Türkiye Garanti Bankası Anonim Şirketi
And Its Subsidiaries

Interim Condensed Consolidated Financial Statements

For the three month period ended

31 March 2020

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

Türkiye Garanti Bankası Anonim Şirketi
And Its Subsidiaries

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KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
İş Kuleleri Kule 3 Kat:2-9
Levent 34330 İstanbul
Tel +90 212 316 6000
Fax +90 212 316 6060
www.kpmg.com.tr

Independent Auditor's Report on Review of Interim Condensed Consolidated Financial Statements

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Türkiye Garanti Bankası Anonim Şirketi ("the Bank") and its subsidiaries (together "the Group") as at 31 March 2020, the interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three month period then ended, and notes to interim financial information ("the interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these interim consolidated condensed 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

As stated in Note 22, the accompanying interim condensed consolidated financial statements as at 31 March 2020 include a general reserve of total of TL 2,500,000 thousands which had been recognized as expense in prior periods, which does not meet the recognition criteria of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". This general reserve is provided by the Bank management for the possible effects of the negative circumstances which may arise in economy or market conditions.

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 interim condensed consolidated financial statements as at and for the three month period ended 31 March 2020 are not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of KPMG International Cooperative

Murat Alsan
Partner

20 May 2020
İstanbul, Turkey

Türkiye Garanti Bankası AŞ And Its Subsidiaries

Interim Condensed Consolidated Statement of Financial Position
At 31 March 2020

(Currency: Thousands of Turkish Lira (TL))

	Notes	31 March 2020	31 December 2019
Assets			
Cash and balances with central banks	3	63,918,688	48,441,269
Financial assets at fair value through profit or loss	4	6,638,770	5,152,560
Derivative financial assets	5	4,483,565	2,999,557
Loans and advances to banks	6	20,533,127	30,205,189
Loans and advances to customers	7,25	283,902,070	266,292,916
Investment securities	8,24	55,908,769	55,861,610
Equity investments	9	404,843	422,113
Assets held for sale	10	1,167,626	1,452,258
Investment properties		335,539	335,539
Tangible and intangible assets		7,738,705	7,680,866
Goodwill, net	11	32,948	32,948
Deferred tax asset	21	2,435,607	1,894,441
Other assets	12	9,330,190	8,424,716
Total Assets		**456,830,447**	**429,195,982**
Liabilities			
Deposits from banks	13	1,910,638	2,668,751
Deposits from customers	14	293,839,662	274,470,218
Loans and advances from banks and other institutions	15	28,818,260	26,739,820
Obligations under repurchase agreements and money market fundings	16	2,875,102	1,786,861
Debt securities issued	17	21,524,319	21,026,537
Financial liabilities at fair value through profit or loss	18	13,510,106	14,342,293
Derivative financial liabilities	19	7,439,016	4,239,665
Subordinated liabilities	20	6,050,883	4,729,707
Current tax liability	21	814,333	685,143
Deferred tax liability	21	82,380	73,104
Provisions	22	7,058,898	6,561,425
Other liabilities and accrued expenses	23	17,676,078	17,786,228
Total Liabilities		**401,599,675**	**375,109,752**
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	1,607,719	1,603,555
Other reserves	8,24	2,745,416	3,382,570
Retained earnings	24	45,428,247	43,667,933
		54,939,633	**53,812,309**
Non-controlling interests	24	**291,139**	**273,921**
Total Equity		**55,230,772**	**54,086,230**
Total Liabilities and Equity		**456,830,447**	**429,195,982**
Commitments and Contingencies	25	**67,067,387**	**62,757,095**

The notes on pages 5 to 75 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 Three-Month Period Ended 31 March 2020

(Currency: Thousands of Turkish Lira (TL))

	Notes	1 January 2020-31 March 2020	1 January 2019-31 March 2019
Statement of Profit or Loss:			
Interest income:			
Interest on loans		7,614,457	8,465,055
Interest on securities		1,385,392	1,644,243
Interest on lease business		129,098	131,877
Interest on deposits at banks		128,402	235,520
Interest on factoring business		62,346	116,341
Interest on reserve deposits		277	118,739
Others		78,896	71,367
		9,398,868	10,783,142
Interest expense:			
Interest on saving, commercial and public deposits		(2,204,213)	(4,688,191)
Interest on borrowings, obligations under repurchase agreements,money market and swap fundings		(1,289,644)	(1,283,730)
Interest on debt securities issued		(436,065)	(611,681)
Interest on subordinated liabilities		(106,922)	(40,515)
Interest on lease business		(46,062)	(47,837)
Interest on bank deposits		(17,390)	(32,967)
Others		(128,168)	(48,003)
		(4,228,464)	(6,752,924)
Net interest income before provisions for loans and other credit risks		**5,170,404**	**4,030,218**
Provisions for loans and other credit risks, net	3,6,7,8,12,22	**(2,350,137)**	**(1,348,163)**
Net interest income after provisions for loans and other credit risks		**2,820,267**	**2,682,055**
Fees and commissions income		2,168,531	2,035,031
Fees and commissions expense		(404,603)	(546,622)
Net fees and commissions income		**1,763,928**	**1,488,409**
Net trading income/(expense)	27	**577,581**	**2,052,229**
Foreign exchange gains/(losses), net		**(165,277)**	**(1,775,925)**
Insurance business income		394,063	194,994
Insurance business expense		(172,357)	(54,077)
Net insurance business income		**221,706**	**140,917**
Gain on sale of assets		95,441	37,080
Other operating income	28	119,818	96,248
Other operating income		**215,259**	**133,328**
Total operating Income		**5,433,464**	**4,721,013**
Salaries and wages		(723,638)	(697,945)
Credit card reward and promotion expenses		(461,960)	(300,178)
Impairment losses, net	10,22	(408,565)	(110,609)
Employee benefits	22	(389,105)	(387,294)
Depreciation and amortisation		(225,645)	(218,558)
Taxes and duties other than income		(188,328)	(169,573)
Communication expenses		(62,042)	(58,480)
Other operating expenses	29	(654,475)	(513,545)
Total operating expenses		**(3,113,758)**	**(2,456,182)**
Profit/(loss) before tax		**2,319,706**	**2,264,831**
Taxation charge	21	(541,773)	(493,173)
Net profit/(loss) for the period		**1,777,933**	**1,771,658**
Other Comprehensive Income:			
(items to be recycled subsequently to profit or loss)			
Foreign currency translation, net of tax	24	367,457	210,332
Fair value change on debt instruments measured at fair value through other comprehensive income, net of tax:			
Net change in fair values	24	(704,557)	(502,092)
Net amount reclassified to profit/loss	24	(55,374)	26,012
Cash flow hedges, net of tax:			
Effective portion of changes in hedge reserve	24	65,037	142,619
Net amount reclassified to profit/loss	24	(106,409)	(65,380)
Net investment hedge for foreign operations, net of tax	24	(177,874)	(83,702)
		(611,720)	**(272,211)**
(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	(31,764)	44,254
Net amount recycled to profit/loss	24	-	-
Change on revaluation surplus on tangible and intangible assets, net of tax		6,144	4,248
		(25,620)	**48,502**
Other comprehensive income for the period, net of tax		**(637,340)**	**(223,709)**
Total Comprehensive Income for the Period		**1,140,593**	**1,547,949**
Net profit/(loss) attributable to:			
Equity holders of the Bank		1,760,529	1,750,775
Non-controlling interests		17,404	20,883
		1,777,933	**1,771,658**
Total comprehensive income attributable to:			
Equity holders of the Bank		1,123,375	1,527,066
Non-controlling interests		17,218	20,883
		1,140,593	**1,547,949**
Weighted average number of shares with a face value of Kr 1 each	24	**420 billions**	**420 billions**
Basic and diluted earnings per share (full TL amount per TL 1 face value each)		**0.419**	**0.417**

The notes on pages 5 to 75 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 31 March 2020

(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 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 losses from debt instruments measured at fair value through other comprehensive income	-	-	-	(502,092)	-	-	-	-		-	-	(502,092)
Net unrealized gains from equity investments measured at fair value through other comprehensive income	-	-	-	-	-	-	44,254	-	-	-	-	44,254
Net realized gains on debt instruments measured at fair value through other comprehensive income recycled to statement of profit or loss at disposal	-	-	-	26,012	-	-	-	-	-	-	-	26,012
Foreign currency translation	-	-	-	1,324	201	208,807	-	-	-	-	-	210,332
Net change on revaluation surplus on tangible and intangible assets	-	-	-	-	-	-	-	-	4,248	-	-	4,248
Net gains on cash flow hedges	-	-	-	-	77,239	-	-	-	-	-	-	77,239
Net change on net investment hedge for foreign operations	-	-	-	-	(83,702)	-	-	-	-	-	-	(83,702)
Net profit/loss for three-month period	-	-	-	-	-	-	-	-	-	1,750,775	20,883	1,771,658
Total comprehensive income for the period	**-**	**-**	**-**	**(474,756)**	**(6,262)**	**208,807**	**44,254**	**-**	**4,248**	**1,750,775**	**20,883**	**1,547,949**
Foreign currency translation for legal reserves	-	-	964	-	-	-	-	-	-	-	-	964
Balances at 31 March 2019	**5,146,371**	**11,880**	**1,586,884**	**(1,613,038)**	**(1,132,846)**	**3,264,995**	**143,616**	**(160,773)**	**1,726,047**	**39,252,760**	**218,440**	**48,444,336**
Balances at 31 December 2019	**5,146,371**	**11,880**	**1,603,555**	**(103,483)**	**(1,840,473)**	**3,531,944**	**217,095**	**(171,269)**	**1,748,756**	**43,667,933**	**273,921**	**54,086,230**
Net unrealized losses from debt instruments measured at fair value through other comprehensive income	-	-	-	(704,371)	-	-	-	-	-	-	(186)	(704,557)
Net unrealized losses from equity investments measured at fair value through other comprehensive income	-	-	-	-	-	-	(31,764)	-	-	-	-	(31,764)
Net realized losses on debt instruments measured at fair value through other comprehensive income recycled to statement of profit or loss at disposal	-	-	-	(55,374)	-	-	-	-	-	-	-	(55,374)
Foreign currency translation	-	-	-	2,780	1,366	363,311	-	-	-	-	-	367,457
Net change on revaluation surplus on tangible and intangible assets	-	-	-	-	-	-	-	-	6,144	-	-	6,144
Net losses on cash flow hedges	-	-	-	-	(41,372)	-	-	-	-	-	-	(41,372)
Net change on net investment hedge for foreign operations	-	-	-	-	(177,874)	-	-	-	-	-	-	(177,874)
Net profit/loss for three-month period	-	-	-	-	-	-	-	-	-	1,760,529	17,404	1,777,933
Total comprehensive income for the period	**-**	**-**	**-**	**(756,965)**	**(217,880)**	**363,311**	**(31,764)**	**-**	**6,144**	**1,760,529**	**17,218**	**1,140,593**
Transfer to legal reserves	-	-	215	-	-	-	-	-	-	(215)	-	-
Foreign currency translation for legal reserves	-	-	3,949	-	-	-	-	-	-	-	-	3,949
Balances at 31 March 2020	**5,146,371**	**11,880**	**1,607,719**	**(860,448)**	**(2,058,353)**	**3,895,255**	**185,331**	**(171,269)**	**1,754,900**	**45,428,247**	**291,139**	**55,230,772**

Türkiye Garanti Bankası AŞ And Its Subsidiaries

Interim Condensed Consolidated Statement of Cash Flows
For The Three-Month Period Ended 31 March 2020

(Currency: Thousands of Turkish Lira (TL))

	Notes	1 January 2020- 31 March 2020	1 January 2019- 31 March 2019
Cash flows from operating activities:-			
Interests and commissions received		8,844,873	10,002,388
Interests and commissions paid		(4,361,849)	(6,967,505)
Other operating activities, net		2,634,067	(416,301)
Cash payments to employees and suppliers		(2,604,709)	(2,025,789)
		4,512,382	592,793
(Increase)/decrease in operating assets:-			
Loans and advances to banks		(4,740,416)	(8,392,472)
Balances with central banks		(2,893,061)	5,880,733
Financial assets at fair value through profit or loss		(1,693,641)	15,608
Loans and advances to customers		(20,741,596)	(17,250,087)
Other assets		(1,047,211)	(1,501,042)
Increase/(decrease) in operating liabilities:-			
Deposits from banks		(757,754)	1,517,940
Deposits from customers		19,260,137	16,205,719
Obligations under repurchase agreements and money market fundings		1,092,079	(989,430)
Other liabilities		(1,082,719)	285,148
Net cash inflows from operating activities before taxes and duties paid		**(8,091,800)**	**(3,635,090)**
Income taxes and other duties paid		**(960,608)**	**(307,951)**
Net cash inflows/(outflows) from operating activities		**(9,052,408)**	**(3,943,041)**
Cash flows from investing activities:-			
Net decrease/(increase) in investment securities		520,020	(960,101)
Interest received for investment securities		2,681,681	1,010,850
Increase in equity investments		(3,588)	-
Dividends received		833	568
Proceeds from sale of tangible and intangible assets		225,220	202,684
Purchase of tangible and intangible assets		(183,896)	(263,147)
Net cash inflows from investing activities		**3,240,270**	**(9,146)**
Cash flows from financing activities:-			
Increase in loans and advances from banks and other institutions, net		1,938,533	2,285,694
Cash obtained from debt securities issued		3,639,529	5,301,805
Cash used for repayment of debt securities issued		(3,351,992)	(1,720,346)
Payments for leases		(106,015)	(108,534)
Dividends paid		-	-
Net cash (outflows)/inflows from financing activities		**2,120,055**	**5,758,619**
Effect of exchange rate changes		**1,708,752**	**1,301,552**
Net increase in cash and cash equivalents		**(1,983,331)**	**3,107,984**
Cash and cash equivalents at the beginning of the period		47,246,020	35,952,532
Cash and cash equivalents at the end of the period	2	**45,262,689**	**39,060,516**

The notes on pages 5 to 75 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 interim condensed consolidated financial statements of the Bank as of and for the three-month period ended 31 March 2020 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 904 domestic branches, 8 foreign branches, 2 representative offices abroad (31 December 2019: 904 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 22,068 employees (31 December 2019: 22,284). The Bank’s head office is located at Levent Nispetiye Mahallesi Aytar Caddesi 2 Beşiktaş 34340 Istanbul, Turkey.

(b) Ownership

As of 31 March 2020, 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 31 March 2020 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 2019. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements

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

(b) Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements as at 31 March 2020 are consistent with those followed in the preparation of the consolidated financial statements of the prior year, except for the adoption of new standards effective as of 1 January 2020. Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

(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.

Summary of significant accounting policies (continued)

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 2023 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.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

IFRS 4 has been amended by IASB to reduce the impact of the differing effective dates of the new insurance contracts standard and IFRS 9. These amendments to IFRS 4 provide two optional solutions for insurers to reduce concerns about implementations: i) when applying IFRS 9 by insurers to its financial assets, an insurer will be permitted to reclassify the difference between profit or loss and other comprehensive income and the amounts recognised in profit or loss under IFRS 9 and those that would have been reported under IAS 39; or ii) an optional temporary exemption from applying IFRS 9 for companies whose activities are predominantly connected with insurance before 1 January 2021. These companies will be permitted to continue to apply existing requirements for financial instruments in IAS 39.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 4.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On 23 January 2020, IASB issued Classification of Liabilities as Current or Non-Current which amends IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position.

The amendments clarify one of the criteria in IAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments include:

(a) Specifying that an entity's right to defer settlement must exist at the end of the reporting period;
(b) Clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
(c) Clarifying how lending conditions affect classification; and
(d) Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

Summary of significant accounting policies (continued)

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

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Interest Rate Benchmark Reform, which amended IFRS 9, IAS 39 and IFRS 7 issued in September 2019. About this issue, IASB identified two groups of accounting issues that could affect financial reporting. These are:

• pre-replacement issues—issues affecting financial reporting in the period before the reform; and
• replacement issues—issues that might affect financial reporting when an existing interest rate benchmark is either reformed or replaced.

IASB considered the pre-replacement issues to be more urgent and decided to address the following hedge accounting requirements as a priority in the first phase of the project:
(a) The highly probable requirement;
(b) Prospective assessments;
(c) IAS 39 retrospective assessment; and
(d) Separately identifiable risk components.

All other hedge accounting requirements remain unchanged. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to Interest Rate Benchmark Reform.

(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 2019, except for the significant judgements related to COVID-19 outbreak impact, which are described in thefootnotes (e) and (f).

(e) Potential impacts of COVID-19 on the interim condensed consolidated financial statements

A new type of coronavirus (COVID-19), first emerging in China, has been classified by the World Health Organization as an epidemic affecting countries globally. The COVID-19 outbreak not only affects economic conditions both regionally and globally, as it causes disruptions in operations, especially in countries that are exposed to the epidemic. The effects of COVID-19 on the Group's financial statements are regularly monitored by the risk units and the Group's Management.

While preparing the interim financial statements dated 31 March 2020, the Group reflected the possible effects of the COVID-19 outbreak on the estimates and judgments used in the preparation of the financial statements.

Summary of significant accounting policies (continued)

The Bank has reviewed the expected credit losses including the estimations and judgements used in the calculations together with the fair value measurements within the scope of IFRS 13 Fair Value Measurement standard. The estimates and judgements used in the calculating expected credit losses explained in footnote (g).

As of 31 March 2020, the Bank has no assets or liabilities that would require any adjustment in the fair value hierarchy.

(f) 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.

Summary of significant accounting policies (continued)

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.

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.

As of 31 March 2020, due to adverse effects of the COVID-19 outbreak, the Bank has reviewed the valuation of its financial assets whose fair value difference is reflected in other comprehensive income, and deemed that no change is required in the fair valuation measurement as of the reporting date.

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.

Summary of significant accounting policies (continued)

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.

As of 31 March 2020, due to adverse effects of the COVID-19 outbreak, the Bank has reviewed the valuation of its financial assets whose fair value difference is reflected in other comprehensive income, and deemed that no change is required in the fair valuation measurement as of the reporting date.

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.

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.

As of 31 March 2020, due to the adverse effects of the COVID-19 outbreak, the Bank has reviewed the valuation of its financial assets and liabilities which are measured at fair value through profit or loss, and deemed that no change is required in the fair valuation measurement as of the reporting date.

On the other hand, the Bank has assessed the effects of the COVID-19 outbreak with respect to its financial instruments which are classified in Level 3 as inputs for these instruments are highly dependent on estimates and judgments and deemed that no change is required as of the reporting date.

Summary of significant accounting policies (continued)

(g) 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

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:

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.

Summary of significant accounting policies (continued)

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 three scenarios (base scenario, bad scenario, good scenario). Each of these three 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.

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 three 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%.

Summary of significant accounting policies (continued)

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

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

In addition, a certain portion of commercial and corporate loans is assessed individually in accordance with the internal policies in the calculation of the expected credit losses based on IFRS 9. Such calculations are made by discounting the expected cash flows from the individual financial instrument to its present value using the effective interest rate.

When measuring expected credit losses, it shall be considered the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. Such assessment is made by reflecting the estimate of expected credit loss which is unbiased and probability-weighted determined by evaluating a range of possible outcomes.

As of 31 March 2020, the Bank has revised the cash flow expectations and scenario weights for its commercial and corporate loans, due to the negative effects of the COVID-19 outbreak and reflected the related effects in its expected credit losses with the best estimation approach.

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 2019 and the Bank continues to calculate expected credit losses provision based on the mentioned updated model during 2020.

Forward-looking macroeconomic information

Forward-looking macroeconomic information is incorporated into credit risk parameters during assessment of significant increase in credit risk and expected credit loss calculation. The incorporation of forward-looking information into the credit risk parameters consists of the following steps:

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

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

Summary of significant accounting policies (continued)

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

The Bank updates its macroeconomic parameters incorporated into significant increase in credit risk and expected credit loss assessments in every three months, in February, May, August and November. The Bank has assessed the adverse impacts of the COVID-19 outbreak in its models by updating the macroeconomic parameters as of 31 March 2020. According to the Bank's procedure this update, which was planned to be made in May, is applied and macroeconomic deterioration expectations are incorporated in the significant increase in credit risk assessments and expected credit loss calculations as of 31 March 2020.

Due to COVID-19 outbreak, The Bank's macroeconomic parameters are deteriorating. This deterioration has been incorporated into probability of default and loss given default parameters and the effects of revised macroeconomic parameters in expected credit loss calculation as of 31 March 2020 are disclosed in note 7.

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

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.

Summary of significant accounting policies (continued)

(h) 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.

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 2019. 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.

Financial risk management disclosures (continued)

Risk management activities are structured under the responsibility of the Board of Directors. Management of various risks that the Bank may be exposed to, including oversight of corporate risk management policies and practices, capital adequacy, planning and liquidity adequacy, is the responsibility of the Risk Committee, which consists of members of the Board of Directors. Accordingly, the Risk Management, which performs risk management functions, reports to the Board of Directors via the Risk Committee, whereas the Internal Audit Department, performing internal audit functions, the Internal Control Unit, performing internal control functions, and the Compliance Department, which implements compliance controls and performs activities to prevent laundering proceeds of crime, and financing of terrorism, report directly to the Board of Directors.

Senior managements responsibility is to report to Board of Directors about the significant risk the Bank encounters, ensure the compliance with the risk management about own duties, eliminate the risks, deficiencies and errors occurring in the units responsible or take the necessary measures, participate in design and implementation of internal capital adequacy assessment process (ICAAP); participate in process of assessing the adequacy and appropriateness of the underlying assumptions, data sources and principles used to measure the assumptions and risks associated with the models.

The Bank's main approach for the implementation of risk management model is establishing risk culture throughout the Bank, and aims that the importance of risk management for maintaining business operations is understood and risk awareness and sensitivity is ensured for decision making and implementation mechanisms process by all employees.

Compliant with legislation, the Bank measures and monitors risks that 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 Banking Regulation and Supervision Authority (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.

Financial risk management disclosures (continued)

(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.

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.

Financial risk management disclosures (continued)

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:

	31 March 2020						
	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	26,164,556	-	-	-	-	37,754,132	63,918,688
Financial assets at fair value through profit or loss	43,994	123,977	5,420,935	595,750	88,944	365,170	6,638,770
Loans and advances to banks	2,726,257	1,609,490	1,926,271	1,468	53,849	14,215,792	20,533,127
Loans and advances to customers	67,592,789	48,086,322	78,731,411	80,486,582	13,503,322	(4,498,356)	283,902,070
Other assets	10,854,608	-	129,368	-	-	5,265,386	16,249,362
Investment securities	7,616,998	6,713,819	13,935,471	10,234,529	7,188,254	10,219,698	55,908,769
Total Monetary Assets	114,999,202	56,533,608	100,143,456	91,318,329	20,834,369	63,321,822	447,150,786
MONETARY LIABILITIES							
Deposits	152,156,890	29,780,833	18,644,801	2,623,889	163,661	92,380,226	295,750,300
Obligations under repurchase agreements and money market fundings	561,949	1,777,805	453,264	78,312	-	3,772	2,875,102
Loans and advances from banks and other institutions	2,121,863	7,301,466	4,823,359	4,806,052	6,891,758	2,873,762	28,818,260
Debt securities issued	7,700,712	1,569,398	-	11,806,271	144,028	303,910	21,524,319
Subordinated liabilities	252,880	750,000	-	-	4,922,850	125,153	6,050,883
Financial liabilities at fair value through profit or loss	13,296,991	-	-	-	-	213,115	13,510,106
Other liabilities	-	-	-	-	-	33,070,705	33,070,705
Total Monetary Liabilities	176,091,285	41,179,502	23,921,424	19,314,524	12,122,297	128,970,643	401,599,675

	31 December 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	13,452,095	-	-	-	-	34,989,174	48,441,269
Financial assets at fair value through profit or loss	162,932	2,122	4,545,392	115,734	47,443	278,937	5,152,560
Loans and advances to banks	12,000,784	418,657	1,839,846	64,063	64,785	15,817,054	30,205,189
Loans and advances to customers	68,117,777	30,387,972	82,806,483	74,533,731	13,080,364	(2,633,411)	266,292,916
Other assets	10,958,458	-	121,637	-	-	2,238,619	13,318,714
Investment securities	3,542,122	10,301,381	12,958,015	5,534,225	11,880,192	11,645,675	55,861,610
Total Monetary Assets	108,234,168	41,110,132	102,271,373	80,247,753	25,072,784	62,336,048	419,272,258
MONETARY LIABILITIES							
Deposits	153,385,708	22,081,580	19,182,036	3,062,930	153,616	79,273,099	277,138,969
Obligations under repurchase agreements and money market fundings	356,594	480,547	475,017	388,149	80,041	6,513	1,786,861
Loans and advances from banks and other institutions	7,766,278	6,404,637	10,788,599	1,586,117	172,652	21,537	26,739,820
Debt securities issued	6,597,342	2,785,827	444,060	10,772,346	132,831	294,131	21,026,537
Subordinated liabilities	252,880	-	-	-	4,440,600	36,227	4,729,707
Financial liabilities at fair value through profit or loss	14,145,418	-	-	-	-	196,875	14,342,293
Other liabilities	-	-	-	-	-	29,345,565	29,345,565
Total Monetary Liabilities	182,504,220	31,752,591	30,889,712	15,809,542	4,979,740	109,173,947	375,109,752

(*) 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 quarter of 2020 and the year 2019:

	31 March 2020			
	US$ %	EUR %	TL %	Other Currencies%
Assets				
Loans and advances to banks	1-6	1-4	6-31	1
Debt and other fixed or floating income	3-12	1-5	12-24	2-6
Loans and advances to customers	1-15	1-15	1-27	1-31
Liabilities				
Deposits:				
- Foreign currency deposits-	1-4	1-7	-	1-5
- Bank deposits-	1-3	-	7-10	3
- Saving deposits	-	1	7-16	1-2
- Commercial deposits	-	-	7-16	-
- Public and other deposits	-	-	10	-
Obligations under repurchase agreements and money market fundings	3	1	5-12	-
Loans and advances from banks and other institutions	2-5	1-6	3-28	2-6
Debt securities issued (*)	6	5	11	-

	31 December 2019			
	US$ %	EUR %	TL %	Other Currencies%
Assets				
Loans and advances to banks	2-7	1-5	7-31	2-3
Debt and other fixed or floating income	3-12	1-12	12-24	2-6
Loans and advances to customers	2-15	1-15	1-33	1-10
Liabilities				
Deposits:				
- Foreign currency deposits-	1-4	1-11	-	1-5
- Bank deposits-	2-3	(0.46)	8-26	2
- Saving deposits	-	1	8-22	1-2
- Commercial deposits	-	-	7-22	-
- Public and other deposits	-	-	11	-
Obligations under repurchase agreements and money market fundings	3-4	1	7-22	-
Loans and advances from banks and other institutions	2-5	1-6	11-30	2-6
Debt securities issued (*)	6	5	12	-

(*) Includes subordinated liabilities.

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:

	31 March 2020			
	US$	**EUR**	**Other Currencies**	**Total**
Assets				
Cash and balances with central banks	22,647,009	30,642,919	6,367,896	59,657,824
Financial assets at fair value through profit or loss	5,005,890	158,969	-	5,164,859
Loans and advances to banks	12,043,696	5,523,678	677,834	18,245,208
Loans and advances to customers	53,493,847	60,860,842	8,536,380	122,891,069
Investment securities	12,259,827	3,843,421	1,584,480	17,687,728
Equity investments	327,276	9,618	-	336,894
Tangible and intangible assets	283	270,746	286,119	557,148
Deferred tax asset	-	20,800	12,458	33,258
Other assets	1,513,701	1,210,862	2,652,377	5,376,940
Total Assets	107,291,529	102,541,855	20,117,544	229,950,928
Liabilities				
Deposits	94,857,721	62,297,705	20,644,519	177,799,945
Obligations under repurchase agreements and money market fundings	89,110	1,252,663	160	1,341,933
Loans and advances from banks and other institutions	12,155,051	13,440,550	231,180	25,826,781
Debt securities issued	14,545,475	1,508,191	-	16,053,666
Financial liabilities at fair value through profit or loss	13,510,106	-	-	13,510,106
Subordinated liabilities	5,028,757	-	-	5,028,757
Current and deferred tax liability	-	47,792	13,728	61,520
Other liabilities, accrued expenses and provisions	6,541,932	2,398,647	515,325	9,455,904
Total Liabilities	*146,728,152*	*80,945,548*	*21,404,912*	*249,078,612*
Net Statement of Financial Position	*(39,436,623)*	*21,596,307*	*(1,287,368)*	*(19,127,684)*
Net Off Balance Sheet Position	*41,765,168*	*(20,715,945)*	*3,177,641*	*24,226,864*
Net Long/(Short) Position	*2,328,545*	*880,362*	*1,890,273*	*5,099,180*

	31 December 2019			
	US$	**EUR**	**Other Currencies**	**Total**
Total Assets	*92,721,991*	*86,156,474*	*23,085,767*	*201,964,232*
Total Liabilities	*134,686,512*	*75,353,387*	*17,836,142*	*227,876,041*
Net Statement of Financial Position	*(41,964,521)*	*10,803,087*	*5,249,625*	*(25,911,809)*
Net Off Balance Sheet Position	*43,369,500*	*(9,993,897)*	*(3,394,841)*	*29,980,762*
Net Long/(Short) Position	*1,404,979*	*809,190*	*1,854,784*	*4,068,953*

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 6.5638 for USD and 7.2044 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.

Financial risk management disclosures (continued)

The liquidity risk analysis and the important liquidity indicators are reported monthly to related senior management. Additionally, analysis and monitored internal ratios related to liquidity risk are presented in ALCO report. Internal liquidity metrics are monitored with limit and alert levels approved by the Board of Directors and reported regularly to related parties.

Decentralized management approach is adopted in liquidity management. Each subsidiary controlled by the Bank performs daily, medium and long term liquidity management independently from the Bank by the authorities in each subsidiary responsible for managing liquidity risk.

In addition, within the scope of consolidated risk management, liquidity and funding risk of each subsidiary in control are monitored via the liquidity risk management methods identified by the Bank by considering the operations, risk profile and regulations of the related subsidiary.

The Bank keeps liquidity buffer in high level by taking liquidity risk increased periods into consideration. With this approach, the effect of volatility in the markets due to the adverse effects of COVID-19 outbreak on the Bank's liquidity need is in minimum level.

Also there is an increase in loan demands within the effects of COVID-19 outbreak and customers prefers to extend their existing loans maturities. On the other hand, the Bank is well-prepared for similar scenarios that matured loans are not presented as cash in flow in the Bank's internal liquidity metrics and therefore this not create a significant effect from the point of the Bank. On the contrary, the Bank takes actions to improve the deposit volume and this liquidity is used for the increase in loan demands.

(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 March 2020							
	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	4,268,209	-	-	-	-	-	(7,345)	4,260,864
Financial assets at fair value through profit or loss	204,844	23,194	21,385	669,893	475,531	79,064	-	1,473,911
Derivative financial assets	-	728,703	478,581	484,747	744,566	321,559	-	2,758,156
Loans and advances to banks	240,863	1,800,809	209,466	39,592	-	-	(2,811)	2,287,919
Loans and advances to customers	353,722	34,846,569	19,387,629	40,121,957	56,991,495	6,237,051	3,072,578	161,011,001
Investment securities	-	4,472,551	152,814	1,649,966	25,113,266	6,987,897	(155,453)	38,221,041
Other assets	3,181,447	890,348	26,119	36,461	72,061	14,775	3,893,055	8,114,266
Total Turkish Lira monetary assets	8,249,085	42,762,174	20,275,994	43,002,616	83,396,919	13,640,346	6,800,024	218,127,158
Foreign Currency								
Cash and balances with central banks	23,457,492	36,285,840	-	-	-	-	(85,508)	59,657,824
Financial assets at fair value through profit or loss	28,945	1,340	15,656	4,733,054	369,258	16,606	-	5,164,859
Derivative financial assets	-	231,270	203,764	161,452	23,292	1,105,631	-	1,725,409
Loans and advances to banks	13,941,544	1,279,034	1,451,127	1,513,091	28,879	49,978	(18,445)	18,245,208
Loans and advances to customers	614,299	6,179,022	5,352,491	37,006,822	48,994,701	23,795,893	947,841	122,891,069
Investment securities	-	485,098	-	2,399,893	7,957,675	6,914,012	(68,950)	17,687,728
Other assets	1,023,893	2,126,323	132,390	83,445	50,727	-	234,753	3,651,531
Total foreign currency monetary assets	39,066,173	46,587,927	7,155,428	45,897,757	57,424,532	31,882,120	1,009,691	229,023,628
Total Monetary Assets	47,315,258	89,350,101	27,431,422	88,900,373	140,821,451	45,522,466	7,809,715	447,150,786
MONETARY LIABILITIES								
Turkish Lira								
Deposits	33,232,723	67,818,200	10,569,607	6,321,974	7,851	-	-	117,950,355
Loans and advances from banks and other institutions	-	272,344	152,265	807,883	1,758,987	-	-	2,991,479
Obligations under repurchase agreements and money market fundings	-	564,929	946,893	21,345	2	-	-	1,533,169
Debt securities issued	-	2,424,718	1,802,649	-	1,243,284	2	-	5,470,653
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-
Derivative financial liabilities	-	244,114	426,592	507,290	315,480	578,027	-	2,071,503
Subordinated liabilities	-	-	-	-	-	1,022,126	-	1,022,126
Other liabilities	13,418,623	689,615	918,167	212,192	546,594	231,789	5,464,798	21,481,778
Total Turkish Lira monetary liabilities	46,651,346	72,013,920	14,816,173	7,870,684	3,872,198	1,831,944	5,464,798	152,521,063
Foreign Currency								
Deposits	69,612,599	75,331,164	19,776,138	11,164,498	1,745,695	169,851	-	177,799,945
Loans and advances from banks and other institutions	-	3,760,607	6,803,842	9,381,563	2,718,451	3,162,318	-	25,826,781
Obligations under repurchase agreements and money market fundings	160	-	825,678	426,986	89,109	-	-	1,341,933
Debt securities issued	-	49,605	-	-	13,783,276	2,220,785	-	16,053,666
Financial liabilities at fair value through profit or loss	-	-	-	-	3,760,901	9,749,205	-	13,510,106
Derivative financial liabilities	-	205,395	-	195,098	754,435	4,212,585	-	5,367,513
Subordinated liabilities	-	-	-	-	-	5,028,757	-	5,028,757
Other liabilities	804,217	1,063,935	537,820	91,854	86,073	1,279	1,564,733	4,149,911
Total foreign currency monetary liabilities	70,416,976	80,410,706	27,943,478	21,259,999	22,937,940	24,544,780	1,564,733	249,078,612
Total Monetary Liabilities	117,068,322	152,424,626	42,759,651	29,130,683	26,810,138	26,376,724	7,029,531	401,599,675

(*) 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 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	3,285,996	-	-	-	-	-	(7,785)	3,278,211
Financial assets at fair value through profit or loss	236,532	4,368	-	143,395	212,724	28,979	-	625,998
Derivative financial assets	-	746,813	227,854	328,386	402,846	-	-	1,705,899
Loans and advances to banks	12,140	10,669,495	219,552	62,424	-	-	(29,712)	10,933,899
Loans and advances to customers	335,629	35,508,944	18,562,090	38,040,644	53,276,939	5,687,101	3,857,917	155,269,264
Investment securities	-	52,600	3,725,926	5,937,623	23,701,116	5,556,720	(84,000)	38,889,985
Other assets	3,349,320	844,166	27,409	33,820	80,385	39,673	3,121,353	7,496,126
Total Turkish Lira monetary assets	7,219,617	47,826,386	22,762,831	44,546,292	77,674,010	11,312,473	6,857,773	218,199,382
Foreign Currency								
Cash and balances with central banks	18,071,788	27,149,900	-	-	-	-	(58,630)	45,163,058
Financial assets at fair value through profit or loss	30,148	-	127	4,411,845	64,046	20,396	-	4,526,562
Derivative financial assets	-	-	13,651	122,817	187,679	969,511	-	1,293,658
Loans and advances to banks	16,040,325	1,715,705	200,430	1,220,633	86,491	27,254	(19,548)	19,271,290
Loans and advances to customers	91,764	10,663,088	2,509,899	31,209,863	44,558,335	19,898,443	2,092,260	111,023,652
Investment securities	-	-	1,025,162	716,456	3,431,823	11,834,064	(35,880)	16,971,625
Other assets	1,491,860	1,114,025	80,195	112,685	8,204	8,163	7,899	2,823,031
Total foreign currency monetary assets	35,725,885	40,642,718	3,829,464	37,794,299	48,336,578	32,757,831	1,986,101	201,072,876
Total Monetary Assets	42,945,502	88,469,104	26,592,295	82,340,591	126,010,588	44,070,304	8,843,874	419,272,258
MONETARY LIABILITIES								
Turkish Lira								
Deposits	30,721,719	67,152,290	8,466,239	6,583,920	189,876	2	-	113,114,046
Loans and advances from banks and other institutions	-	1,574,790	175,867	332,644	1,308,169	-	-	3,391,470
Obligations under repurchase agreements and money market fundings	-	360,743	45,303	10,220	-	-	-	416,266
Debt securities issued	-	293,118	3,779,748	752,673	1,210,545	-	-	6,036,084
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-
Derivative financial liabilities	-	178,649	369,007	581,669	635,067	517,874	-	2,282,266
Subordinated liabilities	-	-	-	-	-	261,478	-	261,478
Other liabilities	3,575,875	11,298,590	760,305	192,606	570,798	231,819	5,102,108	21,732,101
Total Turkish Lira monetary liabilities	34,297,594	80,858,180	13,596,469	8,453,732	3,914,455	1,011,173	5,102,108	147,233,711
Foreign Currency								
Deposits	58,131,838	77,970,081	14,292,294	11,337,861	2,133,189	159,660	-	164,024,923
Loans and advances from banks and other institutions	-	1,364,247	725,582	16,931,665	4,189,944	136,912	-	23,348,350
Obligations under repurchase agreements and money market fundings	149	-	436,370	459,044	394,122	80,910	-	1,370,595
Debt securities issued	-	-	906	88,812	12,682,582	2,218,153	-	14,990,453
Financial liabilities at fair value through profit or loss	-	-	-	-	3,789,350	10,552,943	-	14,342,293
Derivative financial liabilities	-	125,843	-	234,021	235,403	1,362,132	-	1,957,399
Subordinated liabilities	-	-	-	-	-	4,468,229	-	4,468,229
Other liabilities	663,163	715,118	470,481	109,791	81,892	1,444	1,331,910	3,373,799
Total foreign currency monetary liabilities	58,795,150	80,175,289	15,925,633	29,161,194	23,506,482	18,980,383	1,331,910	227,876,041
Total Monetary Liabilities	93,092,744	161,033,469	29,522,102	37,614,926	27,420,937	19,991,556	6,434,018	375,109,752

(*) 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.

	31 March2020							
	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	295,750,300	294,778,790	102,841,128	142,772,097	30,135,998	17,116,493	1,744,151	168,923
Obligations under repurchase agreements and money market fundings	2,875,102	2,881,928	160	561,949	1,777,804	453,264	88,751	-
Loans and advances from banks and other institutions	28,818,260	28,522,010	-	3,643,078	6,851,088	10,189,446	2,129,074	5,709,324
Debt securities issued	21,524,319	21,220,404	-	2,455,670	1,790,562	-	14,772,429	2,201,743
Subordinated liabilities	6,050,883	5,925,730	-	-	-	-	-	5,925,730
Financial liabilities at fair value through profit or loss	13,510,106	16,194,028	-	-	-	-	3,952,541	12,241,487
Total Monetary Liabilities	368,528,970	369,522,890	102,841,288	149,432,794	40,555,452	27,759,203	22,686,946	26,247,207

	31 December 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	277,138,969	276,276,405	88,853,312	144,688,683	22,669,558	17,596,669	2,309,235	158,948
Obligations under repurchase agreements and money market fundings	1,786,861	1,790,934	149	356,594	480,547	469,044	404,559	80,041
Loans and advances from banks and other institutions	26,739,820	26,512,631	-	2,772,161	855,237	17,250,209	5,498,113	136,911
Debt securities issued	21,026,537	20,732,407	-	289,127	3,763,227	838,812	13,662,124	2,179,117
Subordinated liabilities	4,729,707	4,693,480	-	-	-	-	-	4,693,480
Financial liabilities at fair value through profit or loss	14,342,293	14,870,724	-	-	-	-	3,769,224	11,101,500
Total Monetary Liabilities	345,764,187	344,876,581	88,853,461	148,106,565	27,768,569	36,154,734	25,643,255	18,349,997

(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 31 March 2020 and 31 December 2019 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	31 March 2020	Stage 1	Stage 2	Stage 3
Financial assets at fair value through profit or loss		*2,134,239*			
Debt and other instruments	*4*	1,955,339			
Equity and other non-fixed income instruments	*4*	178,900			
Loans and advances	*4*	-			
Non-trading financial assets mandatorily at fair value through profit or loss		*4,504,531*			
Loans and advances	*4*	4,504,531			
Debt and other instruments	*4*	-			
Equity and other non-fixed income instruments	*4*	-			
Equity investments measured at FVOCI	*9*	*404,843*			
Derivative financial assets	*5*	*4,483,565*			
Financial assets at fair value through other comprehensive income		*26,505,183*	*26,505,183*	-	-
Debt and other instruments	*8*	26,505,183	26,505,183	-	-
Equity and other non-fixed income instruments	*8*	-	-	-	-
Financial assets at amortised cost		*385,756,008*	*327,401,184*	*38,508,186*	*19,846,638*
Balances with central banks excluding reserve deposits	*3*	31,725,526	31,725,526	-	-
Loans and advances to banks	*6*	20,557,839	20,557,839	-	-
Loans and advances to customers	*7*	303,844,640	245,489,816	38,508,186	19,846,638
Debt and other instruments	*8*	29,628,003	29,628,003	-	-
Total financial assets risk		**423,788,369**			
Total loan commitments and financial guarantees	*25*	*135,439,929*			
Total maximum credit exposure		**559,228,298**			

(Currency: Thousands of Turkish Lira (TL))

Financial risk management disclosures (continued)

	Notes	31 December 2019	Stage 1	Stage 2	Stage 3
Financial assets at fair value through profit or loss		*945,037*			
Debt and other instruments	4	751,278			
Equity and other non-fixed income instruments	4	193,759			
Loans and advances	4	-			
Non-trading financial assets mandatorily at fair value through profit or loss		*4,207,523*			
Loans and advances	4	4,207,523			
Debt and other instruments	4	-			
Equity and other non-fixed income instruments	4	-			
Equity investments measured at FVOCI	9	*422,113*			
Derivative financial assets	5	*2,999,557*			
Financial assets at fair value through other comprehensive income		*28,261,157*	*28,261,157*	-	-
Debt and other instruments	8	28,261,157	28,261,157	-	-
Equity and other non-fixed income instruments	8	-	-	-	-
Financial assets at amortised cost		*362,654,344*	*304,673,044*	*38,470,914*	*19,510,386*
Balances with central banks excluding reserve deposits	3	20,932,112	20,932,112	-	-
Loans and advances to banks	6	30,254,693	30,254,693	-	-
Loans and advances to customers	7	283,747,197	225,765,897	38,470,914	19,510,386
Debt and other instruments	8	27,720,342	27,720,342	-	-
Total financial assets risk		**399,489,731**			
Total loan commitments and financial guarantees	27	*123,740,348*			
Total maximum credit exposure		**523,230,079**			

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 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 line with the guidance of IASB dated 27 March 2020, IFRS 9 requires the application of judgements and both requires and allows entities to adjust their approach to determining ECLs in different circumstances.

(Currency: Thousands of Turkish Lira (TL))

Financial risk management disclosures (continued)

With the aim of mitigating the impact of COVID-19, various international bodies, local regulators have made pronouncements aimed at allowing flexibility in the implementation of the accounting and prudential frameworks. Financial and regulatory measures, such as tax payment deferrals, wage support and extension of the payments of the consumer and car loans, have been taken by the Turkish government and other local regulators to minimize the economic impact of COVID-19.

The measures by the local regulator

With its decision dated 17 March 2020 and its decision dated 27 March 2020, Banking Regulation and BRSA decided that the following measures would be in force until 31 December 2020:

i. The 30-day past due criteria used for loans to be classified under group 2 loans pursuant to the BRSA Regulation on Classification of Loans and Provisions, has been changed to 90 days,
ii. The 90-day past due criteria used for loans to be classified as non-performing loans has been changed to 180 days.

The Bank's approach

The Bank previously adopted an approach that past due more than 30 and 90 days were a qualitative indicator that automatically required an exposure to be transferred to Stage 2 and Stage 3. For the current period the Bank has not applied the existing methodology mechanically and tried to avoid the application of strong procyclical assumptions for IFRS 9

As a result, the Bank started to implement payment holiday schemes in line with the guidance from local banking regulator and other banks' supervisors. These payment holiday schemes are not automatically considered as forbearance and/or a Stage 2 trigger. The same rationale is applied for the categorization of payment breaks for over 90 days.

Considering the above, the Bank classified amounting TL 374 thousand of loans which have past due more than 90 days, as stage 2.

The Bank develops estimates based on the best available information about past events, current conditions and forecasts of economic conditions. In assessing forecast conditions, the Bank considers both effects of COVID-19 and the significant government support measures being undertaken.

As of 31 March 2020 and 31 December 2019, the breakdowns of individually and collectively assessed expected credit losses for loans, factoring and financial lease receivables and non-cash loans are as follows:

	31 March 2020					
	Stage 1		*Stage 2*		*Stage 3*	
	Individual	*Collective*	*Individual*	*Collective*	*Individual*	*Collective*
Cash loans	-	1,586,105	3,762,670	1,430,954	6,556,503	5,704,233
Factoring receivables	-	4,849	7,437	4	242,583	63,887
Financial lease receivables	435	34,013	100,842	21,501	362,450	64,104
Non-cash loans	-	275,642	317,989	133,909	541,051	154,554
	435	1,900,609	4,188,938	1,586,368	7,702,587	5,986,778

(Currency: Thousands of Turkish Lira (TL))

Financial risk management disclosures (continued)

	31 December 2019					
	Stage 1		*Stage 2*		*Stage 3*	
	Individual	*Collective*	*Individual*	*Collective*	*Individual*	*Collective*
Cash loans	-	1,197,959	2,573,223	1,360,296	6,000,098	5,428,433
Factoring receivables	-	4,824	7,003	12	234,587	78,981
Financial lease receivables	111	34,874	16,402	76,643	11,994	428,841
Non-cash loans	-	238,451	226,138	125,319	477,127	147,445
	111	1,476,108	2,822,766	1,562,270	6,723,806	6,083,700

As of 31 March 2020 and 31 December 2019, details of loans under follow-up (Stage 2) including restructured contracts are as follows:

31 March 2020	Loans and Other Receivables under Follow-Up (Stage 2)		
		Restructured	
Cash Loans	**Non-restructured**	**Revised Contract Terms**	**Other Changes**
Loans	**24,584,518**	**3,325,361**	**9,639,518**
Commercial, Corporate and SME Loans	16,390,645	1,767,509	9,584,723
Consumer Loans	5,375,317	1,131,645	54,795
Credit Cards	2,818,556	426,207	-
Other Receivables	**622,055**	**325,542**	**11,192**
Total	**25,206,573**	**3,650,903**	**9,650,710**

31 December 2019	Loans and Other Receivables under Follow-Up (Stage 2)		
		Restructured	
Cash Loans	**Non-restructured**	**Revised Contract Terms**	**Other Changes**
Loans	**26,191,796**	**2,609,325**	**8,861,675**
Commercial, Corporate and SME Loans	17,830,904	1,146,565	8,810,102
Consumer Loans	5,375,456	986,483	51,573
Credit Cards	2,985,436	476,277	-
Other Receivables	**520,932**	**275,128**	**12,058**
Total	**26,712,728**	**2,884,453**	**8,873,733**

Below table indicates the delinquency periods of loans under follow-up (Stage 2) as of 31 March 2020 and 31 December 2019:

31 March 2020	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	427,509	787,542	151,047	1,366,098
61-90 days	476,299	333,412	63,608	873,319
Loans not delinquent more than 30 days	27,797,858	5,440,803	3,030,108	36,268,769
Total	**28,701,666**	**6,561,757**	**3,244,763**	**38,508,186**

(Currency: Thousands of Turkish Lira (TL))

Financial risk management disclosures (continued)

31 December2019	**Corporate / Commercial Loans**	**Consumer Loans**	**Credit Cards**	**Total**
31-60 days	578,372	965,769	169,562	1,713,703
61-90 days	552,336	292,979	62,670	907,985
Loans not delinquent more than 30 days	27,464,981	5,154,764	3,229,481	35,849,226
Total	**28,595,689**	**6,413,512**	**3,461,713**	**38,470,914**

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:

31 March 2020	**Corporate / Commercial Loans**	**Consumer Loans**	**Credit Cards**	**Total**
Mortgages	10,442,563	2,257,317	-	12,699,880
Pledge assets	2,057,612	99,766	-	2,157,378
Promissory notes	37,812	2,301	-	40,113
Cash collateral	154,029	11,914	-	165,943
Other collaterals	8,138,805	2,070,260	-	10,209,065
Unsecured	7,870,845	2,120,199	3,244,763	13,235,807
Total	**28,701,666**	**6,561,757**	**3,244,763**	**38,508,186**

31 December 2019	**Corporate / Commercial Loans**	**Consumer Loans**	**Credit Cards**	**Total**
Mortgages	13,590,835	2,929,497	-	16,520,332
Pledge assets	2,167,317	186,050	-	2,353,367
Promissory notes	104,960	3,402	-	108,362
Cash collateral	419,617	18,009	-	437,626
Other collaterals	8,567,017	2,680,188	-	11,247,205
Unsecured	3,745,943	596,366	3,461,713	7,804,022
Total	**28,595,689**	**6,413,512**	**3,461,713**	**38,470,914**

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:

31 March 2020	**Corporate / Commercial Loans**	**Consumer Loans**	**Credit Cards**	**Total**
Mortgages	9,262,850	300,919	-	9,563,769
Pledge assets	1,530,930	53,847	-	1,584,777
Promissory notes	179,183	5,874	-	185,057
Cash collateral	50,065	355	-	50,420
Other collaterals	2,695,005	1,900,273	-	4,595,278
Unsecured	2,209,486	353,275	1,304,576	3,867,337
Total	**15,927,519**	**2,614,543**	**1,304,576**	**19,846,638**

(Currency: Thousands of Turkish Lira (TL))

Financial risk management disclosures (continued)

31 December 2019	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
Mortgages	9,196,005	322,843	-	9,518,848
Pledge assets	1,432,716	59,136	-	1,491,852
Promissory notes	200,985	5,714	-	206,699
Cash collateral	14,230	377	-	14,607
Other collaterals	3,307,065	1,818,635	-	5,125,700
Unsecured	1,530,171	359,234	1,263,275	3,152,680
Total	**15,681,172**	**2,565,939**	**1,263,275**	**19,510,386**

(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.

In order to build up adequate buffers above these minimum requirements, BRSA requires the Bank to hold 2.5% Capital Conservation Buffer (31 December 2019: 2.5%), 1.50% Domestic Systemically Important Bank Buffer (31 December 2019: 2.00%) and 0.141% Countercyclical Buffer (31 December 2019: 0.135%) 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:

	31 March 2020	*31 December 2019*
Tier 1 capital	54,751,694	53,708,108
Tier 2 capital	10,078,099	8,450,176
Deductions from capital	(3,711)	(7,930)
Total regulatory capital	64,826,082	62,150,354
Value at credit, market and operational risks	390,174,456	349,007,519
Capital ratios (%)		
Total regulatory capital expressed as a percentage of total value at credit, market and operational risks	16.61	17.81
Total tier 1 capital expressed as a percentage of total value at credit, market and operational risks	14.03	15.39

Financial risk management disclosures (continued)

Within the context of the measures that are announced by BRSA on 23 March 2020, in capital adequacy ratio calculation until 31 December 2020, spot purchase exchange rate used in preparation of financial statements as of 31 December 2019, may be considered in the calculation of Turkish Lira equivalent of credit risk exposures in foreign currencies, and negative revaluation differences of the securities classified under "Financial Assets Measured at Fair Value through Other Comprehensive Income" which acquired before 23 March 2020 may not be included in capital calculation.

The Bank does not take into consideration the related measures in regulatory capital adequacy ratio calculation as of 31 March 2020. In case of applying the measures, consolidated capital adequacy ratio rises to 17.48% as of 31 March 2020.

(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 interim condensed 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 350,000, US$ 218,046,207 and EUR 240,195,441 for its fixed-rate bonds with a total face value of TL 700,000 and US$ 487,500,000 and fixed-rate bonds with a total face value of EUR 88,800,000 by designating interest rate swaps and cross currency swaps with the same face values and terms. Accordingly, the accumulated fair value gain for the hedged loans and bonds is TL 169,562 and TL 471,210 (31 March 2019: losses of TL 79,860 and TL 25,312) 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.

Financial risk management disclosures (continued)

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 US$ 27,939,459 and EUR 23,684,211, and securities issued amounting to EUR 45,221,045 by designating cross currency swaps with the same face values and terms and securities issued amounting to US$ 514,004,066 and EUR 52,500,000 and deposits amounting to TL 6,360,000, US$ 995,000,000 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 19,381 and loss of TL 557,232) resulting from cross currency swaps, interest rate swaps agreements were recognised under other comprehensive income, respectively (31 March 2019: gains of TL 70,779 and TL 171,305 and a loss of TL 46,778 resulting from cross currency swaps, interest rate swaps agreements and forwards respectively).

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 31 March 2020, while a negative amount of TL 111,002 (net of deferred taxes) was recognised under shareholders' equity as the hedge reserve (31 March 2019: TL 136,113), the unrecognised firm commitment fair value change was recognised as asset amounting to TL 61,266 (31 March 2019: TL 144,574) 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 interim condensed 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 102,659,877 by designating interest rate swaps that include floor options with the same nominal value and interest rate swaps of US$ 7,000,000 with the same nominal value and terms. Accordingly, in the current period, a net loss of TL 674 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 US$ 25,000,000 and EUR 20,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, the accumulated fair value loss for the hedged loans and bonds is TL 6,657 (31 March 2019: TL 3,745) 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 10,251 (31 March 2019: a net gain of TL 2,842) resulting from interest rate swap agreements were recognised under shareholders' 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 loans granted in Turkish Lira by designating swaps with the same face values and similar terms; TL 807,111,845 sell and EUR 111,123,866 buy, USD 78,252,855 sell and EUR 69,478,533 buy, SEK 7,563,284 sell and EUR 707,553 buy, PLN 206,318 sell and EUR 47,746 buy, HUF 2,700,000,000 sell and EUR 8,014,762 buy, DKK 5,546,093 sell and EUR 742,588 buy, NOK 1,725,972 sell and EUR 168,766 buy. Accordingly, in the current period, a loss of TL 6,503 (31 March 2019: a gain of TL 8,857) resulting from currency derivative contracts were recognised under shareholder's 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 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 thousands buy, USD 29,000,000 sell and TL 209,090,000 thousands buy. Accordingly, in the current period, a loss of TL 5,712 (31 March 2019: TL 2,808) resulting from interest rate swap agreements and a gain of TL 14,546 (31 March 2019: a loss of TL 14,063) resulting from currency derivative contracts was recognised under shareholder's equity.

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 279,037,206 (31 December 2019: TL 261,318,615), whereas the carrying amount is TL 283,902,070 (31 December 2019: TL 266,292,916) in the accompanying interim condensed consolidated statement of financial position as of 31 March 2020.

Fair value of investment securities measured at amortised cost is TL 28,986,034 (31 December 2019: TL 27,704,202), whereas the carrying amount is TL 29,403,591 (31 December 2019: TL 27,600,453) in the accompanying interim condensed consolidated statement of financial position as of 31 March 2020.

(Currency: Thousands of Turkish Lira (TL))

Fair value information (continued)

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

31 March 2020	***Level 1***	***Level 2***	***Level 3***	***Total***
Financial assets at fair value through profit or loss (*)	1,945,611	62,665	4,630,494	6,638,770
Derivative financial assets	8,501	4,415,117	59,947	4,483,565
Debt and other instruments measured at FVOCI	19,552,526	6,952,657	-	26,505,183
Financial Assets at Fair Value	21,506,638	11,430,439	4,690,441	37,627,518
Financial liabilities at fair value through profit or loss	-	-	13,510,106	13,510,106
Derivative financial liabilities	3,098	4,637,523	2,798,395	7,439,016
Financial Liabilities at Fair Value	3,098	4,637,523	16,308,501	20,949,122

31 December 2019	***Level 1***	***Level 2***	***Level 3***	***Total***
Financial assets at fair value through profit or loss (*)	680,675	44,979	4,426,906	5,152,560
Derivative financial assets	8,978	2,846,273	144,306	2,999,557
Debt and other instruments measured at FVOCI	26,934,136	1,327,021	-	28,261,157
Financial Assets at Fair Value	27,623,789	4,218,273	4,571,212	36,413,274
Financial liabilities at fair value through profit or loss	-	-	14,342,293	14,342,293
Derivative financial liabilities	156	3,487,263	752,246	4,239,665
Financial Liabilities at Fair Value	156	3,487,263	15,094,539	18,581,958

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 710,682,828 (31 December 2019: USD 710,182,828) 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 weighted 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.

In the case that the growth rate in the assumptions used in the discounted cash flow method in the valuation report is increased by 0.25% / (decreased by 0.25%) and the risk-free return on investment rate is decreased by 0.25% / (increased by 0.25%), assuming that all other variables remain constant, the assets recognized in the financial statements and the profit for the period will increase by approximately 106 million TL (will decrease 93 million TL).

(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 31 March 2020 and 31 December 2019, the movements of Level 3 financial instruments are as follows:

	31 March 2020		***31 December 2019***	
	Asset	***Liability***	***Asset***	***Liability***
Balance at the beginning of the period	4,571,212	15,094,539	4,217,156	13,191,208
Additions*(*)*	460,127	-	185,909	856,653
Disposals	(99,937)	(291,659)	(68,179)	(726,723)
Transfers, net	-	-	-	-
Effects of valuation differences *(**)*	(240,961)	1,505,621	236,326	1,773,401
Balance at the end of the period	4,690,441	16,308,501	4,571,212	15,094,539

(*) 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 of 31 March 2020 and 31 December 2019, effect of movements in exchange rates regarding Level 3 financial liabilities is TL 1,830,156 and TL 1,680,509; 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.

Notes to the interim condensed consolidated financial statements:

1 Segment reporting

The Bank has eight 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:

31 March 2020	*Retail Banking*	*Commercial, Corporate & SME Banking*	*Other Operations*	*Total Banking*	*Leasing*	*Insurance*	*Factoring*	*Other Financial*	*Other Non-Financial*	*Combined*	*Eliminations*	*Total*
Operating income	2,549,949	(439,240)	2,694,105	4,804,814	112,871	193,872	51,909	230,198	138,029	5,531,693	(98,229)	5,433,464
Operating expenses	(1,609,648)	124,906	(1,475,947)	(2,960,689)	(59,600)	(46,061)	(44,143)	(71,681)	(36,388)	(3,218,562)	104,804	(3,113,758)
Income from operations	**940,301**	**(314,334)**	**1,218,158**	**1,844,125**	**53,271**	**147,811**	**7,766**	**158,517**	**101,641**	**2,313,131**	**6,575**	**2,319,706**
Taxation charge	-	-	(437,934)	(437,934)	(11,966)	(32,946)	(1,428)	(38,702)	(20,079)	(543,055)	1,282	(541,773)
Net income for the period	**940,301**	**(314,334)**	**780,224**	**1,406,191**	**41,305**	**114,865**	**6,338**	**119,815**	**81,562**	**1,770,076**	**7,857**	**1,777,933**
Segment assets	80,868,515	199,261,444	165,925,517	446,055,476	6,489,929	2,392,067	2,141,745	2,243,667	1,765,493	461,088,377	(4,662,773)	456,425,604
Equity investments	-	-	792,666	792,666	10,000	304	-	5,339	1	808,310	(403,467)	404,843
Total assets	**80,868,515**	**199,261,444**	**166,718,183**	**446,848,142**	**6,499,929**	**2,392,371**	**2,141,745**	**2,249,006**	**1,765,494**	**461,896,687**	**(5,066,240)**	**456,830,447**
Segment liabilities	197,749,192	104,992,036	91,161,420	393,902,648	5,235,644	1,601,367	1,971,423	1,849,061	1,488,439	406,048,582	(4,448,907)	401,599,675
Total equity	-	-	52,945,494	52,945,494	1,264,285	791,004	170,322	399,945	277,055	55,848,105	(617,333)	55,230,772
Total liabilities and equity	**197,749,192**	**104,992,036**	**144,106,914**	**446,848,142**	**6,499,929**	**2,392,371**	**2,141,745**	**2,249,006**	**1,765,494**	**461,896,687**	**(5,066,240)**	**456,830,447**

(Currency: Thousands of Turkish Lira (TL))

1 Segment reporting (continued)

31 March 2019	*Retail Banking*	*Commercial, Corporate & SME Banking*	*Other Operations*	*Total Banking*	*Leasing*	*Insurance*	*Factoring*	*Other Financial*	*Other Non-Financial*	*Combined*	*Eliminations*	*Total*
Operating income	2,938,466	1,604,370	(235,698)	4,307,138	59,306	177,756	37,132	108,517	69,035	4,758,884	(37,871)	4,721,013
Operating expenses	(1,454,746)	(561,013)	(309,759)	(2,325,518)	(22,227)	(34,758)	(11,984)	(56,733)	(46,806)	(2,498,026)	41,844	(2,456,182)
Income from operations	**1,483,720**	**1,043,357**	**(545,457)**	**1,981,620**	**37,079**	**142,998**	**25,148**	**51,784**	**22,229**	**2,260,858**	**3,973**	**2,264,831**
Taxation charge	-	-	(430,032)	(430,032)	(7,894)	(31,425)	(5,778)	(14,292)	(4,936)	(494,357)	1,184	(493,173)
Net income for the period	**1,483,720**	**1,043,357**	**(975,489)**	**1,551,588**	**29,185**	**111,573**	**19,370**	**37,492**	**17,293**	**1,766,501**	**5,157**	**1,771,658**
31 December 2019												
Segment assets	76,596,027	185,707,364	154,346,628	416,650,019	6,159,153	2,170,565	2,201,627	1,707,107	1,764,785	430,653,256	(1,879,387)	428,773,869
Equity investments	-	-	810,331	810,331	10,000	304	-	4,946	1	825,582	(403,469)	422,113
Total assets	**76,596,027**	**185,707,364**	**155,156,959**	**417,460,350**	**6,169,153**	**2,170,869**	**2,201,627**	**1,712,053**	**1,764,786**	**431,478,838**	**(2,282,856)**	**429,195,982**
Segment liabilities	187,757,054	96,061,460	82,181,090	365,999,604	4,953,260	793,412	2,037,643	1,416,598	1,563,850	376,764,367	(1,654,615)	375,109,752
Total equity	-	-	51,460,746	51,460,746	1,215,893	1,377,457	163,984	295,455	200,936	54,714,471	(628,241)	54,086,230
Total liabilities and equity	**187,757,054**	**96,061,460**	**133,641,836**	**417,460,350**	**6,169,153**	**2,170,869**	**2,201,627**	**1,712,053**	**1,764,786**	**431,478,838**	**(2,282,856)**	**429,195,982**

(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 31 March 2020 and 2019, included in the accompanying interim condensed consolidated statement of cash flows are as follows:

	31 March 2020	*31 March 2019*
Cash at branches	5,993,474	3,286,922
Unrestricted balances with central banks	21,732,229	20,259,294
Placements at money markets	2,054,794	368,715
Loans and advances to banks with original maturity periods of less than three months	15,482,192	15,145,585
	45,262,689	39,060,516

3 Cash and balances with central banks

	31 March 2020	*31 December 2019*
Cash at branches	5,993,474	4,343,805
Reserve deposits at central banks	26,199,688	23,165,352
Balances with central banks excluding reserve deposits	31,725,526	20,932,112
	63,918,688	48,441,269

Reserve deposits at central banks

As per the Communiqué no. 2013/15 "Reserve Deposits" of the Central Bank of the Republic of Turkey ("CBRT"), banks keep reserve deposits at the CBRT for their TL and FC liabilities mentioned in the communiqué. The 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 CBRT. The Central Bank of Turkey pays interest to banks that provide credit growth in accordance with the communique principles dated 9 December 2019 and numbered 2019/19, for Turkish Lira required reserves.

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 0.14% for RON reserves 0.00% for Euro reserves and 0.05% 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 31 March 2020 and 31 December 2019 is as follows:

	31 March 2020			*31 December 2019*		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Stage 1: Low-fair risk	64,011,546	-	-	48,507,689	-	-
Stage 2: Watch list	-	-	-	-	-	-
Stage 3.1: Substandard	-	-	-	-	-	-
Stage 3.2: Doubtful	-	-	-	-	-	-
Stage 3.3: Loss	-	-	-	-	-	-
Expected credit losses	(92,858)	-	-	(66,420)	-	-
Total carrying amount	63,918,688	-	-	48,441,269	-	-

The movements of expected credit losses per asset class for cash and balances with central banks as of 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020			*31 December 2019*		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Balances at 1 January	66,420	-	-	44,547	- -	- -
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Debt sales and write-offs	-	-	-	-	-	-
Recoveries and reversals	(79)	-	-	(11,594)	-	-
Provision for the period	26,500	-	-	33,444	-	-
Effects of movements in exchange rates	17	-	-	23	-	-
Balances at the end of the period	92,858	-	-	66,420	-	-

(Currency: Thousands of Turkish Lira (TL))

4 Financial assets at fair value through profit or loss

	31 March 2020				*31 December 2019*
	Face value	*Carrying value*	*Interest rate range %*	*Latest maturity*	*Carrying value*
Debt and other instruments measured at FVPL:					
Government bonds in TL	471,991	513,720	3-23	2028	147,292
Eurobonds	503,221	489,642	3-12	2047	65,209
Discounted government bonds in TL	475,271	453,271	-	2021	31,491
Government bonds indexed to CPI	115,627	267,834	1-4	2026	191,773
Bonds issued by financial institutions	118,192	123,205	2-15	2027	199,264
Investment funds		63,791			72,921
Government bonds in FC	19,416	19,838	2-3	2021	26,122
Bonds issued by corporations	17,220	18,199	5-24	2021	17,202
Government bonds-floating ***(a)***	5,694	5,839	4-20	2025	4
		1,955,339			751,278
Loans measured at FVPL ***(b)***		4,504,531			4,207,523
Equity and other non-fixed income instruments:					
Listed shares		178,900			193,759
Total financial assets at fair value through profit or loss		6,638,770			5,152,560

(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 31 March 2020, financial assets at FVPL amounting to TL 39,590 are blocked against asset management operations and securitizations (31 December 2019: TL 23,712) (refer to Note 8).

As of 31 March 2020, there are TL 83,097 of securities pledged under repurchase agreements with customers (31 December 2019: TL 26,860).

5 Derivative financial assets

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

	31 March 2020		*31 December 2019*	
	Trading	*Hedging*(*)	*Trading*	*Hedging*(*)
Swap derivative financial assets	3,373,042	519,745	1,971,845	455,506
Option derivative financial assets	363,029	5,261	360,990	3,858
Forward derivative financial assets	220,868	-	198,718	-
Future derivative financial assets	743	-	8,488	-
Other derivative financial assets	877	-	152	-
	3,958,559	525,006	2,540,193	459,364

(*) *Includes derivative transactions subject to cash flow and fair value hedge accounting amounted to TL 479,892 (31 December 2019: TL 441,344) and TL 45,114 (31 December 2019: TL 18,020), respectively.*

(Currency: Thousands of Turkish Lira (TL))

5 Derivative financial assets (continued)

As of 31 March 2020 and 31 December 2019, 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:

31 March 2020

			Fair value change of hedged item				
Hedging item	**Hedged item**	**Type of risk**	**Asset**	**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 borrowings	Cash flow risk resulted from change in market interest rates	3,724	(117,603)	(96,924)	6,359	(512)
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	26,015	(539,847)	58,600	101,982	(20,806)
Cross Currency Swaps	Floating-rate borrowings	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	435,543	(17,617)	(8,065)	7,787	-
Cross Currency Swaps	Fixed-rate borrowings	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	9,349	(23,093)	2,462	1,103	-
Interest Rate Options	Floating-rate borrowings	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	5,261	(625)	535	-	-
Foreign currency borrowings	Operational lease receivables	Cash flow risk resulted from foreign currency exchange rates	-	-	(5,145)	19,191	-
			479,892	(698,785)	(48,537)	136,422	(21,318)

(Currency: Thousands of Turkish Lira (TL))

5 Derivative financial assets (continued)

31 December 2019

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 borrowings	Cash flow risk resulted from change in market interest rates	7,075	(24,103)	(106,708)	53,943	831
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	5,171	(662,201)	(602,570)	417,372	(12,174)
Cross Currency Swaps	Floating-rate borrowings	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	419,346	(82)	(22,982)	(11,946)	-
Currency Forwards	Firm commitments	Cash flow risk resulted from foreign currency exchange rates	5,894	(48,328)	(15,843)	14,482	-
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	3,858	-	535	-	-
Foreign currency borrowings	Operational lease receivables	Cash flow risk resulted from foreign currency exchange rates	-	-	33,677	73,323	-
			441,344	(734,714)	(662,924)	547,174	(11,343)

As of 31 March 2020 and 31 December 2019, 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:

31 March 2020

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	172,092	-	(186,393)	(14,301)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(2,531)	2,163	-	(368)
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	451,390	21,166	(501,989)	(1,549)
Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	7,819	21,785	(28,889)	715
Other (*)(**)			9,456	-	(9,455)	1
			638,226	45,114	(726,726)	(15,502)

(*) *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 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	147,422	6,224	(186,490)	(32,844)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	14,063	1,691	(15,774)	(20)
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	200,330	4,690	(234,896)	(29,876)
Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	6,809	5,415	(23,544)	(11,320)
Other (*)(**)			33,321	-	(42,677)	(9,356)
			401,945	18,020	(503,381)	(83,416)

(*) *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 31 March 2020, 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 26.

6 Loans and advances to banks

	31 March 2020			*31 December 2019*		
	TL	***Foreign Currency***	***Total***	***TL***	***Foreign Currency***	***Total***
Loans and advances-demand						
Domestic banks	6,131	24,514	30,645	2,714	27,801	30,515
Foreign banks	24,574	13,925,263	13,949,837	9,429	16,012,771	16,022,200
	30,705	13,949,777	13,980,482	12,143	16,040,572	16,052,715
Loans and advances-time						
Domestic banks	555,456	1,970,362	2,525,818	548,862	1,277,660	1,826,522
Foreign banks	370,057	1,578,340	1,948,397	192,000	1,492,915	1,684,915
	925,513	3,548,702	4,474,215	740,862	2,770,575	3,511,437
Placements at money markets	1,326,960	727,834	2,054,794	10,202,600	453,535	10,656,135
Income accrual on loans and advances to banks	7,565	40,783	48,348	8,003	26,403	34,406
Total loans and advances to banks	2,290,743	18,267,096	20,557,839	10,963,608	19,291,085	30,254,693
Less:						
Expected credit losses	(2,824)	(21,888)	(24,712)	(29,709)	(19,795)	(49,504)
	2,287,919	18,245,208	20,533,127	10,933,899	19,271,290	30,205,189

(Currency: Thousands of Turkish Lira (TL))

6 Loans and advances to banks (continued)

As of 31 March 2020, majority of loans and advances-time are short-term with interest rates ranging between 1%-6% per annum for foreign currency time placements and 6%-31% per annum for TL time placements (31 December 2019: 1%-7 and 7%-31%, respectively).

As of 31 March 2020, loans and advances at domestic and foreign banks include blocked accounts of TL 3,538,922 (31 December 2019: TL 3,309,957) held against securitizations, fundings and insurance business.

The credit quality analysis of loans and advances to banks is as follows as of 31 March 2020 and 31 December 2019:

	31 March 2020			*31 December 2019*		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Stage 1: Low-fair risk	20,557,839	-	-	30,254,693	-	-
Stage 2: Watch list	-	-	-	-	-	-
Stage 3.1: Substandard	-	-	-	-	-	-
Stage 3.2: Doubtful	-	-	-	-	-	-
Stage 3.3: Loss	-	-	-	-	-	-
Expected credit losses	(24,712)	-	-	(49,504)	-	-
Total carrying amount	20,533,127	-	-	30,205,189	-	-

The movements of expected credit losses per asset class for loans and advances to banks as of 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020			*31 December 2019*		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Balances at 1 January	49,504	-	-	18,963	-	-
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Debt sales and write-offs	-	-	-	-	-	-
Recoveries and reversals	(31,040)	-	-	(99,063)	-	-
Provision for the period	4,748	-	-	133,035	-	-
Effects of movements in exchange rates	1,500	-	-	(3,431)	-	-
Balances at the end of the period	24,712	-	-	49,504	-	-

(Currency: Thousands of Turkish Lira (TL))

7 Loans and advances to customers

As of 31 March 2020, interest rates on loans granted to customers range between 1%-31% (31 December 2019: 1%-21%) per annum for the foreign currency loans and 1%-33% (31 December 2019: 1%-33%) 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 31 March 2020 and 31 December 2019:

	31 March 2020			*31 December 2019*		
	Stage 1	**Stage 2**	**Stage3**	**Stage 1**	**Stage 2**	**Stage 3**
Stage 1: Low-fair risk	235,800,728	-	-	216,428,657	-	-
Stage 2: Watch list	-	36,342,884	-	-	36,608,185	-
Stage 3.1: Substandard	-	-	653,116	-	-	2,078,194
Stage 3.2: Doubtful	-	-	4,945,465	-	-	5,059,405
Stage 3.3: Loss	-	-	12,480,540	-	-	10,585,242
Total loans	235,800,728	36,342,884	18,079,121	216,428,657	36,608,185	17,722,841
Income accrual on loans	2,972,877	1,206,513	601,954	2,794,547	1,054,611	576,736
Expected credit losses	(1,586,105)	(5,193,624)	(12,260,736)	(1,197,959)	(3,933,519)	(11,428,531)
Total carrying amount	237,187,500	32,355,773	6,420,339	218,025,245	33,729,277	6,871,046

The movements of expected credit losses per asset class for cash loans and advances to customers as of 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020			*31 December 2019*		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Balances at 1 January	1,197,959	3,933,519	11,428,531	877,232	3,941,648	7,462,003
Transfer to Stage 1	245,128	(243,843)	(1,285)	1,243,379	(1,238,117)	(5,262)
Transfer to Stage 2	(77,191)	80,833	(3,642)	(501,816)	529,038	(27,222)
Transfer to Stage 3	(1,054)	(131,615)	132,669	(6,981)	(1,900,983)	1,907,964
Debt sales and write-offs	-	-	(16,762)	-	-	(1,818,936)
Recoveries and reversals	(755,474)	(376,002)	(562,274)	(2,425,758)	(3,125,772)	(1,000,044)
Provision for the period	793,724	1,683,691	846,973	1,968,593	5,458,787	4,551,073
Effects of movements in exchange rates	183,013	247,041	436,526	43,310	268,918	358,955
Balances at the end of the period	1,586,105	5,193,624	12,260,736	1,197,959	3,933,519	11,428,531

(Currency: Thousands of Turkish Lira (TL))

7 Loans and advances to customers (continued)

As of 31 March 2020 and 31 December 2019, movements of non-performing cash loans (Stage 3) are as follows:

	31 March 2020		*31 December 2019*	
	Principal	**Accrual**	**Principal**	**Accrual**
Balances at 1 January	17,722,841	576,736	12,116,211	432,491
Addition	648,981	30,244	9,353,752	168,272
Collection	(1,065,490)	(11,706)	(2,667,629)	(24,079)
Debt sales and write-offs (*)	(17,405)	(619)	(1,812,914)	(9,080)
Effects of movements in exchange rates	790,194	7,299	733,421	9,132
Balances at the end of the period	18,079,121	601,954	17,722,841	576,736

(*) *As of 31 December 2019, 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 16,049 (31 March 2019: TL 21,905) was sold for a consideration of TL 5,310 in the current period (31 March 2019: TL 7,472). Considering the related provision of TL 14,971 (31 March 2019: TL 20,220) made in the financial statements, a gain of TL 4,232 (31 March 2019: TL 5,787) 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 31 March 2020 and 31 December 2019:

	31 March 2020			*31 December 2019*		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Stage 1: Low-fair risk	2,010,575	-	-	2,061,700	-	-
Stage 2: Watch list	-	16,270	-	-	15,931	-
Stage 3.1: Substandard	-	-	15,334	-	-	13,833
Stage 3.2: Doubtful	-	-	1,563	-	-	3,437
Stage 3.3: Loss	-	-	307,629	-	-	322,488
Total factoring receivables	2,010,575	16,270	324,526	2,061,700	15,931	339,758
Income accrual on factoring receivables	11,407	-	-	12,774	-	-
Expected credit losses	(4,849)	(7,441)	(306,470)	(4,824)	(7,015)	(313,568)
Total carrying amount	2,017,133	8,829	18,056	2,069,650	8,916	26,190

The movements of expected credit losses per asset class for factoring receivables as of 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020			*31 December 2019*		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Balances at 1 January	4,824	7,015	313,568	7,150	163	263,834
Transfer to Stage 1	98	(1)	(97)	2	(2)	-
Transfer to Stage 2	(2)	2	-	(437)	437	-
Transfer to Stage 3	(6)	-	6	(17)	(333)	350
Debt sales and write-offs	-	-	(32,981)	-	-	-
Recoveries and reversals	(1,617)	(12)	(1,183)	(4,716)	(1,281)	(3,921)
Provision for the period	1,533	437	10,281	2,835	8,031	34,979
Effects of movements in exchange rates	19	-	16,876	7	-	18,326
Balances at the end of the period	4,849	7,441	306,470	4,824	7,015	313,568

(Currency: Thousands of Turkish Lira (TL))

7 Loans and advances to customers (continued)

As of 31 March 2020 and 31 December 2019, movements of non-performing factoring receivables (Stage 3) are as follows:

	31 March 2020	*31 December 2019*
Balances at 1 January	339,758	306,866
Addition	2,949	24,318
Collection	(2,076)	(11,133)
Debt sales and write-offs	(32,981)	-
Effects of movements in exchange rates	16,876	19,707
Balances at the end of the period	324,526	339,758

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:

	31 March 2020	*31 December 2019*
Financial lease receivables, net of unearned income	5,606,522	5,233,713
Add: non-performing financial lease receivables(*)	841,037	871,051
Less: expected credit losses on financial lease receivables	(583,345)	(568,865)
	5,864,214	5,535,899
Income accrual on financial lease receivables	30,226	26,693
Analysis of net financial lease receivables		
Due within 1 year	2,707,431	2,592,685
Due between 1 and 5 years	3,621,306	3,407,516
Due after 5 years	158,537	155,449
Financial lease receivables, gross	6,487,274	6,155,650
Unearned income	(623,060)	(619,751)
Financial lease receivables, net	5,864,214	5,535,899
Analysis of net financial lease receivables		
Due within 1 year	2,406,839	2,292,633
Due between 1 and 5 years	3,305,979	3,094,708
Due after 5 years	151,396	148,558
Financial lease receivables, net	5,864,214	5,535,899

(*) *Includes related income accruals.*

(Currency: Thousands of Turkish Lira (TL))

7 Loans and advances to customers (continued)

The credit quality analysis of financial lease receivables including related income accruals is as follows as of 31 March 2020 and 31 December 2019:

	31 March 2020			*31 December 2019*		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Stage 1: Low-fair risk	4,691,875	-	-	4,466,590	-	-
Stage 2: Watch list	-	914,647	-	-	767,123	-
Stage 3.1: Substandard	-	-	462,676	-	-	467,235
Stage 3.2: Doubtful	-	-	61,337	-	-	55,386
Stage 3.3: Loss	-	-	301,008	-	-	331,649
Total financial lease receivables	4,691,875	914,647	825,021	4,466,590	767,123	854,270
Income accrual on financial lease receivables	2,354	27,872	16,016	1,629	25,064	16,781
Expected credit losses	(34,448)	(122,343)	(426,554)	(34,985)	(93,045)	(440,835)
Total carrying amount	4,659,781	820,176	414,483	4,433,234	699,142	430,216

The movements of expected credit losses per asset class for financial lease receivables as of 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020			*31 December 2019*		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Balances at 1 January	34,985	93,045	440,835	56,016	85,474	398,753
Transfer to Stage 1	4,922	(4,791)	(131)	32,764	(31,910)	(854)
Transfer to Stage 2	(2,977)	3,892	(915)	(18,350)	23,045	(4,695)
Transfer to Stage 3	-	(4,095)	4,095	(52)	(56,176)	56,228
Debt sales and write-offs	-	-	(37,491)	(133)	(8)	(81,015)
Recoveries and reversals	(15,139)	(11,978)	(21,713)	(80,494)	(51,720)	(76,592)
Provision for the period	10,419	39,466	24,977	41,836	117,331	127,806
Effects of movements in exchange rates	2,238	6,804	16,897	3,398	7,009	21,204
Balances at the end of the period	34,448	122,343	426,554	34,985	93,045	440,835

As of 31 March 2020 and 31 December 2019, movements of non-performing financial lease receivables (Stage 3) are as follows:

	31 March 2020		*31 December 2019*	
	Principal	**Accrual**	**Principal**	**Accrual**
Balances at 1 January	854,270	16,781	896,062	1,754
Addition	30,088	(881)	277,119	15,154
Collection	(59,108)	-	(289,806)	-
Debt sales and write-offs	(37,491)	-	(80,787)	(226)
Effects of movements in exchange rates	37,262	116	51,682	99
Balances at the end of the period	825,021	16,016	854,270	16,781

As of 31 March 2020, in addition to macroeconomic update in February 2020, due to adverse effects of COVID-19 outbreak, the Bank has reviewed and updated the macroeconomic parameters. In accordance with the macroeconomic update as of 31 March 2020, the Bank has recognized an additional expected credit loss amounting to TL 689,789 of which TL 627,012 in Stage 1, TL 38,127 in Stage 2 and TL 24,650 in Stage 3.

(Currency: Thousands of Turkish Lira (TL))

8 Investment securities

	31 March 2020				31 December 2019
	Face value	*Carrying value*	*Interest rate range %*	*Latest maturity*	*Carrying value*
Debt and other instruments at FVOCI:					
Government bonds indexed to CPI ***(a)***	6,075,265	12,164,120	1-4	2028	11,940,474
Eurobonds	5,748,274	5,254,206	3-12	2034	5,348,795
Bonds issued by foreign governments	3,204,213	3,315,756	2-6	2028	3,182,908
Government bonds in TL	3,271,244	3,184,029	12-23	2028	2,808,059
Government bonds in FC	1,299,458	1,306,335	2-3	2021	1,278,726
Government bonds at floating rates ***(b)***	654,089	670,460	10-14	2026	3,268,475
Government bonds-discounted	294,703	290,581	12-24	2020	175,224
Bonds issued by financial institutions	172,044	172,681	1-4	2025	119,052
Bonds issued by corporations	144,088	147,015	1	2024	139,444
Total debt and other instruments at FVOCI		26,505,183			28,261,157
Debt and other instruments at amortised cost					
Government bonds indexed to CPI ***(a)***	8,700,946	11,179,420	1-4	2027	8,946,605
Eurobonds	6,291,573	7,258,859	6-12	2030	6,662,305
Government bonds at floating rates ***(b)***	3,860,727	3,733,691	11-21	2025	3,831,845
Government bonds in TL	348,100	345,920	7-12	2023	334,915
Government bonds in FC	288,176	288,176	2	2021	265,724
Bonds issued by financial institutions	312,741	104,435	1-28	2021	144,239
Bonds issued by foreign governments	82,044	81,779	-	2020	-
		22,992,280			20,185,633
Income accrual on amortised cost portfolio		6,635,723			7,534,709
Total debt and other instruments at amortised cost		29,628,003			27,720,342
Expected credit losses on amortised cost portfolio		(224,417)			(119,889)
Total investment securities		55,908,769			55,861,610

(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. As of 31 March 2020, the valuation of such securities was made according to annual inflation rate which was taken as 8.5%. If the valuation of such securities was performed according to the reference index valid as of 31 March 2020, the Bank's unrealized gains/(losses) from fair value changes on debt instruments and equity investments measured at FVOCI under the equity would decrease by TL 41,972 (net), whereas interest income on securities would increase by TL 109,003.*

(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 31 March 2020 and 31 December 2019:

	31 March 2020			31 December 2019		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Stage 1: Low-fair risk	26,505,183	-	-	28,261,157	-	-
Stage 2: Watch list	-	-	-	-	-	-
Stage 3.1: Substandard	-	-	-	-	-	-
Stage 3.2: Doubtful	-	-	-	-	-	-
Stage 3.3: Loss	-	-	-	-	-	-
Expected credit losses	-	-	-	-	-	-
Total carrying amount	26,505,183	-	-	28,261,157	-	-

As of 31 March 2020, expected credit losses amounting to TL 142,724 (31 December 2019: TL 86,057) 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 31 March 2020 and 31 December 2019:

	31 March 2020			31 December 2019		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Stage 1: Low-fair risk	29,628,003	-	-	27,720,342	-	-
Stage 2: Watch list	-	-	-	-	-	-
Stage 3.1: Substandard	-	-	-	-	-	-
Stage 3.2: Doubtful	-	-	-	-	-	-
Stage 3.3: Loss	-	-	-	-	-	-
Expected credit losses	(224,417)	-	-	(119,889)	-	-
Total carrying amount	29,403,586	-	-	27,600,453	-	-

The movements of expected credit losses per asset class for investment securities measured at amortised cost as of 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020			31 December 2019		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Balances at 1 January	119,889	-	-	54,125	-	-
Transfer to Stage 1	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-
Recoveries and reversals	(27,151)	-	-	(22,083)	-	-
Provision for the period	128,335	-	-	85,056	-	-
Effects of movements in exchange rates	3,344	-	-	2,791	-	-
Balances at the end of the period	224,417	-	-	119,889	-	-

Government bonds and treasury bills include securities pledged under repurchase agreements with customers amounting to TL 2,361,420 (31 December 2019: TL 1,862,942).

(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:

	31 March 2020		*31 December 2019*	
	Face value	*Carrying value*	*Face value*	*Carrying value*
Collateralized to foreign banks	7,632,152	7,959,350	5,433,116	6,049,889
Deposited at central banks for repurchase transactions	2,153,178	2,361,420	1,736,621	1,866,862
Deposited at central banks for interbank transactions	2,197,809	2,504,114	1,982,809	2,051,842
Deposited at Clearing Bank (Takasbank)	959,075	1,946,258	1,526,383	2,565,741
Others		251,798		195,252
		15,022,940		12,729,586

9 Equity investments

	31 March 2020		*31 December 2019*	
	Carrying value	*Ownership %*	*Carrying value*	*Ownership %*
Equity investments measured at FVOCI:				
Visa Inc. (*)	327,276	0.00	344,282	0.00
İstanbul Takas ve Saklama Bankası AŞ	27,636	5.25	27,636	5.25
Others	49,931	-	50,195	-
	404,843		422,113	

(*) *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.

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.

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 interim condensed consolidated financial statements.

(Currency: Thousands of Turkish Lira (TL))

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 31 March 2020 and 31 December 2019, movements in tangible assets held for sale are as follows:

	31 March 2020	*31 December 2019*
Balance at the beginning of the period	1,159,058	857,684
Additions	82,601	542,907
Disposals	(78,313)	(264,563)
Fair value changes (*)	2,497	21,053
Effects of movement in exchange rates	1,783	1,977
Balance at the end of the period	1,167,626	1,159,058

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

As of 31 March 2020 and 31 December 2019, movements in investments in associates to be disposed are as follows:

	31 March 2020	*31 December 2019*
Balance at the beginning of the period	293,200	11
Additions (*)	-	881,129
Disposals	-	-
Fair value changes)	(293,200)	(587,940)
Effects of movement in exchange rates	-	-
Balance at the end of the period	-	293,200

(*)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. As of 31 March 2020, all of the assets acquired within the scope of IFRS 5 in the previous period were impaired.
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:

	31 March 2020	*31 December 2019*
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

	31 March 2020	*31 December 2019*
Balances with clearing house	3,250,243	3,503,447
Gold	2,544,363	2,046,768
Prepaid expenses, insurance claims and similar items	1,728,089	1,328,334
Miscellaneous receivables	861,986	854,766
Receivables from securities lending market	371,248	208,680
Receivables from sale of assets	129,367	115,728
Prepaid taxes and taxes/funds to be refunded	124,951	93,897
Insurance premium receivables	51,509	64,008
Option premium receivables	4,564	3,403
Purchased cheques	826	482
Others	394,335	326,534
	9,461,481	8,546,047
Expected credit losses for other assets	(131,291)	(121,331)
	9,330,190	8,424,716

The credit quality analysis of other assets excluding gold, prepaid taxes and option premium receivables is as follows as of 31 March 2020 and 31 December 2019:

	31 March 2020			*31 December 2019*		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Stage 1: Low-fair risk	6,668,649	-	-	6,301,071	-	-
Stage 2: Watch list	-	46,171	-	-	26,315	-
Stage 3.1: Substandard	-	-	-	-	-	-
Stage 3.2: Doubtful	-	-	14,521	-	-	14,434
Stage 3.3: Loss	-	-	58,262	-	-	60,159
Expected credit losses	(59,821)	(6,511)	(64,959)	(56,191)	(4,155)	(60,985)
Total carrying amount	6,608,828	39,660	7,824	6,244,880	22,160	13,608

(Currency: Thousands of Turkish Lira (TL))

12 Other assets (continued)

The movements of expected credit losses per asset class for other assets excluding gold, prepaid taxes and option premium receivables as of 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020			*31 December 2019*		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Balances at 1 January	56,191	4,155	60,985	21,007	3,458	54,759
Transfer to Stage 1	177	(145)	(32)	800	(800)	-
Transfer to Stage 2	(337)	408	(71)	(1,328)	3,939	(2,611)
Transfer to Stage 3	(11)	(89)	100	(58)	(305)	363
Transfer from prior year provision	-	-	-	-	-	-
Debt sales and write-offs	-	-	(81)	-	-	(876)
Recoveries and reversals	(2,290)	(765)	(2,185)	(12,829)	(6,995)	(8,184)
Provision for the period	5,926	2,728	4,044	47,740	4,626	12,866
Effects of movements in exchange rates	165	219	2,199	859	232	4,668
Balances at the end of the period	59,821	6,511	64,959	56,191	4,155	60,985

13 Deposits from banks

Deposits from banks comprise the following:

	31 March 2020	*31 December 2018*
Payable on demand	1,509,722	2,322,684
Term deposits	400,495	345,286
	1,910,217	2,667,970
Expense accrual on deposits from banks	421	781
	1,910,638	2,668,751

Deposits from banks include both TL accounts amounting to TL 579,111 (31 December 2019: TL 421,923) and foreign currency accounts amounting to TL 1,331,106 (31 December 2019: TL 2,246,047) in total. As of 31 March 2020, interest rates applicable to TL bank deposits and foreign currency bank deposits vary within ranges of 7%-8% and 1%-3% (31 December 2019: 8%-26% and (0.46)%-3%), respectively.

(Currency: Thousands of Turkish Lira (TL))

14 Deposits from customers

Deposits from customers comprise the following:

	31 March 2020			*31 December 2019*
	Demand	***Time***	***Total***	***Total***
Foreign currency	61,147,233	106,143,085	167,290,318	155,342,562
Saving	19,971,701	58,208,085	78,179,786	74,347,457
Commercial	11,171,241	20,839,414	32,010,655	31,525,501
Public and other	1,700,329	4,794,771	6,495,100	6,263,138
Gold and other precious metals	7,340,902	1,551,812	8,892,714	6,129,777
	101,331,406	191,537,167	292,868,573	273,608,435
Expense accrual on deposits from customers	4,194	966,895	971,089	861,783
	101,335,600	192,504,062	293,839,662	274,470,218

As of 31 March 2020, interest rates applicable to TL deposits and foreign currency deposits vary within the ranges of 4%-32% and 1%-7% (31 December 2019: 1%-32% and 1%-11%), respectively.

15 Loans and advances from banks and other institutions

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

	31 March 2020	*31 December 2019*
Short-term borrowings		
Domestic banks	3,086,853	3,045,192
Foreign banks	10,564,814	10,043,876
	13,651,667	13,089,068
Long-term debts		
Short-term portion	7,031,945	7,788,539
Medium and long-term portion	7,838,398	5,635,024
	14,870,343	13,423,563
Expense accrual on loans and advances from banks and other institutions	296,250	227,189
	28,818,260	26,739,820

As of 31 March 2020, there are no promissory notes with short-term maturities (31 December 2019: nil).

As of 31 March 2020, 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 + 2.0% and Euribor +1.9% per annum with the participation of 35 banks from 18 countries (equivalent of TL 5,084,597,300), (ii) US$ 229,500,000 and EUR 518,800,000 with rates of Libor + 1.85% and Euribor + 1.7% per annum with the participation of 31 banks from 16 countries (equivalent of TL 5,244,034,820).

(Currency: Thousands of Turkish Lira (TL))

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

As of 31 December 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 + 2.5% and Euribor +2.4% per annum with the participation of 35 banks from 18 countries (equivalent of TL 4,645,547,925), (ii) US$ 229,500,000 and EUR 518,800,000 with rates of Libor + 2.25% and Euribor + 2.1% per annum with the participation of 31 banks from 16 countries (equivalent of TL 4,805,263,880).

Long-term debts comprise the following:

	Interest rate%	Interest maturity	31 March 2020 Amount in original currency	Short term portion	Medium and long term portion	31 December 2019 Medium and long term debts
ICBC	4	2020	US$ 300 millions	1,969,140	-	-
EIB	2-4	2024	US$ 210 millions	146,283	1,230,207	1,133,327
EIB	9-12	2023	TL 1,059 millions	218,513	840,320	840,320
Proparco	2-3	2028	EUR 118 millions	113,754	739,397	681,789
IFC	2	2024	EUR 82 millions	113,866	473,167	446,679
EFSE	2-3	2023	EUR 40 millions	91,452	193,298	178,213
ISBANK AG	2-3	2022	EUR 39 millions	107,927	173,160	159,614
EBRD	20	2023	TL 271 millions	-	270,500	270,500
EIB	1	2023	EUR 22 millions	-	160,452	147,952
AKBANK AG	3	2022	EUR 21 millions	-	151,515	139,663
EBRD	1	2025	US$ 8 millions	9,266	41,699	37,614
IFC	5	2023	RON 24 millions	5,070	30,419	28,320
Others				4,256,674	3,534,264	1,571,033
				7,031,945	7,838,398	5,635,024

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:

	31 March 2020	31 December 2019
Money market fundings	682,021	321,871
Obligations under repurchase agreements	2,193,081	1,464,990
Obligations on securities under reverse repurchase agreements	-	-
	2,875,102	1,786,861

(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*
31 March 2020					
Financial assets at fair value through profit or loss	83,097	83,097	31,075		31,075
Investment securities	2,361,420	2,351,739	2,162,006	Apr'20-Feb'25	2,199,815
	2,444,517	2,434,836	2,193,081		2,230,890
31 December 2019					
Financial assets at fair value through profit or loss	26,860	26,860	26,741	-	26,742
Investment securities	1,862,942	1,848,178	1,438,249	Jan'20-Feb'25	1,297,534
	1,889,802	1,875,038	1,464,990		1,324,276

The proceeds from the sale of securities under repurchase agreements are treated as liabilities and recorded as obligations under repurchase agreements. As of 31 March 2020, the maturities of the obligations varied from one day to 59 months and interest rates varied between 3%-12% (31 December 2019: 1%-22%). 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.

17 Debt securities issued

	31 March 2020			*31 December 2019*
	Latest maturity	*Interest rate %*	*Amount*	*Amount*
Bonds payable of US$ 1,875 millions	2024	4.0-6.4	10,910,572	9,861,586
Bonds payable of TL 6,234 millions	2030	11.8-17.0	5,387,772	5,992,997
Bonds payable of EUR 45 millions	2027	5.2	322,202	297,009
Others			-	-
Total bonds payable			16,620,546	16,151,592
DPR future flow transactions of US$ 522 millions	2027	3.70-5.05	3,423,048	3,358,730
DPR future flow transactions of EUR 163 millions	2022	0.71-1.31	1,176,810	1,222,085
Total DPR future flow transactions			4,599,858	4,580,815
Expense accrual on bonds payable			268,424	256,139
Expense accrual on DPR future flow transactions			35,491	37,991
			21,524,319	21,026,537

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.

(Currency: Thousands of Turkish Lira (TL))

17 Debt securities issued (continued)

The Bank and/or its consolidated subsidiaries repurchased the Bank's own TL securities with a total face value of TL 840,320 and foreign currency securities with a total face value of USD 207,733,000 (31 December 2019: TL 863,079 and US$ 206,943,000) and netted off such securities in the accompanying interim condensed consolidated financial statements as of 31 March 2020.

18 Financial liabilities at fair value through profit or loss

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

	31 March 2020	*31 December 2019*
Securities issued	13,510,106	14,342,293
	13,510,106	14,342,293

In accordance with IFRS 9, the Bank classified a part of securities issued amounting to US$ 2,467,172,619 (31 December 2019: US$ 2,511,607,143) as financial liabilities at fair value through profit or loss at the initial recognition in order to eliminate the accounting mismatch.

As of 31 March 2020, the accumulated fair value change of the related financial liability amounted to TL 2,897,037 (31 December 2019: TL 725,306) and the corresponding gain recognised in the statement of profit or loss and other comprehensive income amounted to TL 2,171,731 (31 March 2019: TL 512,517). The carrying value of the related financial liability amounted to TL 13,510,106 (31 December 2019: TL 14,342,293).

19 Derivative financial liabilities

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

	31 March 2020		*31 December 2019*	
	Trading	*Hedging*(*)	*Trading*	*Hedging*(*)
Swap derivative financial liabilities	5,428,855	1,415,433	2,662,296	1,195,418
Forward derivative financial liabilities	365,974	623	162,783	-
Option derivative financial liabilities	226,471	-	218,864	-
Future derivative financial liabilities	718	-	6	-
Other derivative financial liabilities	942	-	298	-
	6,022,960	1,416,056	3,044,247	1,195,418

(*) *Includes derivative transactions subject to cash flow and fair value hedge accounting amounted to TL 698,785 (31 December 2019: TL 734,714) and TL 717,271 (31 December 2019: TL 460,704), respectively.*

The notional amounts of derivative financial liabilities are explained in detail in Note 26.

(Currency: Thousands of Turkish Lira (TL))

20 Subordinated liabilities

Subordinated liabilities comprise the following:

	31 March 2020			*31 December 2019*
	Latest maturity	***Interest rate %***	***Amount***	***Amount***
Subordinated debt of US$ 750 million	2027	6.125	4,922,850	4,440,600
Subordinated debt of TL 253 million	2029	TL REF+130 bps	252,880	252,880
Subordinated debt of TL 750 million	2030	TL REF+250 bps	750,000	-
Expense accrual on subordinated liabilities			125,153	36,227
			6,050,883	4,729,707

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

On 9 October 2019, the Bank issued a subordinated loan with quarterly variable coupon payments based on BIST TLREF, a total face value of TL 252,880 and a maturity of 10 years.

On 14 February 2020, the Bank issued a subordinated loan with quarterly variable coupon payments based on BIST TLREF, a total face value of TL 750,000 and a maturity of 10 years.

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:

	31 March 2020	***%***	***31 March 2019***	***%***
Taxes on income per statutory tax rate	510,335	22.0	498,263	22.00
Disallowable expenses	27,443	1.18	20,026	0.88
Income items exempt from tax or subject to different tax rates	(94,643)	(4.08)	(47,269)	(2.09)
General reserve	-	-	22,000	0.97
Others	98,638	4.26	153	0.02
Taxation charge	541,773	23.36	493,173	21.78

The taxation charge is comprised of the following:

	For the three-month period ended	
	31 March 2020	***31 March 2019***
Current taxes	848,348	286,162
Deferred taxes	(306,575)	207,011
Taxation charge	541,773	493,173

The movement of current tax liability is as follows:

	31 March 2020	***31 December 2019***
Balance at the beginning of the period	685,143	133,670
Current period taxation charge	848,348	2,371,219
Less: Advance taxes paid during the period	(719,158)	(1,819,746)
Current tax liability	814,333	685,143

(Currency: Thousands of Turkish Lira (TL))

21 Taxation (continued)

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.

Deferred tax assets and liabilities are as follows:

	31 March 2020	***31 December 2019***
Total deferred tax assets	2,454,204	2,110,957
Off-setted amount	(18,597)	(216,516)
Deferred tax assets per financial statements	2,435,607	1,894,441
Total deferred tax liabilities	100,977	289,620
Off-setted amount	(18,597)	(216,516)
Deferred tax liabilities per financial statements	82,380	73,104
Net deferred tax assets	2,353,227	1,821,337

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***
31 March 2020					
Expected credit losses	1,425,681	499,593	556	(13,304)	1,912,526
Discount on loans and advances to customers	98,786	6,950	-	-	105,736
Reserve for employee severance indemnity	108,946	4,589	(27)	-	113,508
Short-term employee benefits	148,613	1,173	(52)	-	149,734
Tax losses carried forward	99,012	(22,775)	-	-	76,237
Valuation difference on financial assets and liabilities	105,524	(177,564)	(1,191)	242,804	169,573
Revaluation surplus on real estates	(209,572)	(4)	(1,925)	-	(211,501)
Impairment of equity investments, tangible and intangible assets	13,382	(4,088)	-	-	9,294
Accruals on credit card rewards	35,792	3,876	-	-	39,668
Pro-rata basis depreciation expenses	(139,196)	5,692	-	-	(133,504)
Others, net	134,369	(10,867)	(1,546)	-	121,956
Net deferred tax assets	1,821,337	306,575	(4,185)	229,500	2,353,227

	Opening balance	***Recognised in statement of profit or loss***	***Effects of movement in exchange rates***	***Recognised in equity***	***Closing balance***
31 December 2019					
Expected credit losses	1,354,148	81,945	459	(10,871)	1,425,681
Discount on loans and advances to customers	112,808	(14,022)	-	-	98,786
Reserve for employee severance indemnity	96,832	14,395	(1,796)	(485)	108,946
Short-term employee benefits	138,415	9,925	273	-	148,613
Tax losses carried forward	93,103	5,913	(4)	-	99,012
Valuation difference on financial assets and liabilities	(137,419)	313,552	723	(71,332)	105,524
Revaluation surplus on real estates	(202,260)	(983)	(1,835)	(4,494)	(209,572)
Impairment of equity investments, tangible and intangible assets	11,298	2,084	-	-	13,382
Accruals on credit card rewards	27,366	8,426	-	-	35,792
Pro-rata basis depreciation expenses	(127,591)	(11,605)	-	-	(139,196)
Others, net	116,249	17,691	(460)	889	134,369
Net deferred tax assets	1,482,949	427,321	(2,640)	(86,293)	1,821,337

(Currency: Thousands of Turkish Lira (TL))

21 **Taxation** (continued)

As of 31 March 2020 and 31 December 2019, the maturity of expiration analysis of tax losses subject to deferred tax coming from subsidiaries is as follows:

	31 March 2020	*31 December 2019*
Current year + 1 year	4,514	4,211
Current year + 2 years	1,304	22,798
Current year + 3 years	25,654	25,654
Current year + 4 years	38,882	40,440
Current year + 5 years	5,883	5,909
	76,237	99,012

22 Provisions

The principal components of provisions are as follows:

	31 March 2020	*31 December 2019*
General reserve (*)	2,500,000	2,500,000
Expected credit losses from non-cash loans	1,423,145	1,214,480
Insurance business related provisions	737,485	640,739
Short term employee benefits	709,852	701,665
Reserve for employee severance indemnity	594,351	571,542
Provisions for litigations	527,434	489,241
Other provisions (**)	566,631	443,758
	7,058,898	6,561,425

(*) *As of 31 March 2020, general reserves amounting to TL 2,500,000 (31 December 2019: TL 2,500,000) 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 31 March 2020, it includes provisions for credit card rewards and promotions amounting to TL 190,351 (31 December 2019: TL 172,524).*

Insurance business related provisions

Insurance business related provisions are detailed in the table below:

	31 March 2020	*31 December 2019*
Reserve for unearned premiums, net	115,243	96,435
Gross	*154,902*	*130,789*
Reinsurers' share	*(39,659)*	*(34,354)*
Provision for claims, net	56,257	57,512
Gross	*73,791*	*78,548*
Reinsurers' share	*(17,534)*	*(21,036)*
Life mathematical reserves	565,985	486,792
	737,485	640,739

(Currency: Thousands of Turkish Lira (TL))

22 Provisions (continued)

Reserve for employee severance indemnity

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

	31 March 2020	*31 December 2019*
Balance, beginning of the period	571,542	502,610
Service cost	12,950	48,853
Interest cost	16,855	75,572
Benefits paid	(8,667)	(57,076)
Settlement/curtailment/termination gain/loss	1,671	4,134
Past service cost arising over last period	-	8
Business combinations	-	-
Actuarial gain/loss	-	(2,559)
Balance, end of the period	594,351	571,542

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 6,730.15 and full TL 6,379.86 as of 31 March 2020 and 31 December 2019, respectively.

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

	31 March 2020 %(*)	*31 December 2019 %*(*)
Net effective discount rates	3.97	3.97
Discount rates	12.50	12.50
Expected rates of salary increases	9.70	9.70
Inflation rates	8.20	8.20

(*) *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 2019:

	2019 % change in employee severance indemnity	
Assumption change	***Sensitivity of Past Service Liability %***	***Sensitivity of Normal Cost %***
Discount rate +1%	(11.1)	(13.8)
Discount rate -1%	13.3	17.0
Inflation rate +0.25%	12.4	(3.7)
Inflation rate -0.25%	(11.4)	3.9

(Currency: Thousands of Turkish Lira (TL))

22 Provisions (continued)

Expected credit losses from non-cash loans

Movement in expected credit losses from non-cash loans as of 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020			31 December 2019		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Balances at 1 January	238,451	351,457	624,572	123,743	245,225	285,681
Transfer to Stage 1	31,409	(31,207)	(202)	92,434	(91,370)	(1,064)
Transfer to Stage 2	(8,114)	8,179	(65)	(25,400)	26,879	(1,479)
Transfer to Stage 3	(22)	(1,488)	1,510	(401)	(119,500)	119,901
Transfer from prior year provision	-	-	-	-	-	-
Debt sales and write-offs	-	-	-	-	-	-
Recoveries and reversals	(141,914)	(61,607)	(134,707)	(268,789)	(180,334)	(148,924)
Provision for the period	148,657	167,556	166,717	309,983	457,568	342,817
Effects of movements in exchange rates	7,175	19,008	37,780	6,881	12,989	27,640
Balances at the end of the period	275,642	451,898	695,605	238,451	351,457	624,572

23 Other liabilities and accrued expenses

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

	31 March 2020	31 December 2019 (*)
Blocked accounts against expenditures of card holders	9,386,607	10,091,228
Cheques at clearing house	2,852,886	3,052,402
Miscellaneous payables	1,396,576	1,204,962
Operational lease payables	1,199,832	1,127,370
Transfer orders	658,208	410,539
Withholding taxes	489,191	574,469
Expense accruals	401,681	340,703
Advances received	201,287	130,510
Unearned income	182,738	173,058
Payables to suppliers relating to financial lease activities	85,013	77,273
Blocked accounts	81,033	62,323
Payables to insurance and reinsurance companies relating to insurance business	48,482	48,240
Option premium payables	21,613	1,538
Cash guarantees obtained	15,387	15,005
Others	655,544	476,608
	17,676,078	17,786,228

(Currency: Thousands of Turkish Lira (TL))

24 Equity

Share capital

The authorized nominal share capital of the Bank amounted to 4,200,000 TL as of 31 March 2020 (31 December 2019: TL 4,200,000).

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 1,607,719 (31 December 2019: TL 1,603,555) 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.

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

	31 March 2020	*31 December 2019*
Balance at the beginning of the period	113,612	(1,038,920)
Net unrealized (losses)/gains from changes in fair value	(908,516)	1,190,067
Related deferred and current income taxes	172,381	(227,510)
Net (losses)/gains recycled to the statement of comprehensive income on disposal	(70,175)	223,783
Related deferred and current income taxes	14,801	(37,023)
Effect of movements in foreign exchange rates	2,780	3,215
Balance at the end of the period	(675,117)	113,612

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.

(Currency: Thousands of Turkish Lira (TL))

24 **Equity** (continued)

In the current period, net investment hedge amounting to EUR 391,849,895 (31 December 2019: EUR 401,703,512) 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 1,802,918 (31 December 2019: TL 1,580,575), 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 31 March 2020. 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 31 March 2020, net non-controlling interests amount to TL 291,139 (31 December 2019: TL 273,921). Non-controlling interests are detailed as follows:

	31 March 2020	*31 December 2019*
Capital	55,219	55,219
Retained earnings and other reserves	218,516	142,239
Net income for the year	17,404	76,463
	291,139	273,921

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 interim condensed consolidated financial statements, including letters of guarantee, acceptance credits and letters of credit. Commitments and contingent liabilities comprise the following:

	31 March 2020	*31 December 2019*
Letters of guarantee	54,930,607	50,427,390
Letters of credit	10,416,734	10,676,483
Acceptance credits	1,615,327	1,579,043
Other guarantees and endorsements	104,719	74,179
	67,067,387	62,757,095

25 Commitments and contingencies (continued)

As of 31 March 2020;

- Commitment for unpaid capital of subsidiaries companies amounts to TL 6,871 (31 December 2019: TL 6,336).
- 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 68,372,542 (31 December 2019: TL 60,983,253) in total.
- Commitments for the derivative transactions carried out on behalf of customers in the Turkish Derivatives Exchange amount to TL 1,816,321 (31 December 2019: TL 1,809,064) in total.

As of 31 March 2020, the securities acquired under security borrowing transactions include shares with total market and carrying values of TL 8,902 (31 December 2019: TL 14,468).

26 Derivative financial instruments

As of 31 March 2020, 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 420,018,087 (31 December 2019: TL 369,829,737), approximately 62% of which are due within a year (31 December 2019: 62%).

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					
31 March 2020	***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 (*)	1,200,000	3,415,226	2,525,160	17,624,150	120,329,496	145,094,032
Purchases	*600,000*	*1,707,613*	*1,262,580*	*8,812,075*	*60,164,937*	*72,547,205*
Sales	*600,000*	*1,707,613*	*1,262,580*	*8,812,075*	*60,164,559*	*72,546,827*
Interest rate options	2,625,520	4,444,832	-	1,969,140	2,529,964	11,569,456
Purchases	*1,312,760*	4,444,832	-	*984,570*	*1,793,500*	*8,535,662*
Sales	*1,312,760*	-	-	*984,570*	*736,464*	*3,033,794*
Interest rate futures	-	22,973	-	-	-	22,973
Purchases	-	-	-	-	-	-
Sales	-	*22,973*	-	-	-	*22,973*
Other Derivatives						
Securities, shares and index options	144,869	121,308	17,098	59,342	176,250	518,867
Purchases	*81,006*	*75,412*	*8,549*	*20,671*	*88,125*	*273,763*
Sales	*63,863*	*45,896*	*8,549*	*38,671*	*88,125*	*245,104*
Other forward contracts	310,875	33,790	-	-	-	344,665
Purchases	*91,235*	*16,895*	-	-	-	*108,130*
Sales	*219,640*	*16,895*	-	-	-	*236,535*
Other future contracts	63,010	61,765	-	-	-	124,775
Purchases	*1,416*	*28,858*	-	-	-	*30,274*
Sales	*61,594*	*32,907*	-	-	-	*94,501*
Other swap contracts	-	37,478	241,728	49,956	32,388,055	32,717,217
Purchases	-	*18,739*	*120,864*	*24,978*	-	*164,581*
Sales	-	*18,739*	*120,864*	*24,978*	*32,388,055*	*32,552,636*
Currency Derivatives						
Spot exchange contracts	8,113,162	-	-	-	-	8,113,162
Purchases	*4,057,906*	-	-	-	-	*4,057,906*
Sales	*4,055,256*	-	-	-	-	*4,055,256*
Forward exchange contracts	11,927,094	6,295,442	3,134,000	2,111,199	90,905	23,558,640
Purchases	*6,000,761*	*3,139,610*	*1,542,823*	*1,057,530*	*43,742*	*11,784,466*
Sales	*5,926,333*	*3,155,832*	*1,591,177*	*1,053,669*	*47,163*	*11,774,174*
Currency/cross currency swaps	102,283,320	47,324,231	10,030,897	16,459,762	5,427,766	181,525,976
Purchases	*51,192,412*	*23,732,016*	*4,959,997*	*8,224,471*	*3,010,287*	*91,119,183*
Sales	*51,090,908*	*23,592,215*	*5,070,900*	*8,235,291*	*2,417,479*	*90,406,793*
Options	4,181,805	2,825,954	4,554,221	1,479,426	359,830	13,401,236
Purchases	*2,060,861*	*1,402,916*	*2,288,895*	*711,200*	*179,915*	*6,643,787*
Sales	*2,120,944*	*1,423,038*	*2,265,326*	*768,226*	*179,915*	*6,757,449*
Foreign currency futures	1,839,032	367,866	64,066	756,124	-	3,027,088
Purchases	*909,636*	*181,934*	*31,247*	*380,780*	-	*1,503,597*
Sales	*929,396*	*185,932*	*32,819*	*375,344*	-	*1,523,491*
Subtotal Purchases	66,307,993	34,748,825	10,214,955	20,216,275	65,280,506	196,768,554
Subtotal Sales	66,380,694	30,202,040	10,352,215	20,292,824	96,021,760	223,249,533
Total of Transactions	132,688,687	64,950,865	20,567,170	40,509,099	161,302,266	420,018,087

(*) *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 December2019	*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 (*)	480,080	594,990	3,297,794	12,529,758	114,076,705	130,979,327
Purchases	*240,040*	*297,495*	*1,648,897*	*6,264,879*	*57,038,536*	*65,489,847*
Sales	*240,040*	*297,495*	*1,648,897*	*6,264,879*	*57,038,169*	*65,489,480*
Interest rate options	-	-	4,083,845	1,776,240	2,363,697	8,223,782
Purchases	-	-	*4,083,845*	*888,120*	*1,677,157*	*6,649,122*
Sales	-	-	-	*888,120*	*686,540*	*1,574,660*
Interest rate futures	-	29,604	-	-	-	29,604
Purchases	-	-	-	-	-	-
Sales	-	*29,604*	-	-	-	*29,604*
Other Derivatives						
Securities, shares and index options	55,988	127,396	26,788	30,658	181,042	421,872
Purchases	*21,084*	*62,672*	*15,024*	*15,329*	*90,521*	*204,630*
Sales	*34,904*	*64,724*	*11,764*	*15,329*	*90,521*	*217,242*
Other forward contracts	181,221	60,407	-	-	-	241,628
Purchases	*86,296*	-	-	-	-	*86,296*
Sales	*94,925*	*60,407*	-	-	-	*155,332*
Other future contracts	118,362	493,580	2,605	-	-	614,547
Purchases	*11,976*	*221,807*	-	-	-	*233,783*
Sales	*106,386*	*271,773*	*2,605*	-	-	*380,764*
Other swap contracts	3,774,434	130,560	-	113,384	14,870,724	18,889,102
Purchases	*89,386*	*65,280*	-	*56,692*	-	*211,358*
Sales	*3,685,048*	*65,280*	-	*56,692*	*14,870,724*	*18,677,744*
Currency Derivatives						
Spot exchange contracts	14,877,640	-	-	-	-	14,877,640
Purchases	*7,395,537*	-	-	-	-	*7,395,537*
Sales	*7,482,103*	-	-	-	-	*7,482,103*
Forward exchange contracts	5,790,818	4,543,738	2,850,883	2,575,003	327,160	16,087,602
Purchases	*2,904,429*	*2,319,979*	*1,439,205*	*1,275,750*	*156,330*	*8,095,693*
Sales	*2,886,389*	*2,223,759*	*1,411,678*	*1,299,253*	*170,830*	*7,991,909*
Currency/cross currency swaps	82,717,235	44,065,123	10,326,551	10,157,754	8,187,030	155,453,693
Purchases	*43,222,808*	*21,938,359*	*5,027,264*	*5,117,726*	*4,268,011*	*79,574,168*
Sales	*39,494,427*	*22,126,764*	*5,299,287*	*5,040,028*	*3,919,019*	*75,879,525*
Options	8,672,160	6,728,439	2,289,567	4,134,034	1,519,838	23,344,038
Purchases	*4,257,047*	*3,149,744*	*1,133,698*	*2,049,168*	*763,879*	*11,353,536*
Sales	*4,415,113*	*3,578,695*	*1,155,869*	*2,084,866*	*755,959*	*11,990,502*
Foreign currency futures	27,509	518,293	*71,868*	49,232	-	666,902
Purchases	*14,441*	*259,760*	*36,343*	*25,549*	-	*336,093*
Sales	*13,068*	*258,533*	*35,525*	*23,683*	-	*330,809*
Subtotal Purchases	58,243,044	28,315,096	13,384,276	15,693,213	63,994,434	179,630,063
Subtotal Sales	58,452,403	28,977,034	9,565,625	15,672,850	77,531,762	190,199,674
Total of Transactions	116,695,447	57,292,130	22,949,901	31,366,063	141,526,196	369,829,737

(*) *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:

	For the three-month period ended	
	31 March 2020	***31 March 2019***
Fixed/floating securities	2,049,559	488,957
Financial assets designated as FVPL	(182,377)	-
Derivative transactions	(1,289,601)	1,563,272
Net trading income/expense	577,581	2,052,229

28 Other operating income

	For the three-month period ended	
	31 March 2020	***31 March 2019***
Other operating income:		
Net sales from operational lease business(*)	62,607	28,389
Net sales from other non-financial subsidiaries	15,437	19,119
Dividend income	833	567
Rent income from real estate (including investment property)	824	2,756
Others	40,117	45,417
Total operating income	119,818	96,248

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

29 Other operating expenses

	For the three-month period ended	
	31 March 2020	***31 March 2019***
Computer usage expenses	139,272	107,947
Saving deposits insurance fund	132,352	88,635
Utility expenses	55,935	48,730
Advertising expenses	42,882	34,122
Rent expenses	21,288	25,407
Repair and maintenance expenses	19,701	20,229
Stationary expense	12,207	9,488
Research and development expenses	11,831	13,534
Others	219,007	165,453
	654,475	513,545

(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:

	31 March 2020	31 December 2019
Statement of financial position		
Loans and advances to banks	7,405	38,537
Loans and advances to customers	55,693	28,860
Loans measured at FVPL (*)	4,504,531	4,207,523
Miscellaneous receivables	-	-
Deposits from banks	22,004	133,851
Deposits from customers	247,817	109,680
Miscellaneous payables	-	-
Commitments and contingencies		
Non-cash loans	1,033,098	1,049,332
Derivatives	22,306,983	23,381,185

(*) The loans measured at FVPL amounting to TL 4,504,531 (31 December 2019: TL 4,207,523) granted to a structured 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.

	For the three-month period ended	
	31 March 2020	31 March 2019
Statement of profit or loss and other comprehensive income		
Interest, fees and commissions income	6,351	116,329
Interest, fees and commissions expenses	886	10,781
Net trading income/(expense) and foreign exchange gains/(losses), net	(199,550)	(18,443)
Other operating income	18,550	53
Other operating expenses	431	5,517

In the first quarter of 2020, 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 2019: 4%-6% and (0.46)%-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 2019: 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.

As per IFRS 9, expected credit losses amounted to TL 978 (31 March 2019: TL 43) are recognised against balances outstanding during the period with related parties as of 31 March 2020.

Including the payment related to resigners, key management personnel compensation for the three-month period ended 31 March 2020 amounted to TL 33,744 (31 March 2019: TL 43,248) on a consolidated basis. Within this total, individual key management expenses of the Bank amounted to TL 22,286 (31 March 2019: TL 28,861) and of its subsidiaries amounted to TL 11,458 (31 March 2019: TL 14,387).

31 Profit reserves and profit appropriation

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

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

The Law No. 7244 on the Reduction of the Effects of the Coronavirus (COVID-19) Epidemic on Economic and Social Life and the Law Amending Certain Laws (“Law”) was published in the Official Gazette dated 17 April 2020. In accordance with the aforementioned Law, the Turkish Commercial Code numbered 6102 was amended and restrictions and restrictions regarding the distribution of profits were foreseen. The mentioned regulation has been implemented as of the publication date of the Law.

Within the scope of this regulation, capital companies will be able to decide to distribute only 25% of the 2019 net profit for the general assemblies they will hold until 30 September 2020, and prior-years’ profits and free reserves will not be subject to profit distribution. In addition, the board of directors can not be authorized by the general assembly to distribute advance dividends. The duration of such restrictions and restrictions may be extended or shortened by a decision of the President for three months.

Distribution of the unconsolidated net profit of the Bank in 2019 amounting to TL 6,158,841 (based on BRSA Bank only financial statement) will be made regarding the decision to be taken in the ordinary General Assembly Meeting.

32 Subsequent event

According to BRSA's article dated 18 April 2020, and the second paragraph of Article 43 and 93 of the Banking Law (Law) No. 5411, it has been decided that the Banks shall calculate Asset Ratio (AR) on a weekly basis for local financial statements, and as of the end of each month, the monthly average of the Asset Ratio should not fall below 100% for deposit banks and below 80% for participation banks . In accordance with subparagraph (a) of the first paragraph of Article 148 of the Law, as of the end of the relevant month, it was decided to calculate the excess amount that constitutes a contradiction to be taken as the amount of change in the share that will bring the ratio to 100% and 80%, respectively, for banks with an active ratio below 100% and participation banks below 80%. This regulation is valid as of 1 May 2020.

With the participation of IFC and EBRD, the Bank has signed three separate loan agreements including a syndicated loan agreement with 367-days maturity in total funding amount of US$ 698,860,000. The all-in cost has been realized as Libor+2.25% and Euribor+2.00%.

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