Türkiye Garanti Bankası Anonim Şirketi
And Its Subsidiaries

Interim Condensed Consolidated Financial Statements

For the nine month period ended

30 September 2019

With Independent Auditors' Report on Review of Interim Condensed Consolidated Financial Information

Türkiye Garanti Bankası Anonim Şirketi
And Its Subsidiaries

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Statements

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Türkiye Garanti Bankası Anonim Şirketi ("the Bank") and its subsidiaries (together "the Group") as at 30 September 2019, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine month period then ended, and notes to the consolidated financial statements ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

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

Basis for Qualified Conclusion

The accompanying condensed consolidated interim financial statements as at 30 September 2019 include a general reserve of total TL 2,350,000 thousands, of which TL 100,000 thousands was recognized as expense in the current period and TL 2,250,000 thousands had been recognized as expense in prior periods, which is provided by the Bank management for the possible effects of the negative circumstances which may arise in economy or market conditions.

Qualified Conclusion

Based on our review, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements is not prepared, in all material respects, in accordance with IAS 34.

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

Alper Güvenç
Partner

29 November 2019
İstanbul, Turkey

Türkiye Garanti Bankası AŞ And Its Subsidiaries

Interim Condensed Consolidated Statement of Financial Position
At 30 September 2019

(Currency: Thousands of Turkish Lira (TL))

	Notes	30 September 2019	31 December 2018
Assets			
Cash and balances with central banks	3	50,667,655	51,538,391
Financial assets at fair value through profit or loss	4	4,899,816	4,613,218
Derivative financial assets	5	3,592,796	4,093,697
Loans and advances to banks	6	27,218,616	19,617,573
Loans and advances to customers	7,25	250,087,635	251,144,014
Investment securities	8,24	54,338,866	51,527,379
Equity investments	9	363,333	274,760
Assets held for sale	10	1,513,758	857,695
Investment properties		336,620	324,329
Tangible and intangible assets		7,423,347	6,595,030
Goodwill, net	11	32,948	32,948
Deferred tax asset	21	1,935,644	1,532,924
Other assets	12	9,288,225	7,822,986
Total Assets		**411,699,259**	**399,974,944**
Liabilities			
Deposits from banks	13	3,935,052	6,161,687
Deposits from customers	14	253,716,466	238,730,486
Loans and advances from banks and other institutions	15	26,878,976	34,629,291
Obligations under repurchase agreements and money market fundings	16	1,519,475	2,634,590
Debt securities issued	17	22,763,718	27,002,214
Financial liabilities at fair value through profit or loss	18	13,193,294	12,312,230
Derivative financial liabilities	19	5,994,293	4,518,660
Subordinated liabilities	20	4,303,764	3,977,018
Current tax liability	21	477,024	133,670
Deferred tax liability	21	69,970	49,975
Provisions	22	5,621,578	5,398,882
Other liabilities and accrued expenses	23	21,410,642	17,530,818
Total Liabilities		**359,884,252**	**353,079,521**
Equity attributable to owners of the bank			
Share capital	24	5,146,371	5,146,371
Share premium	24	11,880	11,880
Legal reserves	24	1,591,428	1,585,920
Other reserves	8,24	2,350,557	2,451,710
Retained earnings	24	42,457,311	37,501,985
		51,557,547	**46,697,866**
Non-controlling interests	24	**257,460**	**197,557**
Total Equity		**51,815,007**	**46,895,423**
Total Liabilities and Equity		**411,699,259**	**399,974,944**
Commitments and Contingencies	25	**59,757,886**	**67,715,428**

The notes on pages 5 to 72 are an integral part of these interim condensed consolidated financial statements.

Türkiye Garanti Bankası AŞ And Its Subsidiaries

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For The Nine-Month Period Ended 30 September 2019

(Currency: Thousands of Turkish Lira (TL))

	Notes	1 January 2019- 30 September 2019	1 July 2019- 30 September 2019	1 January 2018- 30 September 2018	1 July 2018- 30 September 2018
Statement of Profit or Loss:					
Interest income:					
Interest on loans		25,820,640	8,383,171	22,188,880	8,673,636
Interest on securities		4,639,078	1,374,898	4,141,737	1,952,896
Interest on deposits at banks		1,012,816	387,624	465,132	206,032
Interest on lease business		390,972	126,340	399,261	153,766
Interest on factoring business		292,281	79,539	326,736	124,993
Interest on reserve deposits		232,031	74,688	238,419	80,738
Others		174,721	49,429	93,431	34,957
		32,562,539	10,475,689	27,853,596	11,227,018
Interest expense:					
Interest on saving, commercial and public deposits		(13,559,146)	(4,183,317)	(9,301,549)	(4,033,011)
Interest on borrowings, obligations under repurchase agreements,money market and swap fundings		(3,815,399)	(1,190,315)	(4,445,623)	(1,693,244)
Interest on debt securities issued		(1,961,419)	(631,927)	(1,728,294)	(666,221)
Interest on subordinated liabilities		(205,984)	(63,807)	(190,210)	(75,225)
Interest on lease business		(140,065)	(47,024)	-	-
Interest on bank deposits		(76,851)	(19,073)	(97,850)	(36,827)
Others		(71,398)	(8,541)	(23,433)	(5,541)
		(19,830,262)	(6,144,004)	(15,786,959)	(6,510,069)
Net interest income before provisions for loans and other credit risks		**12,732,277**	**4,331,685**	**12,066,637**	**4,716,949**
Provisions for loans and other credit risks, net	3,6,7,8,12,22	**(4,572,622)**	**(2,172,548)**	**(2,942,990)**	**(1,464,826)**
Net interest income after provisions for loans and other credit risks		**8,159,655**	**2,159,137**	**9,123,647**	**3,252,123**
Fees and commissions income		6,463,419	2,330,694	4,965,122	1,836,646
Fees and commissions expense		(1,842,910)	(672,085)	(1,230,442)	(512,708)
Net fees and commissions income		**4,620,509**	**1,658,609**	**3,734,680**	**1,323,938**
Net trading income/(expense)	27	**(547,220)**	**151,619**	**5,408,478**	**3,430,029**
Foreign exchange gains/(losses), net		**555,209**	**(33,668)**	**(4,944,784)**	**(3,143,087)**
Insurance business income		670,343	265,366	558,972	163,220
Insurance business expense		(211,849)	(95,300)	(180,614)	(50,735)
Net insurance business income		**458,494**	**170,066**	**378,358**	**112,485**
Gain on sale of assets		154,360	61,472	215,013	48,028
Other operating income	28	335,736	110,714	306,033	110,062
Other operating income		**490,096**	**172,186**	**521,046**	**158,090**
Total operating Income		**13,736,743**	**4,277,949**	**14,221,425**	**5,133,578**
Salaries and wages		(2,225,030)	(786,428)	(1,911,032)	(692,364)
Credit card reward and promotion expenses	22	(1,105,408)	(405,141)	(902,124)	(343,997)
Employee benefits		(1,075,982)	(319,969)	(840,040)	(234,600)
Depreciation and amortisation		(659,717)	(220,431)	(355,115)	(127,638)
Taxes and duties other than on income		(291,630)	(56,040)	(229,452)	(44,306)
Impairment losses, net	10,22	(284,518)	(165,716)	(758,045)	(746,055)
Communication expenses		(185,202)	(66,832)	(183,471)	(68,389)
Other operating expenses	29	(1,514,520)	(564,365)	(1,600,405)	(514,761)
Total operating expenses		**(7,342,007)**	**(2,584,922)**	**(6,779,684)**	**(2,772,110)**
Profit/(loss) before tax		**6,394,736**	**1,693,027**	**7,441,741**	**2,361,468**
Taxation charge	21	(1,373,615)	(367,582)	(1,789,915)	(671,487)
Net profit/(loss) for the period		**5,021,121**	**1,325,445**	**5,651,826**	**1,689,981**
Other Comprehensive Income:					
(items to be recycled subsequently to profit or loss)					
Foreign currency translation, net of tax	24	28,516	(384,547)	2,028,042	1,409,901
Fair value change on debt instruments measured at fair value through other comprehensive income, net of tax:					
Net change in fair values	24	204,016	471,590	(1,192,735)	(571,737)
Net amount reclassified to profit/loss	24	100,032	47,342	(6,096)	1,368
Cash flow hedges, net of tax:					
Effective portion of changes in hedge reserve	24	(277,230)	(289,031)	224,149	71,841
Net amount reclassified to profit/loss	24	(209,789)	(56,649)	(48,393)	(41,793)
Net investment hedge for foreign operations, net of tax	24	(21,626)	136,433	(695,488)	(469,644)
		(176,081)	**(74,862)**	**309,479**	**399,936**
(items not to be recycled subsequently to profit or loss)					
Fair value change on equity investments measured at fair value through other comprehensive income, net of tax:					
Net change in fair values	24	72,530	(3,568)	81,850	49,577
Net amount recycled to profit/loss	24	-	-	-	-
Change on revaluation surplus on tangible and intangible assets, net of tax		2,768	(3,522)	11,373	6,934
		75,298	**(7,090)**	**93,223**	**56,511**
Other comprehensive income for the period, net of tax		**(100,783)**	**(81,952)**	**402,702**	**456,447**
Total Comprehensive Income for the Period		**4,920,338**	**1,243,493**	**6,054,528**	**2,146,428**
Net profit/(loss) attributable to:					
Equity holders of the Bank		4,960,908	1,305,617	5,597,189	1,669,920
Non-controlling interests		60,213	19,828	54,637	20,061
		5,021,121	**1,325,445**	**5,651,826**	**1,689,981**
Total comprehensive income attributable to:					
Equity holders of the Bank		4,859,755	1,223,414	5,999,891	2,126,367
Non-controlling interests		60,583	20,079	54,637	20,061
		4,920,338	**1,243,493**	**6,054,528**	**2,146,428**
Weighted average number of shares with a face value of Kr 1 each	24	**420 billions**	**420 billions**	**420 billions**	**420 billions**
Basic and diluted earnings per share (full TL amount per TL 1 face value each)		**1.181**	**0.311**	**1.333**	**0.398**

The notes on pages 5 to 72 are an integral part of these interim condensed consolidated financial statements.

Türkiye Garanti Bankası AŞ And Its Subsidiaries

Interim Condensed Consolidated Statement of Changes in Equity
For The Period Ended 30 September 2019

(Currency: Thousands of Turkish Lira (TL))

				Other Reserves								
				to be recycled to profit or loss			not to be recycled to profit or loss					
	Share Capital	Share Premium	Legal Reserves	Fair Value Change on Debt Instruments	Hedge Reserve	Foreign Currency Translation Reserve	Fair Value Change on Equity Investments	Actuarial Gain/(Loss)	Revaluation Surplus on Tangible Assets	Retained Earnings	Non-Controlling Interests	Total Equity
Balances at 31 December 2017	**5,146,371**	**11,880**	**1,396,218**	**(378,822)**	**(644,771)**	**1,817,138**	**60,858**	**(144,368)**	**1,516,053**	**32,822,485**	**322,160**	**41,925,202**
Impact of adopting IFRS 9 at 1 January 2018	-	-	-	396,257	-	-	-	-	-	107,356	(7,809)	495,804
Adjustments of prior periods' financial statements	-	-	-	-	-	-	-	-	190,698	(190,698)	-	-
Restated balances at 1 January 2018	**5,146,371**	**11,880**	**1,396,218**	**17,435**	**(644,771)**	**1,817,138**	**60,858**	**(144,368)**	**1,706,751**	**32,739,143**	**314,351**	**42,421,006**
Net unrealized losses from debt instruments measured at fair value through other comprehensive income	-	-	-	(1,192,740)	-	-	-	-		-	5	(1,192,735)
Net unrealized gains from equity investments measured at fair value through other comprehensive income	-	-	-	-	-	-	81,850	-	-	-	-	81,850
Net realized losses on debt instruments measured at fair value through other comprehensive income recycled to statement of profit or loss at disposal	-	-	-	(6,096)	-	-	-	-	-	-	-	(6,096)
Foreign currency translation	-	-	-	(10,032)	1,159	2,036,915	-	-	-	-	-	2,028,042
Net change on revaluation surplus on tangible and intangible assets	-	-	-	-	-	-	-	-	10,783	590	-	11,373
Net gains on cash flow hedges	-	-	-	-	175,756	-	-	-	-	-	-	175,756
Net change on net investment hedge for foreign operations	-	-	-	-	(695,488)	-	-	-	-	-	-	(695,488)
Net profit/loss for nine-month period	-	-	-	-	-	-	-	-	-	5,597,189	54,637	5,651,826
Total comprehensive income for the period	**-**	**-**	**-**	**(1,208,868)**	**(518,573)**	**2,036,915**	**81,850**	**-**	**10,783**	**5,597,779**	**54,642**	**6,054,528**
Newly consolidated subsidiaries	-	-	136	-	-	-	-	-		3,031	-	3,167
Transfer to legal reserves	-	-	172,663	-	-	-	-	-	-	(172,663)	-	-
Foreign currency translation for legal reserves	-	-	12,863	-	-	-	-	-	-	-	-	12,863
Acquisition of non-controlling interests without a change in control	-	-	2	-	-	-	-	(1)	-	48	(110)	(61)
Dividends distributed	-	-	-	-	-	-	-	-	-	(1,750,000)	(181,524)	(1,931,524)
Balances at 30 September 2018	**5,146,371**	**11,880**	**1,581,882**	**(1,191,433)**	**(1,163,344)**	**3,854,053**	**142,708**	**(144,369)**	**1,717,534**	**36,417,338**	**187,359**	**46,559,979**
Balances at 31 December 2018	**5,146,371**	**11,880**	**1,585,920**	**(1,138,282)**	**(1,126,584)**	**3,056,188**	**99,362**	**(160,773)**	**1,721,799**	**37,501,985**	**197,557**	**46,895,423**
Net unrealized gains from debt instruments measured at fair value through other comprehensive income	-	-	-	203,646	-	-	-	-		-	370	204,016
Net unrealized gains from equity investments measured at fair value through other comprehensive income	-	-	-	-	-	-	72,530	-	-	-	-	72,530
Net realized gains on debt instruments measured at fair value through other comprehensive income recycled to statement of profit or loss at disposal	-	-	-	100,032	-	-	-	-	-	-	-	100,032
Foreign currency translation	-	-	-	(5,910)	1,366	33,060	-	-	-	-	-	28,516
Net change on revaluation surplus on tangible and intangible assets	-	-	-	-	-	-	-	-	2,768	-	-	2,768
Net losses on cash flow hedges	-	-	-	-	(487,019)	-	-	-	-	-	-	(487,019)
Net change on net investment hedge for foreign operations	-	-	-	-	(21,626)	-	-	-	-	-	-	(21,626)
Net profit/loss for nine-month period	-	-	-	-	-	-	-	-	-	4,960,908	60,213	5,021,121
Total comprehensive income for the period	**-**	**-**	**-**	**297,768**	**(507,279)**	**33,060**	**72,530**	**-**	**2,768**	**4,960,908**	**60,583**	**4,920,338**
Transfer to legal reserves	-	-	5,582	-	-	-	-	-	-	(5,582)	-	-
Foreign currency translation for legal reserves	-	-	(74)	-	-	-	-	-	-	-	-	(74)
Dividends paid	-	-	-	-	-	-	-	-	-	-	(680)	(680)
Balances at 30 September 2019	**5,146,371**	**11,880**	**1,591,428**	**(840,514)**	**(1,633,863)**	**3,089,248**	**171,892**	**(160,773)**	**1,724,567**	**42,457,311**	**257,460**	**51,815,007**

Türkiye Garanti Bankası AŞ And Its Subsidiaries

Interim Condensed Consolidated Statement of Cash Flows
For The Nine-Month Period Ended 30 September 2019

(Currency: Thousands of Turkish Lira (TL))

	Notes	1 January 2019- 30 September 2019	1 January 2018- 30 September 2018
Cash flows from operating activities:-			
Interests and commissions received		33,655,647	25,146,890
Interests and commissions paid		(21,857,629)	(15,919,501)
Other operating activities, net		8,760,704	(2,054,202)
Cash payments to employees and suppliers		(6,440,228)	(5,577,387)
		14,118,494	1,595,800
(Increase)/decrease in operating assets:-			
Loans and advances to banks		396,302	(4,668,657)
Balances with central banks		132,129	3,074,770
Financial assets at fair value through profit or loss		(455,929)	168,744
Loans and advances to customers		(7,523,854)	(55,172,339)
Other assets		(1,441,098)	(3,879,605)
Increase/(decrease) in operating liabilities:-			
Deposits from banks		(2,226,111)	5,896,288
Deposits from customers		15,093,027	67,239,488
Obligations under repurchase agreements and money market fundings		(1,076,668)	(14,254,367)
Other liabilities		777,815	2,030,027
Net cash inflows from operating activities before taxes and duties paid		**17,794,107**	**2,030,149**
Income taxes and other duties paid		**(1,566,886)**	**(2,085,177)**
Net cash inflows/(outflows) from operating activities		**16,227,221**	**(55,028)**
Cash flows from investing activities:-			
Net decrease/(increase) in investment securities		(361,322)	2,041,819
Interest received for investment securities		2,280,589	3,104,012
Dividends received		9,046	5,839
Proceeds from sale of tangible and intangible assets		530,637	434,835
Purchase of tangible and intangible assets		(548,294)	(906,825)
Net cash inflows from investing activities		**1,910,656**	**4,679,680**
Cash flows from financing activities:-			
Increase in loans and advances from banks and other institutions, net		(7,596,959)	17,414,085
Cash obtained from debt securities issued		16,338,258	21,265,015
Cash used for repayment of debt securities issued		(19,637,820)	(12,963,900)
Dividends paid		(680)	(1,750,000)
Net cash (outflows)/inflows from financing activities		**(10,897,201)**	**23,965,200**
Effect of exchange rate changes		**(17,077)**	**5,693,079**
Net increase in cash and cash equivalents		**7,223,599**	**34,282,931**
Cash and cash equivalents at the beginning of the period		35,952,532	14,980,904
Cash and cash equivalents at the end of the period	2	**43,176,131**	**49,263,835**

The notes on pages 5 to 72 are an integral part of these interim condensed consolidated financial statements.

Overview of the Bank

Türkiye Garanti Bankası AŞ (the Bank) is a bank domiciled in Turkey. The consolidated financial statements of the Bank as of and for the nine-month period ended 30 September 2019 comprise the Bank and its subsidiaries (the Subsidiaries) (collectively referred as "the Group").

(a) Brief History

The foundation of the Bank was approved by the decree of the Council of Ministers numbered 3/4010 dated 11 April 1946 and its "Articles of Association" was published in the official gazette dated 25 April 1946. The Bank provides retail, commercial, corporate and small and medium size enterprises (SME) banking, leasing, insurance, asset management and factoring services through a network of 910 domestic branches, 8 foreign branches, 2 representative offices abroad (31 December 2018: 926 domestic branches, 8 foreign branches, 2 representative offices abroad). In addition to its branches, the Bank has 100% ownership in two banks each of which is located in Amsterdam and Bucharest. The Bank and its subsidiaries in total have 22,133 employees (31 December 2018: 22,024). The Bank's head office is located at Levent Nispetiye Mahallesi Aytar Caddesi 2 Beşiktaş 34340 Istanbul, Turkey.

(b) Ownership

As of 30 September 2019, group of companies under Banco Bilbao Vizcaya Argentaria SA ("BBVA") that currently owns 49.85% shares of the Bank, is named the BBVA Group (the Group) and it is the main shareholder.

Summary of significant accounting policies

(a) Basis of preparation

These interim condensed consolidated financial statements for the period ended 30 September 2019 have been prepared in accordance with IAS 34, "Interim Financial Reporting". The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended 31 December 2018.

The accompanying consolidated financial statements are presented in thousands of TL, which is the Bank's functional currency.

(b) Changes in accounting policies and disclosures

Significant changes in accounting policies and accounting errors are applied retrospectively and prior period financial statements are restated. The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future period is recognised in the current and future periods.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements as at 30 September 2019 are consistent with those followed in the preparation of the consolidated financial statements of the prior year except for the impact of transition to IFRS 16 Leases ("IFRS 16") as explained below.

In the accompanying interim condensed consolidated financial statements, the Group has adopted IFRS 16, effective for annual periods beginning on or after 1 January 2019, for the first time.

Summary of significant accounting policies (continued)

IFRS 16 Leases

IFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognising finance leases in the balance sheet whereas not recognising 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. This standard is applied with modified retrospective approach recognising the cumulative effect of initially applying the standard at the date of initial application. In this context, comparative information is not restated. A lease liability and a right-of-use asset are recognised at the date of initial application for leases previously classified as an operating lease applying IAS 17. That lease liability is measured at the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rate at the date of initial application. Besides, that right-of-use asset is measured 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.

IFRIC 23

On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. IFRIC 23 is effective from 1 January 2019. No major impact has been encountered in the accompanying consolidated financial statements regarding IFRIC 23 application.

(c) Standards issued but not yet effective and not early adopted

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows.

IFRS 17 Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly international standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2022 but companies can apply it earlier.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 17.

Summary of significant accounting policies (continued)

Amendments to IAS 1 and IAS 8 - Definition of Material

In October 2018 the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The amended "definition of material "was added to the important definition and it was stated that this expression could lead to similar results by not giving and giving misstating information.

In addition, with this amendment, the terminology used in its definition of material has been aligned with the terminology used in the Conceptual Framework for Financial Reporting (Version 2018). Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.

The Group does not expect that application of these amendments to IAS 1 and IAS 8 will have significant impact on its consolidated financial statements.

Amendments to IFRS 3 - Definition of a Business

The IASB has issued amendments to IFRS 3 Business Combinations to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. With this amendments confirmed that a business must include inputs and a process, and clarified that the process shall be substantive and the inputs and process must together significantly contribute to creating outputs. It narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a concentration test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

The Group does not expect that application of these amendments to IFRS 3 will have significant impact on its consolidated financial statements.

(d) Critical accounting estimates and judgements in applying accounting policies

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

In preparing these interim condensed consolidated financial statements, the significant judgements made by the management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 December 2018.

Summary of significant accounting policies (continued)

(e) Financial instruments

Measurement categories of financial assets and liabilities

All financial assets are classified based on the business model for managing the financial assets. Accordingly, financial assets are classified in four main categories as listed below:

-Financial instruments measured at amortised cost,
-Financial instruments measured at FVOCI, with gains or losses recycled to profit or loss on derecognition,
-Equity instruments measured at FVOCI, with no recycling of gains or losses to profit or loss on derecognition, and
-Financial instruments measured at FVPL.

Financial instruments measured at amortised cost

Financial assets are classified as measured at amortised cost if both of the following conditions are met.
-the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
-the 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.

Debt securities measured at amortised cost: subsequent to the initial recognition, debt securities are measured at amortised cost by using the effective interest rate method.

Loans and advances measured at amortised cost: 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.

These financial assets are recognised at cost and also measured at amortised cost by using the effective interest method.

All financial liabilities are classified as subsequently measured at amortised cost except for financial liabilities at FVPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, and contingent consideration recognised by an acquirer in a business combination.

Financial instruments measured at FVOCI

Financial investments are classified as measured at FVOCI if both of the following conditions are met.

-the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
-the 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 FVOCI 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, the 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.

Summary of significant accounting policies (continued)

Financial assets measured at FVOCI are measured at their fair values subsequently. 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 recognised in statement of profit or loss and other comprehensive income.

Interests calculated and/or earned by using the effective interest method during holding of financial assets measured at FVOCI are recorded primarily in interest income. On derecognition of such financial assets, the difference between the carrying amount of the asset and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

Equity instruments measured at FVOCI

At initial recognition, it can be made 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 IFRS 9 that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies. Such election is made on an instrument by instrument basis.

Amounts presented in other comprehensive income shall not be subsequently recycled to profit or loss. However, the cumulative gain or loss shall be recycled to prior period's profit or loss. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. IFRS 9 impairment requirements are not applicable for equity instruments.

Financial assets and liabilities measured at FVPL

Financial assets at FVPL are valued at their fair values and gain/loss arising on those assets is recorded in the statement of profit or loss and other comprehensive income. Interest income earned on these assets and the difference between their acquisition costs and amortised costs are recorded as interest income in the statement of profit or loss and other comprehensive income excluding loans and receivables. The differences between the amortised costs and the fair values of such assets are recorded under net trading income/(expense) in the statement of profit or loss and other comprehensive income. In cases where such assets are sold before their maturities, the gains/losses on such sales are recorded under net trading income/(expense).

It is designated irrevocably certain loans and securities issued at initial recognition, as financial assets/liabilities at FVPL as permitted by IFRS 9.

Summary of significant accounting policies (continued)

Besides, as detailed in the relevant accounting policy sections, the original contractual terms or a counterparty of a loan might change in certain circumstances and the existing financial asset is derecognised. The characteristics of new contractual terms of a loan are assessed and when they are exposed to the risks which are not consistent with the basic lending agreement leading to variability of cashflows, the relevant financial asset is measured at FVPL.

The interest income/expense earned and the difference between the acquisition costs and the amortised costs of financial liabilities are recorded under interest income/(expense) in statement of profit or loss and other comprehensive income, the difference between the amortised costs and the fair values of financial liabilities are recorded under net trading income/(expense) in statement of profit or loss and other comprehensive income. The amount of change in the fair value of the financial liability at FVPL 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 remaining amount of change in the fair value of the liability shall be presented in profit or loss.

(f) Impairment

Financial and non-financial assets are reviewed at each date of the statement of financial position to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

Impairment of financial assets

As of 1 January 2018, it is recognised a loss allowance for expected credit losses on financial assets and loans measured at amortised cost, financial assets measured at FVOCI, loan commitments and financial guarantee contracts not measured at FVPL based on IFRS 9 which came into force starting from 1 January 2018. IFRS 9 impairment requirements are not applicable for equity instruments.

At each reporting date, it shall be assessed whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, it shall be used 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, it shall be measured 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, loss allowance regarding such instrument is measured at an amount equal to lifetime expected credit losses.

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

It is 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 aforementioned policy is presented in this note.

The impairment model having three stages based on the change in credit quality since initial recognition based on IFRS 9 is explained below:

Summary of significant accounting policies (continued)

Calculation of expected credit losses

It is calculated 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, which is usually set at 12 months, given certain characteristics. Based on IFRS 9, it is used 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.
- Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument.

It is used 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, it is considered four scenarios (base scenario, bad scenario, good scenario, balanced scenario). Each of these four scenarios is associated with different probability of default, loss given default and exposure at 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 there is the legal right to call it earlier.

Summary of significant accounting policies (continued)

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. It is calculated 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 four scenarios explained above.

Stage 2: When a loan has shown a significant increase in credit risk since origination, it is calculated 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, it is accounted lifetime expected credit losses. The methodology is similar to stage 2 and the probability of default is taken into account as 100%.

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 when becoming 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.

Debt instruments measured at FVOCI

As of 1 January 2018, it shall be applied the impairment requirements for the recognition and measurement of an expected credit loss for financial assets that are measured at FVOCI. However, the expected credit loss 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 accounted in profit or loss. 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.

(g) Tangible assets and related depreciation

Right-of-use assets

As a result of internal evaluations, branches and service buildings subject to operational lease are accounted in accordance with IFRS 16; but ATMs, vehicles and other leasing transaction balances are not considered within the scope of IFRS 16 as they are below the materiality level and the corresponding rent payments are recognised under other operating expenses.

Summary of significant accounting policies (continued)

At the commencement date, the Group measures the right-of-use real estates considered as right-of-use asset at the cost of right-of-use asset in accordance with IFRS 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.

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

The depreciation requirements in IAS 16 Property, Plant and Equipment are applied in depreciating real assets considered as right-of-use asset.

IAS 36 Impairment of Assets is applied to determine whether the real estates considered as right-of-use assets are impaired and to account for any impairment loss identified.

Financial risk management disclosures

This section provides a summary of the Bank and its subsidiaries' exposure to risk and describes the methods used by management to control risk and should be read in conjunction with the Group's annual consolidated financial statements prepared in accordance with IFRS for the year ended 31 December 2018. The most important types of financial risk to which the Bank and its subsidiaries are exposed, are credit risk, liquidity risk, market risk and operational risk.

(a) Risk management framework

Risk Management Department 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 Department also ensures that activities to define, measure, report, monitor and control risks are conducted thoroughly and timely; to monitor 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 are subject to and the Bank's risk management strategy. They are reviewed regularly and revised if necessary. The 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.

Financial risk management disclosures (continued)

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 are 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 absorb those risks and the Bank monitors regularly risk appetite metrics regarding capital, liquidity, income recurrence and risk based limits. Risks that the Bank is exposed to are managed by providing effective control environment and following closely within limits.

Unmitigated risks are either accepted with current risk levels or decreasing/ terminating the activity that causes the risk.

The Risk Management Department 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.

(b) Market risk

Market Risk is defined as the losses that the trading portfolio of the Bank may incur due to the risks caused by market price changes (interest rate, equities, foreign exchange and commodity prices), the correlations between market prices and the uncertainty in the volatility levels.

All trading instruments are subject to market risk. The instruments are recognised at fair value, and all changes in market conditions directly affect net trading income/(expense).

The Bank and its subsidiaries manage its use of trading instruments in response to changing market conditions.

The Board of Directors monitors the effectiveness of risk management systems through audit committee, related other committees and top management, and in the light of various risk reports and the assessments made by the audit committee.

Financial risk management disclosures (continued)

The risk policies and application procedures have been approved by the Board of Directors and regularly revisited. The market risk is also managed by risk mitigations through hedging transactions beside measuring the risks in compliance with the international standards, limiting such risk and allocating capital accordingly.

Market risks arising from trading portfolios are measured by the Bank as per “standard” and “value at risk (VaR)” methods. The measurements as per the standard method are performed on a monthly basis, and taken into consideration in the calculation of capital adequacy. Whereas, the measurements as per VaR method are performed on a daily basis. The Bank takes the historical VaR results as the basis for the internal management of market risk and limit setting. In the VaR calculation, two years historical market data set is used, and 99% confidence interval and one-day holding period (10 days for regulatory capital calculation) are taken into account. In order to test the reliability of the VaR model, back tests are performed. Stress tests and scenario analysis are also applied in order to reflect the effects of prospective severe market fluctuations in the VaR calculations. VaR model has been validated yearly in the periodic validation framework.

Beside the VaR limit, sensitivity limits on risk factors, economic capital and stop-loss limits approved by the Board of Directors for trading portfolio are also applied in order to limit the market risks.

The capital requirement for general market risk and specific risks is calculated using the standard method defined by the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” as set out by the BRSA and reported monthly.

Interest rate risk

Interest rate risk in the banking book is evaluated considering the repricing risk, yield curve risk, basis risk and optionality, measured in compliance with the international standards and managed by risk mitigation techniques through limits and hedging.

The interest rate risk resulted 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 rate sensitivity of assets, liabilities and off-balance sheet items is evaluated during the Weekly Assessment Committee and Asset and Liability 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, earnings at risk, economic value sensitivity of securities portfolio, duration-gap and credit spread risk sensitivity analysis.

(Currency: Thousands of Turkish Lira (TL))

The following table provides an analysis of interest rate sensivity of monetary assets and liabilities of the consolidated entities into relevant maturity groupings:

	30 September 2019						
	Up to 1 month	*1 to 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 year*	*Non-Interest Bearing(*)*	*Total*
MONETARY ASSETS							
Cash and balances with central banks	18,393,680	-	-	-	-	32,273,975	50,667,655
Financial assets at fair value through profit or loss	9,717	3,546,444	204,361	496,434	75,188	567,672	4,899,816
Loans and advances to banks	14,085,145	801,746	1,305,461	148,502	90,365	10,787,397	27,218,616
Loans and advances to customers	58,093,919	25,705,001	88,260,238	65,472,705	13,112,530	(556,758)	250,087,635
Other assets	10,654,164	-	173	107,180	-	4,055,148	14,816,665
Investment securities	6,275,857	6,124,110	13,763,928	5,339,947	11,370,934	11,464,090	54,338,866
Total Monetary Assets	107,512,482	36,177,301	103,534,161	71,564,768	24,649,017	58,591,524	402,029,253
MONETARY LIABILITIES							
Deposits	135,079,253	31,118,744	15,926,330	2,830,857	153,496	72,542,838	257,651,518
Obligations under repurchase agreements and money market fundings	143,629	49,049	455,672	787,197	75,932	7,996	1,519,475
Loans and advances from banks and other institutions	1,456,264	8,170,222	5,488,698	2,735,621	7,958,511	1,069,660	26,878,976
Debt securities issued	11,119,996	1,102,055	20,572	9,995,390	122,464	403,241	22,763,718
Subordinated liabilities	-	-	-	-	4,213,125	90,639	4,303,764
Financial liabilities at fair value through profit or loss	13,015,634	-	-	-	-	177,660	13,193,294
Other liabilities	-	-	-	-	-	33,573,507	33,573,507
Total Monetary Liabilities	160,814,776	40,440,070	21,891,272	16,349,065	12,523,528	107,865,541	359,884,252

	31 December 2018						
	Up to 1 month	*1 to 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 year*	*Non-Interest Bearing*	*Total*
MONETARY ASSETS							
Cash and balances with central banks	35,737,343	-	-	-	-	15,801,048	51,538,391
Financial assets at fair value through profit or loss	45,922	36,429	4,152,182	136,176	65,002	177,507	4,613,218
Loans and advances to banks	1,857,261	681,908	1,430,348	249,305	69,100	15,329,651	19,617,573
Loans and advances to customers	63,274,415	30,452,792	73,686,461	64,364,863	13,894,003	5,471,480	251,144,014
Other assets	10,984,135	-	-	177,073	-	2,288,399	13,449,607
Investment securities	3,493,756	7,587,154	14,397,742	4,451,777	12,402,065	9,194,885	51,527,379
Total Monetary Assets	115,392,832	38,758,283	93,666,733	69,379,194	26,430,170	48,262,970	391,890,182
MONETARY LIABILITIES							
Deposits	130,144,939	35,243,915	20,518,902	2,134,307	5,065	56,845,045	244,892,173
Obligations under repurchase agreements and money market fundings	1,357,567	286,818	98,466	782,847	71,255	37,637	2,634,590
Loans and advances from banks and other institutions	2,583,900	15,666,635	12,361,802	2,213,565	914,820	888,569	34,629,291
Debt securities issued	6,539,033	1,530,012	7,662,050	10,680,521	120,397	470,201	27,002,214
Subordinated liabilities	-	-	-	-	3,952,425	24,593	3,977,018
Financial liabilities at fair value through profit or loss	12,161,424	-	-	-	-	150,806	12,312,230
Other liabilities	-	-	-	-	-	27,632,005	27,632,005
Total Monetary Liabilities	152,786,863	52,727,380	40,641,220	15,811,240	5,063,962	86,048,856	353,079,521

(*) Includes expected credit losses.

(Currency: Thousands of Turkish Lira (TL))

Financial risk management disclosures (continued)

The following table indicates the effective interest rates by major currencies for the major components of the consolidated statement of financial position for the first nine-months of 2019 and the year 2018:

	30 September 2019			
	US$ %	EUR %	TL %	Other Currencies%
Assets				
Loans and advances to banks	1-7	(0.45)-5	1-24	3
Debt and other fixed or floating income	3-12	1-7	4-30	2-6
Loans and advances to customers	2-13	1-11	10-36	1-31
Liabilities				
Deposits:				
- Foreign currency deposits-	1-4	1-9	-	1-6
- Bank deposits-	2-4	1	11-27	-
- Saving deposits	-	-	12-22	-
- Commercial deposits	-	-	9-22	-
- Public and other deposits	-	-	17	-
Obligations under repurchase agreements and money market fundings	3-4	1	7-26	-
Loans and advances from banks and other institutions	3-6	1-6	12-34	1-10
Debt securities issued	6	5	17-24	-

	31 December 2018			
	US$ %	EUR %	TL %	Other Currencies%
Assets				
Loans and advances to banks	1-5	(0.34)-13	1-44	3
Debt and other fixed or floating income	3-12	1-5	3-28	1-5
Loans and advances to customers	2-19	1-11	10-44	1-31
Liabilities				
Deposits:				
- Foreign currency deposits	1-4	1-7	-	1-6
- Bank deposits	2-4	(0.34)-1	19-27	1-2
- Saving deposits	-	-	15-29	-
- Commercial deposits	-	-	9-26	-
- Public and other deposits	-	-	24	-
Obligations under repurchase agreements and money market fundings	3-4	-	7-30	-
Loans and advances from banks and other institutions	3-12	1-5	11-45	1-4
Debt securities issued	6	4	18-27	5

Financial risk management disclosures (continued)

Currency risk

Currency risk arises from the potential impact of adverse exchange rate fluctuations on the capital ratio and net profit, when the Bank has a significant activity in currencies other than the local currency of the balance sheet or when it holds exposure to protect its equity.

The Bank and its subsidiaries are exposed to currency risk through transactions in foreign currencies and through investments in foreign operations. The Bank and its subsidiaries' main foreign operations are in the Netherlands and Romania. The measurement currencies of its operations are Euro and Romanian Leu. As the currency in which the Bank presents its consolidated financial statements is TL, the consolidated financial statements are affected by currency exchange rate fluctuations against TL. The Bank finances a significant proportion of its net investment in foreign operations with borrowings in the same currencies as the relevant measurement currencies to mitigate its currency risk. FX swaps are also used to match the currency of some of its other borrowings to the measurement currencies involved. The Bank and its subsidiaries' transactional exposures give rise to foreign currency gains and losses that are recognised in the consolidated statement of profit or loss and other comprehensive income. These exposures comprise of monetary assets and monetary liabilities that are not denominated in the measurement currency of the Bank involved.

(Currency: Thousands of Turkish Lira (TL))

Financial risk management disclosures (continued)

These exposures are as follows:

	30 September 2019			
	US$	**EUR**	**Other Currencies**	**Total**
Assets				
Cash and balances with central banks	16,890,072	23,531,945	6,182,584	46,604,601
Financial assets at fair value through profit or loss	4,106,042	20,589	-	4,126,631
Loans and advances to banks	8,302,948	6,451,669	953,547	15,708,164
Loans and advances to customers	48,964,075	47,707,238	7,156,750	103,828,063
Other assets	1,057,292	797,423	2,922,942	4,777,657
Investment securities	11,446,323	3,161,175	1,392,003	15,999,501
Equity investments	299,020	7,924	-	306,944
Tangible and intangible assets	272	210,404	250,991	461,667
Deferred tax asset	-	28,779	2,337	31,116
Total Assets	91,066,044	81,917,146	18,861,154	191,844,344
Liabilities				
Deposits	83,650,025	53,720,391	15,522,203	152,892,619
Obligations under repurchase agreements and money market fundings	490,249	787,197	138	1,277,584
Loans and advances from banks and other institutions	11,228,440	12,049,874	175,194	23,453,508
Debt securities issued	17,035,882	1,534,942	-	18,570,824
Financial liabilities at fair value through profit or loss	13,193,294	-	-	13,193,294
Subordinated liabilities	4,303,764	-	-	4,303,764
Current and deferred tax liability	-	60,440	43,502	103,942
Other liabilities, accrued expenses and provisions	3,349,594	1,771,209	391,256	5,512,059
Total Liabilities	*133,251,248*	*69,924,053*	*16,132,293*	*219,307,594*
Net Statement of Financial Position	*(42,185,204)*	*11,993,093*	*2,728,861*	*(27,463,250)*
Net Off Balance Sheet Position	*41,689,543*	*(11,070,097)*	*(995,806)*	*29,623,640*
Net Long/(Short) Position	*(495,661)*	*922,996*	*1,733,055*	*2,160,390*

	31 December 2018			
	US$	**EUR**	**Other Currencies**	**Total**
Total Assets	*90,242,862*	*87,217,638*	*18,977,537*	*196,438,037*
Total Liabilities	*135,124,081*	*69,272,701*	*13,935,119*	*218,331,901*
Net Statement of Financial Position	*(44,881,219)*	*17,944,937*	*5,042,418*	*(21,893,864)*
Net Off Balance Sheet Position	*40,753,037*	*(16,677,550)*	*(3,596,806)*	*20,478,681*
Net Long/(Short) Position	*(4,128,182)*	*1,267,387*	*1,445,612*	*(1,415,183)*

For the purposes of the evaluation of the table above, the figures represent the TL equivalent of the related hard currencies. The effective exchange rates at the balance sheet date announced by the Bank in TL are 5.6175 for US dollars and 6.1231 for Euro.

Financial risk management disclosures (continued)

The short positions in the consolidated statement of financial position shown in the table above are hedged by currency swaps, forward contracts and other derivatives entered into to manage these currency exposures. In respect of monetary assets and liabilities in foreign currencies that are not economically hedged, the Bank and its subsidiaries ensure that their net exposures are kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate.

The potential impact of adverse exchange rate fluctuations on the capital adequacy ratio and foreign currency risk weighted assets are regularly monitored according to internal limits and reported.

(c) Liquidity risk

Liquidity risk is defined as the risk that the Bank may not be able to fulfill its payment obligations in a timely manner due to the lack of available cash or cash inflows in quality and in quantity to cover the cash outflows in a complete and timely manner due to imbalances in the cash flows of the Bank and its subsidiaries.

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 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. Risk Management Department reviews assumptions and parameters used in liquidity risk analysis.

The liquidity risk analysis and the important liquidity indicators are reported monthly to related senior management. Additionally, analysis and monitored internal ratios related to liquidity risk are presented

Financial risk management disclosures (continued)

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 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.

(Currency: Thousands of Turkish Lira (TL))

The following table provides an analysis of monetary assets and monetary liabilities of the consolidated entities into relevant maturity groupings based on the remaining periods to repayment:

	30 September 2019							
	Demand Accounts	***Up to 1 month***	***1 to 3 months***	***3 to 12 months***	***1 to 5 years***	***Over 5 year***	***Undistributed(*)***	***Total***
MONETARY ASSETS								
Turkish Lira								
Cash and balances with central banks	4,070,839	-	-	-	-	-	(7,785)	4,063,054
Financial assets at fair value through profit or loss	151,727	2,762	10,361	53,177	521,328	33,830	-	773,185
Derivative financial assets	-	739,170	485,812	415,693	676,136	-	-	2,316,811
Loans and advances to banks	8,971	11,216,061	248,618	58,452	-	-	(21,650)	11,510,452
Loans and advances to customers	445,616	35,975,310	18,532,964	38,205,392	43,548,554	5,549,474	4,002,262	146,259,572
Investment securities	-	90,099	446,640	9,188,146	23,324,442	5,348,700	(58,662)	38,339,365
Other assets	3,499,286	929,090	28,332	43,828	77,257	40,691	3,103,713	7,722,197
Total Turkish Lira monetary assets	8,176,439	48,952,492	19,752,727	47,964,688	68,147,717	10,972,695	7,017,878	210,984,636
Foreign Currency								
Cash and balances with central banks	21,799,979	24,857,387	-	-	-	-	(52,765)	46,604,601
Financial assets at fair value through profit or loss	35,727	62,606	3,876,174	2,182	90,062	59,880	-	4,126,631
Derivative financial assets	-	14,590	-	210,293	37,185	1,013,917	-	1,275,985
Loans and advances to banks	11,121,905	2,975,682	548,923	887,160	109,891	87,106	(22,503)	15,708,164
Loans and advances to customers	161,222	7,794,012	6,834,259	23,397,465	44,304,335	19,393,356	1,943,414	103,828,063
Investment securities	6	1,751	108,732	1,355,086	3,315,983	11,240,107	(22,164)	15,999,501
Other assets	5,492,278	(2,212,967)	65,781	23,729	112,488	-	20,363	3,501,672
Total foreign currency monetary assets	38,611,117	33,493,061	11,433,869	25,875,915	47,969,944	31,794,366	1,866,345	191,044,617
Total Monetary Assets	46,787,556	82,445,553	31,186,596	73,840,603	116,117,661	42,767,061	8,884,223	402,029,253
MONETARY LIABILITIES								
Turkish Lira								
Deposits	25,679,258	60,563,320	14,584,377	3,906,891	25,053	-	-	104,758,899
Loans and advances from banks and other institutions	-	438,490	645,533	911,323	1,430,122	-	-	3,425,468
Obligations under repurchase agreements and money market fundings	-	147,280	51,504	43,107	-	-	-	241,891
Debt securities issued	-	1,262,870	1,688,048	19,528	1,222,448	-	-	4,192,894
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-
Derivative financial liabilities	-	1,226,472	307,500	1,298,919	662,947	-	-	3,495,838
Subordinated liabilities	-	-	-	-	-	-	-	-
Other liabilities	16,442,065	2,049,053	569,904	219,801	541,731	215,451	4,423,663	24,461,668
Total Turkish Lira monetary liabilities	42,121,323	65,687,485	17,846,866	6,399,569	3,882,301	215,451	4,423,663	140,576,658
Foreign Currency								
Deposits	54,460,335	68,183,610	17,718,928	10,101,144	2,268,284	160,318	-	152,892,619
Loans and advances from banks and other institutions	-	2,864,971	7,425,563	10,072,637	2,941,304	149,033	-	23,453,508
Obligations under repurchase agreements and money market fundings	138	-	-	414,001	787,197	76,248	-	1,277,584
Debt securities issued	-	4,304,148	126,394	1,120	11,980,921	2,158,241	-	18,570,824
Financial liabilities at fair value through profit or loss	-	-	-	-	3,600,369	9,592,925	-	13,193,294
Derivative financial liabilities	-	25,252	277,826	16,012	288,865	1,890,500	-	2,498,455
Subordinated liabilities	-	-	-	-	-	4,303,764	-	4,303,764
Other liabilities	324,270	1,084,312	541,328	80,403	69,538	697	1,016,998	3,117,546
Total foreign currency monetary liabilities	54,784,743	76,462,293	26,090,039	20,685,317	21,936,478	18,331,726	1,016,998	219,307,594
Total Monetary Liabilities	96,906,066	142,149,778	43,936,905	27,084,886	25,818,779	18,547,177	5,440,661	359,884,252

(*) Includes expected credit losses.

(Currency: Thousands of Turkish Lira (TL))

The following table provides an analysis of monetary assets and monetary liabilities of the consolidated entities into relevant maturity groupings based on the remaining periods to repayment:

	31 December 2018							
	Demand Accounts	***Up to 1 month***	***1 to 3 months***	***3 to 12 months***	***1 to 5 years***	***Over 5 year***	***Undistributed(*)***	***Total***
MONETARY ASSETS								
Turkish Lira								
Cash and balances with central banks	2,729,696	-	-	-	-	-	(2,911)	2,726,785
Financial assets at fair value through profit or loss	69,979	1	32,606	15,060	157,974	2,308	-	277,928
Derivative financial assets	-	679,499	367,923	953,024	952,074	145,059	-	3,097,579
Loans and advances to banks	21,679	502,608	349,114	292,286	-	-	(2,931)	1,162,756
Loans and advances to customers	440,857	35,411,970	16,403,558	37,007,351	45,551,469	6,607,700	3,644,035	145,066,940
Investment securities	-	-	282,719	2,072,139	26,604,665	7,866,071	(38,214)	36,787,380
Other assets	553	4,060,261	24,872	23,936	236,859	-	2,586,150	6,932,631
Total Turkish Lira monetary assets	3,262,764	40,654,339	17,460,792	40,363,796	73,503,041	14,621,138	6,186,129	196,051,999
Foreign Currency								
Cash and balances with central banks	26,455,548	22,397,696	-	-	-	-	(41,638)	48,811,606
Financial assets at fair value through profit or loss	102,530	-	5	4,140,470	27,128	65,157	-	4,335,290
Derivative financial assets	-	7,588	45,623	235,630	97,235	610,042	-	996,118
Loans and advances to banks	15,636,885	1,438,980	369,640	755,387	222,009	47,588	(15,672)	18,454,817
Loans and advances to customers	267,573	8,904,829	7,704,566	23,291,807	43,881,428	19,849,158	2,177,713	106,077,074
Investment securities	-	-	71,650	490,548	2,045,538	12,148,170	(15,907)	14,739,999
Other assets	1,745,352	255,162	71,776	27,581	228,974	27,035	67,400	2,423,280
Total foreign currency monetary assets	44,207,888	33,004,254	8,263,260	28,941,423	46,502,312	32,747,150	2,171,896	195,838,183
Total Monetary Assets	47,470,652	73,658,593	25,724,052	69,305,219	120,005,353	47,368,288	8,358,025	391,890,182
MONETARY LIABILITIES								
Turkish Lira								
Deposits	19,629,974	58,354,968	17,479,075	8,429,634	66,054	-	-	103,959,705
Loans and advances from banks and other institutions	-	114,698	135,250	692,777	563,421	-	-	1,506,146
Obligations under repurchase agreements and money market fundings	-	1,013,456	296,652	103,794	-	-	-	1,413,902
Debt securities issued	-	942,900	885,485	289,625	2,071,942	-	-	4,189,952
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-
Derivative financial liabilities	-	1,061,280	605,609	589,327	380,806	346,294	-	2,983,316
Subordinated liabilities	-	-	-	-	-	-	-	-
Other liabilities	951,824	15,389,207	129,349	18,571	7,316	-	4,198,332	20,694,599
Total Turkish Lira monetary liabilities	20,581,798	76,876,509	19,531,420	10,123,728	3,089,539	346,294	4,198,332	134,747,620
Foreign Currency								
Deposits	44,533,528	63,538,113	18,229,324	12,439,491	2,179,352	12,660	-	140,932,468
Loans and advances from banks and other institutions	-	1,506,772	1,177,050	24,697,399	4,978,741	763,183	-	33,123,145
Obligations under repurchase agreements and money market fundings	139	371,962	-	-	776,561	72,026	-	1,220,688
Debt securities issued	-	53,687	661,936	7,475,888	11,996,088	2,624,663	-	22,812,262
Financial liabilities at fair value through profit or loss	-	-	-	478,804	2,650,312	9,183,114	-	12,312,230
Derivative financial liabilities	-	158,492	23,071	240,227	250,783	862,771	-	1,535,344
Subordinated liabilities	-	-	-	-	-	3,977,018	-	3,977,018
Other liabilities	206,230	716,538	359,311	49,927	443	-	1,086,297	2,418,746
Total foreign currency monetary liabilities	44,739,897	66,345,564	20,450,692	45,381,736	22,832,280	17,495,435	1,086,297	218,331,901
Total Monetary Liabilities	65,321,695	143,222,073	39,982,112	55,505,464	25,921,819	17,841,729	5,284,629	353,079,521

(*) Includes expected credit losses.

(Currency: Thousands of Turkish Lira (TL))

Financial risk management disclosures (continued)

Contractual maturity analysis of liabilities according to remaining maturities

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

	30 September 2019							
	Carrying Value	***Nominal Principal Outflows***	***Demand***	***Up to 1 Month***	***1 to 3 Months***	***3 to 12 Months***	***1 to 5 Years***	***Over 5 Years***
Deposits	257,651,518	255,957,072	80,127,442	127,853,124	31,722,174	13,815,845	2,278,866	159,621
Obligations under repurchase agreements and money market	1,519,475	1,520,423	138	143,630	49,049	455,672	796,003	75,931
Loans and advances from banks and other institutions	26,878,976	26,663,841	-	3,141,431	8,050,357	10,951,594	4,371,426	149,033
Debt securities issued	22,763,718	22,360,477	-	5,450,492	1,780,159	20,572	12,975,437	2,133,817
Subordinated liabilities	4,303,764	4,213,125	-	-	-	-	-	4,213,125
Financial liabilities at fair value through profit or loss	13,193,294	14,154,930	-	-	-	-	3,622,117	10,532,813
Total Monetary Liabilities	326,310,745	324,869,868	80,127,580	136,588,677	41,601,739	25,243,683	24,043,849	17,264,340

	31 December 2018							
	Carrying Value	***Nominal Principal Outflows***	***Demand***	***Up to 1 Month***	***1 to 3 Months***	***3 to 12 Months***	***1 to 5 Years***	***Over 5 Years***
Deposits	244,892,173	243,090,159	64,143,609	121,035,809	35,230,022	20,436,832	2,231,265	12,622
Obligations under repurchase agreements and money market	2,634,590	2,597,091	139	1,357,567	286,818	98,466	782,847	71,254
Loans and advances from banks and other institutions	34,629,291	34,391,534	-	1,475,755	1,239,994	25,371,106	5,541,654	763,025
Debt securities issued	27,002,214	26,532,013	-	980,255	1,530,011	7,654,244	13,768,324	2,599,179
Subordinated liabilities	3,977,018	3,952,425	-	-	-	-	-	3,952,425
Financial liabilities at fair value through profit or loss	12,312,230	13,092,251	-	-	-	474,291	2,736,897	9,881,063
Total Monetary Liabilities	325,447,516	323,655,473	64,143,748	124,849,386	38,286,845	54,034,939	25,060,987	17,279,568

(Currency: Thousands of Turkish Lira (TL))

Financial risk management disclosures (continued)

(d) Credit risk

The Bank and its subsidiaries are subject to credit risk through the trading, lending, hedging and investing activities and the guarantees issued for their customers as well as in cases where they act as intermediaries on behalf of customers or other third parties.

In accordance with IFRS 7 "Financial Instruments: Disclosures", the Group's maximum credit risk exposure (see definition below) by headings in the statement of financial position as of 30 September 2019 and 31 December 2018 are provided below. It does not consider the availability of collateral or other credit enhancements to guarantee compliance with payment obligations. The maximum credit exposures broken down by financial instruments are as follows:

	Notes	30 September 2019	Stage 1	Stage 2	Stage 3
Financial assets at fair value through profit or loss		*1,025,385*			
Debt and other instruments	*4*	898,014			
Equity and other non-fixed income instruments	*4*	127,371			
Loans and advances	*4*	-			
Non-trading financial assets mandatorily at fair value through profit or loss		*3,874,431*			
Loans and advances	*4*	3,874,431			
Debt and other instruments	*4*	-			
Equity and other non-fixed income instruments	*4*	-			
Equity investments measured at FVOCI	*9*	*363,333*			
Derivative financial assets	*5*	*3,592,796*			
Financial assets at fair value through other comprehensive income		*27,248,577*	*27,248,577*	-	-
Debt and other instruments	*8*	27,248,577	27,248,577	-	-
Equity and other non-fixed income instruments	*8*	-		-	-
Financial assets at amortised cost		347,892,682	*291,763,740*	*38,100,232*	*18,028,710*
Balances with central banks excluding reserve deposits	*3*	*26,829,107*	26,829,107	-	-
Loans and advances to banks	*6*	27,263,575	27,263,575	-	-
Loans and advances to customers	*7*	266,628,873	210,499,931	38,100,232	18,028,710
Debt and other instruments	*8*	27,171,127	27,171,127	-	-
Total financial assets risk		**383,997,204**			
Total loan commitments and financial guarantees	*25*	*118,498,572*			
Total maximum credit exposure		**502,495,776**			

(Currency: Thousands of Turkish Lira (TL))

Financial risk management disclosures (continued)

	Notes	31 December 2018	Stage 1	Stage 2	Stage 3
Financial assets at fair value through profit or loss		*532,057*			
Debt and other instruments	4	469,478			
Equity and other non-fixed income instruments	4	62,579			
Loans and advances	4	-			
Non-trading financial assets mandatorily at fair value through profit or loss		*4,081,161*			
Loans and advances	4	4,081,161			
Debt and other instruments	4	-			
Equity and other non-fixed income instruments	4	-			
Equity investments measured at FVOCI	9	*274,760*			
Derivative financial assets	5	*4,094,114*			
Financial assets at fair value through other comprehensive income		*26,927,495*	*26,927,495*	-	-
Debt and other instruments	8	26,927,495	26,927,495	-	-
Equity and other non-fixed income instruments	8	-	-	-	-
Financial assets at amortised cost		*336,158,564*	*283,692,999*	*38,712,181*	*13,753,384*
Balances with central banks excluding reserve deposits	3	27,631,732	27,631,732	-	-
Loans and advances to banks	6	19,636,536	19,636,536	-	-
Loans and advances to customers	7	264,236,287	211,770,722	38,712,181	13,753,384
Debt and other instruments	8	24,654,009	24,654,009	-	-
Total financial assets risk		**372,068,151**			
Total loan commitments and financial guarantees	25	*121,078,809*			
Total maximum credit exposure		**493,146,960**			

The maximum credit exposure presented in the table above is determined by type of financial asset as explained below:

- In the case of financial assets recognised in the statement of financial position, exposure to credit risk is considered equal to its carrying amount (not including impairment losses) with the sole exception of derivatives. For derivatives, credit risk exposure is measured as the fair value of the corresponding instrument.

- The maximum credit risk exposure on financial guarantees granted is the maximum amount that the Group would be liable for if these guarantees were called in.

There is no change in definition of default, cure and reverse transfer logic, assessment of the significant increase in credit risk, internal rating and model inputs or low credit risk assumptions compared to year-end IFRS financial statements.

In accordance with the Bank's internal policies, IFRS 9 models are updated once a year. The related model update was made in the 4th quarter of 2018 and the Bank continued to calculate expected credit losses provision based on the mentioned updated model in 2019.

(Currency: Thousands of Turkish Lira (TL))

Financial risk management disclosures (continued)

As of 30 September 2019 and 31 December 2018, the breakdowns of individually and collectively assessed expected credit losses for loans, factoring and financial lease receivables and non-cash loans are as follows:

	30 September 2019					
	Stage 1		*Stage 2*		*Stage 3*	
	Individual	*Collective*	*Individual*	*Collective*	*Individual*	*Collective*
Cash loans	444	1,030,421	2,600,491	1,528,179	5,507,354	5,077,060
Factoring receivables	-	4,972	960	3,436	226,234	56,114
Financial lease receivables	152	35,871	12,324	86,007	11,222	359,997
Non-cash loans	-	143,459	277,648	102,188	264,778	86,043
	596	1,214,723	2,891,423	1,719,810	6,009,588	5,579,214

	31 December 2018					
	Stage 1		*Stage 2*		*Stage 3*	
	Individual	*Collective*	*Individual*	*Collective*	*Individual*	*Collective*
Cash loans	653	876,579	2,415,200	1,526,448	3,484,458	3,977,545
Factoring receivables	-	7,150	-	163	208,348	55,486
Financial lease receivables	3,890	52,126	72,290	13,184	312,167	86,586
Non-cash loans	-	123,743	155,538	89,687	221,055	64,626
	4,543	1,059,598	2,643,028	1,629,482	4,226,028	4,184,243

As of 30 September 2019 and 31 December 2018, details of loans under follow-up (Stage 2) including restructured contracts are as follows:

	Loans and Other Receivables under Follow-Up (Stage 2)		
30 September 2019		**Restructured**	
Cash Loans	**Non-restructured**	**Revised Contract Terms**	**Other Changes**
Loans	**28,399,435**	**3,637,371**	**5,097,062**
Commercial, Corporate and SME Loans	18,547,105	2,101,726	5,047,074
Consumer Loans	6,610,152	997,074	49,988
Credit Cards	3,242,178	538,571	-
Other Receivables	**661,164**	**294,133**	**11,067**
Total	**29,060,599**	**3,931,504**	**5,108,129**

	Loans and Other Receivables under Follow-Up (Stage 2)		
31 December 2018		**Restructured**	
Cash Loans	**Non-restructured**	**Revised Contract Terms**	**Other Changes**
Loans	**29,217,404**	**5,290,795**	**3,232,300**
Commercial, Corporate and SME Loans	18,367,497	4,299,803	3,206,070
Consumer Loans	7,536,368	466,539	26,230
Credit Cards	3,313,539	524,453	-
Other Receivables	**724,252**	**234,738**	**12,692**
Total	**29,941,656**	**5,525,533**	**3,244,992**

(Currency: Thousands of Turkish Lira (TL))

Financial risk management disclosures (continued)

Below table indicates the delinquency periods of loans under follow-up (Stage 2) as of 30 September 2019 and 31 December 2018:

30 September 2019	**Corporate / Commercial Loans**	**Consumer Loans**	**Credit Cards**	**Total**
31-60 days	630,362	1,127,825	216,318	1,974,505
61-90 days	1,755,075	366,454	73,241	2,194,770
Loans not delinquent more than 30 days	24,276,832	6,162,935	3,491,190	33,930,957
Total	**26,662,269**	**7,657,214**	**3,780,749**	**38,100,232**

31 December 2018	**Corporate / Commercial Loans**	**Consumer Loans**	**Credit Cards**	**Total**
31-60 days	3,730,224	1,803,644	264,827	5,798,695
61-90 days	680,448	389,255	83,782	1,153,485
Loans not delinquent more than 30 days	22,434,380	5,836,238	3,489,383	31,760,001
Total	**26,845,052**	**8,029,137**	**3,837,992**	**38,712,181**

The collaterals held against loans under follow-up (Stage 2) including accruals, are presented below, as per the collateral type, up to the outstanding total amount of exposures:

30 September 2019	**Corporate / Commercial Loans**	**Consumer Loans**	**Credit Cards**	**Total**
Mortgages	13,142,302	3,373,071	-	16,515,373
Pledge assets	2,226,689	241,045	-	2,467,734
Promissory notes	80,070	4,198	-	84,268
Cash collateral	332,271	26,481	-	358,752
Other collaterals	7,764,891	3,327,353	-	11,092,244
Unsecured	3,116,046	685,066	3,780,749	7,581,861
Total	**26,662,269**	**7,657,214**	**3,780,749**	**38,100,232**

31 December 2018	**Corporate / Commercial Loans**	**Consumer Loans**	**Credit Cards**	**Total**
Mortgages	12,572,700	3,679,534	-	16,252,234
Pledge assets	1,591,381	280,990	-	1,872,371
Promissory notes	160,108	5,465	-	165,573
Cash collateral	457,023	30,031	-	487,054
Other collaterals	8,137,907	3,386,065	-	11,523,972
Unsecured	3,925,933	647,052	3,837,992	8,410,977
Total	**26,845,052**	**8,029,137**	**3,837,992**	**38,712,181**

The collaterals held against non-performing (Stage 3) loans and receivables including accruals, are presented below, as per the collateral type, up to the outstanding total amount of exposures:

30 September 2019	**Corporate / Commercial Loans**	**Consumer Loans**	**Credit Cards**	**Total**
Mortgages	7,572,772	346,321	-	7,919,093
Pledge assets	1,327,314	65,970	-	1,393,284
Promissory notes	184,238	6,115	-	190,353
Cash collateral	13,331	414	-	13,745
Other collaterals	3,607,704	1,861,304	-	5,469,008
Unsecured	1,373,763	371,355	1,298,109	3,043,227
Total	**14,079,122**	**2,651,479**	**1,298,109**	**18,028,710**

(Currency: Thousands of Turkish Lira (TL))

Financial risk management disclosures (continued)

31 December 2018	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
Mortgages	5,789,032	240,063	-	6,029,095
Pledge assets	1,180,931	59,774	-	1,240,705
Promissory notes	187,107	6,875	-	193,982
Cash collateral	13,272	354	-	13,626
Other collaterals	2,565,655	1,564,239	-	4,129,894
Unsecured	725,261	293,375	1,127,446	2,146,082
Total	**10,461,258**	**2,164,680**	**1,127,446**	**13,753,384**

(e) Capital management – regulatory capital

BRSA, being the main regulatory and supervisory body in Turkey, sets and monitors minimum capital requirements at consolidated and Bank-only level. Individual banking operations are directly supervised by their local regulators and subject to requirements set by these authorities.

BRSA, within its mandate, requires the Bank to maintain a minimum Common Equity Tier 1 ratio (CET1) of 4.5%, Tier 1 ratio of 6% and Total Capital Adequacy Ratio of 8% at consolidated and Bank-only level. In addition to that, in order to build up adequate buffers above these minimum requirements, BRSA requires the Bank to hold 2.5% Capital Conservation Buffer (31 December 2018: 1.875%), 2.0% Domestic Systemically Important Bank Buffer (31 December 2018: 1.5%) and 0.11% Countercyclical Buffer (31 December 2018: 0.09%) as CET1 capital.

Banks that do not meet these buffer requirements subject to restrictions on discretionary payments as described in the Regulation on Capital Conservation and Countercyclical Capital Buffers. No restriction as of reporting date applies to Bank that has excess capital above all these requirements.

The Bank's and its subsidiaries' consolidated regulatory capital is composed mainly of the following items:

-Common Equity Tier 1 capital, which includes paid-in capital, share premium, legal reserves, retained earnings, other comprehensive income, foreign currency translation reserve and non-controlling interests after deductions for goodwill and certain cost items

-Additional Tier 1 capital, which the Bank has no qualifying liability needs to be classified in this category

-Tier 2 capital, which includes qualifying subordinated liabilities and Stage 1 and 2 provisions capped with 1.25% of Credit RWA.

The Bank's and its subsidiaries' regulatory capital positions on consolidated basis are as follows:

	30 September 2019	*31 December 2018*
Tier 1 capital	51,426,905	46,033,825
Tier 2 capital	7,724,397	7,538,990
Deductions from capital	(8,710)	(14,041)
Total regulatory capital	59,142,592	53,558,774
Value at credit, market and operational risks	327,222,110	324,153,343
Capital ratios (%)		
Total regulatory capital expressed as a percentage of total value at credit, market and operational risks	18.07	16.52
Total tier 1 capital expressed as a percentage of total value at credit, market and operational risks	15.72	14.20

Financial risk management disclosures (continued)

(f) Hedging

Due to the Bank and its subsidiaries' overall interest rate risk position and funding structure, its risk management policies require that it should minimize its exposure to changes in foreign currency rates and manage interest rate, credit risk and market price risk exposure within certain guidelines. Derivative financial instruments are used to manage the potential earnings impact of interest rate and foreign currency movements. Several types of derivative financial instrument are used for this purpose, including interest rate swaps and currency swaps, options, financial futures, forward contracts and other derivatives. The purpose of the hedging activities is to protect the Bank and its subsidiaries from the risk that the net cash inflows will be adversely affected by changes in interest or exchange rates, credit ratings or market prices. The Bank and its subsidiaries enter into transactions to ensure that it is economically hedged in accordance with risk management policies. In the accompanying consolidated financial statements, hedge accounting is applied for the cases where hedge accounting relationship is evidenced.

From time to time, the Bank enters into various interest rate swap transactions in order to hedge its certain cash flow or fair value exposures on floating/fixed rate assets and liabilities, through converting its floating/fixed rate income/payments into fixed/floating rate income/payments.

In this respect, the Bank applied fair value hedge accounting for the fixed rate eurobonds issued in 2011 with a total face value of US$ 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 value amount and conditions. 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 amortised as per the effective interest-rate method in compliance with IFRS 9.

The Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 1,759,321, USD 419,023,736 and EUR 254,222,506 for its fixed-rate bonds with a total face value of TL 825,000 and USD 487,500,000 and fixed-rate bonds 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, in the current period, gains of TL 211,538 and TL 240,227 (30 September 2018: losses of TL 288,592 and TL 273,620) resulted from the related fair value calculations for the hedged loans and bonds were accounted for under net trading income/(expense) in the consolidated statement of profit or loss and other comprehensive income, respectively.

The Bank also enters into interest rate and cross currency swap agreements in order to avoid cash flow risks of its variable-rate financial instruments. In this respect, the Bank applied cash flow hedge accounting for its borrowings amounting to USD 35,922,162 and EUR 26,315,789, and securities issued amounting to EUR 52,705,257 by designating cross currency swaps with the same face values and terms and securities issued amounting to USD 590,548,782 and EUR 67,500,000 and deposits amounting to TL 6,750,000, USD 855,000,000 and forward EUR 350,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, gain of TL 28,182 and loss of TL 597,290 (30 September 2018: gains of TL 109,417 and TL 375,880) resulting from cross currency swaps, interest rate swaps agreements were recognised under other comprehensive income, respectively.

Financial risk management disclosures (continued)

One of the Bank's consolidated subsidiaries associated its contractual operational lease receivables (contractual future cash flows) denominated in EUR with its EUR denominated borrowings and other foreign currency borrowings converted to EUR currency through swap transactions and applied cash flow hedge accounting until 1 October 2017. The foreign currency exposures in operational lease receivables were hedged and accordingly the effective portion of foreign currency gains/losses of non-derivative hedging instruments designated for hedges of future cash flows were recognised directly in equity and any ineffective portion is recognised immediately in income until 1 October 2017.

Effective from 1 October 2017, the subsidiary ceased the cash flow hedge regarding foreign currency exposure of its EUR denominated operational lease contracts and considered a fair value hedge relationship between such EUR denominated operational lease receivables and corresponding foreign currency borrowings. Accordingly, the subsequent cumulative change in the fair value of EUR denominated operational lease receivables (the firm commitment) attributable to the hedged risk is recognised as an asset with a corresponding gain recognised in profit or loss. As of 30 September 2019, while a negative amount of TL 101,005 (net of deferred taxes) was recognised under shareholders' equity as the hedge reserve (30 September 2018: TL 215,178), the unrecognised firm commitment fair value change was recognised as asset amounting to TL 80,389 (30 September 2018: TL 304,385) as a consequence of the new fair value hedge designation explained above. Besides, the subsidiary continued to apply cash flow hedge for its forecasted second hand vehicle sales same as previous year.

In the consolidated financial statements, the Bank applies cash flow hedge accounting by designating interest rate swap agreements for floating rate borrowings used by one of the Bank's consolidated subsidiaries, in order to hedge the cash flow risk arising from fluctuations in market interest rates of these borrowings on a consolidated level, starting from 30 September 2019. In this respect, cash flow hedge accounting is applied for borrowings amounting to EUR 103,541,876 by designating interest rate swaps that include floor options with the same nominal value and interest rate swaps of USD 7,000,000 with the same nominal value and terms. Accordingly, in the current period, there was no gain or loss recognised under shareholders'equity resulting from interest rate swap agreements.

One of the Bank's consolidated subsidiaries 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 subsidiary applied fair value hedge accounting for fixed rate eurobonds with a total face value of USD 25,000,000 and EUR 20,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a net loss of TL 3,516 (30 September 2018: TL 7,435) resulting from the related fair value calculations for the hedged bonds were accounted for under net trading income/(expense) in the consolidated statement of profit or loss and other comprehensive income.

One of the Bank's consolidated subsidiaries enters into interest rate 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 subsidiary applied cash flow hedge accounting for its borrowings amounting to EUR 35,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a net loss of TL 7,387 (30 September 2018: a net gain of TL 648) resulting from interest rate swap agreements were recognised under shareholders' equity.

One of the Bank's consolidated subsidiaries enters into foreign currency derivative contracts to hedge the foreign currency risk of its expected future cash flows. In this respect, the subsidiary applied cash flow hedge accounting for its loans granted in Turkish Lira by designating swaps with the same face values and similar terms; TL 323,059,822 sell and EUR 39,209,738 buy, USD 32,600,000 sell and EUR 28,371,952 buy, RON 130,000,000 sell and EUR 26,633,833 buy. Accordingly, in the current period, a net loss of TL 11,620 (30 September 2018: TL 9,604) resulting from currency derivative contracts were recognised under shareholder's equity.

Financial risk management disclosures (continued)

One of the Bank's consolidated subsidiaries enters into foreign currency derivative contracts to hedge the foreign currency risk of its expected future cash flows. In this respect, the subsidiary applied cash flow hedge accounting for its financial lease receivables granted in foreign currency by designating swaps with the same face values and similar terms; EUR 15,000,000 sell and TL 139,095,000 buy, USD 29,000,000 sell and TL 209,090,000 buy. Accordingly, in the current period, a net gain of TL 13,952 (30 September 2018: a net loss of TL 25,562) resulting from currency derivative contracts was recognised under shareholder's equity.

One of the Bank's consolidated subsidiaries enters into cross currency interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments denominated in EUR due to fluctuations in market interest rates and foreign exchange rates. In this respect, the subsidiary applied fair value hedge accounting for the fixed rate bonds issued in 2013 and 2017 with a total face value of EUR 80,000,000 for 10 years and maturity dates of 18 September 2020 and 19 April 2027 by designating cross currency interest rate swaps with the same face values and terms. In August 2018, the subsidiary ceased to apply this hedge accounting.

Fair value information

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of financial instruments have been determined using available market information by the Bank, and where it exists, appropriate valuation methodologies. However, judgement is necessary required to interpret market data to determine the estimated fair value. While management uses available market information in estimating the fair values of financial instruments, the market information may not be fully reflective of the value that could be realized in the current circumstances.

Management has estimated that the fair value of certain financial assets and liabilities are not materially different than their recorded values except for those of loans and advances to customers and investment securities. These financial assets and liabilities include loans and advances to banks, obligations under repurchase agreements and money market fundings, loans and advances from banks and other institutions, and other short-term assets and liabilities that are of a contractual nature, obligations under repurchase agreements and money market fundings, loans and advances from banks and other institutions, and other short-term assets and liabilities that are of a contractual nature.

Management believes that the carrying amount of these particular financial assets and liabilities approximates their fair value, partially due to the fact that it is practice to renegotiate interest rates to reflect current market conditions.

Fair value of loans and advances to customers is TL 247,352,717 (31 December 2018: TL 249,867,575), whereas the carrying amount is TL 250,087,635 (31 December 2018: TL 251,144,014) in the accompanying consolidated statement of financial position as of 30 September 2019.

Fair value of investment securities measured at amortised cost is TL 25,924,011 (31 December 2018: TL 23,072,442), whereas the carrying amount is TL 27,090,289 (31 December 2018: TL 24,599,884) in the accompanying consolidated statement of financial position as of 30 September 2019.

(Currency: Thousands of Turkish Lira (TL))

Fair value information (continued)

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

30 September 2019	***Level 1***	***Level 2***	***Level 3***	***Total***
Financial assets at fair value through profit or loss (*)	787,064	140,644	3,972,108	4,899,816
Derivative financial assets	795	3,533,620	58,381	3,592,796
Debt and other instruments measured at FVOCI	25,967,021	1,281,556	-	27,248,577
Financial Assets at Fair Value	26,754,880	4,955,820	4,030,489	35,741,189
Financial liabilities at fair value through profit or loss	-	-	13,193,294	13,193,294
Derivative financial liabilities	2,942	4,892,458	1,098,893	5,994,293
Financial Liabilities at Fair Value	2,942	4,892,458	14,292,187	19,187,587

31 December 2018	***Level 1***	***Level 2***	***Level 3***	***Total***
Financial assets at fair value through profit or loss (*)	433,074	-	4,180,144	4,613,218
Derivative financial assets	2,235	4,054,543	36,919	4,093,697
Debt and other instruments measured at FVOCI	26,927,402	-	93	26,927,495
Financial Assets at Fair Value	27,362,711	4,054,543	4,217,156	35,634,410
Financial liabilities at fair value through profit or loss	-	-	12,312,230	12,312,230
Derivative financial liabilities	216	3,639,466	878,978	4,518,660
Financial Liabilities at Fair Value	216	3,639,466	13,191,208	16,830,890

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)

(*) Financial assets measured at fair value through profit or loss include loan amounting to USD 628,742,832.80 (31 December 2018: USD 782,928,541) provided to a special purpose entity. As detailed in Note 10, 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 IFRS 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 IFRS 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.

(Currency: Thousands of Turkish Lira (TL))

Fair value information (continued)

Regarding valuation of the related securities issued, 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 securities issued and the corresponding Total Return Swap (TRS) transactions are determined as Level 3.

As of 30 September 2019 and 31 December 2018, the movements of Level 3 financial instruments are as follows:

	30 September 2019		***31 December 2018***	
	Asset	***Liability***	***Asset***	***Liability***
Balance at the beginning of the period	4,217,156	13,191,208	181,358	9,375,462
Additions*(*)*	293	856,653	18,172	3,184,820
Disposals	(17,159)	(643,520)	(31,345)	(2,586,015)
Transfers, net *(**)*	(392,981)	-	4,081,161	-
Effects of valuation differences *(***)*	223,180	887,846	(32,190)	3,216,941
Balance at the end of the period	4,030,489	14,292,187	4,217,156	13,191,208

(*) Based on IFRS 9, in order to eliminate the accounting mismatch, the securitized bonds issued are measured at fair value and it is used the valuation 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.

(**)As detailed in Note 10, the amount includes the transfer of impairment to investments in associates to be disposed.

(***) As of 30 September 2019 and 31 December 2018, effect of movements in exchange rates regarding Level 3 financial liabilities is TL 857,617 and TL 3,690,135; respectively.

Owned assets starting from 1 November 2015, as a result of changing the accounting policy, the Group applied revaluation model for properties recorded under tangible assets instead of cost model in accordance with IAS 16. Accordingly, for all real estates registered in the ledger, a valuation study was performed by independent expertise firms.

Similar to owned assets, investment properties starting from 1 November 2015, as a result of changing in the accounting policy, the Group applied fair value model for instead of cost model in accordance with the IAS 40. 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 are accounted in the corresponding statement of profit or loss and other comprehensive income.

Owned assets and investment properties are considered at fair value are classified at Level 3.

(Currency: Thousands of Turkish Lira (TL))

Transition disclosures

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

	Note	*31.12.2018*	*IFRS16 Reclassification Effect*	*IFRS16 Transition Effect*	*01.01.2019*
Tangible and intangible assets	(1),(2)	6,595,030	33,008	1,041,258	7,669,296
Other assets	(2)	7,822,986	(33,008)	-	7,789,978
Other liabilities and accrued expenses	(1),(3)	17,530,818	-	1,041,258	18,572,076

(1) In accordance with IFRS 16 a lease liability and a right-of-use asset amounting to TL 1,041,258 are recognised as of 1 January 2019 for leases previously classified as an operating lease applying IAS 17.

(2) In accordance with IFRS 16 prepaid rent payments amounting to TL 33,008 are reclassified 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 alternative borrowing interest rates applied to TL, EUR and USD lease liabilities presented in the consolidated statement of financial position are 23.6%, 4.2% and 7% respectively.

Comparatives and adjustment of prior periods' financial statements

During 2019, the Group noted that TL 190,698 of revaluation surplus on tangible assets was erroneously attributed to retained earnings prior to 2017. The related effect has been corrected by restating each of the affected financial statements line items (revaluation surplus on tangible assets which was previously reported as TL 1,516,053 was restated to TL 1,706,751 and retained earnings which was previously reported as TL 32,822,485 was restated to TL 32,631,787 and revaluation surplus on tangible assets which was previously reported as TL 1,531,101 was restated to TL 1,721,799 and retained earnings which was previously reported as TL 37,692,683 was restated to TL 37,501,985) for the balances at 31 December 2017 and 31 December 2018, respectively.

Notes to the interim condensed consolidated financial statements:

1 Segment reporting

The Bank has seven reportable segments from banking and other financial institutions, as described in the business segments part below, which are the Bank's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the senior management reviews internal reports regularly. The following summary describes the operations in each of the Bank's reportable segments.

(Currency: Thousands of Turkish Lira (TL))

1 Segment reporting (continued)

Business segments

The segments are identified on the basis used by the Group's top management to allocate resources and evaluate performance, in accordance with IFRS 8 "Operating Segments". The Board reviews discrete financial information for each of its segments, including measures of operating results, assets and liabilities. The main business segments are banking, leasing, insurance and factoring sectors. Banking segment information is detailed further to retail banking and commercial, corporate and SME banking as these are the major banking activities. Other operations heading under the banking segment include mainly treasury and investment banking activities as well as unallocated income and expense items. The analysis is as follows:

30 September 2019	Retail Banking	Commercial, Corporate & SME Banking	Other Operations	Total Banking	Leasing	Insurance	Factoring	Other Financial	Other Non-Financial	Combined	Eliminations	Total
Operating income	9,030,594	4,239,704	(817,271)	12,453,027	224,424	558,439	76,433	329,831	221,743	13,863,897	(127,154)	13,736,743
Operating expenses	(4,902,670)	(1,643,743)	(322,170)	(6,868,583)	(69,647)	(110,576)	(35,968)	(172,030)	(149,753)	(7,406,557)	64,550	(7,342,007)
Income from operations	**4,127,924**	**2,595,961**	**(1,139,441)**	**5,584,444**	**154,777**	**447,863**	**40,465**	**157,801**	**71,990**	**6,457,340**	**(62,604)**	**6,394,736**
Taxation charge	-	-	(1,190,558)	(1,190,558)	(32,177)	(98,171)	(8,675)	(39,210)	(16,848)	(1,385,639)	12,024	(1,373,615)
Net income for the period	**4,127,924**	**2,595,961**	**(2,329,999)**	**4,393,886**	**122,600**	**349,692**	**31,790**	**118,591**	**55,142**	**5,071,701**	**(50,580)**	**5,021,121**
Segment assets	70,585,481	176,722,016	153,996,291	401,303,788	6,533,763	1,963,449	1,947,528	1,517,633	1,692,954	414,959,115	(3,623,189)	411,335,926
Equity investments	-	-	751,914	751,914	10,000	304	-	4,583	1	766,802	(403,469)	363,333
Total assets	**70,585,481**	**176,722,016**	**154,748,205**	**402,055,702**	**6,543,763**	**1,963,753**	**1,947,528**	**1,522,216**	**1,692,955**	**415,725,917**	**(4,026,658)**	**411,699,259**
Segment liabilities	180,835,400	84,992,506	86,886,415	352,714,321	5,341,875	701,704	1,776,223	1,265,741	1,487,100	363,286,964	(3,402,712)	359,884,252
Total equity	-	-	49,341,381	49,341,381	1,201,888	1,262,049	171,305	256,475	205,855	52,438,953	(623,946)	51,815,007
Total liabilities and equity	**180,835,400**	**84,992,506**	**136,227,796**	**402,055,702**	**6,543,763**	**1,963,753**	**1,947,528**	**1,522,216**	**1,692,955**	**415,725,917**	**(4,026,658)**	**411,699,259**

(Currency: Thousands of Turkish Lira (TL))

1 Segment reporting (continued)

30 September 2018	*Retail Banking*	*Commercial, Corporate & SME Banking*	*Other Operations*	*Total Banking*	*Leasing*	*Insurance*	*Factoring*	*Other Financial*	*Other Non-Financial*	*Combined*	*Eliminations*	*Total*
Operating income	6,395,275	6,113,021	510,537	13,018,833	180,527	528,741	26,815	309,841	178,366	14,243,123	(21,698)	14,221,425
Operating expenses	(3,187,303)	(1,778,977)	(1,365,012)	(6,331,292)	(62,527)	(98,354)	(36,629)	(167,174)	(133,720)	(6,829,696)	50,012	(6,779,684)
Income from operations	**3,207,972**	**4,334,044**	**(854,475)**	**6,687,541**	**118,000**	**430,387**	**(9,814)**	**142,667**	**44,646**	**7,413,427**	**28,314**	**7,441,741**
Taxation charge	-	-	(1,615,282)	(1,615,282)	(27,229)	(94,704)	291	(30,515)	(15,838)	(1,783,277)	(6,638)	(1,789,915)
Net income for the period	**3,207,972**	**4,334,044**	**(2,469,757)**	**5,072,259**	**90,771**	**335,683**	**(9,523)**	**112,152**	**28,808**	**5,630,150**	**21,676**	**5,651,826**
31 December 2018												
Segment assets	71,774,112	178,316,435	136,779,547	386,870,094	7,196,920	1,461,170	2,434,061	1,246,157	1,887,949	401,096,351	(1,396,167)	399,700,184
Equity investments	-	-	663,401	663,401	10,000	304	-	4,511	1	678,217	(403,457)	274,760
Total assets	**71,774,112**	**178,316,435**	**137,442,948**	**387,533,495**	**7,206,920**	**1,461,474**	**2,434,061**	**1,250,668**	**1,887,950**	**401,774,568**	**(1,799,624)**	**399,974,944**
Segment liabilities	160,344,635	88,680,117	93,412,767	342,437,519	6,013,617	551,485	2,278,515	1,111,011	1,767,081	354,159,228	(1,079,707)	353,079,521
Total equity	-	-	45,095,976	45,095,976	1,193,303	909,989	155,546	139,657	120,869	47,615,340	(719,917)	46,895,423
Total liabilities and equity	**160,344,635**	**88,680,117**	**138,508,743**	**387,533,495**	**7,206,920**	**1,461,474**	**2,434,061**	**1,250,668**	**1,887,950**	**401,774,568**	**(1,799,624)**	**399,974,944**

(Currency: Thousands of Turkish Lira (TL))

2 Cash and cash equivalents

Cash and cash equivalents include cash balances on hand, due from banks with original maturity periods of less than three months and other cash items. Cash and cash equivalents as of 30 September 2019 and 2018, included in the accompanying consolidated statement of cash flows are as follows:

	30 September 2019	*30 September 2018*
Cash at branches	4,128,787	7,103,342
Unrestricted balances with central banks	21,685,023	18,950,552
Placements at money markets	11,376,174	156,844
Loans and advances to banks with original maturity periods of less than three months	5,986,147	23,053,097
	43,176,131	49,263,835

3 Cash and balances with central banks

	30 September 2019	*31 December 2018*(*)
Cash at branches	4,128,787	4,072,788
Reserve deposits at central banks	19,709,761	19,833,871
Balances with central banks excluding reserve deposits	26,829,107	27,631,732
	50,667,655	51,538,391

(*) *Reserve deposits with central banks which were previously accounted under "Other assets" amounting to TL 19,833,871 have been reclassified to "Cash and balances with central banks".*

Reserve deposits at central banks

Reserve deposits at the Central Bank of Turkey are kept as minimum reserve requirement. These funds are not available for the daily business of the Bank and its subsidiaries. As required by the Turkish Banking Law, these reserve deposits are calculated on the basis of liabilities in TL, foreign currencies and gold taken at the rates determined by the Central Bank of Turkey. Turkish Lira reserve deposits earn interest monthly starting from November 2014, and quarterly starting from 2015, to be paid by Central Bank of Turkey on the first business day following the end of March, June, September and December. US$ reserve deposits also earn interest starting from May 2015. The interest rates are calculated by Central Bank of Turkey according to market conditions.

The reserve deposits at the Central Bank of the Netherlands, as required by the Dutch Banking Law, are calculated as 1% on all customer deposits with an original maturity less than 2 years and 1% on bank deposits of non-EU banks with an original maturity less than 2 years.

The banks operating in Romania are obliged to keep minimum reserve requirements in accounts held with Romanian Central Bank (NBR). The reserve requirements are to be held in RON for RON liabilities and in Euro or US$ for foreign currency liabilities.

Currently, in line with stipulations of related legislation in force, the rates for reserve requirements are 8% both for RON denominated liabilities with a remaining maturity less than 2 years and foreign currency denominated liabilities with a remaining maturity less than 2 years excluding Romanian banks' fundings. The interest rates paid by the NBR to banks for reserve requirements are subject of permanent update, currently the rates are 0.15% for RON reserves 0.01% for Euro reserves and 0.12% for US$ reserves.

(Currency: Thousands of Turkish Lira (TL))

3 Cash and balances with central banks (continued)

The credit quality analysis of cash and balances with central banks as of 30 September 2019 and 31 December 2018 is as follows:

	30 September 2019			*31 December 2018*		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Stage 1: Low-fair risk	50,728,199	-	-	51,582,938	-	-
Stage 2: Watch list	-	-	-	-	-	-
Stage 3.1: Substandard	-	-	-	-	-	-
Stage 3.2: Doubtful	-	-	-	-	-	-
Stage 3.3: Loss	-	-	-	-	-	-
Expected credit losses	(60,544)	-	-	(44,547)	-	-
Total carrying amount	50,667,655	-	-	51,538,391	-	-

The movements of expected credit losses per asset class for cash and balances with central banks as of 30 September 2019 and 31 December 2018 are as follows:

	30 September 2019			*31 December 2018*		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Balances at 31 December	44,547	-	-	-	-	-
Impact of adopting IFRS 9 at 1 January	-	-	-	5,808	-	-
Balances at 1 January	44,547	-	-	5,808	- -	- -
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Debt sales and write-offs	-	-	-	-	-	-
Recoveries and reversals	(11,594)	-	-	(6,742)	-	-
Provision for the period	27,595	-	-	45,451	-	-
Effects of movements in exchange rates	(4)	-	-	30	-	-
Balances at the end of the period	60,544	-	-	44,547	-	-

(Currency: Thousands of Turkish Lira (TL))

4 Financial assets at fair value through profit or loss

	30 September 2019				*31 December 2018*
	Face value	***Carrying value***	***Interest rate range %***	***Latest maturity***	***Carrying value***
Debt and other instruments measured at FVPL:					
Government bonds in TL	296,928	348,813	7-23	2028	132,843
Discounted government bonds in TL	170,252	148,981	-	2020	-
Eurobonds	138,925	138,607	3-12	2045	82,899
Government bonds indexed to CPI	49,364	88,105	1-4	2025	42,947
Bonds issued by financial institutions	72,295	80,035	3-25	2027	70,643
Investment funds	-	61,579	-	-	109,928
Bonds issued by corporations	18,010	16,119	4-30	2021	29,333
Government bonds-floating ***(a)***	15,058	15,597	19-22	2025	358
Government bonds in FC	178	178	2	2020	527
		898,014			469,478
Loans measured at FVPL ***(b)***		3,874,431			4,081,161
Equity and other non-fixed income instruments:					
Listed shares		127,371			62,579
Total financial assets at fair value through profit or loss		4,899,816			4,613,218

(a) *The interest rates applied on these securities are floating quarterly based on interest rates of government bond bids of the government.*

(b) *It includes the loan provided to a special purpose entity. This loan is accounted under loans measured at FVPL based on IFRS 9.*

Income from debt and other instruments held at fair value is reflected in the consolidated statement of profit or loss and other comprehensive income as interest on securities. Gains and losses arising from trading of financial assets at FVPL are recorded in net trading income/(expense).

As of 30 September 2019, financial assets at FVPL amounting to TL 22,641 are blocked against asset management operations and securitizations (31 December 2018: TL 20,931) (refer to Note 8).

As of 30 September 2019, there are TL 1,977 of securities pledged under repurchase agreements with customers (31 December 2018: TL 1,605).

5 Derivative financial assets

Derivative financial assets mainly consist of foreign currency and interest rate swaps, foreign currency options and forward foreign currency contracts.

	30 September 2019		*31 December 2018*	
	Trading	***Hedging***(*)	***Trading***	***Hedging***(*)
Swap derivative financial assets	2,327,283	516,769	1,951,350	1,001,323
Option derivative financial assets	369,999	6,152	673,176	-
Forward derivative financial assets	359,347	-	451,049	-
Future derivative financial assets	819	-	2,586	-
Other derivative financial assets	12,427	-	14,213	-
	3,069,875	522,921	3,092,374	1,001,323

(*) *Includes derivative transactions subject to cash flow and fair value hedge accounting amounted to TL 427,118 (31 December 2018: TL 745,428) and TL 95,803 (31 December 2018: TL 255,895), respectively.*

(Currency: Thousands of Turkish Lira (TL))

5 Derivative financial assets (continued)

As of 30 September 2019 and 31 December 2018, fair value changes of hedged items and related gains/losses accounted under equity and statement of profit or loss, for cash flow hedges are as follows:

30 September 2019

Hedging item	Hedged item	Type of risk	Fair value change of hedged item		Gains/losses accounted under equity	Gains/losses accounted under statement of profit or loss	Ineffective portion (net) accounted under statement of profit or loss
			Asset	Liability			
Interest Rate Swaps	Floating-rate borrowings	Cash flow risk resulted from change in market interest rates	1,202	(34,227)	(120,858)	45,972	(473)
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	5,768	(600,340)	(563,898)	171,859	(13,462)
Cross Currency Swaps	Floating-rate borrowings	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	413,996	(658)	(19,351)	(15,929)	-
Cross Currency Swaps	Fixed-rate borrowings	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	-	(68,144)	(15,493)	15,493	-
Currency Forwards	Mile payments	Cash flow risk resulted from foreign currency exchange rates	-	-	50,967	-	-
Interest Rate Options	Floating-rate borrowings	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	6,152	-	-	-	-
Spot Position (*)	Operational expenses	Cash flow risk resulted from foreign currency exchange rates	404,976	-	5,097	-	-
Foreign currency borrowings	Operational lease receivables	Cash flow risk resulted from foreign currency exchange rates	-	-	38,267	51,566	-
			832,094	(703,369)	(625,269)	268,961	(13,935)

(*) Includes foreign currency items on asset side in the balance sheet.

(Currency: Thousands of Turkish Lira (TL))

5 Derivative financial assets (continued)

31 December 2018

Hedging item	Hedged item	Type of risk	Fair value change of hedged item: Asset	Fair value change of hedged item: Liability	Gains/losses accounted under equity	Gains/losses accounted under statement of profit or loss	Ineffective portion (net) accounted under statement of profit or loss
Interest Rate Swaps	Floating-rate debt securities issued	Cash flow risk resulted from change in market interest rates	-	-	(17)	17	-
Interest Rate Swaps	Floating-rate borrowings	Cash flow risk resulted from change in market interest rates	111,668	(3,821)	44,614	33,260	913
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	90,272	(74,443)	(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 borrowings	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	502,173	-	18,447	(31,509)	-
Cross Currency Swaps	Fixed-rate borrowings	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	41,315	(58,695)	4,455	(4,380)	-
Currency Swaps	Foreign currency lease receivables	Cash flow risk resulted from foreign currency exchange rates	-	(22,345)	531	-	(22,876)
Currency Forwards	Mile payments	Cash flow risk resulted from foreign currency exchange rates	-	(50,968)	(50,968)	-	-
Foreign currency borrowings	Operational lease receivables	Cash flow risk resulted from foreign currency exchange rates	-	-	(38,931)	100,039	-
			745,428	(210,272)	(78,671)	106,844	(27,078)

As of 30 September 2019 and 31 December 2018, fair value changes of hedged items and related gains/losses accounted under equity and statement of profit or loss, for fair value hedges are as follows:

30 September 2019

Hedging item	Hedged item	Type of risk	Fair value change of hedged item	Net fair value change of hedging instrument: Asset	Net fair value change of hedging instrument: Liability	Statement of profit or loss effect
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	203,688	11,101	(215,943)	(1,154)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	7,850	7,865	(13,804)	1,911
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	234,910	46,294	(266,965)	14,239
Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	10,281	30,543	(15,187)	25,637
Other (*)(**)			21,167	-	(30,525)	(9,358)
			477,896	95,803	(542,424)	31,275

(*) *Hedged item consists of firm commitments as explained in Hedging section under Financial Risk Management Disclosures.*
(**) *Hedging instrument consists of on-balance sheet items.*

(Currency: Thousands of Turkish Lira (TL))

5 Derivative financial assets (continued)

31 December 2018

Hedging item	Hedged item	Type of risk	Fair value change of hedged item	Net fair value change of hedging instrument: Asset	Net fair value change of hedging instrument: Liability	Statement of profit or loss effect
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	(73,898)	134,813	(75,643)	(14,728)
Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	15,263	-	(98,516)	(83,253)
Other (*)(**)			238,656	-	(246,076)	(7,420)
			125,535	255,895	(499,481)	(118,051)

(*) *Hedged item consists of firm commitments as explained in Hedging section under Financial Risk Management Disclosures.*

(**) *Hedging instrument consists of on-balance sheet items.*

As of 30 September 2019, there is not any reclassified amount from the equity to the statement of profit or loss due to the ceased hedging transactions during the current period.

The notional amounts of derivative financial assets are explained in detail in Note 25.

6 Loans and advances to banks

	30 September 2019			*31 December 2018*		
	TL	***Foreign Currency***	***Total***	***TL***	***Foreign Currency***	***Total***
Loans and advances-demand						
Domestic banks	2,409	15,025	17,434	8,154	4,511	12,665
Foreign banks	5,979	11,085,750	11,091,729	13,561	15,621,389	15,634,950
	8,388	11,100,775	11,109,163	21,715	15,625,900	15,647,615
Loans and advances-time						
Domestic banks	688,143	2,020,627	2,708,770	730,680	1,287,977	2,018,657
Foreign banks	278,221	1,710,485	1,988,706	390,184	1,384,386	1,774,570
	966,364	3,731,112	4,697,476	1,120,864	2,672,363	3,793,227
Placements at money markets	10,525,989	850,185	11,376,174	3,917	138,138	142,055
Income accrual on loans and advances to banks	31,368	49,394	80,762	19,441	34,198	53,639
Total loans and advances to banks	11,532,109	15,731,466	27,263,575	1,165,937	18,470,599	19,636,536
Less:						
Expected credit losses	(21,657)	(23,302)	(44,959)	(3,181)	(15,782)	(18,963)
	11,510,452	15,708,164	27,218,616	1,162,756	18,454,817	19,617,573

(Currency: Thousands of Turkish Lira (TL))

6 Loans and advances to banks (continued)

As of 30 September 2019, majority of loans and advances-time are short-term with interest rates ranging between (0.45)%-7% per annum for foreign currency time placements and 1%-24% per annum for TL time placements (31 December 2018: (0.34)%-13 and 1%-44%, respectively).

As of 30 September 2019, loans and advances at domestic and foreign banks include blocked accounts of TL 10,962,429 (31 December 2018: TL 11,267,803) held against securitizations, fundings and insurance business.

The credit quality analysis of loans and advances to banks is as follows as of 30 September 2019 and 31 December 2018:

	30 September 2019			*31 December 2018*		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Stage 1: Low-fair risk	27,263,575	-	-	19,636,536	-	-
Stage 2: Watch list	-	-	-	-	-	-
Stage 3.1: Substandard	-	-	-	-	-	-
Stage 3.2: Doubtful	-	-	-	-	-	-
Stage 3.3: Loss	-	-	-	-	-	-
Expected credit losses	(44,959)	-	-	(18,963)	-	-
Total carrying amount	27,218,616	-	-	19,617,573	-	-

The movements of expected credit losses per asset class for loans and advances to banks as of 30 September 2019 and 31 December 2018 are as follows:

	30 September 2019			*31 December 2018*		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Balances at 31 December	18,963	-	-	-	-	-
Impact of adopting IFRS 9 at 1 January	-	-	-	5,976	-	-
Balances at 1 January	18,963	-	-	5,976	-	-
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Debt sales and write-offs	-	-	-	-	-	-
Recoveries and reversals	(19,188)	-	-	(21,444)	-	-
Provision for the period	45,395	-	-	31,611	-	-
Effects of movements in exchange rates	(211)	-	-	2,820	-	-
Balances at the end of the period	44,959	-	-	18,963	-	-

(Currency: Thousands of Turkish Lira (TL))

7 Loans and advances to customers

As of 30 September 2019, interest rates on loans granted to customers range between 1%-31% (31 December 2018: 1%-31%) per annum for the foreign currency loans and 10%-36% (31 December 2018: 1%-44%) per annum for the TL loans.

The credit quality analysis of cash loans and advances to customers excluding factoring and financial lease receivables, including related income accruals, is as follows as of 30 September 2019 and 31 December 2018:

	30 September 2019			31 December 2018		
	Stage 1	**Stage 2**	**Stage3**	**Stage 1**	**Stage 2**	**Stage 3**
Stage 1: Low-fair risk	201,464,846	-	-	201,143,397	-	-
Stage 2: Watch list	-	35,929,810	-	-	36,480,970	-
Stage 3.1: Substandard	-	-	2,720,808	-	-	2,609,056
Stage 3.2: Doubtful	-	-	3,328,407	-	-	4,587,593
Stage 3.3: Loss	-	-	10,351,939	-	-	4,919,562
Total loans	201,464,846	35,929,810	16,401,154	201,143,397	36,480,970	12,116,211
Income accrual on loans	3,029,306	1,169,435	522,923	3,296,278	1,259,528	432,491
Expected credit losses	(1,030,865)	(4,128,670)	(10,584,414)	(877,232)	(3,941,648)	(7,462,003)
Total carrying amount	203,463,287	32,970,575	6,339,663	203,562,443	33,798,850	5,086,699

The movements of expected credit losses per asset class for cash loans and advances to customers as of 30 September 2019 and 31 December 2018 are as follows:

	30 September 2019			31 December 2018		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Balances at 31 December	877,232	3,941,648	7,462,003	1,422,171	2,665,136	4,945,107
Impact of adopting IFRS 9 at 1 January	-	-	-	(585,560)	714,434	(792,799)
Balances at 1 January	877,232	3,941,648	7,462,003	836,611	3,379,570	4,152,308
Transfer to Stage 1	923,573	(920,024)	(3,549)	1,181,702	(1,178,697)	(3,005)
Transfer to Stage 2	(403,594)	425,980	(22,386)	(530,440)	556,542	(26,102)
Transfer to Stage 3	(5,224)	(1,253,311)	1,258,535	(5,385)	(3,798,505)	3,803,890
Debt sales and write-offs	-	-	(689,683)	(649)	-	(2,584,301)
Recoveries and reversals	(1,674,025)	(2,411,631)	(690,059)	(2,238,408)	(1,045,746)	(880,565)
Provision for the period	1,294,742	4,212,708	3,147,785	1,564,431	4,915,505	2,861,646
Effects of movements in exchange rates	18,161	133,300	121,768	69,370	1,112,979	138,132
Balances at the end of the period	1,030,865	4,128,670	10,584,414	877,232	3,941,648	7,462,003

(Currency: Thousands of Turkish Lira (TL))

7 Loans and advances to customers (continued)

As of 30 September 2019 and 31 December 2018, movements of non-performing cash loans (Stage 3) are as follows:

	30 September 2019		*31 December 2018*	
	Principal	**Accrual**	**Principal**	**Accrual**
Balances at 31 December	12,116,211	432,491	6,122,611	54,377
Impact of adopting IFRS 9 at 1 January	-	-	6,825	188
Balances at 1 January	12,116,211	432,491	6,129,436	54,565
Addition	6,522,417	118,063	10,743,081	383,261
Collection	(1,869,101)	(21,161)	(2,407,674)	(8,993)
Debt sales and write-offs (*)	(683,603)	(8,944)	(2,569,569)	(17,763)
Effects of movements in exchange rates	315,230	2,474	220,937	21,421
Balances at the end of the period	16,401,154	522,923	12,116,211	432,491

(*) *As of 31 December 2018, write –offs include cash loans for which 100% provision is provided during the corresponding period.*

A part of non-performing cash loans of the Bank and one of its consolidated subsidiaries amounting to TL 660,804 (31 December 2018: TL 316,908) was sold for a consideration of TL 44,866 in the current period (31 December 2018: TL 17,550). Considering the related provision of TL 659,119 (31 December 2018: TL 316,908) made in the financial statements, a gain of TL 43,181 (31 December 2018: TL 17,550) is recognised under “gains on sale of assets” in the statement of profit or loss and other comprehensive income.

The credit quality analysis of factoring receivables, including related income accruals, is as follows as of 30 September 2019 and 31 December 2018:

	30 September 2019			*31 December 2018*		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Stage 1: Low-fair risk	1,755,134	-	-	2,223,594	-	-
Stage 2: Watch list	-	38,151	-	-	8,488	-
Stage 3.1: Substandard	-	-	1,623	-	-	30,970
Stage 3.2: Doubtful	-	-	25,932	-	-	37,892
Stage 3.3: Loss	-	-	290,415	-	-	238,004
Total factoring receivables	1,755,134	38,151	317,970	2,223,594	8,488	306,866
Income accrual on factoring receivables	11,340	-	-	47,002	168	-
Expected credit losses	(4,972)	(4,396)	(282,348)	(7,150)	(163)	(263,834)
Total carrying amount	1,761,502	33,755	35,622	2,263,446	8,493	43,032

(Currency: Thousands of Turkish Lira (TL))

7 Loans and advances to customers (continued)

The movements of expected credit losses per asset class for factoring receivables as of 30 September 2019 and 31 December 2018 are as follows:

	30 September 2019			***31 December 2018***		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Balances at 31 December	7,150	163	263,834	-	-	75,553
Impact of adopting IFRS 9 at 1 January	-	-	-	8,563	40,830	4,027
Balances at 1 January	7,150	163	263,834	8,563	40,830	79,580
Transfer to Stage 1	5	(5)	-	1	-	(1)
Transfer to Stage 2	(396)	396	-	(44)	44	-
Transfer to Stage 3	(24)	(53)	77	(249)	(40,556)	40,805
Debt sales and write-offs	-	-	-	-	-	(97)
Recoveries and reversals	(4,251)	(1,062)	(3,421)	(3,565)	(275)	(2,252)
Provision for the period	2,483	5,061	12,538	2,363	112	143,799
Effects of movements in exchange rates	5	(104)	9,320	81	8	2,000
Balances at the end of the period	4,972	4,396	282,348	7,150	163	263,834

As of 30 September 2019 and 31 December 2018, movements of non-performing factoring receivables (Stage 3) are as follows:

	30 September 2019	***31 December 2018***
Balances at 31 December	306,866	95,335
Impact of adopting IFRS 9 at 1 January	-	-
Balances at 1 January	306,866	95,335
Addition	9,901	219,525
Collection	(9,372)	(14,601)
Debt sales and write-offs	-	(95)
Effects of movements in exchange rates	10,575	6,702
Balances at the end of the period	317,970	306,866

(Currency: Thousands of Turkish Lira (TL))

7 Loans and advances to customers (continued)

The financial leases typically run for a period of one to five years, with transfer of ownership of the leased asset at the end of the lease term. Interest is charged over the period of the lease. The receivables are secured by way of the underlying assets. Loans and advances to customers include the following financial lease receivables:

	30 September 2019	*31 December 2018*
Financial lease receivables, net of unearned income	5,163,848	5,988,553
Add: non-performing financial lease receivables(*)	786,663	897,816
Less: expected credit losses on financial lease receivables	(505,573)	(540,243)
	5,444,938	6,346,126
Income accrual on financial lease receivables	38,293	34,925
Analysis of net financial lease receivables		
Due within 1 year	2,576,643	3,036,019
Due between 1 and 5 years	3,326,760	3,869,977
Due after 5 years	168,808	211,968
Financial lease receivables, gross	6,072,211	7,117,964
Unearned income	(627,273)	(771,838)
Financial lease receivables, net	5,444,938	6,346,126
Analysis of net financial lease receivables		
Due within 1 year	2,271,756	2,660,535
Due between 1 and 5 years	3,011,571	3,484,501
Due after 5 years	161,611	201,090
Financial lease receivables, net	5,444,938	6,346,126

(*) *Includes related income accruals.*

The credit quality analysis of financial lease receivables including related income accruals is as follows as of 30 September 2019 and 31 December 2018:

	30 September 2019			*31 December 2018*		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Stage 1: Low-fair risk	4,237,228	-	-	5,032,806	-	-
Stage 2: Watch list	-	926,620	-	-	955,747	-
Stage 3.1: Substandard	-	-	373,929	-	-	428,763
Stage 3.2: Doubtful	-	-	39,451	-	-	180,126
Stage 3.3: Loss	-	-	370,341	-	-	287,173
Total financial lease receivables	4,237,228	926,620	783,721	5,032,806	955,747	896,062
Income accrual on financial lease receivables	2,077	36,216	2,942	27,645	7,280	1,754
Expected credit losses	(36,023)	(98,331)	(371,219)	(56,016)	(85,474)	(398,753)
Total carrying amount	4,203,282	864,505	415,444	5,004,435	877,553	499,063

(Currency: Thousands of Turkish Lira (TL))

7 Loans and advances to customers (continued)

The movements of expected credit losses per asset class for financial lease receivables as of 30 September 2019 and 31 December 2018 are as follows:

	30 September 2019			*31 December 2018*		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Balances at 31 December	56,016	85,474	398,753	1,679	17,510	259,105
Impact of adopting IFRS 9 at 1 January	-	-	-	53,676	93,479	21,360
Balances at 1 January	56,016	85,474	398,753	55,355	110,989	280,465
Transfer to Stage 1	23,828	(23,369)	(459)	53,100	(48,864)	(4,236)
Transfer to Stage 2	(15,208)	19,803	(4,595)	(39,597)	55,448	(15,851)
Transfer to Stage 3	(50)	(23,121)	23,171	(171)	(81,857)	82,028
Debt sales and write-offs	-	-	(67,965)	-	-	(21,876)
Recoveries and reversals	(62,969)	(36,751)	(58,584)	(123,129)	(71,863)	(69,605)
Provision for the period	33,127	73,755	74,294	97,191	89,723	106,541
Effects of movements in exchange rates	1,279	2,540	6,604	13,267	31,898	41,287
Balances at the end of the period	36,023	98,331	371,219	56,016	85,474	398,753

As of 30 September 2019 and 31 December 2018, movements of non-performing financial lease receivables (Stage 3) are as follows:

	30 September 2019		*31 December 2018*	
	Principal	**Accrual**	**Principal**	**Accrual**
Balances at 31 December	896,062	1,754	592,517	456
Impact of adopting IFRS 9 at 1 January	-	-	16,072	75
Balances at 1 January	896,062	1,754	608,589	531
Addition	159,790	1,195	455,402	990
Collection	(224,750)	-	(228,022)	-
Debt sales and write-offs	(67,963)	-	(21,893)	-
Effects of movements in exchange rates	20,582	(7)	81,986	233
Balances at the end of the period	783,721	2,942	896,062	1,754

A part of non-performing financial lease receivables of one of the Bank's consolidated subsidiaries amounting to TL 42,718 (31 December 2018: TL 36,842) was sold for a consideration of TL 588 in the current period (31 December 2018: TL 13,184). Considering the related provision of TL 42,718 (31 December 2018: TL 34,759) made in the financial statements, a gain of TL 588 (31 December 2018: TL 11,101) is recognised under "gains on sale of assets" in the statement of profit or loss and other comprehensive income.

(Currency: Thousands of Turkish Lira (TL))

8 Investment securities

	30 September 2019				31 December 2018
	Face value	***Carrying value***	***Interest rate range %***	***Latest maturity***	***Carrying value***
Debt and other instruments at FVOCI:					
Government bonds indexed to CPI ***(a)***	5,951,166	11,207,867	1-4	2028	10,821,289
Eurobonds	4,894,838	4,881,270	3-12	2034	4,657,172
Government bonds at floating rates ***(b)***	3,029,992	3,153,814	21-22	2025	2,747,441
Government bonds in TL	3,135,488	2,983,622	7-23	2028	4,605,909
Bonds issued by foreign governments	2,769,207	2,971,338	2-6	2028	2,968,873
Government bonds in FC	1,163,389	1,171,511	2-3	2021	-
Bonds issued by financial institutions	618,446	620,476	1-10	2025	1,003,204
Government bonds-discounted	141,703	129,937	24	2020	-
Bonds issued by corporations	122,462	128,742	1	2024	123,607
Total debt and other instruments at FVOCI		27,248,577			26,927,495
Debt and other instruments at amortised cost					
Government bonds indexed to CPI ***(a)***	7,984,419	8,946,605	1-4	2028	7,796,952
Eurobonds	5,384,520	6,270,412	6-12	2030	6,050,202
Government bonds at floating rates ***(b)***	3,955,727	3,831,844	19-22	2025	288,502
Government bonds in TL	359,100	354,279	7-20	2023	4,337,437
Bonds issued by financial institutions	262,635	224,244	1-30	2023	46,514
		19,627,384			18,519,607
Income accrual on amortised cost portfolio		7,543,743			6,134,402
Total debt and other instruments at amortised cost		27,171,127			24,654,009
Expected credit losses on amortised cost portfolio		(80,838)			(54,125)
Total investment securities		54,338,866			51,527,379

(a) *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. The estimated inflation rate which was taken as 14% in the first two months of 2019, was updated to 13% as of 4 March 2019, was updated to 11% as of 11 June 2019, was updated to 10% as of 1 August 2019 and was updated to 9% as of 3 September 2019. If the valuation of such securities was performed according to the reference index valid as of 30 September 2019, the Bank's unrealized gains/(losses) from fair value changes on debt instruments and equity investments measured at FVOCI under the equity would increase by TL 304,372 (net), whereas interest income on securities would decrease by TL 892,775.*

(b) *The interest rates applied on these securities are floating quarterly based on interest rates of government bond bids of the government.*

Interest income from debt and other fixed or floating instruments is reflected in interest on securities, whereas, gains and losses arising from changes in the fair values of debt and other instruments measured at FVOCI are accounted as a separate component of equity.

(Currency: Thousands of Turkish Lira (TL))

8 Investment securities (continued)

The credit quality analysis of investment securities measured at FVOCI is as follows as of 30 September 2019 and 31 December 2018:

	30 September 2019			*31 December 2018*		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Stage 1: Low-fair risk	27,248,577	-	-	26,927,495	-	-
Stage 2: Watch list	-	-	-	-	-	-
Stage 3.1: Substandard	-	-		-	-	
Stage 3.2: Doubtful	-	-	-	-	-	-
Stage 3.3: Loss	-	-	-	-	-	-
Expected credit losses	-	-	-	-	-	-
Total carrying amount	27,248,577	-	-	26,927,495	-	-

As of 30 September 2019, expected credit losses amounting to TL 60,758 (31 December 2018: TL 46,834) are recognised under other comprehensive income for debt and other instruments measured at FVOCI.

The credit quality analysis of investment securities measured at amortised cost is as follows as of 30 September 2019 and 31 December 2018:

	30 September 2019			*31 December 2018*		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Stage 1: Low-fair risk	27,171,127	-	-	24,654,009	-	-
Stage 2: Watch list	-	-	-	-	-	-
Stage 3.1: Substandard	-	-	-	-	-	-
Stage 3.2: Doubtful	-	-	-	-	-	-
Stage 3.3: Loss	-	-	-	-	-	-
Expected credit losses	(80,838)	-	-	(54,125)	-	-
Total carrying amount	27,090,289	-	-	24,599,884	-	-

The movements of expected credit losses per asset class for investment securities measured at amortised cost as of 30 September 2019 and 31 December 2018 are as follows:

	30 September 2019			*31 December 2018*		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Balances at 31 December	54,125	-	-	-	-	-
Impact of adopting IFRS 9 at 1 January	-	-	-	16,491	-	-
Balances at 1 January	54,125	-	-	16,491	-	-
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Recoveries and reversals	(22,218)	-	-	(15,193)	-	-
Provision for the period	47,589	-	-	51,482	-	-
Effects of movements in exchange rates	1,342	-	-	1,345	-	-
Balances at the end of the period	80,838	-	-	54,125	-	-

Government bonds and treasury bills include securities pledged under repurchase agreements with customers amounting to TL 967,253 (31 December 2018: TL 1,206,611).

(Currency: Thousands of Turkish Lira (TL))

8 Investment securities (continued)

The following table summarizes securities that were deposited as collateral with respect to various banking, insurance and asset management transactions:

	30 September 2019		31 December 2018	
	Face value	*Carrying value*	*Face value*	*Carrying value*
Collateralized to foreign banks	6,346,279	7,073,936	5,213,741	5,788,455
Deposited at central banks for repurchase transactions	904,180	967,252	1,189,029	1,207,475
Deposited at central banks for interbank transactions	3,399,725	5,674,935	3,558,725	5,584,719
Deposited at Clearing Bank (Takasbank)	1,453,238	2,426,359	1,031,761	1,371,832
Others		78,421		26,332
		16,220,903		13,978,813

9 Equity investments

	30 September 2019		31 December 2018	
	Carrying value	*Ownership %*	*Carrying value*	*Ownership %*
Equity investments measured at FVOCI:				
Visa Inc. (*)	299,020	0.00	215,173	0.00
İstanbul Takas ve Saklama Bankası AŞ	27,636	5.25	27,636	5.25
Others	36,677	-	31,951	-
	363,333		274,760	

(*) *represents 0.001001% of ownership in Visa Inc.*

As of 21 June 2016, the acquisition of Visa Europe Ltd. by Visa Inc. was completed. During acquisition, the Bank and one of its consolidated subsidiaries sold their two existing shares in Visa Europe Ltd. with a nominal of EUR 10.00 in exchange of cash consideration amounting to EUR 61,376,433 and of 22.284 shares of new "C Type Visa Inc." shares. The acquired new shares were classified as available for sale at the acquisition date and subsequent to adoption of IFRS 9, reclassified as equity investments measured at FVOCI similar to other shares classified in the same category.

Starting from 1 January 2018, the investment in Motoractive Multiservices SRL, previously accounted under equity investments, is consolidated in the accompanying consolidated financial statements on line by line basis and the cumulative impact of TL 3,167 is accounted in the current period's statement of changes in equity.

The legal name of İMKB Takasbank AŞ was changed as İstanbul Takas ve Saklama Bankası AŞ in 2013. The paid-in capital of İstanbul Takas ve Saklama Bankası AŞ was decided to be increased from TL 60,000 to TL 420,000 by TL 360,000 of which TL 180,000 was in cash, at the ordinary general meeting held on 29 March 2013. The Bank and its consolidated subsidiary participated in this increase by TL 10,539 in cash and also acquired bonus shares of TL 5,135. The ownership percentage remained the same.

(Currency: Thousands of Turkish Lira (TL))

9 Equity investments (continued)

İstanbul Takas ve Saklama Bankası AŞ and other equity investments do not have a quoted market price in an active market and there is a wide range of possible fair value measurements for these investments. The cost represents the best estimate of their fair values within that range and therefore, these investments are accounted at cost in the accompanying consolidated financial statements.

10 Assets held for sale

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

As of 30 September 2019 and 31 December 2018, movements in tangible assets held for sale are as follows:

	30 September 2019	*31 December 2018*
Balance at the beginning of the period	857,684	835,552
Additions	450,473	293,534
Disposals	(169,217)	(217,661)
Fair value changes (*)	(17,820)	(58,187)
Effects of movement in exchange rates	173	4,446
Balance at the end of the period	1,121,293	857,684

(*) Includes also the reversal of provision for impairment losses for current and previous periods.

As of 30 September 2019 and 31 December 2018, movements in investments in associates to be disposed are as follows:

	30 September 2019	*31 December 2018*
Balance at the beginning of the period	11	-
Additions (*)	881,129	11
Disposals	-	-
Fair value changes	(488,675)	-
Effects of movement in exchange rates	-	-
Balance at the end of the period	392,465	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 IFRS 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, valuation differences recorded on the financial asset are presented as impairment in assets held for sale 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 will be initiated.

(Currency: Thousands of Turkish Lira (TL))

11 Goodwill

Goodwill arises from the direct acquisitions of Garanti Yatırım Menkul Kıymetler AŞ, Garanti Finansal Kiralama AŞ, Garanti Emeklilik ve Hayat AŞ and Garanti Faktoring AŞ consisting of the excesses of the total acquisition costs over the fair values of the net assets of these consolidated entities at the dates of their acquisition as follows:

	30 September 2019	*31 December 2018*
Garanti Yatırım Menkul Kıymetler AŞ	20,984	20,984
Garanti Faktoring AŞ	6,697	6,697
Garanti Finansal Kiralama AŞ	5,233	5,233
Garanti Emeklilik ve Hayat AŞ	34	34
	32,948	32,948
Impairment of goodwill	-	-
	32,948	32,948

Impairment losses when necessary are provided for decrease in the net asset value of the consolidated entities by assessing their internal and external resources.

12 Other assets

	30 September 2019	*31 December 2018*
Balances with clearing house	3,632,202	3,441,534
Gold	2,837,705	1,745,241
Prepaid expenses, insurance claims and similar items	1,228,729	1,044,251
Miscellaneous receivables	845,682	622,050
Receivables from securities lending market	193,308	108,347
Receivables from sale of assets	109,333	177,072
Prepaid taxes and taxes/funds to be refunded	102,420	204,898
Insurance premium receivables	48,026	36,496
Option premium receivables	5,236	3,940
Purchased cheques	632	694
Others	377,925	517,687
	9,381,198	7,902,210
Expected credit losses for other assets	(92,973)	(79,224)
	9,288,225	7,822,986

(*) *In order to provide a consistent presentation of clearing accounts with the current period; previous year amounts are presented as gross basis in other assets/liabilities.*

(Currency: Thousands of Turkish Lira (TL))

12 Other assets (continued)

The credit quality analysis of other assets excluding gold, prepaid taxes and option premium receivables is as follows as of 30 September 2019 and 31 December 2018:

	30 September 2019			*31 December 2018*		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Stage 1: Low-fair risk	6,296,115	-	-	5,805,438	-	-
Stage 2: Watch list	-	70,910	-	-	69,655	-
Stage 3.1: Substandard	-	-	-	-	-	-
Stage 3.2: Doubtful	-	-	13,575	-	-	11,515
Stage 3.3: Loss	-	-	55,237	-	-	61,523
Expected credit losses	(31,302)	(9,916)	(51,755)	(21,007)	(3,458)	(54,759)
Total carrying amount	6,264,813	60,994	17,057	5,784,431	66,197	18,279

The movements of expected credit losses per asset class for other assets excluding gold, prepaid taxes and option premium receivables as of 30 September 2019 and 31 December 2018 are as follows:

	30 September 2019			*31 December 2018*		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Balances at 31 December	21,007	3,458	54,759	495	467	30,810
Impact of adopting IFRS 9 at 1 January	-	-	-	11,216	2,351	(2,608)
Balances at 1 January	21,007	3,458	54,759	11,711	2,818	28,202
Transfer to Stage 1	569	(569)	-	654	(654)	-
Transfer to Stage 2	(1,328)	3,939	(2,611)	(720)	748	(28)
Transfer to Stage 3	(18)	(136)	154	(44)	(185)	229
Transfer from prior year provision	-	-	-	-	-	-
Debt sales and write-offs	-	-	(250)	-	-	(665)
Recoveries and reversals	(10,505)	(1,613)	(6,619)	(7,188)	(2,376)	(6,024)
Provision for the period	21,567	4,626	6,276	15,980	2,595	26,244
Effects of movements in exchange rates	10	211	46	614	512	6,801
Balances at the end of the period	31,302	9,916	51,755	21,007	3,458	54,759

13 Deposits from banks

Deposits from banks comprise the following:

	30 September 2019	*31 December 2018*
Payable on demand	3,582,193	4,477,785
Term deposits	350,952	1,681,475
	3,933,145	6,159,260
Expense accrual on deposits from banks	1,907	2,427
	3,935,052	6,161,687

Deposits from banks include both TL accounts amounting to TL 572,384 (31 December 2018: TL 1,210,274) and foreign currency accounts amounting to TL 3,360,761 (31 December 2018: TL 4,948,986) in total. As of 30 September 2019, interest rates applicable to TL bank deposits and foreign currency bank deposits vary within ranges of 11%-27% and 1%-4% (31 December 2018: 19%-27% and (0.34)%-4%), respectively.

(Currency: Thousands of Turkish Lira (TL))

14 Deposits from customers

Deposits from customers comprise the following:

	30 September 2019			*31 December 2018*
	Demand	***Time***	***Total***	***Total***
Foreign currency	47,241,467	97,112,036	144,353,503	132,254,019
Saving	13,977,004	57,292,667	71,269,671	68,627,741
Commercial	9,093,167	15,822,223	24,915,390	26,365,194
Public and other	2,238,957	4,379,664	6,618,621	6,406,012
Gold and other precious metals	3,994,654	872,088	4,866,742	3,277,933
	76,545,249	175,478,678	252,023,927	236,930,899
Expense accrual on deposits from customers	12,151	1,680,388	1,692,539	1,799,587
	76,557,400	177,159,066	253,716,466	238,730,486

As of 30 September 2019, interest rates applicable to TL deposits and foreign currency deposits vary within the ranges of 1%-22% and 1%-9% (31 December 2018: 1%-29% and 1%-9%), respectively.

15 Loans and advances from banks and other institutions

Loans and advances from banks and other institutions comprise the following:

	30 September 2019	*31 December 2018*
Short-term borrowings		
Domestic banks	2,591,860	2,029,230
Foreign banks	9,795,570	15,192,585
	12,387,430	17,221,815
Long-term debts		
Short-term portion	9,755,952	10,865,040
Medium and long-term portion	4,520,459	6,304,679
	14,276,411	17,169,719
Expense accrual on loans and advances from banks and other institutions	215,135	237,757
	26,878,976	34,629,291

As of 30 September 2019, loans and advances from banks and other institutions included various promissory notes amounting to TL 168,167 in total with short-term maturities (31 December 2018: TL 1,407,450).

As of 30 September 2019, short-term borrowings included two one-year-syndicated-loan facilities to be utilised for general trade finance purposes including export and import contracts in two tranches of (i) US$ 326,000,000 and EUR 408,750,000 with rates of Libor + 2.50% and Euribor +2.40% per annum with the participation of 35 banks from 18 countries (equivalent of TL 4,334,122,125), (ii) US$ 249,000,000 and EUR 483,500,000 with rates of Libor + 2.75% and Euribor + 2.65% per annum with the participation of 27 banks from 14 countries (equivalent of TL 4,359,276,350).

(Currency: Thousands of Turkish Lira (TL))

15 Loans and advances from banks and other institutions (continued)

As of 31 December 2018, short-term borrowings included two one-year-syndicated-loan facilities to be utilised for general trade finance purposes including export and import contracts in two tranches of (i) US$ 457,000,000 and EUR 670,500,000 with rates of Libor + 1.30% and Euribor + 1.20% per annum with the participation of 38 banks from 17 countries (equivalent of TL 6,446,028), (ii) US$ 249,000,000 and EUR 483,500,000 with rates of Libor + 2.00% and Euribor + 1.90% per annum with the participation of 28 banks from 15 countries (equivalent of TL 4,223,794).

Long-term debts comprise the following:

	Interest rate%	*Interest maturity*	*30 September 2019 Amount in original currency*	*Short term portion*	*Medium and long term portion*	*31 December 2018 Medium and long term debts*
ICBC	5	2020	US$ 250 millions	-	1,404,370	1,317,466
Syndicated Loan II	4	2019	US$ 180 millions	1,011,150	-	-
EIB I-V	3-4	2023	US$ 134 million	125,193	626,893	667,859
Proparco	3	2028	EUR 100 millions	64,454	547,855	570,494
Bilateral Loan I	4	2019	US$ 100 millions	561,750	-	-
ING DIBA	3	2019	US$ 99 millions	557,319	-	131,667
EIB II-III -IV	9	2020	TL 494 millions	493,945	-	218,513
EFSE	3	2022	EUR 22 millions	51,999	85,927	100,499
EBRD-II	1	2025	US$ 8 millions	7,930	39,654	40,919
OPIC	5	2019	US$ 4 millions	20,223	-	-
Others				6,861,989	1,815,760	3,257,262
				9,755,952	4,520,459	6,304,679

16 Obligations under repurchase agreements and money market fundings

The Bank and its subsidiaries raise funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price plus interest at a predetermined rate. Repurchase agreements are commonly used as a tool for short-term financing of interest-bearing assets, depending on the prevailing interest rates.

Obligations under repurchase agreements and money market fundings comprise the following:

	30 September 2019	*31 December 2018*
Money market fundings	191,383	1,345,840
Obligations under repurchase agreements	674,074	1,267,723
Obligations on securities under reverse repurchase agreements	654,018	21,027
	1,519,475	2,634,590

(Currency: Thousands of Turkish Lira (TL))

16 Obligations under repurchase agreements and money market fundings (continued)

Assets sold under repurchase agreements are further detailed as follows:

	Carrying value	*Fair value of underlying assets*	*Carrying amount of corresponding liabilities*	*Range of repurchase dates*	*Repurchase price*
30 September 2019					
Financial assets at fair value through profit or loss	1,977	1,977	1,820	Oct'19	1,825
Investment securities	967,252	946,005	672,254	Oct'19 Feb'25	720,418
	969,229	947,982	674,074		722,243
31 December 2018					
Financial assets at fair value through profit or loss	1,605	1,605	1,756	Jan'19	1,766
Investment securities	1,206,611	1,205,934	1,265,967	Jan'19-Feb'25	1,271,962
	1,208,216	1,207,539	1,267,723		1,273,728

The proceeds from the sale of securities under repurchase agreements are treated as liabilities and recorded as obligations under repurchase agreements. As of 30 September 2019, the maturities of the obligations varied from one day to 65 months and interest rates varied between 1%-26% (31 December 2018: 3%-30%). In general the carrying values of such assets are more than the corresponding liabilities due to the margins set between the parties, since such funding is raised against assets collateralized.

Expense accrual on obligations under repurchase agreements and money market fundings amounting to TL 948 (31 December 2018: TL 37,499) is included in the carrying amount of corresponding liabilities.

17 Debt securities issued

	30 September 2019			***31 December 2018***
	Latest maturity	*Interest rate %*	*Amount*	*Amount*
Bonds payable of US$ 2,575 millions	2024	4.0-6.4	13,287,952	13,172,100
Bonds payable of TL 2,766 millions	2023	0.1-24.3	4,102,380	4,109,186
Bonds payable of EUR 45 millions	2027	3.5-5.2	273,678	3,277,545
Others			-	414,405
Total bonds payable			17,664,010	20,973,236
DPR future flow transactions of US$ 618 millions	2027	3.8-5.0	3,443,802	3,954,353
DPR future flow transactions of EUR 205 millions	2022	0.7-1.3	1,252,665	1,604,424
Total DPR future flow transactions			4,696,467	5,558,777
Expense accrual on bonds payable			363,729	424,090
Expense accrual on DPR future flow transactions			39,512	46,111
			22,763,718	27,002,214

(Currency: Thousands of Turkish Lira (TL))

17 Debt securities issued (continued)

In April 2013, the Bank established a Global Medium Term Notes (GMTN) program in order to issue bonds and other borrowing instruments in any currency with different series and maturities. In this regard, since May 2013 the Bank issues bills in US$, EUR, CHF, RON, CZK, JPY and AUD with latest maturity in April 2027.

The Bank and/or its consolidated subsidiaries repurchased the Bank's own TL securities with a total face value of TL 842,301 and foreign currency securities with a total face value of TL 1,161,868 (31 December 2018: TL 1,089,446) and netted off such securities in the accompanying consolidated financial statements as of 30 September 2019.

18 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise the following:

	30 September 2019	***31 December 2018***
Securities issued	13,193,294	12,312,230
	13,193,294	12,312,230

In accordance with IFRS 9, the Bank classified a part of securities issued amounting to USD 2,519,791,667 (31 December 2018: USD 2,484,345,238) as financial liabilities at fair value through profit or loss at the initial recognition in order to eliminate the accounting mismatch.

As of 30 September 2019, the accumulated fair value change of the related financial liability amounted to TL 1,139,296 (31 December 2018: TL 930,827) and the corresponding gain recognised in the statement of profit or loss and other comprehensive income amounted to TL 208,469 (30 September 2018: TL 1,014,940). The carrying value of the related financial liability amounted to TL 13,193,294 (31 December 2018: TL 12,312,230).

19 Derivative financial liabilities

Derivative financial liabilities mainly consist of foreign currency and interest rate swaps, foreign currency options and forward foreign currency contracts.

	30 September 2019		***31 December 2018***	
	Trading	***Hedging***(*)	***Trading***	***Hedging***(*)
Swap derivative financial liabilities	4,134,436	1,215,268	3,037,664	412,710
Forward derivative financial liabilities	383,666	-	396,982	50,968
Option derivative financial liabilities	250,643	-	583,104	-
Future derivative financial liabilities	1,640	-	975	-
Other derivative financial liabilities	8,640	-	36,257	-
	4,779,025	1,215,268	4,054,982	463,678

(*) *Includes derivative transactions subject to cash flow and fair value hedge accounting amounted to TL 703,369 (31 December 2018: TL 210,272) and TL 511,899 (31 December 2018: TL 253,406), respectively.*

The notional amounts of derivative financial liabilities are explained in detail in Note 25.

(Currency: Thousands of Turkish Lira (TL))

20 Subordinated liabilities

Subordinated liabilities comprise the following:

	30 September 2019			*31 December 2018*
	Latest maturity	*Interest rate %*	*Amount*	*Amount*
Subordinated debt of US$ 750 millions	2027	6.125	4,213,125	3,952,425
Expense accrual on subordinated liabilities			90,639	24,593
			4,303,764	3,977,018

On 23 May 2017, the Bank had obtained a 10-year subordinated loan of US$ 750 millions due in May 2027 with its first Basel III compliant Tier 2 issuance from international capital markets, with a coupon rate of 6.125%.

21 Taxation

The total provision for taxes on income is different than the amount computed by applying the Turkish statutory tax rate to income before provision for taxes as shown in the following reconciliation:

	30 September 2019	*%*	*30 September 2018*	*%*
Taxes on income per statutory tax rate	1,406,842	22.00	1,637,183	22.00
Disallowable expenses	26,788	0.42	34,556	0.46
Income items exempt from tax or subject to different tax rates	(87,061)	(1.36)	(31,638)	(0.43)
General reserve	22,000	0.34	154,000	2.07
Others	5,046	0.08	(4,186)	(0.05)
Taxation charge	1,373,615	21.48	1,789,915	24.05

The taxation charge is comprised of the following:

	For the nine-month period ended 30 September 2019	*30 September 2018*
Current taxes	1,684,276	1,760,706
Deferred taxes	(310,661)	29,209
Taxation charge	1,373,615	1,789,915

The movement of current tax liability is as follows:

	30 September 2019	*31 December 2018*
Balance at the beginning of the period	133,670	763,632
Current period taxation charge	1,684,276	1,813,696
Less: Advance taxes paid during the period	(1,340,922)	(2,443,658)
Current tax liability	477,024	133,670

In accordance with the related regulation for prepaid taxes on income, such advance payments during the year are being deducted from the final tax liability for the period. Accordingly, the taxation charge on income is not equal to the final tax liability appearing on the statement of financial position.

(Currency: Thousands of Turkish Lira (TL))

21 Taxation (continued)

Deferred tax assets and liabilities are as follows:

	30 September 2019	*31 December 2018*
Total deferred tax assets	2,137,142	1,849,543
Off-setted amount	(201,498)	(316,619)
Deferred tax assets per financial statements	1,935,644	1,532,924
Total deferred tax liabilities	271,468	366,594
Off-setted amount	(201,498)	(316,619)
Deferred tax liabilities per financial statements	69,970	49,975
Net deferred tax assets	1,865,674	1,482,949

Movements in deferred tax assets and liabilities are detailed in the table below:

	Opening balance	*Recognised in statement of profit or loss*	*Effects of movement in exchange rates*	*Recognised in equity*	*Closing balance*
30 September 2019					
Expected credit losses	1,354,148	126,602	29	(3,857)	1,476,922
Discount on loans and advances to customers	112,808	(16,802)	-	-	96,006
Reserve for employee severance indemnity	96,832	12,360	103	-	109,295
Short-term employee benefits	138,415	(1,432)	73	-	137,056
Tax losses carried forward	93,103	(10,676)	(4)	-	82,423
Valuation difference on financial assets and liabilities	(137,419)	304,138	(852)	76,478	242,345
Revaluation surplus on real estates	(202,260)	4	(279)	(375)	(202,910)
Impairment of equity investments, tangible and intangible assets	11,298	1,345	-	-	12,643
Accruals on credit card rewards	27,366	8,439	-	-	35,805
Pro-rata basis depreciation expenses	(127,591)	3,985	-	-	(123,606)
Others, net	116,249	(117,302)	1,029	(281)	(305)
Net deferred tax assets	1,482,949	310,661	99	71,965	1,865,674

	Opening balance	*Recognised in statement of profit or loss*	*Effects of movement in exchange rates*	*Recognised in equity*	*Closing balance*
31 December 2018					
Expected credit losses	1,076,297	283,348	1,801	(7,298)	1,354,148
Discount on loans and advances to customers	91,931	20,877	-	-	112,808
Reserve for employee severance indemnity	83,606	10,133	(155)	3,248	96,832
Short-term employee benefits	105,413	32,879	123	-	138,415
Tax losses carried forward	69,904	15,156	8,223	(180)	93,103
Valuation difference on financial assets and liabilities	82,921	(589,231)	(12,110)	381,001	(137,419)
Revaluation surplus on real estates	(195,311)	(200)	(2,929)	(3,820)	(202,260)
Impairment of equity investments, tangible and intangible assets	6,917	4,378	3	-	11,298
Accruals on credit card rewards	23,600	3,766	-	-	27,366
Pro-rata basis depreciation expenses	(111,903)	(15,688)	-	-	(127,591)
Others, net	131,210	(12,142)	(2,819)	-	116,249
Net deferred tax assets	1,364,585	(246,724)	(7,863)	372,951	1,482,949

(*) *The opening balance includes the IFRS 9 transition impact of TL 33,666.*

(Currency: Thousands of Turkish Lira (TL))

22 Provisions

The principal components of provisions are as follows:

	30 September 2019	*31 December 2018*
General reserve (*)	2,350,000	2,250,000
Expected credit losses from non-cash loans	874,116	654,649
Short term employee benefits	641,627	646,978
Reserve for employee severance indemnity	564,777	502,610
Insurance business related provisions	543,268	444,672
Provisions for litigations	364,910	348,414
Other provisions (**)	282,880	551,559
	5,621,578	5,398,882

(*) *As of 30 September 2019, general reserves amounting to TL 2,350,000 (31 December 2018: TL 2,250,000) are provided by the Bank in line with conservatism principle considering the circumstances which may arise from any changes in economy or market conditions.*

(**)*As of 30 September 2019, it includes provisions for credit card rewards and promotions amounting to TL 170,585 (31 December 2018: TL 132,272).*

Insurance business related provisions

Insurance business related provisions are detailed in the table below:

	30 September 2019	*31 December 2018*
Reserve for unearned premiums, net	85,255	58,849
Gross	*117,177*	*78,165*
Reinsurers' share	*(31,922)*	*(19,316)*
Provision for claims, net	57,819	50,720
Gross	*71,517*	*66,833*
Reinsurers' share	*(13,698)*	*(16,113)*
Life mathematical reserves	400,194	335,103
	543,268	444,672

Reserve for employee severance indemnity

Movement in the reserve for employee severance indemnity is as follows:

	30 September 2019	*31 December 2018*
Balance, beginning of the period	502,610	437,642
Service cost	37,055	45,094
Interest cost	56,982	48,886
Benefits paid	(35,003)	(55,068)
Settlement/curtailment/termination gain/loss	3,114	9,128
Past service cost arising over last period	-	129
Business combinations	-	454
Actuarial gain/loss	19	16,345
Balance, end of the period	564,777	502,610

The computation of the liabilities is based upon the retirement pay ceiling announced by the government. The ceiling amounts applicable for each year of employment are full TL 6,379.86 and full TL 5,434.42 as of 30 September 2019 and 31 December 2018, respectively.

(Currency: Thousands of Turkish Lira (TL))

22 Provisions (continued)

The principal actuarial assumptions for the Bank and its consolidated subsidiaries are as follows:

	30 September 2019 %(*)	*31 December 2018 %*(*)
Net effective discount rates	3.38	3.38
Discount rates	16.30	16.30
Expected rates of salary increases	14.00	14.00
Inflation rates	12.50	12.50

(*) *In the above table, the effective rates are presented for the Bank and its consolidated subsidiaries subject to the labour law, whereas the rates applied for the calculations differ according to the employee's years-in-service.*

The sensitivity analysis of reserve for employee severance indemnity for the Bank is as follows as of 31 December 2018:

	% change in employee severance indemnity	
Assumption change	*Sensitivity of Past Service Liability %*	*Sensitivity of Normal Cost %*
Discount rate +1%	(11.2)	(15.2)
Discount rate -1%	13.5	18.8
Inflation rate +1%	12.2	19.2
Inflation rate -1%	(11.4)	(15.7)

Expected credit losses from non-cash loans

Movement in expected credit losses from non-cash loans as of 30 September 2019 and 31 December 2018 are as follows:

	30 September 2019			*31 December 2018*		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Balances at 31 December	123,743	245,225	285,681	61,393	49,108	50,880
Impact of adopting IFRS 9 at 1 January	-	-	-	53,579	156,309	67,940
Balances at 1 January	123,743	245,225	285,681	114,972	205,417	118,820
Transfer to Stage 1	61,581	(60,863)	(718)	150,260	(135,371)	(14,889)
Transfer to Stage 2	(20,282)	21,699	(1,417)	(39,066)	47,408	(8,342)
Transfer to Stage 3	(326)	(38,100)	38,426	(752)	(81,092)	81,844
Transfer from prior year provision	-	-	-	-	-	-
Debt sales and write-offs	-	-	-	-	-	-
Recoveries and reversals	(195,371)	(132,265)	(95,277)	(325,023)	(202,021)	(60,410)
Provision for the period	172,102	342,573	114,557	216,146	369,581	157,008
Effects of movements in exchange rates	2,012	1,567	9,569	7,206	41,303	11,650
Balances at the end of the period	143,459	379,836	350,821	123,743	245,225	285,681

(Currency: Thousands of Turkish Lira (TL))

23 Other liabilities and accrued expenses

The principal components of other liabilities and accrued expenses are as follows:

	30 September 2019	*31 December 2018 (*)*
Blocked accounts against expenditures of card holders	12,944,082	10,956,519
Cheques at clearing house	3,944,822	3,840,255
Operational lease payables	1,066,907	-
Miscellaneous payables	965,250	674,102
Transfer orders	685,200	405,184
Withholding taxes	605,921	520,645
Expense accruals	397,734	322,891
Unearned income	175,497	184,256
Advances received	146,115	105,920
Payables to suppliers relating to financial lease activities	83,711	125,324
Payables to insurance and reinsurance companies relating to insurance business	47,869	31,669
Blocked accounts	47,137	34,720
Cash guarantees obtained	14,430	13,086
Option premium payables	2,093	2,612
Others	283,874	313,635
	21,410,642	17,530,818

(*) *In order to provide a consistent presentation of clearing accounts with the current period; previous year amounts are presented as gross basis in other assets/liabilities.*

24 Equity

Share capital

The authorized nominal share capital of the Bank amounted to TL 4,200,000 as of 30 September 2019.

Legal reserves

As per the decisions made at the annual general assemblies of the Bank and its subsidiaries, 5% of the prior year's net income is allocated to legal reserves. The reserves include legal reserves amounting to TL 1,591,428 (31 December 2018: TL 1,585,920) in total.

For the Bank and its Turkish subsidiaries, the legal reserves are generated by annual appropriations amounting to 5% of the statutory income until such reserves reach 20% of paid-in share capital (first legal reserves). Without limit, a further 10% of dividend distributions in excess of 5% of paid-in share capital appropriated to generate the legal reserves (second legal reserves). The legal reserves are restricted and are not available for distribution as dividends unless they exceed 50% of the share capital.

The Bank's subsidiaries in Romania also allocate legal reserves in accordance with the requirements of statutory laws and regulations applicable for each entity. According to the relevant legislation, legal reserves include annual allocations of 5% of the statutory income before tax. According to the relevant legislation, the legal reserve cannot exceed 20% of the share capital.

The Bank's subsidiary in the Netherlands is not subject to any legal reserve requirements.

(Currency: Thousands of Turkish Lira (TL))

24 **Equity** (continued)

Unrealized gains/(losses) from fair value changes on debt instruments and equity investments measured at FVOCI

	30 September 2019	***31 December 2018 (*)***
Balance at the beginning of the period	(1,038,920)	78,293
Net unrealized (losses)/gains from changes in fair value	325,691	(1,389,780)
Related deferred and current income taxes	(49,515)	255,255
Net (losses)/gains recycled to the statement of comprehensive income on disposal	125,058	15,425
Related deferred and current income taxes	(25,026)	(4,405)
Effect of movements in foreign exchange rates	(5,910)	6,292
Balance at the end of the period	(668,622)	(1,038,920)

(*) *Includes IFRS 9 transition impact of TL 396,257.*

Hedge reserve

The hedge reserve comprises the effective portions of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred (as explained in Hedging section under Financial Risk Management Disclosures) and of the cumulative change in the net investment hedge performed in order to hedge the foreign currency risk arising from net investments in foreign operations with long-term foreign currency borrowings.

In the current period, net investment hedge amounting to EUR 405,469,580 (31 December 2018: EUR 366,635,075) is applied 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 1,370,459 (31 December 2018: TL 1,343,425), arising from conversion of both foreign currency investments and long term foreign currency borrowings are accounted under share capital and hedge reserves, respectively under equity as of 30 September 2019. There is no ineffective portion arising from net investment hedge accounting.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations into the functional currency of the Bank which is TL and of the cumulative change in the net investment hedge performed in order to hedge the foreign currency risk arising from net investments in foreign operations with long-term foreign currency borrowings.

Non-controlling interests

As of 30 September 2019, net non-controlling interests amount to TL 257,460 (31 December 2018: TL 197,557). Non-controlling interests are detailed as follows:

	30 September 2019	***31 December 2018***
Capital	55,219	55,219
Retained earnings and other reserves	142,028	77,385
Net income for the period	60,213	64,953
	257,460	197,557

(Currency: Thousands of Turkish Lira (TL))

25 Commitments and contingencies

In the ordinary course of business, the Bank and its subsidiaries undertake various commitments and incur certain contingent liabilities that are not presented in the accompanying consolidated financial statements, including letters of guarantee, acceptance credits and letters of credit. Commitments and contingent liabilities comprise the following:

	30 September 2019	***31 December 2018***
Letters of guarantee	48,655,067	50,173,770
Letters of credit	9,287,858	14,685,922
Acceptance credits	1,747,808	2,788,829
Other guarantees and endorsements	67,153	66,907
	59,757,886	67,715,428

As of 30 September 2019;

- Commitment for unpaid capital of subsidiaries companies amounts to TL 5,840 (31 December 2018: TL 5,743).
- Commitments for unused credit limits and promotions of credit cards, cheques and loans to customers, commitments for loan granting and other revocable and irrevocable commitments amount to TL 58,740,686 (31 December 2018: TL 53,363,381) in total.
- Commitments for the derivative transactions carried out on behalf of customers in the Turkish Derivatives Exchange amount to TL 1,763,529 (31 December 2018: TL 878,213) in total.

As of 30 September 2019, the securities acquired under security borrowing transactions include shares with total market and carrying values of TL 8,560 (31 December 2018: TL 8,532).

26 Derivative financial instruments

As of 30 September 2019, commitment for purchase and sale of foreign currencies under spot, forwards, swaps, future rate agreements, options and forward agreements for gold trading amounts to TL 140,034,877 (31 December 2018: TL 148,458,335), approximately 89% of which are due within a year (31 December 2018: 76%).

The following tables summarize the notional amounts of the forward, swap, futures and options contracts, with details of remaining periods to maturity. Foreign currency amounts are translated at rates ruling at the date of the statement of financial position. Monetary items denominated in foreign currencies are economically hedged using foreign currency derivative contracts. All gains and losses on foreign currency contracts are recognised in the statement of profit or loss and other comprehensive income, except for contracts of cash flow hedges as stated above.

(Currency: Thousands of Turkish Lira (TL))

26 Derivative financial instruments (continued)

	Notional amount with remaining life of					
30 September 2019	***Up to 1 month***	***1 to 3 month***	***3 to 6 month***	***6 to 12 month***	***Over 1 year***	***Total***
Interest Rate Derivatives						
Interest rate swaps (*)	244	558	12,943	126,217	1,744,477	1,884,439
Purchases	*244*	*99*	*981*	*10,134*	*552,705*	*564,163*
Sales	-	*459*	*11,962*	*116,083*	*1,191,772*	*1,320,276*
Interest rate options	-	735,139	-	2,077,281	643,325	3,455,745
Purchases	-	735,139	-	*2,077,281*	*643,325*	*3,455,745*
Sales	-	-	-	-	-	-
Interest rate futures	-	-	-	-	-	-
Purchases	-	-	-	-	-	-
Sales	-	-	-	-	-	-
Other Derivatives						
Securities, shares and index options	125,525	32,096	52,036	-	-	209,657
Purchases	*107,647*	*31,846*	*24,455*	-	-	*163,948*
Sales	*17,878*	*250*	*27,581*	-	-	*45,709*
Other forward contracts	1,081,384	2,720	-	-	-	1,084,104
Purchases	*1,081,384*	-	-	-	-	*1,081,384*
Sales	-	*2,720*	-	-	-	*2,720*
Other future contracts	77,353	64,536	5,943	-	-	147,832
Purchases	*4,362*	*4,686*	*2,006*	-	-	*11,054*
Sales	*72,991*	*59,850*	*3,937*	-	-	*136,778*
Other swap contracts	111,845	493,423	133,020	53,788	9,268,872	10,060,948
Purchases	-	*39,323*	-	-	*9,268,872*	*9,308,195*
Sales	*111,845*	*454,100*	*133,020*	*53,788*	-	*752,753*
Currency Derivatives						
Spot exchange contracts	12,256,178	-	-	-	-	12,256,178
Purchases	*1,561,087*	-	-	-	-	*1,561,087*
Sales	*10,695,091*	-	-	-	-	*10,695,091*
Forward exchange contracts	3,577,218	2,004,276	1,328,657	1,651,768	251,103	8,813,022
Purchases	*1,299,381*	*763,427*	*433,918*	*765,894*	*189,377*	*3,451,997*
Sales	*2,277,837*	*1,240,849*	*894,739*	*885,874*	*61,726*	*5,361,025*
Currency/cross currency swaps	61,359,577	13,762,326	7,851,938	4,285,083	3,967,474	91,226,398
Purchases	*43,602,874*	*7,095,146*	*3,492,037*	*2,084,104*	*1,486,058*	*57,760,219*
Sales	*17,756,703*	*6,667,180*	*4,359,901*	*2,200,979*	*2,481,416*	*33,466,179*
Options	2,592,168	779,012	4,154,479	2,195,380	466,768	10,187,807
Purchases	*1,938,699*	*492,501*	*3,074,575*	*480,280*	*383,381*	*6,369,436*
Sales	*653,469*	*286,511*	*1,079,904*	*1,715,100*	*83,387*	*3,818,371*
Foreign currency futures	345,294	236,077	64,368	-	63,008	708,747
Purchases	*332,741*	*191,579*	-	-	-	*524,320*
Sales	*12,553*	*44,498*	*64,368*	-	*63,008*	*184,427*
Subtotal Purchases	49,928,419	9,353,746	7,027,972	5,417,693	12,523,718	84,251,548
Subtotal Sales	31,598,367	8,756,417	6,575,412	4,971,824	3,881,309	55,783,329
Total of Transactions	81,526,786	18,110,163	13,603,384	10,389,517	16,405,027	140,034,877

(*) *In case of interest rate swaps, the amounts presented in the table above are the marked-to-market values of such transactions.*

(Currency: Thousands of Turkish Lira (TL))

26 Derivative financial instruments (continued)

	Notional amount with remaining life of					
31 December 2018	***Up to 1 month***	***1 to 3 month***	***3 to 6 month***	***6 to 12 month***	***Over 1 year***	***Total***
Interest Rate Derivatives						
Interest rate swaps (*)	63	8,869	4,732	30,908	1,103,349	1,147,921
Purchases	*63*	*5,454*	*4,292*	*21,744*	*820,171*	*851,724*
Sales	-	*3,415*	*440*	*9,164*	*283,178*	*296,197*
Interest rate options	-	-	3,671,900	1,525,226	6,346,143	11,543,269
Purchases	-	-	*1,835,950*	*762,613*	*3,173,167*	*5,771,730*
Sales	-	-	*1,835,950*	*762,613*	*3,172,976*	*5,771,539*
Interest rate futures	-	18,066	-	-	-	18,066
Purchases	-	-	-	-	-	-
Sales	-	*18,066*	-	-	-	*18,066*
Other Derivatives						
Securities, shares and index options	9,181	67,914	61,162	150,846	-	289,103
Purchases	*7,981*	*46,778*	*23,914*	*82,337*	-	*161,010*
Sales	*1,200*	*21,136*	*37,248*	*68,509*	-	*128,093*
Other forward contracts	12,587	163,635	24,076	3,964	-	204,262
Purchases	*8,990*	*92,603*	*12,038*	*1,982*	-	*115,613*
Sales	*3,597*	*71,032*	*12,038*	*1,982*	-	*88,649*
Other future contracts	13,041	121,355	-	-	-	134,396
Purchases	*11,554*	*5,834*	-	-	-	*17,388*
Sales	*1,487*	*115,521*	-	-	-	*117,008*
Other swap contracts	15,087	-	-	474,291	21,313,293	21,802,671
Purchases	-	-	-	-	*8,695,334*	*8,695,334*
Sales	*15,087*	-	-	*474,291*	*12,617,959*	*13,107,337*
Currency Derivatives						
Spot exchange contracts	6,169,503	-	-	-	-	6,169,503
Purchases	*1,905,904*	-	-	-	-	*1,905,904*
Sales	*4,263,599*	-	-	-	-	*4,263,599*
Forward exchange contracts	4,826,989	2,593,835	2,971,831	962,061	1,009,811	12,364,527
Purchases	*2,499,777*	*1,282,572*	*1,944,341*	*519,864*	*774,637*	*7,021,191*
Sales	*2,327,212*	*1,311,263*	*1,027,490*	*442,197*	*235,174*	*5,343,336*
Currency/cross currency swaps	54,923,474	5,030,773	9,038,569	4,425,322	3,209,804	76,627,942
Purchases	*24,664,887*	*2,706,936*	*4,246,994*	*2,286,252*	*1,332,692*	*35,237,761*
Sales	*30,258,587*	*2,323,837*	*4,791,575*	*2,139,070*	*1,877,112*	*41,390,181*
Options	2,525,742	3,401,185	7,288,990	1,768,384	2,307,301	17,291,602
Purchases	*1,645,994*	*2,150,150*	*4,822,266*	*1,385,238*	*768,939*	*10,772,587*
Sales	*879,748*	*1,251,035*	*2,466,724*	*383,146*	*1,538,362*	*6,519,015*
Foreign currency futures	318,386	488,409	15,872	42,406	-	865,073
Purchases	*318,386*	*391,622*	*15,872*	-	-	*725,880*
Sales	-	*96,787*	-	*42,406*	-	*139,193*
Subtotal Purchases	31,063,536	6,681,949	12,905,667	5,060,030	15,564,940	71,276,122
Subtotal Sales	37,750,517	5,212,092	10,171,465	4,323,378	19,724,761	77,182,213
Total of Transactions	68,814,053	11,894,041	23,077,132	9,383,408	35,289,701	148,458,335

(*) *In case of interest rate swaps, the amounts presented in the table above are the marked-to-market values of such transactions.*

(Currency: Thousands of Turkish Lira (TL))

27 Net trading income/(expense)

Gains and losses from derivative financial instruments and changes in fair value of other trading instruments are reflected in net trading income/(expense) including the effective portion of fair value hedges, whereas, gains and losses arising from changes in the effective portion of the fair value of cash flow hedges are reflected as a separate component of equity. Net gains/(losses) from trading of financial assets is detailed in the table below:

	Nine-month period ended 30 September 2019	*Three-month period ended 30 September 2019*	*Nine-month period ended 30 September 2018*	*Three-month period ended 30 September 2018*
Fixed/floating securities	208,848	(142,582)	1,008,465	272,282
Financial assets designated as FVPL	-	75,644	-	-
Derivative transactions	(756,068)	218,557	4,400,013	3,157,747
Net trading income/expense	(547,220)	151,619	5,408,478	3,430,029

28 Other operating income

	Nine-month period ended 30 September 2019	*Three-month period ended 30 September 2019*	*Nine-month period ended 30 September 2018*	*Three-month period ended 30 September 2018*
Other operating income:				
Net sales from operational lease business(*)	101,539	38,911	130,081	46,905
Net sales from other non-financial subsidiaries	59,981	19,914	61,590	20,620
Net sales from Garanti Technology	43,371	14,244	33,051	10,834
Dividend income	9,046	24	5,839	650
Rent income from real estate (including investment property)	2,726	1,094	4,010	751
Cheque booklet charge	1,263	-	7,449	2,510
Others	117,810	36,527	64,013	27,792
Total operating income	335,736	110,714	306,033	110,062

(*) *Depreciation expenses of the operational lease portfolio are netted-off with the net sales of this business.*

29 Other operating expenses

	Nine-month period ended 30 September 2019	*Three-month period ended 30 September 2019*	*Nine-month period ended 30 September 2018*	*Three-month period ended 30 September 2018*
Computer usage expenses	302,524	89,567	233,204	86,212
Saving deposits insurance fund	296,704	133,307	180,975	59,262
Utility expenses	147,116	49,417	98,635	34,407
Advertising expenses	111,207	25,220	145,819	36,496
Rent expenses	81,653	27,882	346,155	122,311
Repair and maintenance expenses	65,270	22,719	58,127	20,677
Research and development expenses	56,596	25,252	45,149	15,166
Stationary expense	28,829	9,087	27,439	12,484
Others	424,621	181,914	464,902	127,746
	1,514,520	564,365	1,600,405	514,761

(Currency: Thousands of Turkish Lira (TL))

30 Related party disclosures

For the purpose of this report, the shareholders either controlling or having executive key management personnel in common with the Bank and BBVA and all their subsidiaries, and their ultimate owners, directors and executive officers and the Bank's unconsolidated subsidiaries and associates are referred to as related parties. During the course of the business, the Bank has made placements with and granted loans to related parties and also received deposits from them at various terms. The Bank had the following balances outstanding from and transactions with related parties:

	30 September 2019	31 December2018
Statement of financial position		
Loans and advances to banks	159,680	116,428
Loans and advances to customers	27,410	387,719
Loans measured at FVPL (*)	3,874,431	4,081,161
Miscellaneous receivables	434	1,120
Deposits from banks	236,968	198,239
Deposits from customers	6,548	100,086
Miscellaneous payables	25	158
Commitments and contingencies		
Non-cash loans	1,018,289	1,002,926
Derivatives	2,460,260	19,576,878

(*) The loans measured at FVPL amounting to TL 3,874,431 (31 December 2018: TL 4,081,161) granted to a special purpose entity owned by the Group with 22.1265% and its investment in Türk Telekomünikasyon A.Ş. considered as associate are disclosed as related party balances as of the year end.

	Nine-month period ended 30 September	Three-month period ended 30 September 2019	Nine-month period ended 30 September 2018	Three-month period ended 30 September 2018
Statement of profit or loss and other comprehensive income (*)				
Interest, fees and commissions income	13,793	2,459	204,595	95,747
Interest, fees and commissions expenses	6,511	1,422	24,053	12,754
Net trading income/(expense) and foreign exchange gains/(losses), net	132,098	324,402	45,446	346,707
Other operating income	574	144	2,325	1,854
Other operating expenses	373	356	32,837	13,338

(*) The Doğuş Group has not been considered as related party, as it does not meet the required criteria under IAS 24 Related Party Disclosures standard starting from 20 December 2018. The interest and commissions received/paid due to the transactions with this group until 20 December 2018, are included in the related party disclosures.

In the first nine-months of 2019, interest rates applied to foreign currency receivables from and payables to related parties vary within the ranges of 4%-6% and 1%-5% (31 December 2018: 2%-6% and (0.34)%-5%), respectively. The interest rates applied to TL receivables from and payables to related parties vary within the ranges of 14%-19% and 5%-28%, respectively (31 December 2018: 14%-19% and 5%-28%).

Various commission rates are applied to transactions involving guarantees and commitments. The pricing in transactions with the related parties is set on an arms-length basis.

(Currency: Thousands of Turkish Lira (TL))

30 Related party disclosures (continued)

As per IFRS 9, expected credit losses amounted to TL 83 (30 September 2018: TL 189,845) are recognised against balances outstanding during the period with related parties as of 30 September 2019.

Key management personnel compensation for the nine-month period ended 30 September 2019 amounted to TL 114,887 (30 September 2018: TL 113,048) on a consolidated basis. Within this total, individual key management expenses of the Bank amounted to TL 84,096 (30 September 2018: TL 65,269) and of its subsidiaries amounted to TL 30,791 (30 September 2018: TL 47,779).

31 Significant event

As per the decision made at the annual general assembly of shareholders of the parent Bank on 4 April 2019, the distribution of the net profit of the year 2018, was 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)	-

32 Subsequent event

On 9 October 2019, the Bank issued a subordinated debt with quarterly variable coupon payments based on BIST TLREF, a total face value of TL 252,850 and a maturity of 10 years.

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