

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

Türkiye Garanti Bankası Anonim Şirketi
Publicly Announced Unconsolidated Financial
Statements, Related Disclosures and Independent
Auditors' Report Thereon
as of and for the Year Ended
31 December 2019

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



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Convenience Translation of the Independent Auditors' Report Originally Prepared
and Issued in Turkish to English

To the General Assembly of Türkiye Garanti Bankası Anonim Şirketi

A) Report on the Audit of the Unconsolidated Financial Statements

Qualified Opinion

We have audited the unconsolidated financial statements of Türkiye Garanti Bankası A.Ş. ("the Bank") which comprise the unconsolidated balance sheet as at 31 December 2019 and the unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the effect of the matter described in the Basis For Qualified Opinion section of our report, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of Türkiye Garanti Bankası A.Ş. as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the "Banking Regulation and Supervision Board Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of Banks, circulars and interpretations published by Banking Regulation and Supervision Agency ("BRSA") and requirements of Turkish Financial Reporting Standards for the matters not regulated by the aforementioned legislations.

Basis for Qualified Opinion

As stated in Note 2.8.4 of Section Five, the accompanying unconsolidated financial statements as at 31 December 2019 include a general reserve of total of TL 2,500,000 thousands, of which TL 250,000 thousands was recognized as expense in the current period and TL 2,250,000 thousands had been recognized as expense in prior periods, which does not meet the requirements of BRSA Accounting and Reporting Legislation. This general reserve is provided by the Bank management for the possible effects of the negative circumstances which may arise in economy or market conditions.



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

Key Audit Matters

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

Impairment of loans measured at amortised cost

The details of accounting policies and significant estimates and assumptions for impairment of loans measured at amortised cost are presented in Section III, No: VIII of the unconsolidated financial statements.

Key audit matter	How the matter is addressed in our audit
<p>As of 31 December 2019, loans measured at amortised cost comprise 64% of the Bank's total assets.</p> <p>The Bank recognizes its loans in accordance with the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside (the "Regulation") published on the Official Gazette No. 29750 dated 22 June 2016 and TFRS 9 Financial Instruments standard ("Standard").</p> <p>The Bank applies the "expected credit loss model" in determining the impairment of financial assets in accordance with the Regulation and Standard. The model which contains significant assumptions and estimates is reviewed by the Bank management annually.</p> <p>The significant assumptions and estimates of the Bank's management are as follows:</p> <ul style="list-style-type: none"> - significant increase in credit risk; - incorporating the forward looking macroeconomic information in calculation of credit risk; and - design and implementation of expected credit loss model. 	<p>Our procedures for testing the impairment of loans included below:</p> <ul style="list-style-type: none"> • We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the involvement of information risk management specialists. • We evaluated the Bank's business model whose objective is to hold financial assets in order to collect contractual cash flows and we tested the appropriateness of the loan agreements with the model by selecting samples. • We evaluated the adequacy of the subjective and objective criteria that is defined in the Bank's impairment accounting policy compared with the Regulation and Standard. • We evaluated the Banks's business model and methodology and the evaluation of the calculations were carried out with the control testing and detailed analysis by the involvement of specialist.



<p>The determination of the impairment of loans measured at amortised cost depends on the (i) credit default status, (ii) the model based on the change in the credit risk at the first recognition date and (iii) the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets.</p> <p>The Bank calculates expected credit losses on both an individual and a collective basis. Individual provisions consider the estimated future performance of the business and the fair value of the collateral provided for credit transactions.</p> <p>The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and expectations. The completeness and accuracy of data sets in the model are also considered and the forward looking expectations are reflected by macroeconomic models. Impairment on loans measured at amortised cost was considered to be a key audit matter, due to the significance of the estimates, assumptions, the level of judgements and its complex structure as explained above.</p>	<ul style="list-style-type: none">• We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and testing their classification. In this context, the current status of the loan customer has been evaluated by including prospective information and macroeconomic variables.• We evaluated the accuracy of the expected credit loss calculations by selecting sample for the loans which are assessed on individual basis and discussed the assumptions and estimates with the Bank management.• We tested the accuracy and completeness of the data in the calculation models for the loans which are assessed on collective basis. The expected credit loss calculation was tested through recalculation. The models used for the calculation of the risk parameters were examined and the risk parameters for the selected sample portfolios were recalculated.• We assessed the macroeconomic models which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method.• We evaluated the qualitative and quantitative assessments which are used in determining the significant increase in credit risk.• Additionally, we also evaluated the adequacy of the unconsolidated financial statements' disclosures related to impairment provisions.
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Measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3)

The details of accounting policies and significant judgements of measurement (the fair value hierarchy of financial instruments determined as Level 3) of financial instruments are presented in Section III, No: VII of the unconsolidated financial statements.

Key audit matter	How the matter is addressed in our audit
<p>The classification of the financial assets is based on the Bank's business model and characteristics of the contractual cash flows in accordance with TFRS 9.</p> <p>The fair value of the loan classified as financial assets measured at fair value through profit or loss according to business model is determined as Level 3 considering the significant unobservable inputs, assumptions and estimates used.</p> <p>Management assesses the significant unobservable inputs and uncertainties due to assumptions and estimates with the involvement of an independent valuation firm.</p> <p>The Bank has also financial liabilities (securitization loans) which are accounted by using the fair value option on the initial recognition in order to eliminate any accounting mismatch in accordance with TFRS 9.</p> <p>The fair value of the securitization loans which are accounted as financial liabilities measured at fair value through profit or loss are determined as Level 3 considering the significant unobservable inputs, assumptions and estimates used.</p> <p>As mentioned above, the measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3) is determined as key audit matter considering high degree of judgements and assumptions.</p>	<p>Our procedures for testing the fair value hierarchy of the financial instruments (the fair value hierarchy of financial instruments determined as Level 3) included below:</p> <ul style="list-style-type: none">• We evaluated the design and implementation of the controls that the Bank sets for the measurement of fair value of the relevant financial instruments.• We assessed the policy of the measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3) based on TFRS 9 and compared with the requirements of TFRS 9• We have involved our own valuation specialists to evaluate the significant unobservable inputs and assumptions used by the Bank for the fair value calculation of the related instruments. <p>Additionally, we also evaluated the adequacy of the unconsolidated financial statements' disclosures related to the measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3).</p>



Pension plan

The details of accounting policies and significant judgements of pension plan are presented in Section III No: XVII of the unconsolidated financial statements.

Key audit matter	How the matter was addressed in our audit
<p>The Bank's defined benefit pension plan (the "Plan") is managed by "Türkiye Garanti Bankası A.Ş. Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı" (the "Fund") established as per the provisional article 20 of the Social Security Law No. 506 and the Bank's employees are the members of this Fund.</p> <p>As disclosed in the Note 3.17 to the unconsolidated financial statements, the Plan is composed of benefits which are subject to transfer to Social Security Foundation ("SSF") as per the Social Security Law no.5510 provisional article 20, and other social rights and pension benefits provided by the Bank that are not transferable to SSF. The Council of Ministers has been authorized to determine the transfer date.</p> <p>Following the transfer, the non-transferable social rights and pension benefits provided under the Plan will be covered by the funds and the institutions that employ the funds' members.</p> <p>As of 31 December 2019, the Bank's transferrable liabilities are calculated by an independent actuary using the actuarial assumptions regulated by Law, and in accordance with the Decision of the Council of Ministers announced in the Official Gazette dated 15 December 2006 and No.26377.</p> <p>As of 31 December 2019, the Bank's non-transferrable liabilities are also calculated by independent actuary in accordance with TAS 19 Employee Benefits Standard.</p> <p>The valuation of the Pension Fund liabilities requires judgement in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, inflation levels, demographic assumptions, and the impact of changes in Pension Plan.</p> <p>Management uses independent actuaries to assist in assessing the uncertainty around these assumptions.</p> <p>Considering the subjectivity of key judgements and assumptions, plus the uncertainty around the transfer date and basis of the transfer calculation given the fact that the technical interest rate is prescribed under the law, we considered this to be a key audit matter.</p>	<p>Our procedures for auditing calculations of the management's pension plan liability included below:</p> <ul style="list-style-type: none">• We evaluated the design and implementation of the controls that the Bank has set for the liability calculations related to the pension plan was tested.• We have assessed whether there have been any significant changes in actuarial assumptions, methods and underlying regulations used in calculations.• Significant changes during the period in pension plan benefits, plan assets or membership profiles which affect liabilities have been evaluated.• We have involved our own actuarial specialist to assess the appropriateness of the actuarial assumptions and calculations.• We have evaluated whether the plan assets are adequate to cover the Pension Plan liabilities, under the methods and assumptions used.• Additionally, the adequacy of the unconsolidated financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities have been evaluated.



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

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

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

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

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

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

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

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



- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

B) Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2019 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

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

Additional paragraph for convenience translation to English:

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

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

Alper Güvenç, SMMM
Partner

30 January 2020
İstanbul, Turkey

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Originally Issued in Turkish)*

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2019

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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)**.

Süleyman Sözen
Board of Directors
Chairman

Recep Baştuğ
General Manager

Aydın Güler
Executive Vice President
Responsible of Financial
Reporting

Hakan Özdemir
Financial Reporting and
Accounting Director

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

Ricardo Gomez Barredo
Audit Committee Member

Belkıs Sema Yurdum
Audit Committee Member

The authorized contact person for questions on this financial report:

Name-Surname/Title: Handan SAYGIN/Director of Investor Relations
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SECTION ONE

Page No:

General Information

I.	History of the bank including its incorporation date, initial legal status, amendments to legal status	1
II.	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	1
III.	Information on the bank's board of directors chairman and members, audit committee members, chief executive officer, executive vice presidents and their responsibilities and shareholdings in the bank	2
IV.	Information on the bank's qualified shareholders	3
V.	Summary information on the bank's activities and services	3
VI.	Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between the bank and its subsidiaries	3

SECTION TWO

Unconsolidated Interim Financial Statements

I.	Balance sheet – Assets	4
II.	Balance sheet – Liabilities	5
III.	Off-balance sheet items	6
IV.	Statement of profit or loss	7
V.	Statement of profit or loss and other comprehensive income	8
VI.	Statement of changes in shareholders' equity	9
VII.	Statement of cash flows	10
VIII.	Statement of profit distribution	11

SECTION THREE

Accounting Policies

I.	Basis of presentation	12
II.	Strategy for use of financial instruments and foreign currency transactions	12
III.	Investments in associates and subsidiaries	14
IV.	Forwards, options and other derivative transactions	14
V.	Interest income and expenses	16
VI.	Fees and commissions	16
VII.	Financial instruments	16
VIII.	Disclosures on impairment of financial instruments	20
IX.	Netting and derecognition of financial instruments	25
X.	Repurchase and resale agreements and securities lending	27
XI.	Assets held for sale, discontinued operations and related liabilities	27
XII.	Goodwill and other intangible assets	27
XIII.	Tangible assets	28
XIV.	Leasing activities	29
XV.	Provisions and contingent liabilities	30
XVI.	Contingent assets	30
XVII.	Liabilities for employee benefits	30
XVIII.	Taxation	32
XIX.	Funds borrowed	34
XX.	Share issuances	34
XXI.	Confirmed bills of exchange and acceptances	34
XXII.	Government incentives	34
XXIII.	Segment reporting	34
XXIV.	Profit reserves and profit appropriation	36
XXV.	Earnings per share	36
XXVI.	Related parties	37
XXVII.	Cash and cash equivalents	37
XXVIII.	Reclassifications	37
XXIX.	Other disclosures	37

SECTION FOUR

Financial Position and Results of Operations and Risk Management

I.	Total capital	38
II.	Credit risk	47
III.	Currency risk	57
IV.	Interest rate risk	59
V.	Position risk of equity securities	62
VI.	Liquidity risk management and liquidity coverage ratio	63
VII.	Leverage ratio	70
VIII.	Fair values of financial assets and liabilities	71
IX.	Transactions carried out on behalf of customers and items held in trust	73
X.	Risk management objectives and policies	73

SECTION FIVE

Disclosures and Footnotes on Unconsolidated Financial Statements

I.	Assets	96
II.	Liabilities	124
III.	Off-balance sheet items	133
IV.	Statement of profit or loss	138
V.	Statement of changes in shareholders' equity	145
VI.	Statement of cash flows	146
VII.	Related party risks	148
VIII.	Domestic, foreign and off-shore branches or equity investments, and foreign representative offices	150
IX.	Matters arising subsequent to balance sheet date	151

SECTION SIX

Other Disclosures on Activities of Bank

I.	Bank's latest international risk ratings	152
II.	Dividends	153
III.	Other disclosures	153

SECTION SEVEN

Independent Auditors' Report

I.	Disclosures on independent auditors' report	154
II.	Disclosures and footnotes prepared by independent auditors	154

1 General Information

1.1 History of the bank including its incorporation date, initial legal status, amendments to legal status

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

Following the acquisition on 27 July 2015, Banco Bilbao Vizcaya Argentaria SA (BBVA)’s stake in the Bank reached to 39.90% and BBVA become the main shareholder. Accordingly, the Bank was moved to the “Foreign Deposit Banks” category from the “Private Deposit Bank” category by the Banking Regulation and Supervision Agency (the BRSA).

The Bank provides banking services through 904 domestic branches, 8 foreign branches and 2 representative offices abroad (31 December 2018: 926 domestic branches, 8 foreign branches and 2 representative offices). 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 2019, group of companies under BBVA that currently owns 49.85% shares of the Bank, is defined as the BBVA Group (the Group) and it is the main shareholder.

On 22 March 2011, BBVA had acquired; 78.120.000.000 shares of the Bank owned by GE Capital Corporation at a total nominal value of TL 781,200 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 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 and increased its ownership in the Bank’s share capital to 25.01%. Accordingly, BBVA and the Doğuş Group continued to have mutual control on the Bank’s management.

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

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

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

BBVA Group

BBVA is operating for more than 150 years, providing variety of wide spread financial and non-financial services to 77 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 which is the largest financial institution in Mexico and also the market leader in South America, operates in more than 30 countries with more than 126 thousand employees.

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

Board of Directors Chairman and Members:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Süleyman Sözen	Chairman	29.05.1997	University	39 years
Jorge Saenz Azcunaga Carranza	Vice Chairman Independent Member and Member of Audit Committee	24.03.2016	University	27 years
Recep Baştuğ	Member and CEO	06.09.2019	University	30 years
Sait Ergun Özen	Member	14.05.2003	University	33 years
Dr. Muammer Cüneyt Sezgin	Member	30.06.2004	PhD	32 years
Jaime Saenz de Tejada Pulido	Member	02.10.2014	University	28 years
Javier Bernal Dionis	Member	27.07.2015	Master	30 years
Rafael Salinas Martinez de Lecea	Member	08.05.2017	Master	29 years
Belkıs Sema Yurdum	Independent Member and Member of Audit Committee	30.04.2013	University	39 years
Ricardo Gomez Barredo	Independent Member and Member of Audit Committee	08.05.2017	Master	32 years
Mevhibe Canan Özsoy	Independent Member	04.04.2019	Master	31 years

CEO and Executive Vice Presidents:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Recep Baştuğ	CEO	06.09.2019	University	30 years
İlker Kuruöz	EVP-Engineering Services and Data	14.03.2018	Master	28 years
Avni Aydın Düren	EVP-Legal Services and Collection	01.02.2009	Master	28 years
Betül Ebru Edin	EVP-Corporate, Investment Banking and Global Markets	25.11.2009	University	26 years
Didem Başer	EVP- Customer Solutions and Digital Banking	20.03.2012	Master	25 years
Selahattin Güldü	EVP-Commercial Banking	20.04.2018	University	29 years
Osman Nuri Tüzün	EVP- Talent and Culture	19.08.2015	Master	27 years
Aydın Güler	EVP- Finance and Treasury	03.02.2016	University	29 years
Ali Temel	Head of Credit Risk Management	03.02.2016	University	29 years
Mahmut Akten	EVP-Retail Banking	17.01.2017	Master	20 years
Cemal Onaran	EVP-SME Banking	17.01.2017	University	29 years

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

1.4 Information on the bank's qualified shareholders

Name / Company	Shares	Ownership	Paid-in Capital	Unpaid Portion
Banco Bilbao Vizcaya Argentaria SA	2,093,700	49.85%	2,093,700	-

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 on the condition that completion of the necessary approvals and permits by Capital Markets Board of Turkey,
- 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 subsidiaries

None.

2 Unconsolidated Financial Statements

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi
Balance Sheet (Statement of Financial Position)
At 31 December 2019

ASSETS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD 31 December 2019			PRIOR PERIOD 31 December 2018		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (Net)		33,776,385	62,458,332	96,234,717	24,474,567	64,942,466	89,417,033
1.1 Cash and Cash Equivalents	5.1.1	13,719,095	50,054,007	63,773,102	3,211,311	54,341,371	57,552,682
1.1.1 Cash and Balances with Central Bank		3,285,976	38,390,532	41,676,508	2,815,820	38,550,627	41,366,447
1.1.2 Banks		275,625	11,593,863	11,869,488	399,233	15,854,278	16,253,511
1.1.3 Money Market Placements		10,193,163	183,283	10,376,446	-	-	-
1.1.4 Expected Credit Losses (-)		35,669	113,671	149,340	3,742	63,534	67,276
1.2 Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	5.1.2	380,115	4,510,763	4,890,878	183,255	4,261,381	4,444,636
1.2.1 Government Securities		340,037	91,126	431,163	151,143	83,426	234,569
1.2.2 Equity Securities		40,078	20,428	60,506	25,670	85,842	111,512
1.2.3 Other Financial Assets		-	4,399,209	4,399,209	6,442	4,092,113	4,098,555
1.3 Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	5.1.3	18,133,071	6,549,979	24,683,050	18,254,325	5,213,456	23,467,781
1.3.1 Government Securities		18,051,257	6,216,429	24,267,686	18,174,639	4,116,609	22,291,248
1.3.2 Equity Securities		32,328	333,550	365,878	15,058	210,087	225,145
1.3.3 Other Financial Assets		49,486	-	49,486	64,628	886,760	951,388
1.4 Derivative Financial Assets	5.1.4	1,544,104	1,343,583	2,887,687	2,825,676	1,126,258	3,951,934
1.4.1 Derivative Financial Assets Measured at FVTPL		1,131,692	1,334,234	2,465,926	2,304,179	945,016	3,249,195
1.4.2 Derivative Financial Assets Measured at FVOCI		412,412	9,349	421,761	521,497	181,242	702,739
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST		177,953,331	86,015,238	263,968,569	163,355,336	81,227,567	244,582,903
2.1 Loans	5.1.5	166,955,553	84,209,820	251,165,373	152,258,825	78,352,639	230,611,464
2.2 Lease Receivables	5.1.6	-	-	-	-	-	-
2.3 Other Financial Assets Measured at Amortised Cost	5.1.7	20,732,279	7,884,639	28,616,918	18,565,890	6,866,393	25,432,283
2.3.1 Government Securities		20,591,464	6,967,172	27,558,636	18,532,126	6,053,663	24,585,789
2.3.2 Other Financial Assets		140,815	917,467	1,058,282	33,764	812,730	846,494
2.4 Expected Credit Losses (-)		9,734,501	6,079,221	15,813,722	7,469,379	3,991,465	11,460,844
III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	5.1.8	1,291,274	-	1,291,274	786,709	-	786,709
3.1 Asset Held for Resale		1,291,274	-	1,291,274	786,709	-	786,709
3.2 Assets of Discontinued Operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		2,905,123	5,681,755	8,586,878	2,176,289	4,883,620	7,059,909
4.1 Associates (Net)	5.1.9	35,158	-	35,158	35,158	-	35,158
4.1.1 Associates Consolidated Under Equity Accounting		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		35,158	-	35,158	35,158	-	35,158
4.2 Subsidiaries (Net)	5.1.10	2,869,965	5,681,755	8,551,720	2,141,131	4,883,620	7,024,751
4.2.1 Unconsolidated Financial Investments in Subsidiaries		2,765,945	5,681,755	8,447,700	2,057,591	4,883,620	6,941,211
4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries		104,020	-	104,020	83,540	-	83,540
4.3 Joint Ventures (Net)	5.1.11	-	-	-	-	-	-
4.3.1 Joint-Ventures Consolidated Under Equity Accounting		-	-	-	-	-	-
4.3.2 Unconsolidated Joint-Ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (Net)	5.1.12	4,990,953	271	4,991,224	4,105,729	300	4,106,029
VI. INTANGIBLE ASSETS (Net)	5.1.13	350,882	-	350,882	300,551	-	300,551
6.1 Goodwill		-	-	-	-	-	-
6.2 Others		350,882	-	350,882	300,551	-	300,551
VII. INVESTMENT PROPERTY (Net)	5.1.14	703,141	-	703,141	690,700	-	690,700
VIII. CURRENT TAX ASSET		-	-	-	60,043	-	60,043
IX. DEFERRED TAX ASSET	5.1.15	1,710,519	-	1,710,519	1,305,446	-	1,305,446
X. OTHER ASSETS (Net)	5.1.16	5,212,339	8,102,727	13,315,066	4,854,700	6,313,179	11,167,879
TOTAL ASSETS		228,893,947	162,258,323	391,152,270	202,110,070	157,367,132	359,477,202

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

Türkiye Garanti Bankası Anonim Şirketi
Balance Sheet (Statement of Financial Position)
At 31 December 2019

LIABILITIES AND SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD 31 December 2019			PRIOR PERIOD 31 December 2018		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	5.2.1	114,481,908	134,269,183	248,751,091	104,641,068	112,638,281	217,279,349
II. FUNDS BORROWED	5.2.2	1,687,332	23,435,491	25,122,823	914,443	31,026,239	31,940,682
III. MONEY MARKET FUNDS	5.2.3	67,803	436,372	504,175	45,416	-	45,416
IV. SECURITIES ISSUED (NET)	5.2.4	6,036,084	10,371,648	16,407,732	3,200,841	16,806,517	20,007,358
4.1 Bills		4,825,540	-	4,825,540	1,128,901	27,087	1,155,988
4.2 Asset Backed Securities		-	-	-	-	-	-
4.3 Bonds		1,210,544	10,371,648	11,582,192	2,071,940	16,779,430	18,851,370
V. FUNDS		-	-	-	-	-	-
5.1 Borrowers' Funds		-	-	-	-	-	-
5.2 Others		-	-	-	-	-	-
VI. FINANCIAL LIABILITIES MEASURED AT FVTPL	5.2.5	-	14,292,878	14,292,878	-	12,285,838	12,285,838
VII. DERIVATIVE FINANCIAL LIABILITIES	5.2.6	1,876,549	2,208,025	4,084,574	2,402,287	1,801,765	4,204,052
7.1 Derivative Financial Liabilities Measured at FVTPL		1,282,689	2,139,130	3,421,819	2,288,704	1,789,390	4,078,094
7.2 Derivative Financial Liabilities Measured at FVOCI		593,860	68,895	662,755	113,583	12,375	125,958
VIII. FACTORING LIABILITIES		-	-	-	-	-	-
IX. LEASE LIABILITIES (Net)	5.2.7	949,775	56,373	1,006,148	16,464	-	16,464
X. PROVISIONS	5.2.8	4,685,257	1,046,489	5,731,746	3,826,730	993,663	4,820,393
10.1 Restructuring Reserves		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		1,073,537	71,419	1,144,956	940,537	110,696	1,051,233
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		3,611,720	975,070	4,586,790	2,886,193	882,967	3,769,160
XI. CURRENT TAX LIABILITY	5.2.9	1,081,878	51,672	1,133,550	508,339	57,628	565,967
XII. DEFERRED TAX LIABILITY	5.2.9	-	-	-	-	-	-
XIII. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	5.2.10	-	-	-	-	-	-
13.1 Asset Held for Sale		-	-	-	-	-	-
13.2 Assets of Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBTS	5.2.11	261,478	4,468,229	4,729,707	-	3,977,018	3,977,018
14.1 Borrowings		-	-	-	-	-	-
14.2 Other Debt Instruments		261,478	4,468,229	4,729,707	-	3,977,018	3,977,018
XV. OTHER LIABILITIES	5.2.12	13,992,137	1,630,043	15,622,180	15,704,986	1,941,826	17,646,812
XVI. SHAREHOLDERS' EQUITY	5.2.13	53,281,263	484,403	53,765,666	46,363,042	324,811	46,687,853
16.1 Paid-in Capital		4,200,000	-	4,200,000	4,200,000	-	4,200,000
16.2 Capital Reserves		784,434	-	784,434	784,434	-	784,434
16.2.1 Share Premium		11,880	-	11,880	11,880	-	11,880
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		772,554	-	772,554	772,554	-	772,554
16.3 Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss		1,274,527	194,826	1,469,353	1,273,518	90,909	1,364,427
16.4 Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		1,963,669	18,497	1,982,166	1,271,073	(76,540)	1,194,533
16.5 Profit Reserves		38,899,792	271,080	39,170,872	31,798,472	310,442	32,108,914
16.5.1 Legal Reserves		1,465,374	-	1,465,374	1,465,374	-	1,465,374
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		37,201,842	-	37,201,842	30,103,954	-	30,103,954
16.5.4 Other Profit Reserves		232,576	271,080	503,656	229,144	310,442	539,586
16.6 Profit/Loss		6,158,841	-	6,158,841	7,035,545	-	7,035,545
16.6.1 Prior Periods' Profit/Loss		-	-	-	397,309	-	397,309
16.6.2 Current Period's Net Profit/Loss		6,158,841	-	6,158,841	6,638,236	-	6,638,236
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		198,401,464	192,750,806	391,152,270	177,623,616	181,853,586	359,477,202

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

Türkiye Garanti Bankası Anonim Şirketi

Off-Balance Sheet Items

At 31 December 2019

	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD			PRIOR PERIOD		
		31 December 2019			31 December 2018		
	TL	FC	Total	TL	FC	Total	
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		186,024,138	290,326,802	476,350,940	162,159,415	312,705,642	474,865,057
I. GUARANTEES AND SURETIES	5.3.1	23,655,572	36,838,728	60,494,300	22,813,515	42,989,474	65,802,989
1.1. Letters of guarantee		23,555,242	25,924,721	49,479,963	22,742,832	26,424,630	49,167,462
1.1.1. Guarantees subject to State Tender Law		-	1,252,136	1,252,136	-	981,914	981,914
1.1.2. Guarantees given for foreign trade operations		1,408,118	535,596	1,943,714	1,842,819	214,343	2,057,162
1.1.3. Other letters of guarantee		22,147,124	24,136,989	46,284,113	20,900,013	25,228,373	46,128,386
1.2. Bank acceptances		35,845	1,543,198	1,579,043	23,495	2,765,334	2,788,829
1.2.1. Import letter of acceptance		35,395	1,521,807	1,557,202	23,495	2,765,334	2,788,829
1.2.2. Other bank acceptances		450	21,391	21,841	-	-	-
1.3. Letters of credit		64,485	9,296,630	9,361,115	47,188	13,736,240	13,783,428
1.3.1. Documentary letters of credit		-	-	-	-	-	-
1.3.2. Other letters of credit		64,485	9,296,630	9,361,115	47,188	13,736,240	13,783,428
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		-	74,179	74,179	-	63,270	63,270
1.9. Other sureties		-	-	-	-	-	-
II. COMMITMENTS		62,612,512	12,855,966	75,468,478	52,647,137	11,735,504	64,382,641
2.1. Irrevocable commitments		62,597,467	11,407,314	74,004,781	52,528,332	8,693,452	61,221,784
2.1.1. Asset purchase and sale commitments		5,305,681	10,055,183	15,360,864	4,333,078	7,478,919	11,811,997
2.1.2. Deposit purchase and sale commitments		-	-	-	-	-	-
2.1.3. Share capital commitments to associates and affiliates		-	6,336	6,336	-	5,743	5,743
2.1.4. Loan granting commitments		16,444,587	1,345,795	17,790,382	13,412,427	1,208,790	14,621,217
2.1.5. Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Commitments for cheque payments		3,184,727	-	3,184,727	2,719,279	-	2,719,279
2.1.8. Tax and fund obligations on export commitments		137,121	-	137,121	66,328	-	66,328
2.1.9. Commitments for credit card limits		37,522,327	-	37,522,327	31,989,908	-	31,989,908
2.1.10. Commitments for credit cards and banking services related promotions		3,024	-	3,024	7,312	-	7,312
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		-	-	-	-	-	-
2.2. Revocable commitments		15,045	1,448,652	1,463,697	118,805	3,042,052	3,160,857
2.2.1. Revocable loan granting commitments		15,045	1,446,989	1,462,034	118,805	3,040,576	3,159,381
2.2.2. Other revocable commitments		-	1,663	1,663	-	1,476	1,476
III. DERIVATIVE FINANCIAL INSTRUMENTS	5.3.2	99,756,054	240,632,108	340,388,162	86,698,763	257,980,664	344,679,427
3.1. Derivative financial instruments held for risk management		21,712,536	38,829,691	60,542,227	11,918,326	46,555,011	58,473,337
3.1.1. Fair value hedges		4,835,016	16,046,285	20,881,301	6,000,686	16,411,355	22,412,041
3.1.2. Cash flow hedges		16,877,520	22,783,406	39,660,926	5,917,640	30,143,656	36,061,296
3.1.3. Net foreign investment hedges		-	-	-	-	-	-
3.2. Trading derivatives		78,043,518	201,802,417	279,845,935	74,780,437	211,425,653	286,206,090
3.2.1. Forward foreign currency purchases/sales		7,301,938	8,068,206	15,370,144	11,612,734	13,094,791	24,707,525
3.2.1.1. Forward foreign currency purchases		3,682,456	4,054,139	7,736,595	4,785,365	7,470,638	12,256,003
3.2.1.2. Forward foreign currency sales		3,619,482	4,014,067	7,633,549	6,827,369	5,624,153	12,451,522
3.2.2. Currency and interest rate swaps		60,693,410	151,509,069	212,202,479	45,314,567	147,510,879	192,825,446
3.2.2.1. Currency swaps-purchases		10,023,967	61,232,134	71,256,101	10,335,927	58,804,841	69,140,768
3.2.2.2. Currency swaps-sales		43,714,007	24,234,403	67,948,410	33,563,046	31,725,340	65,288,386
3.2.2.3. Interest rate swaps-purchases		3,477,718	33,021,266	36,498,984	707,797	28,490,349	29,198,146
3.2.2.4. Interest rate swaps-sales		3,477,718	33,021,266	36,498,984	707,797	28,490,349	29,198,146
3.2.3. Currency, interest rate and security options		9,982,384	21,935,096	31,917,480	17,067,638	31,573,332	48,640,970
3.2.3.1. Currency call options		5,408,521	5,781,135	11,189,656	9,026,514	7,809,989	16,836,503
3.2.3.2. Currency put options		4,573,863	7,252,760	11,826,623	8,041,124	10,288,110	18,329,234
3.2.3.3. Interest rate call options		-	6,649,121	6,649,121	-	11,920,994	11,920,994
3.2.3.4. Interest rate put options		-	2,252,080	2,252,080	-	1,554,239	1,554,239
3.2.3.5. Security call options		-	-	-	-	-	-
3.2.3.6. Security put options		-	-	-	-	-	-
3.2.4. Currency futures		65,786	471,118	536,904	785,498	923,754	1,709,252
3.2.4.1. Currency futures-purchases		61,892	208,060	269,952	31,748	791,418	823,166
3.2.4.2. Currency futures-sales		3,894	263,058	266,952	753,750	132,336	886,086
3.2.5. Interest rate futures		-	29,604	29,604	-	18,066	18,066
3.2.5.1. Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2. Interest rate futures-sales		-	29,604	29,604	-	18,066	18,066
3.2.6. Others		-	19,789,324	19,789,324	-	18,304,831	18,304,831
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		781,260,644	805,490,181	1,586,750,825	716,032,012	729,102,775	1,445,134,787
IV. ITEMS HELD IN CUSTODY		43,409,744	42,261,767	85,671,511	34,633,151	44,578,085	79,211,236
4.1. Customers' securities held		9,529,381	-	9,529,381	3,982,523	-	3,982,523
4.2. Investment securities held in custody		15,270,202	12,493,790	27,763,992	11,117,076	15,329,484	26,446,560
4.3. Checks received for collection		15,595,071	5,756,410	21,351,481	16,479,946	5,246,790	21,726,736
4.4. Commercial notes received for collection		2,701,590	914,041	3,615,631	2,819,574	1,015,696	3,835,270
4.5. Other assets received for collection		250,510	20,775,992	21,026,502	189,845	19,205,507	19,395,352
4.6. Assets received through public offering		-	144,496	144,496	-	128,789	128,789
4.7. Other items under custody		62,990	2,177,038	2,240,028	44,187	3,651,819	3,696,006
4.8. Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		737,850,900	763,228,414	1,501,079,314	681,398,861	684,524,690	1,365,923,551
5.1. Securities		3,562,837	1,433,797	4,996,634	2,341,155	27,885	2,369,040
5.2. Guarantee notes		23,696,036	11,082,043	34,778,079	27,120,291	11,296,710	38,417,001
5.3. Commodities		3,371	3,371	3,371	13,913	-	13,913
5.4. Warranties		-	-	-	-	-	-
5.5. Real estates		174,794,481	134,473,134	309,267,615	169,414,525	123,196,216	292,610,741
5.6. Other pledged items		535,794,175	616,239,344	1,152,033,519	482,508,977	550,003,792	1,032,512,769
5.7. Pledged items-depository		-	96	96	-	87	87
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		967,284,782	1,095,816,983	2,063,101,765	878,191,427	1,041,808,417	1,919,999,844

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

Türkiye Garanti Bankası Anonim Şirketi

Statement of Profit or Loss

For the period ended at 31 December 2019

INCOME AND EXPENSE ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD 1 January 2019- 31 December 2019	PRIOR PERIOD 1 January 2018- 31 December 2018
I. INTEREST INCOME	5.4.1	39,684,410	38,713,573
1.1 Interest income on loans		32,292,575	29,199,811
1.2 Interest income on reserve deposits		232,103	321,661
1.3 Interest income on banks		683,378	471,776
1.4 Interest income on money market transactions		382,138	34,865
1.5 Interest income on securities portfolio		5,586,243	8,214,272
1.5.1 Financial assets measured at FVTPL		99,964	63,331
1.5.2 Financial assets measured at FVOCI		2,674,214	4,063,507
1.5.3 Financial assets measured at amortised cost		2,812,065	4,087,434
1.6 Financial lease income		-	-
1.7 Other interest income		507,973	471,188
II. INTEREST EXPENSE	5.4.2	20,657,218	19,603,368
2.1 Interest on deposits		16,382,233	14,697,039
2.2 Interest on funds borrowed		1,952,440	1,810,581
2.3 Interest on money market transactions		35,170	1,005,838
2.4 Interest on securities issued		2,014,356	2,021,513
2.5 Lease interest expense		185,655	3,234
2.6 Other interest expenses		87,364	65,163
III. NET INTEREST INCOME (I - II)		19,027,192	19,110,205
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		6,088,510	4,870,051
4.1 Fees and commissions received		8,364,406	6,624,380
4.1.1 Non-cash loans		678,317	543,170
4.1.2 Others		7,686,089	6,081,210
4.2 Fees and commissions paid		2,275,896	1,754,329
4.2.1 Non-cash loans		584	1,610
4.2.2 Others		2,275,312	1,752,719
V. DIVIDEND INCOME	5.4.3	8,893	4,960
VI. NET TRADING INCOME/LOSSES (Net)	5.4.4	(1,939,519)	(1,153,149)
7.1 Trading account income/losses		(205,827)	834,931
7.2 Income/losses from derivative financial instruments		(2,872,920)	1,170,392
7.3 Foreign exchange gains/losses		1,139,228	(3,158,472)
VII. OTHER OPERATING INCOME	5.4.5	3,965,073	2,219,235
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		27,150,149	25,051,302
IX. EXPECTED CREDIT LOSSES (-)	5.4.6	10,701,394	8,362,411
X. OTHER PROVISIONS (-)	5.4.6	820,604	1,520,467
XI. PERSONNEL EXPENSES (-)		3,523,682	3,016,170
XII. OTHER OPERATING EXPENSES (-)	5.4.7	5,182,131	4,458,684
XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		6,922,338	7,693,570
XIV. INCOME RESULTED FROM MERGERS		-	-
XV. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		893,943	751,691
XVI. GAIN/LOSS ON NET MONETARY POSITION		-	-
XVII. OPERATING PROFIT/LOSS BEFORE TAXES (XIII+...+XVI)	5.4.8	7,816,281	8,445,261
XVIII. PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)	5.7.9	1,657,440	1,807,025
18.1 Current tax charge		2,118,360	1,504,325
18.2 Deferred tax charge (+)		217,852	630,845
18.3 Deferred tax credit (-)		(678,772)	(328,145)
XIX. NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)	5.4.10	6,158,841	6,638,236
XX. INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1 Income from assets held for sale		-	-
20.2 Income from sale of associates, subsidiaries and joint-ventures		-	-
20.3 Others		-	-
XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
21.1 Expenses on assets held for sale		-	-
21.2 Expenses on sale of associates, subsidiaries and joint-ventures		-	-
21.3 Others		-	-
XXII. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XX-XXI)	5.4.8	-	-
XXIII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)	5.4.9	-	-
23.1 Current tax charge		-	-
23.2 Deferred tax charge (+)		-	-
23.3 Deferred tax credit (-)		-	-
XXIV. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXII±XXIII)	5.4.10	-	-
XXV. NET PROFIT/LOSS (XIX+XXIV)	5.4.11	6,158,841	6,638,236
Earnings per Share		0.01466	0.01581

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi

Statement of Profit or Loss and Other Comprehensive Income

For the period ended at 31 December 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	THOUSANDS OF TURKISH LIRA (TL)	
	CURRENT PERIOD 1 January 2019 - 31 December 2019	PRIOR PERIOD 1 January 2018 - 31 December 2018
I. CURRENT PERIOD PROFIT/LOSS	6,158,841	6,638,236
II. OTHER COMPREHENSIVE INCOME	892,559	(399,098)
2.1 Other Income/Expense Items not to be Recycled to Profit or Loss	104,926	21,142
2.1.1 Revaluation Surplus on Tangible Assets	(268)	(8,427)
2.1.2 Revaluation Surplus on Intangible Assets	-	-
2.1.3 Defined Benefit Plans' Actuarial Gains/Losses	(15,708)	(19,796)
2.1.4 Other Income/Expense Items not to be Recycled to Profit or Loss	126,658	45,316
2.1.5 Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(5,756)	4,049
2.2 Other Income/Expense Items to be Recycled to Profit or Loss	787,633	(420,240)
2.2.1 Translation Differences	502,294	1,146,418
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	1,270,325	(1,342,416)
2.2.3 Gains/losses from Cash Flow Hedges	(697,745)	(43,498)
2.2.4 Gains/Losses on Hedges of Net Investments in Foreign Operations	(237,150)	(528,846)
2.2.5 Other Income/Expense Items to be Recycled to Profit or Loss	-	-
2.2.6 Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	(50,091)	348,102
III. TOTAL COMPREHENSIVE INCOME (I+II)	7,051,400	6,239,138

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi
Statement of Changes in Shareholders' Equity
For the period ended at 31 December 2019

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY		THOUSANDS OF TURKISH LIRA (TL)														
		Footnotes	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss			Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Shareholders' Equity
							Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others				
PREVIOUS PERIOD (01/01/2018-31/12/2018)																
I.	Balances at Beginning of Period		4,200,000	11,880	-	772,554	1,431,478	(142,992)	60,858	1,711,458	(138,997)	(350,921)	27,431,972	6,343,920	-	41,331,210
II.	Correction made as per TAS 8		-	-	-	-	-	-	-	-	393,233	-	-	397,309	-	790,542
2.1.	Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2.	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	393,233	-	-	397,309	-	790,542
III.	Adjusted Balances at Beginning of Period (I+II)	5.5	4,200,000	11,880	-	772,554	1,431,478	(142,992)	60,858	1,711,458	254,236	(350,921)	27,431,972	6,741,229	-	42,121,752
IV.	Total Comprehensive Income		-	-	-	-	(7,584)	(15,837)	38,504	1,146,418	(1,143,581)	(423,077)	6,059	-	6,638,236	6,239,138
V.	Capital Increase in Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase from Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Capital Reserves from Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Others Changes		-	-	-	-	-	-	-	-	-	-	76,963	-	-	76,963
XI.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	4,593,920	(6,343,920)	-	(1,750,000)
11.1.	Dividends		-	-	-	-	-	-	-	-	-	-	-	(1,750,000)	-	(1,750,000)
11.2.	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	4,592,770	(4,592,770)	-	-
11.3.	Others		-	-	-	-	-	-	-	-	-	-	1,150	(1,150)	-	-
	Balances at end of the period (III+IV...+X+XI)		4,200,000	11,880	-	772,554	1,423,894	(158,829)	99,362	2,857,876	(889,345)	(773,998)	32,108,914	397,309	6,638,236	46,687,853
CURRENT PERIOD (01/01/2019-31/12/2019)																
I.	Balances at Beginning of Period		4,200,000	11,880	-	772,554	1,423,894	(158,829)	99,362	2,857,876	(889,345)	(773,998)	32,108,914	7,035,545	-	46,687,853
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 Period (I+II)	5.5	4,200,000	11,880	-	772,554	1,423,894	(158,829)	99,362	2,857,876	(889,345)	(773,998)	32,108,914	7,035,545	-	46,687,853
IV.	Total Comprehensive Income		-	-	-	-	(241)	(12,567)	117,734	502,294	475,059	(189,720)	-	-	6,158,841	7,051,400
V.	Capital Increase in Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase from Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Capital Reserves from Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Others Changes		-	-	-	-	-	-	-	-	-	-	26,413	-	-	26,413
XI.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	7,035,545	(7,035,545)	-	-
11.1.	Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2.	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	7,029,129	(7,029,129)	-	-
11.3.	Others		-	-	-	-	-	-	-	-	-	-	6,416	(6,416)	-	-
	Balances at end of the period (III+IV...+X+XI)		4,200,000	11,880	-	772,554	1,423,653	(171,396)	217,096	3,360,170	(414,286)	(963,718)	39,170,872	-	6,158,841	53,765,666

Türkiye Garanti Bankası Anonim Şirketi

Statement of Cash Flows

For the period ended at 31 December 2019

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		1 January 2019 31 December 2019	1 January 2018 31 December 2018
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities	5.6	15,876,583	8,596,609
1.1.1 Interests received		38,112,261	32,629,934
1.1.2 Interests paid		(21,370,896)	(19,525,213)
1.1.3 Dividend received		8,893	4,960
1.1.4 Fees and commissions received		8,364,406	6,624,380
1.1.5 Other income		3,715,073	3,054,166
1.1.6 Collections from previously written-off receivables		681,623	366,412
1.1.7 Cash payments to personnel and service suppliers		(7,526,315)	(6,742,618)
1.1.8 Taxes paid		(1,550,777)	(2,176,902)
1.1.9 Others		(4,557,685)	(5,638,510)
1.2 Changes in operating assets and liabilities	5.6	(4,979,356)	5,025,671
1.2.1 Net (increase) decrease in financial assets measured at FVTPL		(976,537)	554,442
1.2.2 Net (increase) decrease in due from banks		612,145	8,287,570
1.2.3 Net (increase) decrease in loans		(27,048,033)	(24,536,956)
1.2.4 Net (increase) decrease in other assets		(3,354,194)	(6,967,269)
1.2.5 Net increase (decrease) in bank deposits		(2,083,930)	3,382,867
1.2.6 Net increase (decrease) in other deposits		34,487,443	31,890,407
1.2.7 Net (increase) decrease in financial liabilities measured at FVTPL		-	-
1.2.8 Net increase (decrease) in funds borrowed		(4,570,153)	(12,417,091)
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		(2,046,097)	4,831,701
I. Net cash flow from banking operations	5.6	10,897,227	13,622,280
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash flow from investing activities	5.6	(1,526,120)	4,141,051
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		-	-
2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures		-	-
2.3 Purchases of tangible assets		(527,675)	(1,687,476)
2.4 Sales of tangible assets		296,180	1,150,860
2.5 Cash paid for purchase of financial assets measured at FVOCI		(6,111,155)	(15,851,552)
2.6 Cash obtained from sale of financial assets measured at FVOCI		5,886,156	19,054,487
2.7 Cash paid for purchase of financial assets measured at amortised cost		(1,248,680)	(673,395)
2.8 Cash obtained from sale of financial assets measured at amortised cost		179,054	2,148,127
2.9 Others		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		(3,923,211)	(1,009,893)
3.1 Cash obtained from funds borrowed and securities issued		21,413,341	17,126,080
3.2 Cash used for repayment of funds borrowed and securities issued		(25,012,967)	(16,375,099)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		-	(1,750,000)
3.5 Payments for financial leases		(323,585)	(10,874)
3.6 Others		-	-
IV. Effect of translation differences on cash and cash equivalents		1,480,204	1,433,478
V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)	5.6	6,928,100	18,186,916
VI. Cash and cash equivalents at beginning of period	5.6	30,547,325	12,360,409
VII. Cash and cash equivalents at end of period (V+VI)	5.6	37,475,425	30,547,325

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

Türkiye Garanti Bankası Anonim Şirketi
Statement of Profit Distribution
For The Year Ended 31 December 2019

STATEMENT OF PROFIT DISTRIBUTION		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD (*)	PREVIOUS PERIOD (**)
		31 December 2018	31 December 2018
I.	DISTRIBUTION OF CURRENT YEAR PROFIT		
1.1	CURRENT PERIOD PROFIT	7,816,281	8,445,261
1.2	TAXES AND LEGAL DUTIES PAYABLE (-)	1,657,440	1,807,025
1.2.1	Corporate tax (income tax)	1,657,440	1,807,025
1.2.2	Withholding tax	-	-
1.2.3	Other taxes and duties	-	-
A.	NET PROFIT FOR THE PERIOD (1.1-1.2)	6,158,841	6,638,236
1.3	ACCUMULATED LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	-
1.5	OTHER STATUTORY RESERVES (-)	-	6,416
B.	NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]	-	6,631,820
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To owners of ordinary shares	-	-
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 (-)	-	-
1.9.1	To owners of ordinary shares	-	-
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 (-)	-	-
1.11	STATUS RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	6,631,820
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)	0.01466	0.01581
3.2	TO OWNERS OF ORDINARY SHARES (%)	146.64	158.05
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 the 2018 profit distribution will be held at General Assembly meeting.

(**) 2018 Profit distribution table is presented excluding TFRS 9 Financial Instruments Standard transition effects.

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 Banking Regulation and Supervision Authority (“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 Financial Reporting Standards (“TFRS”) published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) 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 measured at fair value through profit/loss, financial assets measured at fair value through other comprehensive income, real estates and subsidiaries accounted based on equity method.

In accordance with the “Communique amending the Communique on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” published in the Official Gazette dated 1 February 2019 with No. 30673, the accompanying previous period financial statements were made compatible with the new financial statement formats.

The accounting policies and the valuation principles applied in the preparation of the accompanying financial statements are explained in Notes 3.2 to 3.29.

3.1.1 Changes in accounting policies and disclosures

3.1.1.1 Major new and amended standards and interpretations

The Bank has started to apply TFRS 16 Leases standard (“TFRS 16”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) in the accompanying financial statements starting from 1 January 2019.

3.1.1.2 Standards effective as of 1 January 2019

TFRS 16 Leases

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same.

The Bank applies this standard with modified retrospective approach recognizing the cumulative effect of initially applying the standard at the date of initial application. In this context, the Bank did not restate comparative information.

The Bank recognises a lease liability and a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying TAS 17. The Bank measures that lease liability at the present value of the remaining lease payments, discounted using the Bank’s incremental borrowing rate at the date of initial application. Besides, the Bank measures that right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

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 statement of profit or loss. 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 statement of profit or loss.

In the unconsolidated financial statements, the financial subsidiaries are accounted for using the equity method in accordance with the Communiqué published on the Official Gazette dated 9 April 2015 no. 29321 related to the amendments to the Turkish Accounting Standard 27 (TAS 27) "Separate Financial Statements". In this context, foreign subsidiaries' 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 401,703,512 (31 December 2018: EUR 366,635,075) in total among 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 1,204,648 (31 December 2018: TL 967,498), arising from conversion of both foreign currency investments and long term foreign currency borrowings are accounted under capital reserves and other comprehensive income/expense items to be recycled to profit/loss, respectively under equity as of 31 December 2019. There is no ineffective portion arising from net investment hedge accounting.

3.3 Investments in associates and subsidiaries

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

In accordance with the Turkish Accounting Standard 28 (TAS 28) for “Investments in Associates and Joint Ventures” through the equity method, the carrying value of financial subsidiaries 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 subsidiaries are accounted in the Bank’s statement of profit or loss, the Bank’s share in other comprehensive income of financial subsidiaries are accounted in the Bank’s statement of other comprehensive income.

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

3.4 Forwards, options and other derivative transactions

3.4.1 Derivative financial assets

Derivative financial assets measured at fair value through profit/loss

The Bank’s derivative transactions mainly consist of foreign currency and interest rate swaps, foreign currency options and forward foreign currency purchase/sale contracts.

Derivatives are initially recorded at their fair values. The related transaction costs are recognized in statement of profit or loss at the date they incur. The changes in their fair values are recorded on balance sheet under “derivative financial assets measured at fair value through profit/loss” or “derivative financial liabilities measured at fair value through profit/loss”, respectively depending on the fair values being positive or negative. Fair value changes for derivatives are recorded in the account of “income/losses from derivative transactions understatement of profit or loss.

Within the scope of TFRS 13 Fair Value Measurement standard; (i) if there is a significant decrease in the volume or level of activity for that asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities); (ii) when the transaction or quoted price does not represent fair value; and / or (iii) when a price for a similar asset requires significant adjustment to make it comparable to the asset being measured, or (iv) when the price is stale, the Bank makes an adjustment to the transactions or quoted prices and reflects this adjustment to the fair value measurement. In this context, the Bank determines the point within the range that is most representative of fair value under current market conditions.

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

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

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cashflows of the combined instrument vary in a way similar to stand alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to contract. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty, is not an embedded derivative but a separate financial instrument. If a hybrid contract contains a host that is an asset within the scope of this standard, it is applied the standard’s requirements about classification of financial assets to the entire hybrid contract. The Bank does not have either any hybrid contract contains a host that is not an asset within the scope of

this standard or a financial instrument which shall be separated from the host and accounted for as derivative under this standard.

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

Credit default swap is a contract, in which the protection seller commits to pay the protection value to the protection buyer in case of certain credit risk events in return for the premium paid by the buyer for the contract. Credit default swaps are valued daily at their fair values. Total return swap is a contract, in which the protection seller commits to make a certain payment and compensate the decreases in market values of the reference assets to the buyer under the condition that the protection buyer will transfer all the cash flows to be created by and the increases in market values of the reference asset. The Bank enters into total return swap contract for the purpose of generating long-term funding.

3.4.2 Derivative financial instruments held for hedging purpose

IFRS 9 permits to defer application of IFRS 9 hedge accounting and continue to apply hedge accounting in accordance with TAS 39 as a policy choice. Accordingly, the Bank continues to apply hedge accounting in accordance with TAS 39 in this context.

The Bank enters into interest rate and cross currency swap transactions in order to hedge the changes in fair values of fixed-rate financial instruments. The changes in fair values of derivative instruments held for fair value hedges are recognised in "income/losses from derivative financial instruments". If the hedging is effective, the changes in fair value of the hedged item is presented in statement of financial position together with the fixed-rate loan. In case of fixed-rate financial assets measured at fair value through other comprehensive income, such changes are reclassified from shareholders' equity to statement of profit or loss.

Derivative financial instruments measured at fair value through other comprehensive income

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 other comprehensive income or expense to be recycled to profit/loss in shareholders' equity, and the ineffective portion is recognised in statement of profit or loss. The changes recognised in shareholders' equity is removed and included in statement of profit or loss 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 statement of profit or loss under trading account income/loss caption over the maturity of the hedged item from that date of the hedge accounting is discontinued. While expiring, sale, discontinuing cash flow hedge accounting or when no longer effective the cumulative gains/losses recognised in shareholders' equity and presented under other comprehensive income or expense to be recycled to profit or loss, are continued to be kept in this account. When the cash flows of hedged item incur, the gain/losses accounted for under shareholders' equity, are recognised in statement of profit or loss considering the original maturity.

3.5 Interest income and expenses

Interest is recorded according to the effective interest rate method (rate equalizing future cash flows of financial assets or liabilities to net present value) defined in the TFRS 9 “Financial Instruments” standard by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. In applying the effective interest method, the Bank identifies fees that are an integral part of the effective interest rate of a financial instrument. Fees that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate, unless the financial instrument is measured at fair value, with the change in fair value being recognised in profit or loss. In those cases, such fees are accounted as revenue or expense when the financial instrument is initially recognised in the financial statements.

When applying the effective interest method, The Bank amortises any fees, transaction costs and other premiums or discounts that are included in the calculation of the effective interest rate over the expected life of the financial instrument.

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.

If the expectation for the cash flows from financial asset is revised for reasons other than the credit risk, the change is reflected in the carrying amount of asset and in the related statement of profit or loss line and is amortized over the estimated life of financial asset.

If the financial asset is impaired and classified as a non-performing receivable, the Bank applies the effective interest rate on the amortized cost of the asset for subsequent reporting periods. Such interest income calculation is made on an individual contract basis for all financial assets subject to impairment calculation. It is used effective interest rate during calculation of loss given default rate in expected credit loss models and accordingly, the calculation of expected credit losses includes an interest amount. Therefore, a reclassification is made between the accounts of “expected credit losses” expense and “interest income from loans” for such calculated interest amount. If the credit risk of the financial instrument improves to the extent that the financial asset is no longer considered as impaired and the improvement can be attributed to an incident that eventually takes place (such as an increase in the loan's credit rating), the system calculates interest income at subsequent reporting periods by applying the effective interest rate to the gross amount.

3.6 Fees and commissions

Fees and commissions except for which are integral part of the effective interest rates of financial instruments measured at amortized costs, are accounted for in accordance with TFRS 15 Revenue from Contracts with Customers. Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period. The income derived from agreements or asset purchases from real-person or corporate third parties are recognized as income when realized.

3.7 Financial instruments

3.7.1 Initial recognition of financial instruments

The Bank shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. Purchase and sale transactions of securities are accounted at the settlement date.

3.7.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of TFRS 15 Revenue from contracts with customers, at initial recognition, the Bank measures financial asset or financial liabilities at fair value. At initial recognition, financial asset or liability excluding the ones at fair value through profit or loss are accounted at its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

3.7.3 Classification of financial instruments

On which category a financial instruments shall be classified at initial recognition depends on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

3.7.3.1 Assessment of business model

As per TFRS 9, the Bank's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The entity's business model does not depend on management's intentions for an individual instrument. Accordingly, this condition is not an instrument-by-instrument approach to classification and should be determined on a higher level of aggregation.

During assessment of the business model for management of financial assets, it must be considered all relevant evidence that is available at the date of the assessment. Such relevant evidence includes below:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

Assessment of the business model is not performed on the basis of scenarios that the entity does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios.

If cash flows are realised in a way that is different from the Bank's expectations at the date that the Bank assessed the business model, that does not give rise to a prior period error in the Bank's financial statements nor does it change the classification of the remaining financial assets held in that business model as long as the Bank considered all relevant information that was available at the time that it made the business model assessment. However, when the Bank assesses the business model for newly originated or newly purchased financial assets, it must consider information about how cash flows were realised in the past, along with all other relevant information.

The Bank's business models are divided into three categories. These categories are defined below:

- A business model whose objective is to hold assets in order to collect contractual cash flows: a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The financial assets that are held within the scope of this business model are measured at amortised cost when the contractual terms of the financial asset meet the condition of giving rise on specified dates to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

- A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets: the Bank may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Fair value change of the financial assets that are held within the scope of this business model are accounted under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Other business models: Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

3.7.3.2 Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding

As per TFRS 9, the Bank classifies a financial asset on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest. In order to assess whether the element provides consideration for only the passage of time, an entity applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cashflows, the relevant financial asset is measured at fair value through profit or loss.

3.7.4 Measurement categories of financial assets and liabilities

As of 1 January 2018, the Bank classified all its financial assets based on the business model for managing the financial assets. Accordingly, financial assets are classified in three main categories as listed below:

- Financial assets measured at amortized cost,
- Financial assets measured at fair value through other comprehensive income and
- Financial assets measured at fair value through profit/loss.

Financial investments and loans measured at amortised cost

Starting from 1 January 2018, the Bank may measure its financial investments and loans at amortised cost if both of the following conditions are met:

- financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial investments measured at amortised cost: Subsequent to the initial recognition, financial investments measured at amortised cost are accounted at amortised cost calculated by using the effective interest rate method. The expected loss calculated for the relevant financial assets in accordance with TFRS 9 is presented in Note 5.1.7.5.

Loans: Financial assets other than those held for trading in short term or generated through providing money, commodity and services to debtors.

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

Loans 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. The expected loss calculated for the relevant financial assets in accordance with TFRS 9 is presented in Note 5.1.5.11.

Financial assets measured at fair value through other comprehensive income

As per TFRS 9, the financial investments are measured at fair value through other comprehensive income if both of the following conditions are met.

- financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. If the financial asset is reclassified as financial assets measured at fair value through profit or loss, the related cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Financial assets measured at fair value through other comprehensive income 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 effective interest rate, that approximates to fair value, 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 accumulated other comprehensive income or expense to be reclassified to profit or loss under the shareholders' equity. In case of sales, the gain/losses arising from fair value measurement accumulated under shareholders' equity are recognized in statement of profit or loss.

Interests calculated and/or earned by using the effective interest method during holding of financial assets measured at fair value through other comprehensive income are recorded primarily in interest income. In case of sale of such debt securities are sold before maturity date, the difference between the sales income calculated as difference between the cost in accordance with the uniform chart of accounts and the sale price and the recognized interest income is transferred to "trading income/losses".

The Bank also owns in its securities portfolio; consumer price indexed government bonds (CPI) reclassified as financial assets measured at fair value through other comprehensive income, financial assets measured at fair value through profit or loss and financial assets measured at amortised cost. 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.

Equity instruments measured at fair value through other comprehensive income

At initial recognition, the Bank may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of TFRS 9 that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which TFRS 3 applies. The Bank makes the election on an instrument by instrument basis.

Amounts presented in other comprehensive income shall not be subsequently transferred to profit/loss. However, the cumulative gain or loss shall be transferred to prior periods' profit/loss. Dividends on such investments are recognised in profit/loss unless the dividend clearly represents a recovery of part of the cost of the investment. Equity instruments measured at fair value through other comprehensive income are not subject to impairment calculation.

Financial assets and liabilities measured 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 statement of profit or loss. Interest income earned on trading securities and the difference between their acquisition costs and amortized costs are recorded as interest income in the statement of profit or loss. The differences between the amortized costs and the fair values of such securities are recorded under trading account income/losses in the statement of profit or loss. 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/ loss, irrevocably in order to eliminate any accounting mismatch in compliance with TFRS 9.

The interest income/expense earned and the difference between the acquisition costs and the amortized costs of financial liabilities are recorded under interest income/expense in statement of profit or loss, the difference between the amortized costs and the fair values of financial liabilities are recorded under trading account income/losses in statement of profit or loss. The amount of change in the fair value of the financial liability at fair value through profit or loss that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income unless it creates accounting mismatch or increase the accounting mismatch.

Excluding the change in credit risk of the liability, the change in the fair value of the liability shall be recognized in profit or loss.

3.8 Disclosures on impairment of financial instruments

As of 1 January 2018, the Bank recognises a loss allowance for expected credit losses on financial assets and loans measured at amortised cost, financial assets measured at fair value through other comprehensive income , loan commitments and financial guarantee contracts not measured at fair value through profit/loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with “Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans” effective from 1 January 2018. TFRS 9 impairment requirements are not applicable for equity instruments.

At each reporting date, the Bank shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Bank shall use the change in the risk of a default occurring for the financial instrument.

As of the reporting date, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. However, if there is a significant increase in credit risk of a financial instrument since initial recognition, the Bank measures loss allowance regarding such instrument at an amount equal to lifetime expected credit losses.

The Bank calculates the expected credit loss on a collective basis by means of grouping the financial assets having common credit risk features or on an individual basis.

The Bank constituted a policy in order to make an assessment whether the credit risk on a financial instrument has increased significantly since initial recognition by taking into consideration change in the risk of a default occurring over the expected life of the financial instrument. The Bank’s aforementioned policy is presented in Note 3.8.3.

The Bank's impairment model having 3 stages based on the change in credit quality since initial recognition based on TFRS 9 is explained below.

3.8.1 Calculation of expected credit losses

The Bank calculates expected credit losses based on a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due based on the contract and the cash flows that are expected to be received.

Probability of Default (PD): PD refers to the likelihood that a loan will default within a specified time horizon, which is usually set at 12 months, given certain characteristics. Based on TFRS 9, the Bank uses two different PDs in order to calculate expected credit losses:

- 12-month PD: as the estimated probability of default occurring within the next 12 months following the balance sheet date.
- Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument.

The Bank uses internal rating systems for both retail and commercial portfolios. The internal rating models used for the commercial portfolio include customer financial information and qualitative survey responses. Whereas behavioral and application scorecards used in the retail portfolio include; (i) the behavioral data of the customer and the product in the Bank, (ii) the demographic information of the customer, and (iii) the behavioral data of the customer in the sector. Probability of default calculation has been carried out based on past information, current conditions and forward looking macroeconomic parameters.

Loss Given Default (LGD): If a loan default occurs, it represents the economic loss incurred on the loan. It is expressed as a percentage.

LGD calculations are performed using historical data which best reflects current conditions, by formation of segments based on certain risk factors that are deemed important for each portfolio and inclusion of forward-looking information and macroeconomic expectations. LGD summarizes all cash flows from customers subsequent to default. It covers all costs and collections that occur during the collection cycle, including collections from collaterals. It also includes the "time value of money" calculated by means of deducting costs and additional losses from the present value of collections.

Exposure at Default (EAD): For cash loans, it corresponds to the amount of loan granted as of the reporting date. For non-cash loans and commitments, it is the value calculated through using credit conversion factors. Credit conversion factor corresponds to the factor which adjusts the potential increase of the exposure between the current date and the default date.

When expected credit losses are estimated, the Bank considers three scenarios (base scenario, bad scenario, good scenario). Each of these three scenarios is associated with different probability of default and loss given default. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

Stage 1: 12-month expected credit loss represents the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date and calculated as the portion of lifetime expected credit losses. The Bank calculates 12-month expected credit loss based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate. Such calculation is performed for each of three scenarios explained above.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank calculates an allowance for the lifetime expected credit losses. Including multiple scenario usage, it is similar to descriptions above, but probability of default and loss given default rates are estimated through the life of the instrument. Estimated cash shortfalls are discounted by using the original effective interest rate.

Stage 3: For the loans considered as impaired, the Bank accounts lifetime expected credit losses. The methodology is similar to stage 2 and the probability of default is taken into account as 100%.

The Bank considers a debt as default on these two below conditions;

1. **Objective Default Definition:** It means debt having past due more than 90 days. Current definition of default in the Bank is based on a more than 90 days past due definition. If a loan is exactly 90 days past due, it will not be considered as default. Default status starts on the 91st day.
2. **Subjective Default Definition:** It means the Bank considers that a debt is unlikely to be paid. Whenever the Bank considers that an obligor is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due.

For the purpose of determining significant increases in credit risk and recognising a loss allowance on a collective basis, the Bank Group's financial instruments on the basis of shared credit risk characteristics. In this context, the methodology developed for the estimation of expected credit losses should include the risk features which meet the criteria for carrying the same credit risk characteristics. Examples of the Bank's common credit risk characteristics include, but are not limited to, the following:

- Customer type (retail or commercial / corporate)
- Product type
- Credit risk rating notes /scores
- Sector / market segmentation
- Collateral type
- Loan to value ratio
- Duration since origination of a loan
- Remaining time to maturity
- Exposure at default

In addition, the Bank assesses a certain portion of commercial and corporate loans individually in accordance with the internal policies in the calculation of the expected credit losses based on TFRS 9. The Bank makes such calculation by discounting the expected cash flows from the individual financial instrument to its present value using the effective interest rate.

When measuring expected credit losses, the Bank shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. The Bank makes such assessment by reflecting the estimate of expected credit loss which is unbiased and probability-weighted determined by evaluating a range of possible outcomes.

In accordance with the Bank's internal policies, TFRS 9 models are updated once a year. The related model update was made in the 4th quarter of 2019 and the Bank calculated expected credit losses provision based on the mentioned updated model at the end of 2019.

3.8.1.1 *Loan commitments and non-cash loans*

The expected credit losses on a loan commitment shall be discounted using the effective interest rate, or an approximation thereof, that will be applied when recognising the financial asset resulting from the loan commitment. This is because for the purpose of applying the impairment requirements, a financial asset that is recognised following a draw down on a loan commitment shall be treated as a continuation of that commitment instead of as a new financial instrument. The expected credit losses on the financial asset shall therefore be measured considering the initial credit risk of the loan commitment from the date that the Bank became a party to the irrevocable commitment.

Expected credit losses on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined shall be discounted by applying a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

3.8.1.2 *Debt instruments measured at fair value through other comprehensive income*

As of 1 January 2018, the Bank shall apply the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income in accordance with TFRS 9. However, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position. The expected credit loss is reflected in other comprehensive income and the accumulated amount is recycled to statement of profit/loss following the derecognition of related financial asset.

3.8.1.3 *Credit cards and other revolving loans*

The Bank offers credit card and overdraft products which give ability to corporate and commercial customers demand repayment and cancel the undrawn commitment. Such products do not limit the period that the Bank is exposed to credit losses with the contractual notice. For this reason, the Bank calculates the expected credit losses for these products over a period of time reflecting the anticipation of customer behavior, the likelihood of default, and future risk mitigation procedures such as the Bank's reduction or removal of undrawn limits.

When determining the period over which the Bank is expected to be exposed to credit risk, but for which expected credit losses would not be mitigated by the Bank's normal credit risk management actions, the Bank considers factors such as historical information and experience about the below items:

- the period over which the entity was exposed to credit risk on similar financial instruments;
- the length of time for related defaults to occur on similar financial instruments following a significant increase in credit risk; and
- the credit risk management actions that the Bank expects to take once the credit risk on the financial instrument has increased, such as the reduction or removal of undrawn limits.

The Bank calculates expected credit losses on the revolving products of retail and corporate customers by considering 3-5 years.

The Bank makes assessment of significant increase in credit risk of revolving loans by considering qualitative and quantitative criteria considered for other credit products as explained in Note 3.8.3.

3.8.2 *Forward-looking macroeconomic information*

The Bank incorporates forward-looking macroeconomic information into credit risk parameters during assessment of significant increase in credit risk and expected credit loss calculation. The incorporation of forward-looking information into the Bank's credit risk parameters consists of the following steps:

Step 1: The Bank makes specifications and estimates of econometric models that reveal past relationships between credit risk parameters and macroeconomic variables in order to be able to generate estimates based on macroeconomic information. Macroeconomic variable prevailing during these estimates is mainly the Gross Domestic Product (GDP).

Step 2: Where macroeconomic scenarios do not include longer maturity, a process called “convergence to the mean” is applied.

Step 3: In order to estimate the ultimate parameters to be used in the calculation of the expected credit losses, the Bank applies the methods of credit risk parameters reflection and forward-looking impact inclusion into the parameters.

3.8.3 Significant increase in credit risk

The Bank makes qualitative and quantitative assessments regarding assessment of significant increase in credit risk.

Qualitative assessment:

The Bank classifies the financial asset as Stage 2 (Significant Increase in Credit Risk) where any of the following conditions are satisfied as a result of a qualitative assessment.

- Loans overdue more than 30 days as of the reporting date
- Loans classified as watchlist
- When there is a change in the payment plan due to refinancing, restructuring or concession, the loan is not considered as default or written off and the change is not due to any commercial reason

Quantitative assessment:

The quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date.

The absolute and relative thresholds used for the probability of default are differentiated on the basis of segment/ loan group.

The Bank classifies the related financial asset as stage 2 (Significant Increase in Credit Risk) where both of the following criteria are satisfied as a result of quantitative assessment.

- Relative change in the PD: If the "relative difference" between the probability of defaults as of the reporting date and the date when the loan is initially recognized in the financial statements is above the specified threshold.
- Absolute change in the PD: If the "absolute difference" between the probability of defaults as of the reporting date and the date when the loan is initially recognized in the financial statements is above the specified threshold (different from the threshold for the relative change).

3.8.4 Low credit risk

As per TFRS 9, the Bank considers the credit risk on a financial instrument as low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Bank is not considering financial instruments to have low credit risk when they are regarded as having a low risk of loss simply because of the value of collateral and the financial instrument without that collateral would not be considered low credit risk. Financial instruments are also not considered to have low credit risk simply because they have a lower risk of default than the Bank’s other financial instruments or relative to the credit risk of the jurisdiction within which the Bank operates.

If the Bank determines that a financial instrument has a low credit risk as of the reporting date, it assumes that the credit risk on the financial instrument has not increased significantly following its first recognition in the financial statements.

The Bank defines the definition of low credit risk based on the definition of “High Quality Liquid Asset” given in the Regulation on the Liquidity Coverage Ratio Calculation and the principles of the risk weight calculation based on the external rating note of the receivables from the Central Banks and the Central Governments in accordance with the Regulation on the Measurement and Assessment of Banks’ Capital Adequacy.

The financial instruments that the Bank defines as having low credit risk based on TFRS 9 are as follows:

- Receivables from the Central Bank of the Republic of Turkey (required reserves, free reserves, placement, etc.)
- Loans with counterparty of Treasury of the Republic of Turkey
- Receivables (reserves, free reserves, placements, etc.) from the central banks of the branches of the Bank or its subsidiaries, securities issued or guaranteed by these central banks and securities issued / guaranteed by the treasury of these countries
- Loans granted to the treasury of countries having rating note of AA- and above and the securities issued or guaranteed by the treasury of these countries
- Local currency loans granted to the treasury of countries having rating below AA-, and securities in local currency issued or guaranteed by the treasury of these countries
- Securities exported or guaranteed by multilateral development banks or international organizations having rating of AA- and above.

3.9 Netting and derecognition of financial instruments

3.9.1 Netting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank has a legally enforceable right to offset the recognized amounts and to collect/pay related financial assets and liabilities on a net basis, or there is an intention to realize the asset and settle the liability simultaneously.

3.9.2 Derecognition of financial instruments

3.9.2.1 *Derecognition of financial assets due to change in contractual terms*

Based on TFRS 9, the renegotiation or modification of the contractual cash flows of a financial asset can lead to the derecognition of the existing financial asset. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a ‘new’ financial asset.

The Bank shall assess the characteristics of the new contractual terms of the financial asset based on quantitative and qualitative criteria. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, it is recalculated the gross carrying amount of the financial asset and in case a significant change is determined, it is recognized a modification gain or loss in profit or loss.

Where all risks and rewards of ownership of the asset have not been transferred to another party and the Bank retains control of the asset, the Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset.

When the Bank retains substantially all the risks and rewards of ownership of the transferred asset, the transferred asset continues to be recognised in its entirety and the consideration received is recognised as a liability.

3.9.2.2 *Derecognition of financial assets without any change in contractual terms*

The Bank derecognises the asset if the contractual rights to cash flows from the financial asset are expired or the related financial asset and all risks and rewards of ownership of the asset are transferred to another party.

Except for equity instruments measured at fair value through other comprehensive income, the total amount consisting of the gain or loss arising from the difference between the book value and the amount obtained and any accumulated gain directly accounted in equity shall be recognized in profit/loss.

3.9.2.3 *Derecognition of financial liabilities*

It shall be removed a financial liability (or a part of a financial liability) from the statement of financial position when, and only when, it is extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expires.

3.9.3 *Reclassification of financial instruments*

Based on TFRS 9, the Bank shall reclassify all affected financial assets at amortised cost to financial assets measured at fair value through other comprehensive income and fair value through profit or loss in the subsequent accounting when, and only when, it changes its business model for managing financial assets.

3.9.4 *Restructuring and refinancing of financial instruments*

The Bank may change the original contractual terms of a loan (maturity, repayment structure, guarantees and sureties) which were previously signed, in case the loan cannot be repaid or if a potential payment difficulty is encountered based on the new financing power and structure of the borrower.

Restructuring is to change the financial terms of existing loans in order to facilitate the payment of debt. Refinancing is granting a new loan by the Bank which will cover either the principal or the interest payment in whole or in part of one or a few existing loans due to the anticipated financial difficulty which the customer or group encounter currently or will encounter in the future.

Changes in the original terms of a credit risk can be made in the current contract or through a new contract.

Corporate and commercial companies which have been restructured and refinanced can be removed from the watchlist when the following conditions are met:

- Subsequent to the thorough review of company's financial data and its owners' equity position, at circumstances when it is not anticipated that the owner of the company will face financial difficulties; and it is assessed that the restructured debt will be paid on time (starting from the date when the debt is restructured all due principal and interest payments are made on time)
- At least 2 years should pass over the date of restructuring (or if it is later), the date of removal from non-performing loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring /refinancing shall be paid and no overdue amount (principal and interest) shall remain at the date of restructuring / refinancing

In order for the restructured non-performing corporate and commercial loans to be classified to the watchlist category, the following conditions must be met:

- Recovery in debt service.
- At least one year should pass over the date of restructuring
- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring /refinancing or the date when the debtor is classified as non-performing (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring /refinancing

- Collection of all overdue amounts, disappearance of the reasons for classification as non-performing receivable (based on the conditions mentioned above) and having no overdue more than 30 days as of the date of reclassification

During the follow-up period of at least two years following the date of restructuring / refinancing, if there is a new restructuring / refinancing or a delay of more than 30 days, the transactions which were non-performing at the beginning of the follow-up period are classified as non-performing loans again.

The performing or non-performing retail loans being subject to restructuring shall be removed from the watchlist only if the debt is paid in full.

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 “Money Market Placements” separately. An income accrual is accounted for the positive difference between the purchase and resale prices earned during the period on such securities.

Securities lending transactions are classified under “Money Market Funds” and the related expense accruals are accounted.

3.11 Assets held for sale, discontinued operations and related liabilities

According to the Turkish Financial Reporting Standard 5 (TFRS 5) “Assets Held for Sale and Discontinued Operations”, a tangible asset (or a group of assets to be disposed) classified as “asset held for sale” is measured at lower of carrying value and fair value less costs to sell. An asset (or a group of assets to be disposed) is regarded as “asset held for sale” only when the sale is highly probable and the asset (or a group of assets to be disposed) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value. Assets held for sale consist of tangible assets and investments in associates to be disposed that were acquired against non-performing receivables.

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 statement of profit or loss. 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 criteria:

- 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 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 than the carrying value of the related asset, a provision for impairment loss is provided.

3.13 Tangible assets

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

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

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

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

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

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets. The depreciation rates and the estimated useful lives of tangible assets are presented below. Depreciation method in use was not changed in the current period.

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

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

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

Investment properties

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

Investment properties accounted at fair value are not depreciated.

Right-of-use assets

Based on the Bank's assessment, lease branches and buildings are recognized in compliance with TFRS 16 whereas ATM places, lease cars and other leases are considered out of TFRS 16 scope as a result of materiality assessment. Therefore, these leases are recognized under Other Operating Income.

At the commencement date, the Bank shall measure the right-of-use properties at cost in compliance with TFRS 16. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

After the commencement date, the Bank measures the right-of-use asset applying a cost model. To apply the cost model, the Bank measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability.

The Bank applies the depreciation requirements in TAS 16 Property, Plant and Equipment in depreciating real assets considered as right-of-use asset.

The Bank applies TAS 36 Impairment of Assets to determine whether the real estates considered as right-of-use assets are impaired and to account for any impairment loss identified.

3.14 Leasing activities

Tangible assets acquired through financial leasing are recognized as assets and the related liabilities as lease payables in the Bank's assets and liabilities, respectively. Financial costs on leasing agreements are distributed throughout the lease periods at fixed interest rates. Interest expenses and foreign exchange losses related with financial leasing are accounted in statement of profit or loss. Depreciation for assets acquired through financial leases is calculated consistently with the same principle as for the tangible assets.

Leases, in which the majority of risks and returns of the related asset belong to the lessor, are classified as operational lease. The rent payments for leases that meet the conditions of exemptions stated in TFRS 16, are recognized as expense in related periods' statement of profit or loss over the lease term in accordance with periodicity principle.

Based on TFRS 16, at the commencement date, the Bank measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the incremental borrowing interest rate.

After the commencement date, the Bank measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made;

and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

After the commencement date, the Bank remeasures the lease liability to reflect changes to the lease payments. The Bank recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Bank remeasures the lease liability by discounting the revised lease payments using a revised discount rate, if either there is a change in the lease term or there is a change in the assessment of an option to purchase the underlying asset. However, if there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments or if there is a change in the amounts expected to be payable under a residual value guarantee, the Bank uses an unchanged discount rate.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, the Bank remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the incremental borrowing interest rate at the effective date of the modification. The Bank decreases the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Bank recognises any gain or loss relating to the partial or full termination of the lease in profit or loss. A corresponding adjustment to the right-of-use asset is made for all other lease modifications.

3.15 Provisions and contingent liabilities

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

3.16 Contingent assets

The contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Bank. 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 related period.

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 2019	31 December 2018
Net Effective Discount Rate	3.90%	3.38%
Discount Rate	12.50%	16.30%
Expected Rate of Salary Increase	9.70%	14.00%
Inflation Rate	8.20%	12.50%

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

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

The actuarial gains/losses are recognised under shareholders' equity as per the revised TAS 19.

Retirement benefit obligations

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

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

The Plan is funded through contributions of both by the employees and the employer as required by Social Security Law numbered 506. These contributions are as follows:

	31 December 2019		31 December 2018	
	Employer	Employee	Employer	Employee
Pension contributions	15.5%	10.0%	15.5%	10.0%
Medical benefit contributions	6.0%	5.0%	6.0%	5.0%

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

a) Benefits transferable to SSF

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

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

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

as per the letter no. 150 of the Ministry of Labor and Social Security dated 24 February 2011 and according to the provisional article 20 of the Social Security and Public Health Insurance Law no.5510.

On 19 June 2008, Cumhuriyet Halk Partisi (“CHP”) 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 TAS 19.

3.18 Taxation

3.18.1 Corporate tax

While the corporate tax rate was at the rate of 20% since 1 January 2006, for all companies, such rate has been set as 22% for the tax bases of the years 2018, 2019, and 2020 based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down to 20%.

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

Dividends paid to the resident institutions and the institutions working through local offices or representatives 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.

75% of earnings generated through sale of equity shares, founders’ shares, redeemed shares and pre-emption rights and 50% of earnings generated through sale of real estates held at least for two years by the institutions are exempt from the corporate tax with the conditions that such earnings shall be held in a special reserve account under equity until the end of five years following the year of sale and shall be collected as cash until the end of the following two fiscal years.

All earnings generated through transfer of equity shares, founders’ shares, redeemed shares and pre-emption rights by the companies being under legal proceedings or guarantor and mortgage provider of such companies, to banks, financial leasing companies and finance companies or the Savings Deposit Insurance Fund in connection with liquidation of their liabilities and earnings of banks, financial leasing companies and finance companies through sale of immovable part of such assets or other items are exempt from corporate tax at the rate of 50% and 75%, respectively.

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 12 years following that the related taxation period. The corporate tax returns are filed in the tax administration office in April after following the end of the accounting year to which they relate. The corporate taxes are paid in two equal installments in May and October.

MALTA

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

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.

As explained in note 3.18.1, this rate is determined as 22% to be applied to corporate earnings for the taxation periods of 2018, 2019 and 2020. In addition, the Council of Ministers is authorized to reduce the corresponding rate 22% to 20%. As deferred tax assets or liabilities within the scope of TAS 12, are calculated by using the tax rates based on the effective tax rates or tax rates (and tax laws) expected to enter into force as of the reporting period (balance sheet date), to be applied in the periods when the assets turn into income or the debts are paid, the Bank made deferred tax calculation according to the rates of 22% or 20% corresponding to the maturity of the assets and liabilities as of 31 December 2019.

If transactions and events are recorded in the statement of profit or loss, then the related tax effects are also recognized in the statement of profit or loss. 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.

Furthermore, the deferred tax assets are not subject to profit distribution or capital increase as per the BRSA's related circular in cases where there are net asset balances after netting deferred tax assets with deferred tax liabilities.

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

3.20 Share issuances

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

3.21 Confirmed bills of exchange and acceptances

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

3.22 Government incentives

As of 31 December 2019, the Bank does not have any government incentives or grants (2018: None).

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, Shop & Fly, virtual cards under the brand names of Visa and Mastercard 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 digital banking.

Information on the business segments is as follows:

<i>Current Period</i>	Retail Banking	Corporate / Commercial Banking	Investment Banking	Other	Total Operations
Total Operating Profit	12,348,848	9,772,521	(4,622,619)	9,642,506	27,141,256
Other	-	-	-	-	-
Total Operating Profit	12,348,848	9,772,521	(4,622,619)	9,642,506	27,141,256
Net Operating Profit	5,499,594	1,743,498	(5,074,584)	5,638,880	7,807,388
Dividend Income from Associates and Subsidiaries	-	-	-	8,893	8,893
Net Operating Profit	5,499,594	1,743,498	(5,074,584)	5,647,773	7,816,281
Provision for Taxes	-	-	-	1,657,440	1,657,440
Net Profit	5,499,594	1,743,498	(5,074,584)	3,990,333	6,158,841
Segment Assets	71,993,606	163,485,225	118,816,028	28,270,533	382,565,392
Investments in Associates and Subsidiaries	-	-	-	8,586,878	8,586,878
Total Assets	71,993,606	163,485,225	118,816,028	36,857,411	391,152,270
Segment Liabilities	169,796,486	86,694,416	67,961,445	12,934,257	337,386,604
Shareholders' Equity	-	-	-	53,765,666	53,765,666
Total Liabilities and Shareholders' Equity	169,796,486	86,694,416	67,961,445	66,699,923	391,152,270

<i>Prior Period</i>	Retail Banking	Corporate / Commercial Banking	Investment Banking	Other	Total Operations
Total Operating Profit	11,439,128	10,953,205	(3,426,851)	6,080,860	25,046,342
Other	-	-	-	-	-
Total Operating Profit	11,439,128	10,953,205	(3,426,851)	6,080,860	25,046,342
Net Operating Profit	5,666,108	4,172,797	(3,793,562)	2,394,958	8,440,301
Dividend Income from Associates and Subsidiaries	-	-	-	4,960	4,960
Net Operating Profit	5,666,108	4,172,797	(3,793,562)	2,399,918	8,445,261
Provision for Taxes	-	-	-	1,807,025	1,807,025
Net Profit	5,666,108	4,172,797	(3,793,562)	592,893	6,638,236
Segment Assets	67,429,523	155,870,340	110,331,035	18,786,395	352,417,293
Investments in Associates and Subsidiaries	-	-	-	7,059,909	7,059,909
Total Assets	67,429,523	155,858,399	110,331,035	25,858,245	359,477,202
Segment Liabilities	144,469,422	79,616,577	77,871,115	10,832,235	312,789,349
Shareholders' Equity	-	-	-	46,687,853	46,687,853
Total Liabilities and Shareholders' Equity	144,469,422	79,301,070	77,871,115	57,835,595	359,477,202

3.24 Profit reserves and profit appropriation

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

Under the Turkish Commercial Code, legal reserves consist of first legal reserve and second legal reserve. First legal reserve, appropriated at the rate of 5%, until the total reserve is equal to 20% of issued and fully paid-in share capital. Second legal reserve, appropriated at the rate of at least 10% of distributions in excess of 5% of issued and fully paid-in share capital, but holding companies are not subject to such transaction. According to the Turkish Commercial Code, legal reserves can only be used to compensate accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

In the ordinary General Assembly Meeting dated 4 April 2019, a decision is made regarding distribution of the unconsolidated net profit of the Bank amounting to TL 6,638,236, and the table considering the distribution made based on the decision is presented in Note 6.2.

3.25 Earnings per share

Earnings per share disclosed in the statement of profit or loss, are calculated by dividing net profit by the weighted average number of shares outstanding during the year concerned.

	<i>31 December 2019</i>	<i>31 December 2018</i>
Distributable net profit for the year	6,158,841	6,638,236
Average number of issued common shares (thousand)	420,000,000	420,000,000
Earnings per share (amounts presented full TL)	0.01466	0.01581

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

There are no bonus shares issued in 2019 (2018: none).

3.26 Related parties

For the purpose of these financial statements, shareholders having control shares of the Bank, key management personnel and board members together with their families and companies controlled by/subsidiary with them, associated companies and joint ventures and the Fund providing post employment benefits are considered and referred to as related parties in accordance with TAS 24 "Related Parties". The transactions with related parties are disclosed in detail in Note 5.7.

3.27 Cash and cash equivalents

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

3.28 Reclassifications

Reclassifications and remeasurements during the first time application of TFRS 16 Leases Standard dated 1 January 2019 are presented in the below table.

	<i>Note</i>	<i>31.12.2018</i>	<i>TFRS16 Reclassification Effect</i>	<i>TFRS16 Transition Effect</i>	<i>01.01.2019</i>
TANGIBLE ASSETS (Net)	(1),(2)	4,106,029	30,190	923,465	5,059,684
OTHER ASSETS (Net)	(2)	11,167,879	(30,190)	-	11,137,689
LEASE PAYABLES (Net)	(1),(3)	16,464	-	923,465	939,929

(1) In accordance with TFRS 16, the Bank recognised a lease liability and a right-of-use asset amounting to TL 923,465 as of 1 January 2019 for leases previously classified as an operating lease applying TAS 17.

(2) In accordance with TFRS 16, the Bank recognised prepaid rent payments amounting to TL 30,190 under tangible assets as right-of-use which were previously classified under other assets.

(3) As of 1 January 2019, the weighted average of the incremental borrowing interest rates applied to TL, EUR and USD lease liabilities presented in the statement of financial position of the Bank are 23.6%, 4.2% and 7% respectively.

3.29 Other disclosures

As of 31 December 2018, reclassification of collaterals received and given on derivative transactions is performed between banks and other assets amounting to TL 5,180,071 and between deposits and other liabilities amounting to TL 778,569 in order to be in line with Bank's financial statements as of 31 December 2019. Based on this reclassification of the transactions, reclassification amounting to TL 11,095 is made between the interest income on banks and other interest income, and TL 218 TL between interest expense on deposits and other interest expenses in the related period's statement of profit or loss. The effects of the reclassifications are also updated in the consolidated statement of cash flows. Related reclassification process had no effect on the Bank's consolidated financial statement size and performance.

4 Financial Position and Results of Operations and Risk Management

4.1 Total capital

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

4.1.1 Components of total capital

<i>Current Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014^(*)</i>
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	39,170,872	
Other Comprehensive Income according to TAS	5,186,540	
Profit	6,158,841	
Current Period's Profit	6,158,841	
Prior Periods' Profit	-	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	1,855	
Common Equity Tier I Capital Before Deductions	55,502,542	
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 (-)	1,258,902	-
Leasehold Improvements on Operational Leases (-)	163,555	-
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	328,535	328,535
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 (-)	-	-
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 Mortgage Servicing Rights (-)	-	-
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 (-)	-	

	Amount	Amount as per the regulation before 1/1/2014 ^(*)
Total Deductions from Common Equity Tier I Capital	1,750,992	
Total Common Equity Tier I Capital	53,751,550	
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
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)	53,751,550	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	4,693,480	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	3,424,763	
Total Deductions from Tier II Capital	8,118,243	
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	
Total Tier II Capital	8,118,243	
Total Equity (Total Tier I and Tier II Capital)	61,869,793	
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	109	

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014^(*)</i>
Other items to be Defined by the BRSA (-)	7,821	
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)	61,861,863	-
Total Risk Weighted Assets	316,152,290	-
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	17.00	-
Tier I Capital Ratio (%)	17.00	-
Capital Adequacy Ratio (%)	19.57	-
BUFFERS		
Total Additional CET1 Capital Requirement Ratio (a+b)	2.55	-
a) Capital Conservation Buffer Ratio (%)	2.500	-
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.05	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	10.84	-
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	1,732,866	-
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)	5,899,595	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3,424,763	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

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

<i>Prior Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	32,108,914	
Other Comprehensive Income according to TAS	4,443,308	
Profit	7,035,545	
Current Period Profit	6,638,236	
Prior Period Profit	397,309	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	1,855	
Common Equity Tier I Capital Before Deductions	48,574,056	
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 (-)	1,961,968	
Leasehold Improvements on Operational Leases (-)	235,547	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	279,586	279,586
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 (-)	1,672	
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 Mortgage Servicing Rights (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014⁽⁸⁾</i>
Total Deductions from Common Equity Tier I Capital	2,478,773	
Total Common Equity Tier I Capital	46,095,283	
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
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)	46,095,283	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	3,952,425	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	3,228,493	
Total Deductions from Tier II Capital	7,180,918	
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	
Total Tier II Capital	7,180,918	
Total Equity (Total Tier I and Tier II Capital)	53,276,201	
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	1	

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014^(*)</i>
Other items to be Defined by the BRSA (-)	14,040	
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)	53,262,160	-
Total Risk Weighted Assets	290,922,820	-
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	15.84	-
Tier I Capital Ratio (%)	15.84	-
Capital Adequacy Ratio (%)	18.31	-
BUFFERS		
Total Additional CET1 Capital Requirement Ratio (a+b)	1.90	
a) Capital Conservation Buffer Ratio (%)	1.875	-
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.02	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	9.66	-
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	1,326,411	-
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)	5,119,174	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3,228,493	-
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

<i>Current Period</i>	<i>Information about instruments included in total capital calculation</i>	
Issuer	T. Garanti Bankası A.Ş.	T. Garanti Bankası A.Ş.
Identifier (CUSIP, ISIN vb.)	Reg S: ISIN: XS1617531063 Common Code: 161753106 144A: CUSIP: 900148 AE7 ISIN: US900148AE73 Common Code: 161752479	ISIN: TRSGRANE2915
Governing law (s) of the instrument	Subject to English Law and in terms of certain articles to Turkish Regulations. It is issued within the scope of the Communiqué VII-128.8 on Debt Instruments of the Capital Markets Board and the Regulation on Bank Capital of the BRSA.	It is subject to English Law and in terms of certain articles to Turkish Regulations. It is also issued within the scope of the “Regulation on Equities of Banks” and “the Communiqué Regarding the Capital Instruments that will be included in own funds of banks” within the legislation of Capital Markets Board of Turkey.
Regulatory treatment		
Subject to 10% deduction as of 1/1/2015	No	No
Eligible on unconsolidated and /or consolidated basis	Eligible on unconsolidated and consolidated	Eligible on unconsolidated and consolidated
Instrument type	Subordinated debt instruments (Notes)	Subordinated debt instruments (Notes)
Amount recognized in regulatory capital (Currency in TL million, as of most recent reporting date)	4,441 (31 December 2018: 3,952)	253
Nominal value of instrument (TL million)	4,441 (31 December 2018: 3,952)	253
Accounting classification of the instrument	34701 – Secondary Subordinated Loans	34601– Secondary Subordinated Loans
Issuance date of instrument	23.05.2017	09.10.2019
Maturity structure of the instrument (demand/time)	Time	Time
Original maturity of the instrument	24.05.2027	07.10.2029
Issuer call subject to prior supervisory (BRSA) approval	Yes	Yes
Optional call date, contingent call dates and redemption amount	24.05.2022 – USD 750,000,000	07.10.2024 – TL 252,880,000
Subsequent call dates, if applicable	-	-
Interest/dividend payment		
Fixed or floating coupon/dividend payments	Fixed	Floating
Coupon rate and any related index	6.1250%	TLREF + 130 bps
Existence of any dividend payment restriction	None	None
Fully discretionary, partially discretionary or mandatory	-	-
Existence of step up or other incentive to redeem	None	None
Noncumulative or cumulative	None	None
Convertible into equity shares	None	None
If convertible, conversion trigger (s)	-	-
If convertible, fully or partially	-	-
If convertible, conversion rate	-	-
If convertible, mandatory or optional conversion	-	-
If convertible, type of instrument convertible into	-	-
If convertible, issuer of instrument to be converted into	-	-
Write-down feature	Yes	Yes
If bonds can be written-down, write-down trigger(s)	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked and the Bank is liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable), or (iii) it is probable that the Issuer will become non-viable; then the bonds can be written-down.	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked or(ii) to be determined the probability of transfer to the SDIF Turkey, the bonds can be written off.
If bond can be written-down, full or partial	Partially or fully	Partially or fully

If bond can be written-down, permanent or temporary	Continuously	Continuously
If temporary write-down, description of write-up mechanism	There are no any temporary write-up mechanisms.	There are no any temporary write-up mechanisms.
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	In priority of receivables, it comes after the senior obligations of the Issuer.	In priority of receivables, it comes after the senior obligations of the Issuer.
In compliance with article number 7 and 8 of Regulation on Bank Capital	Instrument is in compliant with Article 8 of the Regulation on Bank Capital.	Instrument is in compliant with Article 8 of the Regulation on Bank Capital.
Details of incompliances with article number 7 and 8 of Regulation on Bank Capital	Instrument is not in compliant with Article 7 of the Regulation on Bank Capital.	Instrument is not in compliant with Article 7 of the Regulation on Bank Capital.

4.1.3 Reconciliation of capital items to balance sheet

<i>Current Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the capital report</i>	<i>Explanation of differences</i>
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	784,434	(772,554)	11,880	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Other Capital Reserves	772,554	(772,554)	-	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	-	-	-	
Share Premium	11,880	-	11,880	
Other Comprehensive Income/Expenses in Shareholders' Equity as per TMS	3,451,519	477,974	3,929,493	Items not included in the calculation as per Regulation's Article 9-1-f
Other Comprehensive Income/Expense Items not to be Recycled to Profit/Loss	1,469,353	-	1,469,353	
Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss	1,982,166	477,974	2,460,140	Items not included in the calculation as per Regulation's Article 9-1-f
Profit Reserves	39,170,872	-	39,170,872	
Profit or Loss	6,158,841	-	6,158,841	
Prior Periods' Profit/Loss	-	-	-	
Current Period Net Profit/Loss	6,158,841	-	6,158,841	
Deductions from Common Equity Tier I Capital (-)	-		492,090	Deductions from Common Equity Tier I Capital as per the Regulation
Common Equity Tier I Capital	53,765,666		53,751,550	
Subordinated Debts	-		-	
Deductions from Tier I Capital (-)	-		-	Deductions from Tier I Capital as per the Regulation
Tier I Capital	-		53,751,550	
Subordinated Debts			4,693,480	
12 Month ECL (Stage 1) and Lifetime ECL Significant Increase in Credit Risk (Stage 2)			3,424,763	Stage 1 and Stage 2 expected credit losses 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			8,118,243	
Deductions from Total Capital (-)			7,930	Deductions from Capital as per the Regulation
Total			61,861,863	

<i>Prior Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the capital report</i>	<i>Explanation of differences</i>
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	784,434	(772,554)	11,880	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Other Capital Reserves	772,554	(772,554)	-	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	-	-	-	
Share Premium	11,880	-	11,880	
Other Comprehensive Income/Expenses in Shareholders' Equity as per TMS	2,558,960	(75,765)	2,483,195	Items not included in the calculation as per Regulation's Article 9-1-f
Other Comprehensive Income/Expense Items not to be Recycled to Profit/Loss	1,364,427	-	1,364,427	
Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss	1,194,533	(75,765)	1,118,768	Items not included in the calculation as per Regulation's Article 9-1-f
Profit Reserves	32,108,914	-	32,108,914	
Profit or Loss	7,035,545	-	7,035,545	
Prior Periods' Profit/Loss	397,309	-	397,309	
Current Period Net Profit/Loss	6,638,236	-	6,638,236	
Deductions from Common Equity Tier I Capital (-)	-	-	516,805	Deductions from Common Equity Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	46,687,853		46,095,283	
Subordinated Debts	-	-	-	
Deductions from Tier I Capital (-)	-		-	Deductions from Tier 1 Capital as per the Regulation
Tier I Capital			46,095,283	
Subordinated Debts			3,952,425	
12 Month ECL (Stage 1) and Lifetime ECL Significant Increase in Credit Risk (Stage 2)			3,228,493	Stage 1 and Stage 2 expected credit losses 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			7,180,918	
Deductions from Total Capital (-)			14,041	Deductions from Capital as per the Regulation
Total			53,262,160	

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 periodically reviewed in compliance with the legislation and in case that the risk level of debtor deteriorates, the credit limits are revised and further collateral is required by risk rating models developed and optimized for this purpose. 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 personal or 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 26.15% (31 December 2018: 27.63%) and 31.83% (31 December 2018: 33.38%) of the total cash loan portfolio, respectively.

The Bank's largest 100 and 200 non-cash loan customers compose 38.81% (31 December 2018: 42.96%) and 49.82% (31 December 2018: 53.59%) of the total non-cash loan portfolio, respectively.

The Bank's largest 100 ve 200 cash and non-cash loan customers represent 8.80% (31 December 2018: 9.27%) and 11.16% (31 December 2018: 11.63%) of the total "on and off balance sheet" assets, respectively.

Stage 1 and Stage 2 expected losses for credit risks of the Bank amount to TL 5,816,076 (general provision as of 31 December 2018: TL 5,119,174).

The Bank has developed a statistical internal default rate model for loans extended to corporate, commercial and medium-sized companies. This internal default rate model is used in the expected credit loss calculations of the bank. In the calculation of the default rate model, the risk rating system (rating) is used both in determining the credit authorization limits of the branch managers and in the credit evaluation process.

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

	<i>Current Period</i>	<i>Prior Period</i>
	<i>%</i>	<i>%</i>
Above Average	5.85	4.78
Average	21.93	37.87
Below Average	72.22	57.35
Total	100.00	100.00

Exposure Categories	<i>Current Period</i>		<i>Prior Period</i>	
	<i>Risk Amount (*)</i>	<i>Average Risk Amount (**)</i>	<i>Risk Amount (*)</i>	<i>Average Risk Amount (**)</i>
Conditional and unconditional exposures to central governments or central banks	93,405,432	96,977,533	91,395,206	83,584,494
Conditional and unconditional exposures to regional governments or local authorities	613,724	375,957	230,641	176,446
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	301,575	324,584	397,496	359,443
Conditional and unconditional exposures to multilateral development banks	2,081,605	3,194,797	3,485,069	2,263,373
Conditional and unconditional exposures to international organisations	-	26,322	-	-
Conditional and unconditional exposures to banks and brokerage houses	49,190,595	44,286,363	39,202,926	41,780,880
Conditional and unconditional exposures to corporates	151,903,335	147,512,178	147,460,404	139,507,385
Conditional and unconditional retail exposures	95,771,411	89,241,304	83,732,678	83,521,205
Conditional and unconditional exposures secured by real estate property	28,667,346	32,152,125	32,580,251	37,694,821
Past due items	6,234,268	5,220,702	4,141,318	2,403,440
Items in regulatory high-risk categories	795,991	999,489	891,437	737,244
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	-	7,125	40,542	36,214
Shares	9,223,300	8,185,958	7,273,469	6,581,358
Other items	15,586,149	15,850,946	12,415,415	12,576,841

(*) 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.

4.2.1 Profile of significant exposures in major regions

<i>Current Period</i> (*)	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	Past due receivables	Other	Total
Domestic	89,333,826	14,238,900	146,024,608	95,276,164	28,480,883	6,107,127	17,927,788	397,389,296
European Union (EU) Countries	2,657,395	28,917,438	1,675,487	63,572	131,076	123,290	2,057,961	35,626,219
OECD Countries (**)	72	1,142,715	693,803	6,458	11,541	2	334	1,854,925
Off-Shore Banking Regions	-	10,770	1,880	55	1,135	-	310	14,150
USA, Canada	766	3,447,825	40	7,335	12,492	-	155	3,468,613
Other Countries	1,413,373	326,926	1,005,877	417,827	30,219	3,849	28,918	3,226,989
Associates, Subsidiaries and Joint –Ventures	-	1,106,021	2,501,640	-	-	-	8,586,878	12,194,539
Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	-	-
Total	93,405,432	49,190,595	151,903,335	95,771,411	28,667,346	6,234,268	28,602,344	453,774,731

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

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

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

<i>Prior Period</i> (*)	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	Past due receivables	Other	Total
Domestic	84,468,216	5,179,087	140,042,021	83,252,647	32,440,663	4,002,219	16,643,969	366,028,822
European Union (EU) Countries	5,419,732	26,724,919	1,222,642	50,951	94,762	136,592	1,028,746	34,678,344
OECD Countries (**)	37	1,209,331	1,672,249	6,203	8,392	7	-	2,896,219
Off-Shore Banking Regions	-	63,400	124,345	31	718	-	1	188,495
USA, Canada	20,362	4,737,940	916,953	9,502	6,244	-	-	5,691,001
Other Countries	1,486,859	213,854	1,568,955	413,344	29,472	2,500	1,444	3,716,428
Associates, Subsidiaries and Joint –Ventures	-	1,074,395	1,913,239	-	-	-	7,059,909	10,047,543
Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	-	-
Total	91,395,206	39,202,926	147,460,404	83,732,678	32,580,251	4,141,318	24,734,069	423,246,852

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

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

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

4.2.2 Risk profile by sectors or counterparties

<i>Current Period</i> (*)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agriculture	-	-	-	-	-	-	875,409	612,550	264,098	30,681	6,891	-	-	-	-	-	-	1,195,293	594,336	1,789,629
Farming and Stockbreeding	-	-	-	-	-	-	353,630	506,890	227,855	23,993	6,311	-	-	-	-	-	-	984,053	134,626	1,118,679
Forestry	-	-	-	-	-	-	117,784	74,109	33,698	4,597	506	-	-	-	-	-	-	118,973	111,721	230,694
Fishery	-	-	-	-	-	-	403,995	31,551	2,545	2,091	74	-	-	-	-	-	-	92,267	347,989	440,256
Manufacturing	-	-	49,437	-	-	-	71,669,968	9,516,872	5,929,709	2,411,482	166,129	-	-	-	-	-	-	35,686,356	54,057,241	89,743,597
Mining and Quarrying	-	-	-	-	-	-	2,512,669	377,003	62,595	9,766	1,568	-	-	-	-	-	-	1,230,522	1,733,079	2,963,601
Production	-	-	17	-	-	-	40,806,254	8,912,010	3,971,609	718,110	59,952	-	-	-	-	-	-	28,250,580	26,217,372	54,467,952
Electricity, Gas and Water	-	-	49,420	-	-	-	28,351,045	227,859	1,895,505	1,683,606	104,609	-	-	-	-	-	-	6,205,254	26,106,790	32,312,044
Construction	-	-	16	-	-	-	6,171,076	3,369,072	1,299,662	428,737	304,923	-	-	-	-	-	-	7,435,712	4,137,774	11,573,486
Services	2,011,057	-	1,804	2,081,605	-	49,190,595	64,394,501	77,589,442	20,456,717	3,221,053	278,463	-	-	-	-	32,328	-	175,743,160	43,514,405	219,257,565
Wholesale and Retail Trade	-	-	338	-	-	-	30,940,163	70,638,463	15,715,999	1,550,724	222,297	-	-	-	-	-	-	99,708,878	19,359,106	119,067,984
Accommodation and Dining	-	-	264	-	-	-	4,261,714	1,877,205	2,967,923	140,208	9,218	-	-	-	-	-	-	3,729,471	5,527,061	9,256,532
Transportation and Telecom.	-	-	171	-	-	-	10,006,905	3,090,737	531,234	633,025	15,501	-	-	-	-	-	-	5,347,759	8,929,814	14,277,573
Financial Institutions	2,010,011	-	-	2,081,605	-	49,190,595	11,250,641	205,372	42,759	9,583	12,709	-	-	-	-	32,328	-	62,173,602	2,662,001	64,835,603
Real Estate and Rental Services	-	-	-	-	-	-	3,835,320	1,115,635	774,129	867,930	9,775	-	-	-	-	-	-	2,737,831	3,864,958	6,602,789
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	-	-	993	-	-	-	545,816	240,861	246,368	11,239	6,947	-	-	-	-	-	-	876,369	175,855	1,052,224
Health and Social Services	1,046	-	38	-	-	-	3,553,942	421,169	178,305	8,344	2,016	-	-	-	-	-	-	1,169,250	2,995,610	4,164,860
Others	91,394,375	613,724	250,318	-	-	-	8,792,381	4,683,475	717,160	142,315	39,585	-	-	-	-	9,190,972	15,586,149	59,570,581	71,839,873	131,410,454
Total	93,405,432	613,724	301,575	2,081,605	-	49,190,595	151,903,335	95,771,411	28,667,346	6,234,268	795,991	-	-	-	-	9,223,300	15,586,149	279,631,102	174,143,629	453,774,731

Türkiye Garanti Bankası AŞ

Unconsolidated Financial Report as of and
for the Year Ended 31 December 2019
(Thousands of Turkish Lira (TL))

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

<i>Prior Period</i> (*)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agriculture	-	-	-	-	-	-	902,721	785,087	348,423	17,307	8,931	-	-	-	-	-	-	1,422,680	639,789	2,062,469
Farming and Stockbreeding	-	-	-	-	-	-	554,275	725,212	316,009	15,758	8,048	-	-	-	-	-	-	1,329,845	289,457	1,619,302
Forestry	-	-	-	-	-	-	113,675	32,472	28,038	591	31	-	-	-	-	-	-	41,841	132,966	174,807
Fishery	-	-	-	-	-	-	234,771	27,403	4,376	958	852	-	-	-	-	-	-	50,994	217,366	268,360
Manufacturing	-	-	75,413	-	-	-	69,501,159	8,274,806	7,058,654	1,934,450	98,234	-	-	-	-	-	-	31,810,460	55,132,256	86,942,716
Mining and Quarrying	-	-	-	-	-	-	2,273,089	389,315	64,437	1,693	1,815	-	-	-	-	-	-	849,307	1,881,042	2,730,349
Production	-	-	9	-	-	-	39,032,892	7,678,414	4,422,019	290,101	80,583	-	-	-	-	-	-	25,323,370	26,180,648	51,504,018
Electricity, Gas and Water	-	-	75,404	-	-	-	28,195,178	207,077	2,572,198	1,642,656	15,836	-	-	-	-	-	-	5,637,783	27,070,566	32,708,349
Construction	-	-	31	-	-	-	7,279,248	4,217,604	1,866,623	131,639	409,730	-	-	-	-	-	-	9,400,899	4,503,976	13,904,875
Services	842	-	1,360	3,485,069	-	39,202,926	65,499,451	18,727,703	7,908,735	1,328,689	209,001	-	-	-	40,542	38,631	-	90,120,820	46,322,129	136,442,949
Wholesale and Retail Trade	-	-	181	-	-	-	30,288,468	14,581,785	3,918,524	294,628	169,224	-	-	-	-	-	-	29,657,105	19,595,705	49,252,810
Accommodation and Dining	-	-	62	-	-	-	3,989,342	983,320	2,419,219	113,951	13,340	-	-	-	-	-	-	2,412,122	5,107,112	7,519,234
Transportation and Telecom.	-	-	74	-	-	-	12,961,782	2,141,711	424,331	283,154	19,315	-	-	-	-	-	-	4,225,914	11,604,453	15,830,367
Financial Institutions	-	-	-	3,485,069	-	39,202,926	9,556,650	102,835	71,470	16,690	37	-	-	-	40,542	38,631	-	50,647,082	1,867,768	52,514,850
Real Estate and Rental Services	-	-	-	-	-	-	4,042,776	277,086	661,284	614,927	2,359	-	-	-	-	-	-	1,264,685	4,333,747	5,598,432
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	9	-	967	-	-	-	618,262	208,871	240,343	833	3,268	-	-	-	-	-	-	872,113	200,440	1,072,553
Health and Social Services	833	-	76	-	-	-	4,042,171	432,095	173,564	4,506	1,458	-	-	-	-	-	-	1,041,799	3,612,904	4,654,703
Others	91,394,364	230,641	320,692	-	-	-	4,277,825	51,727,478	15,397,816	729,233	165,541	-	-	-	-	7,234,838	12,415,415	59,552,421	124,341,422	183,893,843
Total	91,395,206	230,641	397,496	3,485,069	-	39,202,926	147,460,404	83,732,678	32,580,251	4,141,318	891,437	-	-	-	40,542	7,273,469	12,415,415	192,307,280	230,939,572	423,246,852

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

4.2.3 Analysis of maturity-bearing exposures according to remaining maturities

Current Period	Term To Maturity						Demand	Total
	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	22,777,040	7,134,006	5,233,151	581,576	44,714,935	12,964,724	93,405,432	
Conditional and unconditional exposures to regional governments or local authorities	-	2,433	-	141,544	469,747	-	613,724	
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	16,618	51,701	51,914	60,462	111,478	9,402	301,575	
Conditional and unconditional exposures to multilateral development banks	51,447	49,486	-	54,663	1,926,009	-	2,081,605	
Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	-	
Conditional and unconditional exposures to banks and brokerage houses	14,527,321	8,748,998	606,075	1,051,750	23,836,667	419,784	49,190,595	
Conditional and unconditional exposures to corporates	9,635,020	10,350,168	11,019,253	22,882,755	90,758,622	7,257,517	151,903,335	
Conditional and unconditional retail exposures	10,171,106	5,967,722	3,953,731	6,912,928	49,085,901	19,680,023	95,771,411	
Conditional and unconditional exposures secured by real estate property	787,261	606,467	876,238	1,720,689	23,433,104	1,243,587	28,667,346	
Past due items	-	-	-	-	-	6,234,268	6,234,268	
Items in regulatory high-risk categories	1,831	10,575	33,104	92,390	331,718	326,373	795,991	
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	
Securitization gains	-	-	-	-	-	-	-	
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	
Shares	-	-	-	-	-	9,223,300	9,223,300	
Other items	58,118	985,573	-	-	-	14,542,458	15,586,149	
Total	58,025,762	33,907,129	21,773,466	33,498,757	234,668,181	71,901,436	453,774,731	

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

<i>Prior Period</i>	Term To Maturity						Total
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year	Demand	
Conditional and unconditional exposures to central governments or central banks	23,370,810	6,110,624	1,040,204	1,302,496	44,585,974	14,985,098	91,395,206
Conditional and unconditional exposures to regional governments or local authorities	292	-	-	5,975	224,374	-	230,641
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	6,568	42,451	21,520	56,004	255,599	15,354	397,496
Conditional and unconditional exposures to multilateral development banks	1,249,182	982,305	-	-	44,340	1,209,242	3,485,069
Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	5,101,009	13,867,015	1,177,600	1,802,696	16,949,631	304,975	39,202,926
Conditional and unconditional exposures to corporates	6,417,388	11,265,778	12,643,659	21,404,507	86,784,552	8,944,520	147,460,404
Conditional and unconditional retail exposures	9,639,903	5,258,250	3,067,069	6,235,004	39,513,903	20,018,549	83,732,678
Conditional and unconditional exposures secured by real estate property	286,119	566,627	917,549	1,725,715	27,213,428	1,870,813	32,580,251
Past due items	-	-	-	-	-	4,141,318	4,141,318
Items in regulatory high-risk categories	2,743	24,290	61,708	133,705	180,086	488,905	891,437
Securitization gains	-	-	-	-	-	-	-
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	-	-	-	-	-	40,542	40,542
Shares	-	-	-	-	-	7,273,469	7,273,469
Other items	106,675	-	786,698	-	-	11,522,042	12,415,415
Total	46,180,689	38,117,340	19,716,007	32,666,102	215,751,887	70,814,827	423,246,852

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

4.2.4 Exposure categories

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

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

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

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

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

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

4.2.5 Exposures by risk weights

Current Period	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Deductions from Equity
Risk Weights											
Exposures before Credit Risk Mitigation	84,069,183	-	24,123,229	13,566,981	47,611,291	95,757,930	188,234,915	411,202	-	-	500,020
Exposures after Credit Risk Mitigation	94,355,140	-	13,419,731	13,560,474	27,775,749	87,375,307	184,967,525	410,721	-	-	500,020

Prior Period	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Deductions from Equity
Risk Weights											
Exposures before Credit Risk Mitigation	80,129,116	-	18,408,181	16,197,339	41,309,313	83,728,424	182,660,844	813,635	-	-	530,846
Exposures after Credit Risk Mitigation	89,283,716	-	18,284,012	16,190,916	23,726,521	76,823,493	176,342,774	812,789	-	-	530,846

4.2.6 Information by major sectors and type of counterparties

The Bank assesses its financial assets in 3 stages based on TFRS 9 as explained in accounting policy note 3.8.1 "Calculation of expected credit losses". In this respect, the Bank recognizes life time expected credit losses for impaired loans (Stage 3) and considers the probability of default to be 100%.

When the loan is not under default yet, but there is a significant increase in the credit risk since origination date, the Bank calculates life time expected credit losses for these loans (Stage 2).

Regarding the remaining financial assets within the scope of TFRS 9, the Bank calculates 12-month estimated probability of default and measures the loss allowance for these loans (Stage 1) at an amount equal to 12-month (after the reporting date) expected credit losses.

<i>Current Period</i>	Loans		<i>TFRS 9 Expected Credit Losses</i>
	<i>Significant Increase in Credit Risk (Stage 2)</i>	<i>Defaulted (Stage 3)</i>	
Agriculture	350,602	96,295	88,752
Farming and Stockbreeding	113,673	75,017	56,654
Forestry	47,035	13,449	10,537
Fishery	189,894	7,829	21,561
Manufacturing	16,626,934	6,468,830	5,952,929
Mining and Quarrying	206,311	43,569	49,108
Production	7,875,344	2,094,894	2,381,761
Electricity, Gas and Water	8,545,279	4,330,367	3,522,060
Construction	2,377,750	1,990,029	1,175,473
Services	11,069,693	6,047,538	4,722,369
Wholesale and Retail Trade	5,331,807	2,151,866	1,778,053
Accommodation and Dining	1,114,793	316,819	257,718
Transportation and Telecommunication	1,270,809	1,571,618	1,045,794
Financial Institutions	528,343	42,540	237,198
Real Estate and Rental Services	2,401,070	1,786,442	1,224,293
Professional Services	-	-	-
Educational Services	259,419	135,427	138,003
Health and Social Services	163,452	42,826	41,310
Others	12,539,076	4,235,979	3,633,617
Total	42,964,055	18,838,671	15,573,140

<i>Prior Period</i>	Loans		<i>TFRS 9 Expected Credit Losses</i>
	<i>Significant Increase in Credit Risk (Stage 2)</i>	<i>Defaulted (Stage 3)</i>	
Agriculture	145,855	65,213	50,989
Farming and Stockbreeding	99,707	56,503	42,729
Forestry	14,201	2,512	3,114
Fishery	31,947	6,198	5,146
Manufacturing	15,632,807	3,854,664	3,720,347
Mining and Quarrying	114,507	24,693	26,404
Production	5,874,494	1,382,059	1,738,446
Electricity, Gas and Water	9,643,806	2,447,912	1,955,497
Construction	1,860,029	1,303,057	737,767
Services	10,420,766	3,491,087	2,992,574
Wholesale and Retail Trade	4,638,552	1,203,189	1,144,776
Accommodation and Dining	1,175,351	239,303	210,180
Transportation and Telecommunication	1,256,839	850,448	784,414
Financial Institutions	2,145,067	52,164	174,224
Real Estate and Rental Services	828,839	1,083,708	592,398
Professional Services	-	-	-
Educational Services	312,333	33,416	58,507
Health and Social Services	63,785	28,859	28,075
Others	14,295,474	3,667,661	3,660,768
Total	42,354,931	12,381,682	11,162,445

4.2.7 Movements in value adjustments and provisions

	<i>Current Period</i>	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Stage 3 Provisions	7,059,017	7,402,523	962,227	2,138,398	11,360,915
2	Stage 1 and Stage 2 Provisions	5,119,174	3,193,988	2,497,086	-	5,816,076

	<i>Prior Period</i>	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Stage 3 Provisions	3,787,069	7,582,718	1,781,172	2,529,598	7,059,017
2	Stage 1 and Stage 2 Provisions	4,354,840	8,215,418	7,451,084	-	5,119,174

4.2.8 Exposures subject to countercyclical capital buffer

<i>Current Period</i> Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	220,389,441	1,494,888	221,884,329
Cayman Islands	896,573	-	896,573
Turkish Republic of Northern Cyprus	808,362	-	808,362
Malta	417,512	-	417,512
Switzerland	341,644	-	341,644
The Netherlands	312,679	-	312,679
United Kingdom	984,825	117,613	1,102,438
Macedonia	144,149	-	144,149
Romania	183,424	-	183,424
Others	288,529	-	288,529

<i>Prior Period</i> Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	208,549,240	1,005,678	209,554,918
Cayman Islands	808,283	-	808,283
Turkish Republic of Northern Cyprus	657,485	-	657,485
Malta	450,333	-	450,333
Switzerland	440,229	-	440,229
The Netherlands	317,740	-	317,740
United Kingdom	154,434	54,814	209,248
Macedonia	148,988	-	148,988
Romania	85,144	-	85,144
Others	227,681	-	227,681

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 2019, the Bank's net 'on balance sheet' foreign currency short position amounts to TL 25,694,849 (31 December 2018: TL 17,732,924), net 'off-balance sheet' foreign currency long position amounts to TL 29,642,308 (31 December 2018: TL 19,778,676), while net foreign currency close position amounts to TL 3,947,459 (31 December 2018: TL 2,045,752).

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	5.9208	6.6431
<u>Exchange rates for the days before balance sheet date:</u>		
Day 1	5.9138	6.6272
Day 2	5.9285	6.6150
Day 3	5.9103	6.5551
Day 4	5.9130	6.5602
Day 5	5.9225	6.5633

	USD	EUR
Last 30-days arithmetical average rates	5.8311	6.4782

The Bank's currency risk:

<i>Current Period</i>	EUR	USD	Other FCs	Total
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	15,279,835	14,499,928	8,610,769	38,390,532
Banks	4,697,295	3,377,017	3,519,551	11,593,863
Financial Assets Measured at Fair Value through Profit/Loss	252,426	4,258,337	-	4,510,763
Money Market Placements	-	183,283	-	183,283
Financial Assets Measured at Fair Value through Other Comprehensive Income	1,546,262	5,003,717	-	6,549,979
Loans (*)	38,786,962	44,897,011	1,580,704	85,264,677
Investments in Associates, Subsidiaries and Joint-Ventures	5,681,755	-	-	5,681,755
Financial Assets Measured at Amortised Cost	286,749	7,597,890	-	7,884,639
Derivative Financial Assets Held for Hedging Purpose	-	16,620	-	16,620
Tangible Assets	-	271	-	271
Intangible Assets	-	-	-	-
Other Assets (**)	2,340,764	3,622,089	(39,442)	5,923,411
Total Assets	68,872,048	83,456,163	13,671,582	165,999,793
Liabilities				
Bank Deposits	1,960,503	74,292	5,008	2,039,803
Foreign Currency Deposits	39,370,172	83,485,083	3,240,826	126,096,081
Money Market Funds	-	436,372	-	436,372
Other Fundings (***)	9,209,960	28,518,409	-	37,728,369
Securities Issued (****)	298,890	14,540,987	-	14,839,877
Miscellaneous Payables	427,957	218,822	17,565	664,344
Derivative Financial Liabilities Held for Hedging Purpose	111,760	292,130	-	403,890
Other Liabilities (*****)	924,597	2,355,893	6,205,416	9,485,906
Total Liabilities	52,303,839	129,921,988	9,468,815	191,694,642
Net 'On Balance Sheet' Position	16,568,209	(46,465,825)	4,202,767	(25,694,849)
Net 'Off-Balance Sheet' Position	(12,339,474)	46,188,494	(4,206,712)	29,642,308
Derivative Financial Assets	7,025,665	68,490,485	832,109	76,348,259
Derivative Financial Liabilities	19,365,139	22,301,991	5,038,821	46,705,951
Non-Cash Loans	-	-	-	-
Prior Period				
Total Assets	68,640,866	83,775,423	10,953,762	163,370,051
Total Liabilities	46,986,577	128,074,305	6,042,093	181,102,975
Net 'On Balance Sheet' Position	21,654,289	(44,298,882)	4,911,669	(17,732,924)
Net 'Off-Balance Sheet' Position	(16,788,606)	41,453,651	(4,886,369)	19,778,676
Derivative Assets	9,137,303	68,721,139	405,496	78,263,938
Derivative Liabilities	25,925,909	27,267,488	5,291,865	58,485,262
Non-Cash Loans	-	-	-	-

(*) The foreign currency-indexed loans amounting TL 1,054,857 included under TL loans in the accompanying balance sheet are presented above under the related foreign currency codes.

(**) Includes expected credit losses in accordance with TFRS 9.

(***) Includes funds presented under financial liabilities amounting TL 14,292,878 measured at fair value through profit or loss in balance sheet.

(****) Includes securities issued having qualification of subordinated loan presented under subordinated debts in balance sheet.

(*****) Other liabilities include gold deposits of TL 6,133,299.

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 against the possible instabilities in the markets. Furthermore, the interest rate risk is monitored according to the limits approved by the board of directors.

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

<i>Current Period</i>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing (*)	Total
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	18,669,286	-	-	-	-	23,007,222	41,676,508
Banks	964,677	-	28,000	-	-	10,876,811	11,869,488
Financial Assets Measured at Fair Value through Profit/Loss	141,354	622	4,546,854	99,953	47,443	54,652	4,890,878
Money Market Placements	10,189,999	-	183,057	-	-	3,390	10,376,446
Financial Assets Measured at Fair Value through Other Comprehensive Income	1,836,846	7,591,477	3,050,473	2,887,303	4,887,613	4,429,338	24,683,050
Loans	55,343,938	24,737,336	76,720,974	69,502,472	12,560,736	12,299,917	251,165,373
Financial Assets Measured at Amortised Cost	2,592,856	2,031,797	9,178,118	1,719,979	5,550,466	7,543,702	28,616,918
Other Assets (**)	-	-	115,730	-	-	17,757,879	17,873,609
Total Assets	89,738,956	34,361,232	93,823,206	74,209,707	23,046,258	75,972,911	391,152,270
Liabilities							
Bank Deposits	184,262	2,588	-	-	-	2,295,958	2,482,808
Other Deposits	140,492,052	18,793,830	11,921,429	206,912	-	74,854,060	246,268,283
Money Market Funds	67,728	436,147	-	-	-	300	504,175
Miscellaneous Payables	-	-	-	-	-	11,323,258	11,323,258
Securities Issued (***)	2,269,407	2,785,828	444,060	10,772,346	4,572,712	293,086	21,137,439
Other Fundings	11,862,514	5,255,248	10,595,086	3,441,085	8,220,764	41,004	39,415,701
Other Liabilities	21,602	51,352	154,743	569,144	223,363	69,000,402	70,020,606
Total Liabilities	154,897,565	27,324,993	23,115,318	14,989,487	13,016,839	157,808,068	391,152,270
On Balance Sheet Long Position	-	7,036,239	70,707,888	59,220,220	10,029,419	-	146,993,766
On Balance Sheet Short Position	(65,158,609)	-	-	-	-	(81,835,157)	(146,993,766)
Off-Balance Sheet Long Position	18,825,171	27,453,300	7,422,157	6,261,442	11,700,050	-	71,662,120
Off-Balance Sheet Short Position	(2,155,964)	(15,559,267)	(8,811,523)	(24,605,860)	(20,249,017)	-	(71,381,631)
Total Position	(48,489,402)	18,930,272	69,318,522	40,875,802	1,480,452	(81,835,157)	280,489

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

(**) Includes expected credit losses in accordance with TFRS 9.

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

<i>Prior Period</i>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing (*)	Total
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	20,879,371	-	-	-	-	20,487,076	41,366,447
Banks	1,064,559	8,000	78,000	-	-	15,102,952	16,253,511
Financial Assets at Fair Value through Profit/Loss	42,180	32,379	4,092,091	108,999	64,933	104,054	4,444,636
Money Market Placements	-	-	-	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	1,839,529	6,214,581	4,889,544	2,797,757	4,428,035	3,298,335	23,467,781
Loans	51,796,837	24,276,436	66,429,245	58,765,874	13,604,077	15,738,995	230,611,464
Financial Assets Measured at Amortised Cost	2,453,716	1,301,732	9,141,677	342,427	6,050,201	6,142,530	25,432,283
Other Assets (**)	216	-	-	177,073	-	17,723,791	17,901,080
Total Assets	78,076,408	31,833,128	84,630,557	62,192,130	24,147,246	78,597,733	359,477,202
Liabilities							
Bank Deposits	119,359	-	2,000	-	-	4,445,646	4,567,005
Other Deposits	114,016,344	31,649,923	15,482,445	73,791	-	51,489,841	212,712,344
Money Market Funds	45,369	9	-	-	-	38	45,416
Miscellaneous Payables	-	-	-	-	-	11,738,083	11,738,083
Securities Issued (***)	524,112	1,301,507	7,392,928	10,293,086	4,072,103	400,640	23,984,376
Other Fundings	21,108,741	12,750,384	9,708,142	136,606	506,682	15,965	44,226,520
Other Liabilities	779,815	3,337	20,372	-	-	61,399,934	62,203,458
Total Liabilities	136,593,740	45,705,160	32,605,887	10,503,483	4,578,785	129,490,147	359,477,202
On Balance Sheet Long Position	-	-	52,024,670	51,688,647	19,568,461	-	123,281,778
On Balance Sheet Short Position	(58,517,332)	(13,872,032)	-	-	-	(50,892,414)	(123,281,778)
Off-Balance Sheet Long Position	17,159,114	14,745,285	19,768,973	4,429,890	9,942,503	-	66,045,765
Off-Balance Sheet Short Position	(1,551,698)	(4,835,220)	(19,039,104)	(21,368,315)	(18,894,434)	-	(65,688,771)
Total Position	(42,909,916)	(3,961,967)	52,754,539	34,750,222	10,616,530	(50,892,414)	356,994

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

(**) Includes expected credit losses in accordance with TFRS 9.

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

4.4.2 Average interest rates on monetary financial instruments (%)

<i>Current Period</i>	EUR	USD	JPY	TL
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	0.07	-	-	8.64
Financial Assets Measured at Fair Value through Profit/Loss	1.74	4.42	-	13.51
Money Market Placements	-	1.62	-	11.33
Financial Assets Measured at Fair Value through Other Comprehensive Income	3.15	5.85	-	15.50
Loans	4.28	6.77	-	19.22
Financial Assets Measured at Amortised Cost	1.41	5.19	-	16.22
Liabilities				
Bank Deposits	-	1.70	-	8.68
Other Deposits	0.13	1.36	0.17	8.12
Money Market Funds	-	3.68	-	7.06
Miscellaneous Payables	-	-	-	-
Securities Issued	5.27	5.83	-	12.16
Other Fundings	1.86	-	-	11.33

<i>Prior Period</i>	EUR	USD	JPY	TL
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	1.83	-	8.05
Banks	0.50	-	-	20.24
Financial Assets at Fair Value through Profit/Loss	3.52	6.94	-	21.36
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	4.42	5.70	-	20.37
Loans	4.66	7.43	-	22.78
Financial Assets Measured at Amortised Cost	0.25	5.26	-	22.89
Liabilities				
Bank Deposits	0.05	-	-	22.86
Other Deposits	0.79	3.09	0.93	17.68
Money Market Funds	-	-	-	7.06
Miscellaneous Payables	-	-	-	-
Securities Issued	3.65	5.64	-	17.79
Other Fundings	1.27	4.42	-	10.50

4.5 Position risk of equity securities

4.5.1 Equity shares in associates and subsidiaries

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

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

<i>Current Period</i>		Comparison		
Equity Securities (shares)		Carrying Value	Fair Value ^(*)	Market Value
1	Investment in Shares- Grade A	8,495,606	8,383,709	154,964
	Quoted Securities	70,191	70,191	154,964
2	Investment in Shares- Grade B	89,548	63,991	152,701
	Quoted Securities	63,991	63,991	152,701
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.

<i>Prior Period</i>		Comparison		
Equity Securities (shares)		Carrying Value	Fair Value ^(*)	Market Value
1	Investment in Shares- Grade A	6,978,190	6,886,773	79,284
	Quoted Securities	59,713	59,713	79,284
2	Investment in Shares- Grade B	79,995	54,438	78,126
	Quoted Securities	54,438	54,438	78,126
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.

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

<i>Current Period</i>		Revaluation Surpluses		Unrealised Gains and Losses	
Portfolio	Gains/Losses in Current Period	Total	Amount in Tier I Capital ^(*)	Total	Amount in Tier I Capital ^(*)
		1	Private Equity Investments	-	-
2	Quoted Shares	48,929	48,929	48,929	-
3	Other Shares	4,907,853	4,907,853	4,907,853	-
	Total	4,956,782	4,956,782	4,956,782	-

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

<i>Prior Period</i>	Gains/Losses in Current Period	Revaluation Surpluses		Unrealised Gains and Losses	
		Total	Amount in Tier I Capital ^(*)	Total	Amount in Tier I Capital ^(*)
1	Private Equity Investments	-	-	-	-
2	Quoted Shares	28,899	28,899	28,899	-
3	Other Shares	3,696,926	3,696,926	3,696,926	-
	Total	3,725,825	3,725,825	3,725,825	-

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

4.5.4 Capital requirement as per equity shares

<i>Current Period</i>		Carrying Value	RWA Total	Minimum Capital Requirement
	Portfolio			
1	Private Equity Investments	-	-	-
2	Quoted Shares	134,182	134,182	10,735
3	Other Shares	8,452,696	8,452,696	676,216
	Total	8,586,878	8,586,878	686,951

<i>Prior Period</i>		Carrying Value	RWA Total	Minimum Capital Requirement
	Portfolio			
1	Private Equity Investments	-	-	-
2	Quoted Shares	114,151	114,151	9,132
3	Other Shares	6,945,758	6,945,758	555,661
	Total	7,059,909	7,059,909	564,793

4.6 Liquidity risk management and liquidity coverage ratio

Liquidity risk is managed by Asset and Liability Management Department (ALMD), Weekly Review Committee 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 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.

Head of Risk management 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. Head of Risk management 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. Head of Risk

management analyses, develops and revises relevant liquidity risk measurement in accordance with changing market conditions and the Bank's structure. Head of Risk management 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 Contingency Plan" in the Bank approved by the Board or Directors, including mechanisms to prevent increase in liquidity risk scenarios for different conditions and levels. Available liquidity sources are determined by considering the liquidity squeezes. Within the framework of this plan, the Bank monitors liquidity risk in terms of early warning indicators and probable scenarios where liquidity risk crisis and possible actions that can be taken.

In the scope of contingency plan within the framework of intraday liquidity risk management procedure, situations requiring the activation of contingency plan and indicating an intraday liquidity stress, and intraday liquidity metrics are monitored and intraday liquidity risk stress testing is performed.

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. 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 3.77% cash, 47.46% deposits in central banks and 48.76% 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 77.46% deposits, 12.43% funds borrowed and money market borrowings, 6.58% securities issued and 3.53% other liabilities.

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

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

<i>Current Period</i>	Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
	TL+FC	FC	TL+FC	FC
High-Quality Liquid Assets			92,639,807	48,575,984
1 Total high-quality liquid assets (HQLA)	92,639,807	48,575,984	92,639,807	48,575,984
Cash Outflows				
2 Retail deposits and deposits from small business customers, of which:	179,055,682	94,617,690	16,144,686	9,461,769
3 Stable deposits	35,217,639	-	1,760,882	-
4 Less stable deposits	143,838,043	94,617,690	14,383,804	9,461,769
5 Unsecured wholesale funding, of which:	63,876,262	33,812,508	34,825,579	17,720,638
6 Operational deposits	-	-	-	-
7 Non-operational deposits	48,236,982	30,538,057	23,666,850	14,638,763
8 Unsecured funding	15,639,280	3,274,451	11,158,729	3,081,875
9 Secured wholesale funding			-	-
10 Other cash outflows of which:	111,222,491	32,803,965	14,410,695	10,134,820
11 Outflows related to derivative exposures and other collateral requirements	4,706,646	6,182,153	4,706,646	6,182,153
12 Outflows related to restructured financial instruments	-	-	-	-
13 Payment commitments and other off-balance sheet commitments granted for debts to financial markets	106,515,845	26,621,812	9,704,049	3,952,667
14 Other revocable off-balance sheet commitments and contractual obligations	1,615	1,615	81	81
15 Other irrevocable or conditionally revocable off-balance sheet obligations	11,851,054	11,620,598	592,553	581,029
16 Total Cash Outflows			65,973,594	37,898,337
Cash Inflows				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	24,820,872	8,069,690	17,258,937	6,483,303
19 Other cash inflows	149,800	4,382,359	149,800	4,382,359
20 Total Cash Inflows	24,970,672	12,452,049	17,408,737	10,865,662
			Upper Limit Applied Values	
21 Total HQLA			92,639,807	48,575,984
22 Total Net Cash Outflows			48,564,857	27,032,675
23 Liquidity Coverage Ratio (%)			191.52	181.08

(*) 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 third quarter of 2019:

<i>Current Period</i>	Highest	Date	Lowest	Date	Average
TL+FC	236.53	26.12.2019	172.10	02.12.2019	191.52
FC	242.41	26.12.2019	147.62	01.10.2019	181.08

<i>Prior Period</i>	Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
	TL+FC	FC	TL+FC	FC
High-Quality Liquid Assets			81,615,892	45,394,420
1 Total high-quality liquid assets (HQLA)	81,615,892	45,394,420	81,615,892	45,394,420
Cash Outflows				
2 Retail deposits and deposits from small business customers, of which:	152,114,076	74,282,591	13,923,882	7,428,259
3 Stable deposits	25,750,504	-	1,287,525	-
4 Less stable deposits	126,363,572	74,282,591	12,636,357	7,428,259
5 Unsecured wholesale funding, of which:	68,446,557	36,895,302	37,610,584	19,360,243
6 Operational deposits	-	-	-	-
7 Non-operational deposits	53,250,916	33,545,594	26,367,039	16,069,757
8 Unsecured funding	15,195,641	3,349,708	11,243,545	3,290,486
9 Secured wholesale funding			-	-
10 Other cash outflows of which:	72,216,417	23,386,847	25,285,751	22,527,664
11 Outflows related to derivative exposures and other collateral requirements	21,939,608	22,008,404	21,939,608	22,008,404
12 Outflows related to restructured financial instruments	-	-	-	-
13 Payment commitments and other off-balance sheet commitments granted for debts to financial markets	50,276,809	1,378,443	3,346,143	519,260
14 Other revocable off-balance sheet commitments and contractual obligations	1,536	1,536	77	77
15 Other irrevocable or conditionally revocable off-balance sheet obligations	72,563,669	49,635,649	3,628,183	2,481,781
16 Total Cash Outflows			80,448,477	51,798,024
Cash Inflows				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	32,698,390	15,437,956	25,321,505	13,837,635
19 Other cash inflows	1,325,652	6,364,855	1,325,652	6,364,855
20 Total Cash Inflows	34,024,042	21,802,811	26,647,157	20,202,490
			Upper Limit Applied Values	
21 Total HQLA			81,615,892	45,394,420
22 Total Net Cash Outflows			53,801,320	31,595,534
23 Liquidity Coverage Ratio (%)			152.39	145.83

(*) 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 2018:

<i>Prior Period</i>	Highest	Date	Lowest	Date	Average
TL+FC	179.31	28.12.2018	131.08	04.11.2018	152.39
FC	220.49	05.10.2018	110.74	06.11.2018	145.83

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.

<i>Current Period</i>	Carrying Value	Gross Nominal Outflows	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over
Bank Deposits	2,482,808	2,481,979	2,295,128	184,263	2,588	-	-	-
Other Deposits	246,268,283	245,493,652	74,079,431	140,489,564	18,789,208	11,900,975	229,142	5,332
Other Fundings	39,415,701	39,844,354	-	800,851	330,771	15,463,984	10,330,883	12,917,865
Interbank Money Market Takings	504,175	503,875	-	67,728	436,147	-	-	-
Securities Issued ^(*)	21,137,439	20,844,352	-	289,127	3,763,228	750,000	11,216,405	4,825,592
Lease payables (net)	1,006,148	1,646,031	-	34,962	84,260	229,129	926,980	370,700
Total	310,814,554	310,814,243	76,374,559	141,866,495	23,406,202	28,344,088	22,703,410	18,119,489

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

<i>Prior Period</i>	Carrying Value	Gross Nominal Outflows	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over
Bank Deposits	4,567,005	4,565,908	3,665,980	897,928	-	2,000	-	-
Other Deposits	212,712,344	211,006,210	49,783,706	114,013,465	31,643,497	15,460,817	97,168	7,557
Other Fundings	44,226,520	44,861,368	-	900,256	644,112	21,863,061	9,207,629	12,246,310
Interbank Money Market Takings	45,416	45,378	-	45,369	9	-	-	-
Securities Issued ^(*)	23,984,376	23,583,735	-	524,111	1,301,507	6,997,686	10,293,085	4,467,346
Total	285,535,661	284,062,599	53,449,686	116,381,129	33,589,125	44,323,564	19,597,882	16,721,213

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

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	18,265,452	23,411,056	-	-	-	-	-	41,676,508
Banks	10,874,986	964,719	-	29,783	-	-	-	11,869,488
Financial Assets Measured at Fair Value through Profit/Loss	46,131	2	127	4,551,577	245,167	47,874	-	4,890,878
Money Market Placements	-	10,193,162	-	183,284	-	-	-	10,376,446
Financial Assets Measured at Fair Value through Other Comprehensive Income	365,878	1,153	3,958,334	1,128,002	12,937,440	6,292,243	-	24,683,050
Loans	351,068	39,702,480	18,242,621	62,720,192	87,292,453	21,680,902	21,175,657	251,165,373
Financial Assets Measured at Amortised Cost	-	51,447	102,113	4,779,442	13,251,602	10,432,314	-	28,616,918
Other Assets (*)	10,516,759	1,810,094	160,631	742,543	624,555	939,757	3,079,270	17,873,609
Total Assets	40,420,274	76,134,113	22,463,826	74,134,823	114,351,217	39,393,090	24,254,927	391,152,270
Liabilities								
Bank Deposits	2,295,128	184,822	2,858	-	-	-	-	2,482,808
Other Deposits	74,079,431	140,906,195	18,852,471	12,194,800	230,025	5,361	-	246,268,283
Other Fundings	-	1,034,030	359,937	15,486,246	10,324,072	12,211,416	-	39,415,701
Money Market Funds	-	67,768	436,407	-	-	-	-	504,175
Securities Issued (**)	-	293,119	3,779,748	752,673	11,448,499	4,863,400	-	21,137,439
Miscellaneous Payables	11,323,256	2	-	-	-	-	-	11,323,258
Other Liabilities (***)	3,078,631	882,624	687,405	910,902	1,420,374	2,058,419	60,982,251	70,020,606
Total Liabilities	90,776,446	143,368,560	24,118,826	29,344,621	23,422,970	19,138,596	60,982,251	391,152,270
Liquidity Gap	(50,356,172)	(67,234,447)	(1,655,000)	44,790,202	90,928,247	20,254,494	(36,727,324)	-
Net Off-Balance Sheet Position	-	384,646	(752,558)	409,449	591,094	25,751	-	658,382
Derivative Financial Assets	-	47,423,055	26,884,501	18,247,514	8,051,501	2,049,957	-	102,656,528
Derivative Financial Liabilities	-	47,038,409	27,637,059	17,838,065	7,460,407	2,024,206	-	101,998,146
Non-Cash Loans	-	15,466,351	2,071,498	1,496,358	424,098	-	116,504,473	135,962,778
Prior Period								
Total Assets	44,728,051	63,159,897	21,061,293	61,021,296	107,306,754	41,733,203	20,466,708	359,477,202
Total Liabilities	58,790,967	129,201,474	34,884,739	45,691,375	20,430,157	17,946,032	52,532,458	359,477,202
Liquidity Gap	(14,062,916)	(66,041,577)	(13,823,446)	15,329,921	86,876,597	23,787,171	(32,065,750)	-
Net Off-Balance Sheet Position	-	(751,846)	45,356	208,651	670,632	139,425	-	312,218
Derivative Financial Assets	-	59,444,974	11,261,910	28,262,980	9,621,643	2,225,490	-	110,816,997
Derivative Financial Liabilities	-	60,196,820	11,216,554	28,054,329	8,951,011	2,086,065	-	110,504,779
Non-Cash Loans	-	13,753,549	4,453,864	2,375,197	176,175	-	109,426,845	130,185,630

(*) Includes expected credit losses in accordance with TFRS 9.

(**) Includes securities issued having qualification of subordinated loan presented under subordinated debts in balance sheet.

(***) Shareholders' equity is included in "other liabilities" line under "undistributed" column.

4.7 Leverage ratio

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

The Bank’s leverage ratio calculated by taking average of end of month leverage ratios for the last three-month period is 9.70% (31 December 2018: 8.76%). While the capital increased by 15.2% mainly as a result of increase in net profits, total risk amount increased by 4%. Therefore, the current period leverage ratio increased by 94 basis points compared to prior period.

		<i>Current Period</i> (*)	<i>Prior Period</i> (*)
On-balance sheet assets			
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	383,691,696	369,577,864
2	(Assets deducted in determining Tier I capital)	(496,261)	(494,046)
3	Total on-balance sheet risks (sum of lines 1 and 2)	383,195,435	369,083,818
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative instruments and credit derivatives	3,048,365	4,771,987
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	17,063,813	11,859,527
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	20,112,178	16,631,514
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	388,502	974,260
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	388,502	974,260
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	144,057,717	144,014,237
11	(Adjustments for conversion to credit equivalent amounts)	(1,266,554)	(3,134,011)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	142,791,163	140,880,226
Capital and total risks			
13	Tier I capital	53,030,842	46,105,283
14	Total risks (sum of lines 3, 6, 9 and 12)	546,487,278	527,569,818
Leverage ratio			
15	Leverage ratio	9.70	8.76

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

4.8 Fair values of financial assets and liabilities

<i>Current Period</i>	Carrying Value	Fair Value
Financial Assets	367,236,445	362,137,088
Interbank Money Market Placements	10,376,446	10,376,446
Banks (*)	47,503,780	47,503,780
Financial Assets Measured at Fair Value Through Profit/Loss	4,890,878	4,890,878
Financial Assets Measured at Fair Value through Other Comprehensive Income	24,683,050	24,683,050
Financial Assets Measured at Amortised Cost	28,616,918	28,402,028
Loans	251,165,373	246,280,906
Financial Liabilities	310,633,533	310,633,533
Bank Deposits	2,482,808	2,482,808
Other Deposits	246,268,283	246,268,283
Other Fundings from Financial Institutions	25,122,823	25,122,823
Securities Issued (**)	21,137,439	21,137,439
Other Liabilities	15,622,180	15,622,180

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

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

<i>Prior Period</i>	Carrying Value	Fair Value
Financial Assets	336,012,228	327,048,967
Interbank Money Market Placements	-	-
Banks (*)	52,056,064	52,056,064
Financial Assets Measured at Fair Value Through Profit/Loss	4,444,636	4,444,636
Financial Assets Available-for-Sale	23,467,781	23,467,781
Investments Held-to-Maturity	25,432,283	25,171,056
Loans	230,611,464	221,909,430
Financial Liabilities	290,851,219	290,851,219
Bank Deposits	4,567,005	4,567,005
Other Deposits	212,712,344	212,712,344
Other Fundings	31,940,682	31,940,682
Securities Issued (**)	23,984,376	23,984,376
Miscellaneous Payables	17,646,812	17,646,812

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

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

Fair value of financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost 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 are measured at amortised cost of financial assets or liabilities calculating by effective interest method.

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

<i>Current Period</i>	Level 1	Level 2	Level 3	Total
Financial Assets Measured at Fair Value through Other Comprehensive Income	23,022,482	1,654,804	5,764	24,683,050
Financial Assets Measured at Fair Value through Profit/Loss	447,773	25,918	4,417,187	4,890,878
Derivative Financial Assets Held for Trading	8,978	2,344,037	94,891	2,447,906
Derivative Financial Assets Held for Hedging Purpose	-	439,781	-	439,781
Financial Assets at Fair Value	23,479,233	4,464,540	4,517,842	32,461,615
Derivative Financial Liabilities Held for Trading	156	2,216,441	752,246	2,968,843
Funds Borrowed (*)	-	-	14,292,878	14,292,878
Derivative Financial Liabilities Held for Hedging Purpose	-	1,115,731	-	1,115,731
Financial Liabilities at Fair Value	156	3,332,172	15,045,124	18,377,452

(*) Funds borrowed includes financial liabilities measured at fair value through profit/loss.

<i>Prior Period</i>	Level 1	Level 2	Level 3	Total
Financial Assets Measured at Fair Value through Other Comprehensive Income	23,248,120	204,862	14,799	23,467,781
Financial Assets Measured at Fair Value through Profit/Loss	333,136	-	4,111,500	4,444,636
Derivative Financial Assets Held for Trading	2,235	2,982,689	10,527	2,995,451
Derivative Financial Assets Held for Hedging Purpose	-	956,483	-	956,483
Financial Assets at Fair Value	23,583,491	4,144,034	4,136,826	31,864,351
Derivative Financial Liabilities Held for Trading	216	2,963,065	878,978	3,842,259
Funds Borrowed (*)	-	-	12,285,838	12,285,838
Derivative Financial Liabilities Held for Hedging Purpose	-	361,793	-	361,793
Financial Liabilities at Fair Value	216	3,324,858	13,164,816	16,489,890

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

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

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

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

	<i>Current Period</i>	<i>Prior Period</i>
Balances at Beginning of Period	4,136,826	100,612
Purchases during the Period	185,909	18,172
Disposals through Sale/Redemptions	(18,069)	(31,345)
Valuation Effect	213,176	(31,774)
Transfers	-	4,081,161
Balances at End of Period	4,517,842	4,136,826

The loans measured at fair value through profit or loss include the loan granted to the special purpose entity as detailed in notes 5.1.8.2. The fair value of this loan is determined by the independent valuation company by considering different methodologies (discounted cash flows, peer market multipliers, similar transaction multipliers in the same sector etc.). Accordingly, the loan is classified as Level 3. In the case that the growth rate in the assumptions used in the discounted cash flow method in the valuation report increased by 0.25% / (decreased by 0.25%) and the risk-free return on investment rate decreased by 0.25% / (increased by 0.25%), assuming all other variables remain constant, the assets and current period profit before tax in the financial statements will increase by approximately TL 106 million TL / (TL 93 million will decrease).

Based on TFRS 9, in order to eliminate the accounting mismatch, the securitized borrowings are measured at fair value and it is used the values of the Turkish Republic's credit default swap (CDS) and Eurobonds together with the Z-spread of the Turkish Republic (TC) and the Bank. The credit default swap (CDS) level is determined based on the remaining maturity.

Regarding valuation of the related securitization transactions, it is determined a reference level which indicates the correlation among the transaction spread at inception date with either of the followings: TC CDS, TC eurobonds, and Z-spreads of the Bank and TC and considered the impact of daily changes in relevant parameters with variation in reference level. Therefore, the fair value of both the securitization transactions and the corresponding Total Return Swap (TRS) transactions are determined as Level 3.

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 Risk Management Disclosures” published in the Official Gazette no. 29511 dated 23 October 2015.

4.10.1 Risk management strategy and weighted amounts

4.10.1.1 Risk management strategy

Risk Management ensures that; risk management policies and principles are applied and adopted throughout the Bank and its consolidated subsidiaries and that risk management system is maintained and improved which pursues risk-return relationship, and measures all risks together and which is in compliance with applicable regulation, bank strategies and policies and where limits determined in connection with the risk appetite approved by the Board of Directors are not breached. Risk Management defines, measures, reports, monitors the risks and ensure the activities executed in order to control these risks thoroughly and timely; also monitors the results.

Policies and procedures regarding risk management are established for consolidated subsidiaries. Policies and procedures are prepared in compliance with applicable legislations that the subsidiaries 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 subsidiaries where risks are defined, measured, monitored and controlled.

Risk management activities are structured under the responsibility of the Board of Directors. Management of various risks that the Bank may be exposed to, including oversight of corporate risk management policies and practices, capital adequacy, planning and liquidity adequacy, is the responsibility of the Risk Committee, which consists of members of the Board of Directors. 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. Senior managements responsibility is to report to Board of Directors about the significant risk the Bank encounters, ensure the compliance with the risk management about own duties, eliminate the risks, deficiencies and errors occurring in the units responsible or take the necessary measures, participate in design and implementation of internal capital adequacy assessment process (ICAAP); participate in process of assessing the adequacy and appropriateness of the underlying assumptions, data sources and principles used to measure the assumptions and risks associated with the models. 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.

Compliant with legislation, the Bank measures and monitors risks that exposed to, considering methods suitable with international standards. 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, 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 the consideration of the capacity of the institution to safely absorbs those risks and the Bank monitors regularly risk appetite metrics regarding capital, liquidity, income recurrence and risk based limits.

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

The Risk Management function conducts the ICAAP report, to be sent to the BRSA by coordinating relevant parties. Stress test report is also 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 ICAAP 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) ^(*)	269,298,816	253,300,775	21,543,905
2	Of which standardised approach (SA)	269,298,816	253,300,775	21,543,905
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	4,682,076	4,978,642	374,566
5	Of which standardised approach for counterparty credit risk (SA-CCR)	4,682,076	4,978,642	374,566
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	9,100,469	7,069,090	728,037
17	Of which standardised approach (SA)	9,100,469	7,069,090	728,037
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	33,070,929	25,574,313	2,645,674
20	Of which basic indicator approach	33,070,929	25,574,313	2,645,674
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)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	316,152,290	290,922,820	25,292,182

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

4.10.2 Linkages between financial statements and risk amounts

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

<i>Current Period</i>	<i>Carrying values in financial statements prepared as per TAS</i>	<i>Carrying values of items in accordance with Turkish Accounting Standards</i>				<i>Not subject to capital requirements</i>
		<i>Subject to credit risk</i>	<i>Subject to counterparty credit risk</i>	<i>Subject to market risk (*)</i>	<i>Subject to capital calculation</i>	
Assets	96,234,717	92,928,334	4,259,276	2,456,619	(149,340)	-
Cash and cash equivalents	63,773,102	63,922,442	-	-	(149,340)	-
Financial assets measured at fair value through profit/loss (FVTPL)	4,890,878	4,227,951	-	662,927	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	24,683,050	24,683,050	1,466,481	-	-	-
Derivative financial assets	2,887,687	94,891	2,792,795	1,793,692	-	-
Loans (net)	263,968,569	269,082,228	720,035	-	(5,067,559)	(46,100)
Loans	251,165,373	251,203,652	-	-	7,821	(46,100)
Lease receivables	-	-	-	-	-	-
Non performing receivables	28,616,918	28,616,918	720,035	-	-	-
Expected credit losses (-)	15,813,722	10,738,342	-	-	5,075,380	-
Assets held for sale and assets of discontinued operations (net)	1,291,274	1,291,274	-	-	-	-
Ownership investments (net)	8,586,878	8,586,878	-	-	-	-
Tangible assets (net)	4,991,224	4,827,668	-	-	163,556	-
Intangible assets (net)	350,882	22,348	-	-	328,534	-
Investment property (net)	703,141	703,141	-	-	-	-
Current tax asset	-	-	-	-	-	-
Deferred tax asset	1,710,519	1,710,519	-	-	-	-
Other assets	13,315,066	14,138,034	-	-	(2,776)	(820,192)
Total assets	391,152,270	393,290,424	4,979,311	2,456,619	(4,727,585)	(866,292)
Liabilities						
Deposits	248,751,091	-	-	-	-	248,751,091
Funds borrowed	25,122,823	-	1,867,232	-	-	23,255,591
Money market funds	504,175	-	504,175	-	-	-
Securities issued (net)	16,407,732	-	-	-	-	16,407,732
Funds	-	-	-	-	-	-
Financial liabilities measured at fvtpl	14,292,878	-	-	-	-	14,292,878
Derivative financial liabilities	4,084,574	-	-	-	-	4,084,574
Factoring payables	-	-	-	-	-	-
Lease payables (net)	1,006,148	-	-	-	-	1,006,148
Provisions	5,731,746	622,573	-	-	588,581	4,520,592
Current tax liability	1,133,550	-	-	-	-	1,133,550
Deferred tax liability	-	-	-	-	-	-
Liabilities for assets held for sale and assets of discontinued operations (net)	-	-	-	-	-	-
Subordinated debts	4,729,707	-	-	-	4,693,480	36,227
Other liabilities	15,622,180	-	-	34,163	-	15,588,017
Shareholders' equity	53,765,666	-	-	-	54,243,640	(477,974)
Total liabilities	391,152,270	622,573	2,371,407	34,163	59,525,701	328,598,426

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

<i>Prior Period</i>	<i>Carrying values in financial statements prepared as per TAS</i>	<i>Carrying values of items in accordance with Turkish Accounting Standards</i>				<i>Not subject to capital requirements</i>
		<i>Subject to credit risk</i>	<i>Subject to counterparty credit risk</i>	<i>Subject to market risk (*)</i>	<i>Subject to capital calculation</i>	
Assets	89,417,032	85,266,470	6,396,957	2,325,755	(65,604)	-
Cash and cash equivalents	57,552,681	57,619,957	-	-	(67,276)	-
Financial assets measured at fair value through profit/loss (FVTPL)	4,444,636	4,165,332	-	277,633	1,672	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	23,467,781	23,467,781	2,458,424	-	-	-
Derivative financial assets	3,951,934	13,400	3,938,534	2,048,122	-	-
Loans (net)	244,582,903	249,252,859	45,482	-	(4,669,956)	-
Loans	230,611,464	230,597,425	-	-	14,040	-
Lease receivables	-	-	-	-	-	-
Non performing receivables	25,432,283	25,432,283	45,482	-	-	-
Expected credit losses (-)	11,460,844	6,776,848	-	-	4,683,996	-
Assets held for sale and assets of discontinued operations (net)	786,709	786,709	-	-	-	-
Ownership investments (net)	7,059,909	7,059,909	-	-	-	-
Tangible assets (net)	4,106,029	3,870,482	-	-	235,547	-
Intangible assets (net)	300,551	20,965	-	-	279,586	-
Investment property (net)	690,700	690,700	-	-	-	-
Current tax asset	60,043	60,043	-	-	-	-
Deferred tax asset	1,305,446	1,305,446	-	-	-	-
Other assets	11,167,880	11,169,625	-	-	(1,745)	-
Total assets	359,477,202	359,483,208	6,442,439	2,325,755	(4,222,173)	-
Liabilities						
Deposits	217,279,349	-	-	-	-	217,279,349
Funds borrowed	31,940,682	-	1,757,546	-	-	30,183,136
Money market funds	45,416	-	45,416	-	-	-
Securities issued (net)	20,007,358	-	-	-	-	20,007,358
Funds	-	-	-	-	-	-
Financial liabilities measured at fvtp1	12,285,838	-	-	-	-	12,285,838
Derivative financial liabilities	4,204,052	-	-	-	-	4,204,052
Factoring payables	-	-	-	-	-	-
Lease payables (net)	16,464	-	-	-	-	16,464
Provisions	4,820,393	282,170	-	-	366,163	4,172,060.07
Current tax liability	565,967	-	-	-	-	565,967
Deferred tax liability	-	-	-	-	-	-
Liabilities for assets held for sale and assets of discontinued operations (net)	-	-	-	-	-	-
Subordinated debts	3,977,018	-	-	-	-	3,977,018
Other liabilities	17,646,812	-	-	19,756	-	17,627,056
Shareholders' equity	46,687,853	-	-	-	46,612,088	75,765
Total liabilities	359,477,202	282,170	1,802,962	19,756	46,978,251	310,394,064

(*) 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

	<i>Current Period</i>	<i>Total</i>	<i>Credit risk</i>	<i>Counterparty credit risk</i>	<i>Market risk (*)</i>
1	Carrying Value of Assets in Accordance with Communiqué "Preparation of Financial Statements" (as per 4.10.2.1)	393,687,788	391,103,908	2,792,795	2,456,619
2	Carrying Value of Debt Instruments that are Subjected to Counterparty Credit Risk as per TAS (as per 4.10.2.1)	2,186,516	2,186,516	2,186,516	-
3	Carrying Value of Liabilities that are Subjected to Counterparty Credit Risk as per TAS (as per 4.10.2.1)	2,371,407	-	2,371,407	-
4	Carrying Value of Other Liabilities as per TAS (as per 4.10.2.1)	34,163	-	-	34,163
5	Total Net Amount within the Scope of Statutory Consolidation	393,468,734	393,290,424	2,607,904	2,422,456
6	Off-balance Sheet Amounts (**)	476,350,943	53,784,508	1,720,490	143,457,602
7	Differences Resulted from the BRSA's Applications		(30,269,917)	(18,979)	-
8	Repurchase Transactions		-	750,216	-
9	Risk Amounts		416,805,015	5,059,631	145,880,058

	<i>Prior Period</i>	<i>Total</i>	<i>Credit risk</i>	<i>Counterparty credit risk</i>	<i>Market risk (*)</i>
1	Carrying Value of Assets in Accordance with Communiqué "Preparation of Financial Statements" (as per 4.10.2.1)	361,195,469	356,979,302	3,938,534	2,325,755
2	Carrying Value of Debt Instruments that are Subjected to Counterparty Credit Risk as per TAS (as per 4.10.2.1)	2,503,906	2,503,906	2,503,906	-
3	Carrying Value of Liabilities that are Subjected to Counterparty Credit Risk as per TAS (as per 4.10.2.1)	1,802,963	-	1,802,963	-
4	Carrying Value of Other Liabilities as per TAS (as per 4.10.2.1)	19,756	-	-	19,756
5	Total Net Amount within the Scope of Statutory Consolidation	361,876,655	359,483,208	4,639,477	2,305,999
6	Off-balance Sheet Amounts (**)	474,865,056	55,595,317	1,725,888	172,110,057
7	Differences Resulted from the BRSA's Applications		(20,230,796)	(10,296)	-
8	Repurchase Transactions		-	261,422	-
9	Risk Amounts		394,847,729	6,616,491	174,416,056

(*) 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 of directors are created based on the prudence, sustainability and customer credit worthiness principles. 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.

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 financial and non-financial information and documents intended to identify the customer are collected in a centralized database, with this information the customer's financial strength is analyzed, credit risk analysis is done. The customers are graded according to their segment and activity fields and the information is kept updated by inquiring the customers. Thus 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.

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, reviewed, and validated 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 are an important part of the loan approval process.

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 and committees of head office, if required by the credit committee and the board of directors. The credit approval authority can be transferred starting from the board of directors by notifying in written form.

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.

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.

Organizational structure related to credit risk management and control functions is detailed below: Units within the scope of credit risk management; Risk Management, Corporate and Specialized Loans, Commercial Loans, Bank and Country Risk, Retail Loans Risk Strategies, SME Loans Risk Strategies, Retail and SME Loans Evaluation, Corporate and Specialized Loans Restructuring, Credit Risk Management Data and Advanced Analytics, Risk Planning Monitoring and Reporting, Regional Loans Coordination, Retail Collection, Specialized Collections and Wholesale Collection.

In addition, decisions regarding the credit policy in the corporate governance framework are taken by the relevant committees. In this context, there are Wholesale Credit, Risk Committee, Retail Credit, Risk Committee, Risk Management Committee, Risk Technology and Analytics, Committee, Credit Admission 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 validated probability of defaults obtained from the Bank's rating models, loss that is caused by defaulted customer and credit conversion factors. The Bank's internal capital is calculated and adequacy is assessed by considering stress tests and scenario analysis. Also, by considering optimum risk return balance, expectations regarding economic outlook the limits are determined for credit portfolios. Risk based analyses are executed, credit concentrations are monitored and the results are presented to senior management.

The Bank carries out on-site and central controls regarding credit risk by the first level control officers in the Bank's business / support units. First-level control officers periodically report the results of the controls they conduct to the management of the related units and the Internal Unit in accordance with the dual reporting obligation. On-site collateral and contract controls at the branches and functioning controls at the regions regarding credit risk are carried out by branch control team of Internal Control Unit located in the second line of defense. In addition, Risk Management Control which reports to the Risk Management Department conducts periodic controls and assessments on credit risk management as a second level control specialist on compliance with the Bank's credit risk policies, rules and procedures.

4.10.3.1.2 Credit quality of assets

	<i>Current Period</i>	<i>Gross carrying value as per TAS</i>		<i>Allowances/amortisation and impairments</i>	<i>Net values</i>
		<i>Defaulted</i>	<i>Non-defaulted</i>		
1	Loans	17,298,981	296,000,239	10,738,342	302,560,878
2	Debt securities	-	52,934,090	-	52,934,090
3	Off-balance sheet exposures	1,539,690	81,630,427	622,573	82,547,544
4	Total	18,838,671	430,564,756	11,360,915	438,042,512

	<i>Prior Period</i>	<i>Gross carrying value as per TAS</i>		<i>Allowances/amortisation and impairments</i>	<i>Net values</i>
		<i>Defaulted</i>	<i>Non-defaulted</i>		
1	Loans	11,407,073	280,508,545	6,776,848	285,138,770
2	Debt securities	-	48,674,952	-	48,674,952
3	Off-balance sheet exposures	974,609	84,230,351	282,169	84,922,791
4	Total	12,381,682	413,413,848	7,059,017	418,736,513

4.10.3.1.3 Changes in stock of default loans and debt securities

	<i>Current Period</i>	<i>Prior Period</i>
1 Defaulted loans and debt securities at end of the previous reporting period	11,407,073	5,408,114
2 Loans and debt securities defaulted since the last reporting period	10,018,847	9,248,953
3 Receivables back to non-defaulted status	-	-
4 Amounts written off	1,665,537	2,349,412
5 Other changes	2,461,402	900,582
6 Defaulted loans and debt securities at end of the reporting period	17,298,981	11,407,073

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

As explained in accounting policy notes of 3.8 "Disclosures on impairment of financial assets" and 3.8.1 "Calculation of expected credit losses", the Bank calculates the expected credit losses in accordance with TFRS 9. At each reporting date, the Bank assesses whether there is a significant increase in the credit risk of the financial instrument within the scope of impairment since it was initially recognized in the financial statements. In making this assessment, it uses the change in the estimated probability of default of the financial instrument.

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

	<i>Current Period</i>			<i>Prior Period</i>		
	<i>Non-performing Loans</i>	<i>Expected Credit losses-Stage 3</i>	<i>Write-Offs</i>	<i>Non-performing</i>	<i>Expected Credit losses-Stage 3</i>	<i>Write-Offs</i>
Domestic	16,953,029	10,524,489	1,594,835	11,022,271	6,533,201	2,349,296
European Union (EU) Countries	321,806	196,730	69,851	356,645	218,538	6
OECD Countries	15	2	7	10	3	1
Off-Shore Banking Regions	-	-	-	-	-	-
USA, Canada	177	20	-	-	-	15
Other Countries	23,954	17,101	844	28,147	25,106	94
Total	17,298,981	10,738,342	1,665,537	11,407,073	6,776,848	2,349,412

	<i>Current Period</i>			<i>Prior Period</i>		
	<i>Non-performing</i>	<i>Expected Credit losses-Stage 3</i>	<i>Write-Offs</i>	<i>Non-performing</i>	<i>Expected Credit losses-Stage 3</i>	<i>Write-Offs</i>
Agriculture	90,860	56,066	5,222	63,857	41,558	-
Farming and Stockbreeding	72,430	43,782	3,965	55,863	35,655	-
Forestry	11,344	7,222	1,189	2,367	1,859	-
Fishery	7,086	5,062	68	5,627	4,044	-
Manufacturing	6,135,136	3,713,890	424,625	3,728,588	1,744,214	6
Mining and Quarrying	43,520	30,629	396	22,404	20,074	-
Production	1,947,403	1,223,803	423,812	1,330,587	991,504	6
Electricity, Gas and Water	4,144,213	2,459,458	417	2,375,597	732,636	-
Construction	979,888	528,931	237,038	701,213	495,358	1
Services	5,861,734	3,365,483	203,999	3,337,185	1,923,612	2,028,307
Wholesale and Retail Trade	2,101,050	1,264,480	84,360	1,096,375	727,449	78
Accommodation and Dining	283,413	152,050	8,673	228,220	112,310	-
Transportation and Telecommunication	1,522,446	888,986	81,187	833,784	543,957	2,028,223
Financial Institutions	40,909	31,580	20,413	52,013	35,451	5
Real Estate and Rental Services	1,752,054	891,947	7,558	1,072,740	456,916	-
Professional Services	-	-	-	-	-	-
Educational Services	126,885	110,714	747	30,593	28,344	-
Health and Social Services	34,977	25,726	1,061	23,460	19,185	1
Others	4,231,363	3,073,972	794,653	3,576,230	2,572,106	321,098
Total	17,298,981	10,738,342	1,665,537	11,407,073	6,776,848	2,349,412

4.10.3.1.4.4 Ageing of past-due exposures

<i>Current Period</i>	<i>Up to 3 Months</i>	<i>3-12 Months</i>	<i>1-3 Years</i>	<i>3-5 Years</i>	<i>5 Years and Over</i>
Corporate and Commercial Loans	2,313,686	4,933,546	5,337,143	732,713	396,265
Retail Loans	326,296	937,091	673,500	236,559	154,312
Credit Cards	176,322	451,042	328,221	166,908	135,377
Others	-	-	-	-	-
Total	2,816,304	6,321,679	6,338,864	1,136,180	685,954

<i>Prior Period</i>	<i>Up to 3 Months</i>	<i>3-12 Months</i>	<i>1-3 Years</i>	<i>3-5 Years</i>	<i>5 Years and Over</i>
Corporate and Commercial Loans	1,933,451	4,138,862	1,300,740	493,494	421,109
Retail Loans	376,419	578,750	623,931	273,799	142,093
Credit Cards	-	123,383	556,333	179,589	265,120
Others	-	-	-	-	-
Total	2,309,870	4,840,995	2,481,004	946,882	828,322

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.

In the scope of capital adequacy ratio calculations, The Bank monitors up to date value of the collaterals by type. Credit monitoring process involves the control of the balance between the value of the collateral and risk besides creditworthiness of the customer.

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

4.10.3.2.2 Credit risk mitigation techniques

	<i>Current Period</i>	<i>Exposures unsecured: carrying amount as per TAS</i>	<i>Exposures secured by collateral</i>	<i>Collateralized amount of exposures secured by collateral</i>	<i>Exposures secured by financial guarantees</i>	<i>Collateralized amount of exposures secured by financial guarantees</i>	<i>Exposures secured by credit derivatives</i>	<i>Collateralized amount of exposures secured by credit derivatives</i>
1	Loans	260,065,860	42,495,018	41,259,490	10,970,595	10,970,595	-	-
2	Debt securities	52,854,280	79,810	17,292	-	-	-	-
3	Total	312,920,140	42,574,828	41,276,782	10,970,595	10,970,595	-	-
4	Of which defaulted	17,298,953	28	583	-	-	-	-

	<i>Prior Period</i>	<i>Exposures unsecured: carrying amount as per TAS</i>	<i>Exposures secured by collateral</i>	<i>Collateralized amount of exposures secured by collateral</i>	<i>Exposures secured by financial guarantees</i>	<i>Collateralized amount of exposures secured by financial guarantees</i>	<i>Exposures secured by credit derivatives</i>	<i>Collateralized amount of exposures secured by credit derivatives</i>
1	Loans	250,578,436	34,560,334	30,905,796	10,664,702	10,664,702	-	-
2	Debt securities	48,674,952	-	-	-	-	-	-
3	Total	299,253,388	34,560,334	30,905,796	10,664,702	10,664,702	-	-
4	Of which defaulted	11,407,073	-	-	-	-	-	-

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:

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

4.10.3.3.2 Credit risk exposure and credit risk mitigation techniques

	<i>Current Period</i>	<i>Exposures before CCF and CRM</i>		<i>Exposures post-CCF and CRM</i>		<i>RWA and RWA density</i>	
		<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>	<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>	<i>RWA</i>	<i>RWA density</i>
	<i>Risk classes</i>						
1	Exposures to sovereigns and their central banks	93,272,031	256,199	104,226,090	117,192	18,585,303	17.81%
2	Exposures to regional and local governments	613,721	15	613,721	3	369,966	60.28%
3	Exposures to administrative bodies and non-commercial entities	266,879	93,617	262,678	10,130	272,808	100.00%
4	Exposures to multilateral development banks	1,403,169	-	1,403,169	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	26,961,881	31,274,358	16,519,886	3,167,499	6,832,394	34.70%
7	Exposures to corporates	122,277,661	55,320,001	115,740,841	26,995,462	139,282,675	97.58%
8	Retail exposures	89,901,182	60,061,404	81,923,326	5,457,381	65,529,784	74.99%
9	Exposures secured by residential property	13,566,424	1,115	13,559,917	557	4,746,166	35.00%
10	Exposures secured by commercial property	13,657,076	2,287,332	13,532,232	1,436,139	9,591,919	64.08%
11	Past-due items	6,234,266	-	6,234,265	-	4,322,746	69.34%
12	Exposures in high-risk categories	326,684	916,887	326,642	468,435	997,731	125.49%
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	15,586,150	-	15,586,151	-	9,544,024	61.23%
17	Shares	9,223,300	-	9,223,300	-	9,223,300	100.00%
18	Total	393,290,424	150,210,928	379,152,218	37,652,798	269,298,816	64.61%

	<i>Prior Period</i>	<i>Exposures before CCF and CRM</i>		<i>Exposures post-CCF and CRM</i>		<i>RWA and RWA density</i>	
		<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>	<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>	<i>RWA</i>	<i>RWA density</i>
	<i>Risk classes</i>						
1	Exposures to sovereigns and their central banks	91,286,687	224,003	101,914,084	129,479	20,123,066	19.72%
2	Exposures to regional and local governments	230,641	-	230,641	-	180,194	78.13%
3	Exposures to administrative bodies and non-commercial entities	363,243	58,762	363,242	19,126	382,368	100.00%
4	Exposures to multilateral development banks	1,026,645	-	1,026,645	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	18,454,492	26,449,496	18,323,131	3,283,296	6,711,337	31.06%
7	Exposures to corporates	114,322,430	58,842,938	107,220,365	28,359,628	133,207,418	98.25%
8	Retail exposures	78,422,192	51,344,080	71,804,926	5,008,266	57,608,830	75.00%
9	Exposures secured by residential property	16,197,026	628	16,190,602	314	5,666,821	35.00%
10	Exposures secured by commercial property	14,820,162	2,353,873	14,652,950	1,560,078	10,252,377	63.24%
11	Past-due items	4,141,318	354	4,141,318	-	3,513,840	84.85%
12	Exposures in high-risk categories	488,948	691,571	488,948	401,265	1,292,836	145.23%
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	40,542	-	40,542	-	-	-
16	Other exposures	12,415,414	-	12,415,414	-	7,088,219	57.09%
17	Shares	7,273,469	-	7,273,469	-	7,273,469	100.00%
18	Total	359,483,209	139,965,705	356,086,277	38,761,452	253,300,775	64.15%

4.10.3.3 Exposures by asset classes and risk weights

	<i>Regulatory portfolio</i>	<i>0%</i>	<i>10%</i>	<i>20%</i>	<i>35% secured by property mortgage</i>	<i>50%</i>	<i>75%</i>	<i>100%</i>	<i>150%</i>	<i>200%</i>	<i>Others</i>	<i>Total risk amount (post- CCF and CRM)</i>
	<i>Current Period</i>											
1	Exposures to sovereigns and their central banks	85,757,928	-	19	-	70	-	18,585,265	-	-	-	104,343,282
2	Exposures to regional and local government	-	-	-	-	487,517	-	126,207	-	-	-	613,724
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	272,808	-	-	-	272,808
4	Exposures to multilateral development banks	1,403,169	-	-	-	-	-	0	-	-	-	1,403,169
5	Exposures to international organizations	-	-	-	-	-	-	0	-	-	-	-
6	Exposures to banks and brokerage houses	8,164	-	11,331,633	-	7,563,042	-	784,546	-	-	-	19,687,385
7	Exposures to corporates	1,129,757	-	1,121,761	-	2,852,922	-	137,631,863	-	-	-	142,736,303
8	Retail exposures	-	-	8,205	-	5,162	87,367,226	114	-	-	-	87,380,707
9	Exposures secured by residential property	-	-	-	13,560,474	-	-	-	-	-	-	13,560,474
10	Exposures secured by commercial property	-	-	-	-	10,752,905	-	4,215,466	-	-	-	14,968,371
11	Past-due items	-	-	-	-	3,823,040	-	2,411,225	-	-	-	6,234,265
12	Exposures in high-risk categories	-	-	-	-	5,376	-	379,022	410,679	-	-	795,077
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	-	-	-	-	-	-	9,223,300	-	-	-	9,223,300
17	Other exposures	6,041,775	-	441	-	-	-	9,543,935	-	-	-	15,586,151
18	Total	94,340,793	-	12,462,059	13,560,474	25,490,034	87,367,226	183,173,751	410,679	-	-	416,805,016

	<i>Regulatory portfolio</i>	0%	10%	20%	35% secured by property mortgage	50%	75%	100%	150%	200%	Others	<i>Total risk amount (post-CCF and CRM)</i>
	<i>Prior Period</i>											
1	Exposures to sovereigns and their central banks	81,920,469	-	9	-	42	-	20,123,043	-	-	-	102,043,563
2	Exposures to regional and local government	-	-	-	-	100,894	-	129,747	-	-	-	230,641
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	382,368	-	-	-	382,368
4	Exposures to multilateral development banks	1,026,645	-	-	-	-	-	-	-	-	-	1,026,645
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	-	16,830,494	-	2,861,391	-	1,914,542	-	-	-	21,606,427
7	Exposures to corporates	7,586	-	504,369	-	3,922,983	-	131,145,055	-	-	-	135,579,993
8	Retail exposures	-	-	2	-	4,252	76,808,938	-	-	-	-	76,813,192
9	Exposures secured by residential property	-	-	-	16,190,916	-	-	-	-	-	-	16,190,916
10	Exposures secured by commercial property	-	-	-	-	11,921,301	-	4,291,727	-	-	-	16,213,028
11	Past-due items	-	-	-	-	1,254,959	-	2,886,359	-	-	-	4,141,318
12	Exposures in high-risk categories	-	-	-	-	7,545	-	69,879	812,789	-	-	890,213
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	40,542	-	-	-	-	-	-	-	-	-	40,542
16	Shares	-	-	-	-	-	-	7,273,469	-	-	-	7,273,469
17	Other exposures	5,326,831	-	455	-	-	-	7,088,128	-	-	-	12,415,414
18	Total	88,322,073	-	17,335,329	16,190,916	20,073,367	76,808,938	175,304,317	812,789	-	-	394,847,729

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 and Structural Risk Department on product, country, counterparty and counterparty type basis.

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

4.10.4.2 Counterparty credit risk (CCR) approach analysis

	<i>Current Period</i>	<i>Replacement cost</i>	<i>Potential future exposure</i>	<i>EEPE(Effective Expected Positive Exposure)</i>	<i>Alpha used for computing regulatory EAD</i>	<i>EAD post-CRM</i>	<i>RWA</i>
1	Standardised Approach - CCR (for derivatives)	2,792,795	1,720,489		1.4	4,494,306	2,930,300
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)					565,325	203,959
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	Total						3,134,259

	<i>Prior Period</i>	<i>Replacement cost</i>	<i>Potential future exposure</i>	<i>EEPE(Effective Expected Positive Exposure)</i>	<i>Alpha used for computing regulatory EAD</i>	<i>EAD post-CRM</i>	<i>RWA</i>
1	Standardised Approach - CCR (for derivatives)	3,938,534	1,725,888		1.4	5,654,125	3,065,139
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)					962,366	547
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	Total						3,065,686

4.10.4.3 Capital requirement for credit valuation adjustment (CVA)

	<i>Current Period</i>		<i>Prior Period</i>	
	<i>EAD post-CRM</i>	<i>RWA</i>	<i>EAD post-CRM</i>	<i>RWA</i>
Total portfolios subject to the Advanced CVA capital obligation	-	-	-	-
1 (i) VaR component (including the 3×multiplier)		-		-
2 (ii) Stressed VaR component (including the 3×multiplier)		-		-
3 All portfolios subject to the Standardised CVA capital obligation	4,494,306	1,547,817	5,654,125	1,912,956
4 Total subject to the CVA capital obligation	4,494,306	1,547,817	5,654,125	1,912,956

4.10.4.4 CCR exposures by risk class and risk weights

<i>Current Period</i>	<i>Risk weight</i>								<i>Total credit exposure</i>
	<i>0%</i>	<i>10%</i>	<i>20%</i>	<i>50%</i>	<i>75%</i>	<i>100%</i>	<i>150%</i>	<i>Other</i>	
Exposures to sovereigns and their central banks	-	-	-	-	-	26,543	-	-	26,543
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	11,914	-	-	11,914
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	37	-	957,664	2,269,706	-	82,994	-	-	3,310,401
Exposures to corporates	14,310	-	8	16,009	-	1,672,324	-	-	1,702,651
Retail exposures	-	-	-	-	8,122	-	-	-	8,122
Exposures secured by mortgage 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	-	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	14,347	-	957,672	2,285,715	8,122	1,793,775	-	-	5,059,631

<i>Prior Period</i>	<i>Risk weight</i>								<i>Total credit exposure</i>
	<i>0%</i>	<i>10%</i>	<i>20%</i>	<i>50%</i>	<i>75%</i>	<i>100%</i>	<i>150%</i>	<i>Other</i>	
Exposures to sovereigns and their central banks	-	-	-	-	-	3,024	-	-	3,024
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	6,266	-	-	6,266
Exposures to multilateral development banks	961,643	-	-	-	-	-	-	-	961,643
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	946,688	3,396,225	-	29,262	-	-	4,372,175
Exposures to corporates	-	-	1,995	256,929	-	999,905	-	-	1,258,829
Retail exposures	-	-	-	-	14,554	-	-	-	14,554
Exposures secured by mortgage 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	-	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	961,643	-	948,683	3,653,154	14,554	1,038,457	-	-	6,616,491

4.10.4.5 Collaterals for CCR

Current Period	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	1,960	-	-	-	67,762	-
Cash-foreign currency	17,019	-	-	-	2,303,329	-
Domestic sovereign debts	-	-	-	-	-	2,177,535
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	18,979	-	-	-	2,371,091	2,177,535

Prior Period	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	3,873	-	-	-	550,722	-
Cash-foreign currency	6,423	-	-	-	1,252,241	-
Domestic sovereign debts	-	-	-	-	-	2,503,891
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	10,296	-	-	-	1,802,963	2,503,891

4.10.4.6 Credit derivatives

	Current Period		Prior Period	
	Protection bought	Protection sold	Protection bought	Protection sold
Notionals				
Single-name credit default swaps	-	-	-	-
Index credit default swaps	-	-	-	-
Total return swaps	-	14,870,724	-	13,092,251
Credit options	-	-	-	-
Other credit derivatives	-	-	-	-
Total Notionals	-	14,870,724	-	13,092,251
Fair Values		(657,355)	-	(868,451)
Positive fair values (asset)	-	94,891	-	10,527
Negative fair values (liability)	-	(752,246)	-	(878,978)

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 market risk management. 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.

The Market Risk function under Market and Structural Risk Department monitors the activities of Global Markets Trading 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

		<i>RWA</i>	
		<i>Current Period</i>	<i>Prior Period</i>
	Outright products	9,069,732	6,829,590
1	Interest rate risk (general and specific)	1,642,838	1,538,562
2	Equity risk (general and specific)	80,156	51,340
3	Foreign exchange risk	7,183,800	5,128,838
4	Commodity risk	162,938	110,850
	Options	30,737	239,500
5	Simplified approach	-	-
6	Delta-plus method	30,737	239,500
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	9,100,469	7,069,090

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 classified under financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost, extraordinary income and income derived from insurance claims.

<i>Current Period</i>				Total/ No. of Years of Positive Gross	Rate (%)	Total
Basic Indicator Approach	31.12.2016	31.12.2017	31.12.2018			
Gross Income	13,536,209	16,281,044	23,096,234	17,637,829	15	2,645,674
Value at Operational Risk (Total x % 12.5)						33,070,929

<i>Prior Period</i>				Total/ No. of Years of Positive Gross	Rate (%)	Total
Basic Indicator Approach	31.12.2015	31.12.2016	31.12.2017			
Gross Income	11,101,647	13,536,209	16,281,044	13,639,633	15	2,045,945
Value at Operational Risk (Total x % 12.5)						25,574,313

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.

Early loan payments under the option risk are considered as unusual payments affecting the repayment of the principal above the regular payment plan, which changes the number and amount of the current payment plan. Within the scope of the early payment model studies, early payment data is based on total early payment and partial early payment distinction. Within the framework of internal net interest income and economic value calculations, early payment option is reflected in monthly reports considering the early payment assumption.

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

<i>Current Period</i>		Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity- Losses/Equity
Type of Currency				
1	TL	(+) 500bp	(4,463,035)	(7.21)%
2	TL	(-) 400bp	4,159,132	6.72%
3	USD	(+) 200bp	158,722	0.26%
4	USD	(-) 200bp	(124,234)	(0.20) %
5	EUR	(+) 200bp	65,395	0.11%
6	EUR	(-) 200bp	(46,952)	(0.08) %
Total (of negative shocks)			3,987,946	6.45%
Total (of positive shocks)			(4,238,918)	(6.85) %

<i>Prior Period</i>		Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity- Losses/Equity
Type of Currency				
1	TL	(+) 500bp	(3,575,813)	(6.71) %
2	TL	(-) 400bp	3,313,745	6.22%
3	USD	(+) 200bp	125,277	0.24%
4	USD	(-) 200bp	(97,656)	(0.18) %
5	EUR	(+) 200bp	31,038	0.06%
6	EUR	(-) 200bp	9,549	0.02%
Total (of negative shocks)			3,225,638	6.06%
Total (of positive shocks)			(3,419,498)	(6.41) %

4.10.9 Remuneration policy

4.10.9.1 Qualitative disclosures regarding remuneration policies

4.10.9.1.1 Disclosures related with Remuneration Committee

The Bank's Remuneration Committee is comprised of two non-executive members of the board. The committee convenes for seven times 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 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 2019, the number of identified staff is 28.

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.

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

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

The Remuneration Policy of 2019 is consistent with the previous period and no change was made in the Policy by the decision of Remuneration Committee. 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 at least 40% of variable remunerations will be deferred for at least 3 years and at least 50% of it will be paid in non-cash instruments.

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

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

The variable remunerations of identified staff are paid using cash and share-linked non-cash instruments. Considering the principles in the “Guidelines on Sound Remuneration Practices in Banks” variable remunerations of identified staff are paid both with cash and non-cash (share-linked) instruments. Regarding variable remunerations of identified staff for the financial period of 2019, BBVA 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 cash equivalents

5.1.1.1 Cash and balances with Central Bank

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1,594,581	2,400,426	1,562,382	2,255,815
Central Bank of Turkey	1,691,395	33,942,897	1,253,438	34,549,115
Others	-	2,047,209	-	1,745,697
Total	3,285,976	38,390,532	2,815,820	38,550,627

Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	1,691,395	10,531,841	1,253,438	13,261,434
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	23,411,056	-	21,287,681
Total	1,691,395	33,942,897	1,253,438	34,549,115

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

5.1.1.2 Banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic banks	30,136	25,667	96,474	3,412
Foreign banks	245,489	11,568,196	302,759	15,850,866
Foreign head offices and branches	-	-	-	-
Total	275,625	11,593,863	399,233	15,854,278

The placements at foreign banks include blocked accounts amounting TL 2,818,396 (31 December 2018: TL 5,565,738) of which TL 2,657,254 (31 December 2018: TL 5,419,705) and TL 161,142 (31 December 2018: TL 146,033) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits.

Due from foreign banks

	Current Period		Prior Period	
	Restricted Balances	Unrestricted Balances	Restricted Balances	Unrestricted Balances
EU Countries	4,185,870	2,657,254	4,586,788	5,419,705
USA and Canada	3,330,695	-	4,500,451	-
OECD Countries (*)	45,266	-	55,637	-
Off-Shore Banking Regions	-	-	-	-
Other	1,433,458	161,142	1,445,011	146,033
Total	8,995,289	2,818,396	10,587,887	5,565,738

5.1.1.3 Receivables from reserve repo transactions

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Domestic Transactions	10,193,163	-	-	-
Central Bank of Turkey	-	-	-	-
Banks	10,193,163	-	-	-
Others	-	-	-	-
Foreign Transactions	-	183,283	-	-
Central banks	-	-	-	-
Banks	-	183,283	-	-
Others	-	-	-	-
Total	10,193,163	183,283	-	-

5.1.1.4 Expected credit losses for cash and cash equivalents

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Current Period				
Balances at End of Prior Period	67,276	-	-	67,276
Additions during the Period (+)	405,011	2	-	405,013
Disposals (-)	(333,027)	-	-	(333,027)
Transfer to 12 month ECL (Stage1)	2	(2)	-	-
Transfer to lifetime ECL Significant Increase in Credit Risk (Stage 2)	-	-	-	-
Transfer to lifetime ECL Impaired Credits (Stage 3)	-	-	-	-
Foreign Currency Differences	10,078	-	-	10,078
Balances at End of Period	149,340	-	-	149,340

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Prior Period				
Balances at Beginning of Period (1January 2018)	6,968	-	-	6,968
Additions during the Period (+)	154,020	5	-	154,025
Disposals (-)	(96,051)	(10)	-	(96,061)
Transfer to 12 month ECL (Stage1)	5	(5)	-	-
Transfer to lifetime ECL Significant Increase in Credit Risk (Stage 2)	(10)	10	-	-
Transfer to lifetime ECL Impaired Credits (Stage 3)	-	-	-	-
Foreign Currency Differences	2,344	-	-	2,344
Balances at End of Period	67,276	-	-	67,276

5.1.2 Information on financial assets measured 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 Financial assets measured at fair value through profit or loss

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Government Securities	340,037	91,126	151,143	83,426
Equity Securities	40,078	20,428	25,670	85,842
Other Financial Assets (*)	-	4,399,209	6,442	4,092,113
Total	380,115	4,510,763	183,255	4,261,381

(*) Financial assets measured at fair value through profit or loss include loan amounting to USD 710,982,828 (31 December 2018: USD 782,928,541) provided to a special purpose entity. As detailed in Note 5.1.8.2, according to the decision made at the 2018 annual general assembly of related special purpose entity, it was decided to increase the capital of the special purpose entity by TL 3,982,230, all of which will be covered by common receivables. After the capital increase, USD 154,885,708 of the related loan, which corresponds to the share of receivables in the Bank, has been paid off.

This loan is classified under financial assets measured at fair value through profit/loss as per TFRS 9. The fair value of this loan is determined by the independent valuation company based on the average of different methodologies (discounted cash flows, similar market multipliers, same sector transaction multipliers, market value and analyst reports). The corresponding loan is considered as Level 3 based on TFRS 13 "Fair Value Measurement" standard.

Valuation techniques considered in the valuation work and any possible changes in the basic assumptions may affect the carrying value of the related asset. For discounted cash flows method, significant unobservable inputs are EBITDA, growth rate and weighted average cost of capital. The estimated fair value of the asset would increase if growth rate and EBITDA are higher and decrease if the weighted average cost of capital is higher. Trading multiples and transaction multiples for the companies operating in the same sector are the other valuation techniques for pricing the assets. Transaction multiples for the companies operating in the same sector are based on similar transactions based on geographical features, industry, size, target market and other factors. Transaction multiples are derived by dividing the enterprise values of the companies to EBITDAs. The estimated fair value of the asset would increase if the multiples were higher and decrease if multiples were lower.

5.1.3 Financial assets measured at fair value through other comprehensive income

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Collateralised/Blocked Assets	1,387,632	1,915,735	4,499,538	862,058
Assets subject to Repurchase Agreements	12,674	-	-	-
Total	1,400,306	1,915,735	4,499,538	862,058

5.1.3.2 Details of financial assets measured at fair value through other comprehensive income

	<i>Current Period</i>	<i>Prior Period</i>
Debt Securities	20,291,894	20,754,024
Quoted at Stock Exchange	20,291,894	20,744,633
Unquoted at Stock Exchange	-	9,391
Common Shares/Investment Fund	132,961	118,885
Quoted at Stock Exchange	4,491	4,491
Unquoted at Stock Exchange	128,470	114,394
Value Increase/Impairment Losses (-)	4,258,195	2,594,872
Total	24,683,050	23,467,781

Expected losses of TL 83,518 (31 December 2018: TL 43,405). is accounted under shareholders' equity for financial assets measured at fair value through other comprehensive income.

5.1.4 Derivative financial assets

5.1.4.1 Positive differences on derivative financial assets measured at FVTPL

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	182,744	14,033	448,993	6,778
Swap Transactions	848,183	1,040,808	1,279,129	602,500
Futures	-	8,488	-	2,235
Options	89,420	264,230	365,236	290,580
Others	-	-	-	-
Total	1,120,347	1,327,559	2,093,358	902,093

5.1.4.2 Derivative financial assets held for hedging purpose

Derivative Financial Assets Held for Hedging Purpose	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedges	11,345	6,675	210,821	42,923
Cash Flow Hedges	412,412	9,349	521,497	181,242
Net Foreign Investment Hedges	-	-	-	-
Total	423,757	16,024	732,318	224,165

As of 31 December 2019, the face values and the net fair values, recognised in the balance sheet, of the derivative financial instruments held for hedging purpose, are summarized below:

	Current Period			Prior Period		
	Face Value	Asset	Liability	Face Value	Asset	Liability
Interest Rate Swaps	57,756,260	24,851	1,092,187	55,753,036	454,310	212,310
-TL	21,365,030	14,243	698,842	10,771,181	230,145	112,222
-FC	36,391,230	10,608	393,345	44,981,855	224,165	100,088
Cross Currency Swaps	2,785,967	414,930	23,544	2,223,564	502,173	98,516
-TL	347,506	409,515	-	859,272	502,173	-
-FC	2,438,461	5,415	23,544	1,364,292	-	98,516
Currency Forwards	-	-	-	496,737	-	50,967
-TL	-	-	-	287,873	-	50,967
-FC	-	-	-	208,864	-	-
Total	60,542,227	439,781	1,115,731	58,473,337	956,483	361,793

5.1.4.3 Fair value hedge accounting

<i>Current Period</i>				Net Fair Value Change of Hedging Item		Statement of profit or loss
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item	Asset	Liability	Effect (gains/losses from derivative financial instruments)
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	147,422	6,224	(186,490)	(32,844)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	14,063	1,691	(15,774)	(20)
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	199,511	4,690	(227,168)	(22,967)
Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	6,809	5,415	(23,544)	(11,320)

<i>Prior Period</i>				Net Fair Value Change of Hedging Item		Statement of profit or loss
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item	Asset	Liability	Effect (gains/losses from derivative financial instruments)
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	(14,818)	75,199	(79,246)	(18,865)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(39,668)	45,883	-	6,215
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(86,498)	132,662	(58,073)	(11,909)
Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	15,263	-	(98,516)	(83,253)

5.1.4.4 Cash flow hedge accounting

Current Period							
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item		Gains/Losses Accounted under Shareholders' Equity in the Period	Gains/Losses Accounted under Statement of Profit/Loss in the Period	Ineffective Portion (net) Accounted under Statement of Profit/Loss
			Asset	Liability			
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	7,075	(554)	(100,304)	47,483	831
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	5,171	(662,201)	(602,570)	417,372	(12,174)
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	409,515	-	(45,838)	(11,946)	-
Currency Forwards	Mile payments	Cash flow risk resulted from foreign currency exchange rates	-	-	50,967	-	-

There is no reclassified amount from the shareholders' equity to the statement of profit or loss due to the ceased hedging transactions.

Prior Period							
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item		Gains/Losses Accounted under Shareholders' Equity in the Period	Gains/Losses Accounted under Statement of Profit/Loss in the Period	Ineffective Portion (net) Accounted under Statement of Profit/Loss
			Asset	Liability			
Interest Rate Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates	-	-	(17)	17	-
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	110,294	(548)	45,842	32,396	1,439
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	90,272	(74,442)	(55,708)	9,665	(5,115)
Cross Currency Swaps	Mile payments	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	-	-	(1,094)	(248)	-
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	502,173	-	18,447	(31,509)	-
Spot Position	Mile payments	Cash flow risk resulted from foreign currency exchange rates	-	(50,968)	(50,968)	-	-

There is no reclassified amount from the shareholders' equity to the statement of profit or loss due to the ceased hedging transactions.

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	62	591,046	105	542,442
Corporates	62	591,046	105	542,442
Individuals	-	-	-	-
Indirect Lendings to Shareholders	605	42,165	83,167	33,234
Loans to Employees	340,289	-	272,072	6
Total	340,956	633,211	355,344	575,682

5.1.5.2 Performing loans and loans under follow-up including restructured loans, and provisions allocated for such loans

Current Period Cash Loans (*)	Performing Loans	Loans under Follow-up		
		Non-restructured	Restructured	
			Revised Contract Terms	Refinanced
Loans	198,547,804	24,054,827	2,490,160	8,773,601
Working Capital Loans	35,637,880	3,816,315	154,395	2,693,560
Export Loans	15,544,542	1,127,858	68,174	166,605
Import Loans	-	-	-	-
Loans to Financial Sector	6,966,225	114	-	-
Consumer Loans	45,885,510	4,639,770	978,953	20,863
Credit Cards	23,725,641	2,976,009	476,277	0
Others	70,788,006	11,494,761	812,361	5,892,573
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	198,547,804	24,054,827	2,490,160	8,773,601

(*) Non-performing loans are not included.

Prior Period Cash Loans (*)	Performing Loans	Loans under Follow-up		
		Non-restructured	Restructured	
			Revised Contract Terms	Refinanced
Loans	183,085,227	27,972,349	5,125,206	3,021,609
Working Capital Loans	30,893,745	3,957,408	159,842	1,248,084
Export Loans	13,126,152	974,531	34,143	53,584
Import Loans	-	-	-	-
Loans to Financial Sector	3,135,539	1,243,584	-	-
Consumer Loans	40,294,922	6,860,148	463,050	12,386
Credit Cards	21,325,626	3,295,069	524,453	-
Others	74,309,243	11,641,609	3,943,718	1,707,555
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	183,085,227	27,972,349	5,125,206	3,021,609

(*) Non-performing loans are not included.

<i>Current Period</i>	Corporate/ Commercial Loans		Consumer Loans		Total	
	TL	FC	TL	FC	TL	FC
Performing Loans (Stage 1)	71,676,726	61,675,434	64,990,445	205,199	136,667,171	61,880,633
Loans under Follow-up (Stage 2)	11,382,083	15,600,131	8,326,340	10,034	19,708,423	15,610,165
Total Stage 1 and 2 Loans	83,058,809	77,275,565	73,316,785	215,233	156,375,594	77,490,798
Expected Credit losses-Stage 1-2 (-)	1,546,648	2,592,454	811,454	390	2,358,102	2,592,844
Total Non-performing Loans	7,287,770	6,719,022	3,292,189	-	10,579,959	6,719,022
Expected Credit losses-Stage 3 (-)	5,056,944	3,450,489	2,230,909	-	7,287,853	3,450,489

<i>Current Period</i>	Corporate/ Commercial Loans		Consumer Loans		Total	
	TL	FC	TL	FC	TL	FC
Performing Loans (Stage 1)	68,376,381	57,117,511	57,413,759	177,576	125,790,140	57,295,087
Loans under Follow-up (Stage 2)	8,667,632	16,913,512	10,529,284	8,736	19,196,916	16,922,248
Total Stage 1 and 2 Loans	77,044,013	74,031,023	67,943,043	186,312	144,987,056	74,217,335
Expected Credit losses-Stage 1-2 (-)	1,235,582	2,291,110	1,100,853	310	2,336,435	2,291,420
Total Non-performing Loans	4,341,392	4,135,304	2,930,377	-	7,271,769	4,135,304
Expected Credit losses-Stage 3 (-)	3,029,863	1,685,763	2,061,222	-	5,091,085	1,685,763

	<i>Current Period</i>		<i>Prior Period</i>	
	Performing Loans	Loans Under Follow-Up	Performing Loans	Loans Under Follow-Up
12-Month ECL (Stage 1)	1,088,983	-	769,085	-
Significant Increase in Credit Risk (Stage 2)	-	3,861,963	-	3,858,770

As of 31 December 2019, loans amounting to TL 3,873,550 are benefited as collateral under funding transactions (31 December 2018: TL 9,470,147).

Collaterals received for loans under follow-up;

<i>Current Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	419,168	18,009	-	437,177
Loans Collateralized by Mortgages/Shares	13,428,115	2,929,471	-	16,357,586
Loans Collateralized by Pledged Assets	1,855,642	186,050	-	2,041,692
Loans Collateralized by Cheques and Notes	104,960	3,402	-	108,362
Loans Collateralized by Other Collaterals	7,975,191	2,004,392	-	9,979,583
Unsecured Loans	2,443,640	498,262	3,452,286	6,394,188
Total	26,226,716	5,639,586	3,452,286	35,318,588

<i>Prior Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	436,212	30,031	-	466,243
Loans Collateralized by Mortgages/Shares	12,270,993	3,679,201	-	15,950,194
Loans Collateralized by Pledged Assets	1,323,769	280,990	-	1,604,759
Loans Collateralized by Cheques and Notes	160,108	5,465	-	165,573
Loans Collateralized by Other Collaterals	7,429,708	2,745,858	-	10,175,566
Unsecured Loans	3,343,268	594,039	3,819,522	7,756,829
Total	24,964,058	7,335,584	3,819,522	36,119,164

Delinquency periods of loans under follow-up;

<i>Current Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	399,676	922,656	168,270	1,490,602
61-90 days	391,059	278,429	62,244	731,732
Others	25,435,981	4,438,501	3,221,772	33,096,254
Total	26,226,716	5,639,586	3,452,286	35,318,588

<i>Prior Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	2,635,779	1,151,680	247,891	4,035,350
61-90 days	436,718	358,987	82,845	878,550
Others	21,891,561	5,824,917	3,488,786	31,205,264
Total	24,964,058	7,335,584	3,819,522	36,119,164

5.1.5.3 Maturity analysis of cash loans

<i>Current Period</i>	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	65,206,521	50,478	5,974,235	468,752
Loans	65,206,521	50,478	5,974,235	468,752
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans	128,422,822	4,867,983	17,926,021	10,949,580
Loans	128,422,822	4,867,983	17,926,021	10,949,580
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-

<i>Prior Period</i>	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	58,651,867	29,795	7,848,897	255,134
Loans	58,651,867	29,795	7,848,897	255,134
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans	120,104,586	4,298,979	19,675,199	8,339,934
Loans	120,104,586	4,298,979	19,675,199	8,339,934
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-

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

<i>Current Period</i>	Short-Term	Medium and Long-Term	Total
Consumer Loans – TL	1,593,022	47,435,809	49,028,831
Housing Loans	16,384	19,452,893	19,469,277
Automobile Loans	148,863	1,675,140	1,824,003
General Purpose Loans	1,427,775	26,307,776	27,735,551
Other	-	-	-
Consumer Loans – FC-indexed	-	153,013	153,013
Housing Loans	-	153,013	153,013
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans – FC	209	74,254	74,463
Housing Loans	-	46,576	46,576
Automobile Loans	185	18,319	18,504
General Purpose Loans	24	9,359	9,383
Other	-	-	-
Retail Credit Cards – TL	21,363,651	370,358	21,734,009
With Installment	9,822,361	370,358	10,192,719
Without Installment	11,541,290	-	11,541,290
Retail Credit Cards – FC	138,938	-	138,938
With Installment	-	-	-
Without Installment	138,938	-	138,938
Personnel Loans – TL	36,453	156,398	192,851
Housing Loan	-	724	724
Automobile Loans	-	19	19
General Purpose Loans	36,453	155,655	192,108
Other	-	-	-
Personnel Loans - FC-indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans – FC	18	120	138
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	18	120	138
Other	-	-	-
Personnel Credit Cards – TL	131,752	529	132,281
With Installment	46,745	529	47,274
Without Installment	85,007	-	85,007
Personnel Credit Cards – FC	1,694	-	1,694
With Installment	-	-	-
Without Installment	1,694	-	1,694
Deposit Accounts– TL (Real persons)	2,062,475	-	2,062,475
Deposit Accounts– TL (Personnel)	13,325	-	13,325
Deposit Accounts– FC (Real persons)	-	-	-
Total	25,341,537	48,190,481	73,532,018

<i>Prior Period</i>	Short-Term	Medium and Long-Term	Total
Consumer Loans – TL	1,294,741	44,106,240	45,400,981
Housing Loans	18,821	21,441,927	21,460,748
Automobile Loans	313,159	2,003,166	2,316,325
General Purpose Loans	962,761	20,661,147	21,623,908
Other	-	-	-
Consumer Loans – FC-indexed	-	187,534	187,534
Housing Loans	-	187,529	187,529
Automobile Loans	-	-	-
General Purpose Loans	-	5	5
Other	-	-	-
Consumer Loans – FC	344	78,081	78,425
Housing Loans	-	47,969	47,969
Automobile Loans	69	20,371	20,440
General Purpose Loans	275	9,741	10,016
Other	-	-	-
Retail Credit Cards – TL	19,855,372	418,644	20,274,016
With Installment	8,950,810	418,644	9,369,454
Without Installment	10,904,562	-	10,904,562
Retail Credit Cards – FC	106,574	-	106,574
With Installment	-	-	-
Without Installment	106,574	-	106,574
Personnel Loans – TL	20,871	118,191	139,062
Housing Loan	-	1,566	1,566
Automobile Loans	-	41	41
General Purpose Loans	20,871	116,584	137,455
Other	-	-	-
Personnel Loans - FC-indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans – FC	16	145	161
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	16	145	161
Other	-	-	-
Personnel Credit Cards – TL	116,405	702	117,107
With Installment	41,469	702	42,171
Without Installment	74,936	-	74,936
Personnel Credit Cards – FC	1,152	-	1,152
With Installment	-	-	-
Without Installment	1,152	-	1,152
Deposit Accounts– TL (Real persons)	1,809,753	-	1,809,753
Deposit Accounts– TL (Personnel)	14,590	-	14,590
Deposit Accounts– FC (Real persons)	-	-	-
Total	23,219,818	44,909,537	68,129,355

5.1.5.5 Installment based commercial loans and corporate credit cards

<i>Current Period</i>	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans – TL	698,237	10,937,099	11,635,336
Real Estate Loans	1,532	541,123	542,655
Automobile Loans	128,728	2,008,812	2,137,540
General Purpose Loans	567,977	8,387,164	8,955,141
Other	-	-	-
Installment-based Commercial Loans - FC-indexed	-	768,231	768,231
Real Estate Loans	-	48,785	48,785
Automobile Loans	-	155,719	155,719
General Purpose Loans	-	563,727	563,727
Other	-	-	-
Installment-based Commercial Loans – FC	222	243,166	243,388
Real Estate Loans	-	-	-
Automobile Loans	-	140,909	140,909
General Purpose Loans	222	102,257	102,479
Other	-	-	-
Corporate Credit Cards – TL	5,002,179	135,481	5,137,660
With Installment	1,830,025	135,481	1,965,506
Without Installment	3,172,154	-	3,172,154
Corporate Credit Cards – FC	33,345	-	33,345
With Installment	-	-	-
Without Installment	33,345	-	33,345
Deposit Accounts– TL (Corporates)	1,336,839	-	1,336,839
Deposit Accounts– FC (Corporates)	-	-	-
Total	7,070,822	12,083,977	19,154,799

<i>Prior Period</i>	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans – TL	1,436,233	13,287,526	14,723,759
Real Estate Loans	3,975	671,981	675,956
Automobile Loans	145,927	1,936,508	2,082,435
General Purpose Loans	1,286,331	10,679,037	11,965,368
Other	-	-	-
Installment-based Commercial Loans - FC-indexed	59,349	2,042,190	2,101,539
Real Estate Loans	-	65,534	65,534
Automobile Loans	346	779,742	780,088
General Purpose Loans	59,003	1,196,914	1,255,917
Other	-	-	-
Installment-based Commercial Loans – FC	81	103,417	103,498
Real Estate Loans	-	-	-
Automobile Loans	-	18,993	18,993
General Purpose Loans	81	84,424	84,505
Other	-	-	-
Corporate Credit Cards – TL	4,584,616	38,066	4,622,682
With Installment	1,813,744	38,066	1,851,810
Without Installment	2,770,872	-	2,770,872
Corporate Credit Cards – FC	23,617	-	23,617
With Installment	-	-	-
Without Installment	23,617	-	23,617
Deposit Accounts– TL (Corporates)	1,460,204	-	1,460,204
Deposit Accounts– FC (Corporates)	-	-	-
Total	7,564,100	15,471,199	23,035,299

5.1.5.6 Allocation of loans by customers

	<i>Current Period</i>	<i>Prior Period</i>
Public Sector	293,742	681,926
Private Sector (*)	233,572,650	218,522,465
Total	233,866,392	219,204,391

5.1.5.7 Allocation of domestic and foreign loans (*)

	<i>Current Period</i>	<i>Prior Period</i>
Domestic Loans	230,820,811	216,188,678
Foreign Loans	3,045,581	3,015,713
Total	233,866,392	219,204,391

(*) Non-performing loans are not included.

5.1.5.8 Loans to associates and subsidiaries

	<i>Current Period</i>	<i>Prior Period</i>
Direct Lending	2,100,490	1,601,778
Indirect Lending	-	-
Total	2,100,490	1,601,778

5.1.5.9 Specific provisions for loans

	<i>Current Period</i>	<i>Prior Period</i>
Substandard Loans - Limited Collectibility	968,572	916,932
Doubtful Loans	3,153,609	2,145,545
Uncollectible Loans	6,616,161	3,714,371
Total	10,738,342	6,776,848

5.1.5.10 Non-performing (NPLs) (Net)

Non-performing loans and loans restructured from this category

	Group III	Group IV	Group V
	Substandard Loans	Doubtful Loans	Uncollectible Loans
Current Period			
(Gross Amounts before Specific Provisions)	928,003	2,888,626	3,568,699
Restructured Loans	928,003	2,888,626	3,568,699
Prior Period			
(Gross Amounts before Specific Provisions)	384,401	2,502,782	1,299,731
Restructured Loans	384,401	2,502,782	1,299,731

Movements in non-performing loans groups

<i>Current Period</i>	Group III	Group IV	Group V
	Substandard Loans	Doubtful Loans	Uncollectible Loans
Balances at End of Prior Period	2,418,783	4,563,212	4,425,078
Additions (+)	7,870,305	1,301,285	221,459
Transfer from Other NPL Categories (+)	-	7,715,278	7,946,351
Transfer to Other NPL Categories (-)	7,715,278	7,946,351	-
Collections during the Period (-)	632,795	850,014	982,694
Write-offs (-) (*)	-	-	713,174
Debt Sale (-) (**)	-	4,100	948,263
Corporate and Commercial Loans	-	1,761	168,493
Retail Loans	-	1,652	467,396
Credit Cards	-	687	312,374
Other	-	-	-
Foreign Currency Differences	43,515	331,675	254,709
Balances at End of Period	1,984,530	5,110,985	10,203,466
Provisions (-)	968,572	3,153,609	6,616,161
Net Balance on Balance Sheet	1,015,958	1,957,376	3,587,305

(*) Includes loans for which 100 % provision is provided during the corresponding period.

(**) All consists of sale of non-performing loans.

<i>Prior Period</i>	Group III	Group IV	Group V
	Substandard Loans	Doubtful Loans	Uncollectible Loans
Balances at Beginning of Period (1 January 2018)	714,373	998,854	3,694,887
Additions (+)	10,115,122	143,034	384,125
Transfer from Other NPL Categories (+)	-	6,008,207	1,739,919
Transfer to Other NPL Categories (-)	6,008,207	1,739,919	-
Collections during the Period (-)	488,051	660,288	1,075,108
Write-offs (-) (*)	2,028,222	31	4,251
Debt Sale (-) (**)	-	5,251	311,657
Corporate and Commercial Loans	-	330	16,142
Retail Loans	-	3,181	152,781
Credit Cards	-	1,740	142,734
Other	-	-	-
Foreign Currency Differences	113,768	(181,394)	(2,837)
Balances at End of Period	2,418,783	4,563,212	4,425,078
Provisions (-)	916,932	2,145,545	3,714,371
Net Balance on Balance Sheet	1,501,851	2,417,667	710,707

(*) Includes loans for which 100 % provision is provided during the corresponding period.

(**) Includes TL 316,908 from the sale of non-performing receivables.

Non-performing loans in foreign currencies

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
<i>Current Period</i>			
Balance at End of Period	535,431	1,949,226	5,017,607
Provisions (-)	267,427	1,103,723	2,635,324
Net Balance at Balance Sheet	268,004	845,503	2,382,283
<i>Prior Period</i>			
Balance at End of Period	1,000,977	3,280,698	764,303
Provisions (-)	340,176	1,453,827	627,233
Net Balance at Balance Sheet	660,801	1,826,871	137,070

Gross and net non-performing loans as per customer categories

	Group III Substandard Loans	Group IV Doubtful Loans	Group V Uncollectible Loans
Current Period (Net)	1,015,958	1,957,376	3,587,305
Loans to Individuals and Corporates (Gross)	1,984,530	5,110,985	10,203,466
Provision (-)	968,572	3,153,609	6,616,161
Loans to Individuals and Corporates (Net)	1,015,958	1,957,376	3,587,305
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans (gross)	-	-	-
Provision (-)	-	-	-
Other Loans (Net)	-	-	-
<i>Prior Period (Net)</i>			
Loans to Individuals and Corporates (Gross)	2,418,783	4,563,212	4,425,078
Provision (-)	916,932	2,145,545	3,714,371
Loans to Individuals and Corporates (Net)	1,501,851	2,417,667	710,707
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans (gross)	-	-	-
Provision (-)	-	-	-
Other Loans (Net)	-	-	-

Interest accruals, valuation differences and related provisions calculated for non-performing loans

	Group III	Group IV	Group V
	Substandard Loans	Doubtful Loans	Uncollectible Loans
Current Period (Net)	15,776	52,745	140,348
Interest accruals and valuation differences	35,966	126,106	318,442
Provision (-)	20,190	73,361	178,094
Prior Period (Net)	41,088	123,666	14,344
Interest accruals and valuation differences	68,489	231,716	40,635
Provision (-)	27,401	108,050	26,291

Collaterals received for non-performing loans

<i>Current Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	13,433	377	-	13,810
Loans Collateralized by Mortgages	8,640,536	322,843	-	8,963,379
Loans Collateralized by Pledged Assets	1,253,995	59,136	-	1,313,131
Loans Collateralized by Cheques and Notes	175,333	5,714	-	181,047
Loans Collateralized by Other Collaterals	2,579,926	1,666,624	-	4,246,550
Unsecured Loans	1,050,130	273,064	1,257,870	2,581,064
Total	13,713,353	2,327,758	1,257,870	17,298,981

<i>Prior Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	6,301	354	-	6,655
Loans Collateralized by Mortgages	5,286,612	240,027	-	5,526,639
Loans Collateralized by Pledged Assets	984,241	59,774	-	1,044,015
Loans Collateralized by Cheques and Notes	162,318	6,875	-	169,193
Loans Collateralized by Other Collaterals	1,760,475	1,397,686	-	3,158,161
Unsecured Loans	87,709	290,276	1,124,425	1,502,410
Total	8,287,656	1,994,992	1,124,425	11,407,073

5.1.5.11 Expected credit loss for loans

<i>Current Period</i>	Stage 1	Stage 2	Stage 3	Total
Balances at End of Prior Period	769,085	3,858,770	6,776,848	11,404,703
Additions during the Period (+)	1,856,777	5,353,628	4,349,984	11,560,389
Disposals (-)	(2,249,307)	(3,051,000)	(884,338)	(6,184,645)
Debt Sales (-)	-	-	(952,363)	(952,363)
Write-offs (-)	-	-	(713,174)	(713,174)
Transfer to Stage1	1,179,288	(1,176,811)	(2,477)	-
Transfer to Stage 2	(481,642)	491,858	(10,216)	-
Transfer to Stage 3	(6,859)	(1,876,567)	1,883,426	-
Foreign Currency Differences	21,641	262,085	290,652	574,378
Balances at End of Period	1,088,983	3,861,963	10,738,342	15,689,288

<i>Prior Period</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balances at Beginning of Period (1 January 2018)	766,696	3,254,252	3,669,512	7,690,460
Additions during the Period (+)	1,453,510	4,780,840	2,640,959	8,875,309
Disposals (-)	(2,090,497)	(960,638)	(809,598)	(3,860,733)
Debt Sales (-)	(649)	-	(316,908)	(317,557)
Write-offs (-)	-	-	(2,032,504)	(2,032,504)
Transfer to Stage1	1,120,160	(1,119,170)	(990)	-
Transfer to Stage 2	(514,569)	520,622	(6,053)	-
Transfer to Stage 3	(4,895)	(3,693,826)	3,698,721	-
Foreign Currency Differences	39,329	1,076,690	(66,291)	1,049,728
Balances at End of Period	769,085	3,858,770	6,776,848	11,404,703

5.1.5.12 Liquidation policy for uncollectible loans and receivables

Uncollectible loans and receivables are collected through legal proceedings and liquidation of collaterals.

5.1.5.13 Write-off policy

5.1.5.13.1 Disclosures on write down policy

The amendment with respect to the regulation on the Principles and Procedures Regarding the Classification of Loans and Reserves Set Aside for These Loans entered into force with its publication in the Official Gazette No.30961 on November 27, 2019. Pursuant to the regulation, the banks are enabled to write down and move off the balance sheet the portion of a loan which is classified as “Group V Loan” (Loans Classified as Loss) if it cannot reasonably be expected to be recovered. The Bank performs objective and subjective assessments whether there is reasonable expectation.

In accordance with TFRS9, a provision is provided for the portions of the loans, that are not expected to be recovered as explained in the accounting policies 3.8 Disclosures on impairment of financial instruments and 3.8.1 Calculation of expected credit losses. Accordingly, the loans which cannot be reasonably expected to be recovered regarding the opinions of the related department responsible from the collection and the portion up to the provision amount of the loans, that are classified as “Group V Loan” (Loans Classified as Loss), can be subject to write-down operation.

In addition, all of the loans that meet the conditions in the below are assessed by the Bank as having completely lost their ability to collect and can be written down based on the positive opinion of the related departments.

- i. Being monitored as a non-performing loan at least for 2 years,
- ii. Not having any collection in the last 6 months,
- iii. Not having any tangible collaterals other than a pledge over movable assets.

As of 31 December 2019, in accordance with the relevant accounting policy the Bank has written down “Group V Loan” (Loans Classified as Loss) amounting to TL 712,527.

Write down	<i>Current Period</i>	
	TL	FC
Corporate/ Commercial Loans	376,458	336,069
Consumer Loans	-	-

5.1.5.13.2 Disclosures on write-off policy

The general policy of the Bank regarding write-off process for loans under follow-up is to write-off the loans which are documented as uncollectible during the legal follow-up process. As of 31 December 2019, total loans written-off from assets are TL 647 (31 December 2018: TL 2,032,504).

5.1.6 Lease receivable

None.

5.1.7 Financial assets measured at amortised cost

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Collateralised/Blocked Investments	3,380,677	4,856,290	3,176,487	4,185,992
Investments subject to Repurchase Agreements	55,581	679,218	46,120	-
Total	3,436,258	5,535,508	3,222,607	4,185,992

5.1.7.2 Government securities measured at amortised cost

	Current Period	Prior Period
Government Bonds	27,558,636	24,585,789
Treasury Bills	-	-
Other Government Securities	-	-
Total	27,558,636	24,585,789

5.1.7.3 Financial assets measured at amortised cost

	Current Period	Prior Period
Debt Securities	21,292,404	19,482,131
Quoted at Stock Exchange	20,358,959	18,653,123
Unquoted at Stock Exchange	933,445	829,008
Valuation Increase/(Decrease)	7,324,514	5,950,152
Total	28,616,918	25,432,283

5.1.7.4 Movement of financial assets measured at amortised cost

	Current Period	Prior Period
Balances at Beginning of Period	25,432,283	22,068,140
Foreign Currency Differences On Monetary Assets	869,946	1,994,487
Purchases during the Period	1,248,680	673,395
Disposals through Sales/Redemptions	(179,054)	(2,148,127)
Valuation Effect	1,245,063	2,844,388
Balances at End of Period	28,616,918	25,432,283

5.1.7.5 Expected credit loss for financial assets measured at amortised cost

Current Period	Stage 1	Stage 2	Stage 3	Total
Balances at End of Prior Period (1 January 2019)	56,141	-	-	56,141
Additions during the Period (+)	87,544	-	-	87,544
Disposal (-)	(22,041)	-	-	(22,041)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	2,790	-	-	2,790
Balances at End of Period	124,434	-	-	124,434

<i>Prior Period</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balances at Beginning of Period (1 January 2018)	16,907	-	-	16,907
Additions during the Period (+)	53,081	-	-	53,081
Disposal (-)	(15,193)	-	-	(15,193)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	1,346	-	-	1,346
Balances at End of Period	56,141	-	-	56,141

5.1.8 Assets held for sale and assets of discontinued operations

5.1.8.1 Movement of assets held for sale and assets of discontinued operations

	<i>Current Period</i>	<i>Prior Period</i>
End of Prior Period		
Cost	799,989	790,182
Accumulated Depreciation (-)	(13,291)	(14,754)
Net Book Value	786,698	775,428
End of Current Period		
Additions	371,559	238,913
Disposals (Cost)	(183,350)	(170,214)
Disposals (Accumulated Depreciation)	1.120	1.463
Impairment Losses	22.047	(58.892)
Depreciation Expense for Current Period (-)	-	-
Cost	1.010.245	799.989
Accumulated Depreciation (-)	(12,171)	(13,291)
Net Book Value	998,074	786,698

5.1.8.2 Investments in subsidiaries and associates to be disposed

	<i>Current Period</i>	<i>Prior Period</i>
Net Book Value at Beginning Period	11	-
Additions (*)	881,129	11
Disposals (Cost)	-	-
Disposals (Accumulated Depreciation)	-	-
Impairment Losses (-)	(587,940)	-
Depreciation Expense for Current Period (-)	-	-
Cost	293,200	11
Accumulated Depreciation (-)	-	-
Net Book Value	293,200	11

(*)Within the context of the existing loan agreements, all creditors including the Bank have reached an agreement on restructuring the loans granted to Ojer Telekomünikasyon A.Ş. (OTAŞ) who is the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) and it is contemplated that Türk Telekom's number of 192,500,000,000 A group shares owned by OTAŞ, representing 55% of its issued share capital corresponding to A group shares have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. As per the agreed structure, it is agreed on the corresponding agreements, completed all required corporate and administrative permissions and the transaction is concluded by a transfer of the aforementioned shares to the special purpose entity incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. In this context, the Bank owned 22.1265% of the founded special purpose entity and the related investment is considered within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operations".

As per the decision made at the 2018 annual general assembly of related special purpose entity, it was decided to increase the capital of the special purpose entity by TL 3,982,230, all of which will be covered by common receivables. The Entity's paid-in capital after the general assembly had been TL 3,982,280. The Bank's shareholding ratios in the Entity's capital did not change as a result of the increase, and the nominal value of the direct shares increased from TL 11 to TL 881.140 and the number of shares increased from 1.106.325 to 88.114.036.863. As explained the details before the capital increase in Note 5.1.2.2, valuation differences recorded on the financial asset are presented as impairment in Assets Held for Sale and Discontinued Operations after capital increase.

The main purpose of the lending banks is to transfer the shares of Türk Telekom to an expert investor after the necessary conditions are met. For this purpose, on 19 September 2019, an international investment bank was authorized as a sales consultant, and in this context necessary actions related to sales will be taken and negotiations with potential investors started within the framework of an active sales plan.

5.1.9 Investments in associates

5.1.9.1 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	4.95	4.97
4	Borsa İstanbul AŞ ⁽²⁾	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	1.54	1.54

	Total Assets	Shareholders ' Equity	Total Fixed Assets ^(*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	147,868	93,468	73,688	3,852	-	28,503	15,603	-
2	1,306,055	110,543	10,457	3,533	1,371	12,626	8,887	-
3	14,878,333	2,176,680	114,859	584,078	19,708	506,418	323,776	-
4	13,285,548	2,665,517	618,258	117,327	265,253	1,173,543	228,053	-
5	348,965	224,008	234,333	8,774	249	26,579	34,818	-
6	721,499,799	85,155,002	541,979	30,135,305	5,070,791	56,279,555	18,383,903	-
7	672,050	627,215	22,866	27,171	-	96,130	101,243	-

(1) Financial information is as of 30 September 2019.

(2) Financial information is as of 31 December 2018.

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

5.1.9.2 Movement of investments in associates

	Current Period	Prior Period
Balance at Beginning of Period	35,158	35,158
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	35,158	35,158
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

5.1.9.3 Sectoral distribution of investments and associates

Investments in Associates	Current Period	Prior Period
Banks	25,557	25,557
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	5,935	5,935
Other Associates	3,666	3,666

5.1.9.4 Quoted associates

None.

5.1.9.5 Valuation methods of investments in associates

Investments in Associates	Current Period	Prior Period
Valued at Cost	35,158	35,158
Valued at Fair Value	-	-

5.1.9.6 Investments in associates sold during the current period

None.

5.1.9.7 Investments in associates acquired during the current period

None.

5.1.10 Investments in subsidiaries

5.1.10.1 Information on capital adequacy of major subsidiaries

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

<i>Current Period</i>	Garanti Bank International NV	Garanti Finansal Kiralama AŞ	Garanti Holding BV
COMMON EQUITY TIER I CAPITAL			
Paid-in Capital to be Entitled for Compensation after All Creditors	913,772	357,848	2,560,180
Share Premium	-	-	86,188
Share Cancellation Profits	-	-	-
Legal Reserves	1,014,013	545,995	(23,430)
Other Comprehensive Income according to TAS	1,990,215	-	115,005
Current and Prior Periods' Profits	40,326	100,436	163,815
Common Equity Tier I Capital Before Deductions	3,958,326	1,004,279	2,901,758
Deductions From Common Equity Tier I Capital			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	13,067	668	795,952
Leasehold Improvements on Operational Leases (-)	-	-	164
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	35,037	13,004	361,254
Net Deferred Tax Asset/Liability (-)	-	-	-
Total Deductions from Common Equity Tier I Capital	48,104	13,672	1,157,370
Total Common Equity Tier I Capital	3,910,222	990,607	1,744,388
Total Deductions From Tier I Capital	-	-	-
Total Tier I Capital	3,910,222	990,607	1,744,388
TIER II CAPITAL	332,155	-	66,346
TOTAL CAPITAL	4,242,377	990,607	1,810,734

<i>Prior Period</i>	Garanti Bank International NV	Garanti Finansal Kiralama AŞ	Garanti Holding BV
COMMON EQUITY TIER I CAPITAL			
Paid-in Capital to be Entitled for Compensation after All Creditors	828,770	357,848	2,320,775
Share Premium	-	-	78,128
Share Cancellation Profits	-	-	-
Legal Reserves	943,565	455,967	(173,836)
Other Comprehensive Income according to TAS	1,707,964	-	27,396
Current and Prior Periods' Profits	70,447	90,029	146,750
Common Equity Tier I Capital Before Deductions	3,550,746	903,844	2,399,213
Deductions From Common Equity Tier I Capital			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	45,089	655	691,154
Leasehold Improvements on Operational Leases (-)	-	39	2,664
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	28,917	10,995	341,733
Net Deferred Tax Asset/Liability (-)	-	-	5,845
Total Deductions from Common Equity Tier I Capital	74,006	11,689	1,041,396
Total Common Equity Tier I Capital	3,476,740	892,155	1,357,817
Total Deductions From Tier I Capital	-	-	-
Total Tier I Capital	3,476,740	892,155	1,357,817
TIER II CAPITAL	301,095	-	60,286
TOTAL CAPITAL	3,777,835	892,155	1,418,103

5.1.10.2 Investments in subsidiaries

	Subsidiary	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	-	-
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	128,490	104,697	53	17,253	-	24,950	10,166	-
2	43,551	19,495	497	3,439	-	(394)	3,272	-
3	-	-	-	-	-	-	-	-
4	3,231	1,797	1,251	-	-	(101)	55	-
5	5,610	4,361	13	768	-	596	1,047	-
6	4,948,377	1,018,506	20,626	454,313	-	100,436	80,616	-
7	2,201,627	163,984	14,678	370,149	-	24,438	(57,376)	-
8	667,150	322,358	31,388	26,350	8,532	144,173	60,665	-
9	147,560	135,329	1,685	15,480	3,292	37,222	26,995	-
10	2,170,857	1,358,590	53,652	306,439	8,042	454,295	454,189	-
11	24,028,269	3,932,686	249,892	810,927	24,543	40,327	70,447	-
12	2,262,044	2,260,174	-	-	-	(537)	(441)	-

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

5.1.10.3 Movement of investments in subsidiaries

	<i>Current Period</i>	<i>Prior Period</i>
Balances at Beginning of Period	7,024,751	6,185,817
Movements during the Period	1,526,969	838,934
Acquisitions	-	-
Bonus Shares Received	-	-
Earnings from Current Year Profit	893,943	751,691
Sales/Liquidations	(352)	-
Reclassification of Shares	-	-
Increase/(Decrease) in Market Values ^(*)	131,006	(1,058,750)
Currency Differences on Foreign Subsidiaries	502,372	1,145,993
Impairment Reversals/(Losses)	-	-
Balance at End of Period	8,551,720	7,024,751
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

^(*) TL 1,018,959 of Prior Period's Value Decrease amount is due to the dividend distribution of Garanti Emeklilik AŞ as per the decision made at its Annual General Assembly meeting held on 9 April 2018.

5.1.10.4 Sectoral distribution of investments in subsidiaries

Subsidiaries	<i>Current Period</i>	<i>Prior Period</i>
Banks	3,921,883	3,499,491
Insurance Companies	1,153,607	764,722
Factoring Companies	134,182	114,151
Leasing Companies	1,018,498	902,555
Finance Companies	2,219,530	1,660,292
Other Subsidiaries	104,020	83,540

5.1.10.5 Quoted consolidated investments in subsidiaries

	<i>Current Period</i>	<i>Prior Period</i>
Quoted at Domestic Stock Exchange	134,182	114,151
Quoted at Foreign Stock Exchange	-	-

5.1.10.6 Valuation methods of investments in subsidiaries

Subsidiaries	<i>Current Period</i>	<i>Prior Period</i>
Valued at Cost	104,020	83,540
Valued at Fair Value ^(*)	8,447,700	6,941,211

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

5.1.10.7 Investments in subsidiaries disposed during the current period

The liquidation process of Garanti Hizmet Yönetimi A.Ş. was completed on 26 December 2019 by the Istanbul Chamber of Commerce by registering the end of the liquidation of the company.

5.1.10.8 Investments in subsidiaries acquired during the current period

None.

5.1.11 Investments in Joint-Ventures

None.

5.1.12 Tangible assets

	Leases					Total
	Real Estates	Leased Tangible Assets	Right-of-use Assets	Vehicles	Other Tangible Assets	
At End of Prior Period:						
Cost	3,135,896	-	-	19,362	2,846,697	6,001,955
Accumulated Depreciation (-)	(26,376)	-	-	(11,563)	(1,857,987)	(1,895,926)
Net Book Value at End of Prior Period	3,109,520	-	-	7,799	988,710	4,106,029
At End of Current Period:						
Additions	128,146	-	1,392,722	5,184	264,476	1,790,528
Revaluation Model Difference	-	-	-	-	-	-
Transfers from Investment Property	-	-	-	-	-	-
Disposals (Costs)	(59,642)	-	(163,070)	(2,414)	(74,641)	(299,767)
Disposals (Accumulated Depreciation)	222	-	4,780	2,404	20,460	27,866
Impairment/Reversal of Impairment Losses	2,186	-	-	-	-	2,186
Depreciation Expense for Current Period (-)	(36,430)	-	(276,312)	(2,643)	(320,233)	(635,618)
Cost at End of Current Period	3,206,586	-	1,229,652	22,132	3,036,532	7,494,902
Accumulated Depreciation at End of Current	(62,584)	-	(271,532)	(11,802)	(2,157,760)	(2,503,678)
Net Book Value at End of Current Period	3,144,002	-	958,120	10,330	878,772	4,991,224

The Bank accounts its real estates recorded under tangible assets based on the revaluation model in accordance with the Turkish Accounting Standard 16 (TAS 16) "Property, Plant and Equipment". Accordingly, for all real estates registered in the ledger, valuation studies are performed by independent expertise firms.

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.

5.1.13.3 Balances at end of current period

	Beginning of Period		End of Period	
	Cost	Accumulated Amortisation	Cost	Accumulated Amortisation
Intangible Assets	793,134	442,252	664,762	364,211

5.1.13.4 Movements of intangible assets for current period

	Current Period	Prior Period
Net Book Value at End of Prior Period	300,551	285,654
Internally Generated Intangibles	-	-
Additions due to Mergers, Transfers and Acquisition	129,869	88,239
Disposals (-)	(339)	(6,335)
Impairment Losses/Reversals to/from Revaluation Surplus	-	-
Impairment Losses Recorded in Income Statement	-	-
Impairment Losses Reversed from Income Statement	-	-
Amortisation Expense for Current Period (-)	(78,083)	(74,224)
Currency Translation Differences on Foreign Operations	-	-
Other Movements	(1,116)	7,217
Net Book Value at End of Current Period	350,882	300,551

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.

5.1.14 Investment property

	<i>Current Period</i>	<i>Prior Period</i>
Net Book Value at Beginning Period	690,700	690,588
Additions	35,343	6,576
Disposals	(268)	(8,850)
Transfers to Tangible Assets	-	8,000
Fair Value Change	(22,634)	(5,614)
Net Book Value at End of Current Period	703,141	690,700

The investment property is held for operational leasing purposes. The Bank account its investment property based on the fair value model in accordance with the Turkish Accounting Standard 40 (TAS 40) "Investment Property". Accordingly, for all investment properties registered in the ledger, valuation studies are performed by independent expertise firms every year.

5.1.15 Deferred tax asset

As of 31 December 2019, the Bank has a deferred tax asset of TL 1,710,519 (31 December 2018: TL 1,305,446) 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 2019. However, there is a deferred tax asset of TL 2,036,051 (31 December 2018: TL 1,839,523) and deferred tax liability of TL 325,532 (31 December 2018: TL 534,077) presented as net in the accompanying financial statements on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

For the cases where such differences are related with certain items on the shareholders' equity accounts, the deferred taxes are charged or credited directly to these accounts.

	<i>Current Period</i>		<i>Prior Period</i>	
	Tax Base	Deferred Tax Amount	Tax Base	Deferred Tax Amount
Provisions (*)	2,149,699	446,100	1,593,734	324,948
Stages 1&2 Credit Losses	5,636,965	1,181,846	5,119,175	1,126,130
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	826,480	202,812	(321,291)	(79,883)
Revaluation Differences on Real Estates	(1,867,500)	(186,750)	(1,857,926)	(185,793)
Other	292,470	66,511	544,631	120,044
Deferred Tax Asset	7,038,114	1,710,519	5,078,323	1,305,446

(*) 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 2019, TL 460,920 deferred tax income (31 December 2018: TL 302,700 deferred tax expense) and TL 55,847 (31 December 2018: TL 352,151 deferred tax income) of deferred tax expense are recognised in the statement of profit or loss and the shareholders' equity, respectively.

5.1.16 Other Assets

5.1.16.1 Receivables from term sale of assets

	<i>Current Period</i>	<i>Prior Period</i>
Sale of Real Estates	114,592	148,819
Sale of Financial Assets Measured at Fair Value through Other Comprehensive Income	-	27,116
Sale of Other Assets	1,137	1,137
Total	115,729	177,072

5.1.16.2 Prepaid expenses, taxes and similar items

	<i>Current Period</i>	<i>Prior Period</i>
Prepaid Expenses	1,358,465	1,049,615
Prepaid Taxes	-	60,043

5.2 Liabilities

5.2.1 Maturity profile of deposits

<i>Current Period</i>	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	17,315,932	-	3,109,278	51,643,663	487,482	373,746	1,585,582	2,370	74,518,053
Foreign Currency Deposits	38,704,677	-	12,917,078	66,405,651	2,227,526	2,175,099	3,631,442	34,608	126,096,081
Residents in Turkey	37,099,501	-	12,631,371	63,913,198	2,008,619	1,812,697	1,568,535	33,422	119,067,343
Residents in Abroad	1,605,176	-	285,707	2,492,453	218,907	362,402	2,062,907	1,186	7,028,738
Public Sector Deposits	1,283,224	-	19,396	39,676	-	11	58	-	1,342,365
Commercial Deposits	11,496,077	-	8,763,991	11,454,640	123,178	80,840	1,215,989	-	33,134,715
Other	320,716	-	142,512	601,501	2,407	246,285	3,730,349	-	5,043,770
Precious Metal Deposits	4,958,792	-	2,342	179,827	343,121	36,038	613,179	-	6,133,299
Bank Deposits	2,295,128	-	176,394	667	902	4,753	4,964	-	2,482,808
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	2,959	-	-	-	-	4,753	-	-	7,712
Foreign Banks	331,337	-	176,394	667	902	-	4,964	-	514,264
Special Financial Institutions	1,960,832	-	-	-	-	-	-	-	1,960,832
Other	-	-	-	-	-	-	-	-	-
Total	76,374,546	-	25,130,991	130,325,625	3,184,616	2,916,772	10,781,563	36,978	248,751,091

<i>Prior Period</i>	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	10,375,184	-	2,787,058	44,005,789	7,253,698	2,220,791	2,750,586	2,925	69,396,031
Foreign Currency Deposits	27,718,131	-	9,979,134	53,296,982	2,240,204	4,863,532	7,861,697	44,780	106,004,460
Residents in Turkey	26,540,786	-	9,771,313	51,007,544	2,037,249	2,989,830	904,452	43,262	93,294,436
Residents in Abroad	1,177,345	-	207,821	2,289,438	202,955	1,873,702	6,957,245	1,518	12,710,024
Public Sector Deposits	1,148,423	-	1,252	26,429	4,968	1,024	-	-	1,182,096
Commercial Deposits	7,501,167	-	8,378,944	9,444,337	828,154	462,155	727,120	-	27,341,877
Other	246,290	-	160,384	816,004	135,756	387,369	3,761,840	-	5,507,643
Precious Metal Deposits	2,794,512	-	-	76,254	13,884	9,758	385,829	-	3,280,237
Bank Deposits	3,666,198	-	852,805	26,584	13,449	2,076	5,893	-	4,567,005
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	2,770	-	650,427	-	-	2,076	-	-	655,273
Foreign Banks	428,681	-	202,378	26,584	13,449	-	5,893	-	676,985
Special Financial Institutions	3,234,747	-	-	-	-	-	-	-	3,234,747
Other	-	-	-	-	-	-	-	-	-
Total	53,449,905	-	22,159,577	107,692,379	10,490,113	7,946,705	15,492,965	47,705	217,279,349

5.2.1.1 Saving deposits insured by Saving Deposit Insurance Fund

Information on saving deposits covered by deposit insurance and exceeding insurance coverage limit:

	Covered by Deposit Insurance Over Deposit Insurance Limit		Over Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	39,635,661	28,784,393	34,348,632	40,053,588
Foreign Currency Saving Deposits	20,431,430	12,646,522	59,516,383	48,242,453
Other Saving Deposits	3,179,119	1,639,365	2,560,389	1,499,769
Foreign Branches' Deposits Under Foreign Insurance Coverage	1,169,315	1,131,547	57	7
Off-Shore Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-

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

None.

5.2.1.3 Saving deposits not covered by insurance limits

	Current Period	Prior Period
Deposits and Other Accounts held at Foreign Branches	19,694	62,924
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	154,297	148,387
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 Funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	860,923	-	502,342
Domestic Banks and Institutions	597,488	783,481	409,136	1,236,004
Foreign Banks, Institutions and Funds	1,089,844	21,791,087	505,307	29,287,893
Total	1,687,332	23,435,491	914,443	31,026,239

5.2.2.1 Maturities of funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	597,488	1,233,172	409,136	1,831,341
Medium and Long-Term	1,089,844	22,202,319	505,307	29,194,898
Total	1,687,332	23,435,491	914,443	31,026,239

5.2.2.2 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.

5.2.3 Money market funds

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Domestic Transactions	67,722	-	45,360	-
Financial Institutions and Organizations	16,856	-	23,252	-
Other Institutions and Organizations	15,124	-	10,007	-
Individuals	35,742	-	12,101	-
Foreign Transactions	81	436,372	56	-
Financial Institutions and Organizations	-	436,372	-	-
Other Institutions and Organizations	-	-	-	-
Individuals	81	-	56	-
Total	67,803	436,372	45,416	-

5.2.4 Securities issued

<i>Current Period</i>	TL		FC	
	Short-Term	Medium and Long-Term	Short-Term	Medium and Long-Term
Nominal	4,832,937	2,032,018	-	11,400,440
Cost	4,822,428	2,030,144	-	11,327,075
Carrying Value (*)	4,825,540	1,210,544	-	10,371,648

(*) The Bank repurchased its own TL securities with a total face value of TL 863,079 and foreign currency securities with a total face value of USD 206,943,000 and netted off such securities in the accompanying financial statements.

<i>Prior Period</i>	TL		FC	
	Short-Term	Medium and Long-Term	Short-Term	Medium and Long-Term
Nominal	1,137,906	2,032,018	26,970	17,563,365
Cost	1,106,078	2,030,144	26,970	17,476,120
Carrying Value (*)	1,128,901	2,071,940	27,087	16,779,430

(*) The Bank repurchased its own foreign currency securities with a total face value of USD 206,730,000 and netted off such securities in the accompanying financial statements.

5.2.5 Financial liabilities measured at fair value through profit/loss

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC		
Funds Borrowed	-	14,292,878	-	12,285,838
Total	-	14,292,878	-	12,285,838

In accordance with TFRS 9, the Bank classified a part of borrowings obtained through securitisations amounting to USD 2,511,607,143 (31 December 2018: USD 2,484,345,238) as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch.

As of 31 December 2019, the accumulated fair value change of the related financial liabilities amounted to TL 725,306 (31 December 2018: TL 930,827) and the corresponding gains/losses recognised in the statement of profit amounted to TL (205,521) (31 December 2018: TL 886,879). The carrying value of the related financial liability amounted to TL 14,292,878 (31 December 2018: TL 12,285,838).

5.2.6 Derivative financial liabilities

5.2.6.1 Negative differences on derivative financial liabilities measured at FVTPL

	Current Period		Prior Period	
	TP	YP	TP	YP
Forward Transactions	155,695	5,666	385,023	16,236
Swap Transactions	909,755	1,685,533	1,523,517	1,350,203
Futures	-	-	-	164
Options	112,257	99,937	330,558	236,558
Others	-	-	-	-
Total	1,177,707	1,791,136	2,239,098	1,603,161

5.2.6.2 Derivative financial liabilities held for hedging purpose

Derivative Financial Liabilities held for Hedging Purpose	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedges	104,982	347,994	49,606	186,229
Cash Flow Hedges	593,860	68,895	113,583	12,375
Net Foreign Investment Hedges	-	-	-	-
Total	698,842	416,889	163,189	198,604

5.2.7 Lease liabilities (Net)

5.2.7.1 Financial lease liabilities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Up to 1 Year	-	-	19,252	16,464
1-4 Years	-	-	-	-
More than 4 Years	-	-	-	-
Total	-	-	19,252	16,464

5.2.7.2 Operational lease liabilities

	Current Period	
	Gross	Net
Up to 1 Year	348,351	212,932
1-4 Years	756,435	462,377
More than 4 Years	541,245	330,839
Total	1,646,031	1,006,148

As of 31 December 2019, the weighted average of the incremental borrowing interest rates applied to TL, EUR and USD lease liabilities presented in the statement of financial position of the Bank are 21.2%, 3.1% and 7% respectively.

5.2.8 Provisions

The movement of reserve for employee severance indemnity classified in reserve for employee benefits line of Note 5.2.8.4 is presented as below:

5.2.8.1 Reserve for employee severance indemnity

	Current Period	Prior Period
Balances at Beginning of Period	471,126	407,655
Provision for the Period	135,756	95,140
Actuarial Gain/Loss	(2,926)	15,491
Payments During the Period	(65,259)	(47,160)
Balances at End of Period	538,697	471,126

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

None.

5.2.8.3 Expected credit losses (Stage 3) for non-cash loans that are not indemnified or converted into cash

	Current Period	Prior Period
Substandard Loans and Receivables - Limited Collectibility	50,032	112,375
Doubtful Loans and Receivables	186,431	31,789
Uncollectible Loans and Receivables	386,110	138,005
Total	622,573	282,169

5.2.8.4 Other provisions

	Current Period	Prior Period
Reserve for Employee Benefits	1,144,956	1,051,233
Provision for Promotion Expenses of Credit Cards	162,688	124,388
Provision for Lawsuits	475,362	339,012
Provision for Non-Cash Loans	1,211,155	648,332
Other Provisions (*)	2,737,585	2,657,428
Total	5,731,746	4,820,393

(*) Includes total general reserve of TL 2,500,000 (31 December 2018: 2,250,000) consisting of TL 250,000 and TL 2,250,000 recognized as expense in the current period and prior periods, respectively.

Recognized liability for defined benefit plan obligations

The Bank obtained an actuarial report dated 23 December 2019 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 4,634,662 at 31 December 2019 as details are given in the table below.

Furthermore, an actuarial report was prepared as of 31 December 2019 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 23 December 2019 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 2,238,125 remains as of 31 December 2019 as details are given in the table below.

	31 December 2019	31 December 2018
Transferable Pension and Medical Benefits:		
Net present value of pension benefits transferable to SSF	(1,846,213)	(1,408,961)
Net present value of medical benefits and health premiums transferable to SSF	556,956	596,470
General administrative expenses	(64,962)	(52,481)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(1,354,219)	(864,972)
Fair Value of Plan Assets (2)	5,988,881	4,612,956
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	4,634,662	3,747,984
Non-Transferable Benefits:		
Other pension benefits	(1,002,495)	(920,128)
Other medical benefits	(1,394,042)	(1,134,112)
Total Non-Transferable Benefits (4)	(2,396,537)	(2,054,240)
Asset Surplus over Total Benefits ((3)-(4)=(5))	2,238,125	1,693,744

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

	31 December 2019	31 December 2018
Balance at Beginning of Period	-	-
Actual contributions paid during the period	(91,969)	(77,036)
Total expense recognized in the statement of profit or loss	73,334	72,731
Amount recognized in the shareholders' equity	18,635	4,305
Balance at End of Period	-	-

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

	31 December 2019	31 December 2018
	%	%
Discount Rate (*)	12.50	16.30
Inflation Rate (*)	8.20	12.50
Future Real Salary Increase Rate	1.50	1.50
Medical Cost Trend Rate	12.40	16.70
Future Pension Increase Rate (*)	8.20	12.50

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

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

Defined Benefit Obligation	Pension Benefits Effect	Medical Benefits Effect	Overall Effect
Assumption change	%	%	%
Discount rate +1%	(12.30)	(17.00)	(15.00)
Discount rate -1%	15.40	22.80	19.70
Medical inflation rate +1%	-	22.60	13.10
Medical inflation rate -1%	-	(17.00)	(9.90)

Retirement Indemnities	Sensitivity of Past Service Liability	Sensitivity of Normal Cost
Assumption change	%	%
Discount rate +1%	(11.10)	(13.80)
Discount rate -1%	13.30	(17.00)
Inflation rate +1%	12.40	(3.70)
Inflation rate -1%	(11.40)	3.90

5.2.9 Tax liability

5.2.9.1 Current tax liability

5.2.9.1.1 Tax liability

As of 31 December 2019, the Bank had a current tax liability of TL 609,369 (31 December 2018: TL 95,966) after offsetting with prepaid taxes.

5.2.9.1.2 Taxes payable

	<i>Current Period</i>	<i>Prior Period</i>
Corporate Taxes Payable	609,369	95,966
Taxation on Securities Income	190,677	162,703
Taxation on Real Estates Income	5,321	4,846
Banking Insurance Transaction Tax	201,870	220,228
Foreign Exchange Transaction Tax	10,997	100
Value Added Tax Payable	30,622	14,758
Others	79,377	63,011
Total	1,128,233	561,612

5.2.9.1.3 Premiums

	<i>Current Period</i>	<i>Prior Period</i>
Social Security Premiums-Employees	99	76
Social Security Premiums-Employer	121	93
Bank Pension Fund Premium-Employees	37	30
Bank Pension Fund Premium-Employer	37	30
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	1,653	1,357
Unemployment Insurance-Employer	3,331	2,739
Others	39	30
Total	5,317	4,355

5.2.9.2 Deferred tax liability

None.

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

None.

5.2.11 Subordinated debts

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Domestic Other Institutions	261,478	-	-	-
Foreign Banks	-	-	-	-
Foreign Other Institutions	-	4,468,229	-	3,977,018
Total	261,478	4,468,229	-	3,977,018

Disclosures on subordinated debts are reported in Note 4.1.2.

5.2.12 Other liabilities

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Payables from credit card transactions	9,955,158	119,683	10,869,208	80,773
Payables from clearing transactions	2,978,282	74,119	3,780,969	59,285
Other	1,058,697	1,436,241	1,054,809	1,801,768
Total	13,992,137	1,630,043	15,704,986	1,941,826

5.2.13 Shareholders' equity

5.2.13.1 Paid-in capital

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

5.2.13.2 Registered share capital system

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

5.2.13.3 Capital increases in current period

None.

5.2.13.4 Capital increases from capital reserves in current period

None.

5.2.13.5 Capital commitments for current and future financial periods

None.

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

None.

5.2.13.7 Information on privileges given to stocks representing the capital

None.

5.2.13.8 Securities value increase fund

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC		
Investments in Associates, Subsidiaries and Joint-Ventures	3,420,702	211,201	2,899,703	119,711
Valuation difference	3,420,702	211,201	2,899,703	119,711
Exchange rate difference	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	(41,778)	48,975	(800,087)	(229,053)
Valuation difference	(41,778)	48,975	(800,087)	(229,053)
Exchange rate difference	-	-	-	-
Total	3,378,924	260,176	2,099,616	(109,342)

5.2.13.9 Revaluation surplus

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Movables	22,270	194,826	8,454	90,909
Real Estates	1,423,652	-	1,423,893	-
Gain on Sale of Investments in Associates and Subsidiaries and Real Estates allocated for Capital Increases	-	-	-	-
Other	(171,395)	-	(158,829)	-
Total	1,274,527	194,826	1,273,518	90,909

5.2.13.10 Bonus shares of associates, subsidiaries and joint-ventures

	<i>Current Period</i>	<i>Prior Period</i>
Garanti Yatırım Menkul Değerler AŞ	942	942
Kredi Kartları Bürosu AŞ	481	481
Garanti Ödeme Sistemleri AŞ	401	401
Doğuş Gayrimenkul Yatırım Ortaklığı AŞ	22	22
Yatırım Finansman Menkul Değerler AŞ	9	9
Total	1,855	1,855

5.2.13.11 Legal reserves

	<i>Current Period</i>	<i>Prior Period</i>
I. Legal Reserve	961,534	961,534
II. Legal Reserve	503,840	503,840
Special Reserves	-	-
Total	1,465,374	1,465,374

5.2.13.12 Extraordinary reserves and other profit reserves

	<i>Current Period</i>	<i>Prior Period</i>
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	37,705,498	30,643,540
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital	-	-
Total	37,705,498	30,643,540

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 15,360,864 (31 December 2018: TL 11,811,997), commitments for cheque payments of TL 3,184,727 (31 December 2018: TL 2,719,279) and commitments for credit card limits of TL 37,522,327 (31 December 2018: TL 31,989,908).

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	25,924,721	26,424,630
Letters of Guarantee in TL	23,555,242	22,742,832
Letters of Credit	9,361,115	13,783,428
Bills of Exchange and Acceptances	1,579,043	2,788,829
Prefinancings	-	-
Other Guarantees	74,179	63,270
Total	60,494,300	65,802,989

Expected losses for non-cash loans and irrevocable commitments

	Stage 1	Stage 2	Stage 3	Total
Current Period				
Balances at Beginning of Period	121,505	244,658	282,169	648,332
Additions during the Period (+)	298,618	453,134	341,285	1,093,037
Disposals (-)	(251,787)	(178,793)	(146,355)	(576,935)
Sales (-)	-	-	-	-
Write-offs (-)	-	-	-	-
Transfer to Stage 1	89,164	(88,747)	(417)	-
Transfer to Stage 2	(25,129)	26,439	(1,310)	-
Transfer to Stage 3	(381)	(119,323)	119,704	-
Foreign Currency Differences	6,330	12,894	27,497	46,721
Provisions at End of Period	238,320	350,262	622,573	1,211,155

	Stage 1	Stage 2	Stage 3	Total
Prior Period				
Balances at Beginning of Period	109,432	200,441	117,557	427,430
Additions during the Period (+)	210,538	367,016	153,481	731,035
Disposals (-)	(311,861)	(195,376)	(59,320)	(566,557)
Sales (-)	-	-	-	-
Write-offs (-)	-	-	-	-
Transfer to Stage 1	147,637	(133,463)	(14,174)	-
Transfer to Stage 2	(38,892)	46,992	(8,100)	-
Transfer to Stage 3	(749)	(80,862)	81,611	-
Foreign Currency Differences	5,400	39,910	11,114	56,424
Provisions at End of Period	121,505	244,658	282,169	648,332

Lifetime expected credit loss (Stage 3) of TL 622,573 (31 December 2018: TL 282,169) is made for unliquidated non-cash loans of TL 1,539,690 (31 December 2018: TL 837,427) recorded under the off-balance sheet items.

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

5.3.1.3 Non-cash loans

	<i>Current Period</i>	<i>Prior Period</i>
Non-Cash Loans against Cash Risks	11,045,938	12,434,212
With Original Maturity of 1 Year or Less	1,673,837	2,339,515
With Original Maturity of More Than 1 Year	9,372,101	10,094,697
Other Non-Cash Loans	49,448,362	53,368,777
Total	60,494,300	65,802,989

5.3.1.4 Sectoral risk concentration of non-cash loans

	<i>Current Period</i>				<i>Prior Period</i>			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	82,088	0.35	56,468	0.15	92,784	0.41	89,345	0.20
Farming and Stockbreeding	57,843	0.25	45,668	0.12	78,863	0.35	78,037	0.18
Forestry	18,383	0.08	2,861	0.01	11,839	0.05	9,838	0.02
Fishery	5,862	0.02	7,939	0.02	2,082	0.01	1,470	-
Manufacturing	6,260,335	26.46	18,726,875	50.83	6,402,123	28.07	22,575,434	52.52
Mining and Quarrying	206,972	0.87	152,293	0.41	195,265	0.86	300,315	0.70
Production	3,979,058	16.82	12,474,222	33.86	4,110,566	18.02	16,029,213	37.29
Electricity, Gas, Water	2,074,305	8.77	6,100,360	16.56	2,096,292	9.19	6,245,906	14.53
Construction	3,559,594	15.05	4,553,521	12.36	3,581,106	15.70	5,141,413	11.96
Services	11,603,233	49.05	11,224,270	30.47	11,281,804	49.45	13,863,403	32.25
Wholesale and Retail Trade	7,574,285	32.02	4,627,167	12.56	6,971,975	30.56	6,950,356	16.17
Accommodation and Dining	508,837	2.15	433,974	1.18	435,652	1.91	617,948	1.44
Transportation and	939,459	3.97	2,142,586	5.82	847,939	3.72	2,037,335	4.74
Financial Institutions	1,989,264	8.41	3,656,972	9.93	2,580,794	11.31	3,890,617	9.05
Real Estate and Rental Services	361,873	1.53	249,945	0.68	231,402	1.01	251,309	0.58
Professional Services	-	-	-	-	-	-	-	-
Educational Services	48,806	0.21	1,678	-	48,133	0.21	1,541	-
Health and Social Services	180,709	0.76	111,948	0.3	165,909	0.73	114,297	0.27
Others	2,150,322	9.09	2,277,594	6.19	1,455,698	6.37	1,319,879	3.07
Total	23,655,572	100.00	36,838,728	100.00	22,813,515	100.00	42,989,474	100.00

5.3.1.5 Non-cash loans classified under Group I and II

<i>Current Period</i>	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	20,778,770	33,846,524	2,544,787	1,978,592
Letters of Guarantee	20,678,440	23,194,060	2,544,787	1,718,529
Bills of Exchange and Bank Acceptances	35,845	1,533,885	-	7,833
Letters of Credit	64,485	9,046,123	-	250,507
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	-	72,456	-	1,723

<i>Prior Period</i>	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	20,162,865	41,180,044	2,430,768	1,191,885
Letters of Guarantee	20,093,217	24,797,897	2,430,533	1,022,531
Bills of Exchange and Bank Acceptances	22,460	2,755,966	235	8,050
Letters of Credit	47,188	13,562,911	-	161,304
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	-	63,270	-	-

5.3.2 Financial derivative instruments

<i>Current Period</i>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Derivative Financial Instruments held for Risk Management						
A. Total Derivative Financial Instruments held for Risk Management	200,000	1,078,102	10,689,214	33,554,324	15,020,587	60,542,227
Fair Value Hedges	-	678,102	1,869,214	7,405,971	10,928,014	20,881,301
Cash Flow Hedges	200,000	400,000	8,820,000	26,148,353	4,092,573	39,660,926
Net Foreign Investment Hedges	-	-	-	-	-	-
Trading Derivatives						
Foreign Currency related Derivative Transactions (I)	89,593,479	51,731,241	30,372,670	5,344,404	1,086,044	178,127,838
Currency Forwards-Purchases	2,784,499	1,760,038	3,038,874	153,184	-	7,736,595
Currency Forwards-Sales	2,766,524	1,721,788	2,977,190	168,047	-	7,633,549
Currency Swaps-Purchases	39,537,357	20,471,662	8,858,303	1,902,038	486,741	71,256,101
Currency Swaps-Sales	35,832,940	20,633,510	9,002,834	1,879,823	599,303	67,948,410
Currency Options-Purchases	4,257,046	3,149,744	3,182,866	600,000	-	11,189,656
Currency Options-Sales	4,415,113	3,578,695	3,240,735	592,080	-	11,826,623
Currency Futures-Purchases	-	208,060	36,343	25,549	-	269,952
Currency Futures-Sales	-	207,744	35,525	23,683	-	266,952
Interest Rate related Derivative Transactions (II)	280,080	213,172	9,415,910	18,849,038	53,170,573	81,928,773
Interest Rate Swaps-Purchases	140,040	91,784	1,777,913	8,934,599	25,554,648	36,498,984
Interest Rate Swaps-Sales	140,040	91,784	1,777,913	8,934,599	25,554,648	36,498,984
Interest Rate Options-Purchases	-	-	4,971,964	-	1,677,157	6,649,121
Interest Rate Options-Sales	-	-	888,120	979,840	384,120	2,252,080
Securities Options-Purchases	-	-	-	-	-	-
Securities Options-Sales	-	-	-	-	-	-
Interest Rate Futures-Purchases	-	-	-	-	-	-
Interest Rate Futures-Sales	-	29,604	-	-	-	29,604
Other Trading Derivatives (III)	3,955,665	624,592	157,288	3,950,269	11,101,510	19,789,324
B. Total Trading Derivatives (I+II+III)	93,829,224	52,569,005	39,945,868	28,143,711	65,358,127	279,845,935
Total Derivative Transactions (A+B)	94,029,224	53,647,107	50,635,082	61,698,035	80,378,714	340,388,162

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	-	2,116,240	6,526,443	33,295,742	16,534,912	58,473,337
Fair Value Hedges	-	8,280	759,806	9,533,199	12,110,756	22,412,041
Cash Flow Hedges	-	2,107,960	5,766,637	23,762,543	4,424,156	36,061,296
Net Foreign Investment Hedges	-	-	-	-	-	-
Trading Derivatives						
Foreign Currency related Derivative Transactions (I)	114,200,405	21,448,013	51,787,213	8,576,037	-	196,011,668
Currency Forwards-Purchases	4,714,899	2,514,264	3,983,266	1,043,574	-	12,256,003
Currency Forwards-Sales	4,803,024	2,519,333	3,975,906	1,153,259	-	12,451,522
Currency Swaps-Purchases	51,336,918	4,213,461	12,564,894	1,025,495	-	69,140,768
Currency Swaps-Sales	47,671,653	4,332,092	12,263,831	1,020,810	-	65,288,386
Currency Options-Purchases	2,433,906	3,361,215	8,890,259	2,151,123	-	16,836,503
Currency Options-Sales	2,587,576	3,509,107	10,050,775	2,181,776	-	18,329,234
Currency Futures-Purchases	318,386	473,032	31,748	-	-	823,166
Currency Futures-Sales	334,043	525,509	26,534	-	-	886,086
Interest Rate related Derivative Transactions (II)	9,360	1,472,662	6,965,636	20,374,547	43,067,386	71,889,591
Interest Rate Swaps-Purchases	4,680	727,298	770,193	7,112,256	20,583,719	29,198,146
Interest Rate Swaps-Sales	4,680	727,298	770,193	7,112,256	20,583,719	29,198,146
Interest Rate Options-Purchases	-	-	5,197,126	5,056,928	1,666,940	11,920,994
Interest Rate Options-Sales	-	-	228,124	1,093,107	233,008	1,554,239
Securities Options-Purchases	-	-	-	-	-	-
Securities Options-Sales	-	-	-	-	-	-
Interest Rate Futures-Purchases	-	-	-	-	-	-
Interest Rate Futures-Sales	-	18,066	-	-	-	18,066
Other Trading Derivatives (III)	4,584,109	236,900	865,854	2,736,897	9,881,071	18,304,831
B. Total Trading Derivatives (I+II+III)	118,793,874	23,157,575	59,618,703	31,687,481	52,948,457	286,206,090
Total Derivative Transactions (A+B)	118,793,874	25,273,815	66,145,146	64,983,223	69,483,369	344,679,427

5.3.3 Credit derivatives and risk exposures on credit derivatives

As of 31 December 2019, there are total return swaps of the Bank with a total face value of USD 2,511,607,143 (31 December 2018: USD 2,484,345,238) 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 475,362 (31 December 2018: TL 339,012) 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 5.3.7.4, 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.

5.3.5 Services rendered on behalf of third parties

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

5.4 Statement of Profit or Loss

5.4.1 Interest income

5.4.1.1 Interest income from loans (*)

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest income received from loans				
Short-term loans	9,890,070	526,684	9,014,590	420,663
Medium and long-term loans	16,359,110	4,898,182	14,651,192	4,764,504
Loans under follow-up	498,902	119,627	329,202	19,660
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	26,748,082	5,544,493	23,994,984	5,204,827

(*) 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	10,979	165,825	34,572	113,408
Domestic Banks	214,899	3,937	108,857	3,457
Foreign Banks	5,870	281,868	16,075	195,407
Foreign Head Offices and Branches	-	-	-	-
Total	231,748	451,630	159,504	312,272

5.4.1.3 Interest income from securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Measured at Fair Value through Profit or Loss	91,788	8,176	59,935	3,396
Financial Assets Measured at Fair Value through Other Comprehensive Income	2,280,397	393,817	3,582,978	480,529
Financial Assets Measured at Amortised Cost	2,480,039	332,026	3,832,419	255,015
Total	4,852,224	734,019	7,475,332	738,940

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 2019, 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 subsidiaries

	Current Period	Prior Period
Interest Received from Investments in Associates and Subsidiaries	197,128	188,866

5.4.2 Interest Expenses

5.4.2.1 Interest expenses on funds borrowed (*)

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	157,180	786,764	66,580	950,448
Central Bank of Turkey	-	4,672	-	1,912
Domestic Banks	65,975	34,406	20,822	29,723
Foreign Banks	91,205	747,686	45,758	918,813
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	1,008,496	-	793,553
Total	157,180	1,795,260	66,580	1,744,001

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

5.4.2.2 Interest expenses paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Investments in Associates and Subsidiaries	435,858	320,535

5.4.2.3 Interest expenses on securities issued

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Paid on Securities Issued	896,683	1,117,673	852,183	1,169,330

5.4.2.4 Maturity structure of interest expense on deposits

Current Period	Account Description	Demand Deposits	Time Deposits					Accumulating Deposit Accounts	Total
			Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over		
	Turkish Lira								
	Bank Deposits	3,171	67,054	-	-	-	-	-	70,225
	Saving Deposits	77	417,877	8,293,806	417,451	269,149	595,899	-	9,994,259
	Public Sector Deposits	-	2,948	6,579	523	106	8	-	10,164
	Commercial Deposits	248	1,421,329	1,712,154	84,491	86,575	199,088	-	3,503,885
	Other	11	35,436	154,228	7,675	90,085	695,752	-	983,187
	“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
	Total TL	3,507	1,944,644	10,166,767	510,140	445,915	1,490,747	-	14,561,720
	Foreign Currency								
	Foreign Currency Deposits	38	155,761	1,314,122	65,148	101,458	171,575	441	1,808,543
	Bank Deposits	-	4,761	-	-	-	-	-	4,761
	“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
	Precious Metal Deposits	-	-	23	244	129	6,813	-	7,209
	Total FC	38	160,522	1,314,145	65,392	101,587	178,388	441	1,820,513
	Grand Total	3,545	2,105,166	11,480,912	575,532	547,502	1,669,135	441	16,382,233

Prior Period	Demand Deposits	Time Deposits					Accumulating Deposit Accounts	Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over		
Turkish Lira								
Bank Deposits	387	115,043	-	-	-	-	-	115,430
Saving Deposits	52	382,854	7,178,781	463,070	129,776	203,923	-	8,358,456
Public Sector Deposits	-	1,327	4,113	797	96	-	-	6,333
Commercial Deposits	96	1,250,260	1,543,123	90,746	55,598	186,331	-	3,126,154
Other	17	54,366	159,523	15,608	49,856	441,545	-	720,915
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Total TL	552	1,803,850	8,885,540	570,221	235,326	831,799	-	12,327,288
Foreign Currency								
Foreign Currency Deposits	43	163,962	1,488,052	63,884	155,151	473,688	657	2,345,437
Bank Deposits	-	19,016	-	-	-	-	-	19,016
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	28	48	38	5,184	-	5,298
Total FC	43	182,978	1,488,080	63,932	155,189	478,872	657	2,369,751
Grand Total	595	1,986,828	10,373,620	634,153	390,515	1,310,671	657	14,697,039

5.4.2.5 Interest expense on money market transactions

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Paid on Repurchase Agreements	21,085	14,085	1,001,731	4,107

5.4.2.6 Interest expense on lease liabilities

5.4.2.6.1 Interest expense on financial leases

	Current Period	Prior Period
Financial Lease Expenses	2,788	3,234

5.4.2.6.2 Interest expense on operational leases

	Current Period
Operational lease expenses	182,867

5.4.2.7 Interest expenses on factoring payables

None.

5.4.3 Dividend income

	Current Period	Prior Period
Financial Assets Valued at Fair Value through Profit or Loss	-	1,227
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	1,287
Others	8,893	2,446
Total	8,893	4,960

5.4.4 Trading income/losses

	<i>Current Period</i>	<i>Prior Period</i>
Income	113,159,139	159,604,863
Trading Account Income	376,612	1,500,345
Gains from Derivative Financial Instruments	10,465,446	20,460,975
Foreign Exchange Gains	102,317,081	137,643,543
Losses (-)	115,098,658	160,758,012
Trading Account Losses	582,439	665,414
Losses from Derivative Financial Instruments	13,338,366	19,290,583
Foreign Exchange Losses	101,177,853	140,802,015
Total	(1,939,519)	(1,153,149)

TL 2,248,143 (31 December 2018: TL 2,597,679) of foreign exchange gains and TL 2,260,675 (31 December 2018: TL 2,597,679) 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 TFRS 9.

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 31,930,811 and EUR 23,684,211 and securitization borrowings amounting to EUR 48,963,151 by designating cross currency swaps with the same face values and terms and securitizations amounting to USD 552,276,424 and EUR 60,000,000 and deposits amounting to TL 8,300,000, USD 855,000,000 and forward EUR 350,000,000 by designating interest rate swaps with the same face values. Accordingly, in the current period, gain of TL 19,136 (31 December 2018: TL 64,973) and TL (623,240) (31 December 2018: TL 83,127) resulting from cross currency and interest rate swap 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 1,557,332, USD 396,278,180 and EUR 245,564,425, for its fixed rate coupons with a total face value of TL 825,000 and USD 487,500,000 and fixed-rate coupons with a total face value of EUR 138,800,000 by designating interest rate swaps and cross currency swaps with the same face values and terms. Accordingly, the accumulated fair value gain for the hedged loans and bonds is TL 161,485 (31 December 2018: loss of TL 54,486) and TL 206,320 (31 December 2018: loss of TL 71,235) respectively. The part of the related amount that belongs to the current period is accounted for under net trading income/losses in the statement of profit or loss.

5.4.5 Other operating income

The items under “other operating income” generally consists of collection or reversals of prior years’ expected credit losses, banking services related costs recharged to customers and income on custody services.

In the current period, a part of non-performing receivables of the Bank amounting to TL 952,362 was sold for a consideration of TL 63,094. Considering the related provision of TL 952,362 made in the financial statements, a gain of TL 63,094 is recognized under “Other Operating Income”.

	<i>Current Period</i>	<i>Prior Period</i>
Reversal of Prior Years’ Provisions	3,660,801	1,950,530
Stage 1 Provisions	926,455	765,005
Stage 2 Provisions	1,624,158	451,702
Stage 3 Provisions	962,227	541,666
Others	147,961	192,157
Revenues from Term Sale of Assets	95,841	168,692
Others	208,431	100,013
Total	3,965,073	2,219,235

5.4.6 Expected credit losses and other provisions

	<i>Current Period</i>	<i>Prior Period</i>
Expected Credit Losses	10,701,394	8,362,411
<i>12-Month ECL (Stage 1)</i>	1,405,368	831,370
<i>Lifetime ECL Significant Increase in Credit Risk (Stage 2)</i>	2,777,564	3,094,695
<i>Lifetime ECL Impaired Credits (Stage 3)</i>	6,518,462	4,436,346
Other Provisions	820,604	1,520,467
Impairment Losses on Securities	3,819	21,723
<i>Financial Assets Measured at Fair Value through Profit/Loss</i>	2	19,149
<i>Financial Assets Measured at Fair Value through Other Comprehensive Income</i>	3,817	2,574
Impairment Losses on Associates, Subsidiaries and Joint-ventures	-	20,832
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	20,832
<i>Joint-ventures</i>	-	-
Others	816,785	1,477,912
Total	11,521,998	9,882,878

5.4.7 Other operating expenses

	<i>Current Period</i>	<i>Prior Period</i>
Reserve for Employee Termination Benefits	100,897	75,199
Defined Benefit Obligation	-	-
Impairment Losses on Tangible Assets	24,096	3,961
Depreciation Expenses of Tangible Assets	359,306	299,951
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortisation Expenses of Intangible Assets	78,083	74,224
Impairment Losses on Investments Accounted under Equity Method	-	-
Impairment Losses on Assets to be Disposed	23,167	77,091
Depreciation Expenses of Right-of-use Assets	276,312	-
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	3,511,819	3,300,219
<i>Operational Lease related Expenses (*)</i>	168,199	482,725
<i>Repair and Maintenance Expenses</i>	68,053	71,970
<i>Advertisement Expenses</i>	164,757	208,211
<i>Other Expenses</i>	3,110,810	2,537,313
Loss on Sale of Assets	7,764	5,632
Others	800,687	622,407
Total	5,182,131	4,458,684

(*) Includes lease related expenses out of the scope of TFRS 16.

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 19,027,192 (31 December 2018: TL 19,110,205), a net fees and commissions income of TL 6,088,510 (31 December 2018: TL 4,870,051) and operating expenses of TL 5,182,131 (31 December 2018: TL 4,458,684). The Bank's profit before taxes realized at TL 7,816,281 (31 December 2018: TL 8,445,261) increasing by 7.45% (31 December 2018: 3.61%) as compared to prior year.

The Bank has no discontinued operations.

5.4.9 Information on provision for taxes from continued and discontinued operations

As of 31 December 2019, the Bank recorded a tax charge of TL 2,118,360 (31 December 2018: TL 1,504,325) and a deferred tax income of TL 460,920 (31 December 2018: deferred tax charge of TL 302,700).

Deferred tax benefit/charge on timing differences:

Deferred tax benefit/(charge) on timing differences	<i>Current Period</i>	<i>Prior Period</i>
Increase in tax deductible timing differences (+)	260,729	321,520
Decrease in tax deductible timing differences (-)	(130,553)	(160,056)
Increase in taxable timing differences (-)	(87,299)	(470,789)
Decrease in taxable timing differences (+)	418,043	6,625
Total	460,920	(302,700)

Deferred tax benefit/charge in the statement of profit/loss arising on timing differences, tax losses and tax deductions and exemptions:

Deferred tax benefit/(charge) arising on timing differences, tax losses and tax deductions and exemptions	<i>Current Period</i>	<i>Prior Period</i>
Increase/(decrease) in tax deductible timing differences (net)	130,176	161,464
Increase/(decrease) in taxable timing differences (net)	330,744	(464,164)
Increase/(decrease) in tax losses (net)	-	-
Increase/(decrease) in tax deductions and exemptions (net)	-	-
Total	460,920	(302,700)

5.4.10 Information on net profit/loss from continued and discontinued operations

Net profit/loss from continued operations is 6,158,841 TL (31 December 2018: TL 6,638,236).

The Bank has no discontinued operations (31 December 2018: 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 statement of profit/loss

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

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 measured at fair value through other comprehensive income*

None (31 December 2018: 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, a decrease of TL 553,739 (31 December 2018: TL 34,947) 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 502,294 (31 December 2018: TL 1,146,418) 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 measured at fair value through other comprehensive income*

As of 31 December 2019, an increase of TL 441,566 (31 December 2018: TL 6,645) resulted from the revaluation of financial assets measured at fair value through other comprehensive income at fair value after being netted with the related deferred tax liability effect and a gain of TL 187,003 (31 December 2018: TL 390) that was transferred to the income statement from "securities value increase fund" are presented as the current period movements in income/expenses from valuation and/or reclassification of financial assets measured at FVOCI in shareholders' equity.

5.5.2.2 *Decreases due to cash flow hedges*

None (31 December 2018: None).

5.5.3 Transfers to legal reserves

	<i>Current Period</i>	<i>Prior Period</i>
Transfers to Legal Reserves from Prior Year Profits	-	154,000
Transfers to Extraordinary Reserves from Prior Year Profits	6,631,820	4,438,770

5.5.4 Issuance of share certificates

Please refer to Note 5.2.13.3.

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

Please refer to Note 3.28.

5.5.6 Compensation of prior period losses

None (31 December 2018: 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 inflows arising from banking operations amount to TL 10,897,227 (31 December 2018: TL 13,622,280). TL 4,979,356 (31 December 2018: TL 5,025,671 cash inflow) of the net cash outflow is generated from the cash inflows resulted from the change in operating assets and liabilities and TL 15,876,583 (31 December 2018: TL 8,596,609) 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 outflow of TL 2,046,096 (31 December 2018: TL 4,831,701 net cash inflow). 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 4,557,685 (31 December 2018: TL 5,638,510).

The net cash outflows from financing activities is TL 3,923,211 (31 December 2018: TL 1,009,893).

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 1,480,204 (31 December 2018: TL 1,433,478).

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

Please refer to Note 5.1.10.3 of investments in subsidiaries.

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

None (31 December 2018: None).

5.6.4 Cash and cash equivalents at beginning of period

	<i>Current Period</i> <i>31 December 2019</i>	<i>Prior Period</i> <i>31 December 2018</i>
Cash on Hand	3,818,197	2,656,765
Cash in TL	1,562,382	1,297,556
Cash in Foreign Currency	2,255,815	1,359,209
Cash Equivalents	26,729,128	9,703,644
Other	26,729,128	9,703,644
TOTAL	30,547,325	12,360,409

5.6.5 Cash and cash equivalents at end of period

	<i>Current Period</i> <i>31 December 2019</i>	<i>Prior Period</i> <i>31 December 2018</i>
Cash on Hand	3,995,007	3,818,197
Cash in TL	1,594,581	1,562,382
Cash in Foreign Currency	2,400,426	2,255,815
Cash Equivalents	33,480,418	26,729,128
Other	33,480,418	26,729,128
TOTAL	37,475,425	30,547,325

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 2,818,396 (31 December 2018: TL 5,565,738) of which TL 2,657,254 (31 December 2018: TL 5,419,705) and TL 161,142 (31 December 2018: TL 146,033) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits.

The blocked account at the Central Bank of Turkey with a principal of TL 19,425,196 (31 December 2018: TL 13,158,116) 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 600,000 (31 December 2018: EUR 1,350,000) 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 (31 December 2018: None).

5.6.7.2 Cash inflows presenting increase in operating capacity of the Bank

None (31 December 2018: None).

5.7 Related Party Risks

5.7.1 Transactions with the Bank's risk group

5.7.1.1 Loans and other receivables

Current Period

Bank's Risk Group	Associates, Subsidiaries 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	5,638,055	1,498,526	108,221	942,442	83,353	36,351
Balance at end of period	7,260,837	1,576,370	1,628	991,046	791	45,586
Interest and Commission Income	200,424	15,369	2,753	-	6,766	94

Prior Period

Bank's Risk Group	Associates, Subsidiaries 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	4,311,245	1,054,546	1,369,380	1,542,733	2,406,222	896,962
Balance at end of period	5,638,055	1,498,526	108,221	942,442	83,353	36,351
Interest and Commission Income (*)	193,855	13,864	18,956	189	202,856	6,745

(*) Doğu Group Companies have not been considered as related party, as they do not meet the required criteria under TAS 24 Related Party Disclosures standard. The interest and commissions received due to the transactions with these companies between the dates 1 January 2018 - 20 December 2018 are included in the related party disclosures.

5.7.1.2 Deposits

Bank's Risk Group	Associates, Subsidiaries 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	1,074,063	1,414,155	108,961	375,167	89,808	378,773
Balance at end of period	1,776,886	1,074,063	131,127	108,961	89,892	89,808
Interest Expense (*)	244,763	258,689	457	3,712	6,192	31,348

(*) Doğu Group Companies have not been considered as related party, as they do not meet the required criteria under TAS 24 Related Party Disclosures standard. The interest and commissions received due to the transactions with these companies between the dates 1 January 2018 - 20 December 2018 are included in the related party disclosures.

5.7.1.3 Derivative transactions

Bank's Risk Group	Associates, Subsidiaries 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	1,171,385	942,776	32,240,075	35,056,631	-	792,918
Balance at end of period	2,862,339	1,171,385	22,919,062	32,240,075	-	-
Total Profit/(Loss)	37,698	(20,968)	(66,012)	(46,310)	-	(6,021)
Transactions for Hedging:						
Balance at beginning of period	-	-	1,004,943	1,037,356	-	-
Balance at end of period	-	-	643,552	1,004,943	-	-
Total Profit/(Loss)	-	-	1,272	(339)	-	-

Based on the decision of the Banking Regulation and Supervision Agency dated 22 June 2018 and numbered 7855, the special purpose entity and Türk Telekom A.Ş. have not been included in the risk group in accordance with the articles 3 and 49 of the Banking Law No. 5411.

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 2,101,157 (31 December 2018: TL 1,640,125) compose 0.84% (31 December 2018: 0.71%) of the Bank's total cash loans and 0.54% (31 December 2018: 0.46%) of the Bank's total assets. The total loans and similar receivables amounting TL 7,263,256 (31 December 2018: TL 5,729,629) compose 1.86% (31 December 2018: 1.59%) of the Bank's total assets. The non-cash loans of the risk group amounting TL 2,613,002 (31 December 2018: TL 2,477,319) compose 4.32% (31 December 2018: 3.76%) of the Bank's total non-cash loans.

The deposits of the risk group amounting TL 1,997,905 (31 December 2018: TL 1,272,832) compose 0.80% (31 December 2018: 0.58%) of the Bank's total deposits.

The funds borrowed by the Bank from its risk group amounting TL 16,239,465 (31 December 2018: TL 18,689,922) compose 64.64% (31 December 2018: 58.51%) 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 165,820 (31 December 2018: TL 146,110).

A total rent income of TL 14,210 (31 December 2018: TL 13,072) was recognized for the real estates rented to the related parties.

Operating expenses for TL 35,224 (31 December 2018: TL 29,738) were incurred for the IT services rendered by the related parties. Banking services fees of TL 35,155 (31 December 2018: TL 51,644) were recognized from the related parties.

Insurance brokerage fee of TL 235,176 (31 December 2018: TL 150,345), shares brokerage fee of TL 41,852 (31 December 2018: TL 42,477), and fixed-rate securities brokerage fee of TL 4,883 (31 December 2018: TL 5,133).

There is no advertisement and broadcasting services from the risk group (30 September 2018: TL 127). The operational leasing services amounting to TL 71,254 (31 December 2018: TL 4,133) and travelling services amounting to TL 23,435 (31 December 2018: TL 22,657) were rendered by the related parties and recognized as operational expenses.

Including the payments related to resigners, the net payment provided or to be provided to the key management of the Bank and its consolidated financial subsidiaries amounts to TL 98,589 as of 31 December 2019 (31 December 2018: TL 95,317).

5.7.2.3 *Other matters not required to be disclosed*

None (31 December 2018: None).

5.7.2.4 *Transactions accounted for under equity method*

Please refer to Note 5.1.10 investments in subsidiaries.

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

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

Purchase of equipments for 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

<i>Current Period</i>	Number of Branches	Number Of Employees			
Domestic Branches	904	18.657			
			Country		
Foreign Representative Offices	1	1	1-Germany		
	1	1	2- China		
				Total Assets	Legal Capital
Foreign Branches	1	14	1- Malta	26,820,236	-
	7	111	2- NCTR	3,571,210	80,000

<i>Prior Period</i>	Number of Branches	Number Of Employees			
Domestic Branches	904	18.657			
			Country		
Foreign Representative Offices	1	1	1-Germany		
	1	1	2- China		
				Total Assets	Legal Capital
Foreign Branches	1	14	1- Malta	36,032,757	-
	7	111	2- NCTR	3,133,235	80,000

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

In 2019, 2 domestic branches were opened and 24 branches were closed. (In 2018, 16 domestic branches were opened and 27 branches were closed.)

5.9 Matters Arising Subsequent to Balance Sheet Date

The Bank recorded JCR Avrasya Derecelendirme Anonim Şirketi as non-financial subsidiary on 17 January 2020 based on the share transfer agreement.

6 Other Disclosures on Activities of the Bank

6.1 Bank's latest international risk ratings

MOODY'S (June 2019)

Outlook	Negative
Long Term FC Deposit	B3(Negative)
Long Term TL Deposit	B2(Negative)
Short Term FC Deposit	Not Prime
Short Term TL Deposit	Not Prime
Basic Loan Assessment	b3
Adjusted Loan Assessment	b3
Long Term National Scale Rating (NSR)	A1.tr
Short Term NSR	TR-1

^(*) Under watch for possible downgrade

FITCH RATINGS (November 2019)

Long Term FC	B+ / Stable Outlook
Short Term FC	B
Long Term TL	BB- / Stable Outlook
Short Term TL	B
Financial Capacity	b+
Support	4
NSR	AA(tur)
Long Term National Scale Rating (NSR)	Stable
Senior Unsecured Long Term Notes	B+
Senior Unsecured Short Term Notes	B
Subordinated Notes	B

JCR EURASIA RATINGS (June 2019)

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

6.2 Dividends

In the ordinary General Assembly meeting, it was decided to distribute the net profit of the year 2018 as follows;

2018 PROFIT DISTRIBUTION TABLE	
2018 Net Profit	6,638,236
A – I. Legal reserve (Turkish Commercial Code 519/1) at 5%	-
Undistributable funds	(6,416)
B – First dividend at 5% of the paid-in capital	-
C – Extraordinary reserves at 5% after above deductions	(331,912)
D – Second dividend to the shareholders	-
E – Extraordinary reserves	(6,299,908)
F – II. Legal reserve (Turkish Commercial Code 519/2)	-

6.3 Other disclosures

None (31 December 2018: 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 2019, have been audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member of KPMG International Cooperative) and the independent auditors' report dated 30 January 2020, is presented before the accompanying financial statements.

7.2 Disclosures and footnotes prepared by independent auditors

None.