercises, circuit trainings, cubes and colorful visuals, examples from daily life, geometric objects and stories, the children get to love math and enjoy learning. The 10-week program is offered in weekly 90-minute sessions to 2nd through 7th graders in the TEGV Educational Parks and Learning Units. Since its inception, Enjoy Learning Math program provided education to 8,887 children with the support of 559 volunteers.

Addressing primary school students in 2nd through 8th grades, Science, Learning with Fun Program aims to teach basic principles and skills of science, so as to help raise them as individuals having a command of the steps of the scientific process, are able to establish cause and effect relationship, have laboratory skills and knowledge, and have a positive attitude towards science. In line with the active learning method, eight different topics are taught through experiments. There are various fun activities such as emptying a full glass with the help of chopsticks and straw, making a water magnifier using water and acetate paper, or creating a rainbow using food coloring and candy. With its pilot completed in 2015-2016 Spring Activity Period, the education program reached 316 children with the support of 24 volunteers. Upon broad-based implementation from 2016-2017 activity period, the program started to be delivered in all TEGV educational parks, learning units and standard firefly mobile learning units.

Carrying out its activities with the support of Garanti, Tohum Autism Foundation's Continuous Education Unit has been pursuing its countrywide efforts since 2015. The Unit provides theoretical and practical education about autism to special education teachers, parents with autistic children, related experts and university students. Awareness initiatives, on the other hand, cover autism awareness presentations to high school and primary school students.

In addition to these educational programs, the Continuous Education Unit also undertakes content development and deployment for Tohum Autism Foundation Education Portal. The portal, which allows users to sign up for free, has

more than 22,000 members. The Unit also handles the development and deployment of educational mobile implementations for autistic children.

Through the activities carried out by Continuous Education Unit since 2015, a total of 9,697 people were reached. These activities continue across the country, in coordination with numerous stakeholders including provincial and district administrations, provincial educational directorates, municipalities, public health centers and non-governmental organizations.

Garanti has been supporting the training programs offered by İstanbul Modern, the one and only modern art museum in Turkey, since 2005. The program is intended to foster creative and inquisitive individuals who are in touch with the arts. By the end of 2016, more than 580,000 children and youngsters had received training within the scope of these programs.

Garanti has been sponsoring the project "I Am Here As Well" launched by Genç Hayat Foundation since 2014. Aiming to support the recruitment of Girls' Technical and Vocational High School teachers and students and their participation in social life, the project so far reached 27 high schools and 2,000 students in total. Students and teachers who have successfully completed "I Am Here As Well" project took part in summer camps aimed at empowering young women in further reinforcement of the project's goal. Within this frame, three camps were organized, one in Turkey and two abroad. 15 students and one teacher participated in the domestic "Girls Charge" summer camp, while 19 students and 1 teacher went to the Welper summer camp in Germany, and 10 students joined the Forum Dialogue camp in Poland. Young women participants in the project had the chance to build on the activities delivered at their schools under the project, and to support and further advance the same from a different angle with the help of sport, dance, music and outdoor sports. "Gender Equality" seminar aimed at raising awareness among teachers so that it can be passed over to their students was held with the participation of 100 teachers at İzmir Cumhuriyet Vocational and Technical School, one of the schools within the project scope.

As part of visibility activities, the educational animated film titled "My First Day at Work" was shared on social media and reached 3,714 people on October 11, International Day of the Girl Child.

Support to Culture and Cultural Heritage

Garanti reorganized the cultural institutions operating under its organization as an autonomous institution under the name SALT in 2011. Since then, SALT Beyoğlu, SALT Galata and SALT Ulus hosted 75 exhibitions, while 149,793 participants attended the

public programs, and 285 screenings and 58 performances were made. In the same timeframe, SALT Beyoğlu, SALT Galata and SALT Ulus welcomed a total of 1,813,789 visitors.

The corporate sponsor of the SAHA Association that aims to support recognition and awareness of contemporary art from Turkey, Garanti contributes to improvement of the education and production infrastructure of artists, curators, art historians and critics through this support.

Support to the Participation of People with Disabilities in Economic and Social Life

The project "İşe Katıl Hayata Atıl" (Join the Workforce Join Life) was launched in October 2014 under the patronage of the Ministry of Family and Social Policies and with the support of Garanti. Under the initiative, people with disabilities are assisted with job selection according to their capacity, skills and preferences, and with adjustment to the working environment and social life under the "supported employment" model established for the first time in Turkey. Within the scope of the project that ended in July, 447 individuals with disabilities in Ankara, Sakarya, Samsun, Gaziantep and İstanbul have been employed under guidance from their professional business coaches.

Environment

Garanti has been the main sponsor of WWF-Turkey for 24 years with the slogan Garanti for Nature. WWF is one of the largest wildlife protection associations in the world, with 1,300 projects conducted annually around the world and 6,200 employees in 80 countries.

IV. STAKEHOLDERS

In 2016, Garanti published its fourth Sustainability Report in accordance with the "comprehensive" option according to Global Reporting Initiative (GRI) guidelines.

Working in close cooperation with its stakeholders in order to ensure that the sustainability concept is internalized, Garanti

SUSTAINABLE BANKING

extended support to the Sustainable Finance Forum co-organized for the fourth time in 2016 by the Business Council for Sustainable Development in Turkey, UNEP-FI, and UN Global Compact.

In an effort to increase awareness of water risks awaiting Turkey and to offer a platform to reveal the water-related risks and opportunities facing the private sector, Garanti sustained its support to CDP Water Program in Turkey, for which the Bank acts as the main sponsor.

In 2016, Garanti became a signatory of "Paris Pledge for Action" initiative, whereby non-Party stakeholders commit to play their part to support the objectives of the Paris Agreement.

All these successful initiatives brought Garanti the MidSEFF - Award for Best Sustainability Project from the European Bank for Reconstruction and Development (EBRD), the Low Carbon Hero award for its Climate Change Action Plan at the Climate Change III. İstanbul Carbon Summit, and the "Sustainable Business Award" in the Energy and Carbon Management category again for its Climate Change Action Plan from the Sustainability Academy Turkey. Furthermore, Garanti was named the "National Champion" for the second consecutive year at the European Business Awards in the Environmental & Corporate Sustainability category.

V. HUMAN RESOURCES

Being a supporter of HeforShe, an initiative led by Women's Empowerment Principles (WEPs) and UN Women underlining men's support to gender equality, Garanti established the Women's Committee in 2015. In 2016, the Bank introduced the Women Executives Initiative targeting to increase the ratio of women in the Bank's senior management in support of women's empowerment and advancement. In addition, the Bank set up a hotline named "Domestic Violence Platform" offering legal, psychological and other assistance to women employees exposed to violence from family members. As a bank whose gender equality practices are recognized in the international platforms, Garanti became the first and only company in Turkey to be included in Bloomberg Financial Services Gender Equality Index. The bank qualified for this prestigious index with its various practices and initiatives in social and economic women empowerment as well as its achievements in human resources, customers and the society. With a view to increasing employee awareness about sustainability, Garanti implements an internal communication strategy and training program that covers various components including informative emails, videos, and exhibitions. The employees design and execute numerous projects under the roof of Volunteer Clovers Club, and ensure voluntary participation of all managers in these projects by organizing activities during the Future Meetings. Within the frame of the Wishing Tree

initiative launched by Volunteer Clovers in 2014 in Anatolia to make underprivileged children's wishes come true, 3,600 children in 15 cities achieved their wishes so far.

VI. CORPORATE SUSTAINABILITY MANAGEMENT

Operating under the Board of Directors and aiming to monitor and steer the Bank's progress in the area of sustainability, the Sustainability Committee is chaired by a Board member.

Reporting regularly to the Sustainability Committee whose membership structure was updated in 2015 to include the CEO, the Sustainability Team coordinates all efforts undertaken under the main heading of sustainability at Garanti Bank.

Coordinated by the Team, more than 1,000 Sustainability Representatives are responsible for gathering data and facilitating respective units' implementation of decisions taken by the Sustainability Committee.

Seven working groups that were set up under the Sustainability Committee based on the Bank's Sustainability Policy carried on with their activities.

Garanti remained on Borsa Istanbul Sustainability Index, as well as on Dow Jones Sustainability Index in 2016.

PROJECTIONS FOR 2017

Garanti has disclosed its long-term vision and goals in the Sustainability Policy and Strategy, and the Bank's Sustainability Report covering its sustainability performance and short-term goals is available on the corporate website. Furthermore, Garanti is aiming to contribute to the battle against climate change based on its pledges declared in the Climate Change Action Plan released in 2015, and its long-term goals identified in 2016, and to keep supporting events and training programs that bring together the banking industry and the real sector, urging them to collaborate in sustainability matters.

SPONSORSHIPS



JAZZ

The main sponsor of the Istanbul Jazz Festival organized by IKSv (Istanbul Foundation for Culture and Arts) for 19 years, Garanti aims to be instrumental in bringing jazz music to larger audiences. One of the leading sponsors of jazz in Turkey, Garanti sustains its support in this field under the brand “**Garanti Jazz Green**”.

At the 23rd Istanbul Jazz Festival organized in 2016, over 200 Turkish and foreign artists took to the stage for nearly 50 concerts held in more than 15 different venues. During the Festival that brought together the leading names in jazz with the stars of contemporary music, including Damon Albarn, Joss Stone, Nile Rodgers and Kamasi Washington gave unforgettable moments to music lovers on warm summer nights.

Serving as an instrument that introduces and blends jazz music with all segments of the society, Istanbul Jazz Festival is a major contributor that firmly puts Istanbul on the international concerts map.

Garanti Jazz Green continued to bring popular artists to music lovers in concerts held at Babylon, Zorlu PSM, Salon IKSv and Nardis throughout the year. The concerts in 2016 were headlined by artists such as Mum, GoGo Penguin, Stacey Kent, Meredith Monk, Alfredo Rodriguez, Sons of Kemet and Lucy Rose who produced exceptional performances.

Garanti Bank extends long-lived support to projects that reflect its corporate culture based on a corporate social responsibility concept molded within the frame of its sustainability vision. Through its sponsorships in sports, education and arts that address different segments of the society, Garanti creates broad-based value for social life.

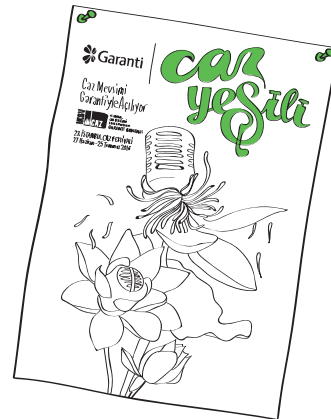
BASKETBALL

Sponsored by Garanti since 2005, the Turkish National Women's Basketball Team dubbed the “**Pixies of the Court**” made the quarterfinals in Rio 2016 Olympics.

With Garanti as its main sponsor behind it, the National Men's Wheelchair Basketball Team, “**12 Brave Hearts**”, successfully represented our country in Rio 2016 Paralympic Games and took the fourth place.

U20 National Men's Basketball Team secured third place in FIBA U20 European Championship held in Helsinki, Finland, and returned home with the bronze medal.

Since 2002, Garanti has been supporting the **12 Giant Men Basketball Schools** (12 DABO), which were initiated in collaboration with the Turkish Basketball Federation (TBF) to inculcate basketball culture among young children and help create a broad-based basketball community all over Turkey. To date, more than 55,000 students received basketball training in 81 centers and in the Turkish Republic of Northern Cyprus within the scope of the 12 DABO initiative.





"TIME IS MONEY"

COMPETITION IS VERY, VERY INTENSE, AND TIME IS MUCH MORE VALUABLE. AMID THE RUSH WHERE 24 HOURS DO NOT FEEL ENOUGH, A TRANSACTION THAT CAN BE HANDLED ONLY AT A BANK BRANCH MAKES YOUR LIFE EVEN HARDER. YOU ARE NOT ALONE... THERE ARE OTHERS WHO SHARE THE SAME PROBLEM WITH YOU... GARANTI, WHO LISTENS TO ITS CUSTOMERS CAREFULLY, BRINGS THE BRANCH TO THE DOORSTEP OF ITS CUSTOMERS WITH STEP, THE PROPRIETARY IPAD APPLICATION. THANKS TO STEP, WHILE YOU WORK IN YOUR BUSINESS PLACE, YOUR CUSTOMER REPRESENTATIVE WILL BRING THE BRANCH EXPERIENCE TO YOU, AND DELIVER ON-SITE SERVICE. WHEN THERE IS A TOPIC YOU SEEK ADVICE IN, IT WILL CONNECT YOU LIVE TO EXPERTS AND GET THE ANSWERS OF YOUR QUESTIONS.

NOW THAT YOUR BUSINESS IS TAKEN CARE OF, YOU CAN USE YOUR NEXT BREAK FOR RELAXING ONLY. HOW CAN WE BE OF FURTHER ASSISTANCE?

CORPORATE GOVERNANCE



SUMMARY OF THE BOARD OF DIRECTORS' ANNUAL REPORT

In 2016, ongoing uncertainties and volatility persisted in global economy, and global political events took their toll. The UK referendum for exiting the European Union and the US presidential elections were the key highlights that acted on global markets and emerging countries including Turkey. Despite an environment of growing volatility that tainted the world economy, and despite the unexpected events and challenging conditions in Turkey, the Turkish economy and the banking sector successfully overcame the difficulties and preserved strong indicators supported by their solid fundamentals.

In 2016 that was characterized by tough conditions, Garanti retained its leading position in the Turkish banking industry on the back of its customer-centric and innovative business model, liquid and strong balance sheet structure, effective risk management and solid capital base. In the reporting period, consolidated net profit of Garanti reached TL 5 billion 148 million. The Bank's return on average equity (RoAE) and return on average assets (RoAA) went up to 15.4% and 1.8%, respectively.

Garanti's consolidated total assets increased by 12% on an annual basis and reached TL 312 billion. The Bank's asset growth remained loan-driven. In 2016, cash loans sustained a disciplined and moderate growth momentum and increased by 17% year-over-year. TL loans were the key driver behind the credit expansion of Garanti. While TL loans increased by 18% on an annual basis, this growth figure exceeded the budget target set at the start of the year. TL business banking loans grew 25% annually, leading the TL loan growth. Garanti also maintained its focus on retail loans, which are high yielding and provide cross-sell opportunities. Registering growth rates of 17% in mortgage loans and 25% in auto loans, the Bank further strengthened its leading position in total consumer loans, mortgage loans and auto loans. Garanti commands the largest merchant network and the broadest credit card customer base. Backed with these capabilities, Garanti further strengthened its pioneering position in payment systems in 2016. The ongoing domestic and global volatilities and uncertainties within the year led to the postponement of some investments that were expected to be launched in 2016 to coming periods. Hence, the targeted growth in FC lending did not materialize. Potential projects in the following years are anticipated to support growth going forward.

Garanti, displays a proactive and consistent approach to risk assessment and preserves its solid asset quality. The Bank's NPL

ratio was registered as 3.0% and total coverage ratio as 131% in the reporting period, aligned with the projections at the onset of 2016.

Garanti preserved its liquid balance sheet composition also in 2016. The dynamically managed funding base of the Bank continued to be largely composed of deposits. The growth in customer deposits base, at 17%, was in line with the loan expansion in 2016. Garanti deliberately avoided pricing competition, and chose to base the expansion in deposit base on sustainable banking relationships. Total demand deposits grew by almost 22% on an annual basis and their share to total deposits went up to their highest-ever ratio at 26%. With the aim of managing asset-liability duration gap and optimizing funding costs, Garanti continued to diversify its funding structure by actively tapping alternative funding sources.

Garanti successfully preserved its ability to generate sustainable income on the back of dynamic balance sheet management even in a challenging year dominated by uncertainties and volatilities. Garanti boasts the highest net interest margin, and the highest net fees and commissions base among its peers. The Bank further improved these characteristics during 2016. The Bank's net interest margin expanded above projections. Net fees and commissions base kept growing. Garanti maintained its focus on efficiency and effectively managed its operating costs.

In 2016, Garanti further strengthened its solid capitalization on the back of its sustainable and profitability growth strategy. The Bank posted a Basel-III compliant Capital Adequacy ratio of 14.7% and a Common Equity Tier I ratio of 13.6%. At Garanti, Common Equity Tier-1 corresponds to 93% of total shareholders' equity.

Garanti does not limit its activities to banking services only; the Bank pursues its operations

with the goal of adding value to the society, constantly building on these values, and launching sustainable initiatives.

The total amount of financing provided for renewable energy investments reached USD 4.8 billion by the end of 2016. On the wind energy financing front, the Bank is the market leader by a large margin with 32% market share in Turkey's installed wind power capacity.

Garanti also extends active support to the fight against climate change through products designed to encourage efficient use of water. Garanti was A-listed in the CDP program, the top group in the CDP rankings among companies disclosing their climate change strategies using the CDP platform. Being the first Turkish company to be named in the list for two consecutive years, the Bank has also taken place among "2016 CDP Climate Leaders".

In 2016, Garanti has celebrated the 10th anniversary of its initiatives focused on woman entrepreneurship, which were unprecedented at the time of their inception. In June 2016, the Bank has opened GarantiPartners Entrepreneurship Base to help flourish the entrepreneurial ecosystem in Turkey.

ÖRAV, the Teachers' Academy Foundation Garanti has set up in 2008 with the aim of supporting professional and personal development of teachers and contributing to the implementation of an education system that encourages thinking, inquiring and researching, offered training to almost 140 thousand teachers assigned all over Turkey in the eight years since its inception. Aiming to help raise generations possessing scientific thinking and problem solving skills, the Bank is targeting to equip nearly 100,000 primary school students with basic math and science knowledge and skills over the course of 3.5 years through "Enjoy Learning Math and Science" program, a collaborative project with the Educational Volunteers of Turkey (TEGV).

Under the roof of SALT, Garanti's gift to Turkey's cultural and intellectual life, SALT Galata and SALT Ulus hosted 75 exhibitions in 2016, which altogether drew 1.8 million art lovers. On the other hand, over 30 thousand music enthusiasts were hosted in 50 concerts organized in 2016 within the frame of "Garanti Jazz Green" sponsorship that has been ongoing for 19 years with the motive of sharing jazz music with large audiences.

Garanti continued to support sports and basketball. The Bank has been the main sponsor of the Turkish National Women's Basketball Team and the Turkish National Men's Basketball Team for 16 years. A total of 55 thousand students received basketball training in 81 centers at the 12 Giant Men Basketball Schools that Garanti has been supporting since 2002. In 2016, more than 4,500 little athletes received training in these schools.

Also in the year ahead, Garanti will be making decisions with an eye on the needs of future generations, and will keep fulfilling its share of the responsibility for a sustainable future. The Bank will move ahead with its vision of being the best bank in Europe, while remaining adhered to the outlines of its existing strategy.



BOARD OF DIRECTORS



FERİT F. ŞAHENK
Chairman

Ferit F. Şahenk is the Chairman of Doğuş Group and also the Chairman of Garanti Bank. Formerly, he served as the founder and Vice Chairman of Garanti Securities, CEO of Doğuş Holding and Chairman of Doğuş Otomotiv. Mr. Şahenk is a Board Member of the Foreign Economic Relations Board (DEİK) of Turkey. Previously, he served as the Chairman of the Turkish-German Business Council; the Chairman of the Turkish-American Business Council; Vice Chairman of Turkish-United Arab Emirates Business Council and Executive Board Member of Turkish-Greek Business Council of DEİK. Mr. Şahenk is an active member of the World Economic Forum and the Alliance of Civilizations Initiative. He serves on the Regional Executive Board of Massachusetts Institute of Technology (MIT) Sloan School of Management for Europe, Middle East, South Asia and Africa. Mr. Şahenk holds a Bachelor's degree in Marketing and Human Resources from Boston College. Mr. Şahenk has 26 years of experience in banking and business administration.



SÜLEYMAN SÖZEN
Vice Chairman

Süleyman Sözen is a graduate of Ankara University Faculty of Political Sciences and has worked as a Chief Auditor at the Ministry of Finance and the Undersecretariat of Treasury. Since 1981, he has held various positions in the private sector, mainly in financial institutions. Having served on the Board of Directors of Garanti Bank since 1997, Mr. Sözen was appointed as the Vice Chairman on July 8, 2003. Mr. Sözen holds a Certified Public Accountant license and serves as the Board Member of Gürel İlaç and Görüş YMM and holds Chairman of the Board and Vice Chairman responsibilities in various other affiliates of Doğuş Holding. Mr. Sözen has 34 years of experience in banking and business administration.



ERGUN ÖZEN
Board Member

Ergun Özen earned his BA in Economics from New York State University and is a graduate of the Advanced Management Program at Harvard Business School. He started his banking career in Treasury department in 1987 before joining Garanti in 1992 and served as the President & CEO at Garanti Bank between April 1, 2000-September 2, 2015. Since May 14, 2003 he is a Board Member of Garanti Bank. Mr. Özen is a Board Member of Doğuş Holding, Doğuş Information and Technology Services and Doğuş Sport Activities and the Chairman of the Board of Directors at GarantiBank S.A. (Romania). Furthermore, Mr. Özen serves as the Chairman of the Board of Directors of Pozitif Music and is a Board Member of the Istanbul Foundation for Culture and Arts (IKSV) and Turkish Industrialists' and Businessmen's Association (TUSIAD) and since a Board Member of the Trustees of Turkish Education Association. Mr. Özen has 29 years of experience in banking and business administration.



M. CÜNEYT SEZGİN, PH.D.
Board Member

M. Cüneyt Sezgin received his undergraduate degree from Middle East Technical University Department of Business Administration, his MBA from Western Michigan University and his Ph.D. from Istanbul University Faculty of Economics. He served in executive positions at several private banks and in 2001, Mr. Sezgin joined Garanti Bank. He is a Board Member and the Chairman of the Sustainability Committee at Garanti Bank. Furthermore, Mr. Sezgin is a Board Member at Garanti Bank S.A. (Romania), Garanti Pension and Life, Garanti Securities and Corporate Volunteer Association Turkey. Mr. Sezgin has been serving as a Board Member of Garanti Bank since June 30, 2004 and has 28 years of experience in banking and business administration.



SEMA YURDUM
Independent Board Member

Sema Yurdum graduated from Boğaziçi University, Faculty of Administrative Sciences in 1979 and completed Advanced Management Program in Harvard Business School for senior managers in 2000. After starting her career in a private sector company as human resources expert during 1979-1980, Ms. Yurdum continued her career in the banking sector between 1980-2005. She worked as an Executive Vice President of Garanti Bank and held audit committee membership in various subsidiaries between 1992-2005. Ms. Yurdum has been engaged in senior consultancy services for companies since 2006. She has been serving as an Independent Board Member of Garanti Bank since April 30, 2013. Ms. Yurdum has 36 years of experience in banking and business administration.



JAIME SAENZ DE TEJADA PULIDO
Board Member

Jaime Saenz de Tejada Pulido holds undergraduate degrees from Universidad Pontificia de Comillas (ICADE) in both Law & Economics and Business Sciences and completed Programa de Dirección General (PDG) at IESE Business School in 1999. Mr. Saenz de Tejada joined BBVA Group in 1992 and in 2000 he was appointed as the Director of Corporate and Investment Banking in America. Subsequently, he served as the Managing Director of BBVA Banco Continental in Peru until his return to Spain as Territorial Director at the end of 2007. In 2011 he was appointed as the Director of Business Development of Spain and Portugal and in May 2012, he became a member of the Executive Committee of the Group. After serving as the Director of Strategy & Finance in 2014, in May 2015, Mr. Saenz de Tejada was appointed to his current role, the CFO at BBVA Group. He has been serving as the Board Member of Garanti Bank since October 2, 2014 and has 23 years of experience in banking and business administration.

BOARD OF DIRECTORS



JAVIER BERNAL DIONIS
Independent Board Member

Javier Bernal Dionis earned his Law Degree from University of Barcelona, and his MBA from IESE Business School, University of Navarra. He joined BBVA in 1996, after working in Barna

Consulting Group as Partner and in Promarsa (New York, USA) as a General Manager. Until 1999, he was the Segment Manager of Retail Banking (Spain) at BBVA. During 2000-2003, he was the founder of an internet business outside of BBVA. Since 2004, he has been working in different areas at BBVA. Between 2004-2005, he was the Head of Innovation and Business Development, reporting to the CEO. Between 2006-2010, he was the Head of Business Development Spain & Portugal. Between 2011-2014, he was the Head of Commercial & Retail Banking under Global Retail and Business Banking and from 2014 to 2015, he served as the Head of Business Alignment of BBVA and Garanti. He has been a member of the BBVA Group Executive Committee between years 2006 and 2010 and Spanish and Portugal Executive Committee between 2010 and 2011. He has been serving as a Board Member of Garanti Bank since July 27, 2015 and he is also serving as a Board Member at Garanti Pension and Life, Garanti Bank S.A. (Romania), Garanti Leasing, Garanti Securities and Garanti Payment Systems. Since his appointment as an Audit Committee member of T. Garanti Bankası A.Ş. on March 31, 2016, he is deemed as an Independent Board Member of Garanti Bank in accordance with the relevant regulations of the Capital Markets Board of Turkey. Mr. Bernal has 26 years of experience in banking and business administration and he is responsible of BBVA-Garanti coordination.



**MARIA ISABEL GOIRI
LARTITEGUI**
Board Member

Isabel Goiri earned her BA with First Class Honors degree from Birkbeck, University of London and MSc in Business Administration from Imperial College London. She began her career as an analyst and fund manager at Schroder Investment Management (London), one of the largest UK asset managers. In 1988 joining BBVA Asset Management as Chief Investment Officer (CIO), Ms. Goiri also served as a Board Member. In 2003, she was appointed as BBVA Head of Investor Relations, reporting to Group CFO. In January 2008, she became the CFO of BBVA Compass, the USA subsidiary of BBVA. In April 2011, Goiri was appointed as the Director of Corporate Risk Management at Head Office Risk Unit. Being appointed as Global Risk Management - Turkey Director in July 2015, Ms. Goiri has been serving as a Board Member of Garanti Bank since July 27, 2015. Ms. Goiri has 26 years of experience in banking and business administration.



JORGE SÁENZ-AZCÚNAGA CARRANZA
Independent Board Member

Jorge Sáenz-Azcúnaga earned his BS in Business Administration from Universidad Deusto. He has developed his entire career in BBVA starting as Research Analyst. He then worked as Corporate

Strategist, Head of CEO Office, Business Development (Commercial & Institutional Banking in Spain), Head of Strategy (Wholesale Banking & Asset Management), Head of Strategy and Planning (Spain & Portugal) and between years 2013 and 2015 as Regional Manager for the North of Spain. As of 2015, he served as the Head of Business Monitoring Spain, USA and Turkey. In July 2016, he was appointed Head of Country Monitoring and member of the Global Leadership Team in BBVA. He has been serving as a Board Member of Garanti Bank since March 31, 2015 and he is also a member of the Board of Directors of BBVA Compass in the US. Since his appointment as an Audit Committee member of T. Garanti Bankası A.Ş. on March 31, 2016, he is deemed as an Independent Board Member of Garanti Bank in accordance with the relevant regulations of the Capital Markets Board of Turkey. Mr. Sáenz-Azcúnaga has 22 years of experience in banking and business administration.



IÑIGO ECHEBARRIA GARATE
Board Member

Iñigo Echebarria Garate earned his BS in Business Management and Economics from University of Basque Country School of Business and Economics and his MBA from Universidad

Deusto. He started his banking career at Banco Vizcaya's branch network in 1983. Between the years 1984-1989, he worked as the Local Business Management Controller, and from 1989 to 1990 he worked in the Retail Banking Marketing Department of Banco Bilbao Vizcaya (BBV). In 1990, he rejoined BBV's Management Control Unit. In 1994, he was appointed as the Banking Control Director. Between the years 1995-2001, Mr. Echebarria worked as the Management Information System Director of BBV's Finance Department. From 2001 to 2005, he was responsible of Analysis and Business Development at America Corporate Banking Unit of BBVA, and in 2006 he was appointed as the Business Analysis Director of the Wholesale Banking Unit. In 2007 Mr. Echebarria was appointed Strategy and Finance Director of BBVA South America. In 2011, he became the Planning, Reporting and Management Control Director of BBVA. On November 1, 2015, Echebarria became the Global Accounting and Information Management Relationship Director of BBVA. As of March 31, 2016, he has been appointed as a Board Member at Garanti Bank and has 33 years of experience in banking and business administration.



ALİ FUAT ERBİL
Board Member,
President & CEO

Ali Fuat Erbil graduated from the Middle East Technical University Department of

Computer Engineering, earned his MBA from Bilkent University and his PhD in Banking and Finance from Istanbul Technical University. After working as an executive at various private companies and banks, he joined Garanti Bank as the Senior Vice President of Branchless Banking/ Distribution Channels in 1997. Mr. Erbil was appointed as the Executive Vice President on April 30, 1999 and was responsible of several areas such as Retail Banking, Corporate Banking, Investment Banking, Financial Institutions and Human Resources as an EVP. Since September 2, 2015, Mr. Erbil has been serving as the Board Member, President & CEO and is also the Chairman of the Board of Directors at Garanti Securities, Garanti Pension and Life, Garanti Factoring, Garanti Leasing, Garanti Payment Systems and Garanti Technology. Furthermore, Mr. Erbil is a Board Member in the Banks Association of Turkey and has 24 years of experience in banking and business administration.

SENIOR MANAGEMENT

Left to right:

Cemal Onaran, Didem Dinçer Başer, Recep Baştuğ, Ali Temel,
Osman Tüzün, Ali Fuat Erbil, Mahmut Akten, Gökhan Erün,
Aydın Güler, Hüsnü Erel, Aydın Düren, Ebru Dildar Edin





SENIOR MANAGEMENT

ALİ FUAT ERBİL

**Board Member
President & CEO**

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GÖKHAN ERÜN

**Executive Vice President, Deputy CEO
Corporate Banking & Treasury**

Gökhan Erün earned his undergraduate degree from Istanbul Technical University Department of Electronics and Communications and his graduate degree from the Business Administration Department of Yeditepe University. In 1994, he joined Garanti Bank Treasury Department, and between the years 1999-2004, he served as the Senior Vice President of Commercial Marketing and Sales Department. In 2004 he became the CEO of Garanti Pension and Life and on September 1, 2005, he was appointed Executive Vice President of Garanti Bank. Serving as the Deputy CEO of Garanti Bank since September 2, 2015, Mr. Erün is furthermore the Chairman of the Board of Directors at Garanti Hizmet Yönetimi A.Ş. and GarantiBank International N.V. and the Vice Chairman of the Board of Directors at Garanti Leasing and Garanti Factoring and Board Member of Garanti Securities. With 22 years of experience in banking and business administration, Mr. Erün's areas of responsibility are Corporate Banking Coordination, Treasury, Treasury Marketing and Financial Solutions, Derivatives, Cash Management and Transaction Banking, and Financial Institutions.

MAHMUT AKTEN

**Executive Vice President
Retail Banking**

With an undergraduate degree from Boğaziçi University in Electrical and Electronics Engineering and graduate degree in Business Administration from Carnegie Mellon University, Mahmut Akten started his career in 1999 in the USA. After having served in various positions in the Finance and Treasury departments of a global construction materials company, he joined a global management consulting firm in 2006. Between the years 2006-2012, after having worked in Boston and Istanbul offices and lastly as an Associate Partner, he joined Garanti Bank on July 1, 2012 as the Senior Vice President responsible for Mass Retail Banking Marketing. As of January 1, 2017, Mr. Akten was appointed Executive Vice President responsible for Retail Banking and is a Board Member of Garanti Technology. With 17 years of experience in banking and business administration, Mr. Akten's areas of responsibility are Retail Banking Marketing, Mass Retail Banking Marketing and Affluent Banking Marketing.

DİDEM DİNÇER BAŞER

**Executive Vice President
Digital Banking**

Didem Başer graduated from Boğaziçi University Department of Civil Engineering and earned her graduate degree from University of California, Berkeley College of Engineering. She started her career in 1995. Before joining Garanti Bank, she worked for a global management consulting firm for 7 years and lastly as an Associate Partner. Ms. Başer joined Garanti Bank in 2005 and worked as the Coordinator of Retail Banking Business Line during her first 7 years. Ms. Başer was appointed to her current position in 2012 and is also a Board Member of Garanti Payment



Systems, Garanti Pension and Life and Garanti Technology. With 21 years of experience in banking and business administration, Ms. Bařer's areas of responsibility are Digital Channels, Corporate Brand Management and Marketing Communications, Customer Experience and Satisfaction, Insurance and Pension Coordination and Call Center.

RECEP BAřTUĐ

Executive Vice President Commercial Banking

Recep Bařtuđ graduated from ukurova University Faculty of Economics and joined Garanti Bank Audit Committee in 1989. Having worked as Corporate Branch Manager during 1995-1999, Commercial Regional Manager during 1999-2004, Commercial Banking Coordinator during 2004-2012, Bařtuđ was appointed to his current position on January 1, 2013. Furthermore, Mr. Bařtuđ is a Board Member of Garanti Leasing and Garanti Fleet. With 26 years of experience in banking and business administration, Mr. Bařtuđ's areas of responsibility are Commercial Banking Istanbul and Ankara Marketing, Commercial Banking Anatolian Marketing, Consumer Finance and Domestic & Overseas Subsidiaries Coordination.

AYDIN DÜREN

Executive Vice President Legal Services

Aydin Düren graduated from the Faculty of Law at Istanbul University and earned his graduate degree on International Law from the American University, Washington College of Law. After serving as an associate, partner and managing partner for over 18 years at international private law firms in New York, London and Istanbul, Mr. Düren joined Garanti Bank on February 1, 2009 as Executive Vice President in charge of Legal Services. Furthermore, Mr. Düren is a Board Member of Garanti Payment Systems, Teachers Academy Foundation, Garanti Mortgage and Vice President of Garanti Bank Pension and Provident Fund Foundation. Since June 2015 Mr. Düren is also serves as the Corporate Secretary of the Bank. With 22 years of experience in banking and business administration, Mr. Düren's areas of responsibility are Legal Advisory Services, Legal Collections, Litigation, Garanti Payment Systems Legal Services and Legal Operations.

EBRU DİLDAR EDİN

Executive Vice President Project Finance

Ebru Dildar Edin graduated from Boğaziçi University Department of Civil Engineering and started her career in 1993. She joined the Corporate Banking Department at Garanti Bank in 1997. In 1999, she took part in the establishment of the Project Finance Department. After leading the department for 6 years as Senior Vice President, Edin became Project and Acquisition Finance Coordinator in 2006 and was appointed to her current position on November 25, 2009. A member of the Sustainability Committee since 2010, Ms. Edin also took responsibility of the coordination of the Sustainability Team, which was established in 2012 to implement the decisions of the aforementioned Sustainability Committee. Furthermore, Ms. Edin is the Vice Chairman of the Board of Directors of Sustainable Development Association and UN Global Compact Local Network. She is also a Board Member of Teachers Academy Foundation. With 22 years of experience in banking and business administration, Ms. Edin's areas of responsibility are Project Finance and Sustainability.

HÜSNÜ EREL

Executive Vice President Technology, Operations, Central Marketing & Product Development

Hüsnü Erel graduated from Istanbul Technical University Department of Electronics and Communications Engineering and served as an executive at various private companies and banks. In 1994, he joined Garanti Technology as General Manager. On June 16, 1997, he was appointed to his current position. Mr. Erel is a Board Member of Garanti Payment Systems and the Vice Chairman of the Board of Directors at Garanti Technology. With 41 years

Note: Executive Presidents are listed in alphabetical order by last name.

SENIOR MANAGEMENT

of experience in banking and business administration, Mr. Erel's areas of responsibility are Organization and Process Development, Customer Analytics, Innovation and Product Development, Anti-Fraud Monitoring, Abacus Operations Center and Garanti Bank Technology Center.

AYDIN GÜLER

Executive Vice President Finance and Accounting

Aydın Güler graduated from Istanbul Technical University Department of Mechanical Engineering and joined Garanti Bank Fund Management Department in 1990. After working at different Head Office departments for 10 years, in 2000 he was appointed Senior Vice President responsible for Risk Management and Management Reporting. Between the years 2001-2013, Mr. Güler served as the Senior Vice President responsible for Financial Planning & Analysis and was appointed as Coordinator in 2013. On December 21, 2015, Mr. Güler was appointed as the Executive Vice President in charge of Finance and Accounting and he is furthermore a Board Member of Garanti Bank Pension and Provident Fund Foundation. With 26 years of experience in banking and business administration, Mr. Güler's areas of responsibility are Assets & Liabilities Management, Financial Planning and Analysis, Cost Management and Efficiency, Investor Relations, General Accounting, Consolidation and International Accounting, Tax Operations Management and BBVA Finance Coordination.

CEMAL ONARAN

Executive Vice President SME Banking

Cemal Onaran graduated from Middle East Technical University with a B.S. in Public Administration and started his career as Assistant Auditor in Garanti Bank at the Audit Committee in the same year. Between years 2000-2007, he worked as the Regional Manager in various regions of Garanti Bank in Istanbul. After the establishment of Garanti Mortgage in October 2007, he was appointed General Manager of Garanti Mortgage. After having served as the General Manager of Garanti Pension & Life since August 1, 2012, Mr. Onaran was appointed Executive Vice President of Garanti Bank in charge of SME Banking on January 1, 2017. Mr. Onaran has 26 years of experience in banking and business administration.

ALİ TEMEL

Executive Vice President Chief Credit Risk Officer

Ali Temel earned his undergraduate degree from Boğaziçi University Department of Electric-Electronic Engineering and started his carrier in banking in 1990 at a private bank. Mr. Temel joined Garanti Bank in 1997 and after working as the Senior Vice President in charge of Cash Management and Commercial Banking departments, he served as the Executive Vice President responsible of Commercial Banking between 1999-2001 and as the Executive Vice President responsible of Loans between 2001-2012. On December 10, 2015, Mr. Temel was appointed as the Chief Credit Risk Officer. With 26 years of experience in banking and business administration, Mr. Temel's areas of responsibility are Wholesale Risk, Retail Risk, Risk Planning, Monitoring and Reporting; Risk Analytics, Technology and Innovation; Regional Loans Coordination.

OSMAN TÜZÜN

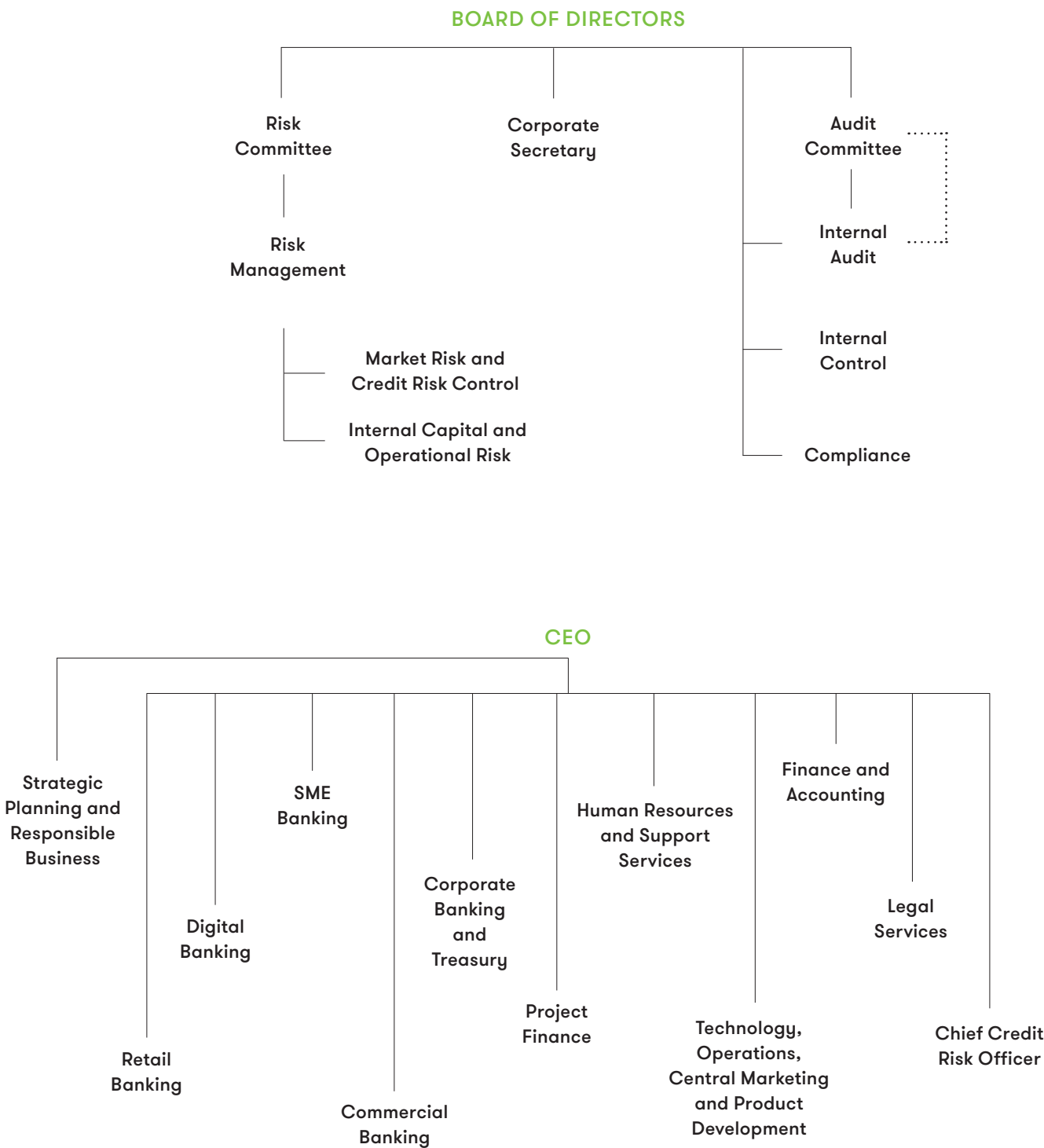
Executive Vice President Human Resources and Support Services

Osman Tüzün graduated from the Middle East Technical University with a B.S. in Computer Engineering and earned his MBA from Bilkent University. He started his banking career in 1992 and served in various branches and head office departments for 7 years. He joined Garanti Bank in 1999 as the Senior Vice President responsible for Branchless Banking. Between the years 2000-2005, he served as the Senior Vice President of Retail Banking. During 2005-2008, he was the CEO of a private sector company. In 2008, Mr. Tüzün returned to Garanti as the Coordinator responsible for Human Resources and on August 19, 2015 he was appointed to his current post. Mr. Tüzün is the Chairman of the Board of Directors of Garanti Bank Retirement and Provident Fund Foundation. With 24 years of experience in banking and business administration, Mr. Tüzün's areas of responsibility are Human Resources, Learning and Development, Construction and Premises, Purchasing.



Note: Executive Presidents are listed in alphabetical order by last name.

GARANTI BANK ORGANIZATION CHART



ORGANIZATIONAL CHANGES

- Cost Management and Efficiency Department which will focus on efficient management of the Bank's expenses and budget process and on analyzing efficiency areas was established under the Executive Vice President of Finance and Accounting. Oğuz Acar has been appointed as Senior Vice President of the Department.
- SME Banking Marketing Department was restructured as two separate departments in order to perform marketing, sales management and business development activities for small enterprise and micro segment customers effectively. "SME-Micro Enterprise Banking Marketing Department" was established and Gökhan Koca* has been appointed as its Senior Vice President. Esra Kıvrak has been appointed as the Coordinator of "SME – Small Enterprise Banking Marketing Department".

* Gökhan Koca has been appointed as of January, 2017.

- Customer Experience and Satisfaction Department" was established with combining the customer experience management related functions of Customer Relations Management and Marketing Department and all functions of Customer Satisfaction Department in order to ensure that the customer experience management is performed with effective and holistic approach in accordance with customer oriented strategies of the Bank, and Hülya Türkmen has been appointed as its Senior Vice President.
- Avni Aydın Düren, who is in charge of Legal Services Executive Vice President and Corporate Secretary has been appointed as "Consumer Relations Coordination Officer" to replace Osman Tüzün, according to the Banking Regulation and Supervision Agency resolution dated August 22, 2013 numbered 5491, following the official notification to the Banking Regulation and Supervision Agency and the provision of the relevant consents
- The position of Executive Vice President of Human Resources, Customer Satisfaction and Support Services was renamed as Executive Vice President of Human Resources and Support Services in line with its field of responsibility.
- All functions of Product Development and Innovation Management Department were combined with Customer Relations Management and Marketing Department; Customer Relations Management and Marketing Department was renamed as Customer Analytics, Innovation and Product Development Department. Tutku Coşkun has been appointed as Senior Vice President of the restructured department.

- Strategic Planning Department began undertaking the responsibilities of acting as the main point of contact regarding Responsible Business related functions and determining Responsible Banking strategies aligned with the Bank's strategies in cooperation with related parties. Strategic Planning Department was renamed as Strategic Planning and Responsible Business Department with the additional functions, and Burçin Bıkmaz has been appointed as its Senior Vice President.
- Investment Banking Product Management Department's Structured Products Development and Foreign Sales and Business Development functions was transferred to Treasury Marketing and Financial Solutions Department, the department's remaining functions was transferred to Retail Banking Marketing Department. Tekinel Özdemir has been appointed as Senior Vice President of Treasury Marketing and Financial Solutions Department.
- "Corporate and Commercial Loans Department" was restructured as two separate departments named as "Corporate and Specialized Loans Department" and "Commercial Loans Department" reporting to the "Wholesale Risk Coordinator" in order to manage and execute commercial and corporate loans evaluation function effectively, Levent Kirazoğlu has been appointed as Senior Vice President of Corporate and Specialized Loans Department and Gülay Tok has been appointed as Senior Vice President of Commercial Loans Department.
- "Head of Risk Management" position was established reporting to the Risk Committee in order to be responsible of the management of the Risk Management Department's functions which have been determined according to the Regulation on the Bank's Internal Systems

and Internal Capital Adequacy Assessment Process issued by the Banking Regulation and Supervision Agency and Ebru Oğan Knottnerus has been appointed as the Head of Risk Management. The existing functions of Risk Management Department were restructured as two separated departments reporting to Head of Risk Management. Market Risk and Credit Risk Control Department was established and Semra Kuran has been appointed as its Senior Vice President. Internal Capital and Operational Risk Department was established and Beyza Yapıcı has been appointed as its Senior Vice President.

- The functions of Social Platforms Management Department under Executive Vice President of Digital Banking was transferred to Digital Channels Department and restructured.
- Corporate Brand Management and Marketing Communications, Insurance and Pension Coordination, Call Center and Customer Experience and Satisfaction Departments reporting to Executive Vice President of Retail Banking were transferred to Executive Vice President of Digital Banking.
- Financial Institutions Department reporting to Executive Vice President of Retail Banking was transferred to Executive Vice President of Corporate Banking and Treasury.
- Real estate management functions of Purchasing and Premises Department was transferred to Construction Department, and administrative services functions was transferred to Human Resources Department; accordingly, Construction Department was renamed as Construction and Premises Department.
- Purchasing and Premises Department was renamed as Purchasing Department and Zeynep Tura has been appointed as its Senior Vice President.
- Onur Genç, Executive Vice President of Retail Banking, resigned as of December 31, 2016. Mahmut Akten, Mass Retail Banking Marketing Department's Coordinator functioning under Executive Vice President of Retail Banking has been appointed as Executive Vice President of Retail Banking as of January 01, 2017.
- Nafiz Karadere, Executive Vice President of SME Banking, resigned as of December 31, 2016. Cemal Onaran, Chief Executive Officer of Garanti Pension, has been appointed as Executive Vice President of SME Banking as of January 01, 2017.

ORGANIZATIONAL RESTRUCTURING AND CHANGES AT DEPARTMENTS, REGIONS AND BRANCHES

- The organization and functions of Assets and Liabilities Management Department were restructured with the aim of strengthening internal capital management and aligning assets and liabilities management strategies of the Bank and its subsidiaries.
- The organization and functions of Economic Research Department were restructured by strengthening with tasks centered on financial stability and digital economy.
- To restructure the Bank's internal control processes, 1st level and 2nd level controls for the transactions of the Head Office were reviewed and the internal control model was redesigned.
- In order to improve digital activation of customers in the direction of the Bank's customer orientation and digitalization strategies, a new role was created with the responsibility of directing customers to digital channels at certain branches which have high lobby intensity.
- Commercial Banking Branches' organization was restructured in order to offer more focused and higher quality service to customers in the Upper Commercial segment.



COMMITTEES AND COMMITTEE MEETINGS ATTENDANCE

There are a number of committees set up at the Bank to fulfill the supervisory function. The Board of Directors oversees and audits the entire Bank via the Credit, Remuneration, Corporate Governance, Audit and various risk management committees. The committees organized under the Board of Directors are Credit, Audit, Corporate Governance, Remuneration and Risk committees.

In addition to these, there are committees whose members are composed of the Board of Directors members (Employee Committee, Customer Committee, Garanti Assets & Liabilities Committee, Weekly Review Committee, Cost Management and Efficiency Committee, Sustainability Committee, Consumer Committee, Integrity Committee, Volcker Rule Oversight Committee, New Business and Product Committee) and/or the Bank's executives (Risk Management Committee, Disciplinary Committee, Personnel Committee, Information Security Committee, Wholesale Credit Risk Committee, Credit Admission Committee, Retail Credit Risk Committee, Technology and Methodologies Committee, Local Benefits Committee).

CREDIT COMMITTEE

In accordance with the Banking Law, the Board of Directors of Garanti Bank has delegated a certain amount of its loan allocation authority to the Credit Committee. The Credit Committee holds weekly meetings to review appropriate loan proposals from among those sent by the branches to the Head Office but exceed the loan authorization limit of the latter. The Credit Committee reviews these loan proposals and decides on those that are within its authorization limits, and submits those others it deems appropriate but are outside of its authorized limits to the Board of Directors for finalization.

In 2016, the Committee held 32 meetings with the required quorum.

Committee Members

Maria Isabel Goiri Lartitegui (Board Member), Jaime Saenz de Tejada Pulido (Board Member), Javier Bernal Dionis (Independent Board Member), Ali Fuat Erbil (CEO, Board Member)

AUDIT COMMITTEE

The Audit Committee was set up to assist the Board of Directors in the performance of its audit and supervision functions. The Committee is responsible for:

- Monitoring the effectiveness and adequacy of Garanti Bank's internal control and risk management and internal audit systems; and overseeing the operation of these systems and accounting and reporting systems in accordance with applicable regulations, and the integrity of resulting information;
- Conducting necessary preliminary evaluations for the selection of independent audit firms, appraisal and support services providers, and regularly monitoring their activities;
- Ensuring that the internal audit functions of consolidated entities are performed in a consolidated and coordinated manner;
- Developing the audit and control process in order to ensure ICAAP adequacy and accuracy;
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2016, the Committee held 8 meetings with the required quorum.

Committee Members

Javier Bernal Dionis (Independent Board Member), Jorge Saenz Azcunaga Carranza (Independent Board Member)

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee is responsible for monitoring the Bank's compliance with corporate governance principles, undertaking improvement efforts, nominating the independent board members, and offering suggestions regarding the nominees to the Board of Directors.

Within the frame of the CMB Communiqué No: II-17-1 on Corporate Governance that is currently in force, the Committee:

- Monitors whether corporate governance principles are implemented at the Bank,



determines the grounds for non-implementation, if applicable, as well as any potential conflicts of interest arising from failure to fully comply with these principles, and presents suggestions to the Board of Directors for the improvement of corporate governance practices;

- Oversees the activities of the Investor Relations Department;
- Evaluates the proposed nominees for independent Board membership, including those nominated by the management and investors, considering whether the nominees fulfill the independence criteria, and presents its assessment report to the Board of Directors for approval;
- Makes an assessment for election of independent members to the seats vacated due to a situation that eradicates independence and the resignation of a Board member who loses his independence, so as to re-establish the minimum number of independent Board members through temporarily elected members who will serve until the immediately following General Assembly Meeting to be held, and presents its written assessment to the Board of Directors;
- Works to create a transparent system for the identification, evaluation and training of nominees who are appropriate for the Board of Directors and managerial positions with administrative responsibility, and to determine related policies and strategies;
- Makes regular assessments about the structure and efficiency of the Board of Directors, and presents suggested changes to the Board of Directors.

In 2016, the Committee held 3 meetings with full participation of its members.

Committee Members

Javier Bernal Dionis (Independent Board Member), Jorge Saenz Azcunaga Carranza (Independent Board Member), Sema Yurdum (Independent Board Member), Handan Saygın (Senior Vice President)

REMUNERATION COMMITTEE

The Remuneration Committee started activities on January 1, 2012 in accordance with the Regulation on the Banks' Corporate Governance Principles published by the Banking Regulation and Supervision Agency. The Committee's responsibilities are as follows:

- Conducting the oversight and supervision process required to ensure that the Bank's remuneration policy and practices comply with applicable laws and regulations and risk management principles,
- Reviewing, at least once a year, the Bank's remuneration policy

in order to ensure compliance with applicable laws and regulations in Turkey, or with market practices, and updating the policy, if necessary,

- Presenting, at least once a calendar year, a report including the findings and proposed action plans to the Board of Directors,
- Determining and approving salary packages for executive and non-executive members of the Board of Directors, the CEO and Executive Vice Presidents;
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2016, the Committee held 2 meetings.

Committee Members

Sait Ergun Özen (Board Member), Jorge Saenz Azcunaga Carranza (Independent Board Member)

EMPLOYEE COMMITTEE

The Employee Committee is responsible for developing Bank's HR policies, carrying out and coordinating activities in order to improve employee engagement and satisfaction, monitoring results and developing action plans when needed. With the support of management, the Committee also aims to promote learning in order to enhance Bank's development and tracks how training reflects on business.

In 2016, the Committee held 3 meetings.

Committee Members

Javier Bernal Dionis (Independent Board Member), Ali Fuat Erbil (CEO, Board Member), Gökhan Erün (EVP), Mahmut Akten* (EVP), Didem Dinçer Başer (EVP), B. Ebru Edin (EVP), Cemal Onaran* (EVP), Osman Tüzün (EVP), H. Hüsnü Erel (EVP), Aydın Güler (EVP), Ali Temel (Chief Credit Risk Officer), Aydın Düren (EVP), Recep Baştuğ (EVP)

* Committee member since January 2017.

COMMITTEES AND COMMITTEE MEETINGS ATTENDANCE

CUSTOMER COMMITTEE

The Customer Committee is established to discuss customer experience efforts and convened under the chairmanship of CEO. Bank's customer experience strategies are defined by the Committee. It is also responsible for realizing and ensuring continuous effort such as projects which aim to enhance customer experience at every touch point and improve Net Promoter Score. The Committee monitors the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2016, the Committee held 6 meetings.

Committee Members

Javier Bernal Dionis (Independent Board Member), Ali Fuat Erbil (CEO, Board Member), Ali Temel (Chief Credit Risk Officer), A. Aydın Düren (EVP), Didem Dinçer Başer (EVP), B. Ebru Edin (EVP), Hüsnü Erel (EVP), Gökhan Erün (EVP), Mahmut Akten* (EVP), Cemal Onaran* (EVP), Osman Tüzün (EVP), Recep Baştuğ (EVP)

** Committee member since January 2017.*

RISK COMMITTEE

The Risk Committee is responsible for:

- Evaluating and approving the risk management policy, practices and processes in order to establish and maintain an effective corporate risk management structure,
- Overseeing the Bank's alignment with the risk profile approved by the Board of Directors,
- Verifying that necessary actions are taken to assure that adequate systems and resources are in place for managing the Bank's risks,
- Encouraging a risk culture that will guarantee a coherent risk management and control model for the Bank and its implementation at all levels of the organization,
- Managing capital planning policies, practices and processes, including assessment of capital adequacy,
- Assisting the Board of Directors in making sure that the Bank carries out its operations securely and properly in accordance with all laws, regulations and regulatory policies and procedures in the fulfillment of its responsibilities,
- Providing coordination between the Bank's risk management unit, loans and monitoring units, and exchanging opinions with them.

In 2016, the Committee held 12 meetings.

Committee Members

Maria Isabel Goiri Lartitegui (Board Member), Javier Bernal Dionis (Independent Board Member), Süleyman Sözen (Vice Chairman)

RISK MANAGEMENT COMMITTEE

The purpose of Risk Management Committee is to develop the strategies, policies, procedures and infrastructures required to identify, assess, measure, plan and manage material risks faced by the Bank in the ordinary course of business. The Committee is responsible for:

- Developing a model governing a Bank-wide Risk Management structure, organization management and function management, a risk identification and monitoring model and the infrastructures and processes required to efficiently and transparently manage the risks,
- Identifying, assessing, measuring, planning and managing the Bank's risk exposure,
- Assessing the Bank's economic capital adequacy,
- Monitoring and analyzing all significant matters related to the Bank's risks on an ongoing basis,
- Providing guidance to the Bank's management concerning significant risk matters,
- Overseeing the risk framework and performance of the Bank's subsidiaries and affiliates,
- Promoting and developing a risk culture throughout the organization,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2016, the Committee held 32 meetings.

Committee Members

Ali Temel (Chief Credit Risk Officer), Serhan Pak (Senior Vice President), Mustafa Tiftikçioğlu (Coordinator), Alper Eker (Coordinator), Ebru Oğan Knottnerus (Head of Risk Management), Özlem Ernart (Senior Vice President)

WHOLESALE CREDIT RISK COMMITTEE

Wholesale Credit Risk Committee has been set up to define the framework for wholesale credit risk implementations, to integrate this framework into management practices and to monitor its performance. The Committee is responsible for:

- Approving wholesale credit risk strategies and policies or submitting them for approval,
- Monitoring the quality and performance of



wholesale portfolios and evaluating risk strategies and policies with respect to their efficiency, profitability and productivity,

- Approving risk-related decisions or requests received from other units and/or regulatory authorities, or submitting them for approval,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2016, the Committee held 10 meetings.

Committee Members

Mustafa Tiftikçioğlu (Coordinator), Adnan Kesim (Senior Vice President), Atilla Sütgöl (Senior Vice President), Ebru Topbaş (Senior Vice President), Nuriye Bozkurt (Manager), Ekrem Özay (Manager), Yeliz Buyan* (Manager), Selda Sarıkaya* (Manager), Gülay Tok Başak (Senior Vice President), Ebru Bulduk* (Manager), Senem Irmak* (Manager), Ateş Tunçer* (Manager)

(*) At least two managers attend.

CREDIT ADMISSION COMMITTEE

The Credit Admission Committee has been set up to approve, or propose for approval to Garanti Bank's governing bodies, credit proposals or financial programs in accordance with its delegated authority and the requirements stated in the Credit Risk Delegation Rule. The Committee is responsible for:

- Approving the credit proposals within its authorized limits, and submitting credit proposals that exceed the delegated authority of the Chief Credit Risk Officer to management bodies for approval,
- Overseeing whether the credit risks falling under its delegated authority are duly subjected to assessment and scoring process in line with the Bank's policies and procedures,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2016, the Committee held 32 meetings.

Committee Members

Ali Temel (Chief Credit Risk Officer), Mustafa Tiftikçioğlu (Coordinator), Alper Eker* (Coordinator), Levent Kirazoğlu (Senior Vice President), Gülay Tok Başak (Senior Vice President), Kerem Akça (Senior Vice President), Yeliz Buyan** (Manager), Selda Sarıkaya** (Manager), Ebru Bulduk** (Manager), Senem Irmak** (Manager), Ateş Tunçer** (Manager), Adnan Kesim*** (Senior Vice President), Atilla Sütgöl*** (Senior Vice President), Ekrem Özay*** (Manager), İbrahim Şanlı (Manager)

(*) Participates in the Committee when retail loan proposals are submitted.

(**) Participates in the Committee for proposals included in his/her portfolios.

(***) Committee members without voting rights.

RETAIL CREDIT RISK COMMITTEE

The purpose of the Committee is to define the Bank's retail credit risk framework, to integrate the framework into management and to monitor its performance.

- The Committee is mainly responsible for: Approving, or proposing for approval, risk strategies and policies in relation to retail credits,
- Monitoring the performance of the retail portfolio; evaluating the efficiency of risk strategies and policies and their effect on profitability and productivity,
- Approving or proposing for approval risk decisions, or requests from/to other units or regulators, Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2016, the Committee held 10 meetings.

Committee Members

Alper Eker (Coordinator), Pınar Denizaşan (Senior Vice President), Faruk Ergin (Senior Vice President), Teoman Alponat (Senior Vice President)

TECHNOLOGY AND METHODOLOGIES COMMITTEE

Technology and Methodologies Committee has been set up to develop a suitable framework for risk models and technology tools at Garanti Bank. The Committee addresses all risk types and the entire risk cycle. The Committee is responsible for:

- Ensuring the quality, adequacy and consistency of models and model parameters across the Bank;
- Monitoring risk tools roll-outs (including functional definitions and regulatory/economic milestones) as well as areas for improvement; Making sure that adequate technological infrastructure is in place to enhance the risk area and following up technology projects deemed appropriate by the Bank;
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

COMMITTEES AND COMMITTEE MEETINGS ATTENDANCE

In 2016, the Committee held 13 meetings.

Committee Members

Serhan Pak (Senior Vice President), Mustafa Tiftikçioğlu (Coordinator), Alper Eker (Coordinator), Ebru Oğan Knottnerus (Head of Risk Management), Özlem Ernart (Senior Vice President), Burcu Çalcıoğlu (Manager)

GARANTI ASSETS AND LIABILITIES COMMITTEE

The main goal of Garanti Assets and Liabilities Committee (ALCO) is to assist the CEO with decision-making processes concerning assets and liabilities management (including liquidity and funding, interest rates and exchange rates) and capital. The Committee is structured around the following objectives:

- Coordinate and review the implementation of policies for managing the sources and utilization of funds that should provide an appropriate level of profitability consistent with planned growth within acceptable levels of risk,
- Monitor and analyze the profitability and net interest income,
- Allow senior management to thoroughly understand, efficiently develop and refine the ALM and capital policies by assisting them in overseeing and supervising the management activities of the Finance Department,
- Follow-up limits to control the balance sheet and capital risks, as well as the risk profiles defined by Garanti's Board of Directors,
- Assess the status of financial markets and macro variables,
- Monitor that individual business lines are aligned in terms of overall objectives and proactively controlled, with regard to the prudential risks under the ALM and capital function control, Review and assess the impact of changes in market and other variables on the ALM risk and capital profile,
- Evaluate the strategies presented by the Finance Department and revise the execution of previously approved actions,
- Monitor regulatory capital adjusted profitability measures,
- Challenge and regularly monitor medium-term capital and liquidity plans for base scenarios and adverse or severely adverse scenarios,
- Analyze extraordinary liquidity and funding situations that require the Committee to be summoned (if deemed appropriate, the Asset Liability Committee will activate the Liquidity Contingency Plan. The Liquidity Contingency Plan activation will be informed to Corporate Asset Liability Committee),
- Approve the Procedure for Hedge Accounting Transactions Process,
- Approve Funds Transfer Pricing Methodology,
- Approve Assumptions on Structural Interest Rate Risk Model,
- Monitor the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and take action to keep them up-to-date.

In 2016, the Committee held 14 meetings with the required quorum.

Committee Members

Ali Fuat Erbil (CEO, Board Member), Alvaro Ortiz Vidal-Abarca (Emerging Markets – Chief Economist), Ali Temel (Chief Credit Risk Officer), Aydın Güler (EVP), Gökhan Erün (EVP), Recep Baştuğ (EVP), Cemal Onaran* (EVP), Mahmut Akten* (EVP), Ebru Oğan Knottnerus (Head of Risk Management), Metin Kılıç (Senior Vice President), Semra Kuran (Senior Vice President)

** Committee member since January 2017.*

WEEKLY REVIEW COMMITTEE

The Weekly Review Committee is charged with managing the assets and liabilities of the Bank. Its objective is to assess interest rate, exchange rate, liquidity and market risks. Based on these assessments and taking into account the Bank's strategies and competitive conditions, the Committee adopts the decisions to be executed by the relevant units in relation to the management of the Bank's balance sheet, and monitors their implementation.

In 2016, the Committee held 49 meetings.

Committee Members

Ali Fuat Erbil (CEO, Board Member), M. Cüneyt Sezgin, Ph.D. (Board Member), Maria Isabel Goiri Lartitegui (Board Member), Javier Bernal Dionis (Independent Board Member), H. Hüsnü Erel (EVP), Recep Baştuğ (EVP), Cemal Onaran* (EVP), Gökhan Erün (EVP), Mahmut Akten (EVP), Didem Dinçer Başer (EVP), Ali Temel (Chief Credit Risk Officer), B. Ebru Edin (EVP), Aydın Güler (EVP), Alpaslan Özbey (GÖSAŞ - EVP), Yeşim Şimşek (Coordinator), Esra Kıvrak (Coordinator), Alper Eker (Coordinator), Kerem Ömer Orbay* (Senior Vice President), Gökhan Koca* (Senior Vice President), Metin Kılıç (Senior Vice President), Handan Saygın (Senior Vice President), Ebru Oğan Knottnerus (Head of Risk Management), Batuhan Tufan (Senior Vice President), Fulya Göyenc (Senior Vice President), Kıvanç Fidan (Senior Vice President), Demet Yavuz (Senior Vice President), Sinem Edige (Senior Vice President),

Çiğdem Yılmaz (Senior Vice President), Ceren Acer Kezik* (Senior Vice President), Vahan Üçkardeş (Senior Vice President), Tekinel Özdemir (Senior Vice President)

* Committee member since January 2017.

COST MANAGEMENT AND EFFICIENCY COMMITTEE

The objective of the Cost Management Committee is to support the Board of Directors in controlling costs within the context of real revenue performance (operating efficiency) and securing savings by optimizing budget implementations over the course of the year. The Committee is also responsible for:

- Determining the efficiency areas of the Bank and providing a platform to discuss improvement areas,
- Informing committee members about cost developments in the future and evaluating saving suggestions,
- Providing a platform to discuss and making decisions related to new ideas and alternatives about efficient cost management by taking consideration into Bank's strategies,
- Approving expense or investment projects and proposals received from the units within the established limits of delegation,
- Clarifying the corresponding budget allocations,
- Ensuring local or regional implementation of corporate models, standards and specifications,
- Monitor the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and take action to keep them up-to-date.

In 2016, the Committee held 4 meetings.

Committee Members

Ali Fuat Erbil (CEO, Board Member), Javier Bernal Dionis (Independent Board Member), Aydın Güler (EVP), Osman Tüzün (EVP), Mahmut Akten* (EVP), H. Hüsnü Erel (EVP), Didem Dinçer Başer (EVP), Ali Temel (Chief Credit Risk Officer), Gökhan Erün (EVP), B. Ebru Edin (EVP), Recep Baştuğ (EVP), Cemal Onaran* (EVP), Aydın Düren (EVP), Oğuz Acar (Senior Vice President), Kerem Toksöz (Senior Vice President), Burak Yıldırım (Coordinator), Vahan Üçkardeş (Senior Vice President)

* Committee member since January 2017.

SUSTAINABILITY COMMITTEE



The Sustainability Committee is responsible for:

- Overseeing the efforts for assessing potential risks resulting from the Bank's energy consumption, waste management, etc. and its direct impact upon the environment,
- Supervising the efforts for assessing potential risks arising from indirect environmental, social and economic impact resulting from financed projects and other loans, and providing necessary

- opinions to relevant decision-making parties,
- Monitoring efforts for management of risks in environmental, social and governance area with a potential negative impact on the Bank's reputation and operations,
- Ensuring conformity of all decisions made and all projects carried out within the frame of the sustainability structure created within the Bank with other policies and related regulations of the Bank, Managing the efforts to allow the Bank to offer products and services that support sustainable development,
- Supervising the efficiency of sustainability efforts,
- Providing information to the Board of Directors on the Committee's activities when needed,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2016, the Committee held 4 meetings with the required quorum.

Committee Members

M. Cüneyt Sezgin, Ph.D. (Board Member), Ali Fuat Erbil (CEO, Board Member), Osman Tüzün (EVP), B. Ebru Edin (EVP), Ali Temel (Chief Credit Risk Officer), Cemal Onaran* (EVP), Aydın Güler (EVP)

* Committee member since January 2017.

DISCIPLINARY COMMITTEE

The goals and responsibilities of the Disciplinary Committee are as follows:

- Reviewing and deciding on the matters referred to it based on the relevant articles of Garanti Code of Conduct and Personnel Regulation,
- Examining, sua sponte, any acts and practices, if any, that are established to be contrary to the laws, banking customs, Garanti Code of Conduct, Personnel Regulation, the Bank's circulars, announcements or procedures (requesting an examination by the Internal Audit Department in cases where it deems necessary), and implementing the administrative sanctions set out in the Personnel Regulation,
- Ensuring that the personnel adheres to Garanti Code of Conduct, both in their behaviors and their practices, and undertaking the function

COMMITTEES AND COMMITTEE MEETINGS ATTENDANCE

of monitoring such adherence and acting as a safeguarded authority before the employees,

- Taking measures against all sorts of acts and practices that might lead to an erosion of the Bank's reputation and image in view of the laws, public opinion and our customers, and announcing these measures throughout the Bank,
- Ensuring that necessary measures are adopted by relevant units for remedying the systemic problems or hitches in work flow processes or general practices as observed in the files on its agenda, and guiding the concerned subsidiaries and overseeing the measures taken.

In 2016, the Committee held 3 meetings.

Committee Members**

Osman Tüzün (EVP), A. Aydın Düren (EVP), Aydın Güler (EVP), Cemal Onaran* (EVP), Mahmut Akten* (EVP), Gökhan Erün (EVP), Recep Baştuğ (EVP), Ali Temel (Chief Credit Risk Officer), Burak Yıldırım (Coordinator), Osman B. Turgut (Head of Internal Audit), Barış Gülcan (Senior Vice President), Şevki Ögüt (Assistant Head of Internal Audit), Bora Ergüç (Branch Manager), Hatice Yayla (Regional Manager), Yaman Doğansoy (Regional Manager), Ali Aktan (Manager - Assistant Legal Counsel), Murat Özdemir (Manager), Özgür Tunalı (Manager)

* Committee member since January 2017.

** Regional Manager and Branch Manager members change every year.

INFORMATION SECURITY COMMITTEE

The goals and responsibilities of the Information Security Committee are as follows:

- Coordinating efforts to guarantee Information Security,
- Contributing to the formulation of the information security policy and other policies concerning the subdomains of information security; overseeing the functionality of the system; and assessing and deciding on suggested improvements;
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2016, the Committee held 2 meetings with the required quorum.

Committee Members

H. Hüsnü Erel (EVP), Rasim Mahmutoğulları (GT-EVP), Şenol Karahasan (GT-EVP), Ferda Özge (GT-EVP), Eray Kaya (GT-EVP), Fatih Bektaşoğlu (GT-EVP), Reha Emekli (GT-EVP), Kutluhan Apaydın (GT-EVP), Burak Erkek (Assistant Head of Internal Audit), Korcan Demircioğlu (Senior Vice President), Barış Gülcan (Senior Vice President), Kerem Toksöz (Senior Vice President), Tutku Coşkun (Senior Vice President), Orhan Veli Çaycı (Coordinator), Aydın Küçükkarakaş (GT-Senior Vice President),

Cihan Subaşı (GT-Senior Vice President), Seval Demirkılıç (GT-Senior Vice President), Ümit Malkoç (GT-Manager), Gökhan Ergen (GT-Manager), Aylin Obalı (Senior Vice President), Burak Yıldırım (Coordinator), Eylem Gökçay (GT-Senior Vice President), Kerem Aslandağ (GT-Senior Specialist), Ömer Mert Ekşioglu (GT-Manager)

PERSONNEL COMMITTEE

The Personnel Committee has been set up to determine the Bank's HR policy, finalize transfer and appointment decisions at manager level, make proposals regarding the Bank's organizational structure, and contribute to the management of the HR budget and balance sheet. The Committee monitors the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and takes action to keep them up-to-date.

The Committee meets when it is needed. In 2016, the Personnel Committee held 1 meeting.

Committee Members**

Ali Fuat Erbil (CEO, Board Member), H. Hüsnü Erel (EVP), Mahmut Akten (EVP), Recep Baştuğ (EVP), Cemal Onaran* (EVP), Gökhan Erün (EVP), Didem Dinçer Başer (EVP), Ali Temel (Chief Credit Risk Officer), Osman Tüzün (EVP), B. Ebru Edin (EVP), A. Aydın Düren (EVP), Alper Eker (Coordinator), İlker Yavaş (Coordinator), Burak Yıldırım (Coordinator), Yeşim Şimşek (Coordinator), Esra Kıvrak (Coordinator), Kerem Ömer Orbay* (Senior Vice President), Mustafa Tiftikçioğlu (Coordinator), Ceren Acer Kezik* (Senior Vice President), Aydın Güler (EVP), Kaya Yıldırım (Regional Manager), Mazlum İnal (Regional Manager), Murat Özdemir (Manager), Özgür Tunalı (Manager)

* Committee member since January 2017.

** Branch Managers and Regional Managers alternate in attending the committee.

LOCAL BENEFITS COMMITTEE

The Local Benefits Committee aims to ensure that decisions regarding fringe benefits are made centrally, with the participation of HR, Finance areas and Risk representatives. The



Committee is responsible for:

- Ensuring that decisions regarding fringe benefits are made centrally, with the concurrence of all representatives and in line with the Bank's business goals;
- Reporting the local committee's decisions to the global committee,
- Benchmarking against the market before a new fringe benefit proposal is approved and reviewing the same from the perspective of Finance , Risk and Compliance,
- Controlling the production of consolidated accounting reports of fringe benefits,
- Aligning the investment policy of Garanti Bank Retirement Fund with BBVA's standards,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2016, the Committee held 1 meeting.

Committee Members

Osman Tüzün (EVP), Aydın Güler (EVP), Ali Temel (Chief Credit Risk Officer), Burak Yıldırım (Coordinator)

CONSUMER COMMITTEE

The Consumer Committee works to ensure that matters and practices regarding retail products and services, which may lead to risks and/or dissatisfaction on the part of consumers and/or applicable regulations, are addressed, considered, and necessary actions for their solutions are planned. The Committee is responsible for;

- Providing information on findings referred to the Committee by the Internal Audit Department, Internal Control and Compliance units, and planning actions for those deemed necessary upon due consideration;
- Providing information on improvement areas resulting from analyses based on customer notifications (complaints, objections, etc.) and planning actions for those deemed necessary upon due consideration;
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2016, the Committee held 4 meetings.

Committee Members

M. Cüneyt Sezgin, Ph.D. (Board Member), Mahmut Akten (EVP), A. Aydın Düren (EVP), Didem Dinçer Başer (EVP), Osman B. Turgut (Head of Internal Audit), Hülya Türkmen (Senior Vice President), Barış Gülcan (Senior Vice President), Emre Özbek (Senior Vice President), Kerem Ömer Orbay* (Senior Vice President), Ceren Acer Kezik* (Senior Vice President), Kerem Toksöz (Senior Vice President), Berna Avdan (Legal

Counsel), Deniz Güven (Senior Vice President), Demet Yavuz (Senior Vice President), Eray Kaya (GT-EVP), Işıl Akdemir Evlioğlu (Garanti Payment Systems - CEO), Murat Hamurkaroğlu (Manager)

* Committee member since January 2017.

INTEGRITY COMMITTEE

The main objective of the Integrity Committee is to contribute to preserve the Corporateethical integrity at Garanti. The primary function of the Committee is to guarantee that the Code are efficiently implemented within the frame of its responsibilities outlined below:

- Encouraging and monitoring efforts for creating a shared culture of integrity within Garanti Group;
- Making sure that the Code are implemented homogenously across Garanti; in this context, formulating and disseminating descriptive notes when needed;
- Implementing exclusion criteria with regard to compliance with certain provisions of the Code;
- Notifying matters deemed to be in contradiction to the Bank's disciplinary rules to the Disciplinary Committee, and obtaining information about the ongoing examinations procedures and actions taken for the issue;
- Reporting immediately any incidents and circumstances that may pose a material risk against Garanti to:
 1. Top Management,
 2. The individual in charge of preparing the financial statements accurately;
- Following up the proposals of action agreed during the meetings,
- Encouraging adoption of necessary measures for handling suggestions regarding compliance with the Code and implementation of the document, and behaviors creating doubts with respect to ethics;
- Promote and monitor the operation and efficiency of the Complaint Channel at local level take necessary measures regarding updates and review where appropriate, Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

COMMITTEES AND COMMITTEE MEETINGS ATTENDANCE

In 2016, the Committee held 2 meetings.

Committee Members

M. Cüneyt Sezgin, Ph.D. (Board Member), Ali Fuat Erbil (CEO, Board Member), Osman Tüzün (EVP), Aydın Düren (EVP), Gökhan Erün (EVP), Didem Dinçer Başer (EVP), H. Hüsnü Erel (EVP), B. Ebru Edin (EVP), Osman B. Turgut (Head of Internal Audit), Emre Özbek (Senior Vice President), Barış Gülcan (Senior Vice President)

VOLCKER RULE OVERSIGHT COMMITTEE

Volcker Rule Oversight Committee is an internal body established under the provisions of the Volcker Rule Compliance Program that has been approved by the Board of Directors. It is formed to evaluate the conformity status of Garanti Bank's and its subsidiaries' (Garanti) activities and of the Compliance Program to the Volcker Rule, and to supervise the effectiveness of the Volcker Rule Compliance Program. The Committee's main roles and responsibilities are;

- To provide the settlement of a sufficient Compliance culture, Evaluate the conformity of the Volcker Rule Compliance Program to the Volcker Rule;
- Assess declarations of compliance received from the subsidiaries, evaluate conformity of Garanti's operations to the Volcker Rule; make decisions on this subject, and communicate the decision to the related committee of the BBVA Group;
- Resolve the Volcker Rule related issues which are submitted to the Committee's agenda,

Monitor necessities of document updates regarding the policies, procedures, regulations and take actions to ensure that they are updated.

In 2016, the Committee held 3 meetings.

Committee Members

M. Cüneyt Sezgin, Ph.D. (Board Member), Ali Fuat Erbil (CEO, Board Member), Aydın Güler (EVP), Aydın Düren (EVP), Gökhan Erün (EVP), Eray Kaya (GT-EVP), Ali Temel (Chief Credit Risk Officer), Osman B. Turgut (Head of Internal Audit), Ebru Oğan Knottnerus (Head of Risk Management), Emre Özbek (Senior Vice President), Barış Karaayvaz (Senior Vice President), Çağlar Kılıç (Senior Vice President), Metin Kılıç (Senior Vice President), Berna Avdan (Legal Counsel), Hakan Özdemir (Senior Vice President), Barış Gülcan (Senior Vice President)

NEW BUSINESS AND PRODUCT COMMITTEE

The purpose of the Committee is to review all new business, products and services as well as evaluate the ability of the various

Garanti business units and subsidiaries (or third parties) in offering, servicing or administering the various aspects of a new business, product or service. The Committee's responsibilities are;

- To ensure that all new business and new products fit into Bank's strategy and target risk profile, and approves/rejects new business and new product proposals and submits them to the Board of Directors approval when necessary,
- To conduct an ongoing review of each new product at least 12-month period following implementation to ensure that it has been carried out properly (in this context, the Committees shall revoke approval of a previously approved Product, or an existing product or service, or block the implementation of a Product or continued use of a Product),
- To summarize and inform on its actions and deliberations, as appropriate, to members of senior management, managers within affected business lines, Board Risk Committee and to the respective bodies of each affected Garanti entity,
- To monitor the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2016, the Committee held 1 meeting.

Committee Members

M. Cüneyt Sezgin, Ph.D. (Board Member), Aydın Güler (EVP), H. Hüsnü Erel (EVP), Aydın Düren (EVP), Ali Temel (Chief Credit Risk Officer), Ebru Oğan Knottnerus (Head of Risk Management), Barış Gülcan (Senior Vice President), Emre Özbek (Senior Vice President), Beyza Yapıcı (Senior Vice President), Osman B. Turgut (Head of Internal Audit)

NOTE: Explanations relating to Executive Vice Presidents whose appointments became effective as of January 2017 have been provided in the Organizational Changes section. As of the same period, Kerem Ömer Orbay has been appointed as Senior Vice President of Retail Banking Marketing Department, Gökhan Koca as Senior Vice President of SME - Micro Enterprise Banking Marketing Department, and Ceren Acer Kezik as Senior Vice President of Mass Retail Banking Marketing Department.



RISK MANAGEMENT



RISK MANAGEMENT AND INTERNAL AUDIT ORGANIZATION

At Garanti Bank, risk management, internal audit and control activities are carried out in compliance with applicable legislation and independent of executive functions through an organization that reports to the Board of Directors.

The Board of Directors is ultimately responsible for establishing and ensuring effective functioning of risk management, internal audit and internal control systems and for establishing, implementing and maintaining risk management and internal audit strategies and policies that are compatible with Garanti Bank's capital and risk level.

The Risk Committee, which is formed of the members of the Board of Directors, is responsible for overseeing risk management policies and their implementation, and for managing various risks that the Bank may be exposed to, including capital adequacy, planning and liquidity adequacy.

In keeping with the importance given to corporate governance principles, the Audit Committee carries on with its activities in order to ensure performance of the audit and supervision functions of the Board of Directors.

The Audit Committee receives information from the units set up under internal control, internal audit and compliance systems, as well as from the independent auditor, with regard to performance of their activities. The Committee confirms that adequate methods are in place to identify, control and monitor Garanti Bank's risk exposure and regularly informs the Board of Directors of its activities and their results.

The Audit Committee also gives its opinion to the Board of Directors regarding activity results of the responsible departments, necessary actions and other issues it deems important for safe conduct of Garanti Bank's activities.

Activities of the Internal Audit Department

The Internal Audit Department audits Garanti Bank's head office units, branches and consolidated subsidiaries by evaluating the effectiveness of the internal control systems with respect to the headings below:

- Compliance of activities with applicable legislation and internal regulations;
- Accuracy and reliability of financial and operational data;
- Effectiveness of asset protection practices;
- Effectiveness and efficiency of the activities performed in order to reach the defined goals.

The Internal Audit Department contributes to the Bank by evaluating the efficiency of risk management, control and management processes, and by exhibiting a systematic and structured approach towards their improvement.

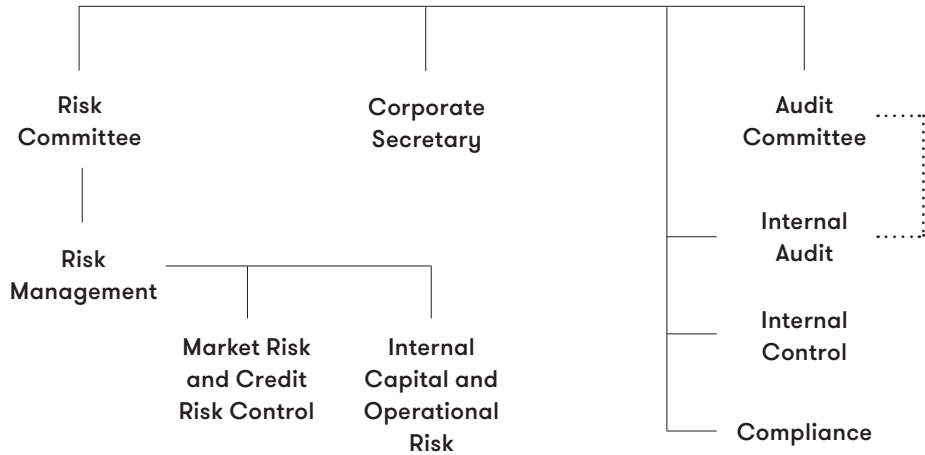
The scope of internal audit covers all of the Bank's operations and assets without any exceptions irrespective of geographical or functional differences, and also includes services and activities outsourced by the Bank.

The Internal Audit Department performs its activities under the main headings of on-site audits, centralized audits, inquiries/ investigations, and IT audits, financial statement audits, treasury audits, credit audits and risk management audits conducted by specialized teams.

By way of inquiries and investigations covered among the activities of the Internal Audit Department, fraud, swindling and counterfeiting activities are prevented or noticed, upon which necessary managerial actions are taken immediately.

During the audits that cover head office departments, consolidated subsidiaries and other associated companies, regional offices and branches of Garanti Bank, prioritization is carried out in line with the risk-orientation principle and location-based audits are replaced by process-based audits.

BOARD OF DIRECTORS



The specialized team under the Internal Audit Department conducts scenario supported analyses and reviews based on early warning signals for detecting and preventing internal misconduct.

The Bank's information systems audits are carried out by a specialized IT audit team. Information systems processes, banking processes/applications, support services, subsidiaries and overseas branches are audited according to the annual audit plan produced based on annual periodic risk assessments.

Financial statement audits measure efficiency of internal control environment surrounding the preparation of financial statements at consolidated subsidiaries, as well as at Garanti Bank.

Process-based audits are conducted, which take into consideration internal and legal regulations concerning the Bank's basic risk types. Under these audits, implementations related to Pillar 2 risks are also reviewed, as well as credit risk, market risk, and operational risk implementations, which make up the key components of capital adequacy, in view of regulatory requirements and the Bank's policies.

Annual audit plans are prepared based on a risk-oriented approach, and in accordance with the goals and strategies of Garanti Bank. Based on risk weights regarding the processes and the results of previous audits, these plans are intended to ensure efficient use of existing resources and to maximize the benefit the Bank derives from these activities.

Pursuant to the Regulation on the Internal Systems of Banks and Internal Capital Adequacy Assessment Process issued by the Banking Regulation and Supervision Agency (BRSA), the Internal Capital Adequacy Assessment Process (ICAAP), which covers risk-based capital assessments, is audited by a specialized team within the framework of applicable legislation and internal guidelines.

As per the Regulation on the Internal Systems of Banks and Internal Capital Adequacy Assessment Process issued by the BRSA, parent banking companies are expected to perform and coordinate the internal audit activities of consolidated entities in a consolidated manner. Accordingly, the Internal Audit Department audits the Bank's consolidated subsidiaries in line with the annual audit plan that considers risk priorities. These audits examine the important processes of the above-mentioned subsidiaries and financial information they provide to the parent company. Moreover, the Internal Audit Department coordinates the activities for putting into life the group standards adopted within the frame of internal audit implementations at consolidated subsidiaries.

With the aim of increasing the focus on diversified risk types based on the risk-oriented approach, the Internal Audit Department has been reorganized during the reporting period, and the number of assistant head positions has been increased from three to four. Also, additional changes were made that will support the risk-based structure.

Activities of the Internal Control Unit

The Internal Control Unit ensures that a sound internal control environment is in place at the Bank. Accordingly, this unit handles the necessary coordination in this regard, assuring that the Bank's activities are performed methodically, efficiently, effectively and in accordance with

RISK MANAGEMENT

the management strategy and policies of the Bank and applicable legislation and regulations. In this context, infrastructures are set up to ensure functional separation of tasks, sharing of authorities and responsibilities, establishment of a sound reconciliation system, integration of self-control mechanisms and systemic controls into processes, and identification and monitoring of risks the Bank is exposed to. Internal controllers reporting to the Internal Control Unit perform control activities via centralized and on-site control methods.

- The controls cover verification of the existence and validity of relevant information, papers and other documents required by the Bank's processes, and of the compliance of transactions with internal and regulatory requirements.
- On-site controls are performed at selected branches in line with the risk-orientation principle.
- The existence and adequacy of first level controls are evaluated, which are required to be carried out by business units and business lines in accordance with their defined job descriptions.
- The IT Controls team, set up within the Internal Control Unit, monitors the secure performance of IT functions in accordance with the guidelines set by the Bank. The team defines internal control steps for IT processes, and subjects the control items so defined to control activities in accordance with the methodology and tools. Findings and systemic deficiencies identified on the basis of control activities are analyzed, the outcomes are interpreted, and new systemic controls are set up.
- The Internal Control Unit is also assigned with the coordination of disaster recovery and business continuity management at the Bank. Within this scope, in addition to the efforts on keeping the existing Disaster Recovery and Business Continuity Plan updated, periodic tests are executed with relevant units for keeping critical processes, required back-up systems and alternative working sites ready in order to resume activities in a projected period and quality.
- Differences in implementations identified during these activities are reported to relevant parties and actions are followed up.

Activities of the Compliance Department

Working with the purposes of managing the potential compliance risks of the Bank and of identifying and preventing these risks before implementation, the Compliance Department aims to help improve the compliance culture constantly and establish a world-class compliance culture across the Bank. Dealing with six main fields to achieve these goals, the Compliance Department carries out the following tasks:

The Compliance Officer performs the following duties as also stipulated by the regulations governing prevention of money laundering and countering the financing of terrorism:

- Carry out all necessary efforts to achieve Garanti Bank's compliance with the regulations issued to prevent money laundering and countering the financing of terrorism and provide necessary coordination and communication with the Financial Crimes Investigation Board (in Turkish: MASAK),
- Ensure that the Compliance Program is carried out; develop policies and procedures within this scope; execute risk management, monitoring and control activities; follow up the results of internal audit and training activities,
- Lay down the efforts related to the training program about prevention of money laundering and countering the financing of terrorism for the approval of the Board of Directors, and ensure that the approved training program is carried out effectively,
- Look into and evaluate information on potentially suspicious transactions that he/she receives or becomes aware of sua sponte; report any transaction that he/she deems to be suspicious to the Financial Crimes Investigation Board,
- Manage relations with relevant governmental or private agencies.

In terms of compliance activities regarding customer products and services, assessments are made on the compliance of products and processes to applicable regulations. Activities are carried out in relation to compliance controls in accordance with the requirements of Article 18 of the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks. The control mechanisms in place are monitored and coordinated with respect to compliance of the Bank's current and planned activities, new transactions and products with the laws, internal policies and guidelines, and banking practices. The processes are monitored for any necessary revisions according to regulatory changes, related employees are notified on such changes, and opinions are formed prior to introduction of new products and transactions.

With respect to corporate compliance activities, the Compliance Department is responsible for

promoting awareness of the “Garanti Code of Conduct” document, encouraging its application, ensuring development and dissemination of the procedures to be formed in the context of the Code, helping resolve any doubts that may arise during the interpretation of the document, and managing the Whistleblowing Channel.

Securities compliance activities encompass examination of suspicious transactions within the scope of the Capital Markets Board (CMB) Communiqué on Obligation of Notification Regarding Insider Trading and Manipulation Crimes. In addition, relevant legislation and internal guidelines are also monitored.

With respect to subsidiaries’ coordination activities, the Compliance Department monitors the compliance activities at the Bank’s subsidiaries and overseas branches. In this respect, meetings are held regularly with those who are responsible for the compliance function at the related subsidiaries and overseas branches. In line with the related legislation, an employee is assigned at each of the consolidated subsidiaries and overseas branches for monitoring compliance with local regulations; these employees submit periodic reports to the Compliance Department.

As part of compliance with personal data protection, relevant legislation is monitored and necessary policies and procedures are formulated accordingly. In addition, bulletins are published and training sessions are held in an effort to increase awareness of the subject across the Bank.

In performing all of its duties and responsibilities outlined above, the Compliance Department continues to work in coordination primarily with the Internal Audit Department, Internal Control Unit, Training Department, Anti-Fraud Monitoring Department and Legal Department, as well as other relevant units and people.

RISK MANAGEMENT ACTIVITIES

Garanti Bank measures and monitors its risk exposure on consolidated and unconsolidated bases by using methods compliant with international standards, and in accordance with the applicable legislation. Advanced risk management tools are utilized in measuring operational risk, trading risk, asset and liability risk, counterparty credit risk and credit risk.

The Bank’s risk management strategy, policies and implementation procedures are reviewed within the frame of regulatory changes and the Bank’s needs.

Through the risk appetite framework set, the Bank determines the risk level that it is prepared to take based on the predicted capability

of safe handling of risks so as to achieve the goals and strategies defined by the Board of Directors. Risk-based limits are monitored regularly by way of risk appetite indicators pertaining to capital, liquidity and profitability, which have been created as per the risk appetite framework.

Risk Management coordinates the concerned parties and thus handles the preparation of the report on the process for determining the Bank’s risk appetite and assessing its internal capital adequacy, which will be submitted to the BRSA. In addition, the stress test report is submitted to the BRSA, which addresses how the potential negative effects on macroeconomic data might alter the Bank’s three-year budget plan and results within the frame of certain scenarios, as well as their impact upon key ratios including the capital adequacy ratio.

MARKET RISK



Market risk is measured in accordance with applicable regulations, Garanti Bank’s policies and procedures, employing internationally accepted methodologies that are aligned with the Bank’s structure, and they are evaluated within a continuously improving structure. Market risk is managed by measuring and limiting risk in accordance with international standards, allocating sufficient capital and minimizing risk through hedging transactions.

Market risk is defined as the risk Garanti Bank faces due to fluctuations in market prices in relation to the positions it maintains on or off its balance sheet for trading purposes, and is calculated daily using the Value-at-Risk (VaR) model. VaR is a measure of the maximum expected loss in the market value of a portfolio of a certain maturity as a result of market price fluctuations, at a certain confidence interval and a certain probability. VaR is calculated using historical simulation method and two-year historical data at 99% confidence interval. Regular backtesting is conducted to measure the reliability of the VaR model. The model is validated on an annual basis. Market Risk is managed through capital, VaR and stop/loss limits approved by the Board

RISK MANAGEMENT

of Directors. Limit levels are determined according to annual profit/loss targets. The limits set are monitored and reported daily by the Market Risk and Credit Risk Control Departments. VaR stood at TL 9.8 million by the end of 2016.

VaR does not constitute an important risk for the Bank given the amount of Garanti Bank's shareholders' equity. In order to identify the risks that might arise from major market volatilities, regular stress tests and scenario analyses are conducted using the VaR model.

STRUCTURAL INTEREST RATE RISK

To determine and manage the Bank's exposure to structural interest rate risk arising from maturity mismatches in its balance sheet, duration/gap, economic value of equity (EVE), economic capital (ECAP), net interest income (NII), earnings at risk (EaR), available-for-sale (AFS) and held-to-maturity (HTM) portfolios are monitored by measuring market price sensitivity.

The risk metrics calculated and the reports generated are used for managing balance sheet interest rate risk under the supervision of the Assets and Liabilities Committee (ALCO).

Stress tests and scenario analyses are carried out within the framework of structural interest rate risk to measure the risks resulting from Bank-specific negative developments or major risks and vulnerabilities that may potentially arise in the economic and financial environment under stress, by supervising the regulatory and internal interest rate risk management requirements.

Results of stress tests are used as input for determining risk appetite, limit and budget-related works, for generating balance sheet

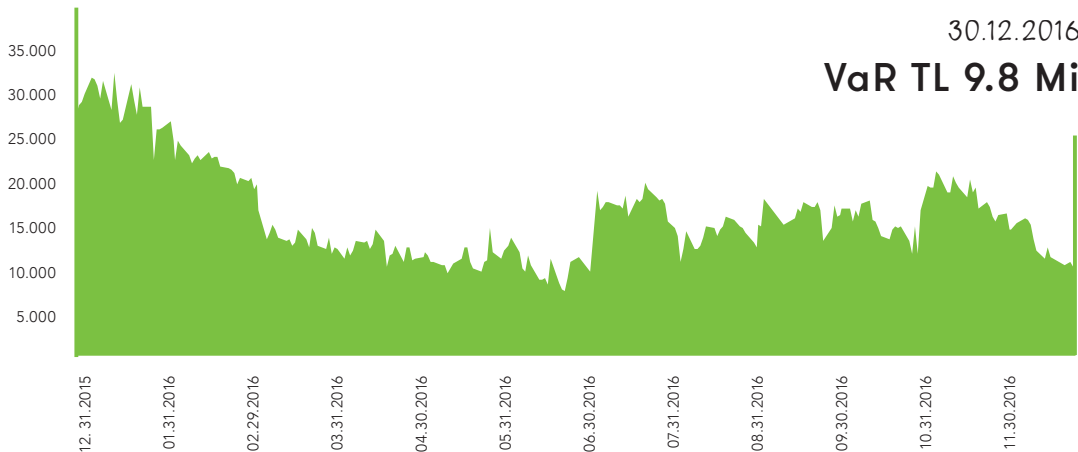
management strategies, and for evaluating the need for capital.

Within this framework, internal limits for EVE sensitivity, ECAP, NII sensitivity, earnings at risk, securities revaluation differences and securities EVE sensitivity are regularly monitored and reported. The interest rate risk in the banking book is measured on an unconsolidated basis, using the standard shock method; the regulatory limit is monitored and reported to the Banking Regulation and Supervision Agency (BRSA) on a monthly basis. It is ensured that subsidiaries set and monitor internal structural interest rate risk limits.

STRUCTURAL EXCHANGE RATE RISK

The potential impact of negative exchange rate fluctuations upon the capital adequacy ratio and FC risk-weighted assets are regularly followed up, monitored according to internal limits, and reported, in the case that the Bank performs material operations in currencies other than the local currency in its balance sheet or maintains positions for shareholders' equity hedging purposes. The analysis conducted in this framework are expanded to encompass potential sensitivities that may result from Bank-specific negative events or changes in the market by supervising the regulatory and internal structural exchange rate risk management requirements. In addition, the Bank's FC position and the

2016 VaR TREND



profit/loss movements resulting from this position are monitored and reported at regular intervals. It is ensured that subsidiaries set and monitor internal structural exchange rate risk limits.

LIQUIDITY RISK

Within the framework of liquidity and funding risk policies approved by the Board of Directors, liquidity risk is managed under the supervision of ALCO in order to take appropriate and timely measures in case of liquidity squeeze arising from market conditions or Garanti Bank's financial structure. Under the liquidity contingency plan approved by the Board of Directors, Garanti Bank monitors liquidity risk within the scope of early warning indicators, liquidity risk stress test and actions to be taken for each scenario in a corporate framework. As part of the liquidity risk stress test, liquidity buffer level is assessed by cash flow projections in order to meet liquidity requirements in stress conditions. Liquidity risk is monitored by internal limits and alert levels in order to assess the funding structure and liquidity capacity based on maturity buckets and to manage short term funding sources effectively, while compliance with regulatory liquidity ratios is ensured. Core deposit and average life analyses are performed for deposits, which is an important balance sheet item in terms of liquidity management. Concentrations in liquidity and funding risks are monitored. Within Internal Capital Adequacy Assessment Process (ICAAP), liquidity planning is performed annually. Stress test results for subsidiaries are monitored and it is ensured that financial subsidiaries establish and monitor internal liquidity and funding limits to assess the robustness of their liquidity and funding structures.

CREDIT RISK

Credit risk management is a process for consistently evaluating and monitoring credit risk, and covers all credit portfolios. Concentrations are monitored across the portfolio with respect to internal risk ratings, sectors, regions, groups and clients.

Under IAS 39 concerning provision calculation, collective provision calculation is performed for the entire Bank. Risk adjusted return-based limits are determined for retail and corporate portfolios, as part of asset allocation across the Bank. The adequacy of the Bank's internal capital is evaluated with stress tests and scenario analyses. Internal capital calculations and credit risk evaluations for financial subsidiaries are performed in alignment with those for the Bank.

In order to rate customers using objective criteria with respect to corporate and commercial loans portfolio, outputs from internal risk rating models, which were developed using statistical methods on historical data, are incorporated into the relevant lending policies and procedures. Models are used for the evaluation of specialized

lendings according to supervisory slotting criteria. The internal risk rating models calculate the probability of default for each client and keep this data up-to-date. For the corporate portfolio, ratings are actively used for credit allocation, authorization, internal capital and risk-based provision calculations, risk appetite indicator, limit creation for asset allocation, risk-based profitability calculations, budget comparisons, concentration risk calculations and stress tests.

Basically, two rating systems are used in the lifecycle of retail receivables; a union score calculated at the time of the loan application so as to include external factors, as well, and a behavior score targeting to measure the credit risk periodically taking into consideration the behavioral characteristics of the client/product following loan disbursement. In the allocation processes of general-purpose, auto, mortgage, commercial mortgage, home equity, overdraft loans and commercial credit cards and credit card portfolio, which undergo retail and SME lending processes, a union score is utilized, which is a combination of application, behavior and bureau scores. In the retail portfolio, the behavior score is used for the limit management of revolving products, internal capital calculations, risk appetite indicator, risk-based profitability calculations, budget comparisons, expected loss calculations, concentration risk calculations, stress tests and limit creation for asset allocation.

Collection performances of non-performing loans in any portfolio are analyzed, and loss given default ratios are calculated in view of the time value of the money and costs incurred for making the collections, on the basis of segments in the case of commercial loans and of products and segments in the case of retail loans. Studies are carried out to predict the level of loss ratios at times of economic downturn. These ratios are used to calculate expected loss, limit creation for asset allocation, risk-based profitability and internal capital.

Qualitative and quantitative validation is performed in particular for credit risk models and methodologies that are primarily used for capital calculation.

RISK MANAGEMENT

COUNTERPARTY CREDIT RISK

Counterparty credit risk strategy, policy and implementation principles are defined in the policy document approved by the Board of Directors. The Bank measures, monitors and creates limit for this risk in line with this policy. The Bank uses the internal model method (IMM) to measure and report the counterparty credit risk for derivative transactions, repurchase transactions, security and commodity lending in addition to using Current Exposure Method (CEM) for regulatory purposes. Within this scope, the Bank employs risk mitigation techniques through framework agreements (ISDA, CSA, GMRA, etc.), obtaining collateral and complementing margins as part of counterparty credit risk management to the extent allowed by national and international legislation.

The Bank also calculates economic capital for counterparty credit risk by way of a model that uses parameters (Rating, PD, LGD) based on the internal model.

COUNTRY RISK

Under the country risk policy approved by the Bank's Board of Directors, methods compliant with international norms and local regulations are employed to evaluate and monitor developments in country risk on the basis of individual countries. Actions are taken to make sure that the Bank's country risk exposure remains within the set limits, and related reporting, control and audit systems are established as necessary.

OPERATIONAL RISK

Operational risk is managed on the basis of the three lines of defense approach within the frame of risk management policies approved by the Board of Directors. The Board of Directors determines the risk appetite for operational risk and related limits, and senior management ensures consistent and efficient implementation and maintenance of the operational risk management framework in relation to all activities, processes and products.

In the first line of the three lines of defense approach adopted for operational risk management, all business lines and departments of the Bank take part and manage their operational risks within the frame of the Bank's policies and implementation principles.

The second line of the three lines of defense approach adopted for operational risk management supports the senior management for understanding and managing the operational risks that the Bank is exposed to, and the Board of Directors for monitoring operational risk management activities. The second line of defense consists of the Risk Management, Internal Control Unit and Compliance Department. The Risk Management that takes place in the second line of defense

designs measurement and assessment tools (loss data, scenario analyses, risk indicators and self-assessment and new product approval process) as part of operational risk measurement and management, and provides the necessary guidance and coordination for their use. The Risk Management uses the data obtained by measurement tools to generate reports. The Internal Audit Department, which performs internal audit activities, stands on the last line of the three lines of defense approach for operational risk management. The Internal Audit Department independently reviews all aspects of operational risk management framework.

REPUTATIONAL RISK

The Bank avoids all kinds of transactions and activities that would cause reputational risk in the eyes of legal authorities, customers and other market actors. The Bank pays utmost attention to be beneficial to the society, the natural environment and humanity. Trainings are held with the aim of raising awareness about reputational risk throughout the Bank and encouraging all employees to fulfill their duties and responsibilities.

In order to ensure efficient management of reputational risk across the Bank, it is aimed to preserve and improve the Bank's reputation before the customers, and to minimize the Bank's impact upon the environment. Efforts carried out to this end include monitoring the media, the press and social media platforms with respect to the Bank's reputation and managing potential impacts; ensuring continued awareness of compliance with laws and corporate standards, and development of processes that guarantee management of IT/information security and IT-related risks.

CONCENTRATION RISK

The Bank defines and monitors any concentrations among different types of risks or in any individual risk, which might result in material losses that would endanger the ability to sustain fundamental activities or the financial structure or lead to a significant change in the risk profile, within the frame of the policy

approved by the Board of Directors. Qualitative and quantitative assessments of concentrations on the basis of individual risks or among risks are addressed in reports produced according to risk-oriented policies and procedures.

MANAGERS OF INTERNAL SYSTEMS UNITS AND THEIR NAMES, TERMS OF OFFICE, RESPONSIBILITIES, EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE



Ebru Ogan Knottnerus

Ebru Ogan Knottnerus received her degree in business administration from the Middle East Technical University. She worked as an executive at various privately-held companies and banks between 1991 and 2001. Having joined the Subsidiaries Risk Management Department of Garanti in 2001, and functioned as Garanti Bank's Risk Management Senior Vice President from 2003 until 2016, Ogan has been serving as Head of Risk Management since April 2016.

The responsibilities of the Head of Risk Management are outlined below:

- Determine risk management policies, procedures and implementation principles of Garanti Bank and present these to the Board of Directors via Risk Committee,
- Ensure that risk management culture is established and risk management principles are widely embraced throughout Garanti Bank and its subsidiaries; make sure that an integrated risk management system is implemented which measures risks together, guarantees that the risks remain within the limits set in connection with the risk appetite approved by the Board of Directors, is in compliance with applicable legislation, the Bank's strategy and policies, and observes risk-return relationship,
- Ensure that activities for defining, measuring, reporting and controlling risks are carried out in a complete and timely manner; monitor and audit the results.

Beyza Yapıcı

Beyza Yapıcı got his degree in labor economics from Marmara University. After joining Garanti Bank's General Accounting Department in 2001, he worked in the Risk Management Department from 2008 until 2016. Yapıcı has been serving as Capital and Internal Operational Risk Senior Vice President since April 2016.

The responsibilities of Internal Capital and Operational Risk Senior Vice President are outlined below:

- Define operational risk and risk appetite principles approved by the Board of Directors,

- Coordinate the ICAAP business process,
- Monitor capital adequacy calculations,
- Conduct measuring, monitoring and analysis activities for capital adequacy, risk appetite and operational risk; report their results regularly to relevant units, committees and senior management,
- Carry out and report qualitative and quantitative validation activities for internal models.

Semra Kuran

Semra Kuran got her degree in civil engineering from the Middle East Technical University. Having joined Garanti Bank in 2007, Kuran worked in the Risk Management Department from 2001 through 2016. She has been serving as Market Risk and Credit Risk Control Senior Vice President since April 2016.

The responsibilities of Market Risk and Credit Risk Control Senior Vice President are outlined below:

- Define, review and update risk-based policies and procedures approved by the Board of Directors,
- Carry out risk-based measuring, monitoring and analysis activities; report their results regularly to relevant units, committees and senior management,
- Carry out monitoring and reporting of risk-based activities within the frame of ICAAP, stress tests and risk appetite, as well as of risk assessment efforts and risk-based concentrations in relation to new business and products/services.

Osman Bahri Turgut

Osman Bahri Turgut received his undergraduate degree in economics from Marmara University in 1990. He joined Garanti the same year as an Assistant Auditor, where he subsequently worked as Branch Manager, Assistant Director of the Internal Audit Department, Commercial Loans Senior Vice President, Internal Control Unit Manager and Head of Internal Audit and Control. He currently serves as the Head of Garanti Bank's Internal Audit Department. He is also a member of the Board of Directors and Audit Committee at Garanti Finansal Kiralama A.Ş. and Garanti

RISK MANAGEMENT

Filo Yönetimi Hizmetleri A.Ş.; a member of the Board of Directors and Corporate Governance Committee at Garanti Faktoring A.Ş.; a member of the Board of Directors at T. Garanti Bankası A.Ş. Emekli ve Yardım Sandığı Vakfı and Garanti Kültür A.Ş.; and a member of the Audit Committee at Garanti Leasing SA, Garanti Consumer Finance SA and Garanti Ödeme Sistemleri A.Ş.

The responsibilities of the Head of the Internal Audit Department are outlined below:

- Set out internal audit policies and procedures and implement these after obtaining the necessary approvals,
- Conduct the internal audit activities in accordance with audit policies and implementation procedures and with internal audit plans,
- Oversee and guide the supervision, auditing, policies, programs, processes and practices of internal audit activities,
- Verify that Department members possess the qualifications required by their authorities and responsibilities.

Emre Özbek

Emre Özbek received his degree in business administration from Ankara University, Faculty of Political Sciences. He joined Garanti Bank as an Assistant Auditor in 1999. He was appointed as the Assistant Director of the Internal Audit Department in 2007, as the Senior Vice President of the Internal Control Unit in 2009 and as the Head of Internal Audit Department in 2014. Mr. Özbek, who holds CIA (Certified Internal Auditor) and CBRM (Certified Business Resilience Manager) certifications and has 18 years of banking experience, has been serving as the Senior Vice President of the Compliance Department since August 01, 2015.

Mr. Özbek has the following responsibilities in the capacity of Compliance Senior Vice President:

- Ensure that the Bank's compliance activities are carried out in accordance with applicable legislation and Garanti Bank's goals and policies,
- Carry out all necessary activities to achieve compliance with the regulations issued in relation to prevention of money laundering and financing of terrorism, and provide necessary coordination and communication with MASAK (Financial Crimes Investigation Board),
- Develop the Bank's compliance policies, procedures and training programs in accordance with the legislation and ensure their effectiveness; carry out activities in relation to the identification and notification of suspicious transactions; provide the preparation of statistics on internal audits and trainings and inform MASAK, and fulfill the obligation of providing information and documentation to MASAK in conformity with the manner and methods defined by MASAK,
- Within the scope of compliance controls, ensure the compliance of the Bank's all current and future activities, transactions and

products with the Banking Law and other applicable legislation, internal policies and rules, and with banking practices,

- Develop recommendations for defining and mitigating compliance risks that may arise from regulatory changes,
- Ensure development of the Bank's Personal Data Protection policies and procedures and coordinate the necessary internal communication and development of training activities,
- Monitor compliance functions of all domestic/ overseas subsidiaries and overseas branches as part of Subsidiary Coordination activities.

Bariş Ersin Gülcan

Bariş Ersin Gülcan got his bachelor's degree in economics and his master's degree in HR management from Istanbul University. After starting his career as an Assistant Auditor at Garanti Bank in 1997, he served in the Internal Audit Department for 10 years. During his 19-year experience in the banking sector, he functioned as Compliance Officer and Assistant Head of the Internal Audit Department. He assumed the position of Senior Vice President of Internal Control Unit in March 2014. Mr. Gülcan is a CIA (Certified Internal Auditor) since 2004 and a CPA (Certified Public Accountant) since 2005.

The responsibilities of the Internal Control Unit Senior Vice President are outlined below:

- Ensure the establishment of the Bank's internal control system in accordance with applicable legislation and Garanti Bank's goals and policies,
- Collaborate with senior management to define the principles and procedures governing the distribution of internal control tasks between operational employees and internal controllers of Garanti,
- Prepare the annual business plans of the Internal Control Unit and ensure that activities are performed in accordance with these plans,
- Verify that internal controllers possess the qualifications required by their authorities and responsibilities,
- Supervise that internal controllers perform their duties in an independent, diligent and unbiased manner.

SUPPORT SERVICE PROVIDERS

Aktif İlet ve Kurye Hizmetleri A.Ş.

Credit/debit card delivery.

Atos Bilişim Danışmanlık ve Müşteri Hizmet Sanayi ve Tic. A.Ş.

Card sales, business place verification, CPP calls (calls for informing customers whose cards are closed and renewed due to security concern), limit increase, address update and similar other calls via the Call Center, promoting and marketing retail products and services.

Austuria Card Turkey Kart Operasyonları A.Ş.

Card printing and personalization services.

Bilge Adam Bilgisayar ve Eğitim Hizm. San. Tic. A.Ş.

Call center/declaration of liability/reminder calls.



Brink's Güvenlik Hizmetleri A.Ş.

Cash delivery within the scope of Law No. 5188.

Callpex Çağrı Merkezi ve Müşteri Hizmetleri A.Ş.

Card sales, recovery, debt notification and retention calls via the Call Center, data entrance and filing of the requests received by the customers and informing the customers regarding the evaluation results of requests, promoting and marketing retail products and services.

Cmc İletişim Bilgisayar Reklam ve Danışmanlık Hizmetleri San. Tic. A.Ş.

Card sales via the Call Center, delivery of customers demands to Bank, instruction verification, retention, declaration of liability and reminder calls, promoting and marketing retail products and services.

Collection Platform Yazılım ve Danışmanlık A.Ş.

Call center / declaration of liability / reminder calls.

Crif Alacak Yönetim ve Danışmanlık Hizmetleri A.Ş.

Call center / declaration of liability / reminder calls.

Der Pos Ödeme Sistemleri ve Pazarlama Tic. Ltd. Şti.

Merchant acquisition and marketing of retail products including retail loans.

Doksanaltı İnternet Danışmanlık Hizmetleri ve Tic. Ltd. Şti.

Online marketing of mortgage products.

Enuygun Com İnternet Bilgi Hizmetleri Teknoloji ve Tic. A.Ş.

Online marketing of mortgage, retail and automobile loans products.

Fonoklık İletişim Hizmetleri ve Ticaret A.Ş.

Online marketing of credit card campaigns.

FU Gayrimenkul Danışmanlık A.Ş.

Pledge formalities

Garanti Hizmet Yönetimi A.Ş.

Carrying out the operational aspects of investment activities.

Garanti Konut Finansmanı Danışmanlık Hizmetleri A.Ş.

Marketing and consulting services in relation to mortgage products.

Garanti Ödeme Sistemleri A.Ş.

Marketing, promotion, product development, consulting, marketing of retail products, reminder calls, technical support call center, declaration of liability services related to payment systems and delivery of customer demands to Bank, primarily debit and credit cards.

Global Bilgi Pazarlama Danışma ve Çağrı Servisi Hizmetleri A.Ş.

Call center / declaration of liability / reminder calls.

Güzel Sanatlar Çek Basım Ltd. Şti.

Cheque printing service.

Hangisi İnternet ve Bilgi Hizmetleri A.Ş.

Online marketing of mortgage, retail and automobile loans products.

IBM Global Services İş ve Teknoloji Hizmetleri ve Tic. Ltd. Şti.

Disaster recovery center back-up service.

Ingenico Ödeme Sistem Çözümleri A.Ş.

POS software development and upgrading services.

Iron Mountain Arşivleme Hizmetleri A.Ş.

Archive services.

Karbil Yazılım ve Bilişim Teknolojileri Ticaret Ltd. Şti.

POS (with cash register) software development and upgrading services.

RISK MANAGEMENT

Kayragrup Pazarlama Danışmanlık ve Destek Hizmetleri Tic. Ltd. Şti.

Merchant acquisition, marketing of retail products, document delivery to the Bank, promoting retail products and services and directing customers to related channels.

Kerem Çağrı Merkezi ve Müşteri Hizmetleri Ltd. Şti.

Call center/ declaration of liability/ reminder calls.

Konut Kredisi Com Tr Danışmanlık A.Ş.

Online marketing of mortgage, retail and automobile loans products.

Koza Güvenlik Hizmetleri San. Tic. Ltd. Şti.

Private Security Services within the scope of Law No. 5188

Kurye Net Motorlu Kuryecilik Ve Dağıtım Hizmetleri A.Ş.

Credit/debit card delivery.

Loomis Güvenlik Hizmetleri A.Ş.

Cash, valuable papers and gold delivery within the scope of Law No. 5188.

Matriks Bilgi Dağıtım Hizmetleri A.Ş.

Software/software maintenance/update services.

Procat Danışmanlık Yazılım Telekomünikasyon Pazarlama Ticaret A.Ş.

Help desk call service for supporting Internet Banking Customers

Securitas Güvenlik Hizmetleri A.Ş.

Private Security Services within the scope of Law No. 5188

Sestek Ses ve İletişim Bilgisayar Tek. San. ve Tic. A.Ş.

Forwarding customer requests like Call Center/ credit card marketing/ credit card limit increase to the Bank, promoting and marketing retail products and services.

Start Kredi Finansal Danışmanlık Emlak İnşaat Taşımacılık Gıda Turizm Tekstil Kuyumculuk ve Ticaret Ltd. Şti.

Online marketing of mortgage products.

Teknoser Bilgisayar Teknik Hizmetler Sanayi ve Dış Tic. A.Ş.

Informing and demand obtaining calls for merchants via the Call Center.

Tempo Çağrı Merkezi Hizmetleri Tic. A.Ş.

Call center/declaration of liability/reminder calls.

Verifone Elektronik ve Danışmanlık Ltd. Şti.

POS software development and upgrading services.

Verisoft A.Ş.

POS (with cash register) software development and upgrading services.

Verkata LLC

Online marketing of mortgage products.

Win Bilgi İletişim Hizmetleri A.Ş.

Call center/declaration of liability/reminder calls.

Yön İnsan Kaynakları Destek Hizmetleri Ltd. Şti.

Call center, executive assistantship and data entrance service.

Zingat Gayrimenkul Bilgi Sistemleri A.Ş.

Online marketing of mortgage products.

IMPORTANT DEVELOPMENTS REGARDING 2016 OPERATIONS



INFORMATION ON SHARE BUYBACKS BY THE BANK

In 2016, the Bank did not buy back its shares.

INFORMATION ON PRIVATE AUDIT AND PUBLIC AUDIT CONDUCTED DURING 2016 FISCAL YEAR

Under the applicable legislation, routine audits are conducted by supervisory authorities such as the Banking Regulation and Supervision Agency (BRSA), the Capital Markets Board of Turkey (CMB), the Ministry of Finance, the Undersecretariat of Treasury and the Central Bank of the Republic of Turkey (CBRT). Detailed information about the administrative fines imposed against the Bank in 2016 by supervisory authorities as a result of auditing is provided in the following sections.

INFORMATION ON LAWSUITS FILED AGAINST THE BANK, WHICH MAY AFFECT THE FINANCIAL STATUS AND OPERATIONS OF THE BANK, AND THEIR POSSIBLE RESULTS

No lawsuit that may affect the financial status and operations of the Bank was filed against the Bank in 2016.

INFORMATION ON ADMINISTRATIVE OR JUDICIAL SANCTIONS IMPOSED ON THE BANK AND ITS MANAGING MEMBERS DUE TO ANY PRACTICE CONTRARY TO THE LAWS AND REGULATIONS

During 2016, administrative fines charged by regulatory and supervisory authorities on our Bank amounted to TL 2,305,556.28; the Bank took advantage of the cash payment discount and paid TL 1,748,528.23.

During 2016, as a result of the tax audit which was carried out by the inspectors of the Tax Inspection Board Istanbul Large Scale Taxpayers Group, with regards to the potential RUSF out of fees received from the retail loan customers, a tax audit report has been prepared for the year 2011. According to the notification submitted to our Bank, the total RUSF claim, including principal and interest payment amounts to TL 15,859,749.78. The Bank thereupon filed suit before İstanbul Administrative Court within due time for the revocation of the said RUSF principal amount and late interest payment.

INFORMATION ON REGULATORY CHANGES THAT MAY HAVE A MATERIAL EFFECT ON THE OPERATIONS OF THE BANK

As part of the Regulatory Consistency Assessment Programme (RCAP), which is conducted by the Bank for International Settlements (BIS), Turkey's compliance level with Basel regulations has been assessed as of the last quarter of 2015 and an assessment report regarding Turkey's compliance level with Basel regulations has been published on March 2016 in which Turkey has been considered as fully compliant. BRSA published some revisions and also new regulations considering full compliance with Basel regulations. BRSA published revisions for some regulations, major ones are: Regulation on the Measurement and Evaluation of Leverage Levels of Banks and the Regulation on Measurement and Evaluation of Capital Adequacy of Banks, Regulation on Equity of Banks and Communique on Credit Risk Mitigations Techniques. In this scope, high risk weights applied to consumer loans excluding mortgage loans (150% risk weight for 1-2 years to maturity; 200% risk weight for 2 years or longer to maturity) decreased to 75% effective on March 31, 2016. The risk weight of mortgage loan fully collateralized with residential real estate collateral was reduced from 50% to 35%. On credit card transactions, high risk weights (1-6 months: 100%; 6-12 months: 200%; over 12 months: 250%) depending on time to maturity were replaced with counterparty risk weight (100% or 75%). Also, free provisions were removed from the common equity Tier-1 calculation due to the changes made within the frame of alignment with Basel requirements, and the risk weight applied to FC required reserves was raised from 0% to the relevant country's FC risk weight (as of December 31st: 50%).

IMPORTANT DEVELOPMENTS REGARDING 2016 OPERATIONS

The announcement dated January 20, 2016 also covered the notice about how banks should calculate Countercyclical Capital Buffer. Accordingly, banks are required to use buffer as 0% for their risks in Turkey. For risks in Basel Committee member countries, the ratio published in those countries is expected to be used. For risks in countries that did not publish any ratios, buffer ratio is expected to be used as 2.5% (taking into account gradual transition)

The Regulation on Determination of Systemically Important Banks published in the Official Gazette dated February 23, 2016 categorizes banks into three groups based on the defined variables. A bank is assigned to a specific group based on the previous year data. The regulation has a four-year phase-in period (from 2016 through 2019) and increases the additional common equity Tier-1 requirement by one fourth each year. Effective from March 31, 2016, additional common equity Tier-1 requirement imposed on the banks stemming from this requirement is summarized in the table below.

Groups	Buffer Ratios for Banks with Systemic Importance (%)			
	2016	2017	2018	2019
Group 3	0.5	1	1.5	2
Group 2	0.375	0.75	1.125	1.5
Group 1	0.25	0.5	0.75	1

The Regulation Amending the Regulation on Debit and Credit Cards published on September 27, 2016 increased the general limitation on the number of installments for credit cards from 9 months to 12 months. This period of time changes in certain service industries. According to the Regulation Amending the Regulation on Bank's Credit Transactions published on September 27, 2016:

- maturity limits on consumer loans excluding mortgage loan and auto loans was increased the from 36 months to 48 months;
- loan to value ratio for mortgages and Home equity loans was increased from 75% to 80%;
- With the temporary article, loan restructuring up to 72 months, which will be carried out after the publication date of the amended regulation, will not be considered as a limit overrun.

The Regulation Amending the Regulation on the Procedures and Principles for Determination of the Qualities of Loans and Other Receivables by Banks and for Provisions to be Set Aside Therefor

published on September 27, 2016 decreased the general provision ratio set aside for the loans under Group 1 to 1% (previous ratio: 4% for consumer loans excluding mortgage loans) and for those under Group 2 to 2% (previous ratio: 8% for consumer loans excluding mortgage loans). Ratios for additional general provisions set aside for restructured loans were abolished.

Based on the amendment published on December 14, 2016, the regulation mentioned above also allowed application of lower ratios for general provisions until December 31, 2017. Maximum general provision ratio was also decreased for commercial loans followed-up under Group 1 from 1% to 0.5%, and for SME loans from 0.5% to 0%. Maximum general provision ratio for Commercial and SME loans followed-up under Group 2 was reduced from 2% to 1%.

According to the Regulation on the Principles and Procedures for Loan Classification and Their Provisions published on June 22, 2016, starting from January 01, 2018, banks will calculate their general and special provisions in compliance with TFRS 9. Non-complying banks will set aside at least 1.5% general provisions for their Group 1 cash loans and 3% for their Group 2 cash loans.

According to the CBRT announcement dated July 17, 2016, banks were allowed to place foreign exchange deposit as collateral without limits for needed Turkish lira liquidity. However, implementation of limits for FX collateral deposits placed with the CBRT was restarted as of November 11, 2016; accordingly, banks' limits will be applied as four times the limits allocated before July 17, 2016. Accordingly, banks' total limit became USD 20.0 billion and EUR 7.2 billion as of November 11th.

The changes the CBRT made to the Reserve Requirements and Reserve Option Mechanism

in the second half of 2016 introduced an additional liquidity of TL 2.3 billion and USD 4.1 billion in total to the system.

Some alterations were made to the provisions related to cheques of the Turkish Commercial Code and the Cheque Law no. 5941 pursuant to the Law Amending Certain Laws for Improving the Investment Environment no. 6728 that went into force upon its publication in the Official Gazette no. 29796 dated August 09, 2016. Hence, bank cheque leaves to be delivered to customers from December 31, 2016 are required to bear a 2D barcode, the serial number assigned by the drawee bank, and T.R. ID number or MERSİS (Central Registration System) number of the customer possessing a checking account. In addition, it is also set forth that in relation to dishonored cheques, administrative fine up to 1500 days will be resolved for each such cheque for the person causing a cheque to be dishonored. The same law replaced the remark "guarantee agreements" in Article 5(2) of the Electronic Signature Law no. 5070 with the remark "guarantee agreements apart from bank letters of guarantee", thereby allowing letters of guarantee to be issued with electronic signatures.

Pursuant to the Statutory Decrees published during the term of state of emergency, Directorate General of Foundations has been authorized with respect to foundations, and the Ministry of Finance has been authorized with respect to others, for the payment, within a feasible schedule, of all kinds of movables, immovables, assets, receivables and rights, as well as debts and obligations certified with decisive books, records and documents of those institutions and establishments closed down and handed over to the Directorate General of Foundations or to the Treasury within the frame of state of emergency. Claimants in relation to such debts and obligations have been granted the right to apply to the relevant authority and demand their receivables within the statute of limitations set forth in the said Statutory Decrees.

Furthermore, equity companies and cooperatives will not be allowed to file motions for postponement of bankruptcy during the term of state of emergency, and that such motions will be denied by courts. Personal Data Protection Law published in the Official Gazette dated April 7, 2016 set out the obligations of real and legal persons processing personal data, the principles and procedures they will abide by, and the matters related to ensuring security of personal data. The law links handling of such personal data and their transfer to other individuals and organizations, as a rule, to explicit consent

of the individual. In addition, the Law stipulates the establishment of a Personal Data Protection Board to oversee handling of personal data in accordance with the laws, to adopt measures as necessary, to decide on the complaints of those claiming that their rights have been violated, and to fulfill the duties and responsibilities imposed on it by the said Law.



AUDIT COMMITTEE'S ASSESSMENT OF THE OPERATIONS OF INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS

The Internal Audit Department conducted on-site and centralized audits, treasury risk management audits, IT audits and financial statement audits at Head Office units, branches and subsidiaries. Internal audit activities were supported with information technology, which further upgraded their speed and quality, thus keeping operational losses low. Limit, dual control and authorization implementations pertaining to the transactions carried out at branches and units, and the controls integrated into processes contributed to the management of operational risks. Findings from ongoing audits were followed up and periodic activities were carried out for remedying the findings. Scenario studies for suspicion regarding possible internal fraud were revised, and centralized and on-site audits were carried on within this frame. Training programs on operational risk management for branch managers and staff continued.

Internal Control Unit continued to carry out periodic on-site and centralized control activities at all branches and in-scope Head Office units. In this regard, second level control activities were performed regarding verification of the existence and validity of relevant documents required in loan processes, as well as other operational risks specified in processes. IT Controls covered IT processes, applications, infrastructures and security systems. Periodic follow-up continued for remedying the findings determined during the controls. Within the scope of Disaster Recovery & Business Continuity Management function, the Internal Control Unit coordinated the efforts throughout the Bank, updated the Business Continuity Management Plan, and periodically repeated business impact analyses so as to identify critical processes and dependencies of the units, organize system tests and coordinate evacuation drills.

Compliance Department carried on the activities of management of the Bank's potential compliance risks and kept working towards identifying and preventing these risks before implementation. The Department kept overseeing and coordinating the compliance of the Bank's ongoing and future activities, new transactions and products with the Banking Law, applicable legislation, internal policies and guidelines, and banking practices. With the aim of reinforcing the Bank's consolidated compliance policy, the Department supervised the compliance activities of overseas branches and consolidated subsidiaries, taking steps towards promoting compliance awareness and culture. As part of corporate compliance activities, training was given to employees for raising increased awareness of Garanti Code of Conduct, which has been approved by the Board of Directors.

In addition, sub procedures were established regarding acceptance of gifts. Notifications received by the Garanti Whistleblowing Channel were evaluated, upon which results were presented to the Integrity Committee. Within the scope of securities compliance function related to investment transactions, examinations were carried out within the frame of the CMB's 'Communiqué on Obligation of Notification Regarding Insider Trading or Manipulation Crimes'. On the other hand, as part of compliance activities regarding personal data protection, revisions were made to the Bank's processes and activities were carried out in relation to policies and procedures in order to achieve compliance with the new legislation published. Within the scope of anti-money laundering (AML) and countering financing of terrorism strategy (CFT), studies were carried out in order to achieve alignment with national and international regulations. Through the existing monitoring programs and other initiatives by the compliance officer team, risk management, monitoring and control activities have been carried out efficiently. Classroom training sessions, branch visits and web-based AML and CFT training programs offered throughout the Bank served to secure higher awareness and consciousness of the matter among the employees.

As part of Risk Management activities, Internal Capital and Operational Risk Department provided the necessary internal coordination for ensuring regulatory compliance and handled data/software revisions in relation to new regulations. In accordance with the regulations published by the BRSA, ICAAP activities, which also covers stress tests, carried out in parallel to the budget process including the Parent Bank and affiliates, Operational risk measurement and management tools were developed. Metrics regarding the Bank's operational risk, profitability and capital adequacy have been monitored in the scope of risk appetite framework. New

Business and Product Committee was established; New Business and Product Committee Charter and New Business and Product Approval Procedure were prepared and put into practice. Risk, Control and Self-Assessment activities were carried out. Meetings were held and information was provided to the Bank's staff to enhance awareness of the Bank's employees regarding Operational Risk Management. Qualitative and quantitative validations were performed regarding internal models. Under Market Risk and Credit Risk Control Department; the project for calculating provisions collectively for loan portfolios pursuant to Turkish Accounting Standards (IAS 39) was completed. Limits were set for loan growth in view of risk-return balance. Internal capital requirements were calculated. Risk database creation process was supported. Studies were conducted regarding improvement areas related to risk models and for remedying the identified shortcomings. Bank and market data were followed up regularly for monitoring and managing market, structural interest rate, structural exchange rate and liquidity risks. Internal metrics were monitored along with regulatory limits, potential and worst-case risks that may arise from economic circumstances were assessed by stress tests. Limits and alert levels were monitored to determine the risk exposure, and taken actions for necessary situations were followed up.

In accordance with its duties arising from the legislation, the Audit Committee continued to review the effectiveness and adequacy of internal systems, the operation of accounting and reporting systems in line with the applicable regulations, and the integrity of the resulting information, and continued to verify whether the internal audit system encompassed the Bank's current and planned operations and the risks resulting therefrom upon review of internal audit plans. Within this scope, the Audit Committee regularly monitored and evaluated the activities of the internal systems during the course of the year. Furthermore, the Audit Committee continued to carry out the necessary preliminary assessments in the designation of the independent audit firms, appraisal firms and support services providers by the Board of Directors. The Committee also fulfilled its functions of overseeing the activities of these firms which are designated by the Board of Directors and with which contracts are concluded, as well as evaluating the relevant independent audit results. Accordingly, the Audit Committee inform the Board of Directors 23 times regarding the activities of the Audit Committee, the assessments for the independent audit firms, appraisal firms and support services providers, and other matters during 2016.

The Audit Committee closely monitored the measures adopted by the senior management and subordinate units for the matters established in internal audit reports. The Committee continued to carry out and coordinate the internal audit activities of consolidated subsidiaries in a consolidated manner, and closely watched the effectiveness of subsidiaries' internal systems.



RELATED PARTY RISKS

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

(Thousands of Turkish Lira(TL))

LOANS AND OTHER RECEIVABLES

Current Period:

Bank's Risk Group	Associates, Affiliates and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	3,837,790	2,197,037	52,056	827,462	2,047,670	467,468
Balance at end of period	3,774,509	2,081,628	1,660,775	383,890	2,126,252	723,935
Interest and Commission Income	57,087	597	484	8	110,798	404

Prior Period:

Bank's Risk Group	Associates, Affiliates and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	3,318,634	1,522,279	399,748	316,606	1,537,174	702,845
Balance at end of period	3,837,790	2,197,037	52,056	827,462	2,047,670	467,468
Interest and Commission Income	78,697	376	655	8	101,329	282

DEPOSITS

Bank's Risk Group	Associates, Affiliates and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at beginning of period	687,407	681,112	336,153	535,204	543,360	349,385
Balance at end of period	900,256	687,407	536,399	336,153	533,816	543,360
Interest Expense	79,288	60,297	774	12,995	5,517	10,193

141 DERIVATIVE TRANSACTIONS

Bank's Risk Group	Associates, Affiliates and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at Fair Value Through Profit or (Loss):						
Balance at beginning of period	421,708	848,391	16,146,894	10,292,901	-	5,770
Balance at end of period	557,282	421,708	13,251,152	16,146,894	843,120	-
Total Profit/(Loss)	[22,827]	[327,241]	[398,761]	[50,088]	[4,582]	-
Transactions for Hedging						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit/(Loss)	-	-	-	-	-	-



THE BANKS RISK GROUP

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.

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

The cash loans of the risk group amounting TL 2,964,089 thousands (31 December 2015: TL 3,132,513 thousands) compose 1.59% (31 December 2015: 1.97%) of the Bank's total cash loans and 1.04% (31 December 2015: 1.23%) of the Bank's total assets. The total loans and similar receivables amounting TL 7,561,536 thousands (31 December 2015: TL 5,937,516 thousands) compose 2.66% (31 December 2015: 2.33%) of the Bank's total assets. The non-cash loans of the risk group amounting TL 3,189,453 thousands (31 December 2015: TL 3,491,967 thousands) compose 5.82% (31 December 2015: 7.26%) of the Bank's total non-cash loans. The deposits of the risk group amounting TL 1,970,471 thousands (31 December 2015: TL 1,566,920 thousands) compose 1.22% (31 December 2015: 1.11%) of the Bank's total deposits. The funds borrowed by the Bank from its risk group amounting TL 11,952,196 thousands (31 December 2015: TL 10,142,189 thousands) compose 29.67% (31 December 2015: 30.33%) of the Bank's total funds borrowed. The pricing in transactions with the risk group companies is set on an arms length basis. The credit card (POS) payables to the related parties, amounted to TL 216,508 thousands (31 December 2015: TL 137,353 thousands). A total rent income of TL 11,585 thousands (31 December 2015: TL 8,859 thousands) was recognized for the real estates rented to the related parties. Operating expenses for TL 19,585 thousands (31 December 2015: TL 11,494 thousands) were incurred for the IT services rendered by the related parties. Banking services fees of TL 1,820 thousands (31 December 2015: TL 1,098 thousands) were recognized from the related parties.

Insurance brokerage fee of TL 122,070 thousands (31 December 2015: TL 112,082 thousands), shares brokerage fee of TL 24,121 thousands (31 December 2015: TL 67,498 thousands), leasing customer acquisition fee of TL - (31 December 2015: TL 4,872 thousands), factoring customer acquisition fee of TL - (31 December 2015: TL 2,828 thousands), fleet business customer acquisition fee of TL - (31 December 2015: TL 357 thousands), fixed-rate securities brokerage fee of TL 7,297 thousands (31 December 2015:-) and fund brokerage fee of TL 109 thousands

(31 December 2015: TL 142 thousands) were recognized as income from the services rendered for the affiliates.

Sale income of TL 18,189 thousands from sale of securities to Garanti Leasing and TL 5,720 thousands from sale of asset to Garanti Bank International are realized in the current period.

Operating expenses of TL 4,892 thousands (31 December 2015: TL 8,952 thousands) for advertisement and broadcasting services, of TL 40,427 thousands (31 December 2015: TL 36,210 thousands) for operational leasing services, and of TL 10,599 thousands (31 December 2015: TL 15,246 thousands) for travelling services rendered by the related parties were recognized as expense.

As of 31 December 2016, the net payment provided or to be provided to the key management of the Bank amounts to TL 101,032 thousands (31 December 2015: TL 120,553 thousands).

Other matters not required to be disclosed

None.

Transactions accounted for under equity method

Please refer to Note 5.1.8 investments in affiliates.

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

The Bank has agency contracts with Garanti Yatırım Menkul Kıymetler A.Ş. and Garanti Emeklilik ve Hayat A.Ş. Accordingly, all the branches of the Bank serve as agencies to sell the products of these entities to customers. Agency services for trading of securities on behalf of customers are rendered by the Bank's specialised branches (Investment Centers). Purchase of equipments for the Bank's internal use are partly arranged through financial leasing.



“YOUR DREAMS ARE UNDER GUARANTEE WITH GARANTI”

IT IS THE SHARED GOAL OF EVERYONE TO HAVE A RETIRED LIFE THAT WILL BE SPENT IN GOOD HEALTH AND WITHOUT FINANCIAL HARDSHIPS. IT IS A TREASURE TO INVEST IN NEEDS, DREAMS AND THE FUTURE, AND TO HAVE A RETIREMENT PERIOD WHERE THE QUALITY OF LIFE IS SUSTAINED.

GARANTI IS BY YOUR SIDE AS YOU PLAN YOUR RETIREMENT DURING WHICH YOU WILL LIVE AS YOU WISH AND ASSURE YOUR DREAMS, AND ALSO THROUGHOUT YOUR ENTIRE RETIREMENT WITH NUMEROUS ACTIVITIES ENRICHING YOUR SOCIAL LIFE!

AS AT YEAR-END 2016, 1.1 MILLION PEOPLE HAVE ENTRUSTED THEIR FUTURE PLANS TO GARANTI.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT



CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT



SECTION I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Türkiye Garanti Bankası A.Ş. ("Garanti Bank" or "Garanti" or "the Bank") complies with the corporate governance principles set out by the banking legislation, capital market legislation as well as the Turkish Commercial Code and other related legislations. Garanti Bank pays maximum attention to implement these principles. The Bank accordingly updates its annual reports and website, making them available to its stakeholders. The shareholders can access comprehensive information, get information about the latest developments and activities from the regularly updated Garanti Bank Investor Relations website, and can address their questions to the Investor Relations Department and to the Subsidiaries and Shareholders Service.

As a result of Garanti's commitment to the corporate governance principles, information about the Bank's compliance with non-mandatory principles under the Corporate Governance Communiqué numbered II-17.1 is provided under the related headings of this report.

The Corporate Governance Committee was established in February 2013 pursuant to the Regulation on the Banks' Corporate Governance Principles published by the Banking Regulation and Supervision Agency ("BRSA") and the Communiqué Serial: IV-56 on the Determination and Implementation of Corporate Governance Principles issued by the CMB, which was effective at the time. The Committee is responsible for overseeing compliance with the corporate governance principles and for ensuring that relevant improvement efforts are carried out in the Bank. In 2016, the Committee held 3 meetings with full participation of its members. The Board of Directors considered that the activities performed by the Corporate Governance Committee in 2016 were efficient, appropriate, adequate and compliant with the relevant legislation. The activities of the Corporate Governance Committee are presented in detail in the Committees section.

On the other hand, Garanti, during 2016, achieved compliance with all of the mandatory principles of the Corporate Governance Communiqué no. II-17.1.

Garanti Bank received its first corporate governance compliance rating score in 2014. The Bank received a corporate governance

compliance rating score of 9.14 in 2014, 9.20 in 2015 and 9.27 in 2016. Since the Bank's compliance scores are above the (7) Threshold Score, Garanti continues to be included in the Borsa İstanbul Corporate Governance Index.

Based on the review performed in 2016, JCR Eurasia Ratings (JCR Avrasya Derecelendirme A.Ş.) upgraded the Corporate Governance Principles compliance rating score of the Bank from 9.20 assigned on a scale of 10 on December 10, 2015 to 9.27 on December 09, 2016 and preserved the outlook as Positive.

The corporate governance compliance rating score comprises four main sections with different weights as per the CMB's regulations relevant to this topic. These four sections and Garanti's current scores are as follows: Shareholders (25% weight, scored 9.22/10), Public Disclosure and Transparency (25% weight, scored 9.25/10), Stakeholders (15% weight, scored 9.23/10), Board of Directors (35% weight, scored 9.34/10).

The upgraded score in 2016 stemmed from Stakeholders (raised from 9.07 to 9.22) and Board of Directors (raised from 9.25 to 9.34) headings. The upgrade in Stakeholders was a result of higher efficiency attained in facilitating information provision and exercise of shareholding rights through "Garanti IR" tablet PC application, which was launched for use by shareholders and potential investors for iOS and Android operating systems in 2015 and 2016, respectively. The upgrade in the Board of Directors section, on the other hand, was driven by the Risk Committee set up under the Board of Directors, the reorganized risk management structure, the risk management culture that flourished across the Bank, and enhanced quality in this respect. In addition to those, the outlook was upgraded from Stable to Positive for the Public Disclosure and Transparency section, for which the report provided the following

ground: "As shares of BBVA, the qualified shareholder, are traded on the New York Stock Exchange, the Bank carried out activities to comply with Sarbanes-Oxley Act in 2016. As a result, the quality and transparency level of the Bank's financial statements will increase. The Bank will begin disclosure to the New York Stock Exchange in the upcoming year in accordance with the new system. It is concluded that these measures will increase the Bank's international transparency level in the upcoming monitoring period and as such the outlook attached to the Public Disclosure and Transparency main section has been determined as 'Positive'". In addition, the report provided the following remark regarding the upgraded outlook for the Stakeholders section: "It has been concluded that the "Integrity Committee" established in 2016 consisting of senior managers will help to minimize conflicts of interest and improve ethical understanding".

SECTION II - SHAREHOLDERS

2.1. Investor Relations Division

Pursuant to Article 11 of the CMB Corporate Governance Communiqué No: II-17.1 published in the Official Gazette issue 28871 dated 03.01.2014, the Investor Relations Division that establishes communication between companies and investors needs to be set up, and it must directly report either to the company's general manager or assistant general manager or to another equivalent director with administrative responsibility. The head of the Investor Relations Division must hold "Capital Market Activities Advanced Level License" and "Corporate Governance Rating Expertise License"; he/she must be employed as a full-time manager in the company and be appointed as a member of the corporate governance committee. Accordingly, the functions of the Investor Relations Division at Garanti Bank are fulfilled by the Investor Relations Department and Tax Operations Management Department - Shareholders and Subsidiaries Service. As disclosed on the Public Disclosure Platform following the Corporate Governance Committee meeting held in October 2015, Handan Saygın, Senior Vice President of Investor Relations, who possesses "Capital Market Activities Advanced Level License" and "Corporate Governance Rating Expertise License", has been designated as the Head of the Investor Relations Division and Member of the Corporate Governance Committee.

The Investor Relations Department manages the relations with foreign institutional investors/shareholders, investment firms and rating

agencies. The Investor Relations Department is mainly responsible for:

- Managing relations between foreign/ domestic institutional investors/shareholders and the Company, consistently and proactively providing information, responding to their written and verbal queries,
- Participating in investor conferences organized in Turkey and abroad; organizing targeted road shows; making presentations about the corporate structure and financial statements,
- Managing relations between brokerage houses' banking sector analysts and the Company, consistently and proactively providing information, responding to their written and verbal queries,
- Within the scope of public disclosure obligations regarding the depositary receipts trading in international markets, uploading corporate disclosures in English to the relevant platforms,
- Managing relations with international rating agencies and corporate governance rating agencies, responding to their written and verbal information requests,
- Handling the entire publishing process of the Bank's annual and interim reports, including printing and web-based processes, coordinating the compilation of the content in compliance with the related regulations,
- Managing the contents of Garanti Bank Investor Relations website and the iPad and Android tablet PC applications, making sure that the website covers all the points specified in the Corporate Governance Principles, and keeping the data provided up-to-date.

In addition to satisfying its key responsibilities, the Investor Relations Department, in 2016, performed the following in keeping with its proactive, transparent and consistent communication strategy:

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

- Took part in 31 national and international investor conferences held in 15 cities in Asia, USA and Europe with the participation of the senior management, in addition to one-on-one meetings with 809 international investment funds,
- Held due diligence meetings with 4 rating agencies,
- Managed the corporate governance rating process conducted by JCR Eurasia Rating; the distinctive compliance score of 9.20 assigned to Garanti in 2015 was raised to 9.27 in the report issued on December 09, 2016; with these results Garanti remained within the Borsa İstanbul Corporate Governance Index,
- Collaborated and cooperated with the sustainability team, as a result of which Garanti continued to remain in the DJSI - Dow Jones Sustainability™ Emerging Markets Index in 2016 as the only company from Turkey, in which the Bank qualified to be included in 2015,
- Focused on the needs of the entire investment community and offered constant access to current information through the bilingual Investor Relations (IR) and iPad and Android tablet PC applications developed in Turkish and English, which provide easy access to any information sought by investors anywhere in the world,
- Conducted four live webcasts/teleconferences regarding the results of financial statements and posted the podcasts on the Investor Relations website and the iPad and Android applications,
- Issued quarterly interim reports, sharing detailed information and data about Garanti,
- Collaborated with Garanti Technology (GT) and used its own internal resources for a worldwide live broadcast of the meeting for announcing the 2016 budget conducted in teleconference and webcast format, which brought together the CEO and analysts from investment firms. Following the meeting, the podcast including the entire Q&A session was made available on its website and iPad and Android applications in a transparent manner, giving access to all stakeholders,
- Issued the "StockWatch Quarterly" newsletter 4 times a year, which provides brief information on the Turkish economy, the banking industry, the equity market and the position of Garanti in the sector, as well as on the Bank's operations, and published 2 "Corporate Profile" booklets, by mid-year and at year-end,
- In another unprecedented initiative, sent e-bulletins in 2016, which covered the answers to frequently asked questions and the latest developments regarding Personal Banking, Commercial Banking, SME Banking, Human Resources and Housing Finance, along with senior management reports, and made these information available to all stakeholders on the Investor Relations website,
- Coordinated the work in relation to the questionnaire developed by the Ethical Values Association of Turkey (EDMER); as the result of these efforts, Garanti was honored with the "Most Ethical Company Award" in Ethic Awards of Turkey 2015 (ETİKA) for complying with more than two thirds of the criteria specified for various categories such as reputation management, corporate governance, corporate social responsibility, leadership, innovation, pioneering and compliance,
- Took part in the Capital Markets Congress held in İstanbul and managed a panel on "Preference of International Funds: Turkey" moderated by Handan Saygin, Investor Relations Department SVP, and participated by portfolio managers from Aberdeen, one of the shareholders in Garanti, Templeton, Moon Capital and Pacific Asset Management. At the congress, Garanti was also recognized as the "Largest International Bond Issuer in the Financial Services Sector",
- Being the first institution from Turkey to carry out share issuance in overseas capital markets, Garanti Bank has also been the first company from Turkey to address investors worldwide within which the investor community in the US gained weight, with a video interview of Garanti CEO Fuat Erbil released in November 2016 during his visit to the New York headquarters of the OTC Markets Group. This exclusive interview that related to the story of Garanti's value creation and strategy has been announced on all social media accounts of OTC Markets where Garanti's depositary certificates are traded, and contributed significantly to increased awareness of these certificates,
- After joining The International Integrated Reporting Council (IIRC) Pilot Program in 2014, Garanti became an IIRC Business Network Member in 2015, and kept monitoring the international reporting trends closely. Garanti continues to configure its focus on long term financial and non-financial value creation under its commitment to sustainability that makes an integral part of its business model.

Ever since the 2015 incorporation phase of ERTA (Integrated Reporting Turkish Network), Garanti has been among ERTA Founding Members and Executive Board Members. Investor Relations and Sustainability teams took part in ERTA Executive Board meetings and represented Garanti throughout 2016. Garanti has contributed to promotion and implementation of integrated reporting in Turkey, working in collaboration with other Steering Committee members, headed by Prof. Güler Aras and included leading establishments such as Borsa İstanbul, TÜSİAD (Turkish Industry and Business Association), Business Council for Sustainable Development Turkey, Corporate Governance Association of Turkey, Global Compact Turkey, Çimsa and Argüden Governance Academy.

In addition, Garanti Bank operates a Subsidiaries and Shareholders Service under the Tax Operations Management Department to facilitate the follow-up of shareholder rights. The primary responsibilities of this unit are as follows:

- Prepare all necessary documents in relation to the General Shareholders' Meeting to be made available to shareholders for their information and review, and ensure that the General Shareholders' Meetings take place in accordance with the applicable legislation, articles of association, and other internal regulations of the Bank,
- Facilitate profit distribution procedures as per Article 45 of the Articles of Association in case the General Assembly decides to distribute dividends to shareholders,
- Make sure that amendments to the Bank's Articles of Association are made in accordance with the applicable legislation,

- Handle the capital increase formalities of the Bank, and facilitate the exercise of bonus and rights offerings that result from the capital increase,
- Fulfill public disclosure obligations,
- Manage correspondences between shareholders and the Bank in relation to shares and ensure that legal records of shares, which must be kept pursuant to applicable legislation, are kept properly, secure and up-to-date.

2.2. Exercise of Shareholders' Right to Obtain Information

The Subsidiaries and Shareholders Service responds to inquiries received from shareholders via phone or e-mail regarding the general shareholders' meetings, capital increases, dividend distribution and share certificate procedures. In addition, during the current fiscal year, information requests by shareholders and third parties related to matters such as annual reports, the current status of shares they hold and the like are answered verbally and in writing.

The Investor Relations Department responds to questions received via phone and/or e-mail from existing and/or potential investors, bank analysts and rating agencies; in addition, the Department organizes one-on-one and/or group meetings



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CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

TAX OPERATIONS MANAGEMENT DEPARTMENT - SUBSIDIARIES AND SHAREHOLDERS SERVICE

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and answers all questions about Garanti. Garanti has two investor relations websites, one in Turkish and the other in English.

The Investor Relations website in Turkish can be reached at: www.garantiyatirimciiliskileri.com

The Investor Relations website in English can be reached at: www.garantiinvestorrelations.com

Garanti Investor Relations websites contain stock data, corporate information, periodically published financial statements and annual reports, information about corporate governance, sustainability and projects that add value to the society. These websites also give access to Material Event Disclosures pertaining to developments regarding Garanti Bank, which are disclosed to the public via the Public Disclosure Platform. The websites also respond to all sorts of user needs with the Investor Kit that contains basic, practical information and the Download Center function that covers all documents.

Allowing the users to follow up events and add them to their personal calendars with the IR Calendar function, the websites also feature Investor Calculator and the Interactive Share Chart function enabling comparative analyses between Garanti share and indices, local and international banks in different currencies.

The iPad and Android tablet PC applications of Garanti Investor Relations, offering access to latest information to users anywhere any time, includes a rich library which consists of annual reports, sustainability reports, financial reports, corporate presentations and periodic publications that can also be read offline. The application also sends notifications when new content is added.

The appointment of a special auditor has not been set forth as an individual right in the Articles of Association of the Bank and so far, no request regarding the appointment of a special auditor has been submitted to Garanti. On the other hand, as also stated on the Bank's website, pursuant to Article 438 of the Turkish

Commercial Code no. 6102, shareholders have the right to request a special audit from the General Assembly of Shareholders, whether included in the agenda or not, in order to clarify certain aspects within the frame of exercising shareholders' rights, provided that shareholders making such request have previously exercised the right to obtain or review information as stipulated in the Turkish Commercial Code. If such a request is received, then the Bank takes maximum care for facilitating the exercise of such special audit right.

2.3. General Shareholders' Meetings

During the fiscal year (01.01.2016-31.12.2016), Garanti held one Ordinary and one Extraordinary General Shareholders' Meeting. Meeting quorum in the Ordinary General Shareholders' Meeting held on March 31, 2016 was 77.29%. The Bank held an Extraordinary General Shareholders' Meeting on November 03, 2016 where the meeting quorum was 81.23%.

General Shareholders' Meetings are held in accordance with the resolutions adopted by the Board of Directors. Before these meetings, the meeting date, venue and agenda are announced to shareholders through the material event disclosure duly made via the Public Disclosure Platform in accordance with the general principles, as well as the announcements placed in the Turkish Trade Registry Gazette, e-General Meeting Electronic General Meeting System (www.mkk.com.tr) and national newspapers. Balance sheets, income statements and annual reports are prepared prior to the General Shareholders' Meetings and made available for review by

shareholders within the timeframe determined in the applicable legislation on the Investor Relations website, at all branches and at Head Office of Garanti Bank. In General Shareholders' Meetings, agenda items are discussed and submitted for the shareholders' approval. Shareholders are entitled to ask questions, express their opinions and submit proposals regarding the agenda items. Questions are handled and answered in accordance with the regulations of the Capital Markets Board as well as the principles and procedures specified in the Turkish Commercial Code.

Proposals are submitted for approval at the General Shareholders' Meeting and become effective if approved by the specified majority. The meeting minutes and the list of attendants of the General Shareholders' Meetings are published in the Turkish Trade Registry Gazette and resolutions adopted are publicly disclosed via the Public Disclosure Platform (KAP).

Resolutions adopted in the General Shareholders' Meetings are carried out in accordance with the legal procedures within due time. Pursuant to the provisions of the Regulation on Electronic General Meetings at Joint Stock Companies and the Communiqué on Electronic General Meeting System Applicable at General Assemblies of Joint Stock Companies, attendance to the General Shareholders' Meetings by electronic means is permissible.

Furthermore, the minutes and the list of attendants of the General Shareholders' Meetings are available to shareholders on Garanti Bank Investor Relations websites and at the Subsidiaries and Shareholders Service.

Pursuant to applicable legislation, the minutes of the General Shareholders' Meetings are made available to shareholders on Garanti Bank Investor Relations website, in the Trade Registry Gazette, on the Public Disclosure Platform (www.kap.gov.tr), e-Company Information Portal (www.mkk.com.tr), e-General Meeting Electronic General Meeting System (www.mkk.com.tr). No media members participated in the General Shareholders' Meetings held in 2016. The Bank invites all stakeholders to General Shareholders' Meetings, who will be voiceless during such meetings.

At the 2015 Ordinary General Shareholders' Meeting held in 2016, one shareholder lodged a statement of opposition, demanding that the article concerning Profit Distribution in the Bank's Articles of Association should be modified, that high cash dividends or bonus shares should be given out, and so on. In response, it has been explained that profit is being distributed in the ratio stipulated by the legal authorities and that the retained portion is being set aside as Extraordinary Reserves as per the applicable legislation.

On another front, the total amount of contributions and donations made by the Bank in the reporting period is TL 18,265,088. Based on its approach to add value to the society, the Bank makes donations and contributions mostly to persons, non-governmental organizations, societies or foundations, public entities and organizations that work in the fields of education, culture, art, environment and sports. Donations can also be made to promote the Bank's corporate identity and to expand the coverage of banking activities.

Amounts and beneficiaries of the donations made in 2016 are as follows:

BENEFICIARIES	AMOUNT TL
MINISTRY OF NATIONAL EDUCATION	5,000,000
MINISTRY OF FAMILY AND SOCIAL POLICIES	5,000,000
OTHER FOUNDATIONS, SOCIETIES AND INSTITUTIONS	1,997,013
ÖĞRETMEN AKADEMİSİ VAKFI (TEACHERS ACADEMY FOUNDATION)	1,700,000
UNIVERSITIES AND EDUCATIONAL INSTITUTIONS	1,492,141
İSTANBUL KÜLTÜR VE SANAT VAKFI (İSTANBUL FOUNDATION FOR CULTURE AND ARTS)	1,300,000
DOĞAL HAYATI KORUMA VAKFI (WORLD WILDLIFE FUND - TURKEY)	750,000
TÜRKİYE EĞİTİM GÖNÜLLÜLERİ VAKFI (EDUCATIONAL VOLUNTEERS FOUNDATION OF TURKEY)	492,638
İSTANBUL MODERN SANAT VAKFI (İSTANBUL FOUNDATION FOR MODERN ARTS)	450,000
VARIOUS PUBLIC INSTITUTIONS	83,296
TOTAL	18,265,088

Information regarding the amounts and beneficiaries of donations and contributions made by the Bank during the reporting period is provided to the shareholders under a dedicated agenda item during the General Shareholders' Meeting.

There were no transactions in the reporting period for which the decision was left to the General Assembly of Shareholders by reason of dissenting votes cast by the independent board members.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

At the Extraordinary General Shareholders' Meeting held on November 03, 2016, it has been resolved to designate Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (KPMG) as auditor and group auditor. During the meeting, some of our shareholders took the floor and described their wishes about the qualities of an independent auditor as well as its designation processes. They also expressed their wishes that the Capital Markets Board of Turkey stands on the side of small investors.

2.4. Voting Rights and Minority Rights

Shareholders' voting rights and exercise of these rights are determined in Article 38 of Garanti Bank's Articles of Association. There are no privileged voting rights at the General Shareholders' Meetings of Garanti Bank. The Bank is not in a cross-shareholding relationship with any company, therefore no such votes were cast at the latest General Shareholders' Meeting.

Minority shares are not represented in the management. The Bank's Articles of Association do not set the minority rights to be less than one twentieth of the capital. On the other hand, as explained on the Bank's Investor Relations website, shareholders constituting at least one twentieth of the capital are entitled to request the Board of Directors to summon the general assembly for a meeting, by specifying the grounds therefor along with the agenda, which should both be put in writing, or if the general assembly is already scheduled to meet, then to request the addition of matters they wish to be decided to the agenda, under Article 411 of the Turkish Commercial Code no. 6102. As and when such a request is received, the Bank takes the utmost care for facilitating the exercise of minority rights.

2.5. Dividend Right

There are no privileges in dividend distribution. Details of dividend distribution are specified in Articles 45, 46, and 47 of the Articles of Association. In the past, the Bank has added its profit to its capital base and carried out dividend distribution in the form of bonus shares. In accordance with Article 46 of the Articles of Association, Garanti Bank submits dividend proposals for approval at the General Shareholders' Meetings based on the decision of the Board of Directors. The proposals become effective if approved at the General Shareholders' Meeting and the resolutions are published via the Public Disclosure Platform on the same date. Following the resolution adopted regarding dividend distribution, the distribution procedures were completed and notifications were made to the public authorities within legal time periods.

The dividend distribution policy of the Bank was presented to the information of the shareholders at the Ordinary General Shareholders' Meeting held in 2013, and was publicly disclosed on the Bank's website.

The Bank's Dividend Distribution Policy is as follows:

"The details of our Bank's dividend distribution policy are specified in Articles 45, 46, and 47 of the Articles of Association. In this context, by taking into account our Bank's growth in accordance with its goals within the sector and its financial needs, the General Assembly is authorized to decide to distribute dividends in cash or to capitalize the profit and distribute the bonus shares to be issued by the Bank, or implement a combination of both methods, and execute the dividend distribution within the time period specified in the relevant legislation.

The Bank's dividend distribution policy stipulates distribution of up to 25% of the distributable profit in cash or as bonus shares upon the approval of the BRSA, provided that there is no unfavorable situation in the local and/or global economic conditions and provided further that the standard rates, which are specified by the protective measures in the Banking Law no. 5411, are at the targeted level. Amounts retained from the profit for the period, which remain after legal reserves and funds that are obligatory to be saved by the Bank are set aside, are transferred to the Extraordinary Reserve Account.

In accordance with Article 46 of the Articles of Association, the dividend distribution proposals shall be submitted for approval of the General Assembly following a decision by the Board of Directors in this regard, by taking into account the Bank's operational performance, financial needs, growth target and the legal regulations governing the Bank.

The dividend distribution resolution becomes effective if and when adopted in the General

Shareholders' Meeting, and resolutions are publicly disclosed via the Public Disclosure Platform on the same day."

At the General Shareholders' Meeting, it was resolved to distribute the profit for the year 2015, and dividends were paid out on April 25 and 27, 2016. The following information has been provided to our Shareholders regarding the retained portion out of 2015 profit:

"After legal reserves and the funds that are obligatory to be saved by the Bank are set aside, the profit for the period retained after the profit is distributed upon the BRSA approval is allocated to Extraordinary Reserve Account in order to secure the Bank's continuous development and preserve its solid capitalization, to maintain the Bank's capability to make dividend distributions uninterruptedly, to ensure higher and consistent dividend distribution in the long term, and to be used for the Bank's operations and general operating expenses."

2.6. Transfer of Shares

The Articles of Association of Garanti Bank do not contain any provisions that restrict the transfer of shares. Shares are transferred in accordance with the Bank's Articles of Association and applicable legislation including the Banking Law.

SECTION III – PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Company Website and Its Content

Garanti has two websites, one in Turkish and the other in English.

The Turkish website is accessible at:
www.garanti.com.tr

The English website is accessible at:
www.garantibank.com



Both garanti.com.tr and m.garanti.com.tr websites offer bilingual service in English and Turkish, and enable online banking transactions through Garanti Internet banking branch. The website contains detailed information on products and services offered in banking, credit cards, investment, insurance, leasing, factoring, pension. Both websites provide duly categorized and easy-to-understand contents in order to respond to customer needs easily and quickly. Contents of websites are designed to cater to the needs and demands of SME and commercial target audiences and are constantly updated according to end-users' needs.

The mobile site is designed so as to provide product and service information to personal customers and let them forward their applications in the fastest manner through their mobile devices. Both websites offer quick application option both for the Bank's customers and non-customers by means of easy to-use forms.

Calculators enable detailed calculations in relation to products such as loans and e-Savings Accounts.

The visitors of the website can easily compare the products under different categories and find the answer to any question in the "Help & Advice" section. The Quick Payments tab allows rapid execution of payments such as bill payments, Motor Vehicle Tax, traffic ticket payments, GSM TL top-ups and apply for the Advantageous Casco. Garanti Internet Banking facilitates fast and practical execution of more than 500 banking transactions by the Bank's personal and corporate customers. Our customers are able to access the products they need, instantly check their financial status, and view their income/expenses and cash flows.

All other information about Garanti Bank and stock in line with the needs of stakeholders, which need to be covered in websites pursuant to Corporate Governance Principles, is provided in detail both in Turkish and in English on Garanti Bank Investor Relations websites.

The investor relations website in Turkish is accessible at:
www.garantiyatirimciliskileri.com

The investor relations website in English is accessible at:
www.garantiinvestorrelations.com

The contents of the Investor Relations websites prepared in Turkish and English go beyond the matters that companies are required to present on their websites pursuant to the Turkish Commercial Code and associated regulations, the CMB's regulations concerning Corporate Governance Principles and other capital markets legislation and other regulations in effect; these websites feature up-to-date corporate information, credit ratings, key financial indicators for the Turkish banking industry and for Garanti, the position of Garanti in the sector, Management Interviews, detailed information about Garanti shares (listing information, quotation, lists of analysts, stock analysis tools (price, volume, index and comparative

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

analysis), periodic financial statements drawn up in accordance with international accounting standards and the BRSA regulations, reports and presentations prepared for investors, annual reports, sustainability reports, Operating Plan Guidance covering forward-looking financial projections, quarterly interim reports for investors, "StockWatch" bulletin, semi-annually published Corporate Profile bulletin; detailed information on corporate governance including Garanti Bank's management, organizational structure, committees, Code of Conduct, Declaration of Human Rights, Disclosure, Dividend Distribution, Human Resources, Donations and Contributions, Compensation, Employee Compensation, Sustainability, Environment, and Environmental and Social Loan Policies, and Climate Change Position Statement and Action Plan; material event disclosures, capital increases, dividend ratios, Bylaws on Principles and Procedures of General Assembly, and detailed information regarding Ordinary General Shareholders' Meetings.

The shareholding structure currently posted on the Bank's Investor Relations website shows that Banco Bilbao Vizcaya Argentaria S.A. (BBVA) and Doğuş Group hold 39.9% and 10.0% of the Bank's shares, respectively. Its shares publicly traded in Turkey and its depositary receipts traded in the UK and the USA, Garanti had an actual free float of 50.02% in Borsa İstanbul as of December 31, 2015, and there is no ultimate non-corporate controlling shareholder holding more than 5% share in the shareholding structure.

The corporate website is organized to give all stakeholders quick and easy access to information. The information published on the website is updated regularly. Also, historical information is stored in a systematic order to allow users to make comparisons. Importance is given to efforts to improve the website and daily updates guarantee access to accurate and reliable information via the corporate website. The security of the website is assured by Garanti Bank.

The Investor Relations Department and Subsidiaries and Shareholders Service respond to questions, comments and information requests of all stakeholders within the shortest time possible. Postal addresses, telephone and facsimile numbers and e-mail addresses of these units are available to all stakeholders in the Bank's Investor Relations websites in Turkish and English. The Investor Relations Department announces the international conferences and meetings it will participate in via the "Investor Relations Calendar" on its websites and iPad and Android applications. In addition, answers regarding Garanti Bank, its stock, borrowing instruments, financial statements, corporate governance and sustainability are provided in the Frequently Asked Questions section on the website.

3.2. Annual Reports

Annual reports of the Bank contain the information required by the CMB's regulations concerning Corporate Governance Principles and other capital market legislation and regulations in effect. Garanti considers transparency not just as an obligation but puts it at the heart of its communication with all of its stakeholders; hence, the Bank does not restrict its annual reports to alignment with regulatory requirements. Playing a central role in Garanti's communication with its stakeholders, annual reports stand out as the Bank's most comprehensive publication that conveys Garanti's process of sustainable value creation for all of its stakeholders, and are recognized with multiple awards on the international platforms every year for the clarity and power of its messages.

SECTION IV – STAKEHOLDERS

4.1. Informing Stakeholders

Stakeholders are kept informed regularly through meetings, material event disclosures sent to the Public Disclosure Platform, press releases, newspaper announcements, annual reports, news and disclosures on the corporate website, Investor Relations websites, and Android and iPad tablet PC applications, as well as internal announcements. In keeping with the principle of strict adherence to Garanti's essential values of trust, integrity, accountability and transparency, easy access to current information is ensured through the Investor Relations website and the Android and iPad tablet PC applications, which contain detailed information on matters that the stakeholders need to be informed about. Moreover, the Investor Relations Department holds comprehensive meetings with investors to share the latest developments, the competitive environment and market expectations, analyses and strategy, in an effort to establish plain, transparent, consistent and timely communication.



In order to ensure accurate and reliable information flow, the Investor Relations Department prepares presentations on quarterly financial statements; the Department shares these presentations with the stakeholders through its website and Android and iPad tablet PC applications, and responds to questions during live webcasts/teleconferences, the podcasts of which are subsequently posted on these public channels. The Department regularly attends investor meetings organized by investment firms, where it communicates recent information about Garanti and the sector. The Department also responds to questions and inquiries by phone or e-mail on a daily basis. All units of the Bank efficiently respond to customers' any information requests and demands about Garanti's services and products.

Created for the purpose of informing the employees, the corporate portal covers all relevant procedures, announcements and notices; this information can be accessed instantly and efficiently using different means. In addition, at Visionary Meetings held at the beginning of every year, Garanti CEO shares the past year's assessment and the next year's targets with the employees.

An e-mail account and a phone line have been allocated for stakeholders so that they can convey any act or situation that contradicts with the legislation or that is unethical. Compliance Department is responsible for managing the above mentioned "Whistleblowing Channel", which is described in detail in the Garanti Code of Conduct document. The Code of Conduct document is accessible by the entire personnel on the corporate portal, and is also made available to all other stakeholders on the Bank's Investor Relations website. Reporting to the Board of Directors, the Compliance Department carefully evaluates all notifications received in the shortest time possible, and ensures that all notifications are examined, referred to related parties and resolved. Such notifications are analyzed on the principles of objectivity, impartiality and confidentiality.

4.2. Stakeholder Participation in Management

Garanti Bank, taking all stakeholders into consideration, aims to improve product and service quality and to achieve internal and external customer satisfaction. To this end, the Bank designs all of its systems to allow continuous improvement. The stakeholders can participate in management through specially designed systems and meetings.

In addition to responding to customer inquiries, the "Customer Careline" set up under the Customer Satisfaction Department receives customers' suggestions and handles their complaints. Garanti provides its customers with the means to communicate their demands, complaints, and ideas and suggestions about management any time through the Garanti website or the Call

Center at 444 0 338. The experienced Customer Satisfaction and Social Platforms Management teams offer service 24/7 also through social media from the Garanti Facebook page and Twitter GarantiyeSor (Ask Garanti) account to give support and respond to questions in the fastest manner. In case of violation of the customers' rights protected by regulations and contracts, the Bank provides efficient and fast remedy and facilitates the use of loss indemnification mechanisms by customers who have incurred any loss.

At Garanti Bank, employee suggestions regarding products, services and processes are taken into account and used for improving the efficiency of internal operations. Employee comments are used as input for constant improvement, which are communicated by means of the "Önersen" (You Suggest) platform whereby employees share their ideas and suggestions. In use since 2007, the suggestion platform "Önersen" collected 1,243 suggestions in 2016. In addition, "Atölye" (Workshop) platform created with a customer satisfaction focus received 866 ideas. Hence, the total number of suggestions during 2016 added up to 2,109 during 2016, and came to approximately 21,000 since 2007 to date. Besides the "Önersen" platform, the employees are able to share their suggestions and comments on any topic through the "Ask/Share" section under the new intranet portal launched in 2016. Employee suggestions are taken into consideration by the relevant units and business processes are revised as necessary.

4.3. Human Resources Policy

The pillar of Garanti's approach to human resources is investing in human capital. Recognizing that human capital is the driving force behind all progress, the Bank builds systems to recruit, train and develop young and innovative individuals on a continuous basis, to provide a working environment that encourages full utilization of employees' skills, offers a wide range of opportunities and ensures recognition and awarding of their accomplishments.

The human resources policy of Garanti can be summarized as giving priority and importance

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

to the human, ensuring continuous investment, deploying sufficient resources for training, giving priority to promoting from within, implementing programs for this purpose, developing human resources systems, maximizing participation by leading an environment of open communication, displaying a fair and objective attitude, and developing practices at international standards. In this frame, the mission of the Human Resources Department is to play a strategic role by implementing efficient HR policies to assist the organization in achieving its business objectives. Accordingly, the Department operates in accordance with Garanti's ethical values and with the "equality principle" (the Bank and our employees observe fair treatment in business relations regardless of language, race, gender, political ideology, philosophical belief, religion, sect and the like. The Bank and our employees respect human rights). The Department is aware of Garanti Bank's business goals, and closely cooperates with business lines and those in the field. In addition, the Department employs various objective, competency-based measurement and evaluation tools and methods specific to each position in order to match the right person with the right job. The Department develops human resources applications in accordance with the Bank's strategies, makes efforts to improve employee motivation, creates open communication forums that allow employees to express themselves freely, provides "career consulting" for employees in line with their competencies, knowledge, skills, needs and expectations, and ensures that employees receive proper training for personal development.

Standard criteria (experience, seniority, performance, competency evaluation, tests, interview, etc.) are established for all internal promotions and transfers between positions. They are transparently announced throughout the Bank via career maps, while employees are guided and supported in line with their chosen career path.

The compensation system of the Bank is built on job-based remuneration; employees who are employed in similar jobs receive similar compensation. Jobs are evaluated according to objective criteria such as required competency, the risk involved and the number of employees supervised. The Bank's remuneration policy established within this framework has been approved by the Board of Directors and has been presented for the information of shareholders at the Ordinary General Shareholders' Meeting held in 2013 pursuant to the CMB Communiqué Serial: IV-56 on the Determination and Implementation of Corporate Governance Principles, which was in force in 2013. Presently, the policy is available to the public on the Bank's website pursuant to corporate governance principles.

The performance evaluation system at Garanti measures employee performance depending on objectives and the extent of their attainment. Systematic bonus and performance models are major and effective management tools for achieving cost management and efficiency, while ensuring fairness among the employees. In this context, besides the figures targeted by the Bank, criteria such as customer satisfaction, service quality and efficient management of human resources are among the basic factors affecting the performance-based remuneration. Garanti monitors the competitiveness of its salaries through semi-annual survey of salary levels in the sector. Job descriptions, performance criteria and bonus system criteria of all positions in the Bank are announced transparently to all employees via the Intranet.

The portion of 13.75% of the total personnel expenses figure for the benefits provided in 2015 to the Bank's employees including the Board members and senior management in the financial statements results from the performance-based bonuses of all employees and variable salary payments.

The first and only Turkish company to bring "Gold Accreditation" by the IIP (Investors in People) to Turkey twice, Garanti once again proved that its primary focus in any activity is on its human resource, i.e. its most valuable asset, and firmly established that it leads the sector with its innovative practices in this area. These awards endorse Garanti's commitment to preserving the standards of its HR implementations while sustaining growth. Maintaining its stable growth in every field, Garanti will keep investing in its human resource and carry on with its world-class implementations based on its "people-oriented" management concept.

In relation to its Occupational Health and Safety (OHS) efforts, Garanti repositioned its OHS team set up under the Human Resources Department in 2013 as the OHS Section in 2015. The related activities are carried out across the

country with a team of 41 people covering Occupational Safety Experts, On-Site Physicians and On-Site Nurses. Authoring a first among financial service institutions of a similar size in Turkey, Garanti launched the OHS software in all of its locations. The Bank uses the platform to keep track of various activities including risk assessment, health monitoring, training programs, OHS Committees, near misses, work place accidents, review of occupational illness processes, and coordination and control of countermeasures. Going well beyond the requirements brought by the national legislation in its Occupational Health and Safety practices and activities, Garanti initiated work in relation to OHSAS 45001 Occupational Health and Safety Management System that will replace OHSAS 18001, and these efforts are intended to enhance employee and stakeholder satisfaction and well-being.

Any developments or decisions concerning the employees are conveyed either to the concerned employee via private communication tools or to all employees via the Intranet.

4.4. Ethical Rules and Social Responsibility

Sense of corporate responsibility is an integral part of the corporate culture of Garanti. Garanti molds its societal initiatives, as well as its banking activities, around social, economic and environmental factors, which are components of sustainability. Besides sharing its knowledge in various fields with the society and future generations, Garanti continues to add value to cultural and social life through its innovative institutions and with its support to Turkey's deep-seated establishments. Garanti aims to regularly measure the benefits it contributes to the society and its impact upon it through social impact analysis to be conducted by an independent research company, the findings from which will then be used for improvement efforts. Garanti focuses on contributing to the society in cultural and educational arenas. While determining its future strategy, Garanti keeps a close eye on the needs of our country and society, and aims at introducing or supporting value adding and sustainable projects. When devising its future strategies, Garanti aims to progress within the frame of the needs of the society and its stakeholders, which the Bank identifies with the help of a Materiality Analysis conducted by an independent research company.

Detailed information about these activities is available in the Sustainability Section starting on page 93 of the Annual Report.

In line with the Bank's commitment to corporate governance principles and ethical values, Garanti Code of Conduct, which was prepared in view of the requirements of today's working life, was approved by the Board of Directors and entered into force in 2015. Garanti Code of Conduct document is also made public on the Investor Relations website.

Garanti Code of Conduct document defines employees' responsibilities to customers, colleagues, business and the society. Conduct towards customers concentrates on the principles of transparency, non-discrimination and accountability. Conduct towards colleagues addresses team values, respectful working environment, objectivity and occupational health. Conduct towards business basically deals with preventing conflicts of interest, confidentiality, data protection, media relations, retention of records and investment transactions. Conduct in society is addressed under the headings of anti-money laundering and anti-corruption, commitment in relation to human rights and the environment, investment in society and political neutrality.

Garanti firmly believes that the total quality concept can be realized only through strict adherence to an HR policy, code of conduct and ethical values that are erected upon integrity, honesty and respect. In addition to the Garanti Code of Conduct document, Ethical Sales Principles, Social Media Policy, Anti-Fraud Policy and Compliance Policy documents are posted on the Intranet that is available to all employees. Current announcements have been published in relation to Garanti Code of Conduct and Ethical Sales Principles documents. In addition, Garanti has compiled its principles and values in a handbook titled the Customer Satisfaction Constitution in accordance with its customer-centric approach, which is available to all employees and customers.

Handbook of Ethical Sales Principles emphasizes the "reputation" concept as the Bank's greatest asset, and details the expected code of ethical conduct for employees during sales activities. Social Media Policy sets forth the rules as to how the Bank's employees will represent Garanti on social media. Anti-Fraud Policy is intended to create awareness against any act of misconduct across the Bank and to improve honest and reliable working environment conditions.

Garanti Bank's policies relating to the core components of the compliance system are documented in the "Compliance Policy".

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Compliance Policy emphasizes the compliance risk and reputation risk concepts, and underlines that employees are expected to comply with the laws, Garanti Code of Conduct and corporate standards in their behaviors. The Policy defines the concept of integrity and lists the basic tasks and responsibilities within the compliance system.

In this context, it is emphasized that compliance is not the responsibility of senior executives or certain business units only, but of each employee.

Garanti attaches particular importance to ethical and integrity principles, and aims to maintain constant awareness of the issue through trainings for all employees.

SECTION V – BOARD OF DIRECTORS

5.1. Structure and Formation of the Board of Directors

Ferit Faik Şahenk is the Chairman of the Board of Directors. The Chairman has no executive functions and the executive member of the Board is Chief Executive Officer Ali Fuat Erbil.

CMB requirements regarding Corporate Governance Principles stipulate that minimum three independent members must serve on the boards of directors of banks. Since the Board members assigned as members of the Audit Committee are deemed as independent Board members according to these requirements, Javier Bernal Dionis, who currently serves as the Head of the Audit Committee, and Jorge Saenz-Azcunaga Carranza, Audit Committee member, are independent Board members.

Résumés, terms of office and positions of the Board members are presented on pages 103, 104, 105 and 106 of the Annual Report. The positions held by the Bank's Board members in and out of the Group are stated in their résumés.

At the Ordinary General Shareholders' Meeting held in 2015, Garanti elected Sema Yurdum as the third independent Board member, who satisfies all the independence criteria announced by the Capital Markets Board. The Corporate Governance Committee report dated February 02, 2015, establishing that Sema Yurdum satisfies the independence criteria, has been submitted to the Board of Directors, which has resolved to file a notification with the CMB regarding the nomination of Sema Yurdum as an independent Board member.

Quoted below is the declaration of independence by Sema Yurdum, who was elected as an independent Board member at the Ordinary General Shareholders' Meeting held in 2015.

"To: Türkiye Garanti Bankası A.Ş. Corporate Governance Committee,

I hereby declare that I currently serve as an "independent member" on the Bank's Board of Directors pursuant to the provisions of the Communiqué Serial: II-17.1 on Corporate Governance Principles issued by the Capital Markets Board of Turkey, and that I stand for the same position once again as my term of office ends on the date of the first General Shareholders' Meeting to be held in 2015. In this context, I hereby declare as follows:

a) I have not held a seat on the Bank's Board of Directors for more than six years in the past ten years,

b) Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, or individually or jointly held more than 5% of the capital or voting rights or privileged shares, or established any commercial interest of a significant nature, with any corporate entity with which the Bank, any company in which the Bank has management control or significant influence, or any shareholder having management control or significant influence over the Bank or any corporate entity in which these shareholders have management control,

c) I was neither a shareholder (5% and higher), nor have I worked in an executive capacity involving major duties and responsibilities for or served as a member on the boards of directors of any company from/to which, under a contract, the Bank purchased/sold services or products of material quantity during the period of time such services or products were being purchased or sold, and

particularly of the firms performing the audit (including tax audit, legal audit and internal audit), rating and consultancy of the Bank, in the past five years,

d) I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member,

e) I am not a full-time employee of public institutions and establishments as at the date of nomination,

f) I am considered to be a resident of Turkey as for the purposes of the Income Tax Law,

g) I possess strong ethical standards, professional credibility and experience that are necessary for making positive contributions to the Bank's operations, maintaining my independence in possible conflicts of interest between the Bank's shareholders, and making decisions freely taking into consideration the rights of stakeholders,

h) I am capable of dedicating sufficient amount of time to be able to follow up the execution of the Bank's affairs and to fully meet the requirements of the duties I undertake,

i) I am not serving as an independent board member in any company which is controlled by the Bank or by shareholders having management control over the Bank,

j) I will be serving on the Bank's Board of Directors as a real person and in this context, I have not been registered and promulgated in the name of any corporate entity elected as a board member." On the other hand, no circumstances arose in 2016 fiscal year, which prejudiced the independence of independent Board members.

The Board of Directors of Garanti Bank is formed of 11 members, and the number of women members rose to 2 during 2015.

Pursuant to Article 396 of the Turkish Commercial Code, the General Assembly authorized the members of the Board of Directors of Garanti Bank to execute a transaction of a commercial business nature that falls under the Bank's field of operation on their own or other's behalf or to become a partner with unlimited liability in a company engaged in the same kind of commercial affairs, during the reporting period.

5.2. Operating Principles of the Board of Directors

The Board of Directors meeting agenda mainly consists of matters requested to be addressed by the Chief Executive Officer and any additional matters requested to be added to the agenda by any Board member.

The Board of Directors must convene as and when necessitated by the Bank's affairs and transactions, but at least once a month. Pursuant to the Articles of Association of the Bank, the Board of Directors meets with the attendance of seven members minimum and resolutions of the Board of Directors are taken by affirmative votes of at least seven members present in the meeting. In 2016, the Board of Directors met 20 times by satisfying the required quorums for meeting and decision.

A Corporate Secretariat position has been set up to facilitate communication between the members of Board of Directors and the Head Office.

Discussions at the meetings of the Board of Directors are recorded in the minutes and signed by the attending members.

Naturally, the Board members may express different opinions and comments, and cast dissenting votes at Board meetings. Reasons for dissenting votes on issues about which different views are expressed during any Board meeting are recorded in the minutes and signed by the member(s) who cast the dissenting vote(s). Each member of the Board of Directors has one vote and the members do not have any privileged voting right and/or vetoing right.

Directors and Officers' Liability coverage limited to USD EUR 100 million has been obtained for the individual liabilities of Board members arising out of wrongful acts committed whilst performing their duties. A Professional Indemnity coverage limited to USD 50 million has been obtained for legal liability that might be attributed to the Bank in the event a third party sustains and claims from the Bank any loss arising out of the provision (or failure to provide) of professional services by or on behalf of the Bank.

As of December 31, 2016, the total amount of operating income generated by the parent bank and its consolidated financial affiliates ("the Group") on related party transactions is approximately 1% of the Group's total operating

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

income. In addition, the total of investments in affiliates and associates and related party cash and non-cash loans and other receivables is less than 14% of the Group's consolidated regulatory capital used for the calculation of legal limits, and the total of cash portions of such risks is less than 1.5% of total consolidated assets in the financial statements prepared in accordance with the Turkish Financial Reporting Standards and the explanations provided by the BRSA as of the same date.

5.3. Number, Structures and Independence of the Committees Under the Board of Directors

In line with its commitment to corporate governance principles, Garanti established the Audit Committee to assist the Board of Directors in its audit and supervision activities and to more effectively protect the interests of the Bank and the investors, although there was no legal regulation in force at the time. The Committee has been active since 2001, with the primary and ultimate responsibility resting with the Board of Directors. The duties and responsibilities of the Committee are fully aligned with the Banking Law and the relevant regulations. In 2016, the Audit Committee met 4 times to discuss the routine agenda, and additionally 4 times made decisions about various topics which were brought to agenda.

The Internal Audit Department performs systematic audits that cover all activities and units of Garanti Bank in accordance with applicable legislation, especially the Banking Law, and the Bank's bylaws. These audits are performed separately from day-to-day activities and they mainly focus on internal control and risk management systems. In this context, audit is conducted at domestic and overseas branches of Garanti Bank, at the Head Office units and consolidated subsidiaries.

Pursuant to the Regulation on the Banks' Corporate Governance Principles published by the BRSA and the CMB's requirements in relation to Corporate Governance Principles, a Corporate Governance Committee has also been established to oversee compliance with corporate governance principles, undertake improvement efforts in this area, nominate independent members to be appointed to the Board of Directors, and submit proposals to the Board of Directors. The Corporate Governance Committee held 3 meetings in 2016, which were attended by all committee members.

Moreover, a Credit Committee functions under the Board of Directors, to which a certain amount of credit allocation authorities has been transferred. In 2016, the Credit Committee held 32 meetings with the required quorum.

The Remuneration Committee operates to review and implement the Bank's compensation policies. In 2016, the Committee held 2 meetings.

The committees mentioned above carried out their activities efficiently and in total alignment with the applicable legislation during the reporting period.

Detailed information regarding the formation and operation of the Audit Committee, Corporate Governance Committee, Credit Committee and Remuneration Committee is provided in the Committees and Committee Meetings Attendance section of this report. In view of the number of the Bank's Board members, members of the Board of Directors can serve on more than one committee.

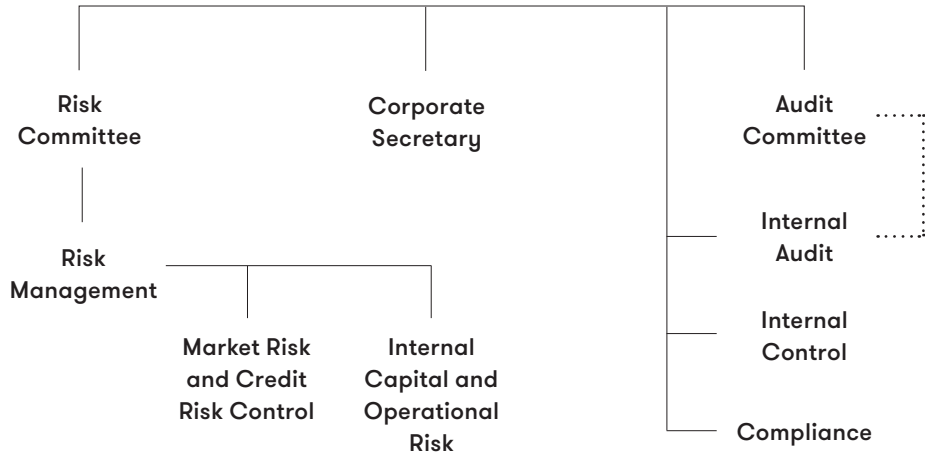
On the other hand, a Risk Committee reporting directly to the Board of Directors operates to assist the Board of Directors in verifying that corporate risk management policy and practices are in line with the Bank's strategies and the legislation, and overseeing management and assessment capabilities relating to various types of risks including capital adequacy, planning and liquidity adequacy. The Risk Committee held 12 meetings in 2016.

Detailed information regarding the formation and operation of all committees operating in the Bank is provided in the Committees and Committee Meetings Attendance section of this report.

5.4. Risk Management and Internal Control Mechanism

The Board of Directors is ultimately responsible for developing and monitoring the Bank's risk management, internal control, internal audit and compliance policies and strategies. Accordingly, Risk Management, performing 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

BOARD OF DIRECTORS



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 Risk Management System consists of determining standards, informing, compliance monitoring, decision-making and implementation mechanisms introduced by the Board of Directors in order to monitor, control and change when necessary the risk-return structure of Garanti Bank's future cash flows, and the nature and level of resulting activities. Within the frame of Garanti Bank's strategy to attain sustained growth while creating value, the functions of the Risk Management include establishing a risk management system that is aligned with the Bank's activities, by which risks are measured using methods that conform to international standards and national legislation, and setting up a structure throughout Garanti, which seeks to establish an optimum capital balance by overseeing risk-return balance based on the this system.

The Internal Control Unit ensures the establishment and coordination of a sound internal control environment in Garanti, and also makes sure that the Bank's activities are performed efficiently, effectively and in line with the management strategy and policies of the Bank, as well as with applicable rules and regulations. In this context, infrastructures are being set up based on the functional separation of duties, the sharing of authorities and responsibilities, the establishment of a sound reconciliation system, the integration of self-control mechanisms and systemic controls into processes, and the identification and monitoring of risks the Bank is exposed to. Internal controllers, reporting to the Internal Control Unit, perform control activities either on-site or remotely. As part of activities, findings and recommendations are reported to the related parties, and relevant corrective actions are also followed up. The IT Controls team, set up under the Internal Control Unit, oversees IT related activities to make sure that they are secure and aligned with the guidelines set

out by the Bank. Besides, coordination activities regarding the disaster recovery and business continuity management function of Garanti, is also performed by the Internal Control Unit.

The Internal Audit Department performs systematic audits that cover all activities and units of Garanti Bank in accordance with applicable legislation, especially the Banking Law, and the Bank's bylaws. These audits are performed separately from day-to-day activities and they mainly focus on internal control and risk management systems. In this context, audit is conducted at domestic and overseas branches of Garanti Bank, at the Head Office units and consolidated subsidiaries.

Working with the purposes of managing potential compliance risks of the Bank and of identifying and preventing these risks before implementation, the Compliance Department aims to establish a world-class compliance culture across the Bank.

Compliance Officer Team carries out necessary efforts to achieve compliance with the regulations issued to prevent laundering proceeds of crime and combating the financing of terrorism, and provides communication and coordination with the Financial Crimes Investigation Board. In terms of customer compliance activities, compliance controls are implemented in accordance with the applicable legislation, and opinions are formed prior to introduction of new

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

products and transactions. With respect to corporate compliance activities, Compliance Department is responsible for helping resolve any doubts that may arise during the interpretation of the Garanti Code of Conduct document, and managing the Whistleblowing Channel. With respect to securities compliance activities, suspicious transactions are examined within the scope of the Capital Markets Board legislation. Within the context of subsidiaries' coordination activities, compliance activities of the Bank's subsidiaries and branches abroad are monitored. As part of compliance to personal data protection, relevant legislation is monitored, based on which necessary policies and procedures are formulated.

Garanti Bank applies anti-fraud measures within its principle of "transactions and product security of our customers is the main priority.

Adopting an enterprise external fraud prevention approach, the Anti-Fraud Monitoring Department deals with card, merchant, account and application fraud attempted through any channel.

Anti-Fraud Monitoring Department develops strategies to proactively prevent reputational and/or financial risks that may result from acts of fraud.

The Department's ability to take instant actions against constantly changing fraud trends are crucial in terms of managing and controlling operational risks.

Anti-fraud measures are set in coordination with all internal and external stakeholders, and periodic acknowledgements are made through various communication channels to enhance product and service security. By doing so, it is aimed to increase awareness against fraud risks among our customers, employees and other stakeholders.

5.5. Strategic Goals of the Company

The vision of Garanti is to be the best bank in Europe. Its mission is to continuously and remarkably increase the value it creates for its customers, shareholders, employees, society and the environment by leveraging its effectiveness, agility and organizational efficiency.

The strategy of Garanti is to constantly improve customer experience by offering products and services that cater to their needs, espousing a "transparent", "clear" and "responsible" approach towards its customers all the while, and to ensure sustainable growth by creating value for all of its stakeholders.

The vision, mission and strategy of Garanti are publicly announced on the corporate websites and Investor Relations websites in English and Turkish languages, and in the annual reports. In addition, both the Board of Directors and executives make forward-looking information and anticipations public through meetings, interviews and other communications through printed and visual media channels and through the website within the frame of the Bank's publicly disclosed Disclosure Policy that is posted on the Investor Relations websites.

Within the context of this strategy, Garanti's budget and its short, medium and long-term business plans are formulated; its strategic goals are presented to the Board of Directors. The Board of Directors is informed on the execution of approved business plans, the level of attainment of the targets, operations and performance on a monthly basis. The executives of the Bank monitor the target realization reports on a weekly basis, and they hold individual periodic performance review meetings with branch and regional managers regarding the attainment of the targets. Moreover, realizations regarding strategic targets can be monitored in real-time through the Garanti management information and reporting infrastructure (MIS), systems and screens.

Information regarding Garanti's strategy and its pillars, core values and projections for the coming period are presented under the sections entitled About Garanti, 2016 Activities and 2017 Outlook of the Annual Report. Furthermore, 2017 Operating Plan Guidance covering forward looking assessments of Garanti has been published on the Public Disclosure Platform and publicly disclosed on the Investor Relations website.

5.6. Remuneration

As published on the Bank's website, a Compensation Policy has been formulated for the Bank's employees in accordance with the banking and capital market legislation, and it has been approved by the Board of Directors.

Pursuant to the Bank's Compensation Policy, the policy encourages fair, transparent, measurable and sustainable success among employees and is in alignment with the Bank's risk principles. The compensation structure consists of fixed income and variable income items. The Remuneration Committee and the HR Unit authorized by this Committee are responsible for reviewing and duly executing the compensation policies.

Members of the Bank's Board of Directors are paid attendance fees. The amount of the attendance fee is determined and approved at the General Shareholders' Meeting. In addition to the attendance fee paid to the Board members, it has been decided at the Ordinary General Shareholders' Meeting held in 2016 that payments to be made to those Board members who assume a specific position in the Bank, and to independent Board members be determined by the Remuneration Committee that has been authorized by the Board of Directors pursuant to Corporate Governance Principles. It has also been resolved to set a maximum limit of TL 29,000,000 for the total compensation so determined and will be paid until the first ordinary general shareholders' meeting to be convened in 2017.

Furthermore, other financial rights to be provided to the Senior Management consisting of the members of the Board of Directors, the CEO and Executive Vice Presidents are determined by the Remuneration Committee that is established in accordance with the Regulation on the Banks' Corporate Governance Principles published by the Banking Regulation and Supervision Agency.

Under the provisions of the said Regulation, the Remuneration Committee has determined the manner of payments to Senior Management and the criteria for performance-based payments, by taking into account the European Union regulations and practices. Accordingly, Senior Executives receive performance-based payments in addition to their monthly salaries, which payments are determined by the Remuneration Committee based on objective criteria including the economic profitability and key performance indicators of the Bank, as well as subjective criteria based on the respective personal performance. The Remuneration Committee ensures that such payments do not negatively affect the Bank's capital adequacy ratio and the continuity of the Bank's operations. Part of the performance-based payments are made in installments and spread over future periods.

As of December 31, 2016, the net payment provided or to be provided to the key managers of the Bank, including the members of the Board of Directors, including compensations paid to key management personnel who left their position during the year amounted to TL 101,032 thousand. As the public disclosures regarding the payments made to key managers including Board members are subject the BRSA's regulations on the banks' qualitative

and quantitative explanations with regard to the remuneration policies, such payments are announced cumulatively.

At the Ordinary General Shareholders' Meeting held in 2016, the following information has been provided to the shareholders regarding the compensation principles applicable to senior management.

"Our Bank has established and announced a compensation policy for all employees pursuant to applicable legislation. A fair, performance and success-based remuneration policy has been created.

"Our Bank's Compensation Policy has been implemented as approved and it is reviewed periodically. In addition to the compensation policy covering the Bank's entire personnel, the Remuneration Committee continued to implement its policies that it has set in relation to remuneration and bonuses to be paid to the members of the Board of Directors who assume administrative roles and to senior executives, which do not rely solely on profit. The Committee reviewed the same at certain intervals. The policy, which has been developed in line with the local legislation and international practices, continued to be implemented. The portion of 13.75% of the total personnel expenses figure for the benefits provided in 2015 to the Bank's employees including the Board members and senior management in the financial statements results from the performance-based bonuses of all employees and variable salary payments."

On the other hand, the loans to be disbursed by Garanti Bank to the members of the Board of Directors and managers are restricted to specific framework by Article 50 of the Banking Law.

Detailed information on the Remuneration Committee can be found on the Annual Report page 116.

The Bank does not disburse loans to the members of the Board of Directors and managers outside of the abovementioned framework.



STATEMENT OF RESPONSIBILITY

Statement of Responsibility in Accordance With Article 9 of the Communiqué on Principles of Financial Reporting in Capital Markets (II-14.1) Issued by the Capital Markets Board

T. Garanti Bankası A.Ş.'s Unconsolidated and Consolidated Financial Statements and Independent Auditor's Report for the period 01.01.2016 – 31.12.2016, prepared in accordance with the Communiqué On Principles of Financial Reporting in Capital Markets (II-14.1) issued by the Capital Markets Board, have been examined by us;

-Based on our duties and responsibilities in the Bank and the information we have, we declare that Unconsolidated and Consolidated Financial Statements and Independent Auditor's Report do not contain any untrue statement on material events or any deficiency which may make them misleading as of the date statement,

-Based on our duties and responsibilities in the Bank and the information we have, we declare that Unconsolidated and Consolidated Financial Statements and Independent Auditor's Report honestly reflect the truth relating to the Bank's assets, liabilities, financial position, profits and losses.

Sincerely,

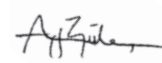
Javier Bernal Dionis
Audit Committee Member



Ali Fuat ERBİL
General Manager



Aydın GÜLER
Executive Vice President



Statement of Responsibility in Accordance With Article 9 of the Communiqué on Principles of Financial Reporting in Capital Markets (II-14.1) Issued by the Capital Markets Board

T. Garanti Bankası A.Ş.'s year-end Annual Report for the period 01.01.2016 – 31.12.2016, prepared in accordance with the Communiqué On Principles of Financial Reporting in Capital Markets (II-14.1) issued by the Capital Markets Board, has been examined by us;

-Based on our duties and responsibilities in the Bank and the information we have, we declare that the year-end Annual Report do not contain any untrue statement on material events or any deficiency which may make them misleading as of the date statement,

-Based on our duties and responsibilities in the Bank and the information we have, we declare that the year-end Annual Report honestly reflects the progress and performance of the business and the Bank's financial position with significant risks and uncertainties.

Sincerely,

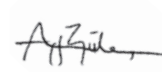
Javier Bernal Dionis
Audit Committee Member



Ali Fuat ERBİL
General Manager



Aydın GÜLER
Executive Vice President



UNCONSOLIDATED FINANCIAL REPORT

Türkiye Garanti Bankası Anonim Şirketi
Unconsolidated Financial Statements
As of and For the Year Ended
31 December 2016

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

With Independent Auditors' Report Thereon

DRT Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik AŞ

30 January 2017

This report contains "Independent Auditors' Report"
comprising 1 page and;"Unconsolidated Financial Statements and
Related Disclosures and Footnotes"comprising 103 pages.

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying unconsolidated financial statements of Türkiye Garanti Bankası A.Ş. ("the Bank"), which comprise the unconsolidated balance sheet as at 31 December 2016, and the unconsolidated statement of income, statement of income and expense items under shareholders' equity, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Bank Management is responsible for the preparation and fair presentation of the financial statements in accordance with "the Banking Regulation and Supervision Agency ("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 for the matters not regulated by the aforementioned legislations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and Independent Auditing Standards which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

BASIS FOR QUALIFIED OPINION

Subsequent to the reversal of TL 30,000 thousands in the current period the accompanying unconsolidated financial statements include a general reserve amounting to TL 300,000 thousands as of the balance sheet date, provided by the Bank 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 OPINION

In our opinion, except for the effect of the matter described in the basis for qualified opinion paragraph, the unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Garanti Bankası A.Ş. as at 31 December 2016 and the results of its operations and its cash flows for the year then ended in accordance with the BRSA Accounting and Reporting Regulations.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Bank's set of accounts for the period 1 January-31 December 2016 does not comply with TCC and the provisions of the Bank's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

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.

Istanbul, 30 January 2017

DRT Bağımsız Denetim Ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

MEMBER OF DELOITTE TOUCHE TOHMATSU LIMITED



Müjde Şehsuvaroğlu
Partner

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

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No:2 Beşiktaş 34340 İstanbul
Telefon: 212 318 18 18 Faks: 212 216 64 22
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The unconsolidated year-end financial report prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

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



Ferit F. Şahenk
Board of Directors
Chairman




Ali Fuat Erbil
General Manager



Aydın Güler
Financial Reporting
Executive Vice President



Hakan Özdemir
General Accounting
Senior Vice President



Javier Bernal Dionis
Audit Committee Member



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

The authorized contact person for questions on this financial report:
Name-Surname/Title: Handan SAYGIN/Senior Vice President of Investor Relations
Phone no: 90 212 318 23 50
Fax no: 90 212 216 59 02

	PAGE NO
SECTION ONE - GENERAL INFORMATION	
I. History of parent bank including its incorporation date, initial legal status, amendments to legal status	168
II. Bank's shareholder structure, management and internal audit, direct and indirect shareholders, change in shareholder structure during period and information on bank's risk group	168
III. Information on the bank's board of directors chairman and members, audit committee members, chief executive officer, executive vice presidents and their shareholdings in the bank	169
IV. Information on the bank's qualified shareholders	170
V. Summary information on the bank's activities and services	170
VI. Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between the bank and its affiliates	170
SECTION TWO - UNCONSOLIDATED FINANCIAL STATEMENTS	
I. Balance sheet - Assets	171
II. Balance sheet - Liabilities	172
III. Off-balance sheet items	173
IV. Income statement	174
V. Statement of income/expense items accounted under shareholders' equity	175
VI. Statement of changes in shareholders' equity	176
VII. Statement of cash flows	177
VIII. Statement of profit distribution	178
SECTION THREE - ACCOUNTING POLICIES	
I. Basis of presentation	179
II. Strategy for use of financial instruments and foreign currency transactions	179
III. Investments in associates and affiliates	179
IV. Forwards, options and other derivative transactions	180
V. Interest income and expenses	180
VI. Fees and commissions	180
VII. Financial assets	180
VIII. Impairment of financial assets	181
IX. Netting and derecognition of financial instruments	181
X. Repurchase and resale agreements and securities lending	182
XI. Assets held for sale, discontinued operations and related liabilities	182
XII. Goodwill and other intangible assets	182
XIII. Tangible assets	182
XIV. Leasing activities	183
XV. Provisions and contingent liabilities	183
XVI. Contingent assets	183
XVII. Liabilities for employee benefits	183
XVIII. Taxation	185
XIX. Funds borrowed	186
XX. Share issuances	186
XXI. Confirmed bills of exchange and acceptances	186
XXII. Government incentives	186
XXIII. Segment reporting	186
XXIV. Other disclosures	187
SECTION FOUR - FINANCIAL POSITION AND RESULTS OF OPERATIONS AND RISK MANAGEMENT	
I. Total capital	188
II. Credit risk	191
III. Currency risk	199
IV. Interest rate risk	201
V. Position risk of equity securities in banking book	203
VI. Liquidity risk management and liquidity coverage ratio	204
VII. Leverage ratio	210
VIII. Fair values of financial assets and liabilities	210
IX. Transactions carried out on behalf of customers and items held in trust	211
X. Risk management objectives and policies	211
SECTION FIVE - DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS	
I. Assets	224
II. Liabilities	245
III. Off-balance sheet items	253
IV. Income statement	257
V. Statement of changes in shareholders' equity	262
VI. Statement of cash flows	263
VII. Related party risks	264
VIII. Domestic, foreign and off-shore branches or equity investments, and foreign representative offices	265
IX. Matters arising subsequent to balance sheet date	266
SECTION SIX - OTHER DISCLOSURES ON ACTIVITIES OF BANK	
I. Bank's latest international risk ratings	266
II. Dividends	266
III. Other disclosures	267
SECTION SEVEN - INDEPENDENT AUDITORS' REPORT	
I. Disclosures on independent auditors' report	267
II. Disclosures and footnotes prepared by independent accountants	267

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

Convenience Translation of
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Issued in Turkish

1 GENERAL INFORMATION

1.1 HISTORY OF THE BANK INCLUDING ITS INCORPORATION DATE, INITIAL LEGAL STATUS, AMENDMENTS TO LEGAL STATUS

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

Following the acquisition on 27 July 2015, Banco Bilbao Vizcaya Argentaria SA (BBVA)'s stake in the Bank 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 959 domestic branches, nine foreign branches and three representative offices abroad. The Bank's head office is located in Istanbul.

1.2 BANK'S SHAREHOLDER STRUCTURE, MANAGEMENT AND INTERNAL AUDIT, DIRECT AND INDIRECT SHAREHOLDERS, CHANGE IN SHAREHOLDER STRUCTURE DURING THE PERIOD AND INFORMATION ON BANK'S RISK GROUP

As of 31 December 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%. Accordingly, BBVA and the Doğuş Group continued to have mutual control on the Bank's management.

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 TÜV SÜD 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 Group in financial sector are; Türkiye Garanti Bankası AŞ, Garanti Bank International NV, Garanti Bank SA, Garanti Finansal Kiralama AŞ, Garanti Faktoring 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.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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Financial Statements and
Related Disclosures
and Footnotes Originally
Issued in Turkish

1.3 INFORMATION ON THE BANK'S BOARD OF DIRECTORS CHAIRMAN AND MEMBERS, AUDIT COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER, EXECUTIVE VICE PRESIDENTS AND THEIR SHAREHOLDINGS IN THE BANK

BOARD OF DIRECTORS CHAIRMAN AND MEMBERS:

NAME AND SURNAME	RESPONSIBILITY	APPOINTMENT DATE	EDUCATION	EXPERIENCE IN BANKING AND BUSINESS ADMINISTRATION
Ferit Faik Şahenk	Chairman	18.04.2001	University	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:

NAME AND SURNAME	RESPONSIBILITY	APPOINTMENT DATE	EDUCATION	EXPERIENCE IN BANKING AND BUSINESS ADMINISTRATION
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 Hüsnü 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

Changes in the executive board as of 1 January 2017;

- Nafiz Karadere resigned from his duty as EVP-SME Banking.
- Onur Genç resigned from his duty as EVP-Retail Banking and Deputy CEO.

Changes in the executive board as of 17 January 2017;

- Cemal Onaran is assigned as EVP-SME Banking.
- Gökhan Erün is responsible EVP of Financial Institutions, Corporate Banking and Treasury.
- Mahmut Akten is assigned as EVP-Retail Banking and is responsible for Retail Banking, Mass Retail Banking and Affluent Banking Marketing units.
- Didem Dinçer is responsible EVP of Corporate Brand Management and Marketing Communications, Insurance and Pension Coordination, Call Center, Customer Experience and Satisfaction.

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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1.4 INFORMATION ON THE BANK'S QUALIFIED SHAREHOLDERS

NAME / COMPANY	SHARES	OWNERSHIP	PAID-IN CAPITAL	UNPAID PORTION
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 5th Commercial Court of First Instance. A total payment of TL 1,434,233 thousands has been made to the owners of 368 founder share-certificates from "extraordinary reserves", and the value of remaining 2 founder share-certificates has been blocked in the bank accounts.

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

1.5 SUMMARY INFORMATION ON THE BANK'S ACTIVITIES AND SERVICES

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

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

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

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

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

1.6 CURRENT OR LIKELY ACTUAL OR LEGAL BARRIERS TO IMMEDIATE TRANSFER OF EQUITY OR REPAYMENT OF DEBTS BETWEEN THE BANK AND ITS AFFILIATES

None.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

(Convenience Translation
of Financial Statements
Originally Issued
in Turkish)

Balance Sheet (Statement of Financial Position) At 31 December 2016

2 UNCONSOLIDATED FINANCIAL STATEMENTS

THOUSANDS OF TURKISH LIRA (TL)								
ASSETS	FOOTNOTES	CURRENT PERIOD 31 DECEMBER 2016			PRIOR PERIOD 31 DECEMBER 2015			TOTAL
		TL	FC	TOTAL	TL	FC	TOTAL	
I. CASH AND BALANCES WITH CENTRAL BANK	(5.1.1)	6,723,703	17,061,431	23,785,134	2,259,664	22,891,859	25,151,523	
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)		2,683,405	823,023	3,506,428	1,359,038	489,429	1,848,467	
2.1 Financial assets held for trading		2,683,405	823,023	3,506,428	1,160,920	489,429	1,650,349	
2.1.1 Government securities		41,945	29,492	71,437	66,470	21,974	88,444	
2.1.2 Equity securities		21,137	-	21,137	45,474	-	45,474	
2.1.3 Derivative financial assets held for trading		2,620,323	770,662	3,390,985	1,048,976	434,513	1,483,489	
2.1.4 Other securities		-	22,869	22,869	-	32,942	32,942	
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	(5.1.2)	-	-	-	198,118	-	198,118	
2.2.4 Other securities		-	-	-	-	-	-	
III. BANKS	(5.1.3)	446,654	11,872,272	12,318,926	276,135	11,571,360	11,847,495	
IV. INTERBANK MONEY MARKETS		-	351,691	351,691	-	61,069	61,069	
4.1 Interbank money market placements		-	-	-	-	-	-	
4.2 Istanbul Stock Exchange money market placements		-	351,691	351,691	-	61,069	61,069	
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-	
V. FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	(5.1.4)	18,497,281	1,415,288	19,912,569	19,261,864	1,257,937	20,519,801	
5.1 Equity securities		40,985	153,922	194,907	36,852	297,717	334,569	
5.2 Government securities		17,669,410	341,720	18,011,130	18,582,761	178,798	18,761,559	
5.3 Other securities		786,886	919,646	1,706,532	642,251	781,422	1,423,673	
VI. LOANS	(5.1.5)	118,726,991	67,321,237	186,048,228	100,354,365	58,785,558	159,139,923	
6.1 Performing loans		117,721,708	67,321,237	185,042,945	99,518,038	58,785,558	158,303,596	
6.1.1 Loans to bank's risk group	(5.7)	434,870	2,529,219	2,964,089	767,953	2,364,560	3,132,513	
6.1.2 Government securities		-	-	-	-	-	-	
6.1.3 Others		117,286,838	64,792,018	182,078,856	98,750,085	56,420,998	155,171,083	
6.2 Loans under follow-up		5,272,774	-	5,272,774	4,404,025	-	4,404,025	
6.3 Specific provisions (-)		4,267,491	-	4,267,491	3,567,698	-	3,567,698	
VII. FACTORING RECEIVABLES		-	-	-	-	-	-	
VIII. INVESTMENTS HELD-TO-MATURITY (Net)	(5.1.6)	12,139,123	11,501,061	23,640,184	11,980,469	9,775,343	21,755,812	
8.1 Government securities		12,122,339	6,986,465	19,108,804	11,966,880	5,810,098	17,776,978	
8.2 Other securities		16,784	4,514,596	4,531,380	13,589	3,965,245	3,978,834	
IX. INVESTMENTS IN ASSOCIATES (Net)	(5.1.7)	36,698	-	36,698	36,698	-	36,698	
9.1 Associates consolidated under equity accounting		-	-	-	-	-	-	
9.2 Unconsolidated associates		36,698	-	36,698	36,698	-	36,698	
9.2.1 Financial investments in associates		33,032	-	33,032	33,032	-	33,032	
9.2.2 Non-financial investments in associates		3,666	-	3,666	3,666	-	3,666	
X. INVESTMENTS IN AFFILIATES (Net)	(5.1.8)	2,426,067	2,747,797	5,173,864	2,114,928	2,331,571	4,446,499	
10.1 Unconsolidated financial investments in affiliates		2,321,831	2,747,797	5,069,628	2,010,692	2,331,571	4,342,263	
10.2 Unconsolidated non-financial investments in affiliates		104,236	-	104,236	104,236	-	104,236	
XI. INVESTMENTS IN JOINT-VENTURES (Net)	(5.1.9)	-	-	-	-	-	-	
11.1 Joint-ventures consolidated under equity accounting		-	-	-	-	-	-	
11.2 Unconsolidated joint-ventures		-	-	-	-	-	-	
11.2.1 Financial investments in joint-ventures		-	-	-	-	-	-	
11.2.2 Non-financial investments in joint-ventures		-	-	-	-	-	-	
XII. LEASE RECEIVABLES (Net)	(5.1.10)	-	-	-	-	-	-	
12.1 Financial lease receivables		-	-	-	-	-	-	
12.2 Operational lease receivables		-	-	-	-	-	-	
12.3 Others		-	-	-	-	-	-	
12.4 Unearned income (-)		-	-	-	-	-	-	
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT	(5.1.11)	79,472	509,742	589,214	89,064	591,933	680,997	
13.1 Fair value hedges		73,946	10,420	84,366	60,616	7,483	68,099	
13.2 Cash flow hedges		5,526	499,322	504,848	28,448	584,450	612,898	
13.3 Net foreign investment hedges		-	-	-	-	-	-	
XIV. TANGIBLE ASSETS (Net)	(5.1.12)	3,388,468	280	3,388,748	3,073,889	336	3,074,225	
XV. INTANGIBLE ASSETS (Net)	(5.1.13)	238,996	17	239,013	182,553	37	182,590	
15.1 Goodwill		-	-	-	-	-	-	
15.2 Other intangibles		238,996	17	239,013	182,553	37	182,590	
XVI. INVESTMENT PROPERTY (Net)	(5.1.14)	670,370	-	670,370	381,270	-	381,270	
XVII. TAX ASSET		127,709	-	127,709	381,541	-	381,541	
17.1 Current tax asset		-	-	-	-	-	-	
17.2 Deferred tax asset	(5.1.15)	127,709	-	127,709	381,541	-	381,541	
XVIII. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(5.1.16)	589,726	-	589,726	346,979	-	346,979	
18.1 Assets held for sale		589,726	-	589,726	346,979	-	346,979	
18.2 Assets of discontinued operations		-	-	-	-	-	-	
XIX. OTHER ASSETS	(5.1.17)	2,880,105	896,793	3,776,898	2,353,470	2,134,227	4,487,697	
TOTAL ASSETS		169,654,768	114,500,632	284,155,400	144,451,927	109,890,659	254,342,586	

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

(Convenience Translation
of Financial Statements
Originally Issued
in Turkish)

Balance Sheet (Statement of Financial Position) At 31 December 2016

THOUSANDS OF TURKISH LIRA (TL)								
LIABILITIES AND SHAREHOLDERS' EQUITY	FOOTNOTES	CURRENT PERIOD 31 DECEMBER 2016			PRIOR PERIOD 31 DECEMBER 2015			
		TL	FC	TOTAL	TL	FC	TOTAL	
I. DEPOSITS	(5.2.1)	76,285,152	84,946,445	161,231,597	66,420,824	74,478,508	140,899,332	
1.1 Deposits from bank's risk group	(5.7)	1,473,675	496,796	1,970,471	1,092,221	474,699	1,566,920	
1.2 Others		74,811,477	84,449,649	159,261,126	65,328,603	74,003,809	139,332,412	
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(5.2.2)	2,608,676	887,946	3,496,622	1,669,819	593,818	2,263,637	
III. FUNDS BORROWED	(5.2.3)	2,121,662	38,164,706	40,286,368	2,542,263	30,895,534	33,437,797	
IV. INTERBANK MONEY MARKETS	(5.2.4)	9,769,387	-	9,769,387	12,521,253	2,546,908	15,068,161	
4.1 Interbank money market takings		2,501,180	-	2,501,180	-	-	-	
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-	
4.3 Obligations under repurchase agreements		7,268,207	-	7,268,207	12,521,253	2,546,908	15,068,161	
V. SECURITIES ISSUED (Net)	(5.2.4)	4,769,223	11,667,656	16,436,879	3,405,544	10,793,225	14,198,769	
5.1 Bills		1,213,929	-	1,213,929	790,461	160,472	950,933	
5.2 Asset backed securities		-	-	-	-	-	-	
5.3 Bonds		3,555,294	11,667,656	15,222,950	2,615,083	10,632,753	13,247,836	
VI. FUNDS		-	-	-	-	-	-	
6.1 Borrower funds		-	-	-	-	-	-	
6.2 Others		-	-	-	-	-	-	
VII. MISCELLANEOUS PAYABLES	(5.2.4.3)	8,191,446	896,693	9,088,139	7,132,264	1,204,588	8,336,852	
VIII. OTHER EXTERNAL FUNDINGS PAYABLE		2,155,786	825,526	2,981,312	1,997,940	1,827,125	3,825,065	
IX. FACTORING PAYABLES		-	-	-	-	-	-	
X. LEASE PAYABLES (Net)	(5.2.5)	17,092	-	17,092	10,968	-	10,968	
10.1 Financial lease payables		18,404	-	18,404	11,985	-	11,985	
10.2 Operational lease payables		-	-	-	-	-	-	
10.3 Others		-	-	-	-	-	-	
10.4 Deferred expenses (-)		1,312	-	1,312	1,017	-	1,017	
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	(5.2.6)	26,671	252,865	279,536	10,928	239,563	250,491	
11.1 Fair value hedges		26,671	231,062	257,733	10,928	210,635	221,563	
11.2 Cash flow hedges		-	21,803	21,803	-	28,928	28,928	
11.3 Net foreign investment hedges		-	-	-	-	-	-	
XII. PROVISIONS	(5.2.7)	4,542,015	71,989	4,614,004	4,186,504	63,560	4,250,064	
12.1 General provisions		3,118,954	52,209	3,171,163	2,957,392	44,665	3,002,057	
12.2 Restructuring reserves		-	-	-	-	-	-	
12.3 Reserve for employee benefits		679,871	-	679,871	529,537	-	529,537	
12.4 Insurance technical provisions (Net)		-	-	-	-	-	-	
12.5 Other provisions		743,190	19,780	762,970	699,575	18,895	718,470	
XIII. TAX LIABILITY	(5.2.8)	413,611	1,773	415,384	629,578	31,025	660,603	
13.1 Current tax liability		413,611	1,773	415,384	629,578	31,025	660,603	
13.2 Deferred tax liability		-	-	-	-	-	-	
XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(5.2.9)	-	-	-	-	-	-	
14.1 Assets held for sale		-	-	-	-	-	-	
14.2 Assets of discontinued operations		-	-	-	-	-	-	
XV. SUBORDINATED DEBTS	(5.2.10)	-	-	-	-	159,792	159,792	
XVI. SHAREHOLDERS' EQUITY	(5.2.11)	35,253,222	285,858	35,539,080	30,560,363	420,692	30,981,055	
16.1 Paid-in capital		4,200,000	-	4,200,000	4,200,000	-	4,200,000	
16.2 Capital reserves		2,824,926	57,875	2,882,801	2,642,395	228,221	2,870,616	
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		630,378	(8,235)	622,143	253,965	187,995	441,960	
16.2.4 Revaluation surplus on tangible assets		1,626,437	-	1,626,437	1,631,907	-	1,631,907	
16.2.5 Revaluation surplus on intangible assets		-	-	-	-	-	-	
16.2.6 Revaluation surplus on investment property		-	-	-	-	-	-	
16.2.7 Bonus shares of associates, affiliates and joint-ventures		1,891	-	1,891	1,891	-	1,891	
16.2.8 Hedging reserves (effective portion)		(114,596)	66,110	(48,486)	46,181	40,226	86,407	
16.2.9 Revaluation surplus on assets held for sale and assets of discontinued operations		-	-	-	-	-	-	
16.2.10 Other capital reserves		668,936	-	668,936	696,571	-	696,571	
16.3 Profit reserves		23,157,747	227,983	23,385,730	20,311,461	192,471	20,503,932	
16.3.1 Legal reserves		1,191,409	14,751	1,206,160	1,155,709	12,620	1,168,329	
16.3.2 Status reserves		-	-	-	-	-	-	
16.3.3 Extraordinary reserves		21,966,338	6,576	21,972,914	19,155,752	3,860	19,159,612	
16.3.4 Other profit reserves		-	206,656	206,656	-	175,991	175,991	
16.4 Profit or loss		5,070,549	-	5,070,549	3,406,507	-	3,406,507	
16.4.1 Prior periods profit/loss		-	-	-	-	-	-	
16.4.2 Current period net profit/loss		5,070,549	-	5,070,549	3,406,507	-	3,406,507	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		146,153,943	138,001,457	284,155,400	131,088,248	123,254,338	254,342,586	

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

(Convenience Translation
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Off-Balance Sheet Items At 31 December 2016

THOUSANDS OF TURKISH LIRA (TL)						
FOOTNOTES	CURRENT PERIOD 31 DECEMBER 2016			PRIOR PERIOD 31 DECEMBER 2015		
	TL	FC	TOTAL	TL	FC	TOTAL
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I-II+III)	157,869,378	254,864,074	412,733,452	144,398,889	207,921,722	352,320,611
I. GUARANTEES AND SURETIES (5.3.1)	17,129,482	37,643,674	54,773,156	14,858,325	33,234,327	48,092,652
1.1. Letters of guarantee	17,101,636	20,378,358	37,479,994	14,826,457	17,332,578	32,159,035
1.1.1. Guarantees subject to State Tender Law	-	1,029,481	1,029,481	-	1,099,700	1,099,700
1.1.2. Guarantees given for foreign trade operations	2,133,194	184,959	2,318,153	1,948,525	220,676	2,169,201
1.1.3. Other letters of guarantee	14,968,442	19,163,918	34,132,360	12,877,932	16,012,202	28,890,134
1.2. Bank acceptances	27,846	2,099,488	2,127,334	20,793	1,517,276	1,538,069
1.2.1. Import letter of acceptance	27,846	2,099,488	2,127,334	20,793	1,517,276	1,538,069
1.2.2. Other bank acceptances	-	-	-	-	-	-
1.3. Letters of credit	-	15,010,812	15,010,812	11,075	14,275,267	14,286,342
1.3.1. Documentary letters of credit	-	-	-	-	-	-
1.3.2. Other letters of credit	-	15,010,812	15,010,812	11,075	14,275,267	14,286,342
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	-	155,016	155,016	-	109,206	109,206
1.9. Other sureties	-	-	-	-	-	-
II. COMMITMENTS (5.3.1)	39,351,241	10,239,401	49,590,642	37,406,779	12,908,819	50,315,598
2.1. Irrevocable commitments	39,328,201	5,584,680	44,912,881	37,331,079	7,862,914	45,193,993
2.1.1. Asset purchase and sale commitments	194,033	3,087,739	3,281,772	6,100	3,054,228	3,060,328
2.1.2. Deposit purchase and sale commitments	-	74,040	74,040	-	16,628	16,628
2.1.3. Share capital commitments to associates and affiliates	-	5,266	5,266	-	5,297	5,297
2.1.4. Loan granting commitments	6,995,108	2,329,810	9,324,918	6,142,181	4,423,261	10,565,442
2.1.5. Securities issuance brokerage commitments	-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements	-	-	-	-	-	-
2.1.7. Commitments for cheque payments	3,555,087	-	3,555,087	3,063,159	-	3,063,159
2.1.8. Tax and fund obligations on export commitments	24,000	-	24,000	20,529	-	20,529
2.1.9. Commitments for credit card limits	27,849,612	-	27,849,612	26,826,339	-	26,826,339
2.1.10. Commitments for credit cards and banking services related promotions	8,708	-	8,708	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	701,653	87,825	789,478	1,264,210	363,500	1,627,710
2.2. Revocable commitments	23,040	4,654,721	4,677,761	75,700	5,045,905	5,121,605
2.2.1. Revocable loan granting commitments	23,040	4,653,740	4,676,780	75,700	5,044,758	5,120,458
2.2.2. Other revocable commitments	-	981	981	-	1,147	1,147
III. DERIVATIVE FINANCIAL INSTRUMENTS (5.3.2)	101,388,655	206,980,999	308,369,654	92,133,785	161,778,576	253,912,361
3.1. Derivative financial instruments held for risk management	9,252,323	25,283,122	34,535,445	7,107,440	16,963,601	24,071,041
3.1.1. Fair value hedges	7,307,595	11,982,560	19,290,155	3,439,355	9,266,494	12,705,849
3.1.2. Cash flow hedges	1,944,728	13,300,562	15,245,290	3,668,085	7,697,107	11,365,192
3.1.3. Net foreign investment hedges	-	-	-	-	-	-
3.2. Trading derivatives	92,136,332	181,697,877	273,834,209	85,026,345	144,814,975	229,841,320
3.2.1. Forward foreign currency purchases/sales	12,078,449	15,532,976	27,611,425	13,716,838	19,360,463	33,077,301
3.2.1.1. Forward foreign currency purchases	3,787,239	10,023,975	13,811,214	5,146,127	11,424,014	16,570,141
3.2.1.2. Forward foreign currency sales	8,291,210	5,509,001	13,800,211	8,570,711	7,936,449	16,507,160
3.2.2. Currency and interest rate swaps	60,234,373	123,150,097	183,384,470	33,377,607	61,557,928	94,935,535
3.2.2.1. Currency swaps-purchases	22,670,532	51,279,287	73,949,819	12,532,143	22,148,346	34,680,489
3.2.2.2. Currency swaps-sales	37,069,193	36,646,410	73,715,603	17,199,244	14,610,598	31,809,842
3.2.2.3. Interest rate swaps-purchases	247,324	17,612,200	17,859,524	1,823,110	12,399,492	14,222,602
3.2.2.4. Interest rate swaps-sales	247,324	17,612,200	17,859,524	1,823,110	12,399,492	14,222,602
3.2.3. Currency, interest rate and security options	19,800,600	34,032,828	53,833,428	37,927,519	51,810,681	89,738,200
3.2.3.1. Currency call options	8,553,567	14,398,056	22,951,623	15,244,831	25,062,622	40,307,453
3.2.3.2. Currency put options	11,247,033	12,836,688	24,083,721	22,682,688	20,487,567	43,170,255
3.2.3.3. Interest rate call options	-	5,927,914	5,927,914	-	6,260,492	6,260,492
3.2.3.4. Interest rate put options	-	843,120	843,120	-	-	-
3.2.3.5. Security call options	-	13,525	13,525	-	-	-
3.2.3.6. Security put options	-	13,525	13,525	-	-	-
3.2.4. Currency futures	22,910	130,674	153,584	4,381	283,825	288,206
3.2.4.1. Currency futures-purchases	323	80,808	81,131	3,965	3,463	7,428
3.2.4.2. Currency futures-sales	22,587	49,866	72,453	416	280,362	280,778
3.2.5. Interest rate futures	-	100,121	100,121	-	-	-
3.2.5.1. Interest rate futures-purchases	-	-	-	-	-	-
3.2.5.2. Interest rate futures-sales	-	100,121	100,121	-	-	-
3.2.6. Others	-	8,751,181	8,751,181	-	11,802,078	11,802,078
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)	610,833,455	492,229,874	1,103,063,329	536,426,059	390,070,974	926,497,033
IV. ITEMS HELD IN CUSTODY	37,633,094	40,122,694	77,755,788	38,537,633	32,580,434	71,118,067
4.1. Customers' securities held	4,451,352	-	4,451,352	4,182,396	-	4,182,396
4.2. Investment securities held in custody	16,489,131	17,080,586	33,569,717	19,795,650	13,838,529	33,634,179
4.3. Checks received for collection	14,019,472	3,108,354	17,127,826	12,220,959	2,540,583	14,761,542
4.4. Commercial notes received for collection	2,550,127	1,161,146	3,711,273	2,233,861	1,214,012	3,447,873
4.5. Other assets received for collection	78,792	16,034,037	16,112,829	71,631	13,060,668	13,132,299
4.6. Assets received through public offering	-	85,344	85,344	-	70,813	70,813
4.7. Other items under custody	44,220	2,653,227	2,697,447	33,136	1,855,829	1,888,965
4.8. Custodians	-	-	-	-	-	-
V. PLEDGED ITEMS	573,200,361	452,107,180	1,025,307,541	497,888,426	357,490,540	855,378,966
5.1. Securities	4,360,457	82,069	4,442,526	4,160,352	20,174	4,180,526
5.2. Guarantee notes	37,862,446	12,953,452	50,815,898	39,071,238	11,148,532	50,219,770
5.3. Commodities	19,841	-	19,841	3,142	-	3,142
5.4. Warranties	-	-	-	-	-	-
5.5. Real estates	140,149,925	84,680,100	224,830,025	112,540,277	65,982,195	178,522,472
5.6. Other pledged items	390,807,522	354,391,505	745,199,027	342,113,247	280,339,012	622,452,259
5.7. Pledged items-depository	170	54	224	170	627	797
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES	-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)	768,702,833	747,093,948	1,515,796,781	680,824,948	597,992,696	1,278,817,644

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Income Statement For the Year Ended 31 December 2016

(Convenience Translation
of Financial Statements
Originally Issued
in Turkish)

		THOUSANDS OF TURKISH LIRA (TL)	
INCOME AND EXPENSE ITEMS		CURRENT PERIOD 1 JANUARY 2016- 31 DECEMBER 2016	PRIOR PERIOD 1 JANUARY 2015- 31 DECEMBER 2015
I. INTEREST INCOME	(5.4.1)	20,915,217	17,420,007
1.1 Interest income on loans		16,783,444	13,647,803
1.2 Interest income on reserve deposits		237,553	64,591
1.3 Interest income on banks		89,536	73,412
1.4 Interest income on money market transactions		6,417	3,160
1.5 Interest income on securities portfolio		3,577,267	3,457,696
1.5.1 Trading financial assets		17,461	15,331
1.5.2 Financial assets valued at fair value through profit or loss		-	-
1.5.3 Financial assets available-for-sale		1,903,637	1,813,563
1.5.4 Investments held-to-maturity		1,656,169	1,628,802
1.6 Financial lease income		-	-
1.7 Other interest income		221,000	173,345
II. INTEREST EXPENSE	(5.4.2)	9,818,275	8,178,674
2.1 Interest on deposits		6,883,319	5,685,660
2.2 Interest on funds borrowed		945,054	935,579
2.3 Interest on money market transactions		998,553	700,891
2.4 Interest on securities issued		964,300	836,939
2.5 Other interest expenses		27,049	19,605
III. NET INTEREST INCOME (I - II)		11,096,942	9,241,333
IV. NET FEES AND COMMISSIONS INCOME		3,151,738	2,922,551
4.1 Fees and commissions received		4,142,158	3,822,532
4.1.1 Non-cash loans		320,899	278,926
4.1.2 Others		3,821,259	3,543,606
4.2 Fees and commissions paid		990,420	899,981
4.2.1 Non-cash loans		3,138	3,204
4.2.2 Others		987,282	896,777
V. DIVIDEND INCOME	(5.4.3)	6,902	5,102
VI. NET TRADING INCOME/LOSSES (Net)	(5.4.4)	(791,241)	(1,075,618)
6.1 Trading account income/losses		290,027	514,559
6.2 Income/losses from derivative financial instruments		(742,585)	(2,231,685)
6.3 Foreign exchange gains/losses		(338,683)	641,508
VII. OTHER OPERATING INCOME	(5.4.5)	1,364,227	916,689
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		14,828,568	12,010,057
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	(5.4.6)	2,814,864	2,218,194
X. OTHER OPERATING EXPENSES (-)	(5.4.7)	6,118,538	5,883,301
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		5,895,166	3,908,562
XII. INCOME RESULTED FROM MERGERS		-	-
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		398,272	400,315
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-
XV. OPERATING PROFIT/LOSS BEFORE TAXES (XI+XII+XIII+XIV)	(5.4.8)	6,293,438	4,308,877
XVI. PROVISION FOR TAXES (±)	(5.4.9)	1,222,889	902,370
16.1 Current tax charge		884,471	728,172
16.2 Deferred tax charge/(credit)		338,418	174,198
XVII. NET OPERATING PROFIT/LOSS AFTER TAXES (XV±XVI)	(5.4.10)	5,070,549	3,406,507
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1 Income from assets held for sale		-	-
18.2 Income from sale of associates, affiliates and joint-ventures		-	-
18.3 Others		-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Expenses on assets held for sale		-	-
19.2 Expenses on sale of associates, affiliates and joint-ventures		-	-
19.3 Others		-	-
XX. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XVIII-XIX)	(5.4.8)	-	-
XXI. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)	(5.4.9)	-	-
21.1 Current tax charge		-	-
21.2 Deferred tax charge/(credit)		-	-
XXII. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XX±XXI)	(5.4.10)	-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	(5.4.11)	5,070,549	3,406,507
Earnings per Share		1.207	0.811

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

(Convenience Translation
of Financial Statements
Originally Issued
in Turkish)

Statement of Income/Expense Items Accounted for under Shareholders' Equity
For the Year Ended 31 December 2016

		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		1 JANUARY 2016- 31 DECEMBER 2016	1 JANUARY 2015- 31 DECEMBER 2015
INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY			
I.	MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"	(338,406)	(462,665)
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS	-	1,467,649
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV.	TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	497,265	290,260
V.	GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)	12,072	81,849
VI.	GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	(180,457)	32,808
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS	-	-
VIII.	OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	(20,584)	40,155
IX.	DEFERRED TAXES ON VALUE INCREASES/DECREASES	84,586	78,354
X.	NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+III+IV+V+VI+VII+VIII+IX)	54,476	1,528,410
XI.	CURRENT PERIOD PROFIT/LOSSES	5,070,549	3,406,507
1.1	Net changes in fair value of securities (transferred to income statement)	158,603	62,612
1.2	Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement	(125,898)	96,087
1.3	Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-	-
1.4	Others	5,037,844	3,247,808
XII.	TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)	5,125,025	4,934,917

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Statement of Changes in Shareholders' Equity For the Year Ended 31 December 2016

(Convenience Translation
of Financial Statements
Originally Issued
in Turkish)

THOUSANDS OF TURKISH LIRA (TL)																			
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																			
FOOTNOTES	PAID-IN CAPITAL	CAPITAL RESERVES FROM INFLATION ADJS TO PAID-IN CAPITAL	SHARE PREMIUM	SHARE CANCELLATION PROFITS	LEGAL RESERVES	STATUS RESERVES	EXTRAORDINARY RESERVES	OTHER RESERVES	CURRENT PERIOD NET PROFIT/(LOSS)	PRIOR PERIOD PROFIT/(LOSS)	SECURITIES VALUE INCREASE FUND	REVALUATION SURPLUS ON TANGIBLE AND INTANGIBLE ASSETS	BONUS SHARES OF EQUITY PARTICIPATIONS	HEDGING RESERVES	ACCU. REV. SURP. ON ASSETS HELD FOR SALE AND ASSETS OF DISCONT. OPS	TOTAL SHAREHOLDERS' EQUITY			
PRIOR PERIOD / (1 JANUARY - 31 DECEMBER 2016)																			
I.	Balances at beginning of the period	4,200,000	772,554	11,880	-	1,131,122	-	16,119,685	71,385	-	3,674,111	460,934	175,034	1,891	(5,458)	-	26,613,138		
II.	Correction made as per TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2.1	Effect of corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2.2	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
III.	Adjusted balances at beginning of the period (I+II)	(5.5)	772,554	11,880	-	1,131,122	-	16,119,685	71,385	-	3,674,111	460,934	175,034	1,891	(5,458)	-	26,613,138		
Changes during the period																			
V.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
V.	Market value changes of securities	-	-	-	-	-	-	-	-	-	-	(356,740)	-	-	-	-	(356,740)		
VI.	Hedging reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	91,865	-	91,865	
6.1	Cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	65,618	-	65,618	
6.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,247	-	26,247	
VII.	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	1,456,873	-	-	-	1,456,873		
VIII.	Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
X.	Bonus shares of associates, affiliates and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
X.	Translation differences	-	-	-	-	1,507	-	462	20,647	-	-	267,644	-	-	-	-	290,260		
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	-	-	-	-	-	-	-	-	-	-	70,122	-	-	-	-	70,122		
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	-	-	-	-	-	-	-	(23,970)	-	-	-	-	-	-	-	(23,970)		
XIX.	Current period net profit/loss	-	-	-	-	-	-	-	3,406,507	-	-	-	-	-	-	-	3,406,507		
XX.	Profit distribution	-	-	-	-	35,700	-	3,039,465	31,946	-	(3,674,111)	-	-	-	-	-	(567,000)		
20.1	Dividends	-	-	-	-	-	-	-	-	-	(567,000)	-	-	-	-	-	-		
20.2	Transfers to reserves	-	-	-	-	35,700	-	2,555,988	-	-	(2,591,688)	-	-	-	-	-	-		
20.3	Others	-	-	-	-	-	-	483,477	31,946	-	(515,423)	-	-	-	-	-	-		
Balances at end of the period (III+IV+V+.....+XVIII+XIX+XX)																			
CURRENT PERIOD / (1 JANUARY - 31 DECEMBER 2016)																			
I.	Balances at beginning of the period	4,200,000	772,554	11,880	-	1,168,329	-	19,159,612	100,008	3,406,507	441,960	1,631,907	1,891	86,407	-	30,981,055			
Changes during the period																			
II.	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
III.	Market value changes of securities	-	-	-	-	-	-	-	-	-	(294,221)	-	-	-	-	(294,221)			
V.	Hedging reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(134,893)	-	(134,893)	
4.1	Cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,473	-	9,473	
4.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(144,366)	-	(144,366)	
V.	Revaluation surplus on tangible assets	-	-	-	-	-	-	8,303	-	-	-	(8,622)	-	-	-	(319)	-	(319)	
VI.	Revaluation surplus on intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VII.	Bonus shares of associates, affiliates and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VIII.	Translation differences	-	-	-	-	2,131	-	949	29,860	-	-	464,325	-	-	-	-	497,265		
X.	Changes resulted from disposal of assets	-	-	-	-	-	-	4,200	-	-	-	-	-	-	-	-	4,200		
X.	Changes resulted from reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
XI.	Effect of change in equities of associates on bank's equity	-	-	-	-	-	-	-	-	-	-	10,079	-	-	-	-	10,079		
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	(27,635)	-	-	(766)	-	-	-	-	(27,635)		
XVII.	Current period net profit/loss	-	-	-	-	-	-	-	5,070,549	-	(3,406,507)	-	3,918	-	-	-	5,070,549		
XVIII.	Profit distribution	-	-	-	-	35,700	-	2,799,084	805	-	-	-	-	-	-	-	(567,000)		
18.1	Dividends	-	-	-	-	-	-	-	-	-	(567,000)	-	-	-	-	-	-		
18.2	Transfers to reserves	-	-	-	-	35,700	-	2,799,084	-	-	(2,834,784)	-	-	-	-	-	-		
18.3	Others	-	-	-	-	-	-	-	805	-	(4,723)	-	-	-	-	-	-		
Balances at end of the period (I+II+III+.....+XVI+XVII+XVIII)																			
4,200,000	772,554	11,880	-	1,206,160	-	21,972,914	103,038	5,070,549	-	622,143	1,626,437	1,891	(48,486)	-	35,539,080				

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

(Convenience Translation
of Financial Statements
Originally Issued
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Statement of Cash Flows For the Year Ended 31 December 2016

		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD 1 JANUARY 2016- 31 DECEMBER 2016	PRIOR PERIOD 1 JANUARY 2015- 31 DECEMBER 2015
A.	STATEMENT OF CASH FLOWS FROM BANKING OPERATIONS		
	FOOTNOTES		
1.1	Operating profit before changes in operating assets and liabilities	4,770,050	3,803,213
1.1.1	Interests received	19,229,882	16,613,663
1.1.2	Interests paid	(10,011,667)	(8,577,499)
1.1.3	Dividend received	6,902	5,102
1.1.4	Fees and commissions received	4,142,158	3,822,532
1.1.5	Other income	1,524,254	1,346,248
1.1.6	Collections from previously written-off loans and other receivables	148,649	70,943
1.1.7	Payments to personnel and service suppliers	(5,554,231)	(5,230,373)
1.1.8	Taxes paid	(1,158,390)	(792,338)
1.1.9	Others (5.6)	(3,557,507)	(3,455,065)
1.2	Changes in operating assets and liabilities	(1,920,647)	(1,899,696)
1.2.1	Net (increase) decrease in financial assets held for trading	51,124	202,861
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	4,750,956	(2,189,475)
1.2.4	Net (increase) decrease in loans	(29,241,092)	(26,671,137)
1.2.5	Net (increase) decrease in other assets	548,698	(1,885,854)
1.2.6	Net increase (decrease) in bank deposits	(1,805,074)	164,142
1.2.7	Net increase (decrease) in other deposits	22,073,158	20,403,269
1.2.8	Net increase (decrease) in funds borrowed	1,672,475	5,269,469
1.2.9	Net increase (decrease) in matured payables		
1.2.10	Net increase (decrease) in other liabilities (5.6)	(170,892)	2,807,029
I.	Net cash flow from banking operations	2,849,403	1,903,517
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash flow from investing activities	826,972	(1,495,715)
2.1	Cash paid for purchase of associates, affiliates and joint-ventures	(53,484)	-
2.2	Cash obtained from sale of associates, affiliates and joint-ventures	135,173	-
2.3	Purchases of tangible assets	(959,045)	(499,273)
2.4	Sales of tangible assets	90,042	123,369
2.5	Cash paid for purchase of financial assets available-for-sale	(7,154,252)	(4,766,802)
2.6	Cash obtained from sale of financial assets available-for-sale	8,080,258	3,952,604
2.7	Cash paid for purchase of investments held-to-maturity	(498,479)	(3,277,512)
2.8	Cash obtained from sale of investments held-to-maturity	1,186,759	2,971,899
2.9	Others (5.6)	-	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash flow from financing activities	(305,466)	243,904
3.1	Cash obtained from funds borrowed and securities issued	5,939,235	6,279,433
3.2	Cash used for repayment of funds borrowed and securities issued	(5,661,529)	(5,463,215)
3.3	Equity instruments issued	-	-
3.4	Dividends paid	(567,000)	(567,000)
3.5	Payments for financial leases	(16,172)	(5,314)
3.6	Others (payments for founder shares repurchased) (5.6)	-	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	762,550	640,544
V.	Net increase/(decrease) in cash and cash equivalents	4,133,459	1,292,250
VI.	Cash and cash equivalents at beginning of period	8,878,118	7,585,868
VII.	Cash and cash equivalents at end of period	13,011,577	8,878,118

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Statement of Profit Distribution For the Year Ended 31 December 2016

(Convenience Translation
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Originally Issued
in Turkish)

		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD 31 DECEMBER 16	PRIOR PERIOD 31 DECEMBER 15
I.	STATEMENT OF DISTRIBUTION OF CURRENT YEAR PROFIT		
1.1	CURRENT PERIOD PROFIT	6,293,438	4,308,877
1.2	TAXES AND LEGAL DUTIES PAYABLE (-)	1,122,889	902,370
1.2.1	Corporate tax (income tax)	1,122,889	902,370
1.2.2	Withholding tax	-	-
1.2.3	Other taxes and duties	-	-
A.	NET PROFIT FOR THE PERIOD (1.1-1.2)	5,070,549	3,406,507
1.3	ACCUMULATED LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	-
1.5	OTHER STATUTORY RESERVES (-)	-	4,723
B.	NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	-	3,401,784
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	210,000
1.6.1	To owners of ordinary shares	-	210,000
1.6.2	To owners of privileged shares	-	-
1.6.3	To owners of redeemed shares	-	-
1.6.4	To profit sharing bonds	-	-
1.6.5	To holders of profit and loss sharing certificates	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	357,000
1.9.1	To owners of ordinary shares	-	357,000
1.9.2	To owners of privileged shares	-	-
1.9.3	To owners of redeemed shares	-	-
1.9.4	To profit sharing bonds	-	-
1.9.5	To holders of profit and loss sharing certificates	-	-
1.10	SECOND LEGAL RESERVES (-)	-	35,700
1.11	STATUS RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	2,799,084
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
II.	DISTRIBUTION OF RESERVES		
2.1	APPROPRIATED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1	To owners of ordinary shares	-	-
2.3.2	To owners of privileged shares	-	-
2.3.3	To owners of redeemed shares	-	-
2.3.4	To profit sharing bonds	-	-
2.3.5	To holders of profit and loss sharing certificates	-	-
2.4	DIVIDENDS TO PERSONNEL (-)	-	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III.	EARNINGS PER SHARE (per YTL'000 face value each)		
3.1	TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)	1.207	0.811
3.2	TO OWNERS OF ORDINARY SHARES (%)	0.121	0.081
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV.	DIVIDEND PER SHARE		
4.1	TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)	-	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) Decision regarding to the 2016 profit distribution will be held at General Assembly meeting.
The accompanying notes are an integral part of these unconsolidated financial statements.

3 ACCOUNTING POLICIES

3.1 BASIS OF PRESENTATION

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

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis except for financial instruments at fair value through profit or loss, financial assets available for sale, real estates and investments in affiliates valued at equity basis of accounting.

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

3.2 STRATEGY FOR USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS

3.2.1 STRATEGY FOR USE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

3.2.2 FOREIGN CURRENCY TRANSACTIONS

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

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

From 1 September 2015, it has been started to apply net investment hedge amounting to EUR 333,487,913 in total among net investments in Garanti Bank International NV and Garanti Holding BV having capitals denominated in foreign currencies and long term foreign currency borrowings. Foreign exchange losses in the amount of TL 147,648 thousands, arising from conversion of both foreign currency net investments and long term foreign currency borrowings are accounted under capital reserves and hedging reserves, respectively under equity as of 31 December 2016. There is no ineffective portion arising from net investment hedge accounting.

3.3 INVESTMENTS IN ASSOCIATES AND AFFILIATES

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

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

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

3.4 FORWARDS, OPTIONS AND OTHER DERIVATIVE TRANSACTIONS

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

3.4.1 DERIVATIVE FINANCIAL INSTRUMENTS HELD FOR TRADING

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

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

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

3.4.2 DERIVATIVE FINANCIAL INSTRUMENTS HELD FOR RISK MANAGEMENT

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

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

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

The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. When discontinuing fair value hedge accounting, the cumulative fair value changes in carrying value of the hedged item arising from the hedged risk are amortised to income statement 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

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

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

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

3.6 FEES AND COMMISSIONS

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

3.7 FINANCIAL ASSETS

3.7.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

3.7.2 INVESTMENTS HELD-TO-MATURITY, FINANCIAL ASSETS AVAILABLE-FOR-SALE AND LOANS AND RECEIVABLES

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

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

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

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

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

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

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

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

Loans and receivables are financial assets raised by the Bank providing money, commodity and services to debtors.

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

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

3.8 IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

3.9 NETTING AND DERECOGNITION OF FINANCIAL INSTRUMENTS

3.9.1 NETTING OF FINANCIAL INSTRUMENTS

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

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

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

3.9.2 DERECOGNITION OF FINANCIAL ASSETS

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

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

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

3.10 REPURCHASE AND RESALE AGREEMENTS AND SECURITIES LENDING

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

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

3.11 ASSETS HELD FOR SALE, DISCONTINUED OPERATIONS AND RELATED LIABILITIES

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

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

3.12 GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

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

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

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

The intangible assets are amortised by the Bank over their estimated useful lives based on their inflation adjusted costs on a straight-line basis. Estimated useful lives of the Bank's intangible assets are 3-15 years, and amortisation rates are 6.67-33.3%.

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

3.13 TANGIBLE ASSETS

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

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

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

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

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

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets. The depreciation rates and the estimated useful lives of tangible assets are presented below. Depreciation method in use was not changed in the current period.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

TANGIBLE ASSETS	ESTIMATED USEFUL LIVES (YEARS)	DEPRECIATION RATES %
Buildings	50	2
Vaults	50	2
Motor Vehicles	5-7	15-20
Other Tangible Assets	4-20	5-25

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

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

Investment Properties

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

Investment properties accounted at fair value are not depreciated.

3.14 LEASING ACTIVITIES

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

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

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

3.15 PROVISIONS AND CONTINGENT LIABILITIES

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

3.16 CONTINGENT ASSETS

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

3.17 LIABILITIES FOR EMPLOYEE BENEFITS

Severance indemnities and short-term employee benefits

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

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

	31 DECEMBER 2016	31 DECEMBER 2015
	%	%
Net Effective Discount Rate	3.43	2.99
Discount Rate	11.50	10.30
Expected Rate of Salary Increase	9.30	8.60
Inflation Rate	7.80	7.10

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

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

The actuarial gains/losses are recognised under shareholders' equity as per the revised TAS 19.

Retirement Benefit Obligations

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
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The Bank's defined benefit plan (the "Plan") is managed by "Türkiye Garanti Bankası Anonim Şirketi Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı" (the Fund) established as per the provisional article 20 of the Social Security Law no.506 and the Bank's employees are the members of this Fund.

The Plan is funded through contributions of both by the employees and the employer as required by Social Security Law numbered 506. These contributions are as follows:

31 DECEMBER 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") applied to the Constitutional Court for the cancellation of various articles of the Law including the first paragraph of the provisional Article 20. At the meeting of the Constitutional Court on 30 March 2011, it was decided that the first paragraph of the provisional Article 20 of the Law is not contradictory to the Constitutional Law, and accordingly the dismissal of the cancellation request has been denied with the majority of votes.

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

b) Other benefits not transferable to SSF

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

The actuarial gains/losses are recognised under shareholders' equity as per the revised TAS 19.

3.18 TAXATION

3.18.1 CORPORATE TAX

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

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

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

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

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

The tax applications for foreign branches;

NORTHERN CYPRUS

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

MALTA

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

LUXEMBOURG

The corporate earnings are subject to a 21% corporate tax. This rate is determined by modifying accounting income for certain exclusions and allowances for tax purposes. An additional 7% of the calculated corporate income tax is paid as a contribution to unemployment insurance fund. 3% of the taxable income is paid as municipality tax in addition to corporate tax. The municipalities have the right to increase this rate up to 200%-350%. The municipality commerce tax, which the Bank's Luxembourg branch subject to currently is applied as 7.50% of the taxable income. The tax returns do not include any tax amounts to be paid.

The tax calculation is done by the tax office and the amount to be paid is declared to corporate through an official letter called Note. The amounts and the payment dates of prepaid taxes are determined and declared by the tax office at the beginning of the taxation period. The corporations whose head offices are outside Luxembourg, are allowed to transfer the rest of their net income after tax following the allocation of 5% of it for legal reserves, to their head offices.

3.18.2 DEFERRED TAXES

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

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

The deferred tax assets and liabilities are reported as net in the financial statements.

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

3.18.3 TRANSFER PRICING

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

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

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

3.19 FUNDS BORROWED

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

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

3.20 SHARE ISSUANCES

None.

3.21 CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES

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

3.22 GOVERNMENT INCENTIVES

As of 31 December 2016, the Bank does not have any government incentives or grants.

3.23 SEGMENT REPORTING

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

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

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

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

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

Information on the business segments is as follows:

CURRENT PERIOD	RETAIL BANKING	CORPORATE / COMMERCIAL BANKING	INVESTMENT BANKING	OTHER	TOTAL OPERATIONS
Total Operating Profit	6,394,734	4,936,333	1,050,130	2,440,469	14,821,666
Other	-	-	-	-	-
Total Operating Profit	6,394,734	4,936,333	1,050,130	2,440,469	14,821,666
Net Operating Profit	2,752,763	1,731,805	711,270	1,090,698	6,286,536
Income from Associates and Affiliates	-	-	-	6,902	6,902
Net Operating Profit	2,752,763	1,731,805	711,270	1,097,600	6,293,438
Provision for Taxes	-	-	-	1,222,889	1,222,889
Net Profit	2,752,763	1,731,805	711,270	(125,289)	5,070,549
Segment Assets	59,084,680	126,963,548	81,188,982	11,707,628	278,944,838
Investments in Associates and Affiliates	-	-	-	5,210,562	5,210,562
Total Assets	59,084,680	126,963,548	81,188,982	16,918,190	284,155,400
Segment Liabilities	106,985,273	61,415,792	74,568,141	5,647,114	248,616,320
Shareholders' Equity	-	-	-	35,539,080	35,539,080
Total Liabilities and Shareholders' Equity	106,985,273	61,415,792	74,568,141	41,186,194	284,155,400
PRIOR PERIOD	RETAIL BANKING	CORPORATE / COMMERCIAL BANKING	INVESTMENT BANKING	OTHER	TOTAL OPERATIONS
Total Operating Profit	4,858,538	4,049,262	1,337,625	1,759,530	12,004,955
Other	-	-	-	-	-
Total Operating Profit	4,858,538	4,049,262	1,337,625	1,759,530	12,004,955
Net Operating Profit	(158,709)	1,900,294	1,007,811	1,554,379	4,303,775
Income from Associates and Affiliates	-	-	-	5,102	5,102
Net Operating Profit	(158,709)	1,900,294	1,007,811	1,559,481	4,308,877
Provision for Taxes	-	-	-	902,370	902,370
Net Profit	(158,709)	1,900,294	1,007,811	657,111	3,406,507
Segment Assets	53,086,559	106,251,482	79,563,977	10,957,371	249,859,389
Investments in Associates and Affiliates	-	-	-	4,483,197	4,483,197
Total Assets	53,086,559	106,251,482	79,563,977	15,440,568	254,342,586
Segment Liabilities	91,670,983	53,507,379	71,649,459	6,533,710	223,361,531
Shareholders' Equity	-	-	-	30,981,055	30,981,055
Total Liabilities and Shareholders' Equity	91,670,983	53,507,379	71,649,459	37,514,765	254,342,586

3.24 OTHER DISCLOSURES

None.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

4 FINANCIAL POSITION AND RESULTS OF OPERATIONS AND RISK MANAGEMENT

4.1 TOTAL CAPITAL

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

4.1.1 COMPONENTS OF TOTAL CAPITAL

	AMOUNT	AMOUNT AS PER THE REGULATION BEFORE 1/1/2014 (*)
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	23,385,730	
Other Comprehensive Income according to TAS	2,759,735	
Profit	5,070,549	
Current Period Profit	5,070,549	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	1,891	
Common Equity Tier I Capital Before Deductions	36,202,339	
DEDUCTIONS FROM COMMON EQUITY TIER I CAPITAL		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	732,893	-
Leasehold Improvements on Operational Leases (-)	103,037	-
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	128,006	213,344
Net Deferred Tax Asset/Liability (-)	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	1,730	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Ortaklık paylarının %10'dan daha fazlasına sahip olunan ve konsolide edilmeyen bankalar ve finansal kuruluşların çekirdek sermaye unsurlarına yapılan yatırımların net uzun pozisyonlarından kaynaklanan aşım tutarı	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Mortgage Servicing Rights not deducted (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	-
Total Deductions from Common Equity Tier I Capital	965,666	
Total Common Equity Tier I Capital	35,236,673	
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	--	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

DEDUCTIONS FROM ADDITIONAL TIER I CAPITAL		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
ITEMS TO BE DEDUCTED FROM TIER I CAPITAL DURING THE TRANSITION PERIOD		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	85,338	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	35,151,335	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2,596,082	
Total Deductions from Tier II Capital	2,596,082	
DEDUCTIONS FROM TIER II CAPITAL		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	2,596,082	
Total Equity (Total Tier I and Tier II Capital)	37,747,417	
TOTAL TIER I CAPITAL AND TIER II CAPITAL (TOTAL EQUITY)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	31	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	55,860	
Other items to be Defined by the BRSA (-)	36,994	
ITEMS TO BE DEDUCTED FROM THE SUM OF TIER I AND TIER II CAPITAL (CAPITAL) DURING THE TRANSITION PERIOD		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	37,654,532	-
Total Risk Weighted Assets	232,322,344	-
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	15.17	-
Tier I Capital Ratio (%)	15.13	-
Capital Adequacy Ratio (%)	16.21	-
BUFFERS		
Bank-specific total CET1 Capital Ratio	4.50	-
Capital Conservation Buffer Ratio (%)	0.625	-

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.01	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	8.21	-
AMOUNTS LOWER THAN EXCESSES AS PER DEDUCTION RULES		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	153,379	-
LIMITS FOR PROVISIONS USED IN TIER II CAPITAL CALCULATION		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	3,171,163	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2,596,082	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
DEBT INSTRUMENTS COVERED BY TEMPORARY ARTICLE 4 (EFFECTIVE BETWEEN 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

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

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

4.1.2 ITEMS INCLUDED IN CAPITAL CALCULATION

None.

4.1.3 RECONCILIATION OF CAPITAL ITEMS TO BALANCE SHEET

CURRENT PERIOD	CARRYING VALUE	AMOUNT OF CORRECTION	VALUE OF THE CAPITAL REPORT	EXPLANATION OF DIFFERENCES
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	2,882,801	(842,188)	2,040,613	
Other Comprehensive Income According to TAS	2,869,030	(842,188)	2,026,842	
Securities Value Increase Fund	622,143	-	622,143	
Revaluation Surplus on Tangible Assets	1,626,437	-	1,626,437	
Revaluation Surplus on Intangible Assets	-	-	-	
Revaluation Surplus on Investment Property	-	-	-	
Hedging Reserves (Effective Portion)	(48,486)	(69,634)	(118,120)	Items not included in the calculation as per Regulation's Article 9-1-f
Revaluation Surplus on Assets Held for Sale and Assets of Discontinued Operations	-	-	-	
Other Capital Reserves	668,936	(772,554)	(103,618)	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Affiliates and Joint-Ventures	1,891	-	1,891	
Share Premium	11,880	-	11,880	
Profit Reserves	23,385,730	-	23,385,730	
Profit or Loss	5,070,549	-	5,070,549	
Prior Periods Profit/Loss	-	-	-	
Current Period Net Profit/Loss	5,070,549	-	5,070,549	
Deductions from Common Equity Tier I Capital (-)	-		232,773	Deductions from Common Equity Tier 1 Capital as per the Regulation

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

Common Equity Tier I Capital	35,539,080		35,236,673	
CURRENT PERIOD	CARRYING VALUE	AMOUNT OF CORRECTION	VALUE OF THE CAPITAL REPORT	EXPLANATION OF DIFFERENCES
Subordinated Debts			-	
Deductions from Tier I Capital (-)			85,338	Deductions from Tier I Capital as per the Regulation
Tier I Capital			35,151,335	
Subordinated Debts			-	
General Provisions			2,596,082	General Loan Provision added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
Tier II Capital			2,596,082	
Deductions from Total Capital (-)			92,885	Deductions from Capital as per the Regulation
Total			37,654,532	

4.2 CREDIT RISK

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

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

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

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

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

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

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

The Bank performs foreign trade finance and other interbank credit transactions through widespread correspondents network. Accordingly, the Bank assigns limits to domestic and foreign banks and other financial institutions based on review of their credit worthiness, periodically.

The Bank's largest 100 and 200 cash loan customers compose 25.48% (31 December 2015: 24.93%) and 32.15% (31 December 2015: 31.56%) of the total cash loan portfolio, respectively.

The Bank's largest 100 and 200 non-cash loan customers compose 52.48% (31 December 2015: 54.96%) and 61.81% (31 December 2015: 63.60%) of the total non-cash loan portfolio, respectively.

The Bank's largest 100 ve 200 cash and non-cash loan customers represent 9.26% (31 December 2015: 9.26%) and 11.84% (31 December 2015: 11.78%) of the total "on and off balance sheet" assets, respectively.

The general provision for credit risks amounts to TL 3,171,163 thousands (31 December 2015: TL 3,002,057 thousands).

The Bank developed a statistical-based internal risk rating model for its credit portfolio of corporate/ commercial/medium-size companies. This internal risk rating model has been in use for customer credibility assessment since 2003. Risk rating has become a requirement for loan applications, and ratings are used both to determine branch managers' credit authorization limits and in credit assessment process.

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

	CURRENT PERIOD	PRIOR PERIOD
	%	%
Above Average	40.20	39.60
Average	47.99	50.04
Below Average	11.81	10.36
Total	100.00	100.00

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

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

EXPOSURE CATEGORIES	CURRENT PERIOD		PRIOR PERIOD	
	RISK AMOUNT (*)	AVERAGE RISK AMOUNT(**)	RISK AMOUNT (*)	AVERAGE RISK AMOUNT(**)
Conditional and unconditional exposures to central governments or central banks	63,012,273	70,027,891	65,579,586	58,311,686
Conditional and unconditional exposures to regional governments or local authorities	119,677	75,353	57,405	61,395
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	48,854	47,360	54,708	48,936
Conditional and unconditional exposures to multilateral development banks	1,443,371	1,136,416	1,092,922	135,683
Conditional and unconditional exposures to international organisations	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	42,679,125	37,815,617	41,174,380	24,981,902
Conditional and unconditional exposures to corporates	116,602,947	113,385,121	106,347,841	89,799,499
Conditional and unconditional retail exposures	62,984,633	56,101,792	44,312,464	42,012,670
Conditional and unconditional exposures secured by real estate property	35,952,134	30,167,033	27,318,928	24,460,455
Past due items	705,142	632,390	560,568	470,914
Items in regulatory high-risk categories	512,758	3,354,838	16,531,744	16,488,374
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-
Shares (***)	5,266,254	4,192,217	-	-
Other items	9,044,068	8,998,966	12,509,263	9,528,579

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

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

(***) Shares are reported under "Other Items" in the prior period.

4.2.1 PROFILE OF SIGNIFICANT EXPOSURES IN MAJOR REGIONS

CURRENT PERIOD (***)	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO BANKS AND BROKERAGE HOUSES	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CORPORATES	CONDITIONAL AND UNCONDITIONAL RETAIL EXPOSURES	CONDITIONAL AND UNCONDITIONAL EXPOSURES SECURED BY REAL ESTATE PROPERTY	ITEMS IN REGULATORY HIGH-RISK CATEGORIES	OTHER	TOTAL
Domestic	61,853,834	11,052,564	107,275,365	62,571,431	35,868,863	495,276	10,111,602	289,228,935
European Union (EU) Countries	672,569	28,379,177	1,969,165	30,689	53,051	14,096	1,443,441	32,562,189
OECD Countries (*)	95	544,225	2,945,951	2,669	5,675	17	1	3,498,632
Off-Shore Banking Regions	-	3,051	305,653	1,290	580	-	1	310,574
USA, Canada	1,131	709,376	1,788,553	3,815	3,165	-	-	2,506,040
Other Countries	484,644	251,168	1,151,653	374,739	20,800	3,369	2,693	2,289,067
Associates, Subsidiaries and Joint –Ventures	-	1,739,564	1,166,607	-	-	-	5,069,628	7,975,799
Unallocated Assets/Liabilities (**)	-	-	-	-	-	-	-	-
Total	63,012,273	42,679,125	116,602,947	62,984,633	35,952,134	512,758	16,627,366	338,371,236

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016

(Thousands of Turkish Lira (TL))

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

PRIOR PERIOD (***)	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO BANKS AND BROKERAGE HOUSES	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CORPORATES	CONDITIONAL AND UNCONDITIONAL RETAIL EXPOSURES	CONDITIONAL AND UNCONDITIONAL EXPOSURES SECURED BY REAL ESTATE PROPERTY	ITEMS IN REGULATORY HIGH-RISK CATEGORIES	OTHER	TOTAL
Domestic	64,580,953	12,975,347	98,429,954	44,071,401	27,272,448	16,399,492	8,555,272	272,284,867
European Union (EU) Countries	670,260	24,923,003	1,835,187	38,115	32,475	6,393	1,093,054	28,598,487
OECD Countries (*)	45	258,180	2,111,583	4,496	3,301	361	-	2,377,966
Off-Shore Banking Regions	-	2,483	20	1,544	-	-	-	4,047
USA, Canada	726	1,370,753	1,717,831	2,495	1,459	7	1	3,093,272
Other Countries	327,602	1,007,008	1,007,674	194,413	9,245	125,491	284,276	2,955,709
Associates, Subsidiaries and Joint –Ventures	-	637,606	1,245,592	-	-	-	4,342,263	6,225,461
Unallocated Assets/Liabilities (**)	-	-	-	-	-	-	-	-
Total	65,579,586	41,174,380	106,347,841	44,312,464	27,318,928	16,531,744	14,274,866	315,539,809

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

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

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.2.2 RISK PROFILE BY SECTORS OR COUNTER PARTIES

CURRENT PERIOD (*)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	TL	FC	TOTAL
Agriculture	-	-	-	-	-	-	435,612	543,159	432,799	12,950	4,298	-	-	-	-	-	1,151,167	277,651	1,428,818
Farming and Stockbreeding	-	-	-	-	-	-	285,797	502,588	395,558	12,546	4,055	-	-	-	-	-	1,079,632	120,912	1,200,544
Forestry	-	-	-	-	-	-	81,028	19,013	28,632	404	120	-	-	-	-	-	32,248	96,949	129,197
Fishery	-	-	-	-	-	-	68,787	21,558	8,609	-	123	-	-	-	-	-	39,287	59,790	99,077
Manufacturing	5	-	-	-	-	128,678	49,376,204	5,886,803	7,153,576	173,086	106,603	-	-	-	-	-	19,773,085	43,051,870	62,824,955
Mining and Quarrying	-	-	-	-	-	-	2,059,850	248,550	117,122	4,201	1,182	-	-	-	-	-	754,606	1,676,299	2,430,905
Production	-	-	-	-	-	-	26,587,997	5,529,300	4,295,457	130,193	71,217	-	-	-	-	-	15,714,365	20,899,799	36,614,164
Electricity, Gas and Water	5	-	-	-	-	128,678	20,728,357	108,953	2,740,997	38,692	34,204	-	-	-	-	-	3,304,114	20,475,772	23,779,886
Construction	-	-	173	-	-	-	5,887,167	2,881,476	2,370,595	89,145	53,471	-	-	-	-	-	7,212,587	4,069,440	11,282,027
Services	489	-	2,389	1,443,371	-	41,624,542	51,999,308	13,585,101	9,510,218	376,715	268,489	-	-	-	55,693	-	79,962,914	38,903,401	118,866,315
Wholesale and Retail Trade	-	-	268	-	-	-	21,269,667	10,338,394	4,939,252	147,569	79,675	-	-	-	-	-	22,611,794	14,183,031	36,794,825
Accommodation and Dining	-	-	13	-	-	-	2,962,373	774,569	2,689,619	80,017	6,117	-	-	-	-	-	1,753,450	4,759,258	6,512,708
Transportation and Telecom.	-	-	10	-	-	-	12,551,212	1,675,775	602,445	139,447	14,648	-	-	-	-	-	3,059,554	11,924,003	14,983,557
Financial Institutions	-	-	-	-	1,443,371	-	7,496,410	104,881	65,118	350	162,431	-	-	-	55,693	-	49,697,828	1,254,968	50,952,796
Real Estate and Rental Services	-	-	-	-	-	-	4,932,407	198,883	621,903	5,087	631	-	-	-	-	-	1,307,888	4,451,023	5,758,911
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	1	-	2,098	-	-	-	253,021	144,598	353,320	2,673	1,251	-	-	-	-	-	610,905	146,057	756,962
Health and Social Services	488	-	-	-	-	-	2,534,218	348,001	218,541	1,572	3,736	-	-	-	-	-	921,495	2,185,061	3,106,556
Others	63,011,779	119,677	46,292	-	-	925,905	8,904,656	40,088,094	16,484,946	53,245	79,897	-	-	-	5,210,561	9,044,069	72,851,435	71,117,686	143,969,121
Total	63,012,273	119,677	48,854	1,443,371	-	42,679,125	116,602,947	62,984,633	35,952,134	705,141	512,758	-	-	-	5,266,254	9,044,069	180,951,188	157,420,048	338,371,236

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

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016

(Thousands of Turkish Lira (TL))

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

PRIOR PERIOD (*)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	TL	FC	TOTAL
Agriculture	-	-	-	-	-	-	385,902	436,837	370,282	10,757	46,989	-	-	-	-	-	1,053,624	197,143	1,250,767
Farming and Stockbreeding	-	-	-	-	-	-	281,304	399,193	341,299	10,610	42,047	-	-	-	-	-	972,695	101,758	1,074,453
Forestry	-	-	-	-	-	-	20,912	19,800	17,528	67	693	-	-	-	-	-	28,220	30,780	59,000
Fishery	-	-	-	-	-	-	83,686	17,844	11,455	80	4,249	-	-	-	-	-	52,709	64,605	117,314
Manufacturing	5	-	4	-	-	-	45,736,627	3,971,473	3,734,935	179,773	254,156	-	-	-	-	-	15,180,415	38,696,558	53,876,973
Mining and Quarrying	-	-	-	-	-	-	1,254,599	162,879	134,480	9,969	6,998	-	-	-	-	-	519,091	1,049,834	1,568,925
Production	-	-	3	-	-	-	23,246,702	3,740,300	3,486,457	139,299	242,792	-	-	-	-	-	12,842,253	18,013,300	30,855,553
Electricity, Gas and Water	5	-	1	-	-	-	21,235,326	68,294	113,998	30,505	4,366	-	-	-	-	-	1,819,071	19,633,424	21,452,495
Construction	-	-	209	-	-	-	5,818,221	1,704,248	2,622,197	48,168	146,710	-	-	-	-	-	5,982,438	4,357,315	10,339,753
Services	405	-	4,295	1,092,922	-	34,528,863	51,124,232	10,127,000	10,183,106	254,921	1,159,633	-	-	-	-	-	50,773	46,628,000	61,898,150
Wholesale and Retail Trade	366	-	319	-	-	-	21,737,572	7,822,263	5,026,445	176,336	555,635	-	-	-	-	-	20,072,674	15,246,262	35,318,936
Accommodation and Dining	-	-	298	-	-	-	3,183,450	506,444	2,239,133	40,623	55,509	-	-	-	-	-	1,748,152	4,277,305	6,025,457
Transportation and Telecom.	-	-	4	-	-	-	8,408,153	1,273,987	833,456	25,281	91,904	-	-	-	-	-	2,807,608	7,825,177	10,632,785
Financial Institutions	-	-	-	-	-	40,344,863	6,436,560	74,969	59,277	8,373	404,344	-	-	-	-	50,773	19,417,942	29,054,139	48,472,081
Real Estate and Rental Services	-	-	-	-	-	-	3,720,599	128,215	1,532,275	932	12,206	-	-	-	-	-	1,127,657	4,266,570	5,394,227
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	2	-	3,391	-	-	-	387,119	84,326	197,273	904	9,135	-	-	-	-	-	543,829	138,321	682,150
Health and Social Services	37	-	283	-	-	-	1,434,779	236,796	295,247	2,472	30,900	-	-	-	-	-	910,138	1,090,376	2,000,514
Others	65,579,176	57,405	50,200	-	-	829,517	9,098,859	28,072,906	10,408,408	66,949	14,924,256	-	-	-	-	-	12,458,490	101,670,310	39,875,856
Total	65,579,586	57,405	54,708	1,092,922	-	41,174,380	106,347,841	44,312,464	27,318,928	560,568	16,531,744	-	-	-	-	-	170,514,787	145,025,022	315,539,809

- 1- Conditional and unconditional exposures to central governments or central banks
2- Conditional and unconditional exposures to regional governments or local authorities
3- Conditional and unconditional exposures to administrative bodies and non-commercial undertakings
4- Conditional and unconditional exposures to multilateral development banks
5- Conditional and unconditional exposures to international organisations
6- Conditional and unconditional exposures to banks and brokerage houses
7- Conditional and unconditional exposures to corporates
8- Conditional and unconditional retail exposures
9- Conditional and unconditional exposures secured by real estate property
10- Past due receivables
11- Receivables in regulatory high-risk categories
12- Exposures in the form of bonds secured by mortgages
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14- Short term exposures to banks, brokerage houses and corporates
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(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.2.3 ANALYSIS OF MATURITY-BEARING EXPOSURES ACCORDING TO REMAINING MATURITIES

CURRENT PERIOD	TERM TO MATURITY				
	UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	OVER 1 YEAR
Conditional and unconditional exposures to central governments or central banks	6,877,124	14,069,704	87,825	5,445	36,605,758
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	1,881	117,796
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	394	104	1,500	189	43,973
Conditional and unconditional exposures to multilateral development banks	-	-	-	6,379	1,436,992
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	13,675,680	2,254,641	1,364,836	2,306,504	22,483,788
Conditional and unconditional exposures to corporates	6,445,897	8,331,269	10,638,293	16,181,977	69,832,703
Conditional and unconditional retail exposures	13,507,480	7,465,096	2,334,488	4,820,056	28,830,747
Conditional and unconditional exposures secured by real estate property	226,130	470,653	779,895	1,826,813	30,639,253
Past due items	-	-	-	-	-
Items in regulatory high-risk categories	1,244	162,801	2,350	3,446	42,770
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	-	-	-	-	-
Shares	-	-	-	-	-
Other items	646,707	-	-	-	-
TOTAL	41,380,656	32,754,268	15,209,187	25,152,690	190,033,780

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

PRIOR PERIOD	TERM TO MATURITY				
	UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	OVER 1 YEAR
Exposure Categories (*)					
Conditional and unconditional exposures to central governments or central banks	6,612,762	20,527,333	223,550	3,497,122	31,977,550
Conditional and unconditional exposures to regional governments or local authorities	2,000	-	-	-	55,405
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	1,315	2,349	1,761	41,811	6,710
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	1,092,922
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	14,212,426	2,207,557	3,046,810	2,798,437	18,893,862
Conditional and unconditional exposures to corporates	7,415,455	7,084,795	9,918,170	19,117,403	61,800,148
Conditional and unconditional retail exposures	10,716,218	4,049,414	6,122,293	3,984,908	13,340,904
Conditional and unconditional exposures secured by real estate property	672,225	1,283,615	1,799,574	2,537,428	20,973,719
Past due items	-	-	-	-	-
Items in regulatory high-risk categories	2,033	466,630	1,496	1,008,013	14,841,673
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	-	-	-	-	-
Other items	-	-	-	-	-
Total	39,634,434	35,621,693	21,113,654	32,985,122	162,982,893

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.2.4 EXPOSURE CATEGORIES

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

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

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

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

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

CREDIT QUALITY GRADE	FITCH RATINGS LONG TERM CREDIT RATING	EXPOSURE CATEGORIES			
		EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS	EXPOSURES TO BANKS AND BROKERAGE HOUSES		EXPOSURES TO CORPORATES
			EXPOSURES WITH ORIGINAL MATURITIES LESS THAN 3 MONTHS	EXPOSURES WITH ORIGINAL MATURITIES MORE THAN 3 MONTHS	
1	AAA to AA-	0%	20%	20%	20%
2	A+ to A-	20%	20%	50%	50%
3	BBB+ to BBB-	50%	20%	50%	100%
4	BB+ to BB-	100%	50%	100%	100%
5	B+ to B-	100%	50%	100%	150%
6	CCC+ and below	150%	150%	150%	150%

4.2.5 EXPOSURES BY RISK WEIGHTS

CURRENT PERIOD	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	DEDUCTIONS FROM EQUITY
RISK WEIGHTS											
Exposures before Credit Risk Mitigation Kredi Riski Azaltımı Öncesi Tutar	43,202,244	-	11,155,816	18,651,705	78,781,647	62,981,696	123,124,624	320,125	-	153,379	410,963
Exposures after Credit Risk Mitigation	38,772,528	-	7,701,489	18,645,667	59,084,603	62,393,126	120,613,171	320,121	-	153,379	410,963
PRIOR PERIOD	0%	10%	20%	50%	75%	100%	150%	200%	250%	DEDUCTIONS FROM EQUITY	
RISK WEIGHTS											
Exposures before Credit Risk Mitigation	61,545,115	-	17,879,816	56,854,873	38,639,041	124,127,113	6,216,968	9,629,940	646,943	488,652	
Exposures after Credit Risk Mitigation	55,176,759	-	10,665,220	48,243,166	38,349,975	111,416,563	6,166,690	9,570,865	646,943	488,652	

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.2.6 INFORMATION BY MAJOR SECTORS AND TYPE OF COUNTERPARTIES

As per the TAS and TFRS;

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

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

CURRENT PERIOD	CREDIT RISKS			
	IMPAIRED CREDITS	PAST DUE CREDITS	VALUE ADJUSTMENTS	PROVISIONS
Agriculture	40,139	15,965	509	23,619
Farming and Stockbreeding	36,921	13,265	475	21,313
Forestry	2,077	1,002	14	1,352
Fishery	1,141	1,698	20	954
Manufacturing	658,603	246,348	16,311	428,556
Mining and Quarrying	29,767	3,882	114	23,429
Production	486,364	157,683	9,254	335,728
Electricity, Gas and Water	142,472	84,783	6,943	69,399
Construction	464,155	105,302	4,593	297,577
Services	1,408,404	3,802,304	60,341	882,420
Wholesale and Retail Trade	715,407	275,028	15,039	455,836
Accommodation and Dining	137,599	58,333	3,417	47,625
Transportation and Telecommunication	472,588	3,425,754	39,641	314,073
Financial Institutions	19,101	1,326	43	18,588
Real Estate and Rental Services	13,515	18,330	1,081	7,592
Professional Services	-	-	-	-
Educational Services	31,667	9,181	172	26,644
Health and Social Services	18,527	14,352	948	12,062
Others	3,057,335	4,008,042	93,102	2,769,484
Total	5,628,636	8,177,961	174,856	4,401,656

PRIOR PERIOD	CREDIT RISKS			
	IMPAIRED CREDITS	PAST DUE CREDITS	VALUE ADJUSTMENTS	PROVISIONS
Agriculture	36,937	14,220	336	15,628
Farming and Stockbreeding	32,259	13,013	318	14,812
Forestry	411	781	10	228
Fishery	4,267	426	8	588
Manufacturing	698,449	78,776	1,203	447,654
Mining and Quarrying	32,811	3,348	43	18,935
Production	515,468	73,712	1,126	310,241
Electricity, Gas and Water	150,170	1,716	34	118,478
Construction	246,831	76,734	1,213	116,875
Services	1,165,642	332,927	7,036	683,758
Wholesale and Retail Trade	761,034	167,377	2,418	412,423
Accommodation and Dining	148,421	33,564	466	85,920
Transportation and Telecommunication	203,392	111,408	3,963	156,491
Financial Institutions	30,577	791	12	17,754
Real Estate and Rental Services	3,471	3,616	35	1,972
Professional Services	-	-	-	-
Educational Services	5,653	1,961	40	3,690
Health and Social Services	13,094	14,210	102	5,508
Others	2,570,149	3,037,456	134,043	2,405,892
Total	4,718,008	3,540,113	143,831	3,669,807

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.2.7 MOVEMENTS IN VALUE ADJUSTMENTS AND PROVISIONS

CURRENT PERIOD	OPENING BALANCE	PROVISION FOR PERIOD	PROVISION REVERSALS	OTHER ADJUSTMENTS(*)	CLOSING BALANCE
Specific Provisions	3,669,807	2,822,117	2,090,268	-	4,401,656
General Provisions	3,002,057	161,626	64	7,544	3,171,163

PRIOR PERIOD	OPENING BALANCE	PROVISION FOR PERIOD	PROVISION REVERSALS	OTHER ADJUSTMENTS(*)	CLOSING BALANCE
Specific Provisions	2,782,842	1,951,849	1,064,884	-	3,669,807
General Provisions	2,434,629	562,604	510	5,334	3,002,057

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

4.2.8 EXPOSURES SUBJECT TO COUNTERCYCLICAL CAPITAL BUFFER

COUNTRY	RWAS OF BANKING BOOK FOR PRIVATE SECTOR LENDING	RWAS OF TRADING BOOK	TOTAL
Turkey	167,512,628	350,751	167,863,379
the Netherlands	965,364	-	965,364
Malta	800,187	-	800,187
NCTR	568,033	-	568,033
Cayman Islands	530,529	-	530,529
Switzerland	522,731	73	522,804
USA	155,705	-	155,705
Macedonian Republic	109,574	-	109,574
Sweden	75,583	-	75,583
Romania	66,050	-	66,050
Other	172,526	-	172,526

4.3 CURRENCY RISK

Foreign currency position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 31 December 2016, the Bank's net 'on balance sheet' foreign currency short position amounts to TL 17,200,230 thousands (31 December 2015: TL 7,778,023 thousands), net 'off-balance sheet' foreign currency long position amounts to TL 18,461,666 thousands (31 December 2015: TL 9,467,068 thousands), while net foreign currency long open position amounts to TL 1,261,436 thousands (31 December 2015: TL 1,689,045 thousands).

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

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

	USD	EUR
Foreign currency purchase rates at balance sheet date	3.5130	3.7020
<u>Exchange rates for the days before balance sheet date:</u>		
Day 1	3.5130	3.7020
Day 2	3.5250	3.6863
Day 3	3.5370	3.6776
Day 4	3.5170	3.6756
Day 5	3.5020	3.6610
Last 30-days arithmetical average rates	3.4955	3.6814

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

THE BANK'S CURRENCY RISK:

	EUR	USD	OTHER FCS	TOTAL
CURRENT PERIOD				
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	5,164,997	10,577,018	1,319,416	17,061,431
Banks	4,695,750	6,561,692	614,830	11,872,272
Financial Assets at Fair Value through Profit/Loss	130,512	305,288	3	435,803
Interbank Money Market Placements	351,691	-	-	351,691
Financial Assets Available-for-Sale	72,795	1,342,492	1	1,415,288
Loans (*)	28,543,720	44,473,359	700,722	73,717,801
Investments in Associates, Affiliates and Joint-Ventures	2,747,797	-	-	2,747,797
Investments Held-to-Maturity	129,789	11,371,272	-	11,501,061
Derivative Financial Assets Held for Risk Management	-	65,495	-	65,495
Tangible Assets	14	266	-	280
Intangible Assets	-	-	-	-
Other Assets	330,013	557,320	5,073	892,406
Total Assets	42,167,078	75,254,202	2,640,045	120,061,325
Liabilities				
Bank Deposits	1,566,570	1,196,588	192,104	2,955,262
Foreign Currency Deposits	22,619,712	55,507,914	1,839,025	79,966,651
Interbank Money Market Takings	-	-	-	-
Other Fundings	9,385,338	28,776,969	2,399	38,164,706
Securities Issued	2,192,240	8,736,764	738,652	11,667,656
Miscellaneous Payables	56,132	835,181	5,380	896,693
Derivative Financial Liabilities Held for Risk Management	19,224	69,112	-	88,336
Other Liabilities (**)	383,664	1,101,357	2,037,230	3,522,251
Total Liabilities	36,222,880	96,223,885	4,814,790	137,261,555
Net 'On Balance Sheet' Position	5,944,198	(20,969,683)	(2,174,745)	(17,200,230)
Net 'Off-Balance Sheet' Position	(4,526,285)	20,945,530	2,042,421	18,461,666
Derivative Assets	14,374,090	58,983,474	4,395,536	77,753,100
Derivative Liabilities	18,900,375	38,037,944	2,353,115	59,291,434
Non-Cash Loans	-	-	-	-
PRIOR PERIOD				
Total Assets	32,703,430	76,415,779	5,438,306	114,557,515
Total Liabilities	31,085,884	86,871,090	4,378,564	122,335,538
Net 'On Balance Sheet' Position	1,617,546	(10,455,311)	1,059,742	(7,778,023)
Net 'Off-Balance Sheet' Position	(552,341)	11,191,825	(1,172,416)	9,467,068
Derivative Assets	11,681,920	43,870,033	6,336,208	61,888,161
Derivative Liabilities	12,234,261	32,678,208	7,508,624	52,421,093
Non-Cash Loans	-	-	-	-

(*) The foreign currency-indexed loans amounting TL 6,396,564 thousands included under TL loans in the accompanying balance sheet are presented above under the related foreign currency codes.

(**) Other liabilities include gold deposits of TL 2,024,532 thousands.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.4 INTEREST RATE RISK

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

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

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

4.4.1 INTEREST RATE SENSITIVITY OF ASSETS, LIABILITIES AND OFF BALANCE SHEET ITEMS

(based on repricing dates)

CURRENT PERIOD	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER	NON-INTEREST BEARING (*)	TOTAL
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	17,892,432	-	-	-	-	5,892,702	23,785,134
Banks	3,926,271	1,934,196	1,989,280	-	-	4,469,179	12,318,926
Financial Assets at Fair Value through Profit/Loss	7,624	22,679	15,205	26,655	42,663	3,391,602	3,506,428
Interbank Money Market Placements	351,690	-	-	-	-	1	351,691
Financial Assets Available-for-Sale	2,613,361	5,750,771	5,630,419	2,729,802	1,684,778	1,503,438	19,912,569
Loans	43,310,831	22,078,517	55,780,392	48,273,126	12,730,401	3,874,961	186,048,228
Investments Held-to-Maturity	1,025,906	2,002,859	5,554,835	5,329,013	7,297,741	2,429,830	23,640,184
Other Assets	3,886	176	-	16,494	2,306	14,569,378	14,592,240
Total Assets	69,132,001	31,789,198	68,970,131	56,375,090	21,757,889	36,131,091	284,155,400
Liabilities							
Bank Deposits	645,554	9,261	207,533	-	-	2,856,198	3,718,546
Other Deposits	88,684,664	20,652,616	11,479,265	180,101	-	36,516,405	157,513,051
Interbank Money Market Takings	9,763,295	-	-	-	-	6,092	9,769,387
Miscellaneous Payables	-	-	-	-	-	9,088,139	9,088,139
Securities Issued	506,828	1,335,786	4,599,655	7,523,662	2,143,691	327,257	16,436,879
Other Fundings	13,807,571	14,873,592	6,853,254	4,343,480	164,288	244,183	40,286,368
Other Liabilities	6,058	9,469	20,681	1,686	-	47,305,136	47,343,030
Total Liabilities	113,413,970	36,880,724	23,160,388	12,048,929	2,307,979	96,343,410	284,155,400
On Balance Sheet Long Position	-	-	45,809,743	44,326,161	19,449,910	-	109,585,814
On Balance Sheet Short Position	(44,281,969)	(5,091,526)	-	-	-	(60,212,319)	(109,585,814)
Off-Balance Sheet Long Position	8,000,925	10,184,917	12,492,698	4,640,715	4,244,593	-	39,563,848
Off-Balance Sheet Short Position	(1,313,961)	(4,549,173)	(9,696,072)	(12,903,699)	(11,205,806)	-	(39,668,711)
Total Position	(37,595,005)	544,218	48,606,369	36,063,177	12,488,697	(60,212,319)	(104,863)

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

PRIOR PERIOD	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER	NON-INTEREST BEARING (*)	TOTAL
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	237,533	-	-	-	-	24,913,990	25,151,523
Banks	4,891,625	1,627,764	1,721,756	-	-	3,606,350	11,847,495
Financial Assets at Fair Value through Profit/Loss(**)	6,123	43,980	24,243	64,552	27,070	1,484,381	1,650,349
Interbank Money Market Placements	61,068	-	-	-	-	1	61,069
Financial Assets Available-for-Sale	1,056,789	8,255,927	5,535,331	2,886,934	1,398,732	1,386,088	20,519,801
Loans (**)	36,234,817	19,851,601	47,116,862	41,487,703	11,718,450	2,928,608	159,338,041
Investments Held-to-Maturity	1,314,880	1,839,477	5,475,789	4,164,735	7,166,113	1,794,818	21,755,812
Other Assets	8,141	-	-	-	3,126	14,007,229	14,018,496
Total Assets	43,810,976	31,618,749	59,873,981	48,603,924	20,313,491	50,121,465	254,342,586
Liabilities							
Bank Deposits	2,559,672	1,004,936	136,962	-	-	1,819,409	5,520,979
Other Deposits	69,211,491	23,297,959	12,546,330	155,766	-	30,166,807	135,378,353
Interbank Money Market Takings	12,530,501	242	2,520,164	-	-	17,254	15,068,161
Miscellaneous Payables	-	-	-	-	-	8,336,852	8,336,852
Securities Issued	1,065,962	1,063,971	1,884,600	6,724,385	3,155,359	304,492	14,198,769
Other Fundings	13,072,799	12,976,046	2,387,108	4,813,288	154,377	193,971	33,597,589
Other Liabilities	2,961	41,686	13,766	3,020	-	42,180,450	42,241,883
Total Liabilities	98,443,386	38,384,840	19,488,930	11,696,459	3,309,736	83,019,235	254,342,586
On Balance Sheet Long Position	-	-	40,385,051	36,907,465	17,003,755	-	94,296,271
On Balance Sheet Short Position	(54,632,410)	(6,766,091)	-	-	-	(32,897,770)	(94,296,271)
Off-Balance Sheet Long Position	5,220,980	7,262,160	11,606,458	5,101,636	2,626,080	-	31,817,314
Off-Balance Sheet Short Position	(1,478,854)	(4,029,766)	(9,071,991)	(10,112,625)	(7,396,845)	-	(32,090,081)
Total Position	(50,890,284)	(3,533,697)	42,919,518	31,896,476	12,232,990	(32,897,770)	(272,767)

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

(**) Loans amounting to TL 198,118 thousands included under "financial assets at fair value through profit or loss" in the accompanying balance sheet, are presented above under "Loans".

4.4.2 AVERAGE INTEREST RATES ON MONETARY FINANCIAL INSTRUMENTS

	EUR	USD	JPY	TL
CURRENT PERIOD				
Assets	%	%	%	%
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	0.52	-	4.22
Banks	0.05	0.90	-	9.09
Financial Assets at Fair Value through Profit/Loss	2.18	5.77	-	10.16
Interbank Money Market Placements	0.05	-	-	-
Financial Assets Available-for-Sale	-	5.64	-	10.08
Loans	3.92	5.61	3.41	15.26
Investments Held-to-Maturity	0.19	5.53	-	10.22
Liabilities				
Bank Deposits	0.20	1.21	-	9.39
Other Deposits	0.88	1.95	1.22	7.48
Interbank Money Market Takings	-	-	-	8.30
Miscellaneous Payables	-	-	-	-
Securities Issued	3.48	5.13	0.64	10.34
Other Fundings	0.95	2.60	-	10.26

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

AVERAGE INTEREST RATES ON MONETARY FINANCIAL INSTRUMENTS

	EUR	USD	JPY	TL
PRIOR PERIOD				
Assets	%	%	%	%
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	0.35	-	2.90
Banks	0.13	0.15	-	11.43
Financial Assets at Fair Value through Profit/Loss	4.66	4.64	-	10.29
Interbank Money Market Placements	-	0.55	-	-
Financial Assets Available-for-Sale	-	5.67	-	10.54
Loans	3.94	5.17	3.04	15.20
Investments Held-to-Maturity	0.19	5.49	-	10.76
Liabilities				
Bank Deposits	0.56	1.05	-	10.69
Other Deposits	0.95	1.43	1.19	8.20
Interbank Money Market Takings	-	2.12	1.49	9.31
Miscellaneous Payables	-	-	-	-
Securities Issued	3.42	4.83	1.01	9.94
Other Fundings	1.09	2.17	1.50	11.06

4.5 POSITION RISK OF EQUITY SECURITIES IN BANKING BOOK

4.5.1 EQUITY SHARES IN ASSOCIATES AND AFFILIATES

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

4.5.2 COMPARISON OF CARRYING, FAIR AND MARKET VALUES OF EQUITY SHARES

CURRENT PERIOD		COMPARISON		
EQUITY SECURITIES (SHARES)	CARRYING VALUE	FAIR VALUE(*)	MARKET VALUE	
1 Investment in Shares- Grade A	5,109,467	4,997,355	83,689	
Quoted Securities	79,275	79,275	83,689	
2 Investment in Shares- Grade B	99,371	72,273	82,466	
Quoted Securities	72,273	72,273	82,466	
3 Investment in Shares- Grade C	662	-	-	
Quoted Securities	-	-	-	
4 Investment in Shares- Grade D	-	-	-	
Quoted Securities	-	-	-	
5 Investment in Shares- Grade E	1,014	-	-	
Quoted Securities	-	-	-	
6 Investment in Shares- Grade F	48	-	-	
Quoted Securities	-	-	-	

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

PRIOR PERIOD		COMPARISON		
EQUITY SECURITIES (SHARES)	CARRYING VALUE	FAIR VALUE(*)	MARKET VALUE	
1 Investment in Shares- Grade A	4,389,688	4,277,576	70,875	
Quoted Securities	70,956	70,956	70,875	
2 Investment in Shares- Grade B	91,785	64,688	69,839	
Quoted Securities	64,688	64,688	69,839	
3 Investment in Shares- Grade C	662	-	-	
Quoted Securities	-	-	-	
4 Investment in Shares- Grade D	-	-	-	
Quoted Securities	-	-	-	
5 Investment in Shares- Grade E	1,014	-	-	
Quoted Securities	-	-	-	
6 Investment in Shares- Grade F	48	-	-	
Quoted Securities	-	-	-	

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.5.3 REALISED GAINS/LOSSES, REVALUATION SURPLUSES AND UNREALISED GAINS/LOSSES ON EQUITY SECURITIES AND RESULTS INCLUDED IN CORE AND SUPPLEMENTARY CAPITALS

CURRENT PERIOD			REVALUATION SURPLUSES		UNREALISED GAINS AND LOSSES		
			TOTAL	AMOUNT IN TIER I CAPITAL[*]	TOTAL	AMOUNT IN CORE CAPITAL	AMOUNT IN TIER I CAPITAL[*]
GAINS/LOSSES IN CURRENT PERIOD							
PORTFOLIO							
1	Private Equity Investments	-	-	-	-	-	-
2	Quoted Shares	-	66,295	66,295	-	-	-
3	Other Shares	-	2,915,577	2,915,577	-	-	-
Total		-	2,981,873	2,981,873	-	-	-

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

PRIOR PERIOD			REVALUATION SURPLUSES		UNREALISED GAINS AND LOSSES		
			GAINS/LOSSES IN CURRENT PERIOD				
PORTFOLIO			TOTAL	AMOUNT IN TIER I CAPITAL[*]	TOTAL	AMOUNT IN CORE CAPITAL	AMOUNT IN TIER I CAPITAL[*]
1	Private Equity Investments	-	-	-	-	-	-
2	Quoted Shares	-	50,392	50,392	-	-	-
3	Other Shares	-	2,493,817	2,493,817	-	-	-
Total		-	2,544,209	2,544,209	-	-	-

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

4.5.4 CAPITAL REQUIREMENT AS PER EQUITY SHARES

CURRENT PERIOD			
PORTFOLIO	CARRYING VALUE	RWA TOTAL	MINIMUM CAPITAL REQUIREMENT
1 Private Equity Investments	-	-	-
2 Quoted Shares	151,548	151,548	12,124
3 Other Shares	5,059,013	5,059,013	404,721
Total	5,210,561	5,210,561	416,845

PRIOR PERIOD			
PORTFOLIO	CARRYING VALUE	RWA TOTAL	MINIMUM CAPITAL REQUIREMENT
1 Private Equity Investments	-	-	-
2 Quoted Shares	135,644	135,644	10,852
3 Other Shares	4,347,553	4,347,553	347,804
Total	4,483,197	4,483,197	358,656

4.6 LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO

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

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

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

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

Risk management head defines the Bank's liquidity risk, measures and monitors the risks with liquidity risk measurement methods that are in compliance with international standards, presents measurement results periodically to related departments, committees and senior management. Risk management department

coordinates related parties in order to ensure compliance of risk management process in accordance with the Bank's risk profile, operation environment and strategic plan with regulations. Risk management department analyses, develops and revises relevant liquidity risk measurement in accordance with changing market conditions and the Bank's structure. Risk management department reviews assumptions and parameters used in liquidity risk analysis.

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

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

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

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

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

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

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

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

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

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

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

4.6.1 LIQUIDITY COVERAGE RATIO

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

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

High quality liquid assets consist of cash, deposits in central banks and securities considered as high quality liquid assets. Reserve deposits are included in high quality liquid assets, limited by the amount that is allowed by central bank to use in liquidity shortages. The Bank's high quality liquid assets are composed of 4.66% cash, 50.58% deposits in central banks and 44.62% securities considered as high quality liquid assets.

The Bank's main funding sources are deposits, funds borrowed, money market borrowings and securities issued. Funding source composition in report date is 68.08% deposits, 21.14% funds borrowed and money market borrowings and 6.94% securities issued.

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

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

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

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

The table below presents higher, lowest and average liquidity coverage ratios of the last three months of 2016:

CURRENT PERIOD	HIGHEST	DATE	LOWEST	DATE	AVERAGE
TL+FC	128.41	21.10.2016	99.22	23.11.2016	113.06
FC	128.99	22.12.2016	71.48	01.01.2017	94.26

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

PRIOR PERIOD	TOTAL UNWEIGHTED VALUE (AVERAGE) (*)		TOTAL WEIGHTED VALUE (AVERAGE) (*)	
	TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS			38,348,358	25,408,589
1 Total high-quality liquid assets (HQLA)	42,874,723	29,921,484	38,348,358	25,408,589
CASH OUTFLOWS				
2 Retail deposits and deposits from small business customers, of which:	92,521,984	41,069,069	7,905,352	3,760,902
3 Stable deposits	26,936,931	6,920,088	1,346,847	346,004
4 Less stable deposits	65,585,053	34,148,981	6,558,505	3,414,898
5 Unsecured wholesale funding, of which:	41,271,520	24,505,286	23,947,340	14,163,857
6 Operational deposits	-	-	-	-
7 Non-operational deposits	32,677,280	21,047,652	16,872,374	10,757,484
8 Unsecured funding	8,594,240	3,457,634	7,074,966	3,406,373
9 Secured wholesale funding			11,883	11,883
10 Other cash outflows of which:	51,866,774	15,188,053	9,926,636	7,329,223
11 Outflows related to derivative exposures and other collateral requirements	6,204,411	5,718,456	6,204,411	5,718,456
12 Outflows related to restructured financial instruments	-	-	-	-
13 Payment commitments and other off-balance sheet commitments granted for debts to financial markets	45,662,364	9,469,598	3,722,225	1,610,767
14 Other revocable off-balance sheet commitments and contractual obligations	1,142	1,142	57	57
15 Other irrevocable or conditionally revocable off-balance sheet obligations	48,496,094	33,790,824	2,424,805	1,689,539
16 TOTAL CASH OUTFLOWS			44,216,072	26,955,461
CASH INFLOWS				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	15,152,924	4,637,853	10,363,531	3,768,776
19 Other cash inflows	629,706	272,874	629,706	272,874
20 TOTAL CASH INFLOWS	15,782,628	4,910,727	10,993,237	4,041,651
			TOTAL ADJUSTED VALUE	
21 TOTAL HQLA			38,348,358	25,408,589
22 TOTAL NET CASH OUTFLOWS			33,222,835	22,913,810
23 LIQUIDITY COVERAGE RATIO (%)			115.74	112.46

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

The table below presents highest, lowest and average liquidity coverage ratios of the last three months of 2015:

PRIOR PERIOD	HIGHEST	DATE	LOWEST	DATE	AVERAGE
TL+FC	128.31	21.12.2015	98.31	02.11.2015	115.74
FC	155.29	29.09.2015	92.10	12.11.2015	112.46

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016

(Thousands of Turkish Lira (TL))

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

4.6.2 CONTRACTUAL MATURITY ANALYSIS OF LIABILITIES ACCORDING TO REMAINING MATURITIES

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

	CARRYING VALUE	GROSS NOMINAL OUTFLOWS	DEMAND	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER
CURRENT PERIOD								
Bank Deposits	3,718,546	3,711,684	2,849,336	645,554	9,261	207,533	-	-
Other Deposits	157,513,051	156,948,877	35,952,232	88,681,184	20,644,243	11,443,292	219,303	8,623
Other Fundings	40,286,368	40,042,185	-	446,491	1,466,844	17,535,162	13,512,311	7,081,377
Interbank Money Market Takings	9,769,387	9,763,295	-	9,763,295	-	-	-	-
Securities Issued	16,436,879	16,109,622	-	471,698	1,258,500	4,599,655	7,636,078	2,143,691
Total	227,724,231	226,575,663	38,801,568	100,008,222	23,378,848	33,785,642	21,367,692	9,233,691

	CARRYING VALUE	GROSS NOMINAL OUTFLOWS	DEMAND	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER
PRIOR PERIOD								
Bank Deposits	5,520,979	5,515,577	1,814,011	2,559,671	1,004,933	136,962	-	-
Other Deposits	135,378,353	134,876,900	29,665,353	69,206,976	23,288,593	12,511,667	194,246	10,065
Other Fundings	33,597,589	33,403,617	-	1,000,751	1,312,560	11,554,641	13,604,248	5,931,417
Interbank Money Market Takings	15,068,161	15,050,907	-	12,530,501	242	2,520,164	-	-
Securities Issued	14,198,769	13,894,277	-	124,634	985,455	2,811,388	6,817,441	3,155,359
Total	203,763,851	202,741,278	31,479,364	85,422,533	26,591,783	29,534,822	20,615,935	9,096,841

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.6.3 MATURITY ANALYSIS OF ASSETS AND LIABILITIES ACCORDING TO REMAINING MATURITIES:

	DEMAND	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER	UNDISTRIBUTED (*)	TOTAL
CURRENT PERIOD								
ASSETS								
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	8,284,784	15,500,350	-	-	-	-	-	23,785,134
Banks	4,447,952	2,173,450	1,242,864	884,960	3,569,700	-	-	12,318,926
Financial Assets at Fair Value through Profit/Loss	-	956,423	624,092	1,239,370	364,422	322,121	-	3,506,428
Interbank Money Market Placements	-	351,691	-	-	-	-	-	351,691
Financial Assets Available-for-Sale	194,907	23,065	31,068	498,172	10,102,810	9,062,547	-	19,912,569
Loans	336,437	31,107,678	15,169,005	45,379,745	68,144,813	21,969,347	3,941,203	186,048,228
Investments Held-to-Maturity	-	139,741	452,201	181,994	9,023,268	13,842,980	-	23,640,184
Other Assets	1,965,197	1,300,264	176	5,870	424,349	177,796	10,718,588	14,592,240
Total Assets	15,229,277	51,552,662	17,519,406	48,190,111	91,629,362	45,374,791	14,659,791	284,155,400
LIABILITIES								
Bank Deposits	2,849,464	648,098	9,275	211,709	-	-	-	3,718,546
Other Deposits	35,952,232	88,989,563	20,761,897	11,579,545	221,134	8,680	-	157,513,051
Other Fundings	-	578,184	1,548,844	17,565,510	13,512,453	7,081,377	-	40,286,368
Interbank Money Market Takings	-	9,769,387	-	-	-	-	-	9,769,387
Securities Issued	-	472,538	1,260,374	4,625,139	7,902,731	2,176,097	-	16,436,879
Miscellaneous Payables	1,152,182	7,935,957	-	-	-	-	-	9,088,139
Other Liabilities (**)	1,800,785	1,056,502	823,203	1,089,573	669,368	646,105	41,257,494	47,343,030
Total Liabilities	41,754,663	109,450,229	24,403,593	35,071,476	22,305,686	9,912,259	41,257,494	284,155,400
Liquidity Gap	(26,525,386)	(57,897,567)	(6,884,187)	13,118,635	69,323,676	35,462,532	(26,597,703)	-
Net Off-Balance Sheet Position								
Derivative Financial Assets	-	57,011,286	23,414,855	29,279,277	7,694,661	967,692	-	118,367,771
Derivative Financial Liabilities	-	56,442,762	23,517,366	28,731,956	7,708,702	879,977	-	117,280,763
Non-Cash Loans	-	5,280,818	3,890,088	5,972,633	136,128	-	89,084,131	104,363,798
PRIOR PERIOD								
Total Assets	11,849,181	54,008,097	13,649,684	43,790,139	77,418,789	41,432,766	12,193,930	254,342,586
Total Liabilities	35,708,826	93,434,062	27,222,063	30,759,578	21,373,798	9,521,998	36,322,261	254,342,586
Liquidity Gap	(23,859,645)	(39,425,965)	(13,572,379)	13,030,561	56,044,991	31,910,768	(24,128,331)	-
Net Off-Balance Sheet Position	-	(2,435)	(23,324)	(503,480)	9,882	87,117	-	(432,240)
Derivative Financial Assets	-	40,312,873	17,317,421	31,938,167	9,819,947	1,027,585	-	100,415,993
Derivative Financial Liabilities	-	40,315,308	17,340,745	32,441,647	9,810,065	940,468	-	100,848,233
Non-Cash Loans	-	3,916,751	2,668,070	7,640,061	294,530	-	83,888,838	98,408,250

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

(**) Shareholders' equity is included in "other liabilities" line under "undistributed" column.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.7 LEVERAGE RATIO

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

The Bank's leverage ratio calculated by taking average of end of month leverage ratios for the last three-month period is 8.83% (31 December 2015: 8.42%). Main reason for the variance compared to December 2015, is the increase in Tier I Capital higher than other items. While the capital increased by 14.9% mainly as a result of increase in net profits, the balance sheet exposure increased by 11.33% and the off balance sheet exposure increased by 3.63%. Therefore, the current period leverage ratio increased by 41 basis points compared to prior period.

ON-BALANCE SHEET ASSETS		CURRENT PERIOD (*)	PRIOR PERIOD (*)
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	278,685,369	250,277,784
2	(Assets deducted in determining Tier I capital)	(300,326)	(220,586)
3	Total on-balance sheet risks (sum of lines 1 and 2)	278,385,043	250,057,198
DERIVATIVE FINANCIAL INSTRUMENTS AND CREDIT DERIVATIVES			
4	Replacement cost associated with all derivative instruments and credit derivatives	3,285,514	2,353,340
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	8,303,567	7,129,895
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	11,589,080	9,483,235
SECURITIES OR COMMODITY FINANCING TRANSACTIONS (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	1,586,346	1,038,962
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	1,586,346	1,038,962
OTHER OFF-BALANCE SHEET TRANSACTIONS			
10	Gross notional amounts of off-balance sheet transactions	105,623,641	99,470,017
11	(Adjustments for conversion to credit equivalent amounts)	(2,550,420)	(3,948)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	103,073,221	99,466,069
CAPITAL AND TOTAL RISKS			
13	Tier I capital	34,842,798	30,325,091
14	Total risks (sum of lines 3, 6, 9 and 12)	394,633,690	360,045,464
LEVERAGE RATIO			
15	Leverage ratio	8.83%	8.42%

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

4.8 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

	CARRYING VALUE		FAIR VALUE	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
Financial Assets	263,138,119	236,364,856	264,414,464	237,884,362
Interbank Money Market Placements	351,691	61,069	351,691	61,069
Banks (*)	33,185,447	34,690,133	33,185,447	34,690,133
Financial Assets Available-for-Sale	19,912,569	20,519,801	19,912,569	20,519,801
Investments Held-to-Maturity	23,640,184	21,755,812	23,329,795	21,906,006
Loans	186,048,228	159,338,041	187,634,962	160,707,353
Financial Liabilities	227,042,983	197,032,542	227,042,983	197,032,542
Bank Deposits	3,718,546	5,520,979	3,718,546	5,520,979
Other Deposits	157,513,051	135,378,353	157,513,051	135,378,353
Other Fundings	40,286,368	33,597,589	40,286,368	33,597,589
Securities Issued	16,436,879	14,198,769	16,436,879	14,198,769
Miscellaneous Payables	9,088,139	8,336,852	9,088,139	8,336,852

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

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

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

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

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

CURRENT PERIOD	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial Assets Available-for-Sale	19,104,438	246,183	561,948	19,912,569
Financial Assets Held for Trading	115,443	-	-	115,443
Derivative Financial Assets Held for Trading	12,449	3,378,536	-	3,390,985
Loans	-	-	-	-
Investments in Associates and Subsidiaries	-	-	5,069,628	5,069,628
Derivative Financial Assets Held for Risk Management	-	589,214	-	589,214
Financial Assets at Fair Value	19,232,330	4,213,933	5,631,576	29,077,839
Derivative Financial Liabilities Held for Trading	977	3,495,645	-	3,496,622
Funds Borrowed	-	1,763,177	-	1,763,177
Derivative Financial Liabilities Held for Risk Management	-	279,536	-	279,536
Financial Liabilities at Fair Value	977	5,538,358	-	5,539,335
PRIOR PERIOD	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial Assets Available-for-Sale	14,267,634	5,721,163	531,004	20,519,801
Financial Assets Held for Trading	135,535	31,325	-	166,860
Derivative Financial Assets Held for Trading	285	1,483,204	-	1,483,489
Loans	-	198,118	-	198,118
Investments in Associates and Subsidiaries	-	-	4,342,263	4,342,263
Derivative Financial Assets Held for Risk Management	-	680,997	-	680,997
Financial Assets at Fair Value	14,403,454	8,114,807	4,873,267	27,391,528
Derivative Financial Liabilities Held for Trading	3,617	2,260,020	-	2,263,637
Funds Borrowed	-	5,688,704	-	5,688,704
Derivative Financial Liabilities Held for Risk Management	-	250,491	-	250,491
Financial Liabilities at Fair Value	3,617	8,199,215	-	8,202,832

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

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

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

4.9 TRANSACTIONS CARRIED OUT ON BEHALF OF CUSTOMERS AND ITEMS HELD IN TRUST

None.

4.10 RISK MANAGEMENT OBJECTIVES AND POLICIES

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

4.10.1 RISK MANAGEMENT STRATEGY AND WEIGHTED AMOUNTS

4.10.1.1 RISK MANAGEMENT STRATEGY

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

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

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

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

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

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

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

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

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

4.10.1.2 RISK WEIGHTED AMOUNTS

	RISK WEIGHTED AMOUNTS		MINIMUM CAPITAL REQUIREMENTS
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD
1 Credit risk (excluding counterparty credit risk) (CCR) (*)	202,032,520	193,517,157	16,162,602
2 Of which standardised approach (SA)	202,032,520	193,517,157	16,162,602
3 Of which internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	5,270,570	2,378,806	421,646
5 Of which standardised approach for counterparty credit risk (SA-CCR)	5,270,570	2,378,806	421,646
6 Of which internal model method (IMM)	-	-	-
7 Equity position in banking book under basic risk weighting or internal rating-based	-	-	-
8 Equity investments in funds – look-through approach	-	-	-
9 Equity investments in funds – mandate-based approach	-	-	-
10 Equity investments in funds – 1250% risk weighting approach	-	-	-
11 Settlement risk	-	-	-
12 Securitisation exposures in banking book	-	-	-
13 Of which IRB ratings-based approach (RBA)	-	-	-
14 Of which IRB supervisory formula approach (SFA)	-	-	-
15 Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16 Market risk	5,704,124	6,279,160	456,330
17 Of which standardised approach (SA)	5,704,124	6,279,160	456,330
18 Of which internal model approaches (IMM)	-	-	-
19 Operational risk	18,931,681	16,906,172	1,514,534
20 Of which basic indicator approach	18,931,681	16,906,172	1,514,534
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)	383,449	998,611	30,676
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	232,322,344	220,079,906	18,585,788

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.10.2 LINKAGES BETWEEN FINANCIAL STATEMENTS AND RISK AMOUNTS

4.10.2.1 DIFFERENCES AND MATCHING BETWEEN ASSET AND LIABILITIES' CARRYING VALUES IN FINANCIAL STATEMENTS AND RISK AMOUNTS IN CAPITAL ADEQUACY CALCULATION

	CARRYING VALUES OF ITEMS IN ACCORDANCE WITH TURKISH ACCOUNTING STANDARDS				
	CARRYING VALUES IN FINANCIAL STATEMENTS PREPARED AS PER TAS	SUBJECT TO CREDIT RISK	SUBJECT TO COUNTERPARTY CREDIT RISK	SUBJECT TO MARKET RISK (*)	NOT SUBJECT TO CAPITAL REQUIREMENTS OR SUBJECT TO DEDUCTION FROM CAPITAL
ASSETS					
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances With Central Bank of Turkey	23,785,134	23,785,134	-	-	-
Financial Assets Held for Trading	3,506,428	7,840	3,383,147	1,298,044	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-
Banks	12,318,926	12,318,926	-	-	-
Interbank Money Markets Placements	351,691	351,691	-	-	-
Financial Assets Available-for-Sale	19,912,569	18,829,615	5,044,027	1,081,227	1,730
Loans	186,048,228	186,011,235	-	-	36,994
Factoring Receivables	-	-	-	-	-
Investment Held-to-Maturity	23,640,184	23,640,184	8,308,738	-	-
Investment in Associates	36,698	36,698	-	-	-
Investment in Subsidiaries	5,173,864	5,173,864	-	-	-
Investment in Joint-Ventures	-	-	-	-	-
Lease Receivables	-	-	-	-	-
Derivative Financial Assets Held for Risk Management	589,214	-	589,214	-	-
Tangible Assets	3,388,748	3,285,711	-	-	103,037
Intangible Assets	239,013	25,669	-	-	213,344
Investment Property	670,370	670,370	-	-	-
Tax Asset	127,709	127,709	-	-	-
Assets Held for Sale and Assets of Discontinued Operations	589,726	533,866	-	-	55,860
Other Assets	3,776,898	3,776,898	-	-	-
TOTAL ASSETS	284,155,400	278,575,410	17,325,126	2,379,271	410,965
LIABILITIES					
Deposits	161,231,597	-	-	-	161,231,597
Derivative Financial Liabilities Held for Trading	3,496,622	-	-	-	3,496,622
Funds Borrowed	40,286,368	-	5,798,862	-	34,487,506
Interbank Money Markets	9,769,387	-	7,268,206	-	2,501,181
Securities Issued	16,436,879	-	-	-	16,436,879
Funds	-	-	-	-	-
Miscellaneous Payables	9,088,139	-	-	-	9,088,139
Other External Fundings Payable	2,981,312	-	-	21,136	2,960,176
Factoring Payables	-	-	-	-	-
Lease Payables	17,092	-	-	-	17,092

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

Derivative Financial Liabilities Held for Risk Management	279,536	-	-	-	279,536
Provisions	4,614,004	-	-	-	4,614,004
Tax Liability	415,384	-	-	-	415,384
Liabilities for Assets Held for Sale and Assets of Discontinued Operations	-	-	-	-	-
Subordinated Debts	-	-	-	-	-
Shareholders' Equity	35,539,080	-	-	-	35,539,080
TOTAL LIABILITIES	284,155,400	-	13,067,068	21,136	271,067,196

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

4.10.2.2 MAJOR ITEMS CAUSING DIFFERENCES BETWEEN ASSETS AND LIABILITIES' CARRYING VALUES IN FINANCIAL STATEMENTS AND RISK AMOUNTS IN CAPITAL ADEQUACY CALCULATION

	TOTAL	CREDIT RISK	COUNTERPARTY CREDIT RISK	MARKET RISK (*)
1 Carrying Value of Assets in Accordance with Communiqué "Preparation of Financial Statements"	270,391,670	265,222,644	3,972,361	2,379,271
2 Carrying Value of Debt Instruments that are Subjected to Counterparty Credit Risk as per TAS	13,352,765	13,352,766	13,352,765	-
3 Carrying Value of Liabilities that are Subjected to Counterparty Credit Risk as per TAS	13,067,068	-	13,067,068	-
4 Carrying Value of Other Liabilities as per TAS	21,136	-	-	21,136
5 Total Net Amount	270,656,231	278,575,410	4,258,058	2,358,135
6 Off-balance Sheet Amounts (**)	249,440,858	40,412,624	1,639,214	158,558,970
7 Differences Resulted from the BRSA's Applications		(18,671,213)	(9,751)	-
8 Repurchase Transactions		-	1,479,742	-
9 Risk Amounts		300,316,821	7,367,263	160,917,105

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

(**) Off-balance sheet amounts subject to capital adequacy ratios.

4.10.2.3 EXPLANATIONS ON DIFFERENCES BETWEEN CARRYING VALUES IN FINANCIAL STATEMENTS AND RISK AMOUNTS IN CAPITAL ADEQUACY CALCULATION OF ASSETS AND LIABILITIES

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

4.10.3 CREDIT RISK

4.10.3.1 GENERAL INFORMATION ON CREDIT RISK

4.10.3.1.1 GENERAL QUALITATIVE INFORMATION ON 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, bails or pledged assets is predicated. Necessary risk rating/scoring models are developed for the different portfolios of the Bank. These models are created by ensuring the best separation of the customers in terms of their credibility and grading them using the objective criteria. The outputs of the internal rating and scoring models that developed based on the each portfolio, as well as an important part of the loan approval process, but also these models are used measuring the default risk of the customer and the portfolio, doing analysis regarding expected loss, internal capital, risk-based analysis.

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

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

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

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

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

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

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

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

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

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

4.10.3.1.2 CREDIT QUALITY OF ASSETS

	GROSS CARRYING VALUE AS PER TAS		ALLOWANCES/ AMORTISATION AND IMPAIRMENTS	NET VALUES
	DEFAULTED	NON-DEFAULTED		
1 Loans	5,272,774	218,543,090	4,267,491	219,548,373
2 Debt securities	-	42,400,852	-	42,400,852
3 Off-balance sheet exposures	355,861	68,200,685	134,609	68,421,937
4 Total	5,628,635	329,144,627	4,402,100	330,371,162

4.10.3.1.3 CHANGES IN STOCK OF DEFAULT LOANS AND DEBT SECURITIES

	CURRENT PERIOD
1 Defaulted loans and debt securities at end of the previous reporting period	4,404,024
2 Loans and debt securities defaulted since the last reporting period	3,232,458
3 Receivables back to non-defaulted status	-
4 Amounts written off	1,077,347
5 Other changes	1,286,361
6 Defaulted loans and debt securities at end of the reporting period	5,272,774

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.10.3.1.4 ADDITIONAL DISCLOSURE RELATED TO THE CREDIT QUALITY OF ASSETS

4.10.3.1.4.1 QUALITATIVE DISCLOSURES RELATED TO THE CREDIT QUALITY OF ASSETS

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

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

4.10.3.1.4.2 BREAKDOWN OF EXPOSURES BY GEOGRAPHICAL AREAS, INDUSTRY AND AGEING

Disclosed under section 4.2 credit risk.

4.10.3.1.4.3 EXPOSURES PROVISIONED AGAINST BY MAJOR REGIONS AND SECTORS

CURRENT PERIOD	LOANS UNDER FOLLOW-UP	SPECIFIC PROVISIONS	WRITE-OFFS
Domestic	5,140,707	4,144,576	1,073,843
European Union (EU) Countries	4,526	1,409	495
OECD Countries	20	3	-
Off-Shore Banking Regions	74,413	74,413	-
USA, Canada	-	-	1
Other Countries	53,108	47,090	3,008
Total	5,272,774	4,267,491	1,077,347
Agriculture	42,998	26,300	10,734
Farming and Stockbreeding	40,477	24,289	10,387
Forestry	1,488	1,084	201
Fishery	1,033	927	146
Manufacturing	659,549	449,476	126,534
Mining and Quarrying	29,091	23,832	4,636
Production	488,299	356,108	121,333
Electricity, Gas and Water	142,159	69,536	565
Construction	404,457	278,947	60,051
Services	1,420,865	946,327	267,685
Wholesale and Retail Trade	734,157	509,407	223,128
Accommodation and Dining	134,656	50,820	9,009
Transportation and Telecommunication	470,766	318,912	29,692
Financial Institutions	18,921	18,553	463
Real Estate and Rental Services	10,713	7,508	1,238
Professional Services	3,894	1,225	21
Educational Services	30,779	27,586	1,472
Health and Social Services	16,979	12,316	2,662
Others	2,744,905	2,566,441	612,343
Total	5,272,774	4,267,491	1,077,347

4.10.3.1.4.3 AGEING OF PAST-DUE EXPOSURES

CURRENT PERIOD	UP TO 3 MONTHS	3-12 MONTHS	1-3 YEARS	3-5 YEARS	5 YEARS AND OVER
Corporate and Commercial Loans	288,599	1,060,817	765,933	414,637	283,861
Retail Loans	211,890	515,627	552,775	139,108	53,015
Credit Cards	130,262	318,213	323,479	110,403	104,155
Others	-	-	-	-	-
Total	630,751	1,894,657	1,642,187	664,148	441,031

4.10.3.2 CREDIT RISK MITIGATION

4.10.3.2.1 QUALITATIVE DISCLOSURE ON 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 the banking information system. Operational transactions are handled by centralized Operation unit (ABACUS). During the credit utilization, compliance of all conditions between credit decision and credit utilization (such as collateral conditions) are controlled systematically.

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

The Bank's credit risk exposure and mitigation techniques used in order to reduce the exposure level are taken into account according to the principles stated in the related regulation. The Bank applies credit risk mitigation according to the comprehensive method that includes risk mitigation calculations considering the volatility-adjusted values of financial collaterals. The standardized risk weights are applied to the rest of the loans and receivables that remained unprotected after credit risk mitigation techniques. Financial collaterals, that are composed of cash or 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 CREDIT RISK MITIGATION TECHNIQUES

	EXPOSURES UNSECURED: CARRYING AMOUNT AS PER TAS	EXPOSURES SECURED BY COLLATERAL	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY COLLATERAL	EXPOSURES SECURED BY FINANCIAL GUARANTEES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY FINANCIAL GUARANTEES	EXPOSURES SECURED BY CREDIT DERIVATIVES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY CREDIT DERIVATIVES
1 Loans	169,225,213	50,323,160	41,649,191	-	-	-	-
2 Debt securities	42,400,852	-	-	-	-	-	-
3 Total	211,626,065	50,323,160	41,649,191	-	-	-	-
4 Of which defaulted	5,263,721	9,053	3,539	-	-	-	-

4.10.3.3 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 LEVEL	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%

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.10.3.3.2 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	59,026,025	943,275	59,026,025	305,675	12,008,190	20.24%
2 Exposures to regional and local governments	119,617	144	119,617	60	56,248	47.00%
3 Exposures to administrative bodies and non-commercial entities	46,803	5,550	46,803	1,836	48,639	100.00%
4 Exposures to multilateral development banks	190,237	-	190,237	-	55,402	29.12%
5 Exposures to international organizations	-	-	-	-	-	-
6 Exposures to banks and brokerage houses	19,460,274	16,155,852	15,231,090	3,025,652	7,381,825	40.43%
7 Exposures to corporates	90,625,121	50,984,161	88,536,942	20,026,901	105,680,104	97.34%
8 Retail exposures	59,175,832	41,226,791	58,766,787	3,582,135	46,760,767	75.00%
9 Exposures secured by residential property	18,572,321	151,697	18,568,045	77,622	6,525,984	35.00%
10 Exposures secured by commercial property	16,338,647	1,655,679	16,323,202	960,619	11,054,150	63.96%
11 Past-due items	705,142	1,363	705,142	-	596,794	84.63%
12 Exposures in high-risk categories	300,186	129,325	300,186	58,543	509,274	141.97%
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 Other exposures	9,044,069	-	9,044,069	-	6,125,946	67.73%
17 Equity share investments	5,266,254	-	5,266,254	-	5,229,197	99.30%
18 Total	278,870,528	111,253,837	272,124,399	28,039,043	202,032,520	67.31%

4.10.3.3.3 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	35,315,311	-	25	-	24,016,357	-	7	-	-	-	59,331,700
2 Exposures to regional and local government	-	-	11,970	-	107,707	-	-	-	-	-	119,677
3 Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	48,639	-	-	-	48,639
4 Exposures to multilateral development banks	-	-	132,386	-	57,851	-	-	-	-	-	190,237
5 Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6 Exposures to banks and brokerage houses	-	-	6,040,661	-	12,084,776	-	131,305	-	-	-	18,256,742
7 Exposures to corporates	-	-	479,188	-	5,000,778	-	103,083,877	-	-	-	108,563,843
8 Retail exposures	-	-	630	-	2,307	62,345,985	-	-	-	-	62,348,922
9 Exposures secured by residential property	-	-	-	18,645,667	-	-	-	-	-	-	18,645,667
10 Exposures secured by commercial property	-	-	-	-	12,459,341	-	4,824,480	-	-	-	17,283,821
11 Past-due items	-	-	-	-	216,697	-	488,445	-	-	-	705,142
12 Exposures in high-risk categories	-	-	-	-	19,031	-	19,577	320,121	-	-	358,729
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	37,057	-	-	-	-	-	5,229,197	-	-	-	5,266,254
17 Other exposures	2,916,168	-	2,444	-	-	-	6,125,457	-	-	-	9,044,069
18 Total	38,268,536	-	6,667,304	18,645,667	53,964,845	62,345,985	119,950,984	320,121	-	-	300,163,442

4.10.4 COUNTERPARTY CREDIT RISK

4.10.4.1 QUALITATIVE DISCLOSURE ON COUNTERPARTY CREDIT RISK

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

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

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

4.10.4.2 COUNTERPARTY CREDIT RISK (CCR) APPROACH ANALYSIS

	REPLACEMENT COST	POTENTIAL FUTURE EXPOSURE	EEPE(EFFECTIVE EXPECTED POSITIVE EXPOSURE)	ALPHA USED FOR COMPUTING REGULATORY EAD	EAD POST-CRM	RWA
1 Standardised Approach -CCR (for derivatives)	3,972,361	1,639,214		-	5,601,824	2,911,950
2 Internal Model Method (for 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)					1,765,439	552,309
5 Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6 Total						3,464,259

4.10.4.3 CAPITAL REQUIREMENT FOR CREDIT VALUATION ADJUSTMENT (CVA)

	EAD POST-CRM	RWA
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	5,601,824	1,806,311
4 Total subject to the CVA capital obligation	5,601,824	1,806,311

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.10.4.4 CCR EXPOSURES BY RISK CLASS AND RISK WEIGHTS

RISK WEIGHT										TOTAL CREDIT EXPOSURE
	0%	10%	20%	50%	75%	100%	150%	OTHER		
REGULATORY PORTFOLIO										
Exposures to sovereigns and their central banks	90,039	-	-	-	-	-	-	-	-	90,039
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	4	-	-	-	4
Exposures to multilateral development banks	413,953	-	-	-	-	-	-	-	-	413,954
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	1,033,639	5,082,247	-	-	-	-	-	6,115,886
Exposures to corporates	-	-	546	37,511	4	662,183	-	-	-	700,243
Retail exposures	-	-	-	-	47,137	-	-	-	-	47,137
Exposures secured by mortgage property	-	-	-	-	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-
Total	503,992	-	1,034,185	5,119,758	47,141	662,187	-	-	-	7,367,263

4.10.4.5 COLLATERALS FOR CCR

	COLLATERAL FOR DERIVATIVE TRANSACTIONS				COLLATERAL FOR OTHER TRANSACTIONS	
	FAIR VALUE OF COLLATERAL RECEIVED		FAIR VALUE OF COLLATERAL GIVEN		FAIR VALUE OF COLLATERAL RECEIVED	FAIR VALUE OF COLLATERAL GIVEN
	SEGREGATED	UNSEGREGATED	SEGREGATED	UNSEGREGATED		
Cash-domestic currency	4,944	-	-	-	8,257,240	-
Cash-foreign currency	4,807	-	-	-	4,804,917	-
Domestic sovereign debts	-	-	-	-	-	13,323,129
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	9,751	-	-	-	13,062,157	13,323,129

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.10.4.6 CREDIT DERIVATIVES

	PROTECTION BOUGHT	PROTECTION SOLD
Notionals		
Single-name credit default swaps	87,825	-
Index credit default swaps	-	-
Total return swaps	-	7,026,000
Credit options	-	-
Other credit derivatives	-	-
Total Notionals	87,825	7,026,000
Fair Values		
Positive fair values (asset)	215	6,677
Negative fair values (liability)	-	(401,821)

4.10.5 SECURITISATIONS

None.

4.10.6 MARKET RISK

4.10.6.1 QUALITATIVE DISCLOSURE ON MARKET RISK

Market risk is managed in accordance with the strategies and policies defined by the Bank. The Bank takes economic climate, market and liquidity conditions and their effects on market risk, the structure of portfolio subject to market risk, the sufficiency of the Bank's definition, measurement, evaluation, monitoring, reporting, control and mitigation of market risk and the availability of the related processes into account while defining the Strategy. Market risk strategies and policies are reviewed by the board of directors and related top management by considering financial performance, capital required for market risk, and the existing market developments. Market risk 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 MARKET RISK UNDER STANDARDISED APPROACH

	RWA	
	CURRENT PERIOD	PRIOR PERIOD
Outright products	5,266,724	3,821,248
1 Interest rate risk (general and specific)	1,718,225	1,343,063
2 Equity risk (general and specific)	42,274	90,950
3 Foreign exchange risk	3,067,938	2,368,775
4 Commodity risk	438,287	18,460
Options	437,400	2,457,913
5 Simplified approach	-	-
6 Delta-plus method	437,400	2,457,913
7 Scenario approach	-	-
8 Securitisation	-	-
9 Total	5,704,124	6,279,160

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.10.7 OPERATIONAL RISK

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

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

BASIC INDICATOR APPROACH

CURRENT PERIOD	31 DECEMBER 2013	31 DECEMBER 2014	31 DECEMBER 2015	TOTAL/ NO. OF YEARS OF POSITIVE GROSS	RATE (%)	TOTAL
Gross Income	9,180,910	10,054,838	11,052,683	10,096,144	15	1,514,422
Value at Operational Risk (Total x % 12.5)						18,930,270

PRIOR PERIOD	31 DECEMBER 2013	31 DECEMBER 2014	31 DECEMBER 2015	TOTAL/ NO. OF YEARS OF POSITIVE GROSS	RATE (%)	TOTAL
Gross Income	7,814,126	9,180,910	10,054,838	9,016,625	15	1,352,494
Value at Operational Risk (Total x % 12.5)						16,906,172

4.10.8 BANKING BOOK INTEREST RATE RISK

4.10.8.1 NATURE OF INTEREST RATE RISK RESULTING FROM BANKING BOOK, MAJOR ASSUMPTIONS ON EARLY REPAYMENT OF LOANS AND MOVEMENTS IN DEPOSITS OTHER THAN TERM DEPOSITS AND FREQUENCY OF MEASURING INTEREST RATE RISK

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

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

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

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

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

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

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

4.10.8.2 ECONOMIC VALUE DIFFERENCES RESULTED FROM INTEREST RATE INSTABILITIES CALCULATED ACCORDING TO REGULATION ON MEASUREMENT AND EVALUATION OF INTEREST RATE RISK RESULTED FROM BANKING BOOK AS PER STANDARD SHOCK METHOD

CURRENT PERIOD		SHOCKS APPLIED (+/- BASIS POINTS)	GAINS/LOSSES	GAINS/EQUITY- LOSSES/EQUITY
TYPE OF CURRENCY				
1	TL	(+) 500bp	(4,209,703)	(11.18)%
2	TL	(-) 400bp	4,052,171	10.76%
3	USD	(+) 200bp	(810,330)	(2.15)%
4	USD	(-) 200bp	1,055,840	2.80%
5	EUR	(+) 200bp	(14,342)	(0.04)%
6	EUR	(-) 200bp	(44,364)	(0.12)%
Total (of negative shocks)			5,063,647	13.44%
Total (of positive shocks)			(5,034,375)	(13.37)%

PRIOR PERIOD		SHOCKS APPLIED (+/- BASIS POINTS)	GAINS/LOSSES	GAINS/EQUITY- LOSSES/EQUITY
TYPE OF CURRENCY				
1	TL	(+) 500 bps	(3,581,363)	(10.83)%
2	TL	(-) 400 bps	3,477,727	10.51%
3	USD	(+) 200 bps	(766,486)	(2.32)%
4	USD	(-) 200 bps	1,031,044	3.12%
5	EUR	(+) 200 bps	(52,426)	(0.16)%
6	EUR	(-) 200 bps	50,223	0.15%
Total (of negative shocks)			4,558,994	13.78%
Total (of positive shocks)			(4,400,275)	(13.30)%

4.10.9 REMUNERATIUN POLICY

4.10.9.1 QUALITATIVE DISCLOSURES REGARDING REMUNERATION POLICIES

4.10.9.1.1 DISCLOSURES RELATED WITH REMUNERATION COMMITTEE

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

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

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

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

The bank board members, senior management and the bank staff deemed to perform the functions having material impact on the bank's risk profile are considered as identified staff; and by the end of 2016, the number of identified staff is 29.

4.10.9.1.2 INFORMATION ON THE DESIGN AND STRUCTURE OF REMUNERATION PROCESS

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

- Fair
- Transparent
- Based on measurable and balanced performance targets
- Encouraging sustainable success
- In line with the Bank Risk Management Principles

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

In the meeting dated 14 December 2016, the Remuneration Committee evaluated its decisions previously taken with respect to remuneration of the senior managers and members of the board of directors considering the provisions of the Guidelines on Sound Remuneration Practices in Banks.

Increases in the remuneration of employees working in the units responsible for internal systems are determined depending on the basic rate of increase specified by the Bank and their personal performances. In the variable remuneration, only the performance criteria associated with their personal performance or the performance of the unit that they work in are taken into account independently of the performance of the business units that they control.

4.10.9.1.3 EVALUATION ABOUT HOW THE BANK'S REMUNERATION PROCESSES TAKE THE CURRENT AND FUTURE RISKS INTO ACCOUNT

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

4.10.9.1.4 EVALUATION ABOUT HOW THE BANK ASSOCIATES VARIABLE REMUNERATIONS WITH PERFORMANCE

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

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

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

4.10.9.1.5 EVALUATION ABOUT THE BANK'S METHODS TO ADJUST REMUNERATIONS ACCORDING TO LONG-TERM PERFORMANCE

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

The same rules apply for the ratios of deferral for all identified staff members regarding their variable remunerations. Remuneration Committee decided on that variable remuneration of identified staff is subject to cancellation and clawback.

4.10.9.1.6 EVALUATION ABOUT THE INSTRUMENTS USED BY THE BANK FOR VARIABLE REMUNERATIONS AND THE PURPOSES OF USE OF SUCH INSTRUMENTS

The variable remunerations of identified staff are paid using cash and share-linked non-cash instruments. Considering the principles in the "Guidelines on Sound Remuneration Practices in Banks" variable remunerations of identified staff are paid both with cash and non-cash (share-linked) instruments. Regarding variable remunerations of identified staff for the financial period of 2016, Banco Bilbao Vizcaya Argentaria S.A. shares are taken as reference for payments based on non-cash instruments.

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

5 DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS

5.1 ASSETS

5.1.1 CASH AND BALANCES WITH CENTRAL BANK

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TLP	FC
Cash in TL/Foreign Currency	1,357,688	681,875	1,313,068	750,950
Central Bank of Turkey	5,366,015	15,500,506	946,596	21,896,042
Others	-	879,050	-	244,867
Total	6,723,703	17,061,431	2,259,664	22,891,859

BALANCES WITH THE CENTRAL BANK OF TURKEY

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Unrestricted Demand Deposits	5,366,015	155	946,596	1,556,782
Unrestricted Time Deposits	-	38	-	5
Restricted Time Deposits	-	15,500,313	-	20,339,255
Total	5,366,015	15,500,506	946,596	21,896,042

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.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.1.2 INFORMATION ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS

5.1.2.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

None.

5.1.2.2 POSITIVE DIFFERENCES ON DERIVATIVE FINANCIAL ASSETS HELD FOR TRADING

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Forward Transactions	257,212	38,001	243,525	41,894
Swap Transactions	1,936,417	702,752	363,131	324,633
Futures	-	1,097	-	34
Options	426,694	28,812	442,320	67,952
Other	-	-	-	-
Total	2,620,323	770,662	1,048,976	434,513

5.1.2.3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS

None.

5.1.3 BANKS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Banks				
Domestic banks	55,714	746	231,280	247,879
Foreign banks	390,940	11,871,526	44,855	11,323,481
Foreign headoffices and branches	-	-	-	-
Total	446,654	11,872,272	276,135	11,571,360

DUE FROM FOREIGN BANKS

	UNRESTRICTED BALANCES		RESTRICTED BALANCES	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
EU Countries	4,263,606	2,833,374	6,943,130	6,988,096
USA and Canada	269,751	907,844	400,420	291,511
OECD Countries (*)	6,529	4,210	-	-
Off-Shore Banking Regions	248,595	220,152	96,147	65,059
Other	34,288	58,090	-	-
Total	4,822,769	4,023,670	7,439,697	7,344,666

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

The placements at foreign banks include blocked accounts amounting TL 7,439,697 thousands (31 December 2015: TL 7,344,666 thousands) of which TL 116,841 thousands (31 December 2015: TL 96,799 thousands) and TL 96,147 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 7,226,709 thousands (31 December 2015: TL 7,182,809 thousands) as collateral against funds borrowed at various banks.

5.1.4 FINANCIAL ASSETS AVAILABLE-FOR-SALE

5.1.4.1 FINANCIAL ASSETS SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Collateralised/Blocked Assets	2,976,848	-	2,170,335	-
Assets subject to Repurchase Agreements	4,306,605	-	10,879,108	1,449
Total	7,283,453	-	13,049,443	1,449

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.1.4.2 DETAILS OF FINANCIAL ASSETS AVAILABLE-FOR-SALE

	CURRENT PERIOD	PRIOR PERIOD
Debt Securities	18,572,775	19,301,827
Quoted at Stock Exchange	18,035,819	18,699,925
Unquoted at Stock Exchange	536,956	601,902
Common Shares/Investment Funds	155,150	69,704
Quoted at Stock Exchange (*)	82,203	7,669
Unquoted at Stock Exchange	72,947	62,035
Value Increases/Impairment Losses (-)	1,184,644	1,148,270
Total	19,912,569	20,519,801

5.1.5 LOANS

5.1.5.1 LOANS AND ADVANCES TO SHAREHOLDERS AND EMPLOYEES OF THE BANK

	CURRENT PERIOD		PRIOR PERIOD	
	CASH LOANS	NON-CASH LOANS	CASH LOANS	NON-CASH LOANS
Direct Lendings to Shareholders	-	166,331	146	408,529
Corporates	-	166,331	146	408,529
Individuals	-	-	-	-
Indirect Lendings to Shareholders	2,121,617	474,103	2,043,036	263,954
Loans to Employees	222,026	101	185,470	88
Total	2,343,643	640,535	2,228,652	672,571

5.1.5.2 LOANS AND OTHER RECEIVABLES CLASSIFIED IN GROUPS I AND II INCLUDING CONTRACTS WITH REVISED TERMS

CURRENT PERIOD	PERFORMING LOANS AND OTHER RECEIVABLES		LOANS AND OTHER RECEIVABLES UNDER FOLLOW-UP			
CASH LOANS	LOANS AND OTHER RECEIVABLES (TOTAL) (*)	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS		LOANS AND OTHER RECEIVABLES (TOTAL)	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS	
		EXTENSION OF REPAYMENT PLAN	OTHER CHANGES		EXTENSION OF REPAYMENT PLAN	OTHER CHANGES
Loans	175,775,487	3,571,299	428,047	9,267,458	4,128,388	718,164
Working Capital Loans	21,388,726	475,748	-	1,165,695	512,795	175,499
Export Loans	8,998,517	136,762	-	254,813	109,642	23,312
Import Loans	241	-	-	-	-	-
Loans to Financial Sector	4,913,881	318	-	48	-	-
Consumer Loans	40,856,208	2,333,953	-	1,919,430	647,127	55,300
Credit Cards	18,332,885	-	428,047	521,527	-	280,601
Others	81,285,029	624,518	-	5,405,945	2,858,824	183,452
Specialization Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	175,775,487	3,571,299	428,047	9,267,458	4,128,388	718,164

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

As of 31 December 2016, loans amounting to TL 5,269,501 thousands (31 December 2015: TL 5,781,904 thousands) are benefited as collateral under funding transactions.

PRIOR PERIOD	PERFORMING LOANS AND OTHER RECEIVABLES			LOANS AND OTHER RECEIVABLES UNDER FOLLOW-UP		
CASH LOANS	LOANS AND OTHER RECEIVABLES (TOTAL)	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS		LOANS AND OTHER RECEIVABLES (TOTAL)	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS	
		EXTENSION OF REPAYMENT PLAN	OTHER CHANGES		EXTENSION OF REPAYMENT PLAN	OTHER CHANGES
Loans	150,695,419	2,179,145	233,976	7,806,295	3,228,253	622,963
Working Capital Loans	14,870,509	175,956	-	915,921	358,070	85,796
Export Loans	6,399,197	8,136	-	143,651	67,004	35,188
Import Loans	15,160	-	-	-	-	-
Loans to Financial Sector (*)	5,160,937	-	-	-	-	-
Consumer Loans	35,883,920	1,627,563	-	1,729,724	623,376	47,914
Credit Cards	16,364,078	-	233,976	589,131	-	406,106
Others	72,001,618	367,490	-	4,427,868	2,179,803	47,959
Specialization Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	150,695,419	2,179,145	233,976	7,806,295	3,228,253	622,963

(*) Loans amounting to TL 198,118 thousands included under "financial assets at fair value through profit or loss" in the accompanying balance sheet, are presented above under "Loans to Financial Sector".

Collaterals received for loans under follow-up;

CURRENT PERIOD	CORPORATE/COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	47,618	4,620	-	52,238
Loans Collateralized by Mortgages	3,995,662	974,409	-	4,970,071
Loans Collateralized by Pledged Assets	1,006,009	69,944	-	1,075,953
Loans Collateralized by Cheques and Notes	12,488	560,040	-	572,528
Loans Collateralized by Other Collaterals	1,370,667	9,058	-	1,379,725
Unsecured Loans	394,057	301,359	521,527	1,216,943
Total	6,826,501	1,919,430	521,527	9,267,458

PRIOR PERIOD	CORPORATE/COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	17,538	2,356	-	19,894
Loans Collateralized by Mortgages	2,863,460	690,628	-	3,554,088
Loans Collateralized by Pledged Assets	763,943	59,786	-	823,729
Loans Collateralized by Cheques and Notes	86,223	574,200	-	660,423
Loans Collateralized by Other Collaterals	1,404,793	10,353	-	1,415,146
Unsecured Loans	351,483	392,401	589,131	1,333,015
Total	5,487,440	1,729,724	589,131	7,806,295

Delinquency periods of loans under follow-up;

CURRENT PERIOD	CORPORATE/COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
31-60 days	174,568	740,357	194,622	1,109,547
61-90 days	153,267	261,027	56,740	471,034
Others	6,498,666	918,046	270,165	7,686,877
Total	6,826,501	1,919,430	521,527	9,267,458

PRIOR PERIOD	CORPORATE/COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
31-60 days	180,970	633,756	152,905	967,631
61-90 days	45,445	202,495	45,596	293,536
Others	5,261,025	893,473	390,630	6,545,128
Total	5,487,440	1,729,724	589,131	7,806,295

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

Loans and other receivables with extended payment plans;

NO. OF EXTENSIONS	CURRENT PERIOD		PRIOR PERIOD	
	PERFORMING LOANS AND OTHER RECEIVABLES	LOANS AND OTHER RECEIVABLES UNDER FOLLOW-UP	PERFORMING LOANS AND OTHER RECEIVABLES	LOANS AND OTHER RECEIVABLES UNDER FOLLOW-UP
1 or 2 times	3,247,551	4,038,596	1,979,491	2,929,711
3, 4 or 5 times	106,419	78,645	111,249	282,660
Over 5 times	217,329	11,147	88,405	15,882

EXTENTION PERIODS	CURRENT PERIOD		PRIOR PERIOD	
	PERFORMING LOANS AND OTHER RECEIVABLES	LOANS AND OTHER RECEIVABLES UNDER FOLLOW-UP	PERFORMING LOANS AND OTHER RECEIVABLES	LOANS AND OTHER RECEIVABLES UNDER FOLLOW-UP
0-6 months	341,505	702,729	336,391	566,273
6-12 months	442,811	182,553	367,841	149,516
1-2 years	1,406,109	302,040	893,626	393,138
2-5 year	1,219,866	1,753,567	518,336	1,595,092
5 years and over	161,008	1,187,499	62,951	524,234

5.1.5.3 MATURITY ANALYSIS OF CASH LOANS

CURRENT PERIOD	PERFORMING LOANS AND OTHER RECEIVABLES		LOANS UNDER FOLLOW-UP AND OTHER RECEIVABLES	
	LOANS AND OTHER RECEIVABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS	LOANS AND OTHER RECEIVABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS
Short-term Loans	51,681,248	683,937	1,299,908	492,861
Loans	51,681,248	683,937	1,299,908	492,861
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans	124,094,239	3,315,409	7,967,550	4,353,691
Loans	124,094,239	3,315,409	7,967,550	4,353,691
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-

PRIOR PERIOD	PERFORMING LOANS AND OTHER RECEIVABLES		LOANS UNDER FOLLOW-UP AND OTHER RECEIVABLES	
	LOANS AND OTHER RECEIVABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS	LOANS AND OTHER RECEIVABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS
Short-term Loans	44,408,008	508,040	1,110,993	601,823
Loans	44,408,008	508,040	1,110,993	601,823
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans	106,287,411	1,905,081	6,695,302	3,249,393
Loans	106,287,411	1,905,081	6,695,302	3,249,393
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.1.5.4 CONSUMER LOANS, RETAIL CREDIT CARDS, PERSONNEL LOANS AND PERSONNEL CREDIT CARDS

CURRENT PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
Consumer Loans – TL	745,039	41,174,705	41,919,744
Housing Loans	29,927	21,414,214	21,444,141
Automobile Loans	66,063	2,133,790	2,199,853
General Purpose Loans	649,049	17,626,701	18,275,750
Other	-	-	-
Consumer Loans – FC-indexed	188	172,014	172,202
Housing Loans	188	171,585	171,773
Automobile Loans	-	2	2
General Purpose Loans	-	427	427
Other	-	-	-
Consumer Loans – FC	141	46,333	46,474
Housing Loans	-	26,918	26,918
Automobile Loans	112	12,136	12,248
General Purpose Loans	29	7,279	7,308
Other	-	-	-
Retail Credit Cards – TL	15,172,949	775,677	15,948,626
With Installment	7,403,316	775,677	8,178,993
Without Installment	7,769,633	-	7,769,633
Retail Credit Cards – FC	45,286	-	45,286
With Installment	16	-	16
Without Installment	45,270	-	45,270
Personnel Loans – TL	21,508	91,980	113,488
Housing Loan	-	1,165	1,165
Automobile Loans	-	90	90
General Purpose Loans	21,508	90,725	112,233
Other	-	-	-
Personnel Loans - FC-indexed	-	378	378
Housing Loans	-	378	378
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans – FC	-	163	163
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	163	163
Other	-	-	-
Personnel Credit Cards – TL	106,354	1,060	107,414
With Installment	43,217	1,060	44,277
Without Installment	63,137	-	63,137
Personnel Credit Cards – FC	583	-	583
With Installment	-	-	-
Without Installment	583	-	583
Deposit Accounts– TL (Real persons)	523,189	-	523,189
Deposit Accounts– FC (Real persons)	-	-	-
Total	16,615,237	42,262,310	58,877,547

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

PRIOR PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
Consumer Loans – TL	686,400	36,127,573	36,813,973
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	16,022,759	16,646,481
Other	-	-	-
Consumer Loans – FC-indexed	-	170,849	170,849
Housing Loans	-	168,194	168,194
Automobile Loans	-	2	2
General Purpose Loans	-	2,653	2,653
Other	-	-	-
Consumer Loans – FC	3	40,033	40,036
Housing Loans	-	25,999	25,999
Automobile Loans	-	7,504	7,504
General Purpose Loans	3	6,530	6,533
Other	-	-	-
Retail Credit Cards – TL	14,279,715	566,447	14,846,162
With Installment	6,850,008	566,447	7,416,455
Without Installment	7,429,707	-	7,429,707
Retail Credit Cards – FC	38,371	-	38,371
With Installment	2,685	-	2,685
Without Installment	35,686	-	35,686
Personnel Loans – TL	17,241	74,439	91,680
Housing Loan	-	1,055	1,055
Automobile Loans	-	86	86
General Purpose Loans	17,241	73,298	90,539
Other	-	-	-
Personnel Loans - FC-indexed	-	330	330
Housing Loans	-	330	330
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans – FC	-	112	112
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	112	112
Other	-	-	-
Personnel Credit Cards – TL	92,376	460	92,836
With Installment	37,692	460	38,152
Without Installment	54,684	-	54,684
Personnel Credit Cards – FC	512	-	512
With Installment	86	-	86
Without Installment	426	-	426
Deposit Accounts– TL (Real persons)	496,664	-	496,664
Deposit Accounts– FC (Real persons)	-	-	-
Total	15,611,282	36,980,243	52,591,525

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.1.5.5 INSTALLMENT BASED COMMERCIAL LOANS AND CORPORATE CREDIT CARDS

CURRENT PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
Installment-based Commercial Loans – TL	1,767,307	11,094,610	12,861,917
Real Estate Loans	3,262	831,376	834,638
Automobile Loans	107,647	2,174,041	2,281,688
General Purpose Loans	1,656,398	8,089,193	9,745,591
Other	-	-	-
Installment-based Commercial Loans - FC-indexed	264,798	2,405,434	2,670,232
Real Estate Loans	-	72,529	72,529
Automobile Loans	8,927	730,518	739,445
General Purpose Loans	255,871	1,602,387	1,858,258
Other	-	-	-
Installment-based Commercial Loans – FC	710	86,457	87,167
Real Estate Loans	-	637	637
Automobile Loans	42	14,356	14,398
General Purpose Loans	668	71,464	72,132
Other	-	-	-
Corporate Credit Cards – TL	2,687,757	53,475	2,741,232
With Installment	1,279,033	53,475	1,332,508
Without Installment	1,408,724	-	1,408,724
Corporate Credit Cards – FC	11,271	-	11,271
With Installment	176	-	176
Without Installment	11,095	-	11,095
Deposit Accounts– TL (Corporates)	881,614	-	881,614
Deposit Accounts– FC (Corporates)	-	-	-
Total	5,613,457	13,639,976	19,253,433
PRIOR PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
Installment-based Commercial Loans – TL	1,335,639	9,681,444	11,017,083
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
Other	-	-	-
Installment-based Commercial Loans - FC-indexed	160,480	1,885,722	2,046,202
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
Other	-	-	-
Installment-based Commercial Loans – FC	160	46,675	46,835
Real Estate Loans	-	925	925
Automobile Loans	84	12,304	12,388
General Purpose Loans	76	33,446	33,522
Other	-	-	-
Corporate Credit Cards – TL	1,963,886	3,750	1,967,636
With Installment	953,402	3,750	957,152
Without Installment	1,010,484	-	1,010,484
Corporate Credit Cards – FC	7,692	-	7,692
With Installment	61	-	61
Without Installment	7,631	-	7,631
Deposit Accounts– TL (corporates)	831,746	-	831,746
Deposit Accounts– FC (corporates)	-	-	-
Total	4,299,603	11,617,591	15,917,194

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.1.5.6 ALLOCATION OF LOANS BY CUSTOMERS

	CURRENT PERIOD	PRIOR PERIOD
Public Sector	792,965	866,521
Private Sector (*)	184,249,980	157,635,193
Total	185,042,945	158,501,714

(*) As of 31 December 2015, loans amounting to TL 198,118 thousands (31 December 2016: -) included under "Financial Assets at Fair Value through Profit/Loss" in the accompanying balance sheet, are presented above under "Private Sector".

5.1.5.7 ALLOCATION OF DOMESTIC AND FOREIGN LOANS

	CURRENT PERIOD	PRIOR PERIOD
Domestic Loans	181,422,064	156,494,318
Foreign Loans (*)	3,620,881	2,007,396
Total	185,042,945	158,501,714

(*) As of 31 December 2015, loans amounting to TL 198,118 thousands (31 December 2016: -) included under "Financial Assets at Fair Value through Profit/Loss" in the accompanying balance sheet, are presented above under "Foreign Loans".

5.1.5.8 LOANS TO ASSOCIATES AND AFFILIATES

	CURRENT PERIOD	PRIOR PERIOD
Direct Lending	842,967	1,089,363
Indirect Lending	-	-
Total	842,967	1,089,363

5.1.5.9 SPECIFIC PROVISIONS FOR LOANS

	CURRENT PERIOD	PRIOR PERIOD
Substandard Loans and Receivables - Limited Collectibility	451,816	599,750
Doubtful Loans and Receivables	1,126,227	579,036
Uncollectible Loans and Receivables	2,689,448	2,388,912
Total	4,267,491	3,567,698

5.1.5.10 NON-PERFORMING LOANS AND OTHER RECEIVABLES (NPLS) (NET)

Non-performing loans and other receivables restructured or rescheduled

	GROUP III SUBSTANDARD LOANS AND RECEIVABLES	GROUP IV DOUBTFUL LOANS AND RECEIVABLES	GROUP V UNCOLLECTIBLE LOANS AND RECEIVABLES
CURRENT PERIOD			
(Gross Amounts before Specific Provisions)	125,617	665,093	717,588
Restructured Loans and Receivables	125,617	665,093	717,588
Rescheduled Loans and Receivables	-	-	-
PRIOR PERIOD			
(Gross Amounts before Specific Provisions)	252,165	230,646	489,801
Restructured Loans and Receivables	252,165	230,646	489,801
Rescheduled Loans and Receivables	-	-	-

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

Movements in non-performing loans and other receivables

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

(*) of which TL 1,059,931 thousands is resulted from sale of non-performing loans.

	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS AND RECEIVABLES	DOUBTFUL LOANS AND RECEIVABLES	UNCOLLECTIBLE LOANS AND RECEIVABLES
PRIOR PERIOD			
Balances at Beginning of Period	405,091	748,030	2,147,708
Additions during the Period (+)	2,241,205	59,594	47,548
Transfer from Other NPL Categories (+)	-	1,543,105	1,350,938
Transfer to Other NPL Categories (-)	1,543,105	1,350,938	-
Collections during the Period (-)	316,471	242,333	488,662
Write-offs (-) (*)	537	611	196,537
Corporate and Commercial Loans	537	609	119,188
Retail Loans	-	-	33,424
Credit Cards	-	2	43,925
Others	-	-	-
Balances at End of Period	786,183	756,847	2,860,995
Specific Provisions (-)	599,750	579,036	2,388,912
Net Balance on Balance Sheet	186,433	177,811	472,083

(*) of which TL 83,080 thousands is resulted from sale of non-performing loans.

Movements in specific loan provisions

	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
CURRENT PERIOD				
Balances at End of Prior Period	1,329,001	1,270,403	968,294	3,567,698
Additions during the Period(+)	1,255,839	897,204	591,817	2,744,860
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-)	152,378	514,410	302,405	969,193
Write-offs (-) (*)	515,810	288,870	271,194	1,075,874
Balances at End of Period	1,916,652	1,364,327	986,512	4,267,491

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

	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
PRIOR PERIOD				
Balances at End of Prior Period	1,158,403	823,655	691,903	2,673,961
Additions during the Period(+)	509,512	857,543	528,196	1,895,251
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-)	220,938	377,383	207,878	806,199
Write-offs (-)	117,976	33,412	43,927	195,315
Balances at End of Period	1,329,001	1,270,403	968,294	3,567,698

(*) of which TL 80,710 thousands is resulted from sale of non-performing loans.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

Non-performing loans and other receivables in foreign currencies

	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS AND RECEIVABLES	DOUBTFUL LOANS AND RECEIVABLES	UNCOLLECTIBLE LOANS AND RECEIVABLES
CURRENT PERIOD			
Balance at End of Period	34,476	363,587	722,774
Specific Provisions (-)	29,951	234,409	512,422
Net Balance at Balance Sheet	4,525	129,178	210,352
Prior Period			
Balance at End of Period	180,731	37,931	535,189
Specific Provisions (-)	138,781	10,172	422,070
Net Balance at Balance Sheet	41,950	27,759	113,119

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

	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS AND RECEIVABLES	DOUBTFUL LOANS AND RECEIVABLES	UNCOLLECTIBLE LOANS AND RECEIVABLES
CURRENT PERIOD (NET)			
Loans to Individuals and Corporates (Gross)	576,487	1,476,489	3,218,482
Specific Provision (-)	451,816	1,126,227	2,688,132
Loans to Individuals and Corporates (Net)	124,671	350,262	530,350
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1,005
Specific Provision (-)	-	-	1,005
Other Loans and Receivables (Net)	-	-	-
PRIOR PERIOD (NET)	186,433	177,811	472,083
Loans to Individuals and Corporates (Gross)	786,183	756,847	2,859,679
Specific Provision (-)	599,750	579,036	2,387,596
Loans to Individuals and Corporates (Net)	186,433	177,811	472,083
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

CURRENT PERIOD	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	3,016	184	-	3,200
Loans Collateralized by Mortgages	1,391,416	142,402	-	1,533,818
Loans Collateralized by Pledged Assets	192,660	47,119	-	239,779
Loans Collateralized by Cheques and Notes	211,665	7,286	-	218,951
Loans Collateralized by Other Collaterals	919,836	861,462	-	1,781,298
Unsecured Loans	95,253	413,963	986,512	1,495,728
Total	2,813,846	1,472,416	986,512	5,272,774

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

PRIOR PERIOD	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	1,999	201	-	2,200
Loans Collateralized by Mortgages	911,000	88,562	-	999,562
Loans Collateralized by Pledged Assets	224,454	53,650	-	278,104
Loans Collateralized by Cheques and Notes	299,845	9,390	-	309,235
Loans Collateralized by Other Collaterals	530,469	829,081	-	1,359,550
Unsecured Loans	120,701	366,379	968,294	1,455,374
Total	2,088,468	1,347,263	968,294	4,404,025

5.1.5.11 LIQUIDATION POLICY FOR UNCOLLECTIBLE LOANS AND RECEIVABLES

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

5.1.5.12 WRITE-OFF POLICY

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

5.1.6 INVESTMENTS HELD-TO-MATURITY

5.1.6.1 INVESTMENT SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Collateralised/Blocked Investments	5,793,705	4,341,183	4,956,015	2,108,752
Investments subject to Repurchase Agreements	3,147,892	-	4,081,537	317,809
Total	8,941,597	4,341,183	9,037,552	2,426,561

5.1.6.2 GOVERNMENT SECURITIES HELD-TO-MATURITY

	CURRENT PERIOD	PRIOR PERIOD
Government Bonds	19,108,804	17,776,978
Treasury Bills	-	-
Other Government Securities	-	-
Total	19,108,804	17,776,978

5.1.6.3 INVESTMENTS HELD-TO-MATURITY

	CURRENT PERIOD	PRIOR PERIOD
Debt Securities	21,236,112	19,961,209
Quoted at Stock Exchange	20,462,344	19,106,455
Unquoted at Stock Exchange	773,768	854,754
Valuation Increase/(Decrease)	2,404,072	1,794,603
Total	23,640,184	21,755,812

5.1.6.4 MOVEMENT OF INVESTMENTS HELD-TO-MATURITY

	CURRENT PERIOD	PRIOR PERIOD
Balances at Beginning of Period	21,755,812	21,014,502
Foreign Currency Differences On Monetary Assets	1,963,183	1,945,865
Purchases during the Period	498,479	1,331,647
Disposals through Sales/Redemptions (*)	(1,186,759)	(2,971,899)
Valuation Effect	609,469	435,697
Balances at End of Period	23,640,184	21,755,812

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.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.1.7 INVESTMENTS IN ASSOCIATES

5.1.7.1 INVESTMENTS IN ASSOCIATES

ASSOCIATE	ADDRESS (CITY/ COUNTRY)	BANK'S SHARE-IF DIFFERENT, VOTING RIGHTS (%)	BANK'S RISK GROUP SHARE (%)
1 Bankalararası Kart Merkezi AŞ (1)	İstanbul/Turkey	10.15	10.15
2 Yatırım Finansman Menkul Değerler AŞ (1)	İstanbul/Turkey	0.77	0.77
3 İstanbul Takas ve Saklama Bankası AŞ (1)	İstanbul/Turkey	5.25	5.28
4 Borsa İstanbul AŞ (1)	İstanbul/Turkey	0.30	0.34
5 KKB Kredi Kayıt Bürosu AŞ (1)	İstanbul/Turkey	9.09	9.09
6 Türkiye Cumhuriyet Merkez Bankası AŞ (2)	Ankara /Turkey	2.48	2.48
7 Kredi Garanti Fonu AŞ (1)	Ankara /Turkey	1.75	1.75

	TOTAL ASSETS	SHAREHOLDERS' EQUITY	TOTAL FIXED ASSETS (*)	INTEREST INCOME	INCOME ON SECURITIES PORTFOLIO	CURRENT PERIOD PROFIT/LOSS	PRIOR PERIOD PROFIT/LOSS	COMPANY'S FAIR VALUE
1	75,434	44,177	48,085	672	-	14,517	9,605	-
2	885,750	70,170	3,534	12,885	1,102	(3,130)	(791)	-
3	7,494,521	994,440	98,224	216,309	5,881	162,178	132,453	-
4	1,084,281	1,043,795	211,102	27,176	979	223,697	289,559	-
5	185,448	129,648	135,578	2,817	90	16,458	26,782	-
6	450,139,064	54,629,350	684,192	6,120,123	2,238,649	20,736,851	8,529,957	-
7	324,489	298,991	7,562	12,390	-	17,738	19,890	-

(1) Financial information is as of 30 September 2016.

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

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

5.1.7.2 MOVEMENT OF INVESTMENTS IN ASSOCIATES

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

5.1.7.3 SECTORAL DISTRIBUTION OF INVESTMENTS AND ASSOCIATES

INVESTMENTS IN ASSOCIATES	CURRENT PERIOD	PRIOR PERIOD
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	34,984	34,984
Other Associates	1,714	1,714

5.1.7.4 QUOTED ASSOCIATES

None.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.1.7.5 VALUATION METHODS OF INVESTMENTS IN ASSOCIATES

Investments in Associates	CURRENT PERIOD	PRIOR PERIOD
Valued at Cost	36,698	36,698
Valued at Fair Value	-	-

5.1.7.6 INVESTMENTS IN ASSOCIATES SOLD DURING THE CURRENT PERIOD

None.

5.1.7.7 INVESTMENTS IN ASSOCIATES ACQUIRED DURING THE CURRENT PERIOD

None.

5.1.8 INVESTMENTS IN AFFILIATES

5.1.8.1 INFORMATION ON CAPITAL ADEQUACY OF MAJOR AFFILIATES

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

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

PRIOR PERIOD	GARANTİ BANK INTERNATIONAL NV	GARANTİ FINANSAL KIRALAMA AŞ	GARANTİ HOLDİNG BV
COMMON EQUITY TIER I CAPITAL			
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	-	11,814	-
Common Equity Tier I Capital Before Deductions	1,738,930	885,463	967,415
Deductions From Common Equity Tier I Capital			
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	9,131
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	6,285	2,351	73,220
Net Deferred Tax Asset/Liability (-)	-	-	6,768
Total Deductions from Common Equity Tier I Capital	98,650	2,863	321,001
Total Common Equity Tier I Capital	1,640,280	882,600	646,414
Total Deductions From Tier I Capital	9,427	3,527	119,982
Total Tier I Capital	1,630,853	879,073	526,432
TIER II CAPITAL	253,368	-	57,607
CAPITAL BEFORE DEDUCTIONS	1,884,221	879,073	584,039
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 (-)	-	-	-
TOTAL CAPITAL	1,884,221	879,073	584,039

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.1.8.2 INVESTMENTS IN AFFILIATES

AFFILIATE	ADDRESS (CITY/ COUNTRY)	BANK'S SHARE - IF DIFFERENT, VOTING RIGHTS (%)	BANK'S RISK GROUP SHARE (%)
1 Garanti Bilişim Teknolojisi ve Tic. TAŞ	Istanbul/Turkey	100.00	100.00
2 Garanti Ödeme Sistemleri AŞ	Istanbul/Turkey	99.96	100.00
3 Garanti Hizmet Yönetimi AŞ	Istanbul/Turkey	96.40	99.40
4 Garanti Kültür AŞ	Istanbul/Turkey	100.00	100.00
5 Garanti Konut Finansmanı Danışmanlık Hiz. AŞ	Istanbul/Turkey	100.00	100.00
6 Garanti Finansal Kiralama AŞ	Istanbul/Turkey	100.00	100.00
7 Garanti Faktoring AŞ	Istanbul/Turkey	81.84	81.84
8 Garanti Yatırım Menkul Kıymetler AŞ	Istanbul/Turkey	100.00	100.00
9 Garanti Portföy Yönetimi AŞ	Istanbul/Turkey	100.00	100.00
10 Garanti Emeklilik ve Hayat AŞ	Istanbul/Turkey	84.91	84.91
11 Garanti Bank International NV	Amsterdam/the Netherlands	100.00	100.00
12 Garanti Holding BV	Amsterdam/the Netherlands	100.00	100.00

	TOTAL ASSETS	SHAREHOLDERS' EQUITY	TOTAL FIXED ASSETS (*)	INTEREST INCOME	INCOME ON SECURITIES PORTFOLIO	CURRENT PERIOD PROFIT/LOSS	PRIOR PERIOD PROFIT/LOSS	COMPANY'S FAIR VALUE
1	73,520	62,255	59	2,558	182	3,157	8,843	-
2	27,221	14,784	754	579	56	1,270	962	-
3	6,221	3,794	27	486	258	(4,028)	2,306	-
4	2,257	1,591	794	-	74	69	772	-
5	3,094	1,695	52	219	35	694	379	-
6	5,450,502	925,311	9,586	405,126	-	84,003	110,292	-
7	2,899,452	185,453	7,528	246,599	-	19,716	25,430	-
8	111,904	67,490	14,391	1,423	2,417	20,156	6,146	-
9	59,170	52,212	4,303	4,368	-	12,971	8,029	-
10	1,730,004	1,325,118	39,426	151,012	2,409	245,940	194,445	-
11	17,882,527	2,032,031	101,974	551,284	95,796	50,996	34,395	-
12	1,260,553	1,260,407	-	-	-	(252)	(217)	-

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

5.1.8.3 MOVEMENT OF INVESTMENTS IN AFFILIATES

	CURRENT PERIOD	PRIOR PERIOD
Balance at Beginning of Period	4,446,499	3,708,418
Movements during the Period	727,365	738,081
Acquisitions	53,484	-
Bonus Shares Received	-	-
Earnings from Current Year Profit	398,272	400,315
Sales/Liquidations	(157,635)	-
Reclassification of Shares	-	-
Increase/(Decrease) in Market Values	13,003	70,122
Currency Differences on Foreign Affiliates	420,241	267,644
Impairment Reversals/(Losses)	-	-
Balance at End of Period	5,173,864	4,446,499
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.1.8.4 SECTORAL DISTRIBUTION OF INVESTMENTS IN AFFILIATES

Affiliates	CURRENT PERIOD	PRIOR PERIOD
Banks	2,025,895	1,764,623
Insurance Companies	1,125,108	916,536
Factoring Companies	151,548	135,644
Leasing Companies	925,310	871,165
Finance Companies	841,767	654,295
Other Affiliates	104,236	104,236

5.1.8.5 QUOTED AFFILIATES

None.

5.1.8.6 VALUATION METHODS OF INVESTMENTS IN AFFILIATES

Affiliates	CURRENT PERIOD	PRIOR PERIOD
Valued at Cost	104,236	104,236
Valued at Fair Value (*)	5,069,628	4,342,263

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

5.1.8.7 INVESTMENTS IN AFFILIATES DISPOSED DURING THE CURRENT PERIOD

The Bank sold its 1729 shares representing 99.94% of the share capital of GarantiBank Moscow AO to Sovcombank, a bank operating in Russia for a purchase price of USD 38,389,786 and realized a loss of TL 43,243 thousand.

5.1.8.8 INVESTMENTS IN AFFILIATES ACQUIRED DURING THE CURRENT PERIOD

None.

5.1.9 INVESTMENTS IN JOINT-VENTURES

None.

5.1.10 LEASE RECEIVABLES (NET)

None.

5.1.11 DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT

5.1.11.1 POSITIVE DIFFERENCES ON DERIVATIVE FINANCIAL INSTRUMENTS HELD FOR RISK MANAGEMENT

DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Fair Value Hedges	73,946	10,420	60,616	7,483
Cash Flow Hedges	5,526	499,322	28,448	584,450
Net Foreign Investment Hedges	-	-	-	-
Total	79,472	509,742	89,064	591,933

As of 31 December 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	30,864,971	144,968	115,007	18,791,415	101,340	120,219
-TL	8,307,595	79,472	26,671	5,239,355	89,064	10,928
-FC	22,557,376	65,496	88,336	13,552,060	12,276	109,291
Cross Currency Swaps	3,670,474	444,246	164,529	5,279,626	579,657	130,272
-TL	944,728	-	-	1,868,085	-	-
-FC	2,725,746	444,246	164,529	3,411,541	579,657	130,272
Total	34,535,445	589,214	279,536	24,071,041	680,997	250,491

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.1.11.1.1 FAIR VALUE HEDGE ACCOUNTING

CURRENT PERIOD	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)
HEDGING ITEM				Asset	Liability	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	42,431	15,833	(75,781)	(17,517)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(42,169)	48,387	(344)	5,874
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(14,515)	19,803	(17,079)	(11,791)
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	(13,071)	-	(164,529)	(177,600)
Cross Currency Swaps	Fixed-rate commercial loans	Interest rate and foreign currency exchange rate risk	231	343	-	574

PRIOR PERIOD	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)
HEDGING ITEM				Asset	Liability	
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)

5.1.11.1.2 CASH FLOW HEDGE ACCOUNTING

CURRENT PERIOD	HEDGED ITEM	TYPE OF RISK	FAIR VALUE CHANGE OF HEDGED ITEM		GAINS/LOSSES ACCOUNTED UNDER SHAREHOLDERS' EQUITY IN THE PERIOD	GAINS/LOSSES ACCOUNTED UNDER INCOME STATEMENT IN THE PERIOD	INEFFECTIVE PORTION (NET) ACCOUNTED UNDER INCOME STATEMENT
HEDGING ITEM			Asset	Liability			
Interest Rate Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates	66	-	(30)	(100)	-
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	46,611	(21,803)	20,313	(20,654)	(135)
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	14,268	-	14,325	(3,344)	-
Cross Currency Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	-	-	(6,677)	(12,091)	-
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	443,903	-	(17,541)	(89,625)	51

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: TL 1,238 thousands). There were no gain/loss recognised in the shareholders' equity in the current period (31 December 2015: a loss of TL 619 thousands).

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

PRIOR PERIOD	HEDGED ITEM	TYPE OF RISK	FAIR VALUE CHANGE OF HEDGED ITEM		GAINS/LOSSES ACCOUNTED UNDER SHAREHOLDERS' EQUITY IN THE PERIOD	GAINS/LOSSES ACCOUNTED UNDER INCOME STATEMENT IN THE PERIOD	INEFFECTIVE PORTION (NET) ACCOUNTED UNDER INCOME STATEMENT
HEDGING ITEM			Asset	Liability			
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

5.1.12 TANGIBLE ASSETS

	REAL ESTATES	LEASED TANGIBLE ASSETS	VEHICLES	OTHER TANGIBLE ASSETS	TOTAL
AT END OF PRIOR PERIOD:					
Cost	2,496,570	326,195	15,477	1,687,432	4,525,674
Accumulated Depreciation (-)	(2,565)	(305,178)	(11,872)	(1,131,834)	(1,451,449)
Net Book Value at End of Prior Period	2,494,005	21,017	3,605	555,598	3,074,225
AT END OF CURRENT PERIOD:					
Additions	255,718	17,904	1,302	475,392	750,316
Revaluation Model Difference	-	-	-	-	-
Transfers from Investment Property	-	-	-	-	-
Disposals (Costs)	(127,743)	(62,516)	(677)	(180,393)	(371,329)
Disposals (Accumulated Depreciation)	277	60,145	607	86,929	147,958
Impairment/Reversal of Impairment Losses	-	-	-	-	-
Depreciation Expense for Current Period (-)	(15,828)	(5,464)	(1,384)	(189,746)	(212,422)
Cost at End of Current Period	2,624,545	281,583	16,102	1,982,431	4,904,661
Accumulated Depreciation at End of Current Period	(18,116)	(250,497)	(12,649)	(1,234,651)	(1,515,913)
Net Book Value at End of Current Period	2,606,429	31,086	3,453	747,780	3,388,748

5.1.13 INTANGIBLE ASSETS

5.1.13.1 USEFUL LIVES AND AMORTISATION RATES

Intangible assets include softwares and other intangible assets. The estimated useful lives of such assets vary between 3 and 15 years.

5.1.13.2 AMORTISATION METHODS

Intangible assets are amortised on a straight-line basis from the date of capitalisation.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.1.13.3 BALANCES AT BEGINNING AND END OF CURRENT PERIOD

	BEGINNING OF PERIOD		END OF PERIOD	
	Cost	Accumulated Amortisation	Cost	Accumulated Amortisation
Intangible Assets	487,362	248,349	377,591	195,001

5.1.13.4 MOVEMENTS OF INTANGIBLE ASSETS FOR CURRENT PERIOD

	CURRENT PERIOD	PRIOR PERIOD
Net Book Value at End of Prior Period	182,590	173,966
Internally Generated Intangibles	-	-
Additions due to Mergers, Transfers and Acquisition	107,247	46,353
Disposals (-)	(180)	(235)
Impairment Losses/Reversals to/from Revaluation Surplus	-	-
Impairment Losses Recorded in Income Statement	-	-
Impairment Losses Reversed from Income Statement	-	-
Amortisation Expense for Current Period (-)	(52,994)	(37,054)
Currency Translation Differences on Foreign Operations	-	(440)
Other Movements	2,350	-
Net Book Value at End of Current Period	239,013	182,590

5.1.13.5 DETAILS FOR ANY INDIVIDUALLY MATERIAL INTANGIBLE ASSETS

None.

5.1.13.6 INTANGIBLE ASSETS CAPITALISED UNDER GOVERNMENT INCENTIVES AT FAIR VALUES

None.

5.1.13.7 REVALUATION METHOD OF INTANGIBLE ASSETS CAPITALISED UNDER GOVERNMENT INCENTIVES AND VALUED AT FAIR VALUES AT CAPITALISATION DATES

None.

5.1.13.8 NET BOOK VALUE OF INTANGIBLE ASSET THAT ARE RESTRICTED IN USAGE OR PLEDGED

None.

5.1.13.9 COMMITMENTS TO ACQUIRE INTANGIBLE ASSETS

None.

5.1.13.10 DISCLOSURE ON REVALUED INTANGIBLE ASSETS

None.

5.1.13.11 RESEARCH AND DEVELOPMENT COSTS EXPENSED DURING CURRENT PERIOD

None.

5.1.13.12 GOODWILL

None.

5.1.13.13 MOVEMENTS IN GOODWILL DURING CURRENT PERIOD

None.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.1.14 INVESTMENT PROPERTY

	CURRENT PERIOD	PRIOR PERIOD
Net Book Value at Beginning Period	381,270	374,945
Additions	231,273	-
Transfers to Tangible Assets	50,110	(22,954)
Fair Value Change (*)	7,717	29,279
Net Book Value at End of Current Period	670,370	381,270

(*) Total gain of TL 7,717 thousands from revaluation of investment property is included in other operating income.

The investment property is held for operational leasing purposes.

5.1.15 DEFERRED TAX ASSET

As of 31 December 2016, the Bank has a deferred tax asset of TL 127,709 thousands (31 December 2015: TL 381,541 thousands) calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences.

The Bank does not have any deferred tax assets on tax losses carried forward or tax deductions and exemptions as of 31 December 2016. However, there is a deferred tax asset of TL 407,822 thousands (31 December 2015: TL 578,378 thousands) and deferred tax liability of TL 280,113 thousands (31 December 2015: TL 196,837 thousands) presented as net in the accompanying financial statements on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

For the cases where such differences are related with certain items on the shareholders' equity accounts, the deferred taxes are charged or credited directly to these accounts.

	CURRENT PERIOD		PRIOR PERIOD	
	TAX BASE	DEFERRED TAX AMOUNT	TAX BASE	DEFERRED TAX AMOUNT
Provisions (*)	944,764	188,953	825,024	165,005
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	(506,334)	(115,638)	691,156	158,867
Revaluation Differences on Real Estates	(1,722,648)	(22,865)	(1,723,078)	(23,459)
Other	386,302	77,259	405,643	81,128
Total Deferred Tax Asset, Net	(897,916)	127,709	198,745	381,541

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

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

As of 31 December 2016, TL 338,418 thousands of deferred tax expense (31 December 2015: TL 174,198 thousands) and TL 84,586 thousands of deferred tax income (31 December 2015: TL 78,354 thousands) are recognised in the income statement and the shareholders' equity, respectively.

5.1.16 ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS

	CURRENT PERIOD	PRIOR PERIOD
End of Prior Period		
Cost	356,160	178,986
Accumulated Depreciation (-)	(9,181)	(7,970)
Net Book Value	346,979	171,016
End of Current Period		
Additions	335,793	263,352
Disposals (Cost)	(82,753)	(84,386)
Disposals (Accumulated Depreciation)	1,358	3,886
Impairment Losses (-)	(2,820)	(1,792)
Depreciation Expense for Current Period (-)	(8,831)	(5,097)
Currency Translation Differences on Foreign Operations	-	-
Cost	606,380	356,160
Accumulated Depreciation (-)	(16,654)	(9,181)
Net Book Value	589,726	346,979

As of balance sheet date, the net book values of assets held for sale on which rights of repurchase exist amounting to TL 359,660 thousands.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.1.17 OTHER ASSETS

5.1.17.1 RECEIVABLES FROM TERM SALE OF ASSETS

	CURRENT PERIOD	PRIOR PERIOD
Sale of Investments in Associates, Affiliates and Joint Ventures	-	-
Sale of Real Estates	-	-
Sale of Financial Assets Available-for-Sale	16,670	-
Sale of Other Assets	2,305	3,127
Total	18,975	3,127

5.1.17.2 PREPAID EXPENSES, TAXES AND SIMILAR ITEMS

	CURRENT PERIOD	PRIOR PERIOD
Prepaid Expenses	477,898	389,443
Prepaid Taxes	-	-

5.1.18 ACCRUED INTEREST AND INCOME

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

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Central Bank of Turkey	79,969	38	26,710	5
Financial Assets at Fair Value through Profit or Loss	19	599	352	540
Banks	3,611	21,752	672	11,529
Interbank Money Markets	-	1	-	1
Financial Assets Available-for-Sale	1,299,160	9,371	1,036,656	14,863
Loans	2,031,750	837,928	1,439,128	653,153
Investments Held-to-Maturity	2,302,531	127,299	1,670,426	124,392
Other Accruals	3,799	-	8,099	-
Total	5,720,839	996,988	4,182,043	804,483

5.2 LIABILITIES

5.2.1 MATURITY PROFILE OF DEPOSITS

CURRENT PERIOD	DEMAND	7 DAYS NOTICE	UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	1 YEAR AND OVER	ACCUMULATING DEPOSIT ACCOUNTS	TOTAL
Saving Deposits	9,362,638	-	3,519,154	39,387,584	523,583	360,800	470,517	4,046	53,628,322
Foreign Currency Deposits	15,943,064	-	5,585,618	41,555,186	1,796,018	5,229,260	9,800,564	56,941	79,966,651
Residents in Turkey	15,250,673	-	5,462,031	39,058,254	1,582,659	1,059,641	1,085,221	55,783	63,554,262
Residents in Abroad	692,391	-	123,587	2,496,932	213,359	4,169,619	8,715,343	1,158	16,412,389
Public Sector Deposits	493,327	-	72,724	27,688	116	4,994	24	-	598,873
Commercial Deposits	8,186,591	-	4,193,368	5,320,846	126,355	163,481	872,965	-	18,863,606
Other	212,836	-	140,766	1,023,250	52,904	447,810	553,501	-	2,431,067
Precious Metal Deposits	1,753,776	-	-	82,984	12,264	22,493	153,015	-	2,024,532
Bank Deposits	2,849,464	-	392,429	73,408	183,837	121,962	97,446	-	3,718,546
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	3,619	-	391,559	15,107	16,180	118,267	14,442	-	559,174
Foreign Banks	1,685,663	-	870	58,301	167,657	3,695	83,004	-	1,999,190
Special Financial Institutions	1,160,182	-	-	-	-	-	-	-	1,160,182
Other	-	-	-	-	-	-	-	-	-
Total	38,801,696	-	13,904,059	87,470,946	2,695,077	6,350,800	11,948,032	60,987	161,231,597

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

PRIOR PERIOD	DEMAND	7 DAYS NOTICE	UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	1 YEAR AND OVER	ACCUMULATING DEPOSIT ACCOUNTS	TOTAL
Saving Deposits	7,209,432	-	2,979,904	34,257,111	1,104,133	327,887	481,267	4,699	46,364,433
Foreign Currency Deposits	14,356,851	-	6,633,102	30,908,146	3,113,640	3,138,788	11,476,049	56,573	69,683,149
Residents in Turkey	13,566,495	-	6,227,505	28,221,569	2,651,518	1,064,402	796,622	55,408	52,583,519
Residents in Abroad	790,356	-	405,597	2,686,577	462,122	2,074,386	10,679,427	1,165	17,099,630
Public Sector Deposits	624,252	-	7,629	26,642	43	144	31	-	658,741
Commercial Deposits	6,178,956	-	3,617,921	4,298,918	170,551	389,198	574,360	-	15,229,904
Other	210,284	-	89,687	1,147,371	268,316	3,434	524,269	-	2,243,361
Precious Metal Deposits	1,085,578	-	106	11,175	-	57	101,849	-	1,198,765
Bank Deposits	1,814,017	-	1,579,003	340,476	1,567,749	91,248	128,486	-	5,520,979
Central Bank of Turkey	-	-	700,209	-	-	-	-	-	700,209
Domestic Banks	2,975	-	859,410	290,933	2,056	-	4	-	1,155,378
Foreign Banks	709,340	-	19,384	49,543	1,565,693	91,248	128,482	-	2,563,690
Special Financial Institutions	1,101,702	-	-	-	-	-	-	-	1,101,702
Other	-	-	-	-	-	-	-	-	-
Total	31,479,370	-	14,907,352	70,989,839	6,224,432	3,950,756	13,286,311	61,272	140,899,332

5.2.1.1 SAVING DEPOSITS AND OTHER DEPOSIT ACCOUNTS INSURED BY SAVING DEPOSIT INSURANCE FUND

SAVING DEPOSITS COVERED BY DEPOSIT INSURANCE AND TOTAL AMOUNT OF DEPOSITS EXCEEDING INSURANCE COVERAGE LIMIT:

TASARRUF MEVDUATI	COVERED BY DEPOSIT INSURANCE		OVER DEPOSIT INSURANCE LIMIT	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
Saving Deposits	27,807,137	24,378,726	25,449,970	21,652,836
Foreign Currency Saving Deposits	8,323,858	8,175,797	34,340,843	27,111,189
Other Saving Deposits	821,559	590,229	1,114,240	576,940
Deposits held at Foreign Branches Under Foreign Insurance Coverage	-	-	-	-
Deposits held at Off-Shore Branches Under Foreign Insurance Coverage	-	-	-	-

5.2.1.2 SAVING DEPOSITS AT DOMESTIC BRANCHES OF FOREIGN BANKS IN TURKEY UNDER THE COVERAGE OF FOREIGN INSURANCE

None.

5.2.1.3 SAVING DEPOSITS NOT COVERED BY INSURANCE LIMITS

	CURRENT PERIOD	PRIOR PERIOD
Deposits and Other Accounts held at Foreign Branches	860,876	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	748,443	658,628
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-	-

5.2.2 NEGATIVE DIFFERENCES ON DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Forward transactions	242,659	61,117	221,159	124,268
Swap transactions	1,993,468	745,041	1,093,920	350,255
Futures	-	964	-	3,320
Options	372,549	80,824	354,740	115,975
Other	-	-	-	-
Total	2,608,676	887,946	1,669,819	593,818

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.2.3 FUNDS BORROWED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Central Bank of Turkey	-	1,880,102	-	-
Domestic Banks and Institutions	343,595	502,401	259,222	331,117
Foreign Banks, Institutions and Funds	1,778,067	35,782,203	2,283,041	30,564,417
Total	2,121,662	38,164,706	2,542,263	30,895,534

5.2.3.1 MATURITIES OF FUNDS BORROWED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Short-Term	341,819	2,452,722	259,222	660,528
Medium and Long-Term	1,779,843	35,711,984	2,283,041	30,235,006
Total	2,121,662	38,164,706	2,542,263	30,895,534

The Bank classified certain borrowings obtained through securitisations amounting to USD 2,000,000,000, as financial liability at fair value through profit/loss at the initial recognition. As of 31 December 2016, the accumulated credit risk change and the credit risk change recognised in the income statement amounted to gains of TL 442,139 thousands and of TL 314,843 thousands, respectively. The carrying value of the related financial liability amounted to TL 6,583,861 thousands, and the related current period income amounted to TL 314,843 thousands.

5.2.3.2 DISCLOSURES FOR CONCENTRATION AREAS OF BANK'S LIABILITIES

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

5.2.4 OTHER EXTERNAL FUNDS

5.2.4.1 SECURITIES ISSUED

CURRENT PERIOD	TL		FC	
	SHORT-TERM	MEDIUM AND LONG-TERM	SHORT-TERM	MEDIUM AND LONG-TERM
Nominal	1,240,773	3,756,256	-	12,121,238
Cost	1,197,023	3,477,513	-	12,044,056
Carrying Value (*)	1,213,929	3,555,294	-	11,667,656

PRIOR PERIOD	TL		FC	
	SHORT-TERM	MEDIUM AND LONG-TERM	SHORT-TERM	MEDIUM AND LONG-TERM
Nominal	802,079	2,827,547	160,141	10,982,481
Cost	779,806	2,636,089	160,141	10,918,171
Carrying Value (*)	790,461	2,615,083	160,472	10,632,753

(*) The Bank repurchased its own TL securities with a total face value of TL 107,896 thousands (31 December 2015: TL 121,998 thousands) and foreign currency securities with a total face value of USD 206,730,000 (31 December 2015: USD 206,730,000) and netted off such securities in the accompanying financial statements.

The Bank classified certain securities amounting to TL 104,473 thousands and RON 34,500,000 as financial liability at fair value through profit/loss at the initial recognition. As of 31 December 2016, the accumulated negative credit risks changes, and the negative and positive credit risk changes recognised in the income statement amounted to TL 144 thousands and TL 2,289 thousands, and TL 144 thousands and TL 722 thousands, respectively. The carrying value of the related financial liability amounted to TL 30,618 thousands and TL 105,368 thousands, and the related current period losses and gains amounted to TL 896 thousands and TL 953 thousands, respectively.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.2.4.2 FUNDS PROVIDED THROUGH REPURCHASE TRANSACTIONS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Domestic Transactions	7,268,205	-	12,521,178	-
Financial Institutions and Organizations	7,189,589	-	12,474,644	-
Other Institutions and Organizations	31,248	-	14,308	-
Individuals	47,368	-	32,226	-
Foreign Transactions	2	-	75	2,546,908
Financial Institutions and Organizations	-	-	-	2,546,908
Other Institutions and Organizations	-	-	-	-
Individuals	2	-	75	-
Total	7,268,207	-	12,521,253	2,546,908

5.2.4.3 MISCELLANEOUS PAYABLES

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Payables from credit card transactions	7,833,260	37,377	6,886,185	54,592
Other	358,186	859,316	246,079	1,149,996
Total	8,191,446	896,693	7,132,264	1,204,588

5.2.5 LEASE PAYABLES (NET)

5.2.5.1 FINANCIAL LEASE PAYABLES

	CURRENT PERIOD		PRIOR PERIOD	
	GROSS	NET	GROSS	NET
Up to 1 Year	16,612	15,406	8,835	7,947
1-4 Years	1,792	1,686	3,150	3,021
More than 4 Years	-	-	-	-
Total	18,404	17,092	11,985	10,968

5.2.5.2 OPERATIONAL LEASE AGREEMENTS

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

5.2.6 DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Derivative Financial Liabilities held for Risk Management				
Fair Value Hedges	26,671	231,062	10,928	210,635
Cash Flow Hedges	-	21,803	-	28,928
Net Foreign Investment Hedges	-	-	-	-
Total	26,671	252,865	10,928	239,563

5.2.7 PROVISIONS

5.2.7.1 GENERAL PROVISIONS

	CURRENT PERIOD	PRIOR PERIOD
General Provision for	3,171,163	3,002,057
Loans and Receivables in Group I	1,713,424	2,298,736
Loans and Receivables in Group II	869,171	350,733
Non-Cash Loans	359,927	151,772
Others	228,641	200,816

5.2.7.2 PROVISIONS FOR FOREIGN EXCHANGE DIFFERENCES ON FOREIGN CURRENCY INDEXED LOANS AND FINANCIAL LEASE RECEIVABLES

	CURRENT PERIOD	PRIOR PERIOD
Short-Term Loans	1,241	29,733
Medium and Long-Term Loans	270	11,412
Total	1,511	41,145

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

5.2.7.3 PROVISIONS FOR NON-CASH LOANS THAT ARE NOT INDEMNIFIED OR CONVERTED INTO CASH

	CURRENT PERIOD	PRIOR PERIOD
Substandard Loans and Receivables - Limited Collectibility	27,731	26,570
Doubtful Loans and Receivables	22,716	18,417
Uncollectible Loans and Receivables	84,162	57,122
Total	134,609	102,109

5.2.7.4 OTHER PROVISIONS

5.2.7.4.1 GENERAL RESERVES FOR POSSIBLE LOSSES

	CURRENT PERIOD	PRIOR PERIOD
General Reserves for Possible Losses	300,000	330,000

5.2.7.4.2 OTHER PROVISIONS

	CURRENT PERIOD	PRIOR PERIOD
Reserve for Employee Benefits	679,871	529,537
Provision for Promotion Expenses of Credit Cards (*)	95,340	86,809
Provision for Lawsuits	53,174	39,530
Other Provisions	179,847	160,022
Total	1,008,232	815,898

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

Recognized liability for defined benefit plan obligations

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

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

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

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

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

	CURRENT PERIOD	PRIOR PERIOD
	%	%
Discount Rate (*)	11.50	10.30
Inflation Rate (*)	7.80	7.10
Future Real Salary Increase Rate	1.50	1.50
Medical Cost Trend Rate	40% above inflation	40% above inflation
Future Pension Increase Rate (*)	7.80	7.10

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

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.

5.2.8 TAX LIABILITY

5.2.8.1 CURRENT TAX LIABILITY

5.2.8.1.1 TAX LIABILITY

As of 31 December 2016, the Bank had a current tax liability of TL 94,095 thousands (31 December 2015: TL 364,223 thousands) after offsetting with prepaid taxes.

5.2.8.1.2 TAXES PAYABLE

	CURRENT PERIOD	PRIOR PERIOD
Corporate Taxes Payable	94,095	364,223
Taxation on Securities Income	122,010	110,161
Taxation on Real Estates Income	3,752	3,396
Banking Insurance Transaction Tax	114,846	96,852
Foreign Exchange Transaction Tax	86	74
Value Added Tax Payable	10,398	11,037
Others	66,639	71,798
Total	411,826	657,541

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.2.8.1.3 PREMIUMS

	CURRENT PERIOD	PRIOR PERIOD
Social Security Premiums-Employees	51	45
Social Security Premiums-Employer	62	55
Bank Pension Fund Premium-Employees	21	18
Bank Pension Fund Premium-Employer	21	18
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	1,118	964
Unemployment Insurance-Employer	2,258	1,941
Others	27	21
Total	3,558	3,062

5.2.8.2 DEFERRED TAX LIABILITY

None.

5.2.9 LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS

None.

5.2.10 SUBORDINATED DEBTS

On 23 February 2009, the Bank obtained a subordinated debt of EUR 50 millions from Proparco (Societe de Promotion et de Participation pour la Cooperation Economique SA), a company of the French Development Agency Group with an interest of Euribor+3.5% and maturity of 12 years with a repayment option at the end of the seventh year, to finance the clean energy projects. This debt is qualified as secondary subordinated debt to be included in the supplementary capital by the BRSA in the calculation of the Bank's capital adequacy ratio in compliance with the conditions set forth in the "Regulation on Equities of Banks" issued by the BRSA and published in the Official Gazette no.26333 dated 1 November 2006.

Total amount of the debt was repaid on 31 March 2016, by exercising the call option at the end of 7-year period.

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Domestic Other Institutions	-	-	-	-
Foreign Banks	-	-	-	-
Foreign Other Institutions	-	-	-	159,792
Total	-	-	-	159,792

5.2.11 SHAREHOLDERS' EQUITY

5.2.11.1 PAID-IN CAPITAL

	CURRENT PERIOD	PRIOR PERIOD
Common Shares	4,200,000	4,200,000
Preference Shares	-	-

5.2.11.2 REGISTERED SHARE CAPITAL SYSTEM

CAPITAL	PAID-IN CAPITAL	CEILING PER REGISTERED SHARE CAPITAL
Registered Shares	4,200,000	10,000,000

5.2.11.3 CAPITAL INCREASES IN CURRENT PERIOD

None.

5.2.11.4 CAPITAL INCREASES FROM CAPITAL RESERVES IN CURRENT PERIOD

None.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.2.11.5 CAPITAL COMMITMENTS FOR CURRENT AND FUTURE FINANCIAL PERIODS

None.

5.2.11.6 POSSIBLE EFFECT OF ESTIMATIONS MADE FOR THE PARENT BANK'S REVENUES, PROFITABILITY AND LIQUIDITY ON EQUITY CONSIDERING PRIOR PERIOD INDICATORS AND UNCERTAINTIES

None.

5.2.11.7 INFORMATION ON PRIVILEGES GIVEN TO STOCKS REPRESENTING THE CAPITAL

None.

5.2.11.8 SECURITIES VALUE INCREASE FUND

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Investments in Associates, Affiliates and Joint-Ventures	1,115,043	18,255	681,119	(22,224)
Valuation difference	42,879	18,255	73,280	(22,224)
Exchange rate difference	1,072,164	-	607,839	-
Securities Available-for-Sale	(484,665)	(26,490)	(427,154)	210,219
Valuation difference	(484,665)	(26,490)	(427,154)	210,219
Exchange rate difference	-	-	-	-
Total	630,378	(8,235)	253,965	187,995

5.2.11.9 REVALUATION SURPLUS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Movables	-	-	-	-
Real Estates	1,450,022	-	1,458,644	-
Gain on Sale of Investments in Associates and Affiliates and Real Estates allocated for Capital Increases	176,415	-	173,263	-
Revaluation Surplus on Leasehold Improvements	-	-	-	-

5.2.11.10 BONUS SHARES OF ASSOCIATES, AFFILIATES AND JOINT-VENTURES

	CURRENT PERIOD	PRIOR PERIOD
Garanti Yatırım Menkul Değerler AŞ	942	942
Kredi Kartları Bürosu AŞ	481	481
Garanti Ödeme Sistemleri AŞ	401	401
Tat Konserve AŞ	36	36
Doğuş Gayrimenkul Yatırım Ortaklığı AŞ	22	22
Yatırım Finansman Menkul Değerler AŞ	9	9
Total	1,891	1,891

5.2.11.11 LEGAL RESERVES

	CURRENT PERIOD	PRIOR PERIOD
I. Legal Reserve	960,320	958,189
II. Legal Reserve	245,840	210,140
Special Reserves	-	-

5.2.11.12 EXTRAORDINARY RESERVES

	CURRENT PERIOD	PRIOR PERIOD
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	21,972,914	19,159,612
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital	-	-

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.2.12 ACCRUED INTEREST AND EXPENSES

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

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Deposits	355,115	215,921	347,088	159,767
Funds Borrowed	87,549	156,634	91,800	102,171
Interbank Money Markets	6,092	-	7,314	9,940
Other Accruals	110,766	758,635	63,557	704,653
Total	559,522	1,131,190	509,759	976,531

5.3 OFF-BALANCE SHEET ITEMS

5.3.1 OFF-BALANCE SHEET CONTINGENCIES

5.3.1.1 IRREVOCABLE CREDIT COMMITMENTS

The Bank has term asset purchase and sale commitments of TL 3,281,772 thousands (31 December 2015: TL 3,060,328 thousands), commitments for cheque payments of TL 3,555,087 thousands (31 December 2015: TL 3,063,159 thousands) and commitments for credit card limits of TL 27,849,612 thousands (31 December 2015: TL 26,826,339 thousands).

5.3.1.2 POSSIBLE LOSSES, COMMITMENTS AND CONTINGENCIES RESULTED FROM OFF-BALANCE SHEET ITEMS

	CURRENT PERIOD	PRIOR PERIOD
Letters of Guarantee in Foreign Currency	20,378,358	17,332,578
Letters of Guarantee in TL	17,101,636	14,826,457
Letters of Credit	15,010,812	14,286,342
Bills of Exchange and Acceptances	2,127,334	1,538,069
Prefinancings	-	-
Other Guarantees	155,016	109,206
Total	54,773,156	48,092,652

A specific provision of 134,609 TL thousands (31 December 2015: TL 102,109 thousands) is made for unliquidated non-cash loans of TL 355,861 thousands (31 December 2015: TL 313,985 thousands) recorded under the off-balance sheet items in the accompanying financial statements.

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

5.3.1.3 NON-CASH LOANS

	CURRENT PERIOD	PRIOR PERIOD
Non-Cash Loans against Cash Risks	5,128,893	4,157,201
With Original Maturity of 1 Year or Less	331,380	454,207
With Original Maturity of More Than 1 Year	4,797,513	3,702,994
Other Non-Cash Loans	49,644,263	43,935,451
Total	54,773,156	48,092,652

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.3.1.4 SECTORAL RISK CONCENTRATION OF NON-CASH LOANS

	CURRENT PERIOD				PRIOR PERIOD			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	70,323	0.41	35,294	0.10	59,203	0.40	20,610	0.06
Farming and Stockbreeding	59,983	0.35	24,619	0.07	53,926	0.36	14,859	0.04
Forestry	8,973	0.05	2,810	0.01	3,897	0.03	5,066	0.02
Fishery	1,367	0.01	7,865	0.02	1,380	0.01	685	-
Manufacturing	4,388,090	25.62	17,478,679	46.43	4,251,238	28.61	16,122,283	48.51
Mining and Quarrying	194,627	1.14	192,037	0.51	151,428	1.02	164,179	0.49
Production	2,432,210	14.20	12,714,045	33.77	2,450,646	16.49	11,100,367	33.40
Electricity, Gas, Water	1,761,253	10.28	4,572,597	12.15	1,649,164	11.10	4,857,737	14.62
Construction	2,767,922	16.16	4,129,403	10.97	2,091,782	14.08	3,665,678	11.03
Services	8,578,393	50.07	13,853,148	36.80	7,313,986	49.22	12,169,678	36.61
Wholesale and Retail Trade	5,889,557	34.38	8,725,717	23.18	5,223,467	35.16	8,053,245	24.23
Accommodation and Dining	236,345	1.38	297,645	0.79	297,037	2.00	215,078	0.65
Transportation and Telecommunication	601,547	3.51	1,649,457	4.38	501,237	3.37	1,047,718	3.15
Financial Institutions	1,442,429	8.42	2,928,416	7.78	930,766	6.26	2,593,893	7.80
Real Estate and Rental Services	251,658	1.47	221,317	0.59	262,149	1.76	236,803	0.71
Professional Services	-	-	-	-	-	-	-	-
Educational Services	24,350	0.14	3,531	0.01	22,140	0.15	10,322	0.03
Health and Social Services	132,507	0.77	27,065	0.07	77,190	0.52	12,619	0.04
Others	1,324,754	7.74	2,147,150	5.70	1,142,116	7.69	1,256,078	3.79
Total	17,129,482	100.00	37,643,674	100.00	14,858,325	100.00	33,234,327	100.00

5.3.1.5 NON-CASH LOANS CLASSIFIED UNDER GROUP I AND II

CURRENT PERIOD	GROUP I		GROUP II	
	TL	FC	TL	FC
Non-Cash Loans	16,912,826	36,802,927	216,656	840,747
Letters of Guarantee	16,884,980	19,713,157	216,656	665,201
Bills of Exchange and Bank Acceptances	27,846	2,099,488	-	-
Letters of Credit	-	14,835,266	-	175,546
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	-	155,016	-	-

PRIOR PERIOD	GROUP I		GROUP II	
	TL	FC	TL	FC
Non-Cash Loans	14,710,093	32,526,428	148,232	707,899
Letters of Guarantee	14,678,225	16,793,372	148,232	539,206
Bills of Exchange and Bank Acceptances	20,793	1,515,117	-	2,159
Letters of Credit	11,075	14,108,733	-	166,534
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	-	109,206	-	-

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.3.2 FINANCIAL DERIVATIVE INSTRUMENTS

CURRENT PERIOD	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER	TOTAL
Derivative Financial Instruments held for Risk Management						
A. Total Derivative Financial Instruments held for Risk Management	-	80,000	1,500,547	19,041,969	13,912,929	34,535,445
Fair Value Hedges	-	80,000	500,547	9,119,275	9,590,333	19,290,155
Cash Flow Hedges	-	-	1,000,000	9,922,694	4,322,596	15,245,290
Net Foreign Investment Hedges	-	-	-	-	-	-
Trading Derivatives						
Foreign Currency related Derivative Transactions (I)	112,982,256	45,942,375	55,050,292	8,490,852	-	222,465,775
Currency Forwards-Purchases	7,727,483	2,486,686	2,824,657	772,388	-	13,811,214
Currency Forwards-Sales	7,712,360	2,427,200	2,875,583	785,068	-	13,800,211
Currency Swaps-Purchases	40,085,771	15,670,209	16,004,366	2,189,473	-	73,949,819
Currency Swaps-Sales	39,802,745	15,711,078	15,823,773	2,378,007	-	73,715,603
Currency Options-Purchases	8,663,673	4,678,793	8,465,924	1,143,233	-	22,951,623
Currency Options-Sales	8,990,224	4,828,242	9,042,572	1,222,683	-	24,083,721
Currency Futures-Purchases	-	72,411	8,720	-	-	81,131
Currency Futures-Sales	-	67,756	4,697	-	-	72,453
Interest Rate related Derivative Transactions (II)	10,624	117,305	6,146,838	17,917,866	18,424,620	42,617,253
Interest Rate Swaps-Purchases	42	337	3,073,419	6,238,093	8,547,633	17,859,524
Interest Rate Swaps-Sales	42	337	3,073,419	6,238,093	8,547,633	17,859,524
Interest Rate Options-Purchases	-	-	-	4,598,560	1,329,354	5,927,914
Interest Rate Options-Sales	-	-	-	843,120	-	843,120
Securities Options-Purchases	5,270	8,255	-	-	-	13,525
Securities Options-Sales	5,270	8,255	-	-	-	13,525
Interest Rate Futures-Purchases	-	-	-	-	-	-
Interest Rate Futures-Sales	-	100,121	-	-	-	100,121
Other Trading Derivatives (III)	170,236	672,615	693,095	1,945,734	5,269,501	8,751,181
B. Total Trading Derivatives (I+II+III)	113,163,116	46,732,295	61,890,225	28,354,452	23,694,121	273,834,209
Total Derivative Transactions (A+B)	113,163,116	46,812,295	63,390,772	47,396,421	37,607,050	308,369,654

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

PRIOR PERIOD	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER	TOTAL
Derivative Financial Instruments held for Risk Management						
A. Total Derivative Financial Instruments held for Risk Management	-	800,000	1,482,385	12,130,687	9,657,969	24,071,041
Fair Value Hedges	-	-	2,000	4,457,333	8,246,516	12,705,849
Cash Flow Hedges	-	800,000	1,480,385	7,673,354	1,411,453	11,365,192
Net Foreign Investment Hedges	-	-	-	-	-	-
Trading Derivatives						
Foreign Currency related Derivative Transactions (I)	75,660,824	33,923,846	60,404,687	13,344,189	-	183,333,546
Currency Forwards-Purchases	6,316,719	4,168,863	4,708,540	1,376,019	-	16,570,141
Currency Forwards-Sales	5,710,864	4,289,908	5,041,453	1,464,935	-	16,507,160
Currency Swaps-Purchases	25,553,116	2,474,359	5,021,481	1,631,533	-	34,680,489
Currency Swaps-Sales	22,029,744	2,482,660	5,585,839	1,711,599	-	31,809,842
Currency Options-Purchases	7,907,588	10,018,035	18,935,949	3,445,881	-	40,307,453
Currency Options-Sales	8,142,793	10,486,904	20,910,640	3,629,918	-	43,170,255
Currency Futures-Purchases	-	3,117	4,311	-	-	7,428
Currency Futures-Sales	-	-	196,474	84,304	-	280,778
Interest Rate related Derivative Transactions (II)	140	200,000	5,632,931	17,841,609	11,031,016	34,705,696
Interest Rate Swaps-Purchases	70	100,000	1,624,844	7,244,531	5,253,157	14,222,602
Interest Rate Swaps-Sales	70	100,000	1,624,844	7,244,531	5,253,157	14,222,602
Interest Rate Options-Purchases	-	-	2,383,243	3,352,547	524,702	6,260,492
Interest Rate Options-Sales	-	-	-	-	-	-
Securities Options-Purchases	-	-	-	-	-	-
Securities Options-Sales	-	-	-	-	-	-
Interest Rate Futures-Purchases	-	-	-	-	-	-
Interest Rate Futures-Sales	-	-	-	-	-	-
Other Trading Derivatives (III)	4,694,860	459,682	672,330	1,613,206	4,362,000	11,802,078
B. Total Trading Derivatives (I+II+III)	80,355,824	34,583,528	66,709,948	32,799,004	15,393,016	229,841,320
Total Derivative Transactions (A+B)	80,355,824	35,383,528	68,192,333	44,929,691	25,050,985	253,912,361

5.3.3 CREDIT DERIVATIVES AND RISK EXPOSURES ON CREDIT DERIVATIVES

As of 31 December 2016, in the Bank's "other irrevocable commitments", there are commitments for "credit linked notes" with a total face value of USD 25,000,000 (31 December 2015: USD 125,000,000).

As of 31 December 2016, there are total return swaps of the Bank with a total face value of USD 2,000,000,000 (31 December 2015: USD 2,000,000,000) classified under "other derivative financial instruments", where the Bank is on the selling side of the protection.

5.3.4 CONTINGENT LIABILITIES AND ASSETS

The Bank made a total provision amounting to TL 53,174 thousands (31 December 2015: TL 39,530 thousands) for the lawsuits filed by various customers and institutions against the Bank which are likely to occur and for which cash outflow might be necessary, and disclosed it under Note 5.2.7.4.2, other provisions. The Bank has various other lawsuits which are unlikely to occur and for which cash outflow is not expected to incur.

It is possible that the Bank may be required to provide additional collateral for the derivative transactions involved due to changes in certain financial indicators such as CDS levels, currency exchange rates, interest rates etc. As of 31 December 2016, there was no payment made related with such contingent liabilities.

5.3.5 SERVICES RENDERED ON BEHALF OF THIRD PARTIES

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.4 INCOME STATEMENT

5.4.1 INTEREST INCOME

5.4.1.1 INTEREST INCOME FROM LOANS (*)

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Short-term loans	5,061,808	170,849	4,183,325	159,098
Medium and long-term loans	8,295,879	3,186,033	6,413,920	2,840,011
Loans under follow-up	68,875	-	51,171	278
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	13,426,562	3,356,882	10,648,416	2,999,387

(*) Includes also the fee and commission income on cash loans

5.4.1.2 INTEREST INCOME FROM BANKS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Central Bank of Turkey	-	16,194	-	3,308
Domestic Banks	16,929	410	30,032	410
Foreign Banks	2,374	53,629	6,382	33,280
Foreign Head Offices and Branches	-	-	-	-
Total	19,303	70,233	36,414	36,998

5.4.1.3 INTEREST INCOME FROM SECURITIES PORTFOLIO

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Financial Assets Held for Trading	15,517	1,944	10,443	4,888
Financial Assets Valued at Fair Value through Profit or Loss	-	-	-	-
Financial Assets Available-for-Sale	1,799,474	104,163	1,728,714	84,849
Investments Held-to-Maturity	1,110,089	546,080	1,128,760	500,042
Total	2,925,080	652,187	2,867,917	589,779

As disclosed in the accounting policies, the Bank values CPI-indexed government bonds in its securities portfolio according to the reference index on the issue date and the index that is calculated according to the expected inflation rate. The inflation rate used during the valuation is being updated during the year when it is considered necessary. As of 31 December 2016, the valuation of such securities was made according to annual inflation rate as of balance sheet date.

5.4.1.4 INTEREST INCOME RECEIVED FROM ASSOCIATES AND AFFILIATES

	CURRENT PERIOD	PRIOR PERIOD
Interest Received from Investments in Associates and Affiliates	38,427	77,954

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.4.2 INTEREST EXPENSES

5.4.2.1 INTEREST EXPENSES ON FUNDS BORROWED (*)

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Banks	223,254	422,426	313,544	376,344
Central Bank of Turkey	-	-	-	206
Domestic Banks	20,278	6,816	15,541	6,846
Foreign Banks	202,976	415,610	298,003	369,292
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	299,374	-	245,691
Total	223,254	721,800	313,544	622,035

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

5.4.2.2 INTEREST EXPENSES PAID TO ASSOCIATES AND AFFILIATES

	CURRENT PERIOD	PRIOR PERIOD
Interest Paid to Investments in Associates and Affiliates	81,420	61,043

5.4.2.3 INTEREST EXPENSES ON SECURITIES ISSUED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Interest Paid on Securities Issued	432,604	531,696	329,036	507,903

5.4.2.4 MATURITY STRUCTURE OF INTEREST EXPENSE ON DEPOSITS

CURRENT PERIOD	DEMAND DEPOSITS	TIME DEPOSITS					ACCUMULATING DEPOSIT ACCOUNTS	TOTAL
ACCOUNT DESCRIPTION		UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	1 YEAR AND OVER		
Turkish Lira								
Bank Deposits	1,093	251,424	-	-	-	-	-	252,517
Saving Deposits	45	244,786	3,700,535	87,873	39,154	48,930	-	4,121,323
Public Sector Deposits	-	890	4,680	11	86	2	-	5,669
Commercial Deposits	42	327,543	599,974	47,201	24,968	74,107	-	1,073,835
Other	9	12,739	81,804	11,671	65,656	29,683	-	201,562
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Total TL	1,189	837,382	4,386,993	146,756	129,864	152,722	-	5,654,906
Foreign Currency								
Foreign Currency Deposits	240	59,078	722,519	46,276	97,238	285,142	825	1,211,318
Bank Deposits	-	15,601	-	-	-	-	-	15,601
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	69	11	32	1,382	-	1,494
Total FC	240	74,679	722,588	46,287	97,270	286,524	825	1,228,413
Grand Total	1,429	912,061	5,109,581	193,043	227,134	439,246	825	6,883,319

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

PRIOR PERIOD	DEMAND DEPOSITS	TIME DEPOSITS					ACCUMULATING DEPOSIT ACCOUNTS	TOTAL
ACCOUNT DESCRIPTION		UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	1 YEAR AND OVER		
Turkish Lira								
Bank Deposits	804	119,745	-	-	-	-	-	120,549
Saving Deposits	50	302,360	3,022,922	112,344	69,885	52,452	-	3,560,013
Public Sector Deposits	-	610	2,627	9	7	2	-	3,255
Commercial Deposits	15	295,937	491,563	19,507	34,160	44,989	-	886,171
Other	11	11,876	90,201	5,619	4,622	38,832	-	151,161
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Total TL	880	730,528	3,607,313	137,479	108,674	136,275	-	4,721,149
Foreign Currency								
Foreign Currency Deposits	1,184	49,125	528,599	69,531	98,639	182,411	884	930,373
Bank Deposits	-	33,034	-	-	-	-	-	33,034
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	2	-	-	1,102	-	1,104
Total FC	1,184	82,159	528,601	69,531	98,639	183,513	884	964,511
Grand Total	2,064	812,687	4,135,914	207,010	207,313	319,788	884	5,685,660

5.4.2.5 INTEREST EXPENSE ON REPURCHASE AGREEMENTS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Interest Paid on Repurchase Agreements	969,896	28,657	647,663	53,228

5.4.2.6 FINANCIAL LEASE EXPENSES

	CURRENT PERIOD	PRIOR PERIOD
Financial Lease Expenses	2,132	746

5.4.2.7 INTEREST EXPENSES ON FACTORING PAYABLES

None.

5.4.3 DIVIDEND INCOME

	CURRENT PERIOD	PRIOR PERIOD
Trading Financial Assets	-	-
Financial Assets Valued at Fair Value through Profit or Loss	-	-
Financial Assets Available-for-Sale	966	722
Others	5,936	4,380
Total	6,902	5,102

5.4.4 TRADING INCOME/LOSSES (NET)

	CURRENT PERIOD	PRIOR PERIOD
Income	75,155,487	95,127,805
Trading Account Income	564,189	608,134
Gains from Derivative Financial Instruments	10,269,269	11,342,904
Foreign Exchange Gains	64,322,029	83,176,767
Losses (-)	75,946,728	96,203,423
Trading Account Losses	274,162	93,575
Losses from Derivative Financial Instruments	11,011,854	13,574,589
Foreign Exchange Losses	64,660,712	82,535,259
Total	(791,241)	(1,075,618)

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

TL 3,262,341 thousands (31 December 2015: TL 1,472,398 thousands) of foreign exchange gains and TL 3,879,841 thousands (31 December 2015: TL 1,559,011 thousands) of foreign exchange losses are resulted from the exchange rate changes of derivative financial transactions.

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

The Bank also enters into interest rate and cross currency swap agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied cash flow hedge accounting for funds borrowed amounting to USD 79,827,027 and EUR 39,473,684 securitization borrowings amounting to USD 102,083,335 and EUR 154,289,472 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, gains of TL 46,482 thousands (31 December 2015: TL 70,700 thousands) and TL 39,553 thousands (31 December 2015: gains of TL 70,700 thousands and TL 4,946 thousands) resulting from cross currency and interest rate swap agreements were recognised under shareholders' equity, respectively.

The Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 2,648,197 thousands and USD 1,089,994,701 and EUR 150,619,549, for its fixed-rate loans with a total principal of RON 98,288,042, for its bonds with a total face value of TL 1,005,000 thousands and USD 265,400,000 and fixed-rate coupons by designating interest rate swaps and cross currency swaps with the same face values and terms. Accordingly, in the current period, a gain of TL 492 thousands (31 December 2015: TL 65,397 thousands) and a loss of TL 14,515 thousands (31 December 2015: TL 48,755 thousands) resulted from the related fair value calculations for the hedged loans and bonds were accounted for under net trading income/losses in the income statement, respectively.

In addition, the Bank also entered into cross currency swap agreements in order to hedge its fixed-rate bonds issued for a total principal value of AUD 175,000,000 and, RON 85,500,000 with the same face values and terms. Accordingly, in the current period, a loss of TL 13,071 thousands (31 December 2015: TL 13,669 thousands) resulted from the fair value changes of the securities issued and funds borrowed subject to hedge accounting were accounted for under trading income/losses in the income statement.

5.4.5 OTHER OPERATING INCOME

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

As of 21 June 2016, the acquisition of Visa Europe Ltd. by Visa Inc. has been completed. In acquisition, the Bank has sold its one share in Visa Europe Ltd. with a nominal of EUR 10.00 for a consideration of EUR 58,422,751 in cash and 21,215 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 1,059,931 thousands were sold for a consideration of TL 79,774 thousands. Considering the related provision of TL 1,058,459 thousands made in the financial statements, a gain of TL 78,276 thousands is recognized under "Other Operating Income".

5.4.6 PROVISION FOR LOSSES ON LOANS OR OTHER RECEIVABLES

	CURRENT PERIOD	PRIOR PERIOD
Specific Provisions for Loans and Other Receivables	2,366,782	1,560,847
Loans and Receivables in Group III	420,692	599,593
Loans and Receivables in Group IV	1,127,274	579,183
Loans and Receivables in Group V	818,816	382,071
General Provisions	161,626	562,604
Provision for Possible Losses	100,000	-
Impairment Losses on Securities	19	5,112
Financial Assets at Fair Value through Profit or Loss	19	5,112
Financial Assets Available-for-Sale	-	-
Impairment Losses on Associates, Affiliates and	-	-
Investments Held-to-Maturity	-	-
Associates	-	-
Affiliates	-	-
Joint Ventures	-	-
Investments Held-to-Maturity	-	-
Others	186,437	89,631
Total	2,814,864	2,218,194

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.4.7 OTHER OPERATING EXPENSES

	CURRENT PERIOD	PRIOR PERIOD
Personnel Costs	2,466,135	2,215,481
Reserve for Employee Termination Benefits	37,077	38,820
Defined Benefit Obligation	-	-
Impairment Losses on Tangible Assets	-	55,541
Depreciation Expenses of Tangible Assets	212,422	190,476
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortisation Expenses of Intangible Assets	52,994	37,054
Impairment Losses on Investments Accounted under Equity Method	-	-
Impairment Losses on Assets to be Disposed	2,820	1,792
Depreciation Expenses of Assets to be Disposed	8,831	5,097
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	2,638,821	2,510,202
Operational Lease related Expenses	391,615	347,498
Repair and Maintenance Expenses	58,260	60,144
Advertisement Expenses	178,677	150,743
Other Expenses (*)	2,010,269	1,951,817
Loss on Sale of Assets	1,494	3,241
Others (**)	697,944	825,597
Total	6,118,538	5,883,301

(*) Includes lawsuits, execution and other legal expenses borne by the Bank, of fees and commissions income recognized in prior years but reimbursed, in the amount of TL 56,209 thousands (31 December 2015: TL 55,340 thousands), as per the decision of the Turkish Competition Board or the related courts.

(**) Includes repayments, by the Bank in the current period, of fees and commissions income recognised in prior years in the amount of TL 110,146 thousands (31 December 2015: TL 254,480 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

The profit before taxes includes a net interest income of TL 11,096,942 thousands (31 December 2015: TL 9,241,333 thousands), a net fees and commissions income of TL 3,151,738 thousands (31 December 2015: TL 2,922,551 thousands) and operating expenses of TL 6,118,538 thousands (31 December 2015: TL 5,883,301 thousands). The Bank's profit before taxes realized at TL 6,293,438 thousands (31 December 2015: TL 4,038,877 thousands) increasing by 46.06% as compared to prior year.

5.4.9 INFORMATION ON PROVISION FOR TAXES FROM CONTINUED AND DISCONTINUED OPERATIONS

As of 31 December 2016, the Bank recorded a tax charge of TL 884,471 thousands (31 December 2015: TL 728,172 thousands) and a deferred tax expense of TL 338,418 thousands (31 December 2015: TL 174,198 thousands).

Deferred tax benefit/charge on timing differences:

Deferred tax benefit/(charge) on timing differences	CURRENT PERIOD	PRIOR PERIOD
Increase in tax deductible timing differences (+)	59,516	106,758
Decrease in tax deductible timing differences (-)	(240,479)	(249,002)
Increase in taxable timing differences (-)	(169,619)	(87,954)
Decrease in taxable timing differences (+)	12,164	56,000
Total	(338,418)	(174,198)

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

Deferred tax benefit/(charge) arising on timing differences, tax losses and tax deductions and exemptions	CURRENT PERIOD	PRIOR PERIOD
Increase/(decrease) in tax deductible timing differences (net)	(180,963)	(142,244)
Increase/(decrease) in taxable timing differences (net)	(157,455)	(31,954)
Increase/(decrease) in tax losses (net)	-	-
Increase/(decrease) in tax deductions and exemptions (net)	-	-
Total	(338,418)	(174,198)

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.4.10 NET OPERATING PROFIT/LOSS AFTER TAXES INCLUDING NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS

None.

5.4.11 NET PROFIT/LOSS

5.4.11.1 ANY FURTHER EXPLANATION ON OPERATING RESULTS NEEDED FOR BETTER UNDERSTANDING OF THE BANK'S PERFORMANCE

None.

5.4.11.2 ANY CHANGES IN ESTIMATIONS THAT MIGHT HAVE A MATERIAL EFFECT ON CURRENT AND SUBSEQUENT PERIOD RESULTS

None.

5.4.12 COMPONENTS OF OTHER ITEMS IN INCOME STATEMENT

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

5.5 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

5.5.1 ANY INCREASES ARISING FROM APPLICATION OF ACCOUNTING FOR FINANCIAL INSTRUMENTS

5.5.1.1 INCREASES FROM VALUATION OF FINANCIAL ASSETS AVAILABLE-FOR-SALE

None.

5.5.1.2 INCREASES DUE TO CASH FLOW HEDGES

The Bank enters into swap contracts to convert variable interest rates on its borrowings to fixed interest rates for cash flow hedging purposes. After netting with the related deferred tax effect, an increase of TL 9,473 thousands (31 December 2015: TL 65,618 thousands) is presented in the shareholders' equity for such hedges assessed as effective.

5.5.1.3 RECONCILIATION OF FOREIGN EXCHANGE DIFFERENCES AT BEGINNING AND END OF CURRENT PERIOD

An increase of TL 497,265 thousands (31 December 2015: TL 290,260 thousands) that was resulted from the foreign currency translation of the Bank, is presented under translation differences in the shareholders' equity

5.5.2 ANY DECREASES ARISING FROM APPLICATION OF ACCOUNTING FOR FINANCIAL INSTRUMENTS

5.5.2.1 DECREASES FROM VALUATION OF FINANCIAL ASSETS AVAILABLE-FOR-SALE

As of 31 December 2016, a decrease of TL 135,618 thousands (31 December 2015: TL 294,128 thousands) resulted from the revaluation of financial assets available-for-sale at fair value after being netted with the related deferred tax liability effect and a gain of TL 158,603 thousands (31 December 2015: TL 62,612 thousands) that was transferred to the income statement from "securities value increase fund" are presented as the current period movements in securities value increase fund in the statement of changes in shareholders' equity.

5.5.2.2 DECREASES DUE TO CASH FLOW HEDGES

None.

5.5.3 TRANSFERS TO LEGAL RESERVES

	CURRENT PERIOD	PRIOR PERIOD
Transfers to Legal Reserves from Prior Year Profits	35,700	35,700
Transfers to Extraordinary Reserves from Prior Year Profits	2,799,084	3,039,465

5.5.4 ISSUANCE OF SHARE CERTIFICATES

Please refer to Note 5.2.11.3.

5.5.5 EFFECTS OF PRIOR YEARS' CORRECTIONS TO BEGINNING BALANCES OF CURRENT PERIOD

Please refer to Note 3.24.

5.5.6 COMPENSATION OF PRIOR PERIOD LOSSES

None.

5.6 STATEMENT OF CASH FLOWS

5.6.1 DISCLOSURES FOR “OTHER” ITEMS AND “EFFECT OF CHANGE IN FOREIGN CURRENCY RATES CASH AND CASH EQUIVALENTS” IN STATEMENT OF CASH FLOWS

The net cash inflow arising from banking operations amount to TL 2,849,403 thousands (31 December 2015: net cash inflow of TL 1,903,517 thousands). TL 1,920,647 thousands (31 December 2015: TL 1,899,696 thousands) of this amount is generated from the cash outflows resulted from the change in operating assets and liabilities and TL 4,770,050 thousands (31 December 2015: TL 3,803,213 thousands) from the cash inflows resulted from operating profit. The “net increase/(decrease) in other liabilities” under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to TL 170,892 thousands (31 December 2015: TL 2,807,029 thousands). The “others” item under operating income composes of fees and commissions paid, foreign exchange gains, other operating income and other operating expenses excluding employee costs, and amounts to TL 3,557,507 thousands (31 December 2015: TL 3,455,065 thousands).

The net cash outflows from financing activities is TL 305,466 thousands (31 December 2015: a net inflows of TL 243,904 thousands).

The effect of changes in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 762,550 thousands (31 December 2015: TL 640,544 thousands).

5.6.2 CASH OUTFLOWS FROM ACQUISITION OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

Please refer to Note 5.1.8.2 of investments in subsidiaries.

5.6.3 CASH INFLOWS FROM DISPOSAL OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

None.

5.6.4 CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD

	CURRENT PERIOD	PRIOR PERIOD
Cash on Hand	2,064,018	1,678,527
Cash in TL	1,313,068	1,089,201
Cash in Foreign Currency	750,950	589,326
Cash Equivalents	6,814,100	5,907,341
Other	6,814,100	5,907,341
TOTAL	8,878,118	7,585,868

5.6.5 CASH AND CASH EQUIVALENTS AT END OF PERIOD

	CURRENT PERIOD	PRIOR PERIOD
Cash on Hand	2,039,563	2,064,018
Cash in TL	1,357,688	1,313,068
Cash in Foreign Currency	681,875	750,950
Cash Equivalents	10,972,014	6,814,100
Other	10,972,014	6,814,100
TOTAL	13,011,577	8,878,118

5.6.6 RESTRICTED CASH AND CASH EQUIVALENTS DUE TO LEGAL REQUIREMENTS OR OTHER REASONS

The placements at foreign banks include blocked accounts amounting TL 7,439,697 thousands (31 December 2015: TL 7,344,666 thousands) of which TL 116,841 thousands (31 December 2015: TL 96,799 thousands) and TL 96,147 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 7,226,709 thousands (31 December 2015: TL 7,182,809 thousands) as collateral against funds borrowed at various banks.

The blocked account at the Central Bank of Turkey with a principal of TL 13,027,376 thousands (31 December 2015: TL 20,101,723 thousands) is for the reserve deposits in foreign currency and gold against the Banks’ liabilities in Turkish Lira, foreign currencies and gold. The Bank also keeps a collateral of EUR 75,000,000 at the Central Bank of Turkey for borrowing activities in TL money market.

5.6.7 ADDITIONAL INFORMATION

5.6.7.1 RESTRICTIONS ON THE BANK’S POTENTIAL BORROWINGS

None.

5.6.7.2 CASH INFLOWS PRESENTING INCREASE IN OPERATING CAPACITY OF THE BANK

None.

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.7 RELATED PARTY RISKS

5.7.1 TRANSACTIONS WITH THE BANK'S RISK GROUP; LENDINGS AND DEPOSITS AND OTHER RELATED PARTY TRANSACTIONS OUTSTANDING AT PERIOD END AND INCOME AND EXPENSES FROM SUCH TRANSACTIONS INCURRED DURING THE PERIOD

5.7.1.1 LOANS AND OTHER RECEIVABLES

CURRENT PERIOD

BANK'S RISK GROUP	ASSOCIATES, AFFILIATES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	3,837,790	2,197,037	52,056	827,462	2,047,670	467,468
Balance at end of period	3,774,509	2,081,628	1,660,775	383,890	2,126,252	723,935
Interest and Commission Income	57,087	597	484	8	110,798	404

PRIOR PERIOD

BANK'S RISK GROUP	ASSOCIATES, AFFILIATES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	3,318,634	1,522,279	399,748	316,606	1,537,174	702,845
Balance at end of period	3,837,790	2,197,037	52,056	827,462	2,047,670	467,468
Interest and Commission Income	78,697	376	655	8	101,329	282

5.7.1.2 DEPOSITS

BANK'S RISK GROUP	ASSOCIATES, AFFILIATES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
DEPOSITS						
Balance at beginning of period	687,407	681,112	336,153	535,204	543,360	349,385
Balance at end of period	900,256	687,407	536,399	336,153	533,816	543,360
Interest Expense	79,288	60,297	774	12,995	5,517	10,193

5.7.1.3 DERIVATIVE TRANSACTIONS

BANK'S RISK GROUP	ASSOCIATES, AFFILIATES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
Transactions at Fair Value Through Profit or (Loss):						
Balance at beginning of period	421,708	848,391	16,146,894	10,292,901	-	5,770
Balance at end of period	557,282	421,708	13,251,152	16,146,894	843,120	-
Total Profit/(Loss)	(22,827)	(327,241)	(398,761)	(50,088)	(4,582)	-
Transactions for Hedging:						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit/(Loss)	-	-	-	-	-	-

5.7.2 THE BANK'S RISK GROUP

5.7.2.1 RELATIONS WITH COMPANIES IN RISK GROUP OF/OR CONTROLLED BY THE BANK REGARDLESS OF NATURE OF CURRENT TRANSACTIONS

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

5.7.2.2 CONCENTRATION OF TRANSACTION VOLUMES AND BALANCES WITH RISK GROUP AND PRICING POLICY

The cash loans of the risk group amounting TL 2,964,089 thousands (31 December 2015: TL 3,132,513 thousands) compose 1.59% (31 December 2015: 1.97%) of the Bank's total cash loans and 1.04% (31 December 2015: 1.23%) of the Bank's total assets. The total loans and similar receivables amounting TL 7,561,536 thousands (31 December 2015: TL 5,937,516 thousands) compose 2.66% (31 December 2015: 2.33%) of the Bank's total assets. The non-cash loans of the risk group amounting TL 3,189,453 thousands (31 December 2015: TL 3,491,967 thousands) compose 5.82% (31 December 2015: 7.26%) of the Bank's total non-cash loans.

The deposits of the risk group amounting TL 1,970,471 thousands (31 December 2015: TL 1,566,920 thousands) compose 1.22% (31 December 2015: 1.11%) of the Bank's total deposits. The funds borrowed by the Bank from its risk group amounting TL 11,952,196 thousands (31 December 2015: TL 10,142,189 thousands) compose 29.67% (31 December 2015: 30.33%) of the Bank's total funds borrowed. The pricing in transactions with the risk group companies is set on an arms-length basis.

The credit card (POS) payables to the related parties, amounted to TL 216,508 thousands (31 December 2015: TL 137,353 thousands).

A total rent income of TL 11,585 thousands (31 December 2015: TL 8,859 thousands) was recognized for the real estates rented to the related parties.

Operating expenses for TL 19,585 thousands (31 December 2015: TL 11,494 thousands) were incurred for the IT services rendered by the related parties. Banking services fees of TL 1,820 thousands (31 December 2015: TL 1,098 thousands) were recognized from the related parties.

Insurance brokerage fee of TL 122,070 thousands (31 December 2015: TL 112,082 thousands), shares brokerage fee of TL 24,121 thousands (31 December 2015: TL 67,498 thousands), leasing customer acquisition fee of TL - (31 December 2015: TL 4,872 thousands), factoring customer acquisition fee of TL - (31 December 2015: TL 2,828 thousands), fleet business customer acquisition fee of TL - (31 December 2015: TL 357 thousands), fixed-rate securities brokerage fee of TL 7,297 thousands (31 December 2015: -) and fund brokerage fee of TL 109 thousands (31 December 2015: TL 142 thousands) were recognized as income from the services rendered for the affiliates.

Sale income of TL 18,189 thousands from sale of securities to Garanti Leasing and TL 5,720 thousands from sale of asset to Garanti Bank International are realized in the current period.

Operating expenses of TL 4,892 thousands (31 December 2015: TL 8,952 thousands) for advertisement and broadcasting services, of TL 40,427 thousands (31 December 2015: TL 36,210 thousands) for operational leasing services, and of TL 10,599 thousands (31 December 2015: TL 15,246 thousands) for travelling services rendered by the related parties were recognized as expense.

As of 31 December 2016, the net payment provided or to be provided to the key management of the Bank amounts to TL 101,032 thousands (31 December 2015: TL 120,553 thousands).

5.7.2.3 OTHER MATTERS NOT REQUIRED TO BE DISCLOSED

None.

5.7.2.4 TRANSACTIONS ACCOUNTED FOR UNDER EQUITY METHOD

Please refer to Note 5.1.8 investments in affiliates.

5.7.2.5 ALL KIND OF AGREEMENTS SIGNED LIKE ASSET PURCHASES/SALES, SERVICE RENDERING, AGENCIES, LEASING, RESEARCH AND DEVELOPMENT, LICENCES, FUNDING, GUARANTEES, MANAGEMENT SERVICES

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

Purchase of equipments for the Bank's internal use are partly arranged through financial leasing.

5.8 DOMESTIC, FOREIGN AND OFF-SHORE BRANCHES OR EQUITY INVESTMENTS, AND FOREIGN REPRESENTATIVE OFFICES

5.8.1 DOMESTIC AND FOREIGN BRANCHES AND REPRESENTATIVE OFFICES

	NUMBER OF BRANCHES	NUMBER OF EMPLOYEES			
DOMESTIC BRANCHES	959	19,552			
			COUNTRY		
FOREIGN REPRESENTATIVE OFFICES	1	1	1-Germany		
	1	1	2-England		
	1	1	3-China		
				TOTAL ASSETS	LEGAL CAPITAL
FOREIGN BRANCHES	1	17	1- Luxembourg	17,709,986	1,480,800
	1	12	2- Malta	28,536,237	-
	7	105	3- NCTR	1,547,883	15,520

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.8.2 OPENING OR CLOSING OF DOMESTIC AND FOREIGN BRANCHES AND REPRESENTATIVE OFFICES AND SIGNIFICANT CHANGES IN ORGANISATIONAL STRUCTURE

In 2016, 6 domestic branches were opened and 18 branches were closed.

5.9 MATTERS ARISING SUBSEQUENT TO BALANCE SHEET DATE

None.

6 OTHER DISCLOSURES ON ACTIVITIES OF THE BANK

6.1 BANK'S LATEST INTERNATIONAL RISK RATINGS

MOODY'S (26 SEPTEMBER 2016)

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

STANDARD AND POORS (8 NOVEMBER 2016)

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

FITCH RATINGS (25 AUGUST 2016)

Outlook	Negative
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 (6 APRIL 2016)

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

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

Unconsolidated Financial Report as of and for the Year Ended 31 December 2016
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Convenience Translation of
Financial Statements and
Related Disclosures
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6.2 DIVIDENDS

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

2015 PROFIT DISTRIBUTION TABLE

2015 Net Profit	3,406,507
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)

6.3 OTHER DISCLOSURES

None.

7 DISCLOSURES ON INDEPENDENT AUDITORS' REPORT

7.1 DISCLOSURE ON INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements of the Bank as of 31 December 2016, have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (a member of Deloitte Touche Tohmatsu Limited) and the independent auditors' report dated 30 January 2017, is presented before the accompanying financial statements.

7.2 DISCLOSURES AND FOOTNOTES PREPARED BY INDEPENDENT ACCOUNTANTS

None.

CONSOLIDATED FINANCIAL STATEMENTS

Türkiye Garanti Bankası Anonim Şirketi
And Its Financial Affiliates
As of and For the Year Ended

31 December 2016

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

With Independent
Auditors' Report Thereon

30 January 2017

This report contains "Independent Auditors' Report" comprising 1 page and;
"Consolidated Financial Statements and Related Disclosures and Footnotes
comprising 110 pages.

INDEPENDENT AUDITORS' REPORT

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

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Bank Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with "the Banking Regulation and Supervision Agency ("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 for the matters not regulated by the aforementioned legislations and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and Independent Auditing Standards which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

BASIS FOR QUALIFIED OPINION

Subsequent to the reversal of TL 42,000 thousands in the current period the accompanying consolidated financial statements include a general reserve amounting to TL 300,000 thousands as of the balance sheet date, provided by the Bank 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 OPINION

In our opinion, except for the effect of the matter described in the basis for qualified opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Garanti Bankası A.Ş. and its consolidated financial affiliates as at 31 December 2016 and the results of its operations and its cash flows for the year ended in accordance with the BRSA Accounting and Reporting Regulations.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Bank's set of accounts for the period 1 January-31 December 2016 does not comply with TCC and the provisions of the Bank's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

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.

Istanbul, 30 January 2017

DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.



MEMBER OF DELOITTE TOUCHE TOHMATSU LIMITED

Müjde Şehsuvaroğlu

Partner

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

As of and for the year ended 31 december 2016

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

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No:2 Beşiktaş 34340 İstanbul
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The consolidated financial report for the year-end prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

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

AFFILIATES

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

SPECIAL PURPOSE ENTITIES

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

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

FERİT F. ŞAHENK

Board of Directors
Chairman

ALİ FUAT ERBİL

General Manager

AYDIN GÜLER

Executive Vice President
Responsible of Financial
Reporting

AYLİN AKTÜRK

Coordinator

**JAVIER
BERNAL
DIONIS**

Audit Committee
Member

**JORGE SAENZ-
AZCUNAGA
CARRANZA**

Audit Committee
Member

The authorized contact person for questions on this financial report:

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

Phone no: +90 212 318 23 50

Fax no: +90 212 216 59 02

	PAGE NO
SECTION ONE - GENERAL INFORMATION	
I. History of parent bank including its incorporation date, initial legal status, amendments to legal status	272
II. 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	272
III. 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	273
IV. Information on parent bank's qualified shareholders	274
V. Summary information on parent bank's activities and services	274
VI. 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	274
VII. Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between parent bank and its affiliates	274
SECTION TWO - CONSOLIDATED FINANCIAL STATEMENTS	
I. Consolidated balance sheet	275
II. Consolidated balance sheet	276
III. Consolidated off-balance sheet	277
IV. Consolidated income statement	278
V. Consolidated statement of income/expense items accounted under shareholders' equity	279
VI. Consolidated statement of changes in shareholders' equity	280
VII. Consolidated statement of cash flows	281
SECTION THREE - ACCOUNTING POLICIES	
I. Basis of presentation	282
II. Strategy for use of financial instruments and foreign currency transactions	282
III. Information on consolidated affiliates	283
IV. Forwards, options and other derivative transactions	283
V. Interest income and expenses	284
VI. Fees and commissions	284
VII. Financial assets	284
VIII. Impairment of financial assets	285
IX. Netting and derecognition of financial instruments	285
X. Repurchase and resale agreements and securities lending	285
XI. Assets held for sale, assets of discontinued operations and related liabilities	285
XII. Goodwill and other intangible assets	286
XIII. Tangible assets	286
XIV. Leasing activities	287
XV. Provisions and contingent liabilities	287
XVI. Contingent assets	287
XVII. Liabilities for employee benefits	287
XVIII. Taxation	288
XIX. Funds borrowed	290
XX. Share issuances	290
XXI. Confirmed bills of exchange and acceptances	290
XXII. Government incentives	290
XXIII. Segment reporting	290
XXIV. Other disclosures	291
SECTION FOUR - CONSOLIDATED FINANCIAL POSITION AND RESULTS OF OPERATIONS AND RISK MANAGEMENT	
I. Consolidated total capital	292
II. Consolidated credit risk	296
III. Consolidated currency risk	304
IV. Consolidated interest rate risk	306
V. Consolidated position risk of equity securities	308
VI. Consolidated liquidity risk	309
VII. Consolidated leverage ratio	314
VIII. Fair values of financial assets and liabilities	315
IX. Transactions carried out on behalf of customers and items held in trust	316
X. Risk management objectives and policies	316
SECTION FIVE - DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS	
I. Consolidated assets	330
II. Consolidated liabilities	355
III. Consolidated off-balance sheet items	363
IV. Consolidated income statement	366
V. Consolidated statement of changes in shareholders' equity	371
VI. Consolidated statement of cash flows	372
VII. Related party risks	373
VIII. Domestic, foreign and off-shore branches or equity investments, and foreign representative offices of parent bank	374
IX. Matters arising subsequent to balance sheet date	375
SECTION SIX - OTHER DISCLOSURES ON ACTIVITIES	
I. Information on international risk ratings	376
II. Dividends	378
III. Other disclosures	378
SECTION SEVEN - INDEPENDENT AUDITORS' REPORT	
I. Disclosure on independent auditors' report	378
II. Disclosures and footnotes prepared by independent auditors	378

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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 959 domestic branches, nine foreign branches and three representative offices abroad. The Bank's head office is located in Istanbul.

1.2 PARENT BANK'S SHAREHOLDER STRUCTURE, MANAGEMENT AND INTERNAL AUDIT, DIRECT AND INDIRECT SHAREHOLDERS, CHANGE IN SHAREHOLDER STRUCTURE DURING PERIOD AND INFORMATION ON ITS RISK GROUP

As of 31 December 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 SA, Garanti Finansal Kiralama AŞ, Garanti Faktoring 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.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

1.3 INFORMATION ON PARENT BANK'S BOARD OF DIRECTORS CHAIRMAN AND MEMBERS, AUDIT COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER, EXECUTIVE VICE PRESIDENTS AND THEIR RESPONSIBILITIES AND SHAREHOLDINGS IN THE BANK

BOARD OF DIRECTORS CHAIRMAN AND MEMBERS:

NAME AND SURNAME	RESPONSIBILITY	APPOINTMENT DATE	EDUCATION	EXPERIENCE IN BANKING AND BUSINESS ADMINISTRATION
Ferit Faik Şahenk	Chairman	18.04.2001	University	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:

NAME AND SURNAME	RESPONSIBILITY	APPOINTMENT DATE	EDUCATION	EXPERIENCE IN BANKING AND BUSINESS ADMINISTRATION
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 Hüsnü 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 Bağır	EVP-Digital Banking	20.03.2012	Master	21 years

Changes in the executive board as of 1 January 2017;

- Nafiz Karadere resigned from his duty as EVP-SME Banking.
- Onur Genç resigned from his duty as EVP-Retail Banking and Deputy CEO.

Changes in the executive board as of 17 January 2017;

- Cemal Onaran is assigned as EVP-SME Banking.
- Gökhan Erün is responsible EVP of Financial Institutions, Corporate Banking and Treasury.
- Mahmut Akten is assigned as EVP-Retail Banking and is responsible for Retail Banking, Mass Retail Banking and Affluent Banking Marketing units.
- Didem Dinçer is responsible EVP of Corporate Brand Management and Marketing Communications, Insurance and Pension Coordination, Call Center, Customer Experience and Satisfaction.

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
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1.4 INFORMATION ON PARENT BANK'S QUALIFIED SHAREHOLDERS

COMPANY	SHARES	OWNERSHIP	PAID-IN CAPITAL	UNPAID PORTION
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 5th Commercial Court of First Instance. A total payment of TL 1,434,233 thousands has been made to the owners of 368 founder share-certificates from "extraordinary reserves", and the value of remaining 2 founder share-certificates has been blocked in the bank accounts.

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

1.5 SUMMARY INFORMATION ON PARENT BANK'S ACTIVITIES AND SERVICES

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

- All banking operations,
- Participating in, establishing, and trading the shares of enterprises at various sectors within the limits 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.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Balance Sheet (Statement of Financial Position) at 31 December 2016

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

2 CONSOLIDATED FINANCIAL STATEMENTS

THOUSANDS OF TURKISH LIRA (TL)

ASSETS	FOOTNOTES	CURRENT PERIOD 31 DECEMBER 2016			PRIOR PERIOD 31 DECEMBER 2015		
		TL	FC	TOTAL	TL	FC	TOTAL
I. CASH AND BALANCES WITH CENTRAL BANK	5.1.1	6,723,712	17,227,762	23,951,474	2,259,681	23,026,956	25,286,637
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	5.1.2	2,801,058	1,004,483	3,805,541	1,462,619	684,896	2,147,515
2.1 Financial assets held for trading		2,801,058	1,004,483	3,805,541	1,264,501	684,896	1,949,397
2.1.1 Government securities		73,157	29,492	102,649	102,196	21,974	124,170
2.1.2 Equity securities		60,379	-	60,379	61,002	-	61,002
2.1.3 Derivative financial assets held for trading		2,661,587	952,126	3,613,713	1,095,113	629,983	1,725,096
2.1.4 Other securities		5,935	22,865	28,800	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		-	-	-	-	-	-
III. BANKS	5.1.3	1,214,509	15,666,535	16,881,044	925,430	15,380,736	16,306,166
IV. INTERBANK MONEY MARKETS		22,180	351,691	373,871	18,715	61,651	80,366
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	351,691	351,691	-	61,069	61,069
4.3 Receivables from reverse repurchase agreements		22,180	-	22,180	18,715	582	19,297
V. FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	5.1.4	18,497,281	5,486,167	23,983,448	19,311,243	5,444,527	24,755,770
5.1 Equity securities		40,985	177,828	218,813	36,852	311,899	348,751
5.2 Government securities		17,669,410	722,603	18,392,013	18,582,761	526,266	19,109,027
5.3 Other securities		786,886	4,585,736	5,372,622	691,630	4,606,362	5,297,992
VI. LOANS	5.1.5	119,985,680	81,423,416	201,409,096	101,287,767	70,467,416	171,755,183
6.1 Loans		118,980,397	81,095,327	200,075,724	100,451,440	69,956,397	170,407,837
6.1.1 Loans to bank's risk group	5.7	402,351	1,814,479	2,216,830	331,184	1,782,214	2,113,398
6.1.2 Government securities		-	-	-	-	-	-
6.1.3 Other		118,578,046	79,280,848	197,858,894	100,120,256	68,174,183	168,294,439
6.2 Loans under follow-up		5,272,774	851,687	6,124,461	4,404,025	1,241,788	5,645,813
6.3 Specific provisions (-)		4,267,491	523,598	4,791,089	3,567,698	730,769	4,298,467
VII. FACTORING RECEIVABLES	5.1.6	1,912,128	939,095	2,851,223	1,948,785	934,822	2,883,607
VIII. INVESTMENTS HELD-TO-MATURITY (Net)	5.1.7	12,139,123	10,970,573	23,109,696	11,980,469	9,336,777	21,317,246
8.1 Government securities		12,122,339	6,986,465	19,108,804	11,966,880	5,810,098	17,776,978
8.2 Other securities		16,784	3,984,108	4,000,892	13,589	3,526,679	3,540,268
IX. INVESTMENTS IN ASSOCIATES (Net)	5.1.8	37,258	3	37,261	37,258	3	37,261
9.1 Associates consolidated under equity accounting		-	-	-	-	-	-
9.2 Unconsolidated associates		37,258	3	37,261	37,258	3	37,261
9.2.1 Financial investments in associates		33,329	-	33,329	33,329	-	33,329
9.2.2 Non-financial investments in associates		3,929	3	3,932	3,929	3	3,932
X. INVESTMENTS IN SUBSIDIARIES (Net)	5.1.9	114,236	1,622	115,858	114,236	1,166	115,402
10.1 Unconsolidated financial investments in affiliates		-	-	-	-	-	-
10.2 Unconsolidated non-financial investments in affiliates		114,236	1,622	115,858	114,236	1,166	115,402
XI. INVESTMENTS IN JOINT-VENTURES (Net)	5.1.10	-	-	-	-	-	-
11.1 Joint-ventures consolidated under equity accounting		-	-	-	-	-	-
11.2 Unconsolidated joint-ventures		-	-	-	-	-	-
11.2.1 Financial investments in joint-ventures		-	-	-	-	-	-
11.2.2 Non-financial investments in joint-ventures		-	-	-	-	-	-
XII. LEASE RECEIVABLES (Net)	5.1.11	1,399,086	4,395,174	5,794,260	1,475,673	3,575,919	5,051,592
12.1 Financial lease receivables		1,655,755	4,843,852	6,499,607	1,770,905	3,982,718	5,753,623
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		256,669	448,678	705,347	295,232	406,799	702,031
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT	5.1.12	79,472	586,823	666,295	89,064	591,933	680,997
13.1 Fair value hedges		73,946	11,534	85,480	60,616	7,483	68,099
13.2 Cash flow hedges		5,526	575,289	580,815	28,448	584,450	612,898
13.3 Net foreign investment hedges		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	5.1.13	3,533,533	147,088	3,680,621	3,268,338	144,551	3,412,889
XV. INTANGIBLE ASSETS (Net)	5.1.14	296,078	31,575	327,653	229,407	24,224	253,631
15.1 Goodwill		6,388	-	6,388	6,388	-	6,388
15.2 Other intangibles		289,690	31,575	321,265	223,019	24,224	247,243
XVI. INVESTMENT PROPERTY (Net)	5.1.15	543,825	-	543,825	298,970	8,125	307,095
XVII. TAX ASSET		199,330	61,348	260,678	433,905	60,696	494,601
17.1 Current tax asset		679	26,657	27,336	9,384	21,594	30,978
17.2 Deferred tax asset	5.1.16	198,651	34,691	233,342	424,521	39,102	463,623
XVIII. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	5.1.17	591,738	13,277	605,015	349,074	17,291	366,365
18.1 Asset held for resale		591,738	13,277	605,015	349,074	17,291	366,365
18.2 Assets of discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	5.1.18	3,015,207	709,873	3,725,080	2,491,504	1,903,351	4,394,855
TOTAL ASSETS		173,105,434	139,016,505	312,121,939	147,982,138	131,665,040	279,647,178

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Balance Sheet (Statement of Financial Position) at 31 December 2016

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

THOUSANDS OF TURKISH LIRA (TL)

LIABILITIES AND SHAREHOLDERS' EQUITY	FOOTNOTES	CURRENT PERIOD 31 DECEMBER 2016			PRIOR PERIOD 31 DECEMBER 2015		
		TL	FC	TOTAL	TL	FC	TOTAL
I. DEPOSITS	5.2.1	76,025,777	102,664,036	178,689,813	66,208,826	89,925,605	156,134,431
1.1 Deposits from bank's risk group	5.7	675,720	470,759	1,146,479	500,462	421,591	922,053
1.2 Other		75,350,057	102,193,277	177,543,334	65,708,364	89,504,014	155,212,378
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	5.2.2	2,639,416	1,074,569	3,713,985	1,710,457	912,146	2,622,603
III. FUNDS BORROWED	5.2.3	3,127,679	43,454,174	46,581,853	3,454,721	35,905,174	39,359,895
IV. INTERBANK MONEY MARKETS		10,704,025	526,168	11,230,193	12,971,931	3,595,865	16,567,796
4.1 Interbank money market takings		2,501,180	87	2,501,267	-	-	-
4.2 Istanbul Stock Exchange money market takings		915,105	-	915,105	426,678	-	426,678
4.3 Obligations under repurchase agreements	5.2.4	7,287,740	526,081	7,813,821	12,545,253	3,595,865	16,141,118
V. SECURITIES ISSUED (Net)	5.2.4	5,871,646	11,874,002	17,745,648	4,540,183	10,971,414	15,511,597
5.1 Bills		2,240,063	-	2,240,063	1,925,100	160,472	2,085,572
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		3,631,583	11,874,002	15,505,585	2,615,083	10,810,942	13,426,025
VI. FUNDS		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. MISCELLANEOUS PAYABLES	5.2.4	8,260,088	1,079,660	9,339,748	7,190,187	1,389,835	8,580,022
VIII. OTHER EXTERNAL FUNDINGS PAYABLE		2,204,123	966,216	3,170,339	2,032,985	1,929,250	3,962,235
IX. FACTORING PAYABLES	5.2.5	-	-	-	-	-	-
X. LEASE PAYABLES (Net)	5.2.6	-	-	-	-	-	-
10.1 Financial lease payables		-	-	-	-	-	-
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	5.2.7	26,671	316,643	343,314	10,928	239,563	250,491
11.1 Fair value hedges		26,671	250,273	276,944	10,928	210,635	221,563
11.2 Cash flow hedges		-	66,370	66,370	-	28,928	28,928
11.3 Net foreign investment hedges		-	-	-	-	-	-
XII. PROVISIONS	5.2.8	4,851,864	181,009	5,032,873	4,444,409	150,563	4,594,972
12.1 General provisions		3,118,954	96,579	3,215,533	2,957,392	70,584	3,027,976
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		710,204	20,321	730,525	552,104	18,891	570,995
12.4 Insurance technical provisions (Net)		274,375	32,400	306,775	221,605	29,687	251,292
12.5 Other provisions		748,331	31,709	780,040	713,308	31,401	744,709
XIII. TAX LIABILITY	5.2.9	466,400	11,866	478,266	660,910	38,678	699,588
13.1 Current tax liability		466,400	11,866	478,266	660,910	38,678	699,588
13.2 Deferred tax liability		-	-	-	-	-	-
XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	5.2.10	-	-	-	-	-	-
14.1 Asset held for sale		-	-	-	-	-	-
14.2 Assets of discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED DEBTS	5.2.11	-	-	-	-	159,792	159,792
XVI. SHAREHOLDERS' EQUITY	5.2.12	35,540,653	255,254	35,795,907	30,807,168	396,588	31,203,756
16.1 Paid-in capital		4,200,000	-	4,200,000	4,200,000	-	4,200,000
16.2 Capital reserves		1,461,875	12,494	1,474,369	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		(484,900)	(58,725)	(543,625)	(427,264)	143,622	(283,642)
16.2.4 Revaluation surplus on tangible assets		1,685,290	5,772	1,691,062	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)		(419,123)	65,447	(353,676)	(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		667,781	-	667,781	695,698	-	695,698
16.3 Profit reserves		24,505,679	242,760	24,748,439	21,016,101	207,491	21,223,592
16.3.1 Legal reserves		1,241,962	29,560	1,271,522	1,199,314	27,314	1,226,628
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		22,185,729	6,576	22,192,305	19,164,305	3,860	19,168,165
16.3.4 Other profit reserves		1,077,988	206,624	1,284,612	652,482	176,317	828,799
16.4 Profit or loss		5,105,291	-	5,105,291	3,580,901	-	3,580,901
16.4.1 Prior periods profit/loss		-	-	-	-	-	-
16.4.2 Current period net profit/loss		5,105,291	-	5,105,291	3,580,901	-	3,580,901
16.5 Minority interest		267,808	-	267,808	226,617	-	226,617
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		149,718,342	162,403,597	312,121,939	134,032,705	145,614,473	279,647,178

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Off-Balance Sheet Items at 31 December 2016

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

		THOUSANDS OF TURKISH LIRA (TL)					
	FOOT- NOTES	CURRENT PERIOD 31 DECEMBER 2016			PRIOR PERIOD 31 DECEMBER 2015		
		TL	FC	TOTAL	TL	FC	TOTAL
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		162,878,081	280,614,485	443,492,566	150,726,280	239,794,120	390,520,400
I. GUARANTEES AND SURETIES	5.3.1	17,138,984	38,946,496	56,085,480	14,860,696	34,072,026	48,932,722
1.1 Letters of guarantee		17,111,138	20,901,575	38,012,713	14,828,828	17,880,281	32,709,109
1.1.1 Guarantees subject to State Tender Law		-	1,029,481	1,029,481	-	1,099,700	1,099,700
1.1.2 Guarantees given for foreign trade operations		2,134,070	332,444	2,466,514	1,950,896	429,466	2,380,362
1.1.3 Other letters of guarantee		14,977,068	19,539,650	34,516,718	12,877,932	16,351,115	29,229,047
1.2 Bank acceptances		27,846	2,099,488	2,127,334	20,793	1,517,276	1,538,069
1.2.1 Import letter of acceptance		27,846	2,099,488	2,127,334	20,793	1,517,276	1,538,069
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		-	15,754,367	15,754,367	11,075	14,565,263	14,576,338
1.3.1 Documentary letters of credit		-	-	-	-	-	-
1.3.2 Other letters of credit		-	15,754,367	15,754,367	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		-	191,066	191,066	-	109,206	109,206
1.9 Other sureties		-	-	-	-	-	-
II. COMMITMENTS		39,448,303	10,404,168	49,852,471	37,544,577	12,212,173	49,756,750
2.1 Irrevocable commitments		39,310,120	5,369,433	44,679,553	37,332,495	6,811,283	44,143,778
2.1.1 Asset purchase and sale commitments		204,021	3,752,040	3,956,061	35,604	3,211,242	3,246,846
2.1.2 Deposit purchase and sale commitments		-	74,040	74,040	-	16,628	16,628
2.1.3 Share capital commitments to associates and affiliates		-	5,266	5,266	-	5,297	5,297
2.1.4 Loan granting commitments		6,967,401	1,037,722	8,005,123	6,114,561	2,915,770	9,030,331
2.1.5 Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheque payments		3,555,087	-	3,555,087	3,063,075	-	3,063,075
2.1.8 Tax and fund obligations on export commitments		24,000	-	24,000	20,529	-	20,529
2.1.9 Commitments for credit card limits		27,849,250	377,443	28,226,693	26,825,955	240,665	27,066,620
2.1.10 Commitments for credit cards and banking services related promotions		8,708	-	8,708	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		701,653	122,922	824,575	1,264,210	421,681	1,685,891
2.2 Revocable commitments		138,183	5,034,735	5,172,918	212,082	5,400,890	5,612,972
2.2.1 Revocable loan granting commitments		23,040	4,653,740	4,676,780	75,700	5,044,758	5,120,458
2.2.2 Other revocable commitments		115,143	380,995	496,138	136,382	356,132	492,514
III. DERIVATIVE FINANCIAL INSTRUMENTS	5.3.2	106,290,794	231,263,821	337,554,615	98,321,007	193,509,921	291,830,928
3.1 Derivative financial instruments held for risk management		10,145,282	34,208,867	44,354,149	7,107,440	16,963,601	24,071,041
3.1.1 Fair value hedges		7,307,595	14,701,424	22,009,019	3,439,355	9,266,494	12,705,849
3.1.2 Cash flow hedges		2,837,687	19,507,443	22,345,130	3,668,085	7,697,107	11,365,192
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Trading derivatives		96,145,512	197,054,954	293,200,466	91,213,567	176,546,320	267,759,887
3.2.1 Forward foreign currency purchases/sales		11,723,664	16,145,274	27,868,938	13,657,205	19,440,673	33,097,878
3.2.1.1 Forward foreign currency purchases		3,833,951	10,111,495	13,945,446	5,309,452	11,274,973	16,584,425
3.2.1.2 Forward foreign currency sales		7,889,713	6,033,779	13,923,492	8,347,753	8,165,700	16,513,453
3.2.2 Currency and interest rate swaps		62,027,010	133,439,424	195,466,434	37,602,313	89,917,096	127,519,409
3.2.2.1 Currency swaps-purchases		23,993,140	55,350,676	79,343,816	14,376,034	34,129,707	48,505,741
3.2.2.2 Currency swaps-sales		37,539,222	41,571,364	79,110,586	19,580,059	26,224,265	45,804,324
3.2.2.3 Interest rate swaps-purchases		247,324	18,258,692	18,506,016	1,823,110	14,781,562	16,604,672
3.2.2.4 Interest rate swaps-sales		247,324	18,258,692	18,506,016	1,823,110	14,781,562	16,604,672
3.2.3 Currency, interest rate and security options		22,338,459	38,228,684	60,567,143	39,582,679	54,883,150	94,465,829
3.2.3.1 Currency call options		9,793,681	16,465,095	26,258,776	16,065,334	26,565,083	42,630,417
3.2.3.2 Currency put options		12,487,141	14,903,735	27,390,876	23,503,191	21,989,969	45,493,160
3.2.3.3 Interest rate call options		-	5,927,914	5,927,914	-	6,260,492	6,260,492
3.2.3.4 Interest rate put options		-	843,120	843,120	-	-	-
3.2.3.5 Security call options		10,871	44,410	55,281	3,466	33,803	37,269
3.2.3.6 Security put options		46,766	44,410	91,176	10,688	33,803	44,491
3.2.4 Currency futures		37,173	144,751	181,924	4,381	283,825	288,206
3.2.4.1 Currency futures-purchases		14,586	80,808	95,394	3,965	3,463	7,428
3.2.4.2 Currency futures-sales		22,587	63,943	86,530	416	280,362	280,778
3.2.5 Interest rate futures		-	100,121	100,121	-	-	-
3.2.5.1 Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sales		-	100,121	100,121	-	-	-
3.2.6 Others		19,206	8,996,700	9,015,906	366,989	12,021,576	12,388,565
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		631,736,919	528,278,312	1,160,015,231	548,874,581	417,680,618	966,555,199
IV. ITEMS HELD IN CUSTODY		48,564,102	41,691,499	90,255,601	48,947,357	33,749,852	82,697,209
4.1 Customers' securities held		15,065,124	-	15,065,124	14,374,137	-	14,374,137
4.2 Investment securities held in custody		16,489,131	17,080,586	33,569,717	19,795,650	13,838,529	33,634,179
4.3 Checks received for collection		14,117,779	3,153,993	17,271,772	12,307,476	2,576,003	14,883,479
4.4 Commercial notes received for collection		2,551,368	1,165,068	3,716,436	2,234,925	1,215,680	3,450,605
4.5 Other assets received for collection		78,792	16,103,427	16,182,219	71,631	13,190,928	13,262,559
4.6 Assets received through public offering		-	85,344	85,344	-	70,813	70,813
4.7 Other items under custody		261,908	4,103,081	4,364,989	163,538	2,857,899	3,021,437
4.8 Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		583,172,817	486,586,813	1,069,759,630	499,927,224	383,930,766	883,857,990
5.1 Securities		4,588,155	315,976	4,904,131	4,292,190	319,059	4,611,249
5.2 Guarantee notes		37,868,541	14,996,659	52,865,200	39,074,083	13,088,941	52,163,024
5.3 Commodities		19,841	-	19,841	3,142	-	3,142
5.4 Warranties		-	206,513	206,513	-	292,681	292,681
5.5 Real estates		140,621,890	92,300,194	232,922,084	113,104,394	71,837,629	184,942,023
5.6 Other pledged items		400,074,220	378,767,417	778,841,637	343,453,245	298,391,829	641,845,074
5.7 Pledged items-depository		170	54	224	170	627	797
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		794,615,000	808,892,797	1,603,507,797	699,600,861	657,474,738	1,357,075,599

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Income Statement at 31 December 2016

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

		THOUSANDS OF TURKISH LIRA (TL)	
INCOME AND EXPENSE ITEMS		CURRENT PERIOD 1 JANUARY 2016- 31 DECEMBER 2016	PRIOR PERIOD 1 JANUARY 2015- 31 DECEMBER 2015
	FOOTNOTES		
I. INTEREST INCOME	5.4.1	22,617,659	18,945,730
1.1 Interest income on loans		17,577,562	14,296,710
1.2 Interest income on reserve deposits		238,038	65,562
1.3 Interest income on banks		205,126	162,585
1.4 Interest income on money market transactions		7,294	5,905
1.5 Interest income on securities portfolio		3,694,801	3,609,862
1.5.1 Trading financial assets		22,280	21,770
1.5.2 Financial assets valued at fair value through profit or loss		-	-
1.5.3 Financial assets available-for-sale		2,039,448	1,971,919
1.5.4 Investments held-to-maturity		1,633,073	1,616,173
1.6 Financial lease income		433,225	397,158
1.7 Other interest income		461,613	407,948
II. INTEREST EXPENSE	5.4.2	10,361,926	8,687,681
2.1 Interest on deposits		7,000,456	5,827,205
2.2 Interest on funds borrowed		1,143,112	1,165,403
2.3 Interest on money market transactions		1,098,821	734,010
2.4 Interest on securities issued		1,094,527	942,191
2.5 Other interest expenses		25,010	18,872
III. NET INTEREST INCOME (I - II)		12,255,733	10,258,049
IV. NET FEES AND COMMISSIONS INCOME		3,275,690	2,964,732
4.1 Fees and commissions received		4,324,798	3,901,833
4.1.1 Non-cash loans		345,061	303,717
4.1.2 Others		3,979,737	3,598,116
4.2 Fees and commissions paid		1,049,108	937,101
4.2.1 Non-cash loans		3,481	3,312
4.2.2 Others		1,045,627	933,789
V. DIVIDEND INCOME	5.4.3	9,088	5,399
VI. NET TRADING INCOME/LOSSES (Net)	5.4.4	(743,653)	(830,631)
6.1 Trading account income/losses (Net)		386,624	590,974
6.2 Income/losses from derivative financial instruments (Net)		(925,789)	(2,318,751)
6.3 Foreign exchange gains/losses (Net)		(204,488)	897,146
VII. OTHER OPERATING INCOME	5.4.5	2,113,576	1,509,520
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		16,910,434	13,907,069
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	5.4.6	3,387,096	2,642,365
X. OTHER OPERATING EXPENSES (-)	5.4.7	7,032,388	6,605,217
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)		6,490,950	4,659,487
XII. INCOME RESULTED FROM MERGERS		-	-
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-	-
XIV. GAIN/LOSS ON NET MONETARY POSITION		-	-
XV. PROFIT/LOSS BEFORE TAXES (XI+XII+XIII+XIV)	5.4.8	6,490,950	4,659,487
XVI. PROVISION FOR TAXES (±)	5.4.9	1,343,191	1,044,373
16.1 Current tax charge		1,035,607	830,414
16.2 Deferred tax charge/(credit)		307,584	213,959
XVII. NET OPERATING PROFIT/LOSS AFTER TAXES (XV±XVI)	5.4.10	5,147,759	3,615,114
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1 Income from assets held for sale		-	-
18.2 Income from sale of associates, affiliates and joint-ventures		-	-
18.3 Others		-	-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Expenses on assets held for sale		-	-
19.2 Expenses on sale of associates, affiliates and joint-ventures		-	-
19.3 Others		-	-
XX. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XVIII-XIX)	5.4.8	-	-
XXI. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)	5.4.9	-	-
21.1 Current tax charge		-	-
21.2 Deferred tax charge/(credit)		-	-
XXII. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XX±XXI)	5.4.10	-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	5.4.11	5,147,759	3,615,114
23.1 Equity holders of the bank		5,105,291	3,580,901
23.2 Minority interest		42,468	34,213
Earnings per Share		1.216	0.853

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

'Consolidated Statement of Income/Expense Items Accounted for under Shareholders' Equity
At 31 December 2016

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

THOUSANDS OF TURKISH LIRA (TL)		
	CURRENT PERIOD 1 JANUARY 2016 - 31 DECEMBER 2016	PRIOR PERIOD 1 JANUARY 2015 - 31 DECEMBER 2015
INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY		
I. MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"	(293,599)	(480,125)
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	12,220	1,605,420
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	459,301	332,435
V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)	11,475	82,023
VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	(180,458)	(120,894)
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS	-	-
VIII. OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	(58,826)	(23,788)
IX. DEFERRED TAXES ON VALUE INCREASES/DECREASES	62,489	100,910
X. NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+III+IV+V+VI+VII+VIII+IX)	12,602	1,495,981
XI. CURRENT PERIOD PROFIT/LOSSES	5,147,759	3,615,114
1.1 Net changes in fair value of securities (transferred to income statement)	214,415	109,041
1.2 Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement	(125,301)	96,087
1.3 Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-	-
1.4 Others	5,058,645	3,409,986
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)	5,160,361	5,111,095

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

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

280

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Statement of Cash Flows at 31 December 2016

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

		THOUSANDS OF TURKISH LIRA (TL)	
	FOOTNOTES	CURRENT PERIOD 1 JANUARY 2016 31 DECEMBER 2016	PRIOR PERIOD 1 JANUARY 2015 31 DECEMBER 2015
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities	5.6	5,612,628	4,295,892
1.1.1 Interests received		20,848,418	18,093,803
1.1.2 Interests paid		(10,535,351)	(9,051,033)
1.1.3 Dividend received		9,084	5,399
1.1.4 Fees and commissions received		4,324,798	3,901,833
1.1.5 Other income		2,166,392	1,988,138
1.1.6 Collections from previously written-off loans and other receivables		211,058	91,969
1.1.7 Payments to personnel and service suppliers		(6,016,150)	(5,519,024)
1.1.8 Taxes paid		(1,549,381)	(1,139,790)
1.1.9 Others		(3,846,240)	(4,075,403)
1.2 Changes in operating assets and liabilities	5.6	(3,358,704)	(1,684,836)
1.2.1 Net (increase) decrease in financial assets held for trading		32,967	(12,079)
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		4,433,003	(1,782,004)
1.2.4 Net (increase) decrease in loans		(32,331,594)	(29,603,414)
1.2.5 Net (increase) decrease in other assets		(46,229)	(2,594,373)
1.2.6 Net increase (decrease) in bank deposits		(2,473,473)	(140,250)
1.2.7 Net increase (decrease) in other deposits		24,964,270	22,825,800
1.2.8 Net increase (decrease) in funds borrowed		1,977,302	6,564,452
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		(114,950)	3,057,032
I. Net cash flow from banking operations	5.6	2,253,924	2,611,056
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash flow from investing activities	5.6	1,149,148	(2,328,036)
2.1 Cash paid for purchase of associates, affiliates and joint-ventures		-	-
2.2 Cash obtained from sale of associates, affiliates and joint-ventures		135,173	-
2.3 Purchases of tangible assets		(1,020,765)	(561,310)
2.4 Sales of tangible assets		196,105	129,503
2.5 Cash paid for purchase of financial assets available-for-sale, net		(9,706,665)	(8,206,716)
2.6 Cash obtained from sale of financial assets available-for-sale, net		10,857,020	6,616,005
2.7 Cash paid for purchase of investments held-to-maturity		(498,479)	(3,277,512)
2.8 Cash obtained from sale of investments held-to-maturity		1,186,759	2,971,994
2.9 Others		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		(379,641)	463,710
3.1 Cash obtained from funds borrowed and securities issued		8,182,570	8,742,941
3.2 Cash used for repayment of funds borrowed and securities issued		(7,994,001)	(7,710,787)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		(568,210)	(568,354)
3.5 Payments for financial leases		-	(90)
3.6 Others		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		928,129	994,091
V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)	5.6	3,951,560	1,740,821
VI. Cash and cash equivalents at beginning of period	5.6	11,740,582	9,999,761
VII. Cash and cash equivalents at end of period (V+VI)	5.6	15,692,142	11,740,582

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

3.3 INFORMATION ON CONSOLIDATED AFFILIATES

As of 31 December 2016, Türkiye Garanti Bankası Anonim Şirketi and the following financial affiliates are consolidated in the accompanying consolidated financial statements; Garanti Bank International (GBI), Garanti Finansal Kiralama AŞ (Garanti Finansal Kiralama), Garanti Yatırım Menkul Kıymetler AŞ (Garanti Yatırım), Garanti Portföy Yönetimi AŞ (Garanti Portföy), Garanti Emeklilik ve Hayat AŞ (Garanti Emeklilik), Garanti Faktoring AŞ (Garanti Faktoring) and Garanti Holding BV (Garanti Holding).

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

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

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

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

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

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

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

The Bank has sold its 1729 shares representing 99.94% of the share capital of GarantiBank Moscow AO and 1 share belonging to a group affiliate Garanti Bilişim Teknolojisi ve Ticaret AŞ. to Sovcombank a bank operating in Russia for a purchase price of USD 38,412,834.

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.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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 than the carrying value of the related asset, a provision for impairment loss is provided.

3.13 TANGIBLE ASSETS

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

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

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

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

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

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

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

TANGIBLE ASSETS	ESTIMATED USEFUL LIVES (YEARS)	DEPRECIATION RATES %
Buildings	50	2
Vaults	50	2
Motor Vehicles	5-7	15-20
Other Tangible Assets	4-20	5-25

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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

Investment properties

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

Investment properties accounted at fair value are not depreciated.

3.14 LEASING ACTIVITIES

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

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

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

3.15 PROVISIONS AND CONTINGENT LIABILITIES

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

3.16 CONTINGENT ASSETS

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

3.17 LIABILITIES FOR EMPLOYEE BENEFITS

Severance indemnities and short-term employee benefits

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

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

	31 DECEMBER 2016	31 DECEMBER 2015
Net Effective Discount Rate	3.43%	2.99%
Discount Rate	11.50%	10.30%
Expected Rate of Salary Increase	9.30%	8.60%
Inflation Rate	7.80%	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.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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

31 DECEMBER 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.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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

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

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

Tax applications for foreign branches

NORTHERN CYPRUS

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

MALTA

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

LUXEMBOURG

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

Tax applications for foreign financial affiliates

THE NETHERLANDS

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

ROMANIA

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

3.18.2 DEFERRED TAXES

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

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

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

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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

3.18.3 TRANSFER PRICING

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

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

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

3.19 FUNDS BORROWED

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

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

3.20 SHARES AND SHARE ISSUANCES

None.

3.21 CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES

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

3.22 GOVERNMENT INCENTIVES

As of 31 December 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.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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

CURRENT PERIOD	RETAIL BANKING	CORPORATE / COMMERCIAL BANKING	INVESTMENT BANKING	OTHER	TOTAL OPERATIONS
Total Operating Profit	6,448,700	5,414,154	1,054,411	3,984,081	16,901,346
Other	-	-	-	-	-
Total Operating Profit	6,448,700	5,414,154	1,054,411	3,984,081	16,901,346
Net Operating Profit	2,692,970	1,925,929	708,983	1,153,980	6,481,862
Income from Associates and Affiliates	-	-	-	9,088	9,088
Net Operating Profit	2,692,970	1,925,929	708,983	1,163,068	6,490,950
Provision for Taxes	-	-	-	1,343,191	1,343,191
Net Profit	2,692,970	1,925,929	708,983	(180,123)	5,147,759
Segment Assets	61,499,413	140,924,123	80,712,705	28,832,579	311,968,820
Investments in Associates and Affiliates	-	-	-	153,119	153,119
Total Assets	61,499,413	140,924,123	80,712,705	28,985,698	312,121,939
Segment Liabilities	116,243,213	67,671,139	74,092,285	18,319,395	276,326,032
Shareholders' Equity	-	-	-	35,795,907	35,795,907
Total Liabilities and Shareholders' Equity	116,243,213	67,671,139	74,092,285	54,115,302	312,121,939
PRIOR PERIOD	RETAIL BANKING	CORPORATE / COMMERCIAL BANKING	INVESTMENT BANKING	OTHER	TOTAL OPERATIONS
Total Operating Profit	4,908,424	4,544,172	1,342,593	3,106,481	13,901,670
Other	-	-	-	-	-
Total Operating Profit	4,908,424	4,544,172	1,342,593	3,106,481	13,901,670
Net Operating Profit	(191,414)	2,103,688	1,005,203	1,736,611	4,654,088
Income from Associates and Affiliates	-	-	-	5,399	5,399
Net Operating Profit	(191,414)	2,103,688	1,005,203	1,742,010	4,659,487
Provision for Taxes	-	-	-	1,044,373	1,044,373
Net Profit	(191,414)	2,103,688	1,005,203	697,637	3,615,114
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
Total Assets	54,964,113	115,782,773	79,127,377	29,772,915	279,647,178
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
Total Liabilities and Shareholders' Equity	99,097,088	57,963,972	71,210,474	51,375,644	279,647,178

3.24 OTHER DISCLOSURES

None.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

	AMOUNT	AMOUNT AS PER THE REGULATION BEFORE 1/1/2014 (*)
DEDUCTIONS FROM ADDITIONAL TIER I CAPITAL		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
ITEMS TO BE DEDUCTED FROM TIER I CAPITAL DURING THE TRANSITION PERIOD		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	107,163	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	4,752	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	35,120,258	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2,889,903	-
Total Deductions from Tier II Capital	2,889,903	
DEDUCTIONS FROM TIER II CAPITAL		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	2,889,903	
Total Equity (Total Tier I and Tier II Capital)	38,010,161	
TOTAL TIER I CAPITAL AND TIER II CAPITAL (TOTAL EQUITY)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	31	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	56,325	-
Other items to be Defined by the BRSA (-)	36,994	-
ITEMS TO BE DEDUCTED FROM THE SUM OF TIER I AND TIER II CAPITAL (CAPITAL) DURING THE TRANSITION PERIOD	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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 (-)

	AMOUNT	AMOUNT AS PER THE REGULATION BEFORE 1/1/2014 (*)
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	37,916,811	-
Total Risk Weighted Assets	258,425,540	-
CAPITAL ADEQUACY RATIOS		
Consolidated CET1 Capital Ratio (%)	13.63	-
Consolidated Tier I Capital Ratio (%)	13.59	-
Consolidated Capital Adequacy Ratio (%)	14.67	-
BUFFERS		
Bank-specific total CET1 Capital Ratio (%)	5.658	-
Capital Conservation Buffer Ratio (%)	0.625	-
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.533	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	6.672	-
AMOUNTS LOWER THAN EXCESSES AS PER DEDUCTION RULES		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital (**)	1,125,107	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	245,522	-
LIMITS FOR PROVISIONS USED IN TIER II CAPITAL CALCULATION		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	3,215,533	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2,889,903	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
DEBT INSTRUMENTS COVERED BY TEMPORARY ARTICLE 4 (EFFECTIVE BETWEEN 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

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

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

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

4.1.2 ITEMS INCLUDED IN CAPITAL CALCULATION

None.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.1.3 RECONCILIATION OF CAPITAL ITEMS TO BALANCE SHEET

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

CURRENT PERIOD	CARRYING VALUE	AMOUNT OF CORRECTION	VALUE OF THE CAPITAL REPORT (*)	EXPLANATION OF THE DIFFERENCES
Subordinated Debts			-	
Deductions from Tier I Capital (-)			111,915	Deductions from Tier I Capital as per the Regulation
Tier I Capital			35,120,258	
Subordinated Debts			-	
General Provisions			2,889,903	General Loan Provision added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
Tier II Capital			2,889,903	
Deductions from Total Capital (-)			93,350	Deductions from Capital as per the Regulation
Total			37,916,811	

(*) According to "Bank Capital Regulation" article 10 paragraph 4, which published on Official Gazette dated 5th September 2013 and numbered 28756, banks calculated their consolidated capital with their consolidated insurance company investments as unconsolidated financial institutions if 9th article's 4th paragraph's (c) and (g) 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.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.2 CONSOLIDATED CREDIT RISK

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

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

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

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

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

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

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

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

The Bank developed a statistical-based internal risk rating model for its credit portfolio of corporate/commercial/medium-size companies. This internal risk rating model has been in use for customer credibility assessment since 2003. Risk rating has become a requirement for loan applications, and ratings are used both to determine branch managers' credit authorization limits and in credit assessment process.

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

	CURRENT PERIOD	PRIOR PERIOD
	%	%
Above Average	40.20	39.60
Average	47.99	50.04
Below Average	11.81	10.36
Total	100.00	100.00

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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

EXPOSURE CATEGORIES	CURRENT PERIOD (*)	AVERAGE (**)
Conditional and unconditional exposures to central governments or central banks	67,305,286	73,988,899
Conditional and unconditional exposures to regional governments or local authorities	132,655	92,560
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	64,343	65,561
Conditional and unconditional exposures to multilateral development banks	1,443,371	1,139,231
Conditional and unconditional exposures to international organisations	-	-
Conditional and unconditional exposures to banks and brokerage houses	45,659,651	41,464,066
Conditional and unconditional exposures to corporates	136,683,596	131,475,572
Conditional and unconditional retail exposures	66,769,991	59,081,330
Conditional and unconditional exposures secured by real estate property	36,698,091	30,988,810
Past due items	1,065,374	973,536
Items in regulatory high-risk categories	2,308,629	4,654,614
Exposures in the form of bonds secured by mortgages	-	-
Securitisation positions	-	-
Short term exposures to banks, brokerage houses and corporates	-	-
Exposures in the form of collective investment undertakings	-	-
Shares	218,992	637,245
Other items	9,494,987	8,377,418

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

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

EXPOSURE CATEGORIES	PRIOR PERIOD (*)	AVERAGE (**)
Conditional and unconditional exposures to central governments or central banks	70,609,578	67,653,950
Conditional and unconditional exposures to regional governments or local authorities	81,536	86,096
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	76,402	73,306
Conditional and unconditional exposures to multilateral development banks	1,095,933	558,742
Conditional and unconditional exposures to international organisations	-	-
Conditional and unconditional exposures to banks and brokerage houses	45,958,857	43,104,083
Conditional and unconditional exposures to corporates	122,002,761	117,659,287
Conditional and unconditional retail exposures	46,270,013	44,971,714
Conditional and unconditional exposures secured by real estate property	28,757,418	26,368,855
Past due items	921,533	802,981
Items in regulatory high-risk categories	18,201,102	18,229,194
Exposures in the form of bonds secured by mortgages	-	-
Securitisation positions	-	-
Short term exposures to banks, brokerage houses and corporates	-	-
Other items (***)	8,687,865	6,620,326

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

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

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

The parent Bank and its financial affiliates' largest 100 and 200 cash loan customers compose 24.42% (31 December 2015: 23.57%) and 31.27% (31 December 2015: 30.59%) of the total cash loan portfolio, respectively.

The parent Bank and its financial affiliates' largest 100 and 200 non-cash loan customers compose 51.42% (31 December 2015: 54.19%) and 61.15% (31 December 2015: 63.20%) of the total non-cash loan portfolio, respectively.

The parent Bank and its financial affiliates' largest 100 ve 200 cash and non-cash loan customers represent 8.69% (31 December 2015: 8.46%) and 11.24% (31 December 2015: 10.87%) of the total "on and off balance sheet" assets, respectively.

The general provision for consolidated credit risk amounts to TL 3,215,533 thousands (31 December 2015: TL 3,027,976 thousands).

4.2.1 PROFILE OF SIGNIFICANT EXPOSURES IN MAJOR REGIONS

CURRENT PERIOD (****)	EXPOSURE CATEGORIES(*)						OTHER	TOTAL
	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO BANKS AND BROKERAGE HOUSES	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CORPORATES	CONDITIONAL AND UNCONDITIONAL RETAIL EXPOSURES	CONDITIONAL AND UNCONDITIONAL EXPOSURES SECURED BY REAL ESTATE PROPERTY	ITEMS IN REGULATORY HIGH-RISK CATEGORIES		
Domestic	62,213,592	13,280,397	117,348,484	63,961,399	35,871,303	791,687	10,339,411	303,806,273
European Union (EU) Countries	4,605,824	30,261,053	10,436,611	2,418,906	796,302	334,866	2,007,318	50,860,880
OECD Countries(**)	95	593,111	3,963,959	3,070	5,675	17	30,898	4,596,825
Off-Shore Banking Regions	-	3,063	773,608	1,290	580	13,700	1	792,242
USA, Canada	1,131	1,076,577	2,452,419	8,313	3,283	9,325	3,003	3,554,051
Other Countries	484,644	369,005	1,705,225	377,013	20,948	33,927	27,169	3,017,931
Associates, Subsidiaries and Joint –Ventures	-	76,445	3,290	-	-	1,125,107	11,922	1,216,764
Unallocated Assets/ Liabilities (***)	-	-	-	-	-	-	-	-
Total	67,305,286	45,659,651	136,683,596	66,769,991	36,698,091	2,308,629	12,419,722	367,844,966

PRIOR PERIOD (****)	EXPOSURE CATEGORIES(*)						OTHER	TOTAL
	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO BANKS AND BROKERAGE HOUSES	CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CORPORATES	CONDITIONAL AND UNCONDITIONAL RETAIL EXPOSURES	CONDITIONAL AND UNCONDITIONAL EXPOSURES SECURED BY REAL ESTATE PROPERTY	ITEMS IN REGULATORY HIGH-RISK CATEGORIES		
Domestic	64,918,516	15,656,354	107,599,284	45,171,400	27,313,408	16,588,646	8,803,337	286,050,945
European Union (EU) Countries	5,125,240	26,689,507	7,314,859	893,674	1,422,581	1,407,526	1,642,582	44,495,969
OECD Countries(**)	45	303,900	2,874,992	5,001	3,301	13,380	21,496	3,222,115
Off-Shore Banking Regions	-	2,483	356,369	1,882	-	54,060	5,830	420,624
USA, Canada	726	1,814,080	2,061,866	2,523	6,666	2,512	9,472	3,897,845
Other Countries	565,051	1,477,488	1,774,067	195,533	11,462	134,978	369,085	4,527,664
Associates, Subsidiaries and Joint –Ventures	-	15,045	21,324	-	-	-	11,467	47,836
Unallocated Assets/ Liabilities (***)	-	-	-	-	-	-	-	-
Total	70,609,578	45,958,857	122,002,761	46,270,013	28,757,418	18,201,102	10,863,269	342,662,998

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

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

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

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.2.2 RISK PROFILE BY SECTORS OR COUNTERPARTIES

Current Period (**)	EXPOSURE CATEGORIES (*)																FC	TL	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
Agriculture	508	-	-	-	-	-	1,086,624	568,984	434,471	56,205	10,025	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

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

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

EXPOSURE CATEGORIES (*)															
Prior Period (**)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
FC	TL	FC	TL	FC	TL	FC	TL	FC	TL	FC	TL	FC	TL	FC	TL
Agriculture	-	7,835	-	-	-	-	782,937	464,363	390,236	39,906	73,510	-	-	-	1,097,788
Farming and Stockbreeding	-	-	-	-	-	-	646,516	410,751	359,198	39,575	67,386	-	-	-	1,012,149
Forestry	-	7,835	-	-	-	-	34,614	33,426	18,643	113	774	-	-	-	29,214
Fishery	-	-	-	-	-	-	101,807	20,186	12,395	218	5,350	-	-	-	56,425
Manufacturing	5	-	4	-	-	-	51,086,181	4,426,128	3,830,229	320,016	394,744	-	-	-	16,055,855
Mining and Quarrying	-	-	-	-	-	-	1,671,336	191,110	134,900	53,229	16,480	-	-	-	573,579
Production	-	-	3	-	-	-	26,895,150	4,161,823	3,561,264	236,006	373,747	-	-	-	13,539,294
Electricity, Gas and Water	5	-	1	-	-	-	22,519,695	73,195	134,065	30,781	4,517	-	-	-	1,942,982
Construction	-	40	209	-	-	-	6,968,450	1,906,155	2,869,988	73,910	184,239	-	-	-	6,283,384
Services	405	211	25,989	1,095,933	-	45,129,339	51,898,265	10,685,498	10,627,059	345,416	1,289,151	-	-	-	50,773
Wholesale and Retail Trade	366	-	319	-	-	-	24,707,308	8,174,887	5,246,480	225,190	608,593	-	-	-	21,410,618
Accommodation and Dining	-	-	298	-	-	-	3,568,482	543,114	2,332,252	49,259	80,657	-	-	-	1,857,626
Transportation and Telecommunication	-	211	4	-	-	-	10,435,918	1,387,036	854,310	35,635	97,271	-	-	-	3,223,989
Financial Institutions	-	-	-	1,095,933	-	45,129,339	7,080,746	76,859	59,425	8,373	446,408	-	-	-	20,297,583
Real Estate and Rental Services	-	-	-	-	-	-	4,026,164	140,476	1,632,391	6,531	13,395	-	-	-	1,212,179
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	2	-	25,085	-	-	-	437,330	85,278	200,020	8,863	11,054	-	-	-	599,075
Health and Social Services	37	-	283	-	-	-	1,642,317	277,848	302,181	11,565	31,773	-	-	-	1,007,261
Others	70,609,168	73,450	50,200	-	-	829,518	11,266,928	28,787,869	11,039,906	142,285	16,259,458	-	-	-	8,637,092
Total	70,609,578	81,536	76,402	1,095,933	-	45,958,857	122,002,761	46,270,013	28,757,418	921,533	18,201,102	-	-	-	8,687,865
															167,414,304
															342,662,998

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

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

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.2.3 ANALYSIS OF MATURITY-BEARING EXPOSURES ACCORDING TO REMAINING MATURITIES

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

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

PRIOR PERIOD		TERM TO MATURITY					DEMAND	TOTAL
EXPOSURE CATEGORIES (*)		UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	OVER 1 YEAR		
1	Conditional and unconditional exposures to central governments or central banks	6,881,816	20,527,333	223,550	3,497,122	34,014,294	5,465,463	70,609,578
2	Conditional and unconditional exposures to regional governments or local authorities	4,299	15	1,186	733	74,954	349	81,536
3	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	1,315	2,349	1,761	41,811	28,404	762	76,402
4	Conditional and unconditional exposures to multilateral development banks	-	-	-	-	1,095,933	-	1,095,933
5	Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	-
6	Conditional and unconditional exposures to banks and brokerage houses	14,445,998	2,951,136	3,435,926	3,655,692	20,789,596	680,509	45,958,857
7	Conditional and unconditional exposures to corporates	9,813,989	10,419,058	11,392,679	21,222,867	68,054,577	1,099,591	122,002,761
8	Conditional and unconditional retail exposures	10,842,651	4,230,092	6,257,224	4,131,880	14,600,094	6,208,072	46,270,013
9	Conditional and unconditional exposures secured by real estate property	702,404	1,333,229	1,844,071	2,644,252	22,181,094	52,368	28,757,418
10	Past due items	-	-	-	-	-	921,533	921,533
11	Items in regulatory high-risk categories	224,368	476,605	6,363	1,031,201	16,187,077	275,488	18,201,102
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-
13	Securitisation positions	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-
15	Other items	-	-	-	-	-	8,687,865	8,687,865
Total		42,916,840	39,939,817	23,162,760	36,225,558	177,026,023	23,392,000	342,662,998

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.2.4 EXPOSURE CATEGORIES

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

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

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

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

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

CREDIT QUALITY GRADE	FITCH RATINGS LONG TERM CREDIT RATING	EXPOSURE CATEGORIES			
		EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS	EXPOSURES TO BANKS AND BROKERAGE HOUSES		EXPOSURES TO CORPORATES
			EXPOSURES WITH ORIGINAL MATURITIES LESS THAN 3 MONTHS	EXPOSURES WITH ORIGINAL MATURITIES MORE THAN 3 MONTHS	
1	AAA to AA-	0%	20%	20%	20%
2	A+ to A-	20%	20%	50%	50%
3	BBB+ to BBB-	50%	20%	50%	100%
4	BB+ to BB-	100%	50%	100%	100%
5	B+ to B-	100%	50%	100%	150%
6	CCC+ and below	150%	150%	150%	150%

4.2.5 EXPOSURES BY RISK WEIGHTS

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

CURRENT PERIOD	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	DEDUCTIONS FROM EQUITY
Risk Weights											
Exposures before Credit Risk Mitigation	47,225,556	-	11,824,122	19,397,663	65,531,157	71,641,730	150,011,841	844,891	-	1,368,006	528,632
Exposures after Credit Risk Mitigation	42,562,410	-	8,339,872	19,391,219	62,853,998	66,169,176	135,104,549	824,973	-	1,368,006	528,632
PRIOR PERIOD											
Risk Weights											
Exposures before Credit Risk Mitigation	66,022,413	-	19,754,057	-	63,019,892	40,582,050	135,167,182	6,807,219	10,510,399	799,786	1,191,520
Exposures after Credit Risk Mitigation	59,223,592	-	12,186,170	-	54,233,496	40,283,953	122,578,041	6,754,537	10,450,895	799,786	1,191,520

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.2.6 INFORMATION BY MAJOR SECTORS AND TYPE OF COUNTERPARTIES

As per the TAS and TFRS;

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

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

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

PRIOR PERIOD		CREDIT RISK		
MAJOR SECTORS/COUNTERPARTIES	IMPAIRED CREDITS	PAST DUE CREDITS	VALUE ADJUSTMENTS	SPECIFIC PROVISIONS
Agriculture	162,877	19,405	336	82,426
Farming and Stockbreeding	155,940	15,102	318	80,775
Forestry	1,391	3,877	10	986
Fishery	5,546	426	8	665
Manufacturing	1,291,030	381,753	1,203	776,092
Mining and Quarrying	186,656	14,860	43	122,345
Production	953,722	363,375	1,126	535,138
Electricity, Gas and Water	150,652	3,518	34	118,609
Construction	366,991	211,757	1,213	177,843
Services	1,575,966	752,466	7,036	934,594
Wholesale and Retail Trade	1,003,876	447,330	2,418	568,179
Accommodation and Dining	213,135	97,933	466	117,046
Transportation and Telecommunication	255,542	141,892	3,963	195,881
Financial Institutions	32,396	2,926	12	19,465
Real Estate and Rental Services	25,267	14,867	35	11,064
Professional Services	11	-	-	11
Educational Services	18,101	20,692	40	6,375
Health and Social Services	27,638	26,826	102	16,573
Others	3,007,290	3,160,820	134,043	2,675,031
Total	6,404,154	4,526,201	143,831	4,645,986

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.2.7 MOVEMENTS IN VALUE ADJUSTMENTS AND PROVISIONS

CURRENT PERIOD	OPENING BALANCE	PROVISION FOR PERIOD	PROVISION REVERSALS	OTHER ADJUSTMENTS(*)	CLOSING BALANCE
1 Specific Provisions	4,645,986	3,318,987	2,826,234	130,930	5,269,669
2 General Provisions	3,027,976	213,321	47,251	21,487	3,215,533

CURRENT PERIOD	OPENING BALANCE	PROVISION FOR PERIOD	PROVISION REVERSALS	OTHER ADJUSTMENTS(*)	CLOSING BALANCE
1 Specific Provisions	3,597,081	2,307,222	1,243,523	(14,794)	4,645,986
2 General Provisions	2,457,552	597,780	31,956	4,600	3,027,976

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

4.2.8 EXPOSURES SUBJECT TO COUNTERCYCLICAL CAPITAL BUFFER

COUNTRY	BANKING BOOK	TRADING BOOK	TOTAL
Turkey	181,046,373	391,744	181,438,117
Romania	4,800,305	-	4,800,305
the Netherlands	2,857,402	-	2,857,402
Malta	1,547,367	-	1,547,367
Switzerland	1,500,666	73	1,500,739
United Kingdom	1,298,948	-	1,298,948
United States of America	782,401	-	782,401
Germany	738,573	-	738,573
NCTR	568,039	-	568,039
Belgium	358,115	-	358,115
Other	2,376,743	4	2,376,747
Total	197,874,932	391,821	198,266,753

4.3 CONSOLIDATED CURRENCY RISK

Foreign currency open position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 31 Aralık 2016, the Bank and its financial affiliates' net 'on balance sheet' foreign currency short position amounts to TL 16,885,902 thousands (31 December 2015: TL 7,939,559 thousands), net 'off-balance sheet' foreign currency long position amounts to TL 18,057,131 thousands (31 December 2015: TL 9,437,913 thousands), while net foreign currency long open position amounts to TL 1,171,229 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:

	USD	EUR
The Bank's foreign currency purchase rate at balance sheet date	3.5130	3.7020
<u>Foreign currency rates for the days before balance sheet date:</u>		
Day 1	3.5130	3.7020
Day 2	3.5250	3.6863
Day 3	3.5370	3.6776
Day 4	3.5170	3.6756
Day 5	3.5020	3.6610
Last 30-days arithmetical average rate	3.4955	3.6814

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

The Bank's consolidated currency risk

	EUR	USD	OTHER FCS	TOTAL
CURRENT PERIOD				
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	5,193,774	10,590,972	1,443,016	17,227,762
Banks	6,766,453	7,645,367	1,254,715	15,666,535
Financial Assets at Fair Value through Profit/Loss	88,320	367,780	14,424	470,524
Interbank Money Market Placements	351,691	-	-	351,691
Financial Assets Available-for-Sale	2,611,436	2,871,273	3,458	5,486,167
Loans (*)	35,532,360	49,123,510	3,164,110	87,819,980
Investments in Associates, Affiliates and Joint-Ventures	1,051	-	574	1,625
Investments Held-to-Maturity	129,789	10,840,784	-	10,970,573
Derivative Financial Assets Held for Risk Management	46,884	95,692	-	142,576
Tangible Assets	84,999	266	53,892	139,157
Intangible Assets	-	-	-	-
Other Assets (**)	4,053,901	2,194,545	105,143	6,353,589
Total Assets	54,860,658	83,730,189	6,039,332	144,630,179
Liabilities				
Bank Deposits	2,124,101	1,311,897	288,730	3,724,728
Foreign Currency Deposits	32,535,601	58,876,377	5,500,763	96,912,741
Interbank Money Market Takings	259,140	266,941	87	526,168
Other Fundings	12,510,806	30,796,534	146,834	43,454,174
Securities Issued	2,192,240	8,690,657	991,105	11,874,002
Miscellaneous Payables	129,755	905,722	44,183	1,079,660
Derivative Financial Liabilities Held for Risk Management	75,226	76,888	-	152,114
Other Liabilities (***)	561,579	1,112,989	2,117,926	3,792,494
Total Liabilities	50,388,448	102,038,005	9,089,628	161,516,081
Net 'On Balance Sheet' Position	4,472,210	(18,307,816)	(3,050,296)	(16,885,902)
Net 'Off-Balance Sheet' Position	(3,601,299)	18,158,120	3,500,310	18,057,131
Derivative Assets	18,444,171	61,491,621	6,826,814	86,762,606
Derivative Liabilities	(22,045,470)	(43,333,501)	(3,326,504)	(68,705,475)
Non-Cash Loans	-	-	-	-
PRIOR PERIOD				
Total Assets	42,557,470	85,807,550	8,192,768	136,557,788
Total Liabilities	44,136,917	92,755,644	7,604,786	144,497,347
Net 'On Balance Sheet' Position	(1,579,447)	(6,948,094)	587,982	(7,939,559)
Net 'Off-Balance Sheet' Position	2,017,703	7,542,704	(122,494)	9,437,913
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 6,396,564 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 324,421 thousands included under TL assets in the accompanying consolidated financial statements are presented above under the related foreign currency code.

(***) The gold deposits of TL 2,026,567 thousands included under deposits in the accompanying consolidated financial statements are presented above under other liabilities.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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)

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

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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

(*) 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 (%)

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

PRIOR PERIOD	EUR	USD	JPY	TL
Assets				
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
Liabilities				
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

CURRENT PERIOD	COMPARISON		
EQUITY SECURITIES (SHARES)	CARRYING VALUE	FAIR VALUE	MARKET VALUE
1 Investment in Shares- Grade A	124,138	-	-
Quoted Securities	-	-	-
2 Investment in Shares- Grade B	27,097	-	-
Quoted Securities	-	-	-
3 Investment in Shares- Grade C	822	-	-
Quoted Securities	-	-	-
4 Investment in Shares- Grade D	-	-	-
Quoted Securities	-	-	-
5 Investment in Shares- Grade E	1,014	-	-
Quoted Securities	-	-	-
6 Investment in Shares- Grade F	48	-	-
Quoted Securities	-	-	-

PRIOR PERIOD	COMPARISON		
EQUITY SECURITIES (SHARES)	CARRYING VALUE	FAIR VALUE	MARKET VALUE
1 Investment in Shares- Grade A	123,682	-	-
Quoted Securities	-	-	-
2 Investment in Shares- Grade B	27,097	-	-
Quoted Securities	-	-	-
3 Investment in Shares- Grade C	822	-	-
Quoted Securities	-	-	-
4 Investment in Shares- Grade D	-	-	-
Quoted Securities	-	-	-
5 Investment in Shares- Grade E	1,014	-	-
Quoted Securities	-	-	-
6 Investment in Shares- Grade F	48	-	-
Quoted Securities	-	-	-

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.5.3 REALISED GAINS/LOSSES, REVALUATION SURPLUSES AND UNREALISED GAINS/LOSSES ON EQUITY SECURITIES AND RESULTS INCLUDED IN CORE AND SUPPLEMENTARY CAPITALS

CURRENT PERIOD		REVALUATION SURPLUSES		UNREALIZED GAINS AND LOSSES		
PORTFOLIO	GAINS/LOSSES IN CURRENT PERIOD	TOTAL	AMOUNT IN TIER I CAPITAL	TOTAL	AMOUNT IN CORE CAPITAL	AMOUNT IN TIER I CAPITAL
1 Private Equity Investments	-	-	-	-	-	-
2 Quoted Shares	-	-	-	13,997	-	13,997
3 Other Shares	-	7,080	7,080	-	-	-
Total	-	7,080	7,080	13,997	-	13,997

PRIOR PERIOD		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	-	-	-
Total	-	213,303	213,303	11,203	-	11,203

4.5.4 CAPITAL REQUIREMENT AS PER EQUITY SHARES

CURRENT PERIOD			
PORTFOLIO	CARRYING VALUE	RWA TOTAL	MINIMUM CAPITAL REQUIREMENT
1 Private Equity Investments	-	-	-
2 Quoted Shares	-	-	-
3 Other Shares	153,120	152,857	12,229
Total	153,120	152,857	12,229

PRIOR PERIOD			
PORTFOLIO	CARRYING VALUE	RWA TOTAL	MINIMUM CAPITAL REQUIREMENT
1 Private Equity Investments	-	-	-
2 Quoted Shares	-	-	-
3 Other Shares	152,663	152,400	12,192
Total	152,663	152,400	12,192

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

4.6 CONSOLIDATED LIQUIDITY RISK

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

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

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

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

Risk management head defines the Bank's liquidity risk, measures and monitors the risks with liquidity risk measurement methods that are in compliance with international standards, presents measurement results periodically to related departments, committees and senior management. Risk management department coordinates related parties in order to ensure compliance of risk management process in accordance with the Bank's risk profile, operation environment and

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

strategic plan with regulations. Risk management department analyses, develops and revises relevant liquidity risk measurement in accordance with changing market conditions and the Bank's structure. Risk management department reviews assumptions and parameters used in liquidity risk analysis.

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

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

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

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

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

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

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

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

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

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

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

4.6.1 LIQUIDITY COVERAGE RATIO

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

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

High quality liquid assets consist of cash, deposits in central banks and securities considered as high quality liquid assets. Reserve deposits are included in high quality liquid assets, limited by the amount that is allowed by central bank to use in liquidity shortages. As of the reporting date, high quality liquid assets are composed of 4.97% cash, 47.12% deposits in central banks and 47.91% 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 67.79% deposits, 21.93% funds borrowed and money market borrowings and 6.73% securities issued.

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

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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

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

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

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

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

PRIOR PERIOD	TOTAL UNWEIGHTED VALUE (AVERAGE) (*)		TOTAL WEIGHTED VALUE (AVERAGE) (*)	
	TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS				
			39,416,728	27,406,063
1 Total high-quality liquid assets (HQLA)			39,416,728	27,406,063
CASH OUTFLOWS				
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 Total Cash Outflows			50,201,200	30,450,977
CASH INFLOWS				
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 Total Cash Inflows	22,401,568	9,028,977	16,172,817	7,101,364
TOTAL ADJUSTED VALUES				
21 Total HQLA			39,416,728	27,406,063
22 Total Net Cash Outflows			34,028,384	23,349,613
23 Liquidity Coverage Ratio (%)			116.04	118.08

(*) 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%

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.6.2 MATURITY ANALYSIS OF ASSETS AND LIABILITIES ACCORDING TO REMAINING MATURITIES

	DEMAND	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER	UNDISTRIBUTED (*)	TOTAL
CURRENT PERIOD								
Assets								
Cash (Cash on Hand, Money in Transit, Purchased Cheques) And Balances with the Central Bank	8,451,124	15,500,350	-	-	-	-	-	23,951,474
Banks	6,568,580	3,128,098	1,600,736	1,993,801	3,589,829	-	-	16,881,044
Financial Assets at Fair Value through Profit/Loss (**)	39,242	988,141	751,345	1,315,803	387,478	323,532	-	3,805,541
Interbank Money Market Placements	-	373,871	-	-	-	-	-	373,871
Financial Assets Available-for Sale	218,812	23,065	34,141	498,172	11,326,666	11,882,592	-	23,983,448
Loans (**)	419,535	33,315,960	16,942,938	48,906,728	73,225,524	24,329,134	4,269,277	201,409,096
Investments Held-to-Maturity	-	139,741	452,201	181,994	9,023,268	13,312,492	-	23,109,696
Other Assets	1,965,205	2,556,581	1,347,542	1,952,874	3,672,114	537,820	6,575,633	18,607,769
Total Assets	17,662,498	56,025,807	21,128,903	54,849,372	101,224,879	50,385,570	10,844,910	312,121,939
Liabilities								
Bank Deposits	2,912,446	1,154,085	94,146	327,269	-	-	-	4,487,946
Other Deposits	43,835,833	92,200,862	22,784,118	13,614,639	1,744,211	22,204	-	174,201,867
Other Fundings	-	2,215,433	1,937,295	20,049,594	15,892,027	6,487,504	-	46,581,853
Interbank Money Market Takings	87	10,496,626	207,399	218,895	259,140	48,046	-	11,230,193
Securities Issued	-	649,855	1,689,466	5,053,039	8,223,299	2,129,989	-	17,745,648
Miscellaneous Payables	1,156,028	8,135,691	13,512	33,689	-	317	511	9,339,748
Other Liabilities (***)	1,800,785	1,327,477	913,491	1,227,256	700,949	660,205	41,904,521	48,534,684
Total Liabilities	49,705,179	116,180,029	27,639,427	40,524,381	26,819,626	9,348,265	41,905,032	312,121,939
Liquidity Gap	(32,042,681)	(60,154,222)	(6,510,524)	14,324,991	74,405,253	41,037,305	(31,060,122)	-
Net Off-Balance Sheet Position	-	526,190	(104,836)	547,096	5,636	87,715	-	1,061,801
Derivative Financial Assets	-	60,394,076	27,198,909	34,159,810	9,584,052	1,610,733	-	132,947,580
Derivative Financial Liabilities	-	59,867,886	27,303,745	33,612,714	9,578,416	1,523,018	-	131,885,779
Non-Cash Loans	-	4,255,623	4,910,315	6,374,916	1,089,367	223,599	89,084,131	105,937,951
PRIOR PERIOD								
Total Assets	14,502,821	58,138,733	17,791,403	49,866,067	84,702,069	45,508,194	9,137,891	279,647,178
Total Liabilities	42,572,000	98,859,842	30,284,090	36,940,489	25,072,261	9,049,355	36,869,141	279,647,178
Liquidity Gap	(28,069,179)	(40,721,109)	(12,492,687)	12,925,578	59,629,808	36,458,839	(27,731,250)	-
Net Off-Balance Sheet Position	-	(9,927)	(59,699)	(650,163)	32,032	87,117	-	(600,640)
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
Non-Cash Loans	-	4,256,442	1,122,260	8,073,184	1,221,929	126,820	83,888,837	98,689,472

(*) 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 (31 December 2016: -) 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.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

Contractual maturity analysis of liabilities according to remaining maturities

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

CURRENT PERIOD	CARRYING VALUE	NOMINAL PRINCIPAL OUTFLOW	DEMAND	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER
Bank Deposits	4,487,946	4,480,851	2,912,318	1,151,604	94,010	322,919	-	-
Other Deposits	174,201,867	173,564,384	43,812,427	91,883,002	22,654,467	13,465,056	1,727,342	22,090
Other Fundings	46,581,853	46,289,185	-	2,081,588	1,886,656	20,007,331	15,873,073	6,440,537
Interbank Money Market Takings	11,230,193	11,219,662	87	10,487,138	207,000	218,766	259,140	47,531
Securities Issued	17,745,648	17,391,262	-	641,177	1,683,472	5,012,872	7,955,438	2,098,303
Total	254,247,507	252,945,344	46,724,832	106,244,509	26,525,605	39,026,944	25,814,993	8,608,461

PRIOR PERIOD	CARRYING VALUE	NOMINAL PRINCIPAL OUTFLOW	DEMAND	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER
Bank Deposits	6,960,181	6,954,324	1,824,605	3,442,881	1,433,805	253,033	-	-
Other Deposits	149,174,250	148,600,117	36,490,362	71,075,634	24,708,119	14,905,302	1,404,773	15,927
Other Fundings	39,519,687	39,396,379	-	2,002,970	1,828,112	14,413,379	15,627,055	5,524,863
Interbank Money Market Takings	16,567,796	16,547,426	-	13,576,686	221,241	2,520,164	190,025	39,310
Securities Issued	15,511,597	15,171,939	-	331,132	1,353,146	3,343,310	7,026,530	3,117,821
Total	227,733,511	226,670,185	38,314,967	90,429,303	29,544,423	35,435,188	24,248,383	8,697,921

4.7 CONSOLIDATED LEVERAGE RATIO

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

The Bank's consolidated leverage ratio calculated by taking average of end of month leverage ratios for the last three-month period is 8.23% (31 December 2015: 7.85%). Main reason for the variance compared to prior period is the increase in capital higher than other items. While the capital increased by 15.08% as a result of increase in net profits, the balance sheet exposure increased by 11.23% and off balance sheet exposure increased by 4.29%. Therefore, the current period leverage ratio increased by 38 basis points compared to prior period.

	CURRENT PERIOD(***)	PRIOR PERIOD(***)
1 Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards (*) (**)	291,042,716	274,837,997
2 The difference between total assets prepared in accordance with Turkish Accounting Standards (*) and total assets in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" (**)	4,087,480	4,809,181
3 The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such instruments	(8,436,784)	(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	14,523,665	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	2,550,420	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	423,189,090	385,659,874

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

(**) For the current period consolidated financial statements prepared in accordance with Turkish Accounting Standards as of 30 September 2016 and for the prior period consolidated financial statements prepared in accordance with Turkish Accounting Standards as of 31 December 2015 are used.

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

ON-BALANCE SHEET ASSETS		CURRENT PERIOD(*)	PRIOR PERIOD(*)
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	305,441,515	274,606,088
2	(Assets deducted in determining Tier I capital)	(380,379)	(299,347)
3	Total on-balance sheet risks (sum of lines 1 and 2)	305,061,136	274,306,741
DERIVATIVE FINANCIAL INSTRUMENTS AND CREDIT DERIVATIVES			
4	Replacement cost associated with all derivative financial instruments and credit derivatives	3,494,125	2,589,359
5	Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	8,482,319	7,379,472
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 and 5)	11,976,444	9,968,831
SECURITIES OR COMMODITY FINANCING TRANSACTIONS (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	1,645,458	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)	1,645,458	1,173,806
OTHER OFF-BALANCE SHEET TRANSACTIONS			
10	Gross notional amounts of off-balance sheet transactions	107,056,472	100,214,444
11	(Adjustments for conversion to credit equivalent amounts)	(2,550,420)	(3,948)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	104,506,052	100,210,496
CAPITAL AND TOTAL RISKS			
13	Tier I capital	34,836,155	30,270,121
14	Total risks (sum of lines 3, 6, 9 and 12)	423,189,090	385,659,874
LEVERAGE RATIO			
15	Leverage ratio	8.23%	7.85%

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

4.8 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

	CARRYING VALUE		FAIR VALUE	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
Financial Assets	286,623,676	257,255,487	287,919,196	258,793,913
Interbank Money Market Placements	373,871	80,366	373,871	80,366
Banks (*)	37,747,565	39,148,804	37,747,565	39,148,804
Financial Assets Available-for-Sale	23,983,448	24,755,770	23,983,448	24,755,770
Investments Held-to-Maturity	23,109,696	21,317,246	22,799,307	21,467,440
Loans (**)	201,409,096	171,953,301	203,015,005	173,341,533
Financial Liabilities	263,587,255	236,313,533	263,587,255	236,313,533
Bank Deposits	4,487,946	6,960,181	4,487,946	6,960,181
Other Deposits	174,201,867	149,174,250	174,201,867	149,174,250
Other Fundings from Financial Institutions	57,812,046	56,087,483	57,812,046	56,087,483
Securities Issued	17,745,648	15,511,597	17,745,648	15,511,597
Miscellaneous Payables	9,339,748	8,580,022	9,339,748	8,580,022

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

(**) As of 31 December 2015, loans amounting to TL 198,118 thousands (31 December 2016: -) included under Financial Assets at Fair Value through Profit/Loss in the accompanying consolidated financial statements are presented above under "Loans".

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

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

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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

CURRENT PERIOD	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial Assets Available-for-Sale	23,120,636	246,183	616,629	23,983,448
Financial Assets Held for Trading	191,828	-	-	191,828
Derivative Financial Assets Held for Trading	12,449	3,601,264	-	3,613,713
Loans	-	-	-	-
Derivative Financial Assets Held for Risk Management	-	666,295	-	666,295
Financial Assets at Fair Value	23,324,913	4,513,742	616,629	28,455,284
Derivative Financial Liabilities Held for Trading	977	3,713,008	-	3,713,985
Funds Borrowed	-	1,763,177	-	1,763,177
Derivative Financial Liabilities Held for Risk Management	-	343,314	-	343,314
Financial Liabilities at Fair Value	977	5,819,499	-	5,820,476
PRIOR PERIOD				
Financial Assets Available-for-Sale	18,457,898	5,724,174	573,698	24,755,770
Financial Assets Held for Trading	192,976	31,325	-	224,301
Derivative Financial Assets Held for Trading	285	1,724,811	-	1,725,096
Loans	-	198,118	-	198,118
Derivative Financial Assets Held for Risk Management	-	680,997	-	680,997
Financial Assets at Fair Value	18,651,159	8,359,425	573,698	27,584,282
Derivative Financial Liabilities Held for Trading	3,617	2,618,986	-	2,622,603
Funds Borrowed	-	5,688,704	-	5,688,704
Derivative Financial Liabilities Held for Risk Management	-	250,491	-	250,491
Financial Liabilities at Fair Value	3,617	8,558,181	-	8,561,798

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

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

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

4.9 TRANSACTIONS CARRIED OUT ON BEHALF OF CUSTOMERS AND ITEMS HELD IN TRUST

None.

4.10 RISK MANAGEMENT OBJECTIVES AND POLICIES

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

4.10.1 RISK MANAGEMENT STRATEGY AND WEIGHTED AMOUNTS

4.10.1.1 RISK MANAGEMENT STRATEGY

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

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

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

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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

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

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

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

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

4.10.1.2 RISK WEIGHTED AMOUNTS

	RISK WEIGHTED AMOUNTS		MINIMUM CAPITAL REQUIREMENTS
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD
1 Credit risk (excluding counterparty credit risk) (CCR) (*)	222,091,394	212,052,500	17,767,311
2 Of which standardised approach (SA)	222,091,394	212,052,500	17,767,311
3 Of which internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	5,680,859	2,769,808	454,469
5 Of which standardised approach for counterparty credit risk (SA-CCR)	5,680,859	2,769,808	454,469
6 Of which internal model method (IMM)	-	-	-
7 Equity position in banking book under basic risk weighting or internal rating-based	-	-	-
8 Equity investments in funds – look-through approach	-	-	-
9 Equity investments in funds – mandate-based approach	-	-	-
10 Equity investments in funds – 1250% risk weighting approach	-	-	-
11 Settlement risk	-	-	-
12 Securitisation exposures in banking book	-	-	-
13 Of which IRB ratings-based approach (RBA)	-	-	-
14 Of which IRB supervisory formula approach (SFA)	-	-	-
15 Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16 Market risk	6,136,375	6,826,925	490,910
17 Of which standardised approach (SA)	6,136,375	6,826,925	490,910
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)	3,420,013	1,157,480	273,601
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	258,425,540	241,514,617	20,674,043

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.10.2 LINKAGES BETWEEN FINANCIAL STATEMENTS AND RISK AMOUNTS

4.10.2.1 DIFFERENCES AND MATCHING BETWEEN ASSET AND LIABILITIES' CARRYING VALUES IN FINANCIAL STATEMENTS AND RISK AMOUNTS IN CAPITAL ADEQUACY CALCULATION

	CARRYING VALUES OF ITEMS IN ACCORDANCE WITH TURKISH ACCOUNTING STANDARDS					
	CARRYING VALUES IN FINANCIAL STATEMENTS PREPARED AS PER TAS (*)	CARRYING VALUES IN CONSOLIDATED FINANCIAL STATEMENTS PREPARED AS PER TAS BUT IN COMPLIANCE WITH THE COMMUNIQUÉ "PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS"	SUBJECT TO CREDIT RISK	SUBJECT TO COUNTERPARTY CREDIT RISK	SUBJECT TO MARKET RISK [**]	NOT SUBJECT TO CAPITAL REQUIREMENTS OR SUBJECT TO DEDUCTION FROM CAPITAL [***]
ASSETS						
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances With Central Bank of Turkey	33,734,687	23,951,474	23,951,474	-	-	-
Financial Assets Held for Trading	1,835,133	3,805,541	7,842	3,577,256	1,491,646	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-
Banks	11,877,548	16,881,044	16,112,947	-	-	1,540,185
Interbank Money Markets Placements	318,688	373,871	351,691	22,180	-	-
Financial Assets Available-for-Sale	23,179,823	23,983,448	22,878,689	5,699,440	1,081,227	23,532
Loans	182,659,386	201,409,096	201,372,108	-	-	36,994
Factoring Receivables	2,149,726	2,851,223	2,851,223	-	-	-
Investment Held-to-Maturity	21,306,528	23,109,696	23,109,696	8,308,738	-	-
Investment in Associates	37,261	37,261	36,998	-	-	263
Investment in Subsidiaries	4,125	115,858	1,240,965	-	-	-
Investment in Joint-Ventures	-	-	-	-	-	-
Lease Receivables	5,462,940	5,794,260	5,794,874	-	-	-
Derivative Financial Assets Held for Risk Management	283,059	666,295	-	666,295	-	-
Tangible Assets	4,567,214	3,680,621	3,473,471	-	-	123,614
Intangible Assets	106,340	327,653	25,670	-	-	301,983
Investment Property	537,494	543,825	630,270	-	-	-
Tax Asset	879,961	260,678	244,564	-	-	15,167
Assets Held for Sale and Assets of Discontinued Operations	490,659	605,015	548,690	-	-	56,325
Other Assets	1,612,144	3,725,080	3,644,832	-	-	125,041
TOTAL ASSETS	291,042,716	312,121,939	306,276,004	18,273,909	2,572,873	2,223,104
LIABILITIES						
Deposits	167,133,455	178,689,813	-	-	-	178,689,813
Derivative Financial Liabilities Held for Trading	1,812,567	3,713,985	-	-	-	3,713,985
Funds Borrowed	39,334,000	46,581,853	-	5,798,862	-	40,782,991
Interbank Money Markets	18,678,332	11,230,193	-	7,813,821	26,027	3,416,372
Securities Issued	15,128,623	17,745,648	-	-	-	17,745,648
Funds	-	-	-	-	-	-
Miscellaneous Payables	9,228,088	9,339,748	-	-	-	9,339,748

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

Other External Fundings Payable	1,472,437	3,170,339	-	-	21,136	3,149,203
Factoring Payables	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-
Derivative Financial Liabilities Held for Risk Management	514,247	343,314	-	-	-	343,314
Provisions	1,831,781	5,032,873	-	-	-	5,032,873
Tax Liability	171,439	478,266	-	-	-	478,266
Liabilities for Assets Held for Sale and Assets of Discontinued Operations	-	-	-	-	-	-
Subordinated Debts	-	-	-	-	-	-
Shareholders' Equity	35,737,747	35,795,907	-	-	-	35,795,907
TOTAL LIABILITIES	291,042,716	312,121,939	-	13,612,683	47,163	298,488,120

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

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

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

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

4.10.2.2 MAJOR ITEMS CAUSING DIFFERENCES BETWEEN ASSETS AND LIABILITIES' CARRYING VALUES IN FINANCIAL STATEMENTS AND RISK AMOUNTS IN CAPITAL ADEQUACY CALCULATION

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

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

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

4.10.2.3 EXPLANATIONS ON DIFFERENCES BETWEEN CARRYING VALUES IN FINANCIAL STATEMENTS AND RISK AMOUNTS IN CAPITAL ADEQUACY CALCULATION OF ASSETS AND LIABILITIES

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

4.10.3 CONSOLIDATED CREDIT RISK

4.10.3.1 GENERAL INFORMATION ON CONSOLIDATED CREDIT RISK

4.10.3.1.1 GENERAL QUALITATIVE INFORMATION ON CONSOLIDATED CREDIT RISK

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

Diversification to avoid concentrations are performed while determining the Bank's credit risk profile. Credit portfolios are evaluated depending upon the credit type, managed aggregately during their life cycle. Customer selection is made in accordance with the policies and strategies, affordability of the borrower to fulfil

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

on a timely basis all financial obligations with his expected cash flows from foreseeable specific transactions or from its regular operations; without depending upon guarantors, bails or pledged assets is predicated. Necessary risk rating/scoring models are developed for the different portfolios of the Bank. These models are created by ensuring the best separation of the customers in terms of their credibility and grading them using the objective criteria. The outputs of the internal rating and scoring models that developed based on the each portfolio, as well as an important part of the loan approval process, but also these models are used measuring the default risk of the customer and the portfolio, doing analysis regarding expected loss, internal capital and risk-based analyses.

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

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

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

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

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

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

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

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

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

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

4.10.3.1.2 CREDIT QUALITY OF CONSOLIDATED ASSETS

	GROSS CARRYING VALUE IN CONSOLIDATED FINANCIAL STATEMENTS PREPARED AS PERTAS		ALLOWANCES/ AMORTISATION AND IMPAIRMENTS	NET VALUES
	DEFAULTED	NON-DEFAULTED EXPOSURES		
1 Loans	6,910,833	245,574,041	5,135,502	247,349,372
2 Debt securities	-	45,895,535	-	45,895,535
3 Off-balance sheet exposures	355,861	68,228,310	134,609	68,449,562
4 Total	7,266,694	359,697,886	5,270,111	361,694,469

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.10.3.1.3 CHANGES IN STOCK OF DEFAULT LOANS AND DEBT SECURITIES

	CURRENT PERIOD
1 Defaulted loans and debt securities at end of the previous reporting period	6,090,168
2 Loans and debt securities defaulted since the last reporting period	4,227,196
3 Receivables back to non-defaulted status	-
4 Amounts written off	1,687,658
5 Other changes	1,718,873
6 Defaulted loans and debt securities at end of the reporting period	6,910,833

4.10.3.1.4 ADDITIONAL INFORMATION ON CREDIT QUALITY OF CONSOLIDATED ASSETS

4.10.3.1.4.1 QUALITATIVE DISCLOSURES RELATED TO THE CREDIT QUALITY OF ASSETS

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

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

4.10.3.1.4.2 BREAKDOWN OF EXPOSURES BY GEOGRAPHICAL AREAS, INDUSTRY AND AGEING

Disclosed under section 4.2 credit risk.

4.10.3.1.4.3 EXPOSURES PROVISIONED AGAINST BY MAJOR REGIONS AND SECTORS

CURRENT PERIOD	LOANS UNDER FOLLOW-UP	SPECIFIC PROVISIONS	WRITE-OFFS
Domestic	5,699,448	4,437,990	1,078,118
European Union (EU) Countries	926,294	461,309	375,057
OECD Countries	108,053	75,525	7
Off-Shore Banking Regions	74,413	74,413	2,459
USA, Canada	26,114	20,446	6,800
Other Countries	76,511	65,819	225,217
Total	6,910,833	5,135,502	1,687,658

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.10.3.1.4 AGEING OF PAST-DUE EXPOSURES

CURRENT PERIOD	UP TO 3 MONTHS	3-12 MONTHS	1-3 YEARS	3-5 YEARS	5 YEARS AND OVER
Corporate and Commercial Loans	418,035	1,433,176	1,239,717	582,688	464,668
Retail Loans	260,473	516,265	562,037	149,034	196,804
Credit Cards	130,443	318,539	324,146	110,409	104,155
Others	3,942	27,888	55,434	10,334	2,646
Total	812,893	2,295,868	2,181,334	852,465	768,273

4.10.3.2 CONSOLIDATED CREDIT RISK MITIGATION

4.10.3.2.1 QUALITATIVE DISCLOSURE ON CONSOLIDATED CREDIT RISK MITIGATION TECHNIQUES

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

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

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

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

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

	EXPOSURES UNSECURED: CARRYING AMOUNT AS PER TAS	EXPOSURES SECURED BY COLLATERAL	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY COLLATERAL	EXPOSURES SECURED BY FINANCIAL GUARANTEES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY FINANCIAL GUARANTEES	EXPOSURES SECURED BY CREDIT DERIVATIVES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY CREDIT DERIVATIVES
1 Loans	195,545,999	51,803,373	42,649,778	-	-	-	-
2 Debt securities	45,895,535	-	-	-	-	-	-
3 Total	241,441,534	51,803,373	42,649,778	-	-	-	-
4 Of which defaulted	6,866,835	43,998	14,357	-	-	-	-

4.10.3.3 CONSOLIDATED CREDIT RISK UNDER STANDARDISED APPROACH

4.10.3.3.1 QUALITATIVE DISCLOSURES ON BANKS' USE OF EXTERNAL CREDIT RATINGS UNDER THE STANDARDISED APPROACH FOR CREDIT RISK

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

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

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

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.10.3.3.3 CONSOLIDATED EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS

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

4.10.4 CONSOLIDATED COUNTERPARTY CREDIT RISK

4.10.4.1 QUALITATIVE DISCLOSURE ON CONSOLIDATED COUNTERPARTY CREDIT RISK

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

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

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.10.4.2 CONSOLIDATED COUNTERPARTY CREDIT RISK (CCR) APPROACH ANALYSIS

	REPLACEMENT COST	POTENTIAL FUTURE EXPOSURE	EEPE (EFFECTIVE EXPECTED POSITIVE EXPOSURE)	ALPHA USED FOR COMPUTING REGULATORY EAD	EAD POST-CRM	RWA
1 Standardised Approach -CCR (for derivatives)	4,220,220	1,802,817		1.4	6,013,287	3,165,331
2 Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3 Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4 Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					1,936,086	594,068
5 Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6 Total						3,759,399

4.10.4.3 CONSOLIDATED CAPITAL REQUIREMENT FOR CREDIT VALUATION ADJUSTMENT (CVA)

	EAD POST-CRM	RWA
Total portfolios subject to the Advanced CVA capital obligation	-	-
1 (i) VaR component (including the 3xmultiplier)		-
2 (ii) Stressed VaR component (including the 3xmultiplier)		-
3 All portfolios subject to the Standardised CVA capital obligation	6,013,287	1,921,460
4 Total subject to the CVA capital obligation	6,013,287	1,921,460

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.10.4.4 CONSOLIDATED CCR EXPOSURES BY RISK CLASS AND RISK WEIGHTS

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

4.10.4.5 COLLATERALS FOR CONSOLIDATED CCR

	COLLATERAL FOR DERIVATIVE TRANSACTIONS				COLLATERAL FOR OTHER TRANSACTIONS	
	FAIR VALUE OF COLLATERAL RECEIVED		FAIR VALUE OF COLLATERAL GIVEN		FAIR VALUE OF COLLATERAL RECEIVED	FAIR VALUE OF COLLATERAL GIVEN
	SEGREGATED	UNSEGREGATED	SEGREGATED	UNSEGREGATED		
Cash-domestic currency	4,944	-	-	-	8,276,773	26,027
Cash-foreign currency	4,807	-	-	-	5,330,999	-
Domestic sovereign debts	-	-	-	-	26,027	13,342,612
Other sovereign debts	-	-	-	-	-	655,413
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	9,751	-	-	-	13,633,799	14,024,052

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.10.4.6 CONSOLIDATED CREDIT DERIVATIVES

	PROTECTION BOUGHT	PROTECTION SOLD
Notionals		
Single-name credit default swaps	87,825	-
Index credit default swaps	-	-
Total return swaps	-	7,026,000
Credit options	-	-
Other credit derivatives	-	-
Total Notionals	87,825	7,026,000
Fair Values		
Positive fair values (asset)	215	6,677
Negative fair values (liability)	-	(401,821)

4.10.5 CONSOLIDATED SECURITISATIONS

None.

4.10.6 CONSOLIDATED MARKET RISK

4.10.6.1 QUALITATIVE DISCLOSURE ON CONSOLIDATED MARKET RISK

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

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

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

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

4.10.6.2 CONSOLIDATED MARKET RISK UNDER STANDARDISED APPROACH

		RWA	
		CURRENT PERIOD	PRIOR PERIOD(*)
Outright products		5,698,712	4,368,788
1	Interest rate risk (general and specific)	1,774,024	1,357,912
2	Equity risk (general and specific)	144,125	150,338
3	Foreign exchange risk	3,249,988	2,667,300
4	Commodity risk	530,575	193,238
Options		437,663	2,458,138
5	Simplified approach	-	-
6	Delta-plus method	437,663	2,458,138
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	6,136,375	6,826,926

(*) Counterparty credit risk amounting to TL 601,737 thousands subject to market risk is not included.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

4.10.7 CONSOLIDATED OPERATIONAL RISK

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

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

CURRENT PERIOD	31 DECEMBER 2013	31 DECEMBER 2014	31 DECEMBER 2015	TOTAL/ NO. OF YEARS OF POSITIVE	RATE (%)	TOTAL
Gross Income	10,180,473	11,163,774	12,410,791	11,251,679	15	1,687,752
Value at Operational Risk (Total x %12.5)						21,096,899

PRIOR PERIOD	31 DECEMBER 2013	31 DECEMBER 2014	31 DECEMBER 2015	TOTAL/ NO. OF YEARS OF POSITIVE	RATE (%)	TOTAL
Gross Income	8,588,400	10,180,473	11,163,774	9,977,549	15	1,496,632
Value at Operational Risk (Total x %12.5)						18,707,904

4.10.8 CONSOLIDATED BANKING BOOK INTEREST RATE RISK

4.10.8.1 NATURE OF INTEREST RATE RISK RESULTING FROM BANKING BOOK, MAJOR ASSUMPTIONS ON EARLY REPAYMENT OF LOANS AND MOVEMENTS IN DEPOSITS OTHER THAN TERM DEPOSITS AND FREQUENCY OF MEASURING INTEREST RATE RISK

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

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

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

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

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

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

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

4.10.8.2 ECONOMIC VALUE DIFFERENCES RESULTED FROM INTEREST RATE INSTABILITIES CALCULATED ON A BANK-ONLY BASIS ACCORDING TO REGULATION ON MEASUREMENT AND EVALUATION OF INTEREST RATE RISK RESULTED FROM BANKING BOOK AS PER STANDARD SHOCK METHOD

CURRENT PERIOD	SHOCKS APPLIED (+/- BASIS POINTS)	GAINS/LOSSES	GAINS/EQUITY LOSSES/EQUITY
TYPE OF CURRENCY			
1 TL	(+) 500 bps	(4,209,703)	(11.18)%
2 TL	(-) 400 bps	4,052,171	10.76%
3 USD	(+) 200 bps	(810,330)	(2.15)%
4 USD	(-) 200 bps	1,055,840	2.80%
5 EUR	(+) 200 bps	(14,342)	(0.04)%
6 EUR	(-) 200 bps	(44,364)	(0.12)%
Total (of negative shocks)		5,063,647	13.44%
Total (of positive shocks)		(5,034,375)	(13.37)%

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

PRIOR PERIOD		SHOCKS APPLIED (+/- BASIS POINTS)	GAINS/LOSSES	GAINS/EQUITY LOSSES/EQUITY
TYPE OF CURRENCY				
1	TL	(+) 500 bps	(3,581,363)	(10.83)%
2	TL	(-) 400 bps	3,477,727	10.51%
3	USD	(+) 200 bps	(766,486)	(2.32)%
4	USD	(-) 200 bps	1,031,044	3.12%
5	EUR	(+) 200 bps	(52,426)	(0.16)%
6	EUR	(-) 200 bps	50,223	0.15%
Total (of negative shocks)			4,558,994	13.78%
Total (of positive shocks)			(4,400,275)	(13.30)%

4.10.9 REMUNERATION POLICY

4.10.9.1 QUALITATIVE DISCLOSURES REGARDING REMUNERATION POLICIES

4.10.9.1.1 DISCLOSURES RELATED WITH REMUNERATION COMMITTEE

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

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

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

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

The bank board members, senior management and the bank staff deemed to perform the functions having material impact on the bank's risk profile are considered as identified staff; and by the end of 2016, the number of identified staff is 29.

4.10.9.1.2 INFORMATION ON THE DESIGN AND STRUCTURE OF REMUNERATION PROCESS

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

- Fair
- Transparent
- Based on measurable and balanced performance targets
- Encouraging sustainable success
- In line with the Bank Risk Management Principles

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

In the meeting dated 14 December 2016, the Remuneration Committee evaluated its decisions previously taken with respect to remuneration of the senior managers and members of the board of directors considering the provisions of the Guidelines on Sound Remuneration Practices in Banks.

Increases in the remuneration of employees working in the units responsible for internal systems are determined depending on the basic rate of increase specified by the Bank and their personal performances. In the variable remuneration, only the performance criteria associated with their personal performance or the performance of the unit that they work in are taken into account independently of the performance of the business units that they control.

4.10.9.1.3 EVALUATION ABOUT HOW THE BANK'S REMUNERATION PROCESSES TAKE THE CURRENT AND FUTURE RISKS INTO ACCOUNT

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

4.10.9.1.4 EVALUATION ABOUT HOW THE BANK ASSOCIATES VARIABLE REMUNERATIONS WITH PERFORMANCE

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

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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

4.10.9.1.5 EVALUATION ABOUT THE BANK'S METHODS TO ADJUST REMUNERATIONS ACCORDING TO LONG-TERM PERFORMANCE

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

The same rules apply for the ratios of deferral for all identified staff members regarding their variable remunerations. Remuneration Committee decided on that variable remuneration of identified staff is subject to cancellation and clawback.

4.10.9.1.6 EVALUATION ABOUT THE INSTRUMENTS USED BY THE BANK FOR VARIABLE REMUNERATIONS AND THE PURPOSES OF USE OF SUCH INSTRUMENTS

The variable remunerations of identified staff are paid using cash and share-linked non-cash instruments. Considering the principles in the "Guidelines on Sound Remuneration Practices in Banks" variable remunerations of identified staff are paid both with cash and non-cash (share-linked) instruments. Regarding variable remunerations of identified staff for the financial period of 2016, Banco Bilbao Vizcaya Argentaria S.A. shares are taken as reference for payments based on non-cash instruments.

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

5 DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS

5.1 CONSOLIDATED ASSETS

5.1.1 CASH AND BALANCES WITH CENTRAL BANK

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1,357,697	848,206	1,313,085	886,047
Central Bank of Turkey	5,366,015	15,500,506	946,596	21,896,042
Others	-	879,050	-	244,867
Total	6,723,712	17,227,762	2,259,681	23,026,956

<i>Balances with the Central Bank of Turkey</i>	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Unrestricted Demand Deposits	5,366,015	155	946,596	1,556,782
Unrestricted Time Deposits	-	38	-	5
Restricted Time Deposits	-	15,500,313	-	20,339,255
Total	5,366,015	15,500,506	946,596	21,896,042

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	13,777	-	11,930	-
Assets Subject to Repurchase Agreements	3,983	-	8,814	-
Total	17,760	-	20,744	-

5.1.2.2 POSITIVE DIFFERENCES ON DERIVATIVE FINANCIAL ASSETS HELD FOR TRADING

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Forward Transactions	249,419	51,101	242,997	45,551
Swap Transactions	1,985,329	803,335	373,851	457,241
Futures	3	1,097	126	34
Options	426,836	92,514	442,563	106,896
Others	-	4,079	35,576	20,261
Total	2,661,587	952,126	1,095,113	629,983

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.1.2.3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS

None.

5.1.3 BANKS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Banks				
Domestic banks	823,557	831,980	880,565	857,677
Foreign banks	390,952	14,834,555	44,865	14,523,059
Foreign headoffices and branches	-	-	-	-
Total	1,214,509	15,666,535	925,430	15,380,736

Due from foreign banks

	UNRESTRICTED BALANCES		RESTRICTED BALANCES	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
EU Countries	6,369,548	5,362,730	7,046,561	7,174,776
USA, Canada	638,547	1,341,532	415,053	314,902
OECD Countries (1)	17,165	14,604	-	-
Off-shore Banking Regions	570,815	222,589	96,147	65,058
Others	71,671	71,733	-	-
Total	7,667,746	7,013,188	7,557,761	7,554,736

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

The placements at foreign banks include blocked accounts amounting TL 7,557,761 thousands (31 December 2015: TL 7,554,736 thousands) of which TL 116,841 thousands (31 December 2015: TL 96,799 thousands) and TL 96,147 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 7,344,773 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 254,130 thousands (31 December 2015: TL 153,035 thousands) as required for insurance activities.

5.1.4 FINANCIAL ASSETS AVAILABLE-FOR-SALE

5.1.4.1 FINANCIAL ASSETS SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Collateralised/Blocked Assets	2,976,848	21,803	2,170,335	30,909
Assets subject to Repurchase Agreements	4,306,605	655,413	10,879,108	1,220,819
Total	7,283,453	677,216	13,049,443	1,251,728

5.1.4.2 DETAILS OF FINANCIAL ASSETS AVAILABLE-FOR-SALE

	CURRENT PERIOD	PRIOR PERIOD
Debt Securities	22,639,523	23,594,194
Quoted at Stock Exchange	22,067,470	22,960,201
Unquoted at Stock Exchange	572,053	633,993
Common Shares/Investment Fund	174,953	83,886
Quoted at Stock Exchange	82,203	7,669
Unquoted at Stock Exchange	92,750	76,217
Value Increase/Impairment Losses (-)	1,168,972	1,077,690
Total	23,983,448	24,755,770

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.1.5 LOANS

5.1.5.1 LOANS AND ADVANCES TO SHAREHOLDERS AND EMPLOYEES OF THE BANK

	CURRENT PERIOD		PRIOR PERIOD	
	CASH LOANS	NON-CASH LOANS	CASH LOANS	NON-CASH LOANS
Direct Lendings to Shareholders	-	168,241	146	408,529
Corporates	-	168,241	146	408,529
Real Persons	-	-	-	-
Indirect Lendings to Shareholders	2,204,037	474,103	2,113,052	263,954
Loans to Employees	293,178	146	250,323	88
Total	2,497,215	642,490	2,363,521	672,571

5.1.5.2 LOANS AND OTHER RECEIVABLES CLASSIFIED IN GROUPS I AND II INCLUDING CONTRACTS WITH REVISED TERMS

CURRENT PERIOD	PERFORMING LOANS AND OTHER RECEIVABLES			LOANS AND OTHER RECEIVABLES UNDER FOLLOW-UP		
	LOANS AND OTHER RECEIVABLES [TOTAL] (*)	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS		LOANS AND OTHER RECEIVABLES [TOTAL]	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS	
		EXTENSION OF REPAYMENT PLAN	OTHER CHANGES		EXTENSION OF REPAYMENT PLAN	OTHER CHANGES
CASH LOANS						
Loans	190,302,117	3,654,915	535,712	9,773,607	4,228,489	909,186
Working Capital Loans	25,036,594	475,760	31,611	1,188,910	512,795	175,499
Export Loans	10,392,159	136,762	-	293,705	109,642	23,312
Import Loans	273,584	-	-	83,269	-	-
Loans to Financial Sector	6,324,341	14,517	-	48	-	-
Consumer Loans	43,381,988	2,359,246	47,346	1,957,402	649,987	55,300
Credit Cards	18,485,865	-	428,089	522,710	-	280,601
Others	86,407,586	668,630	28,666	5,727,563	2,956,065	374,474
Specialization Loans	-	1,252	12,739	-	-	-
Other Receivables	-	-	-	-	-	-
Total	190,302,117	3,656,167	548,451	9,773,607	4,228,489	909,186

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

PRIOR PERIOD	PERFORMING LOANS AND OTHER RECEIVABLES			LOANS AND OTHER RECEIVABLES UNDER FOLLOW-UP		
	LOANS AND OTHER RECEIVABLES [TOTAL] (*)	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS		LOANS AND OTHER RECEIVABLES [TOTAL]	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS	
		EXTENSION OF REPAYMENT PLAN	OTHER CHANGES		EXTENSION OF REPAYMENT PLAN	OTHER CHANGES
CASH LOANS						
Loans	162,686,478	2,291,261	276,436	7,919,477	3,230,745	629,728
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
Specialization Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	162,686,478	2,291,261	276,436	7,919,477	3,230,745	629,728

(*) 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".

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

As of 31 December 2016, loans amounting to TL 5,269,501 thousands (31 December 2015: TL 5,781,904 thousands) are benefited as collateral under funding transactions.

Collaterals received for loans under follow-up

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

PRIOR PERIOD	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
Total	5,543,801	1,785,596	590,080	7,919,477

Delinquency periods of loans under follow-up

CURRENT PERIOD	CORPORATE / COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
31-60 days	598,949	745,107	194,622	1,538,678
61-90 days	164,408	287,597	57,501	509,506
Other	6,530,138	924,698	270,587	7,725,423
Total	7,293,495	1,957,402	522,710	9,773,607

PRIOR PERIOD	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
Total	5,543,801	1,785,596	590,080	7,919,477

Loans and other receivables with extended payment plans

CURRENT PERIOD	PERFORMING LOANS AND OTHER RECEIVABLES	LOANS AND OTHER RECEIVABLES UNDER FOLLOW-UP
NO. OF EXTENSIONS		
1 or 2 times	3,313,489	4,074,970
3, 4 or 5 times	108,157	115,311
Over 5 times	234,521	38,208
Total	3,656,167	4,228,489

PRIOR PERIOD	PERFORMING LOANS AND OTHER RECEIVABLES	LOANS AND OTHER RECEIVABLES UNDER FOLLOW-UP
NO. OF EXTENSIONS		
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
Total	2,291,261	3,230,745

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

CURRENT PERIOD	PERFORMING LOANS AND OTHER RECEIVABLES	LOANS AND OTHER RECEIVABLES UNDER FOLLOW-UP
NO. OF EXTENSIONS		
0 - 6 months	361,795	722,811
6 - 12 months	442,831	235,537
1 - 2 years	1,464,535	315,417
2 - 5 year	1,221,799	1,753,567
5 years and over	165,207	1,201,157
Total	3,656,167	4,228,489

PRIOR PERIOD	PERFORMING LOANS AND OTHER RECEIVABLES	LOANS AND OTHER RECEIVABLES UNDER FOLLOW-UP
NO. OF EXTENSIONS		
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
Total	2,291,261	3,230,745

5.1.5.3 MATURITY ANALYSIS OF CASH LOANS

CURRENT PERIOD	PERFORMING LOANS AND OTHER RECEIVABLES	LOANS AND OTHER RECEIVABLES WITH REVISED CONTRACT TERMS	LOANS UNDER FOLLOW-UP AND OTHER RECEIVABLES	LOANS AND OTHER RECEIVABLES WITH REVISED CONTRACT TERMS
Short-Term Loans	58,449,317	727,414	1,572,624	628,479
Loans	58,449,317	727,414	1,572,624	628,479
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans	131,852,800	3,477,204	8,200,983	4,509,196
Loans	131,852,800	3,477,204	8,200,983	4,509,196
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	190,302,117	4,204,618	9,773,607	5,137,675

PRIOR PERIOD	PERFORMING LOANS AND OTHER RECEIVABLES	LOANS AND OTHER RECEIVABLES WITH REVISED CONTRACT TERMS	LOANS UNDER FOLLOW-UP AND OTHER RECEIVABLES	LOANS AND OTHER RECEIVABLES WITH REVISED CONTRACT TERMS
Short-Term Loans	51,817,627	605,695	1,127,976	602,501
Loans	51,817,627	605,695	1,127,976	602,501
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans	110,868,851	1,962,002	6,791,501	3,257,972
Loans	110,868,851	1,962,002	6,791,501	3,257,972
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	162,686,478	2,567,697	7,919,477	3,860,473

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.1.5.4 CONSUMER LOANS, RETAIL CREDIT CARDS, PERSONNEL LOANS AND PERSONNEL CREDIT CARDS

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

PRIOR PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
Consumer Loans – TL	686,529	36,127,574	36,814,103
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
Consumer Loans – FC-indexed	-	170,849	170,849
Housing Loans	-	168,194	168,194
Automobile Loans	-	2	2
General Purpose Loans	-	2,653	2,653
Others	-	-	-
Consumer Loans – FC	240,634	1,642,295	1,882,929
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
Retail Credit Cards – TL	14,279,715	566,447	14,846,162
With Installment	6,850,008	566,447	7,416,455
Without Installment	7,429,707	-	7,429,707
Retail Credit Cards – FC	65,391	97,835	163,226
With Installment	2,685	-	2,685
Without Installment	62,706	97,835	160,541
Personnel Loans – TL	17,241	74,439	91,680
Housing Loan	-	1,055	1,055
Automobile Loans	-	86	86
General Purpose Loans	17,241	73,298	90,539
Others	-	-	-
Personnel Loans - FC-indexed	141	330	471
Housing Loans	-	330	330
Automobile Loans	-	-	-
General Purpose Loans	141	-	141
Others	-	-	-
Personnel Loans – FC	1,082	61,862	62,944
Housing Loans	137	22,904	23,041
Automobile Loans	-	-	-
General Purpose Loans	238	32,620	32,858
Others	707	6,338	7,045
Personnel Credit Cards – TL	92,376	460	92,836
With Installment	37,692	460	38,152
Without Installment	54,684	-	54,684
Personnel Credit Cards – FC	804	1,586	2,390
With Installment	86	-	86
Without Installment	718	1,586	2,304
Deposit Accounts– TL (Real Persons)	496,664	-	496,664
Deposit Accounts– FC (Real Persons)	-	-	-
Total	15,880,577	38,743,677	54,624,254

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.1.5.5 INSTALLMENT BASED COMMERCIAL LOANS AND CORPORATE CREDIT CARDS

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

PRIOR PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
Installment-based Commercial Loans – TL	1,335,639	9,681,444	11,017,083
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	-	-	-
Installment-based Commercial Loans - FC-indexed	160,480	1,885,722	2,046,202
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	-	-	-
Installment-based Commercial Loans – FC	785,391	1,455,176	2,240,567
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
Corporate Credit Cards – TL	1,963,886	3,750	1,967,636
With Installment	953,402	3,750	957,152
Without Installment	1,010,484	-	1,010,484
Corporate Credit Cards – FC	7,692	-	7,692
With Installment	61	-	61
Without Installment	7,631	-	7,631
Deposit Accounts– TL (Corporates)	831,746	-	831,746
Deposit Accounts– FC (Corporates)	-	-	-
Total	5,084,834	13,026,092	18,110,926

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.1.5.6 ALLOCATION OF LOANS BY CUSTOMERS

	CURRENT PERIOD	PRIOR PERIOD
Public Sector	792,965	866,521
Private Sector ^(*)	199,282,759	169,739,434
Total	200,075,724	170,605,955

(*) As of 31 December 2015, loans amounting to TL 198,118 thousands (31 December 2016: -) included under Financial Assets at Fair Value through Profit/Loss in the accompanying consolidated financial statements are presented above under "Private Sector".

5.1.5.7 ALLOCATION OF DOMESTIC AND FOREIGN LOANS

	CURRENT PERIOD	PRIOR PERIOD
Domestic Loans	185,557,687	159,973,425
Foreign Loans ^(*)	14,518,037	10,632,530
Total	200,075,724	170,605,955

(*) As of 31 December 2015, loans amounting to TL 198,118 thousands (31 December 2016: -) 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

	CURRENT PERIOD	PRIOR PERIOD
Direct Lending	13,289	200
Indirect Lending	-	-
Total	13,289	200

5.1.5.9 SPECIFIC PROVISIONS FOR LOANS

SPECIFIC PROVISIONS	CURRENT PERIOD	PRIOR PERIOD
Substandard Loans and Receivables - Limited Collectibility	522,689	687,181
Doubtful Loans and Receivables	1,175,099	661,583
Uncollectible Loans and Receivables	3,093,301	2,949,703
Total	4,791,089	4,298,467

5.1.5.10 NON-PERFORMING LOANS (NPLS) (NET)

Non-performing loans and other receivables restructured or rescheduled

	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS AND RECEIVABLES	DOUBTFUL LOANS AND RECEIVABLES	UNCOLLECTIBLE LOAN AND RECEIVABLES
CURRENT PERIOD			
(Gross amounts before specific provisions)			
Restructured Loans and Receivables	296,602	722,845	873,501
Rescheduled Loans and Receivables	4,364	5,992	88,658
Total	300,966	728,837	962,159
PRIOR PERIOD			
(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
Total	378,635	240,151	701,883

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

Movements in non-performing loan groups

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

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

	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS AND RECEIVABLES	DOUBTFUL LOANS AND RECEIVABLES	UNCOLLECTIBLE LOANS AND RECEIVABLES
PRIOR PERIOD			
Balances at Beginning of Period	675,966	919,137	2,790,951
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	-	-	-
Balances at End of Period	1,123,595	889,101	3,633,117
Specific Provisions (-)	687,181	661,583	2,949,703
Net Balance on Balance Sheet	436,414	227,518	683,414

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

Movements in specific loan provisions

CURRENT PERIOD	CORPORATE / COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Balances at End of Prior Period	1,826,030	1,486,364	986,073	4,298,467
Additions during the Period (+)	1,570,984	1,018,613	598,937	3,188,534
Restructured/Rescheduled Loans (-)	-	-	-	-
Collections during the Period (-) (*)	206,714	547,505	303,170	1,057,389
Write-Offs (-) (**)	870,281	474,013	294,229	1,638,523
Balances at End of Period	2,320,019	1,483,459	987,611	4,791,089

PRIOR PERIOD	CORPORATE / COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Balances at End of Prior Period	1,512,557	1,065,533	707,657	3,285,747
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
Balances at End of Period	1,826,030	1,486,364	986,073	4,298,467

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

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

Non-performing loans in foreign currencies

	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS AND RECEIVABLES	DOUBTFUL LOANS AND RECEIVABLES	UNCOLLECTIBLE LOANS AND RECEIVABLES
CURRENT PERIOD			
Balance at End of Period	240,824	458,233	1,273,467
Specific Provisions (-)	100,824	283,281	916,275
Net Balance at Balance Sheet	140,000	174,952	357,192
PRIOR PERIOD			
Balance at End of Period	518,143	170,186	1,307,310
Specific Provisions (-)	226,212	92,719	982,861
Net Balance at Balance Sheet	291,931	77,467	324,449

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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

	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS AND RECEIVABLES	DOUBTFUL LOANS AND RECEIVABLES	UNCOLLECTIBLE LOANS AND RECEIVABLES
CURRENT PERIOD (NET)	260,146	396,036	677,190
Loans to Individuals and Corporates (Gross)	782,835	1,571,135	3,769,175
Specific Provision (-)	522,689	1,175,099	3,091,985
Loans to Individuals and Corporates (Net)	260,146	396,036	677,190
Banks (Gross)	-	-	311
Specific Provision (-)	-	-	311
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	1,005
Specific Provision (-)	-	-	1,005
Other Loans and Receivables (Net)	-	-	-
PRIOR PERIOD (NET)	436,414	227,518	683,414
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

CURRENT PERIOD	CORPORATE / COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	3,016	184	-	3,200
Loans Collateralized by Mortgages	1,524,646	142,402	-	1,667,048
Loans Collateralized by Pledged Assets	440,060	47,119	-	487,179
Loans Collateralized by Cheques and Notes	268,837	7,286	-	276,123
Loans Collateralized by Other Collaterals	997,188	1,019,355	-	2,016,543
Unsecured Loans	217,723	468,953	987,692	1,674,368
Total	3,451,470	1,685,299	987,692	6,124,461

PRIOR PERIOD	CORPORATE / COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
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
Total	2,978,428	1,678,818	988,567	5,645,813

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.1.5.11 LIQUIDATION POLICY FOR UNCOLLECTIBLE LOANS AND RECEIVABLES

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

5.1.5.12 WRITE-OFF POLICY

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

5.1.6 FACTORING RECEIVABLES

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Short-Term	1,849,102	851,570	1,933,647	847,500
Medium and Long-Term	63,026	87,525	15,138	87,322
Total	1,912,128	939,095	1,948,785	934,822

5.1.7 INVESTMENTS HELD-TO-MATURITY

5.1.7.1 INVESTMENT SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Collateralised/Blocked Investments	5,793,705	4,341,183	4,956,015	2,108,752
Investments subject to Repurchase Agreements	3,147,892	-	4,081,537	317,809
Total	8,941,597	4,341,183	9,037,552	2,426,561

5.1.7.2 GOVERNMENT SECURITIES HELD-TO-MATURITY

	CURRENT PERIOD	PRIOR PERIOD
Government Bonds	19,108,804	17,776,978
Treasury Bills	-	-
Other Government Securities	-	-
Total	19,108,804	17,776,978

5.1.7.3 INVESTMENTS HELD-TO-MATURITY

	CURRENT PERIOD	PRIOR PERIOD
Debt Securities	20,705,624	19,522,643
Quoted at Stock Exchange	20,462,344	19,106,455
Unquoted at Stock Exchange	243,280	416,188
Valuation Increase / (Decrease)	2,404,072	1,794,603
Total	23,109,696	21,317,246

5.1.7.4 MOVEMENT OF INVESTMENTS HELD-TO-MATURITY

	CURRENT PERIOD	PRIOR PERIOD
Balances at Beginning of Period	21,317,246	20,667,042
Foreign Currency Differences on Monetary Assets	2,051,504	2,034,482
Purchases during the Period	314,669	1,149,619
Disposals through Sales/Redemptions (*)	(1,186,759)	(2,971,993)
Valuation Effect	613,036	438,096
Balances at End of Period	23,109,696	21,317,246

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.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.1.8 INVESTMENTS IN ASSOCIATES

5.1.8.1 UNCONSOLIDATED INVESTMENTS IN ASSOCIATES

ASSOCIATES	ADDRESS (CITY/ COUNTRY)	PARENT BANK'S SHARE - IF DIFFERENT, VOTING RIGHTS [%]	BANK RISK GROUP'S SHARE [%]
1 Emeklilik Gözetim Merkezi AŞ	İstanbul/Turkey	-	5.26
2 Bankalararası Kart Merkezi AŞ ⁽¹⁾	İstanbul/Turkey	10.15	10.15
3 Yatırım Finansman Menkul Değerler AŞ ⁽¹⁾	İstanbul/Turkey	0.77	0.77
4 İstanbul Takas ve Saklama Bankası AŞ ⁽¹⁾	İstanbul/Turkey	5.25	5.28
5 Borsa İstanbul AŞ ⁽¹⁾	İstanbul/Turkey	0.30	0.34
6 KKB Kredi Kayıt Bürosu AŞ ⁽¹⁾	İstanbul/Turkey	9.09	9.09
7 Türkiye Cumhuriyet Merkez Bankası AŞ ⁽²⁾	Ankara/ Turkey	2.48	2.48
8 Kredi Garanti Fonu AŞ ⁽¹⁾	Ankara/ Turkey	1.75	1.75

	TOTAL ASSETS	SHAREHOLDERS' EQUITY	TOTAL FIXED ASSETS ^(*)	INTEREST INCOME	INCOME ON SECURITIES PORTFOLIO	CURRENT PERIOD PROFIT/LOSS	PRIOR PERIOD PROFIT/LOSS	COMPANY'S FAIR VALUE
1	13,824	7,310	1,982	803	4	122	383	-
2	75,434	44,177	48,085	672	-	14,517	9,605	-
3	885,750	70,170	3,534	12,885	1,102	(3,130)	(791)	-
4	7,494,521	994,440	98,224	216,309	5,881	162,178	132,453	-
5	1,084,281	1,043,795	211,102	27,176	979	223,697	289,559	-
6	185,448	129,648	135,578	2,817	90	16,458	26,782	-
7	450,139,064	54,629,350	684,192	6,120,123	2,238,649	20,736,851	8,529,957	-
8	324,489	298,991	7,562	12,390	-	17,738	19,899	-

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

(1) Financial information is as of 30 September 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 ^(*)	INTEREST INCOME	INCOME ON SECURITIES PORTFOLIO	CURRENT PERIOD PROFIT/LOSS	PRIOR PERIOD PROFIT/LOSS	COMPANY'S FAIR VALUE
1	35,690	35,367	76	461	1,487	1,821	99	21,440

(*) 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.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.1.8.3 MOVEMENT OF CONSOLIDATED INVESTMENTS IN ASSOCIATES

	CURRENT PERIOD	PRIOR PERIOD
Balance at Beginning of Period	686	792
Movements during the Period	22	(106)
Acquisitions and Capital Increases	-	-
Bonus Shares Received	-	-
Allocation from Current Period Profit	-	-
Sales	-	-
Reclassifications	-	-
Increase/Decrease in Fair Values	22	(106)
Currency Differences on Foreign Associates	-	-
Impairment Losses (-)	-	-
Balance at End of Period	708	686
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

Valuation methods of consolidated investments in associates

	CURRENT PERIOD	PRIOR PERIOD
Valued at Cost	-	-
Valued at Fair Value	708	686
Valued by Equity Method of Accounting	-	-

Sectoral distribution of consolidated investments and associates

ASSOCIATES	CURRENT PERIOD	PRIOR PERIOD
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	708	686
Other Associates	-	-

Quoted consolidated investments in associates

	CURRENT PERIOD	PRIOR PERIOD
Quoted at Domestic Stock Exchanges	708	686
Quoted at International Stock Exchanges	-	-

Investments in associates sold during the current period

None.

Investments in associates acquired during the current period

None.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.1.9 INVESTMENTS IN AFFILIATES

Information on capital adequacy of major affiliates

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

PRIOR PERIOD	GARANTI BANK INTERNATIONAL NV	GARANTI FINANSAL KIRALAMA AŞ	GARANTI HOLDING BV
COMMON EQUITY TIER I CAPITAL			
Paid-in Capital to be Entitled for Compensation after All Creditors	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	-
Common Equity Tier I Capital Before Deductions	1,738,930	885,649	967,415
Deductions From Common Equity Tier I Capital			
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
Total Deductions from Common Equity Tier I Capital	98,650	2,863	321,018
Total Common Equity Tier I Capital	1,640,280	882,786	646,397
Total Deductions From Tier I Capital	9,427	3,527	119,982
Total Tier I Capital	1,630,853	879,259	526,415
TIER II CAPITAL	253,368	-	57,607
CAPITAL BEFORE DEDUCTIONS	1,884,221	879,259	584,022
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 (-)	-	-	-
TOTAL CAPITAL	1,884,221	879,259	584,022

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 SHAREHOLDERS' ASSETS	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	73,520	62,255	59	2,558	182	3,157	8,843	-
2	27,221	14,784	754	579	56	1,270	962	-
3	6,221	3,794	27	486	258	(4,028)	2,306	-
4	2,257	1,591	794	-	74	69	772	-
5	3,094	1,695	52	219	35	694	379	-
6	3,850	3,850	3,843	-	-	(2)	(1)	-
7	1,152,400	37,277	1,023,330	67	-	13,392	25,604	-
8	2,093	1,578	-	-	-	762	(15)	-

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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

	CURRENT PERIOD	PRIOR PERIOD
Balance at Beginning of Period	4,342,264	3,604,139
Movements during the Period	727,365	738,125
Acquisitions and Capital Increases	53,484	-
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Sales/Liquidations	(157,635)	-
Reclassifications	-	-
Value Increase/Decrease (*)	411,275	470,481
Currency Differences on Foreign Affiliates	420,241	267,644
Reversal of Impairment Losses / Impairment Losses (-)	-	-
Balance at End of Period	5,069,629	4,342,264
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

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

Valuation methods of consolidated investments in affiliates

	CURRENT PERIOD	PRIOR PERIOD
Valued at Cost	-	-
Valued at Fair Value (*)	5,069,629	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

	CURRENT PERIOD	PRIOR PERIOD
Banks	2,025,895	1,764,623
Insurance Companies	1,125,108	916,536
Factoring Companies	151,548	135,644
Leasing Companies	925,310	871,165
Finance Companies	841,768	654,296
Other Affiliates	-	-

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

Quoted consolidated investments in affiliates

	CURRENT PERIOD	PRIOR PERIOD
Quoted at Domestic Stock Exchanges	151,548	135,644
Quoted at International Stock Exchanges	-	-

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

Other information on consolidated investments in affiliates

AFFILIATES	ADDRESS (CITY/ COUNTRY)	PARENT BANK'S SHARE - IF DIFFERENT, VOTING RIGHTS (%)	SHARES OF OTHER CONSOLIDATED AFFILIATES (%)	METHOD OF CONSOLIDATION
1 Garanti Finansal Kiralama AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
2 Garanti Faktoring AŞ	Istanbul/Turkey	81.84	-	Full Consolidation
3 Garanti Yatırım Menkul Kıymetler AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
4 Garanti Portföy Yönetimi AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
5 Garanti Emeklilik ve Hayat AŞ	Istanbul/Turkey	84.91	-	Full Consolidation
6 Garanti Bank International NV	Amsterdam/the Netherlands	100.00	-	Full Consolidation
7 Garanti Holding BV	Amsterdam/the Netherlands	100.00	-	Full Consolidation
8 G Netherlands BV	Amsterdam/the Netherlands	-	100.00	Full Consolidation
9 Garanti Bank SA	Bucharest/Romania	-	100.00	Full Consolidation
10 Motoractive IFN SA	Bucharest/Romania	-	100.00	Full Consolidation
11 Ralfi IFN SA	Bucharest/Romania	-	100.00	Full Consolidation

	TOTAL ASSETS	SHAREHOLDERS' EQUITY	TOTAL FIXED ASSETS ^(*)	INTEREST INCOME	INCOME ON SECURITIES PORTFOLIO	CURRENT PERIOD PROFIT/LOSSI	PRIOR PERIOD PROFIT/LOSS	COMPANY'S FAIR VALUE
1	5,450,502	925,311	9,586	405,126	-	84,003	110,292	-
2	2,899,452	185,453	7,528	246,599	-	19,716	25,430	-
3	111,904	67,490	14,391	1,423	2,417	20,156	6,146	-
4	59,170	52,212	4,303	4,368	-	12,971	8,029	-
5	1,730,004	1,325,118	39,426	151,012	2,409	245,940	194,445	-
6	17,882,527	2,032,031	101,974	551,284	95,796	50,996	34,395	-
7	1,260,553	1,260,407	-	-	-	(252)	(217)	-
8	1,323,966	1,147,182	-	79	-	53,447	(3,351)	-
9	7,379,333	942,737	271,177	264,907	28,104	(13,874)	45,727	-
10	579,652	83,118	4,542	30,917	-	17,135	7,690	-
11	368,498	51,611	4,451	46,060	-	13,100	16,910	-

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

Consolidated investments in affiliates disposed during the current period

The Bank sold its 1729 shares representing 99.94% of the share capital of GarantiBank Moscow AO and 1 share belonging to a group affiliate Garanti Bilişim Teknolojisi ve Ticaret AŞ to Sovcombank a bank operating in Russia for a purchase price of USD 38,412,834. Accordingly, a loss of TL 35,799 thousands is included in the accompanying consolidated financial statements, except for the effect on the Bank's non-financial affiliate.

Consolidated investments in affiliates acquired during the current period

None.

5.1.10 INVESTMENTS IN JOINT-VENTURES

None.

5.1.11 LEASE RECEIVABLES

5.1.11.1 FINANCIAL LEASE RECEIVABLES ACCORDING TO REMAINING MATURITIES

	CURRENT PERIOD		PRIOR PERIOD	
	GROSS	NET	GROSS	NET
Less than 1 Year	2,708,046	2,396,795	2,192,663	1,883,470
Between 1-5 Years	3,428,328	3,056,205	3,194,715	2,824,748
Longer than 5 Years	363,233	341,260	366,245	343,374
Total	6,499,607	5,794,260	5,753,623	5,051,592

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.1.11.2 NET FINANCIAL LEASE RECEIVABLES

	CURRENT PERIOD	PRIOR PERIOD
Gross Financial Lease Receivables	6,499,607	5,753,623
Unearned Income on Financial Lease Receivables (-)	(705,347)	(702,031)
Terminated Lease Contracts (-)	-	-
Net Financial Lease Receivables	5,794,260	5,051,592

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	73,946	11,534	60,616	7,483
Cash Flow Hedges	5,526	575,289	28,448	584,450
Net Foreign Investment Hedges	-	-	-	-
Total	79,472	586,823	89,064	591,933

As of 31 December 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	35,828,669	146,128	138,470	18,791,415	101,340	120,219
-TL	8,307,595	79,472	26,671	5,239,355	89,064	10,928
-FC	27,521,074	66,656	111,799	13,552,060	12,276	109,291
Cross Currency Swaps	8,525,479	520,167	204,844	5,279,626	579,657	130,272
-TL	1,837,687	-	-	1,868,085	-	-
-FC	6,687,792	520,167	204,844	3,411,541	579,657	130,272
Total	44,354,148	666,295	343,314	24,071,041	680,997	250,491

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.1.12.1.1 FAIR VALUE HEDGE ACCOUNTING

CURRENT PERIOD			FAIR VALUE CHANGE OF HEDGED ITEM	NET FAIR VALUE CHANGE OF HEDGING ITEM		INCOME STATEMENT EFFECT (GAINS/ LOSSES FROM DERIVATIVE FINANCIAL INSTRUMENTS)
HEDGING ITEM	HEDGED ITEM	TYPE OF RISK		ASSET	LIABILITY	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	42,431	15,833	(75,781)	(17,517)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(42,169)	48,387	(344)	5,874
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(27,048)	20,917	(36,290)	(1,649)
Cross Currency Swaps	Fixed-rate securities issued	Interest rate and foreign currency exchange rate risk	(13,071)	-	(164,529)	(177,600)
Cross Currency Swaps	Fixed-rate commercial loans	Interest rate and foreign currency exchange rate risk	231	343	-	574

PRIOR PERIOD			FAIR VALUE CHANGE OF HEDGED ITEM	NET FAIR VALUE CHANGE OF HEDGING ITEM		INCOME STATEMENT EFFECT (GAINS/ LOSSES FROM DERIVATIVE FINANCIAL INSTRUMENTS)
HEDGING ITEM	HEDGED ITEM	TYPE OF RISK		ASSET	LIABILITY	
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

CURRENT PERIOD

HEDGING ITEM	HEDGED ITEM	TYPE OF RISK	NET FAIR VALUE CHANGE OF HEDGING ITEM		GAINS/LOSSES ACCOUNTED UNDER SHAREHOLDERS' EQUITY IN THE PERIOD	GAINS/LOSSES ACCOUNTED UNDER INCOME STATEMENT IN THE PERIOD	INEFFECTIVE PORTION (NET) ACCOUNTED UNDER INCOME STATEMENT
			ASSET	LIABILITY			
Interest Rate Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates	66	-	(30)	(100)	-
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	46,656	(26,054)	21,463	(21,882)	(135)
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	14,268	-	14,325	(3,344)	-
Cross Currency Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	-	-	(6,677)	(12,091)	-
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	443,903	-	(17,541)	(89,625)	51
Cross Currency Swaps	Fixed-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	75,922	(40,316)	(2,035)	1,827	-

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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). There were no gain/loss recognised in the shareholders' equity in the current period (31 December 2015: a loss of TL 619 thousands).

PRIOR PERIOD

HEDGING ITEM	HEDGED ITEM	TYPE OF RISK	NET FAIR VALUE CHANGE OF HEDGING ITEM		GAINS/LOSSES ACCOUNTED UNDER SHAREHOLDERS' EQUITY IN THE PERIOD	GAINS/LOSSES ACCOUNTED UNDER INCOME STATEMENT IN THE PERIOD	INEFFECTIVE PORTION (NET) ACCOUNTED UNDER INCOME STATEMENT
			ASSET	LIABILITY			
Interest Rate Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates	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

	REAL ESTATES	LEASED TANGIBLE ASSETS	VEHICLES	OTHER TANGIBLE ASSETS	TOTAL
Cost	2,759,024	326,195	22,776	1,904,865	5,012,860
Accumulated Depreciation	(4,976)	(305,178)	(17,497)	(1,272,320)	(1,599,971)
Net Book Value	2,754,048	21,017	5,279	632,545	3,412,889
Balances at End of Current Period					
Net Book Value at Beginning of Current Period	2,754,048	21,017	5,279	632,545	3,412,889
Additions	256,390	17,904	1,683	502,143	778,120
Revaluation Model Difference	5,140	-	-	-	5,140
Transfers from Investment Property	44,245	-	-	-	44,245
Disposals (Net)	(248,255)	(2,371)	(129)	(93,833)	(344,588)
Disposals (Cost)	(249,380)	(62,530)	(1,876)	(186,509)	(500,295)
Disposals (Accumulated Depreciation)	1,125	60,159	1,747	92,676	155,707
Reversal of/Impairment Losses (-)	-	-	-	-	-
Depreciation Expense for Current Period	(21,566)	(5,464)	(2,047)	(213,901)	(242,978)
Currency Translation Differences on Foreign Operations, Net	18,198	-	219	9,376	27,793
Currency Translation Differences on Foreign Operations(Cost)	18,771	-	1,085	29,606	49,462
Currency Translation Differences on Foreign Operations (Accumulated Depreciation)	(573)	-	(866)	(20,230)	(21,669)
Net Book Values at End of Current Period	2,808,200	31,086	5,005	836,330	3,680,621
Cost at End of Current Period	2,834,190	281,569	23,668	2,250,105	5,389,532
Accumulated Depreciation at End of Current Period	(25,990)	(250,483)	(18,663)	(1,413,775)	(1,708,911)
Net Book Values at End of Current Period	2,808,200	31,086	5,005	836,330	3,680,621

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.1.14 INTANGIBLE ASSETS

5.1.14.1 USEFUL LIVES AND AMORTISATION RATES

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

5.1.14.2 AMORTISATION METHODS

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

5.1.14.3 BALANCES AT BEGINNING AND END OF CURRENT PERIOD

	CURRENT PERIOD		PRIOR PERIOD	
	COST	ACCUMULATED AMORTIZATION	COST	ACCUMULATED AMORTIZATION
Intangible Assets	735,627	407,974	571,276	317,645

5.1.14.4 MOVEMENTS OF INTANGIBLE ASSETS FOR CURRENT PERIOD

	CURRENT PERIOD	PRIOR PERIOD
Net Book Value at Beginning Period	253,631	237,352
Internally Generated Intangibles	-	-
Additions due to Mergers, Transfers and Acquisition	158,713	79,440
Disposals (-)	(1,843)	(247)
Impairment Losses/Reversals to/from Revaluation Surplus	-	-
Impairment Losses Recorded in Income Statement	-	-
Impairment Losses Reversed from Income Statement	-	-
Amortisation Expense for Current Period (-)	(89,117)	(66,062)
Currency Translation Differences on Foreign Operations	3,920	3,148
Other Movements	2,349	-
Net Book Value at End of Current Period	327,653	253,631

5.1.14.5 DETAILS FOR ANY INDIVIDUALLY MATERIAL INTANGIBLE ASSETS

None.

5.1.14.6 INTANGIBLE ASSETS CAPITALISED UNDER GOVERNMENT INCENTIVES AT FAIR VALUES

None.

5.1.14.7 REVALUATION METHOD OF INTANGIBLE ASSETS CAPITALISED UNDER GOVERNMENT INCENTIVES AND VALUED AT FAIR VALUES AT CAPITALISATION DATES

None.

5.1.14.8 NET BOOK VALUE OF INTANGIBLE ASSET THAT ARE RESTRICTED IN USAGE OR PLEDGED

None.

5.1.14.9 COMMITMENTS TO ACQUIRE INTANGIBLE ASSETS

None.

5.1.14.10 DISCLOSURE ON REVALUED INTANGIBLE ASSETS

None.

5.1.14.11 RESEARCH AND DEVELOPMENT COSTS EXPENSED DURING CURRENT PERIOD

None.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.1.14.12 GOODWILL

Goodwill	SHARES %	CARRYING VALUE
Garanti Yatırım Menkul Kıymetler AŞ	100.00	2,778
Garanti Finansal Kiralama AŞ	100.00	2,119
Garanti Faktoring AŞ	55.40	1,491
Total		6,388

5.1.14.13 MOVEMENTS IN GOODWILL DURING CURRENT PERIOD

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

5.1.15 INVESTMENT PROPERTY

	CURRENT PERIOD	PRIOR PERIOD
Net Book Value at Beginning Period	307,095	296,191
Additions	231,273	-
Disposals	(8,125)	-
Transfers to Tangible Assets	12,098	(18,009)
Fair Value Change	1,484	29,279
Net Currency Translation Differences on Foreign Affiliates	-	(366)
Net Book Value at End of Current Period	543,825	307,095

The investment property is held for operational leasing purposes.

As of 31 December 2016, a total gain of TL 1,484 thousands (31 December 2015: TL 25,734 thousands) from revaluation of investment property is included in other operating income.

5.1.16 DEFERRED TAX ASSET

As of 31 December 2016, on a consolidated basis the Bank has a deferred tax asset of TL 233,342 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 31 December 2016, there is a deferred tax asset of TL 530,797 thousands (31 December 2015: TL 701,422 thousands) and deferred tax liability of TL 297,455 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.

	CURRENT PERIOD		PRIOR PERIOD	
	TAX BASE	DEFERRED TAX AMOUNT	TAX BASE	DEFERRED TAX AMOUNT
Provisions (*)	976,182	196,283	849,242	170,497
Differences between the Carrying Values and Taxable Values of Financial Assets(**)	(427,008)	(95,290)	725,454	172,572
Revaluation Differences on Real Estates	(1,732,442)	(25,313)	(1,810,410)	(27,620)
Other	802,238	157,662	823,326	148,174
Deferred Tax Asset, Net	(381,030)	233,342	587,612	463,623

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

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

As of 31 December 2016, TL 307,584 thousands of deferred tax expense (31 December 2015: TL 213,959 thousands) and TL 62,489 thousands of deferred tax income (31 December 2015: TL 100,910 thousands) were recognised in the income statement and the shareholders' equity, respectively.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.1.17 ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS

	CURRENT PERIOD	PRIOR PERIOD
End of Prior Period		
Cost	375,548	186,179
Accumulated Depreciation	(9,183)	(7,972)
Net Book Value	366,365	178,207
End of Current Period		
Additions	347,416	279,871
Disposals (Cost)	(99,936)	(90,648)
Disposals (Accumulated Depreciation)	1,358	3,886
Reversal of Impairment / Impairment Losses (-)	(3,514)	(1,583)
Depreciation Expense for Current Period (-)	(8,831)	(5,097)
Currency Translation Differences on Foreign Operations	2,157	1,729
Cost	621,671	375,548
Accumulated Depreciation (-)	(16,656)	(9,183)
Net Book Value	605,015	366,365

As of balance sheet date, the net book values of assets held for sale on which rights of repurchase exist amounting to TL 359,660 thousands (31 December 2015: TL 258,845 thousands).

5.1.18 OTHER ASSETS

5.1.18.1 RECEIVABLES FROM TERM SALE OF ASSETS

	CURRENT PERIOD	PRIOR PERIOD
Sale of Investments in Associates, Affiliates and Joint – Ventures	-	-
Sale of Real Estates	-	-
Sale of Available for Sale Assets	16,670	-
Sale of Other Assets	2,305	3,127
Total	18,975	3,127

5.1.18.2 PREPAID EXPENSES

	CURRENT PERIOD	PRIOR PERIOD
Prepaid Expenses	527,538	440,202
Prepaid Taxes	27,335	30,978

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.2 CONSOLIDATED LIABILITIES

5.2.1 MATURITY PROFILE OF DEPOSITS

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

PRIOR PERIOD	DEMAND	7 DAYS NOTICE	UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	1 YEAR AND OVER	ACCUMULATING DEPOSIT ACCOUNTS	TOTAL
Saving Deposits	7,210,589	-	3,017,987	34,280,140	1,118,714	331,736	481,267	4,699	46,445,132
Foreign Currency	21,211,733	-	7,390,379	31,760,376	4,087,063	4,362,671	14,824,285	56,573	83,693,080
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
Public Sector Deposits	624,252	-	7,629	26,642	43	144	31	-	658,741
Commercial Deposits	6,173,951	-	3,647,512	4,528,359	176,380	389,619	17,802	-	14,933,623
Others	210,284	-	89,689	1,147,371	268,316	3,434	524,269	-	2,243,363
Precious Metal Deposits	1,087,124	-	106	11,175	-	57	101,849	-	1,200,311
Bank Deposits	1,824,611	-	2,119,796	1,078,563	1,708,201	100,524	128,486	-	6,960,181
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 Institutions	1,101,702	-	-	-	-	-	-	-	1,101,702
Others	-	-	-	-	-	-	-	-	-
Total	38,342,544	-	16,273,098	72,832,626	7,358,717	5,188,185	16,077,989	61,272	156,134,431

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:

TASARRUF MEVDUATI	COVERED BY DEPOSIT INSURANCE		OVER DEPOSIT INSURANCE LIMIT	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
Saving Deposits	27,843,202	24,403,854	25,576,417	22,487,622
Foreign Currency Saving Deposits	17,180,146	15,714,350	39,472,238	30,954,806
Other Saving Deposits	821,559	590,229	1,471,382	1,282,499
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.2.1.2 SAVING DEPOSITS AT DOMESTIC BRANCHES OF FOREIGN BANKS IN TURKEY UNDER THE COVERAGE OF FOREIGN INSURANCE

None.

5.2.1.3 SAVING DEPOSITS NOT COVERED BY INSURANCE LIMITS

5.2.1.3.1 SAVING DEPOSITS OF INDIVIDUALS NOT COVERED BY INSURANCE LIMITS

	CURRENT PERIOD	PRIOR PERIOD
Deposits and Other Accounts held at Foreign Branches	860,876	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	751,270	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	242,280	67,634	218,374	131,764
Swap Transactions	2,023,979	857,048	1,101,708	602,757
Futures	106	964	32	3,320
Options	373,051	144,526	354,764	154,904
Others	-	4,397	35,579	19,401
Total	2,639,416	1,074,569	1,710,457	912,146

5.2.3 FUNDS BORROWED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Central Bank of Turkey	-	1,880,102	-	-
Domestic Banks and Institutions	1,153,848	1,540,125	1,047,230	1,255,372
Foreign Banks, Institutions and Funds	1,973,831	40,033,947	2,407,491	34,649,802
Total	3,127,679	43,454,174	3,454,721	35,905,174

5.2.3.1 MATURITIES OF FUNDS BORROWED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Short-Term	1,237,683	4,284,065	1,094,237	2,447,861
Medium and Long-Term	1,889,996	39,170,109	2,360,484	33,457,313
Total	3,127,679	43,454,174	3,454,721	35,905,174

The Bank classified certain borrowings obtained through securitisations amounting to USD 2,000,000,000 as financial liability at fair value through profit/loss at the initial recognition. As of 31 December 2016, the accumulated credit risk change and the credit risk change recognised in the income statement amounted to gains of TL 442,139 thousands and of TL 314,843 thousands, respectively. The carrying value of the related financial liability amounted to TL 6,583,861 thousands.

5.2.3.2 DISCLOSURES FOR CONCENTRATION AREAS OF BANK'S LIABILITIES

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.2.4 OTHER EXTERNAL FUNDS

5.2.4.1 SECURITIES ISSUED

CURRENT PERIOD	TL		FC	
	SHORT-TERM	MEDIUM AND LONG-TERM	SHORT-TERM	MEDIUM AND LONG-TERM
Nominal	2,297,303	3,831,336	-	12,328,286
Cost	2,203,896	3,552,593	-	12,242,657
Carrying Value ^(*)	2,240,063	3,631,583	-	11,874,002

PRIOR PERIOD	TL		FC	
	SHORT-TERM	MEDIUM AND LONG-TERM	SHORT-TERM	MEDIUM AND LONG-TERM
Nominal	1,968,860	2,790,047	160,141	11,154,774
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 107,896 thousands (31 December 2015: TL 162,821 thousands) and foreign currency securities with a total face value of TL 764,060 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 104,473 thousands and RON 34,500,000 as financial liability at fair value through profit/loss at the initial recognition. As of 31 December 2016, the accumulated negative credit risks changes, and the negative and positive credit risk changes recognised in the income statement amounted to TL 144 thousands and TL 2,289 thousands, and TL 144 thousands and TL 722 thousands, respectively. The carrying value of the related financial liability amounted to TL 30,618 thousands and TL 105,368 thousands, and the related current period losses and gains amounted to TL 896 thousands and TL 953 thousands, respectively.

5.2.4.2 FUNDS PROVIDED THROUGH REPURCHASE TRANSACTIONS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Domestic Transactions	7,287,738	-	12,545,178	-
Financial Institutions and Organizations	7,196,813	-	12,475,300	-
Other Institutions and Organizations	40,765	-	36,759	-
Individuals	50,160	-	33,119	-
Foreign Transactions	2	526,081	75	3,595,865
Financial Institutions and Organizations	-	526,081	-	3,595,865
Other Institutions and Organizations	-	-	-	-
Individuals	2	-	75	-
Total	7,287,740	526,081	12,545,253	3,595,865

5.2.4.3 MISCELLANEOUS PAYABLES

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Payables from credit card transactions	7,833,260	41,268	6,886,185	57,684
Payables from insurance transactions	32,366	240	20,858	238
Other	394,462	1,038,152	283,144	1,331,913
Total	8,260,088	1,079,660	7,190,187	1,389,835

5.2.5 FACTORING PAYABLES

None.

5.2.6 LEASE PAYABLES

5.2.6.1 FINANCIAL LEASE PAYABLES

None.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.2.6.2 OPERATIONAL LEASE AGREEMENTS

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

5.2.7 DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT

DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Fair Value Hedges	26,671	250,273	10,928	210,635
Cash Flow Hedges	-	66,370	-	28,928
Net Foreign Investment Hedges	-	-	-	-
Total	26,671	316,643	10,928	239,563

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

	CURRENT PERIOD	PRIOR PERIOD
General Provision for	3,215,533	3,027,976
Loans and Receivables in Group I	1,754,506	2,521,714
Loans and Receivables in Group II	872,064	354,149
Non-Cash Loans	360,322	152,113
Others	228,641	-

5.2.8.2 PROVISIONS FOR FOREIGN EXCHANGE DIFFERENCES ON FOREIGN CURRENCY INDEXED LOANS AND FINANCIAL LEASE RECEIVABLES

	CURRENT PERIOD	PRIOR PERIOD
Short-Term Loans	1,241	29,733
Medium and Long Term Loans	270	11,412
Total	1,511	41,145

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

	CURRENT PERIOD	PRIOR PERIOD
Substandard Loans and Receivables - Limited Collectibility	27,731	26,570
Doubtful Loans and Receivables	22,716	18,417
Uncollectible Loans and Receivables	84,162	57,122
Total	134,609	102,109

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.2.8.4 OTHER PROVISIONS

5.2.8.4.1 GENERAL RESERVES FOR POSSIBLE LOSSES

	CURRENT PERIOD	PRIOR PERIOD
General Reserves for Possible Losses	300,000	342,000

5.2.8.4.2 OTHER PROVISIONS FOR POSSIBLE LOSSES

	CURRENT PERIOD	PRIOR PERIOD
Reserve for Employee Benefits	730,525	570,995
Insurance Technical Provisions, Net	306,775	251,292
Provision for Promotion Expenses of Credit Cards (*)	99,131	89,757
Provision for Lawsuits	56,474	41,734
Other Provisions	189,826	169,109
Total	1,382,731	1,122,887

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

Recognized liability for defined benefit plan obligations

The Bank obtained an actuarial report dated 5 December 2016 from an independent actuary reflecting the principles and procedures on determining the application of transfer transactions in accordance with the Law and it is determined that the assets of the Plan are above the amount that will be required to be paid to transfer the obligation and the asset surplus amounts to TL 2,772,742 thousands (31 December 2015: TL 2,408,349 thousands) at 31 December 2016 as details are given in the table below.

Furthermore, an actuarial report was prepared as of 31 December 2016 as per the requirements of the Law explained in Note 3.17, the accounting policies related with "employee benefits" for the benefits transferable to the SSF and as per TAS 19 for other benefits not transferable to the SSF and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees. Based on the actuary's 5 December 2016 dated report, the asset surplus over the fair value of the plan assets to be used for the payment of the obligations also fully covers the benefits not transferable and still a surplus of TL 1,482,852 thousands (31 December 2015: TL 1,336,959 thousands) remains as of 31 December 2016 as details are given in the table below.

The Bank's management, acting prudently, did not consider the health premium surplus amounting TL 531,665 thousands (31 December 2015: 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 2016. However, despite this treatment there are no excess obligation that needs to be provided against.

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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

	CARİ DÖNEM	ÖNCEKİ DÖNEM
	%	%
Discount Rate ^(*)	11.50	10.30
Inflation Rate ^(*)	7.80	7.10
Future Real Salary Increase Rate	1.5	1.5
Medical Cost Trend Rate	40% above inflation	40% above inflation
Future Pension Increase Rate ^(*)	7.80	7.10

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

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 31 December 2016, the corporate tax liability amounts to TL 119,401 thousands (31 December 2015: TL 376,241 thousands) after offsetting with prepaid taxes.

5.2.9.1.2 TAXES PAYABLE

	CURRENT PERIOD	PRIOR PERIOD
Corporate Taxes Payable	119,401	376,241
Taxation on Securities Income	122,010	110,210
Taxation on Real Estates Income	3,752	3,396
Banking Insurance Transaction Tax	120,305	100,514
Foreign Exchange Transaction Tax	86	74
Value Added Tax Payable	16,107	13,190
Others	82,880	87,846
Total	464,541	691,471

5.2.9.1.3 PREMIUMS PAYABLE

	CURRENT PERIOD	PRIOR PERIOD
Social Security Premiums-Employees	5,029	2,701
Social Security Premiums-Employer	3,571	2,206
Bank Pension Fund Premium-Employees	21	18
Bank Pension Fund Premium-Employer	21	18
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	1,220	1,021
Unemployment Insurance-Employer	2,613	2,132
Others	1,250	21
Total	13,725	8,117

5.2.9.2 DEFERRED TAX LIABILITY

As of 31 December 2016, there is no deferred tax liability (31 December 2015: -).

5.2.10 LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS

None.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.2.11 SUBORDINATED DEBTS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Domestic Other Institutions	-	-	-	-
Foreign Banks	-	-	-	-
Foreign Other Institutions	-	-	-	159,792
Total	-	-	-	159,792

On 23 February 2009, the Bank obtained a subordinated debt of EUR 50 millions from Proparco (Societe de Promotion et de Participation pour la Cooperation Economique SA), a company of the French Development Agency Group with an interest of Euribor+3.5% and maturity of 12 years with a repayment option at the end of the seventh year, to finance the clean energy projects. This debt is qualified as secondary subordinated debt to be included in the supplementary capital by the BRSA in the calculation of the Bank's capital adequacy ratio in compliance with the conditions set forth in the "Regulation on Equities of Banks" issued by the BRSA and published in the Official Gazette no.26333 dated 1 November 2006.

Total amount of the debt was repaid on 31 March 2016, by exercising the call option at the end of 7-year period.

5.2.12 SHAREHOLDERS' EQUITY

5.2.12.1 PAID-IN CAPITAL

	CURRENT PERIOD	PRIOR PERIOD
Common shares	4,200,000	4,200,000
Shares repurchased	-	-
Paid-in common shares	4,200,000	4,200,000
Preference shares	-	-

5.2.12.2 REGISTERED SHARE CAPITAL SYSTEM

CAPITAL SYSTEM	PAID-IN CAPITAL	CEILING PER REGISTERED SHARE CAPITAL
Registered Shares	4,200,000	10,000,000

5.2.12.3 CAPITAL INCREASES IN CURRENT PERIOD

None.

5.2.12.4 CAPITAL INCREASES FROM CAPITAL RESERVES IN CURRENT PERIOD

None.

5.2.12.5 CAPITAL COMMITMENTS FOR CURRENT AND FUTURE FINANCIAL PERIODS

None.

5.2.12.6 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.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.2.12.8 SECURITIES VALUE INCREASE FUND

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Investments in Associates, Affiliates and Joint-Ventures	-	-	-	-
Valuation Difference	-	-	-	-
Exchange Rate Difference	-	-	-	-
Securities Available-for-Sale	(484,900)	(58,725)	(427,264)	143,622
Valuation Difference	(484,900)	(58,725)	(427,264)	143,622
Exchange Rate Difference	-	-	-	-
Total	(484,900)	(58,725)	(427,264)	143,622

5.2.12.9 REVALUATION SURPLUS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Movables	-	-	-	-
Real Estates	1,508,875	5,772	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	-	-	-	-
Total	1,685,290	5,772	1,760,634	5,249

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

	CURRENT PERIOD	PRIOR PERIOD
I. Legal Reserve	1,022,250	1,013,056
II. Legal Reserve	249,272	213,572
Special Reserves	-	-
Total	1,271,522	1,226,628

5.2.12.12 EXTRAORDINARY RESERVES

	CURRENT PERIOD	PRIOR PERIOD
Legal Reserves allocated in compliance with the Decisions Made on the Annual General Assembly	22,192,305	19,168,165
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital	-	-
Total	22,192,305	19,168,165

5.2.12.13 MINORITY INTEREST

	CURRENT PERIOD	PRIOR PERIOD
Balance at Beginning of Period	226,617	193,733
Profit Share of Affiliates Net Profits	42,468	34,213
Prior Period Dividend Payment	(1,210)	(1,354)
Increase/(Decrease) in Minority Interest due to Sales	-	-
Others	(67)	25
Balance at End of Period	267,808	226,617

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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 3,956,061 thousands (31 December 2015: TL 3,246,846 thousands), commitments for cheque payments of TL 3,555,087 thousands (31 December 2015: TL 3,063,075 thousands) and commitments for credit card limits of TL 28,226,693 thousands (31 December 2015: TL 27,066,620 thousands).

5.3.1.2 POSSIBLE LOSSES AND COMMITMENTS RESULTED FROM OFF-BALANCE SHEET ITEMS

	CURRENT PERIOD	PRIOR PERIOD
Letters of Guarantee in Foreign Currency	20,901,575	17,880,281
Letters of Guarantee in TL	17,111,138	14,828,828
Letters of Credit	15,754,367	14,576,338
Bills of Exchange and Acceptances	2,127,334	1,538,069
Prefinancings	-	-
Other Guarantees	191,066	109,206
Total	56,085,480	48,932,722

A specific provision of TL 134,609 thousands (31 December 2015: TL 102,109 thousands) is made for unliquidated non-cash loans of TL 355,861 thousands (31 December 2015: TL 313,985 thousands) recorded under the off-balance sheet items as of 31 December 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

	CURRENT PERIOD	PRIOR PERIOD
Non-Cash Loans against Cash Risks	5,128,893	4,157,201
With Original Maturity of 1 Year or Less	331,380	454,207
With Original Maturity of More Than 1 Year	4,797,513	3,702,994
Other Non-Cash Loans	50,956,587	44,775,521
Total	56,085,480	48,932,722

5.3.1.4 OTHER INFORMATION ON NON-CASH LOANS

	CURRENT PERIOD				PRIOR PERIOD			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	70,323	0.41	35,750	0.09	59,203	0.40	24,398	0.07
Farming and Stockbreeding	59,983	0.35	25,075	0.06	53,926	0.36	18,647	0.05
Forestry	8,973	0.05	2,810	0.01	3,897	0.03	5,066	0.01
Fishery	1,367	0.01	7,865	0.02	1,380	0.01	685	0.01
Manufacturing	4,392,728	25.63	18,009,127	46.24	4,251,238	28.61	16,423,897	48.20
Mining and Quarrying	194,627	1.14	343,847	0.88	151,428	1.02	187,479	0.55
Production	2,432,210	14.19	12,997,280	33.37	2,450,646	16.49	11,322,737	33.23
Electricity, Gas, Water	1,765,891	10.30	4,668,000	11.99	1,649,164	11.10	4,913,681	14.42
Construction	2,771,911	16.17	4,327,614	11.11	2,091,782	14.08	3,832,130	11.25
Services	8,579,268	50.06	14,125,523	36.27	7,316,357	49.23	12,372,343	36.31
Wholesale and Retail Trade	5,889,557	34.36	8,783,670	22.55	5,223,467	35.15	8,097,227	23.77
Accommodation and Dining	236,345	1.38	300,746	0.77	297,037	2.00	221,167	0.65
Transportation and Telecommunication	602,422	3.52	1,724,313	4.43	502,112	3.38	1,120,273	3.28
Financial Institutions	1,442,429	8.42	3,064,787	7.87	932,262	6.27	2,673,889	7.84
Real Estate and Rental Services	251,658	1.47	221,390	0.57	262,149	1.76	236,828	0.70
Professional Services	-	-	-	-	-	-	-	-
Educational Services	24,350	0.14	3,552	0.01	22,140	0.15	10,340	0.03
Health and Social Services	132,507	0.77	27,065	0.07	77,190	0.52	12,619	0.04
Others	1,324,754	7.73	2,448,482	6.29	1,142,116	7.68	1,419,258	4.17
Total	17,138,984	100.00	38,946,496	100.00	14,860,696	100.00	34,072,026	100.00

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.3.1.5 NON-CASH LOANS CLASSIFIED UNDER GROUP I AND II

CURRENT PERIOD	GROUP I		GROUP II	
	TL	FC	TL	FC
Non-Cash Loans	16,922,328	38,105,749	216,656	840,747
Letters of Guarantee	16,894,482	20,236,374	216,656	665,201
Bills of Exchange and Bank Acceptances	27,846	2,099,488	-	-
Letters of Credit	-	15,578,821	-	175,546
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	-	191,066	-	-
PRIOR PERIOD	GROUP I		GROUP II	
	TL	FC	TL	FC
Non-Cash Loans	14,712,464	33,364,127	148,232	707,899
Letters of Guarantee	14,680,596	17,341,075	148,232	539,206
Bills of Exchange and Bank Acceptances	20,793	1,515,117	-	2,159
Letters of Credit	11,075	14,398,729	-	166,534
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	-	109,206	-	-

5.3.2 5.3.2 FINANCIAL DERIVATIVE INSTRUMENTS

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

PRIOR PERIOD	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER	TOTAL
Derivative Financial Instruments held for Risk Management						
A. Total Derivative Financial Instruments held for Risk Management	-	800,000	1,482,385	12,130,687	9,657,969	24,071,041
Fair Value Hedges	-	-	2,000	4,457,333	8,246,516	12,705,849
Cash Flow Hedges	-	800,000	1,480,385	7,673,354	1,411,453	11,365,192
Net Foreign Investment Hedges	-	-	-	-	-	-
Trading Derivatives	-	-	-	-	-	-
Foreign Currency related Derivative Transactions (I)	87,561,957	39,273,653	74,168,269	14,815,847	-	215,819,726
Currency Forwards – Purchases	6,373,761	4,182,624	4,642,660	1,385,380	-	16,584,425
Currency Forwards – Sales	5,772,248	4,303,067	4,964,142	1,473,996	-	16,513,453
Currency Swaps – Purchases	31,219,245	4,931,695	10,154,408	2,200,393	-	48,505,741
Currency Swaps – Sales	27,699,024	4,969,811	10,876,879	2,258,610	-	45,804,324
Currency Options – Purchases	8,131,237	10,207,264	20,677,352	3,614,564	-	42,630,417
Currency Options – Sales	8,366,442	10,676,075	22,652,043	3,798,600	-	45,493,160
Currency Futures – Purchases	-	3,117	4,311	-	-	7,428
Currency Futures – Sales	-	-	196,474	84,304	-	280,778
Interest Rate related Derivative Transactions (II)	21,202	504,914	5,632,931	21,728,113	11,664,436	39,551,596
Interest Rate Swaps – Purchases	70	245,380	1,624,844	9,164,511	5,569,867	16,604,672
Interest Rate Swaps – Sales	70	245,380	1,624,844	9,164,511	5,569,867	16,604,672
Interest Rate Options – Purchases	-	-	2,383,243	3,352,547	524,702	6,260,492
Interest Rate Options – Sales	-	-	-	-	-	-
Securities Options – Purchases	10,531	3,466	-	23,272	-	37,269
Securities Options – Sales	10,531	10,688	-	23,272	-	44,491
Interest Rate Futures – Purchases	-	-	-	-	-	-
Interest Rate Futures – Sales	-	-	-	-	-	-
Other Trading Derivatives (III)	4,727,101	537,677	1,148,581	1,613,206	4,362,000	12,388,565
B. Total Trading Derivatives (I+II+III)	92,310,260	40,316,244	80,949,781	38,157,166	16,026,436	267,759,887
Total Derivative Transactions (A+B)	92,310,260	41,116,244	82,432,166	50,287,853	25,684,405	291,830,928

5.3.3 CREDIT DERIVATIVES AND RISK EXPOSURES ON CREDIT DERIVATIVES

As of 31 December 2016, there are commitments for “credit linked notes” of the Bank and its consolidated financial affiliates with a total face value of USD 25,000,000 (31 December 2015: USD 125,000,000) classified under “other irrevocable commitments”.

As of 31 December 2016, there are total return swaps of the Bank with a total face value of USD 2,000,000,000 (31 December 2015: USD 2,000,000,000) classified under “other derivative financial instruments”, where the Bank is on the selling side of the protection.

5.3.4 CONTINGENT LIABILITIES AND ASSETS

The Bank and its consolidated financial affiliates made a total provision amounting to TL 56,474 thousands (31 December 2015: TL 41,734 thousands) for the lawsuits filed by various customers and institutions which are likely to occur and for which cash outflow might be necessary, and disclosed it under Note 5.2.8.4.2, other provisions. There are various other lawsuits which are unlikely to occur and for which cash outflow is not expected to incur.

It is possible that the parent Bank or its consolidated financial affiliates may be required to provide additional collateral for the derivative transactions involved due to changes in certain financial indicators such as CDS levels, currency exchange rates, interest rates etc. As of 31 December 2016, there was no payment made related with such contingent liabilities.

5.3.5 SERVICES RENDERED ON BEHALF OF THIRD PARTIES

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.4 CONSOLIDATED INCOME STATEMENT

5.4.1 INTEREST INCOME

5.4.1.1 INTEREST INCOME FROM LOANS (*)

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Interest Income from Loans				
Short-term loans	5,242,992	295,014	4,268,762	335,536
Medium and long-term loans	8,394,047	3,569,896	6,461,452	3,173,184
Loans under follow-up	68,875	6,738	51,171	6,605
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	13,705,914	3,871,648	10,781,385	3,515,325

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

5.4.1.2 INTEREST INCOME FROM BANKS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Central Bank of Turkey	-	16,194	-	3,308
Domestic Banks	100,472	14,113	88,790	16,047
Foreign Banks	1,939	72,408	4,883	49,557
Foreign Head Offices and Branches	-	-	-	-
Total	102,411	102,715	93,673	68,912

5.4.1.3 INTEREST INCOME FROM SECURITIES PORTFOLIO

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Financial Assets Held for Trading	19,420	2,860	16,152	5,619
Financial Assets Valued at Fair Value Through Profit	-	-	-	-
Financial Assets Available-for-Sale	1,801,732	237,716	1,736,174	235,745
Investments Held-to-Maturity	1,110,089	522,984	1,128,766	487,406
Total	2,931,241	763,560	2,881,092	728,770

As disclosed in the accounting policies, the parent Bank values CPI-indexed government bonds in its securities portfolio according to the reference index on the issue date and the index that is calculated according to the expected inflation rate. The inflation rate used during the valuation is being updated during the year when it is considered necessary. As of 31 December 2016, the valuation of such securities was made according to annual inflation as of balance sheet date.

5.4.1.4 INTEREST INCOME RECEIVED FROM ASSOCIATES AND AFFILIATES

	CURRENT PERIOD	PRIOR PERIOD
Interest Received from Investments in Associates and Affiliates	1,529	768

5.4.2 INTEREST EXPENSES

5.4.2.1 INTEREST EXPENSES ON FUNDS BORROWED (*)

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Banks				
Central Bank of Turkey	-	-	-	206
Domestic Banks	56,433	44,514	95,435	31,839
Foreign Banks	244,765	498,026	336,205	456,051
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	299,374	-	245,667
Total	301,198	841,914	431,640	733,763

(*) Includes also fees and commissions expenses on borrowings

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.4.2.2 INTEREST EXPENSES PAID TO ASSOCIATES AND AFFILIATES

	CURRENT PERIOD	PRIOR PERIOD
Interest Paid to Investments in Associates and Affiliates	3,900	1,917

5.4.2.3 INTEREST EXPENSES ON SECURITIES ISSUED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Interest Expenses on Securities Issued	550,322	544,205	423,015	519,176

5.4.2.4 MATURITY STRUCTURE OF INTEREST EXPENSE ON DEPOSITS

CURRENT PERIOD	DEMAND DEPOSITS	TIME DEPOSITS						TOTAL
		UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	OVER 1 YEAR	ACCUMULATING DEPOSIT ACCOUNTS	
Turkish Lira								
Bank Deposits	1,104	251,718	7	681	662	-	-	254,172
Saving Deposits	4,330	245,931	3,701,519	90,142	39,603	48,930	-	4,130,455
Public Sector Deposits	-	890	4,680	11	86	2	-	5,669
Commercial Deposits	5,051	306,233	570,721	44,841	23,795	76,076	-	1,026,717
Others	9	12,739	81,804	11,671	65,656	29,675	-	201,554
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Total TL	10,494	817,511	4,358,731	147,346	129,802	154,683	-	5,618,567
Foreign Currency								
Foreign Currency Deposits	39,325	62,664	731,481	53,909	111,705	354,148	825	1,354,057
Bank Deposits	7	17,609	1,203	827	3,483	3,209	-	26,338
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	69	11	32	1,382	-	1,494
Total FC	39,332	80,273	732,753	54,747	115,220	358,739	825	1,381,889
Grand Total	49,826	897,784	5,091,484	202,093	245,022	513,422	825	7,000,456

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		
Turkish Lira								
Bank Deposits	810	122,374	4	550	499	-	-	124,237
Saving Deposits	217	304,615	3,025,181	113,563	70,202	52,452	-	3,566,230
Public Sector Deposits	-	610	2,627	9	7	2	-	3,255
Commercial Deposits	354	277,891	472,316	19,577	32,016	42,447	-	844,601
Others	11	11,876	90,201	5,619	4,622	38,831	-	151,160
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Total TL	1,392	717,366	3,590,329	139,318	107,346	133,732	-	4,689,483
Foreign Currency								
Foreign Currency Deposits	42,325	58,979	544,481	79,394	116,623	247,554	884	1,090,240
Bank Deposits	12	39,557	4,622	1,699	262	226	-	46,378
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	2	-	-	1,102	-	1,104
Total FC	42,337	98,536	549,105	81,093	116,885	248,882	884	1,137,722
Grand Total	43,729	815,902	4,139,434	220,411	224,231	382,614	884	5,827,205

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.4.2.5 INTEREST EXPENSE ON REPURCHASE AGREEMENTS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Interest Paid on Repurchase Agreements	971,391	28,657	649,253	65,489

5.4.2.6 FINANCIAL LEASE EXPENSES

None.

5.4.2.7 INTEREST EXPENSES ON FACTORING PAYABLES

None.

5.4.3 DIVIDEND INCOME

	CURRENT PERIOD	PRIOR PERIOD
Trading Financial Assets	2,182	297
Financial Assets Valued at Fair Value through Profit or Loss	-	-
Financial Assets Available-for-Sale	966	722
Others	5,940	4,380
Total	9,088	5,399

5.4.4 TRADING INCOME/LOSSES (NET)

	CURRENT PERIOD	PRIOR PERIOD
Income	79,863,123	100,520,000
Trading Account Income	2,105,247	2,221,679
Derivative Financial Instruments	11,007,318	12,101,225
Foreign Exchange Gain	66,750,558	86,197,096
Losses (-)	80,606,776	101,350,631
Trading Account Losses	1,718,623	1,630,705
Derivative Financial Instruments	11,933,107	14,419,976
Foreign Exchange Losses	66,955,046	85,299,950
Total	(743,653)	(830,631)

TL 3,963,481 thousands (31 December 2015: TL 2,517,983 thousands) of foreign exchange gains and TL 4,420,767 thousands (31 December 2015: TL 2,268,722 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 2,648,197 thousands, USD 1,089,994,701 and EUR 150,619,549, for its bonds with a total face value of TL 1,005,000 thousands and USD 265,400,000 and fixed-rate coupons and for its fixed-rate loans with a total principal of RON 98,288,042 by designating interest rate swaps and cross currency swaps with the same face values and terms. Accordingly, in the current period, a gain of TL 492 thousands and a loss of TL 14,515 thousands (31 December 2015: a gain of TL 65,397 thousands and a loss of TL 48,755 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 13,071 thousands (31 December 2015: TL 13,669 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 79,827,027 and EUR 39,473,684, securitization borrowings amounting to USD 102,083,335 and EUR 154,289,472 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, gains of TL 46,482 thousands and TL 39,553 thousands (31 December 2015: gains of TL 70,700 thousands and TL 4,946 thousands resulting from outstanding transactions at that date) resulting from cross currency and interest rate swap agreements were recognised under shareholders' equity.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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 234,393,000 and EUR 145,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a net gain of TL 7,607 thousands (31 December 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 gain of TL 863 thousands (31 December 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, USD 80,076,154 sell and EUR 69,829,075 buy, TL 640,250,000 sell and EUR 180,792,926 buy, CHF 487,510 sell and EUR 447,983 buy, RON 45,000,000 sell and EUR 9,838,216 buy, GBP 54,601,137 sell and EUR 64,600,141 buy, USD 277,591,250 sell and EUR 255,411,187 buy. Accordingly, in the current period, a net loss of TL 1,526 thousands (31 December 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 1,059,931 thousands (31 December 2015: TL 83,080 thousands) were sold for a consideration of TL 79,774 thousands (31 December 2015: TL 19,494 thousands). Considering the related provisions of TL 1,058,459 thousands (31 December 2015: TL 80,711 thousands) in the financial statements, a gain of TL 78,276 thousands (31 December 2015: TL 17,079 thousands) is recognized under "other operating income".

A part of non-performing loans, lease receivables and factoring receivables of certain consolidated financial affiliates of the Bank amounting to TL 250,832 thousands (31 December 2015: TL 97,711 thousands) were sold for a total consideration of TL 50,062 thousands (31 December 2015: TL 14,949 thousands). A gain from these sales amounting to TL 1,086 thousands is recognized under "other operating income" and a loss of TL 1,337 thousands is recognized under "other operating expense", and accordingly a net loss of TL 251 thousands (31 December 2015: a gain of TL 9,278 thousands) considering the related provision of TL 200,519 thousands (31 December 2015: TL 92,040 thousands) had been provided against in the accompanying consolidated financial statements in prior periods. A revenue earned from subsequent collections of such receivables sold in prior periods, amounting to TL 89 thousands (31 December 2015: TL 482 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

	CURRENT PERIOD	PRIOR PERIOD
Specific Provisions for Loans and Other Receivables	2,717,101	1,862,154
Loans and receivables in Group III	558,362	702,784
Loans and receivables in Group IV	1,165,685	653,044
Loans and receivables in Group V	993,054	506,326
General Provisions	213,321	597,780
Provision for Possible Losses	100,000	12,000
Impairment Losses on Financial Assets	19	5,112
Financial assets at fair value through profit or loss	19	5,112
Financial assets available-for-sale	-	-
Impairment Losses on Associates, Affiliates and Investments Held-to-Maturity	-	-
Associates	-	-
Affiliates	-	-
Joint ventures (business partnership)	-	-
Investments held-to-maturity	-	-
Others	356,655	165,319
Total	3,387,096	2,642,365

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.4.7 OTHER OPERATING EXPENSES

	CURRENT PERIOD	PRIOR PERIOD
Personnel Costs	2,881,465	2,566,783
Reserve for Employee Termination Benefits	43,676	42,333
Defined Benefit Obligation	-	-
Impairment Losses on Tangible Assets	-	56,131
Depreciation Expenses of Tangible Assets	242,978	215,779
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortisation Expenses of Intangible Assets	89,117	66,062
Decrease in Value of Equity Accounting Shares	-	-
Impairment Losses on Assets to be Disposed	3,571	2,004
Depreciation Expenses of Assets to be Disposed	8,831	5,097
Impairment Losses on Assets Held for Sale and Discontinued Assets	-	-
Other Operating Expenses	2,771,702	2,631,904
Operational lease related expenses	426,616	376,876
Repair and maintenance expenses	70,890	70,961
Advertisement expenses	191,219	144,757
Other expenses (*)	2,082,977	2,039,310
Loss on Sale of Assets	4,953	3,241
Others (**) (***)	986,095	1,015,883
Total	7,032,388	6,605,217

(*) Includes lawsuit, execution and other legal expenses borne by the Bank of fees and commissions income recognized in prior years but reimbursed, in the amount of TL 56,209 thousands (31 December 2015: TL 55,340 thousands), as per the decision of the Turkish Competition Board or the related courts.

(**) Includes saving-deposits-insurance-fund related expenses of TL 229,846 thousands (31 December 2015: TL 199,825 thousands) and insurance-business claim losses of TL 136,945 thousands (31 December 2015: TL 80,824 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 110,146 thousands (31 December 2015: TL 254,480 thousands) as per the decision of the Turkish Competition Board or the related courts.

5.4.8 INFORMATION ON PROFIT/LOSS BEFORE TAXES FROM CONTINUED AND DISCONTINUED OPERATIONS

TL 12,255,733 thousands (31 December 2015: TL 10,258,049 thousands) of the profit before taxes is derived from net interest income and TL 3,275,690 thousands (31 December 2015: TL 2,964,732 thousands) from net fees and commissions income. The total operating expenses amounted to TL 7,032,388 thousands (31 December 2015: TL 6,605,217 thousands). The profit before taxes reached to TL 6,490,950 thousands (31 December 2015: TL 4,659,487 thousands) increasing by 39.3% (31 December 2015: 2.3%) as compared to the prior year.

5.4.9 INFORMATION ON PROVISION FOR TAXES FOR CONTINUED AND DISCONTINUED OPERATIONS

As of 31 December 2016, on a consolidated basis, the Bank recorded a current tax expense of TL 1,035,607 thousands (31 December 2015: TL 830,414 thousands) and a deferred tax expense of TL 307,584 thousands (31 December 2015: TL 213,959 thousands).

Deferred tax benefit/charge on timing differences

DEFERRED TAX (BENEFIT)/CHARGE ON TIMING DIFFERENCES	CURRENT PERIOD	PRIOR PERIOD
Increase in Tax Deductable Timing Differences (+)	(96,757)	(127,309)
Decrease in Tax Deductable Timing Differences (-)	256,784	315,343
Increase in Taxable Timing Differences (-)	171,135	95,809
Decrease in Taxable Timing Differences (+)	(23,578)	(69,884)
Total	307,584	213,959

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

DEFERRED TAX (BENEFIT)/CHARGE ARISING ON TIMING DIFFERENCES, TAX LOSSES AND TAX DEDUCTIONS AND EXEMPTIONS	CURRENT PERIOD	PRIOR PERIOD
(Increase)/Decrease in Tax Deductable Timing Differences (net)	150,307	179,154
(Increase)/Decrease in Taxable Timing Differences (net)	147,557	25,925
(Increase)/Decrease in Tax Losses (net)	9,720	8,880
(Increase)/Decrease in Tax Deductions and Exemptions (net)	-	-
Total	307,584	213,959

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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 communiqué "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

	CURRENT PERIOD	PRIOR PERIOD
Net Profit/(Loss) of Minority Interest	42,468	34,213

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

5.5.1 ANY INCREASES ARISING FROM APPLICATION OF ACCOUNTING FOR FINANCIAL INSTRUMENTS IN CURRENT PERIOD

5.5.1.1 INCREASES FROM VALUATION OF FINANCIAL ASSETS AVAILABLE-FOR-SALE

None.

5.5.1.2 INCREASES DUE TO CASH FLOW HEDGES

The Bank enters into swap contracts to convert variable interest rates on its borrowings to fixed interest rates for cash flow hedging purposes. After netting with the related deferred tax effect, an increase of TL 9,025 thousands (31 December 2015: TL 65,618 thousands) is presented in the shareholders' equity for such hedges assessed as effective.

5.5.1.3 RECONCILIATION OF FOREIGN EXCHANGE DIFFERENCES AT BEGINNING AND END OF CURRENT PERIOD

As of 31 December 2016, an increase of TL 459,301 thousands (31 December 2015: TL 140,481 thousands) that was resulted from the foreign currency translation of Luxembourg branch and consolidated foreign affiliates performances, is presented under translation differences in the shareholders' equity.

5.5.2 ANY DECREASES ARISING FROM APPLICATION OF ACCOUNTING FOR FINANCIAL INSTRUMENTS

5.5.2.1 DECREASES FROM VALUATION OF FINANCIAL ASSETS AVAILABLE-FOR-SALE

As of 31 December 2016, a decrease of TL 47,863 thousands (31 December 2015: TL 263,377 thousands) resulted from the revaluation of financial assets available-for-sale at fair value after being netted with the related deferred tax liability effect and a gain of TL 212,120 thousands (31 December 2015: TL 109,041 thousands) that was transferred to the income statement from "securities value increase fund" are presented as the current period movements in securities value increase fund in the statement of changes in shareholders' equity.

5.5.2.2 DECREASES DUE TO CASH FLOW HEDGES

None.

5.5.3 TRANSFERS TO LEGAL AND EXTRAORDINARY RESERVES

	CURRENT PERIOD	PRIOR PERIOD
Transfers to Legal Reserves from Prior Year Profits	43,229	43,799
Transfers to Extraordinary Reserves from Prior Year Profits	2,965,949	3,004,659

5.5.4 ISSUANCE OF SHARE CERTIFICATES

Please refer to Note 5.2.12.3.

5.5.5 EFFECTS OF PRIOR YEARS' CORRECTIONS TO BEGINNING BALANCES OF CURRENT PERIOD

None.

5.5.6 COMPENSATION OF PRIOR PERIOD LOSSES

None.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.6 CONSOLIDATED STATEMENT OF CASH FLOWS

5.6.1 DISCLOSURES FOR “OTHER” ITEMS AND “EFFECT OF CHANGE IN FOREIGN CURRENCY RATES CASH AND CASH EQUIVALENTS” IN STATEMENT OF CASH FLOWS

The net cash inflows arising from banking operations amount to TL 2,253,924 thousands (31 December 2015: TL 2,611,056 thousands). TL 3,358,704 thousands (31 December 2015: TL 1,684,836 thousands) of these net cash inflows is generated from the cash outflows resulted from the change in operating assets and liabilities and TL 5,612,628 thousands (31 December 2015: TL 4,295,892 thousands) from the cash inflows resulted from operating profit. The “net increase/decrease in other liabilities” under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to a net decrease of TL 114,950 thousands (31 December 2015: a net increase of TL 3,057,032 thousands). The net cash outflows from financing activities amount to TL 379,641 thousands (31 December 2015: a net cash inflows of TL 463,710 thousands).

The effect of changes in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 928,129 thousands (31 December 2015: TL 994,091 thousands).

5.6.2 CASH OUTFLOWS FROM ACQUISITION OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

Please refer to Notes 5.1.8.1 and 5.1.9.2.

5.6.3 CASH INFLOWS FROM DISPOSAL OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

None.

5.6.4 CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD

	CURRENT PERIOD	PRIOR PERIOD
Cash on Hand	2,199,132	1,798,443
Cash in TL	1,313,085	1,089,266
Cash in Foreign Currency	886,047	709,177
Cash Equivalents	9,541,450	8,201,318
Others	9,541,450	8,201,318
Total	11,740,582	9,999,761

5.6.5 CASH AND CASH EQUIVALENTS AT END OF PERIOD

	CURRENT PERIOD	PRIOR PERIOD
Cash on Hand	2,205,903	2,199,132
Cash in TL	1,357,697	1,313,085
Cash in Foreign Currency	848,206	886,047
Cash Equivalents	13,486,239	9,541,450
Others	13,486,239	9,541,450
Total	15,692,142	11,740,582

5.6.6 RESTRICTED CASH AND CASH EQUIVALENTS DUE TO LEGAL REQUIREMENTS OR OTHER REASONS

The placements at foreign banks include blocked accounts amounting TL 7,557,761 thousands (31 December 2015: TL 7,557,736 thousands) of which TL 116,841 thousands (31 December 2015: TL 96,799 thousands) and TL 96,147 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 7,344,773 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 254,130 thousands (31 December 2015: TL 153,035 thousands) as required for insurance activities.

The blocked account at the Central Bank of Turkey with a principal of TL 13,027,376 thousands (31 December 2015: TL 20,101,723 thousands) is for the reserve deposits in foreign currency and gold against the Banks' liabilities in Turkish Lira, foreign currencies and gold. The Bank also keeps a collateral of EUR 75,000,000 at the Central Bank of Turkey for borrowing activities in TL money market.

5.6.7 ADDITIONAL INFORMATION

5.6.7.1 RESTRICTIONS ON THE BANK'S POTENTIAL BORROWINGS

None.

5.6.7.2 CASH INFLOWS PRESENTING INCREASE IN BANKING ACTIVITY RELATED CAPACITY

None.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.7 RELATED PARTY RISKS

5.7.1 TRANSACTIONS WITH PARENT BANK'S RISK GROUP;

5.7.1.1 LOANS AND OTHER RECEIVABLES

CURRENT PERIOD

BANK'S RISK GROUP	ASSOCIATES, AFFILIATES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
	CASH	NON-CASH	CASH	NON-CASH	CASH	NON-CASH
Loans and Other Receivables						
Balance at beginning of period	33,129	3,616	57,550	827,462	2,184,276	472,865
Balance at end of period	31,850	3,476	1,660,778	385,799	2,320,156	735,944
Interest and Commission Income	2,453	5	484	8	136,871	404

PRIOR PERIOD

BANK'S RISK GROUP	ASSOCIATES, AFFILIATES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
	CASH	NON-CASH	CASH	NON-CASH	CASH	NON-CASH
Loans and Other Receivables						
Balance at beginning of period	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
Interest and Commission Income	1,785	8	656	8	129,810	282

5.7.1.2 DEPOSITS

BANK'S RISK GROUP	ASSOCIATES, AFFILIATES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
Deposits						
Balance at beginning of period	31,511	28,674	337,764	649,010	552,778	351,510
Balance at end of period	46,726	31,511	545,105	337,764	554,648	552,778
Interest Expenses	3,890	1,917	773	12,997	5,526	10,207

5.7.1.3 DERIVATIVE TRANSACTIONS

BANK'S RISK GROUP	ASSOCIATES, AFFILIATES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
Transactions at Fair Value Through Profit/(Loss)						
Balance at beginning of period	12,675	2,789	16,403,422	10,825,180	-	5,770
Balance at end of period	13,344	12,675	13,797,354	16,403,422	843,120	-
Total Profit/(Loss)	120	(29)	(403,644)	(41,599)	(4,582)	-
Transactions for Hedging:						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit/(Loss)	-	-	-	-	-	-

5.7.2 BANK'S RISK GROUP

5.7.2.1 RELATIONS WITH COMPANIES IN RISK GROUP OF/OR CONTROLLED BY THE BANK REGARDLESS OF NATURE OF CURRENT TRANSACTIONS

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

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

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 2,216,830 thousands (31 December 2015: TL 2,113,398 thousands) compose 1.10% (31 December 2015: 1.23%) of the Bank's total consolidated cash loans and 0.71% (31 December 2015: 0.76%) of the Bank's total consolidated assets. The total loans and similar receivables amounting TL 4,012,784 thousands (31 December 2015: TL 2,274,955 thousands) compose 1.29% (31 December 2015: 0.81%) of the Bank's total consolidated assets. The non-cash loans of the risk group amounting TL 1,125,219 thousands (31 December 2015: TL 1,303,943 thousands) compose 2.01% (31 December 2015: 2.66%) of the Bank's total consolidated non-cash loans. The deposits of the risk group amounting TL 1,146,479 thousands (31 December 2015: TL 922,053 thousands) compose 0.64% (31 December 2015: 0.59%) of the Bank's total consolidated deposits. There are no funds borrowed by the Bank and its consolidated financial affiliates from their risk group (31 December 2015: TL 12,669 thousands with a 0.03% share in total funds borrowed) 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 65,017 thousands (31 December 2015: TL 44,741 thousands). A total rent income of TL 3,946 thousands (31 December 2015: TL 3,759 thousands) was recognized for the real estates rented to the related parties.

Operating expenses for TL 6,607 thousands as of 31 December 2016 (31 December 2015: TL 5,687 thousands) were incurred for the IT services rendered by the related parties. Other income of TL 2,556 thousands (31 December 2015: TL 178 thousands) for the IT services rendered and banking services fee income of TL 1,176 thousands (31 December 2015: TL 666 thousands) were recognized from the related parties.

Fixed-rate securities brokerage fee of TL 434 thousands (31 December 2015: -) were received from the risk group.

Operating expenses of TL 4,377 thousands (31 December 2015: TL 7,706 thousands) for advertisement and broadcasting services, of TL 44,246 thousands (31 December 2015: TL 45,124 thousands) for operational leasing services, and of TL 11,727 thousands (31 December 2015: TL 17,158 thousands) for travelling services rendered by the related parties were recognized as expense.

Fleet business customer acquisition fee of TL 375 thousands (31 December 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 137,735 thousands as of 31 December 2016 (31 December 2015: TL 186,652 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

5.8.1 DOMESTIC AND FOREIGN BRANCHES AND REPRESENTATIVE OFFICES OF PARENT BANK

PARENT BANK					
	NUMBER OF BRANCHES	NUMBER OF EMPLOYEES	COUNTRY		
Domestic Branches	959	19,552			
Foreign Representative Offices	1	1	1- Germany		
	1	1	2- England		
	1	1	3- China		
				TOTAL ASSETS	LEGAL CAPITAL
Yurt dışı şube	1	17	1- Luxembourg	17,709,986	1,480,800
	1	12	2- Malta	28,536,237	-
	7	105	3- NCTR	1,547,883	15,520

5.8.2 OPENING OR CLOSING OF DOMESTIC AND FOREIGN BRANCHES AND REPRESENTATIVE OFFICES AND SIGNIFICANT CHANGES IN ORGANISATIONAL STRUCTURE OF PARENT BANK

In 2016, 6 domestic branches were opened and 18 branches were closed.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

5.8.3 INFORMATION ON CONSOLIDATED FINANCIAL SUBSIDIARIES OF PARENT BANK

GARANTI BANK INTERNATIONAL NV					
	NUMBER OF BRANCHES	NUMBER OF EMPLOYEES	COUNTRY		
Foreign Representative Offices	1	15	1- Turkey		
	1	-	2- Switzerland		
	1	2	3- Ukraine		
				TOTAL ASSETS	LEGAL CAPITAL
Head office-The Netherlands	1	211	1-The Netherlands	17,819,002	136,836,000 EUR
Foreign Branches	1	20	2- Germany	63,525	-

GARANTI BANK SA					
	NUMBER OF BRANCHES	NUMBER OF EMPLOYEES	COUNTRY	TOTAL ASSETS	LEGAL CAPITAL
Romania Head Office and Branches	84	1,035	Romania	7,379,333	1,208,086,946 RON

Other consolidated foreign financial subsidiaries

	NUMBER OF EMPLOYEES	COUNTRY	TOTAL ASSETS	LEGAL CAPITAL
Garanti Holding BV	-	the Netherlands	1,260,553	385,388,600 EUR
G Netherlands BV	-	the Netherlands	1,323,966	120,682,821 EUR
Motoractive IFN SA	79	Romania	579,652	40,138,655 RON
Ralfi IFN SA	186	Romania	368,498	10,661,500 RON

Consolidated domestic financial subsidiaries

	NUMBER OF EMPLOYEES	TOTAL ASSETS	LEGAL CAPITAL
Garanti Finansal Kiralama AŞ	158	5,450,502	350,000
Garanti Faktoring Hizmetleri AŞ	164	2,899,452	79,500
Garanti Emeklilik ve Hayat AŞ	857	1,730,004	50,000
Garanti Yatırım Menkul Kıymetler AŞ	361	111,904	8,328
Garanti Portföy Yönetimi AŞ	55	59,170	25,000
Garanti Yatırım Ortaklığı AŞ	8	35,690	32,000

5.9 MATTERS ARISING SUBSEQUENT TO THE BALANCE SHEET DATE

None.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

6. OTHER DISCLOSURES ON ACTIVITIES

6.1 INFORMATION ON INTERNATIONAL RISK RATINGS

6.1.1 PARENT BANK'S INTERNATIONAL RISK RATINGS

MOODY'S (SEPTEMBER 2016)

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

FITCH RATINGS (AUGUST 2016)

Outlook	Negative
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

6.1.2 INTERNATIONAL RISK RATINGS OF GARANTİ BANK INTERNATIONAL NV, A CONSOLIDATED AFFILIATE

MOODY'S (OCTOBER 2016) (*)

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

(*) Latest date in risk ratings or outlooks.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

6.1.3 INTERNATIONAL RISK RATINGS OF GARANTI FAKTORING, A CONSOLIDATED AFFILIATE

FITCH RATINGS (AUGUST 2016) (*)(**)

Foreign Currency

Long Term	BBB
Short Term	F2
Outlook	Negative
Support	2

Turkish Lira

Long Term	BBB
Short Term	F2
Outlook	Negative

National	AAA (tur)
Outlook	Stable

(*) Latest date in risk ratings or outlooks.

(**) Under positive follow-up.

6.1.4 INTERNATIONAL RISK RATINGS OF GARANTI FINANSAL KIRALAMA, A CONSOLIDATED AFFILIATE

FITCH RATINGS (AUGUST 2016) (*)(**)

Foreign Currency

Long Term	BBB
Short Term	F2
Outlook	Negative
Support	2

Turkish Lira

Long Term	BBB
Short Term	F2
Outlook	Negative

National	AAA (tur)
Outlook	Stable

(*) Latest date in risk ratings or outlooks.

(**) Under positive follow-up.

STANDARD AND POORS (NOVEMBER 2016) (*)

Foreign Currency

Long Term	BB
Short Term	B
Outlook	Stable

Turkish Lira

Long Term	BB
Short Term	B
Outlook	Stable

(*) Latest date in risk ratings or outlooks.

TÜRKİYE GARANTİ BANKASI A.Ş. AND ITS FINANCIAL AFFILIATES

Consolidated Financial Report as of and for the Year Ended Period 31 December 2016
(Thousands of Turkish Lira (TL))

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

6.1.5 INTERNATIONAL RISK RATINGS OF GARANTI BANK SA, A CONSOLIDATED AFFILIATE

FITCH RATINGS (SEPTEMBER 2016) (*)

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

(*) Latest date in risk ratings or outlooks.

6.2 DIVIDENDS

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

2015 PROFIT DISTRIBUTION TABLE

2015 Net Profit	3,406,507
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)

6.3 OTHER DISCLOSURES

None.

7 INDEPENDENT AUDITORS' REPORT

7.1 DISCLOSURE ON INDEPENDENT AUDITORS' REPORT

The consolidated financial statements of the Bank and its financial affiliates as of 31 December 2016, have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (a member of Deloitte Touche Tohmatsu Limited) and the independent auditors' report dated 30 January 2017, is presented before the accompanying consolidated financial statements.

7.2 DISCLOSURES AND FOOTNOTES PREPARED BY INDEPENDENT AUDITORS

None.

CONTACT INFORMATION FOR TÜRKİYE GARANTİ BANKASI A.Ş.

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Swift: TGBATRIS

WEBSITE

www.garanti.com.tr

TRADE REGISTRY NO

159422

DOMESTIC BRANCHES

Garanti Bank has 959 domestic branches in 81 cities as of 2016 year end. Information on domestic branches is available on the Bank's website.

INFORMATION ON SOCIAL MEDIA

Garanti Bank actively utilizes all interaction channels and furthermore offers services via social media platforms. You may follow Garanti on Facebook, Twitter, Instagram, Google Plus, YouTube, LinkedIn and Snapchat.

www.facebook.com/Garanti
www.twitter.com/garanti
<http://instagram.com/garantibankasi>
<https://plus.google.com/+garanti>
www.linkedin.com/company/garanti-bank/
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www.twitter.com/garantiyesor
<https://www.periscope.tv/garanti>
<https://tr.foursquare.com/garanti>
<https://www.pinterest.com/garanti/>

379

OVERSEAS BRANCHES

Turkish Republic of Northern Cyprus - Lefkosa Branch

Bedrettin Demirel Caddesi No:114 Lefkoşa/TRNC
Tel: (392) 600 53 00 Fax: (392) 600 53 20

Turkish Republic of Northern Cyprus - Girne Branch

Mete Adanır Caddesi No:18/A Girne/TRNC
Tel: (392) 650 53 00 Fax: (392) 650 53 20

Turkish Republic of Northern Cyprus - Gazimagusa Branch

Sakarya Mahallesi Eşref Bitlis Caddesi No:28 Mağusa/TRNC
Tel: (392) 630 03 00 Fax: (392) 630 03 20

Turkish Republic of Northern Cyprus - Girne Carsi Branch

Atatürk Cad. No:56 Girne/TRNC
Tel: (392) 650 53 30 Fax: (392) 650 53 50

Turkish Republic of Northern Cyprus -

Gönyeli Branch

Düzyol Sokak No:12/B Gönyeli Lefkoşa/TRNC
Tel: (392) 680 30 00 Fax: (392) 680 30 20

Turkish Republic of Northern Cyprus -

Güzelyurt Branch

Ecevit Caddesi No:29/A Güzelyurt/TRNC
Tel: (392) 660 30 00 Fax: (392) 660 30 20

Turkish Republic of Northern Cyprus -

Küçük Kaymaklı Branch

Şehit Mustafa Ruso Caddesi No:86/A
Küçük Kaymaklı/KKTC
Tel: (392) 600 54 00 Faks: (392) 600 54 20

Malta Branch

Özgür Özdemir
Strand Towers, 36 The Strand Sliema SLM 1022
Malta Tel: (356) 232 88 000 Fax: (356) 232 88 160
Swift: TGBAMTMTXXX

Luxembourg Branch

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Please scan image with your "QR Code Reader" equipped smartphone to access Garanti Bank Investor Relations website at www.garantiinvestorrelations.com for additional information on Garanti Bank.

Garanti Investor Relations website in Turkish:
www.garantiyatirimciiliskileri.com

Garanti Investor Relations website in English:
www.garantiinvestorrelations.com

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