

GARANTI BBVA INTEGRATED ANNUAL REPORT 2019




NEXT DECADE


Garanti BBVA

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Garanti BBVA

ABOUT THE REPORT

We are pleased to present our second Integrated Report, which makes a holistic assessment of the financial and non-financial performance of T. Garanti Bankası A.Ş. ('Garanti BBVA'), as well as conveying its forward looking strategy.

Garanti BBVA aligns its thinking and its approach to long-term value creation to the principles of Integrated Reporting and aims to communicate its total value creation story in a clear and comprehensive way to all its stakeholders.

While proving an overview to the basis of its total value creation, its strategy and long-term sustainable value creation capability in the document titled "2019 Integrated Annual Review", Garanti BBVA provides a thorough account of its annual activities, detailed financial and non-financial performance including value drivers and indicators, and its approach to corporate governance and risk management in the document titled "2019 Integrated Annual Report".

The content of the Report is identified in line with the material issues, which are determined as an intersection of issues raised by our stakeholders and topics that are significant to Garanti BBVA. The information presented in this Report covers the 12-month period ending 31 December 2019, and unless otherwise specified, includes information on Garanti BBVA's operations in Turkey as well as the international subsidiaries in the Netherlands and Romania, foreign branches in Cyprus and in Malta, and two international representative offices in Dusseldorf and Shanghai. Where relevant, the information is supported by historical data.

The connection between the material issues, business strategy and performance in 2019 is clearly established, as suggested in the Integrated Reporting framework published by the International Integrated Reporting Council ('IIRC'). Garanti BBVA is a member of IIRC's Global <IR> Network and <IR> Banking Network and is a founding member of Integrated Reporting Turkey Network (Entegre Raporlama Türkiye Ağı "ERTA").

This report has been prepared in accordance with the GRI Standards: Core option. The Report covers six main chapters called "Introduction", "About Garanti BBVA", "Our Value Creation", "2019 Performance & Outlook", "Corporate Governance & Risk Management" and "Financial Reports". It also includes the GRI Financial Services Sector disclosures, United Nations Global Compact ('UNGC') and Women's Empowerment Principles ('WEPs') Progress Report, and a summary table of climate related disclosures in accordance with the Task Force on Climate-Related Financial Disclosures ('TCFD') recommendations. Sustainability Accounting Standards Board ('SASB') Provisional Standard for Commercial Banks has also been used. Garanti BBVA's 2019 Integrated Annual Report will be presented at the Ordinary General Shareholders' Meeting of Garanti BBVA.

KPMG provided reasonable assurance on the financial information, and limited assurance on selective non-financial information defined in detail in the auditor's report.

INTRODUCTION

The first chapter provides a foreword on the reflection of Garanti BBVA's value creation story on this year's annual report, keynote messages by Mervyn E. King (Chair Emeritus of IIRC), by our Chairman, and by our CEO.

ABOUT GARANTI BBVA

The second chapter covers the operating environment, the positioning of Garanti BBVA, its governance structure and risk management perspective.

OUR VALUE CREATION

The third chapter covers the material issues which specifically impact Garanti BBVA and its stakeholders and stakeholder engagement, mega trends, Garanti BBVA's response to relevant risks and opportunities, the interaction of our business model with the 6 Capitals as defined in the IIRC Framework, and our ability to create shared value in the long term.

2019 PERFORMANCE AND OUTLOOK

Our "2019 Performance & 2019 Outlook", which is explained in the fourth chapter, comprises of five main sections representing the umbrella themes for 12 different material issues as explained in "Our Material Matters". Each section describes the value creation story and the outlook in connection to Garanti BBVA's Strategic Priorities. Each of the five sections elaborates on both past performance and gives an account of future strategies. Furthermore, Garanti BBVA's contribution to the Sustainable Development Goals ('SDGs'), the 15 year global plan of action to end poverty, reduce inequalities and protect the environment are linked to each section.

CORPORATE GOVERNANCE AND RISK MANAGEMENT

The fifth chapter, 'Corporate Governance & Risk Management', provides a detailed discussion of the management of strategic risks related to Garanti BBVA's operations and the full governance structure.

FINANCIAL REPORTS

The final chapter sets out the audited annual unconsolidated and consolidated financial statements for Garanti BBVA, including the statement of responsibility by the Audit Committee Member (Independent Member of the Board), the CEO, the CFO and the Financial Reporting and Accounting Director on the financial statements and the annual report. The Bank prepares its unconsolidated and consolidated financial statements in accordance with accordance with the "Banking Regulation and Supervision Board ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of Banks, circulars and interpretations published by BRSA and requirements of Turkish Financial Reporting Standards for the matters not regulated by the aforementioned legislations.

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

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

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

Please share your feedback and comments on the report by e-mailing to integratedreport@garantibbva.com.tr.

Please scan the QR to access Garanti BBVA Integrated Annual Report 2019 website.

CONTENTS

Audio section for you to listen

Texts are linked to related website when clicked

Texts are linked to related pages in the report when clicked

Number of words used in the section

Reading time of the section

Number of pages of the section

The most used word in the section

FOREWORD

"THE NEXT DECADE"

In the past decade, technology reshaped our lives at a pace unseen and unmatched ever before. Computers, mobile phones, smart home systems, and automobiles transformed enormously. But the transformation was not restricted to devices; digitalization made an imprint in every aspect of life. Nothing is immune to this change; not our everyday life, not our habits or the way we think and do business.

In the next decade, change will continue at a high speed and momentum. Artificial intelligence, augmented reality and virtual reality will all expand very quickly and become inconspicuous routines. Electric vehicles will be more prominent in traffic. As smart phones have already turned into payment instruments, the inspiration payment systems take from technology and imagination might soon turn the days we carry cash or credit cards into a fading memory.

Customer needs and expectations are also rapidly changing and mutating in parallel with the advancements in technology. While customers prefer simpler and more practical channels they can reach from anywhere to access products and services instead of conventional methods, they want to experience time-saving, short and smooth journeys, smart solutions that make their lives easier and personal touches they find entertaining.

Big data applications, on the other hand, take analyses to a whole new level, and lead to recode decision-making processes and strategies with its holistic perspective. Data analysis enables better insight into choices, and allows satisfaction of needs in a more personalized and mass-oriented manner. Operational excellence and efficiency, automation and robotics began infiltrating all parts of life. Having entered our lives as a learning and information platform, the Internet is rapidly turning into an experience platform. Therefore, it becomes critical to understand technology-backed new experiences and turn them into business models.

As this transition phase continues, planet earth is screaming "climate emergency" to all the individuals and to all the entities on it. In 2019 Global Risks Report by the World Economic Forum, environmental risks due to climate change take the first spot within the top ten major risks in terms of both impact and likelihood.

Garanti BBVA contributes to Turkey's battle against climate change by prioritizing renewable investments, applying detailed environmental & social due diligence, promoting energy efficient buildings and electric & hybrid cars, as well as increasing awareness among its stakeholders.

Having formulated its business model around the goal of "bringing the age of opportunity to everyone", Garanti BBVA has a long-term and solid strategy that combines human touch and technology, the key determinants of our age.

Garanti BBVA aims to make its customers' lives easier, look after their financial well-being, help them make the right financial decisions, and advise them to grow their businesses sustainably, while delivering its financial services to everyone at the same time.

The founding executive editor of the Wired Magazine, Kevin Kelly says that the greatest products of the next 25 years have not been invented yet, and the biggest innovations are yet to arrive, just like we had no idea about the Internet 25 years ago, the most important invention of our age... Kelly says we should know that we are not racing against the machines or technology, but with them; in order to steer them, we need to embrace them and understand how they think.

While Garanti BBVA's 2019 Integrated Annual Report presents a glance at how Garanti BBVA sees and prepares for the next decade, it gives an account of how the Bank molds its business model in the light of mega trends, how it manages risks and captures opportunities, how it executes transformation and how all of these contribute to its stakeholders' journeys.

INTRODUCTION

#sustainability #greenloan #genderbond #sharedvalue #positiveimpact #risks #opportunities #responsible #solutions

Please scan the QR code to listen *Ebru Dildar Edin, EVP of Corporate, Investment Banking & Global Markets* talk about creating shared value through impact investments and sustainable finance.

MESSAGE FROM MERVYN KING

292 1 dk 1 financial

Garanti BBVA has made an holistic assessment of financial and the so-called non-financial aspects of its business model and strategy.

Its business model is one of creating value in a sustainable manner and it has communicated its value creation strategy in a clear, concise and understandable manner so that uninformed stakeholders can make informed decisions about the Company.

It has set out details of its activities in this value creation process, its value drivers and the importance of its stakeholders.

The Company has done an excellent job in relying on historical data when reporting on its operations in Turkey as well as its international subsidiaries in the Netherlands and Romania, foreign branches in Cyprus and Malta and two international representative offices in Dusseldorf and Shanghai.

Garanti BBVA is a member of the IIRC's Global <IR> Network and <IR> Banking Network and is a founding member of the Integrated Reporting Turkey Network (ERTA).

The Company has a financial report, according to international financial reporting standards and an integrated annual report, according to GRI Standards. It has also got a summary table of climate related disclosure in accordance with the Task Force on Climate Related Financial Disclosures. Notwithstanding, using the GRI Standards in the integrated annual report, it has used the Sustainability Accounting Standards Board's provisional standard for commercial banks as well.

What is encouraging is that the Company's external auditors have provided reasonable assurance on the financial information and a limited assurance on selective non-financial information which are set out in detail in the auditors' report.

Garanti BBVA is to be congratulated on its report which deals not only with how it is achieving its business model but also outlook as contemplated in the IIRC's Framework.

PROF. MERVYN KING
CHAIR EMERITUS OF THE IIRC

27 February 2020

LETTER FROM THE CHAIRMAN

645 3.9 min 2 growth

Dear Stakeholders,

2019 has been a year of increased geopolitical risks and relatively muted global economic growth. The trade tension between the US and China, the Brexit process, geopolitical issues in the Middle East and the political uncertainties in Italy have led to decreased risk appetite among the investors. Amid this environment, global central banks maintained their dovish stances in an effort to support economic growth.

With respect to Turkey, 2019 was characterized with improving macro parameters and rebalancing in the economy. While the first half of the year was dominated by a high interest rate environment, by year-end, the interest rates were at half the level seen in the beginning of the year on the back of decreased inflation. We have seen a "V" shaped recovery in our economy particularly in the last quarter of the year. The sequence of contractions in GDP was replaced by a visible growth in the last quarter. Today, 2019 growth will end up to be positive contrary to the market expectations in the beginning of the year, and in 2020, growth is projected to gain significant momentum.

As Garanti BBVA, our capital generative business model, once again, enabled us to outperform the sector in many areas. We continue to be the leading bank in the sector in terms of capital, asset quality and profitability. Regardless of cyclical macro developments, we effectively utilize our capital in line with our sustainable growth strategy, maximize the value we create, and remain adhered to solid asset quality.

In today's world, financial performance though is not the sole indicator of a company's value. The environment we operate in evolves constantly; amid this transformation, a company's capability to measure and improve its impact on Environmental, Social and Governance (ESG) issues reflects on its value. From where we are standing today, social and environmental risks are at a level that cannot be ignored.In this context, as Garanti BBVA, we are contributing to building a more sustainable and inclusive economy to fight against climate change and we are leading the sector in this respect. Since 2015, we have been providing significant financing to renewable energy projects and mainly to wind power plants within the scope of project finance. Considering the growing base of ESG investors, we have been presenting our Integrated Annual Report prepared according to the IIRC standards for the last three years to all our stakeholders, which we believe will better respond to that community's needs. We are working to integrate our sustainability efforts in every aspect from our corporate culture to our entire infrastructure. As we continue to implement our advanced corporate governance model that consolidates our core values, we are led by the principles of trust, accuracy, accountability and transparency in our interactions with all our stakeholders.

The synergy we created with our main shareholder BBVA continues to grow even stronger. BBVA Group that we belong launched a single global brand in all the countries it operates with its new renewed logo to suit the dynamic and digital world, in line with its digital transformation strategy. Being a part of this transformation project, we reflected the synergy we have created with our main shareholder BBVA for more than nine years to our brand and logo in 2019.

With our solid capitalization, high asset quality and proactive balance sheet management, we are ready to provide uninterrupted support to our economy also in 2020. Sustainable development, our most valuable asset - employee satisfaction, and efficiently meeting our customers' changing needs will continue to be our priorities. We will continue to undertake new achievements and become a pioneer in the industry, while preserving our committed efforts and strong performance in the years ahead. I would like to take this opportunity to thank once again my colleagues, our valuable customers, shareholders and all other partners.

SÜLEYMAN SÖZEN
CHAIRMAN

LETTER FROM THE CEO

6,165 5.5 min 3 year

Dear Stakeholders,

We ended 2019 with a more positive picture than initially expected in terms of our economy, our sector and our bank. It was a successful year in terms of both meeting our financial targets and our non-financial performance indicators.

Following a difficult 2018, 2019 was a year of two different macro settings. In the first half of the year, including the election period, investment appetite was low and uncertainty was high with the added effect of global factors. Whereas in the second half, the CBRT cut interest rates by 12 points, bringing it down to 12% at the end of the year with the support of the rapid improvement in inflation and the expansionary policies of the developed countries' central banks. Declined interest rates triggered revival in loan demand. Serving as the engine of our economy's progress, the Turkish banking sector, continued its contribution to the sustainable growth of our country during its rebalancing cycle. The sector proved its resilience once again in terms of liquidity, asset quality and capital.

At Garanti BBVA, we ended the year with 7% growth in TL loans following the recovery in loan demand. Thanks to our broad customer base, we increased our deposits and recorded an across the board, healthy growth in lending with real sector focus. One of the highlights of the year has been our significantly strengthened TL demand deposit base. Thus, our performing loan to deposit ratio improved by another 6 points on top of the 14 points in 2018. This result is highly valuable for us as it mirrors the healthy relationships we establish with our customers.

The share of non-deposit funding source decreased this year. We still have high FC liquidity levels despite bulky redemptions we had during the year. Our need for international funding has been decreasing as compared to the previous years due to ongoing shrinkage in FC loans since 2013. Nonetheless, the external borrowing program presents an inevitable significance for managing the maturity mismatch in our balance sheet and diversifying our funding structure. Being opportunistic and a key player in these markets, we will maintain our relationships and appetite, and continue to be active with new issuances and borrowings.

The lagging effect of the decelerated economic activity in the previous period became pronounced this year. The rise in new NPL inflow was within our projections, and was coming from retail loans in the first half of the year and from large-ticket corporate loans in the second half. Our NPL ratio was registered as 6.8%, parallel to our anticipations we had announced in the beginning of the year. With respect to asset quality, following the challenging years of 2018 and 2019, we are not anticipating new NPL inflows apart from the expected and accounted ones. We are also starting to feel the positive effects of the revival in economic activity on asset quality in an increasing manner.

On the back of our capital generative growth strategy, we maintained our capital adequacy at the highest level in this period. Our consolidated capital adequacy ratio went up from 16.5% in 2018 to 17.8% in 2019, well above the required level of 12%. With the confidence of our solid capitalization, we will continue to support the real economy by meeting the growing demand in the coming period.

On the non-financial side, we continued to achieve progress in our areas of focus, i.e. improving customer experience and digitalization. Last year, we completed our service model transformation. The dynamics of our branches has changed entirely. In this respect, we continuously work to enhance efficiency and service quality. Taking care of our customers' financial health, being their reliable partner, and offering advisory are among our priorities.

In the area of responsible banking, we identify the best practices emerging globally, further upgrading them and implementing financing solutions that serve sustainable development goals in our country. In this context, we issued a 5-year green bond during the year. We will use the fund generated by this issuance, that was the first of its kind in Turkey, to support renewable energy and energy efficiency projects that produce solutions for climate change. As the pioneer bank in financing renewable energy projects and the largest lender for wind projects in Turkey, our efforts in this field will continue. In addition to these issuances supporting sustainability areas, on the lending side, we have also brought a structure that incentivizes our customers in this area throughout loan term. We aim to reinforce our pioneering position in the sector by continuing to provide the Green Bond, Social Bond, Green Loan and loan products seeking to ensure equality of men and women in business life.

FOR 2020 AND THEREAFTER...

In 2019, economic indicators improved much more rapidly than we expected. While expansionary monetary policies of developed central banks played a part in this improvement, I believe that it was mostly a result of our country's dynamism and resilience.

Annual inflation declined from around 20% in the beginning of the year to 11.8% at year-end 2019 thanks to the strong positive base effect and the stabilization in the exchange rate. We are anticipating further improvement in inflation, realizing at high single-digit level by the end of 2020. Monitoring the inflation trends and projections, the CBRT will likely carry on with moderate rate cuts.

In a low interest rate environment, we are projecting a more visible revival in the economic activity and anticipating growth to reach 4% in 2020. In parallel, we are expecting the recovery in loan demand observed in the last quarter of 2019 to be more evident in the period ahead.

In this period, we will be standing by our customers as always. We will continue to fulfill our customers' demands and to contribute to the economy. We are targeting a growth above the sector's average that will reinforce our strong position on the TL side. Our priority in the corporate segment will be to generate long-term healthy financing through investment loans. Another area of interest for us is to further specialize in SMEs, where we are already good.

As we maintain our growth focus, we will also keep effectively managing our financial and non-financial risks. Asset quality will be among our priorities. We will be working to efficiently manage and reduce the existing NPL portfolio.

Our investments in our customers and our business model will go on at full speed in 2020. We have provided all necessary support and assistance to protect the financial health of our customers and we will continue to do so. I can comfortably say that we have highly benefitted from the strategy of supporting the right customer with the right product, and that this strategy will continue as is going forward. The sizeable investments initiated to reinforce our technological infrastructure in 2019 will go on in 2020 as well. We will continue to integrate data analytics into our decision-making processes with a human-oriented and convenient technology focused banking approach.

Integrity, accountability and transparency principles are essential components of Garanti BBVA's culture and sustainable existence. With the awareness that our impact and the value we create are not restricted to banking; we will continue to work with our sustainable development focus in order to continuously create value for our stakeholders.

Sincerely,

RECEP BAŞTUĞ
PRESIDENT & CEO

ABOUT GARANTI BBVA

#bigdata #cybersecurity #virtualreality #AI #automation #algorithms #encryption #infrastructure

Please scan the QR code to listen *İlker Kuruöz, EVP of Engineering & Data*, talk about leveraging advanced data analytics and AI.

THE ENVIRONMENT WE OPERATE IN

3,071 14.5 4 turkish

2019 MACROECONOMIC OVERVIEW AND 2020 OUTLOOK

A YEAR OF REBALANCING WITH DOWNSIDE RISKS

Global economic activity showed a synchronized slowdown in 2019. The main drivers behind this included higher tariffs, commercial and geopolitical uncertainties, and idiosyncratic factors that resulted in deteriorated macroeconomic outlook in some emerging countries. Additionally, low productivity and aging population in developing countries kept contributing to the deceleration. In 2020, growth will possibly lose some pace in developed countries, but will be supported in emerging countries led, in particular, by some countries that performed poorly and grew below their historic averages in 2019 due to country-specific shocks. We anticipate global growth to decline to 3.2% in 2019, which will rebalance and be realized as 3.2% in 2020.

Increased uncertainties resulting from the ongoing trade war between China and the US and geopolitical factors negatively impacted investor confidence, investments and global trade. The US economy registered moderate growth as the fiscal monetary policy came to an end and investments remained weak due to increased trade tensions. On the other hand, the deceleration in the Chinese economy gained speed due to the ongoing trade wars with the US and weakened external demand, in addition to the measures implemented against the growing debt burden. The Eurozone also suffered a negative impact because of the low external demand and political uncertainties (Italy and Brexit). While some of the emerging countries, in particular Argentina, Venezuela, Turkey, Iran and Libya performed poorly due to idiosyncratic factors, others (Mexico, India, Brazil, Russia and Saudi Arabia) also displayed weak performances as compared with the previous years with the effect of the decelerated global activity.

The stress in the financial markets exacerbated especially in connection with trade protectionism and geopolitical tensions. Yet, increased downside risks both on economic activity and inflation led to a more dovish stance with respect to monetary policies by the central banks of developed countries, especially the Federal Reserve (the Fed) and the European Central Bank (ECB). The expansionary effect of the quantitative easing in developed countries caused the central banks in emerging countries to modify their monetary policy stances so as to support the economy. The stress in financial markets was rebalanced thanks to accommodative monetary policy stances. In 2020, we are anticipating the central banks of developed countries to maintain their current stances. Accordingly, we are projecting that the first rate hike from the Fed will come in the first quarter of 2022 and from the ECB in the second half of 2022. Therefore, the financial markets might maintain their accommodative conditions, which might bear a positive effect on the capital flows into emerging markets.

In 2020, we are projecting global economic activity to be supported by the monetary policies that remain accommodative, expansionary fiscal policies in certain countries and the recovery in emerging countries that lived 2019 as a macroeconomic shock. Notwithstanding, we are anticipating moderate economic slowdown to persist in China, USA and Eurozone due to structural problems including the aging population and low productivity, and the normalizing effects of monetary policy.

Global economic outlook continues to have downside risks. More recently the impact of the outbreak spread from China on the global economy is still uncertain. It not only affects the economies through different channels but also limits the risk appetite in the financial markets. On the other hand, increased geopolitical risks, particularly between Iran and the US, the ongoing trade tension between the US and China, the uncertainties regarding the

Chinese economy, the contracted room for maneuvering in monetary policy against potential shocks, long-lived economic stagnation and the climate crisis might continue to put downward pressure on global economic activity.

GRADUAL RECOVERY IN THE TURKISH ECONOMY

The Turkish economy continued to recover gradually in 2019 following the financial shock of August 2018. Additional measures including new credit packages, restructuring and tax incentives, as well as improved confidence environment thanks to tight monetary stance, helped the economic activity recover. Following the contraction in the three previous quarters, economic growth registered positive growth on a quarterly basis in the first quarter of 2019, signaling an exit from recession. Despite the pressure put on financial assets by increased uncertainty due to global factors (trade wars, Brexit, slowdown in China, etc.) and some local factors (local elections, renewal of the mayoral election in İstanbul, and geopolitical risks), the Turkish economy expanded 1.0% and 0.4% in the second and third quarters of 2019, respectively, and thus continued with its gradual recovery.

The Central Bank of the Republic of Turkey (CBRT) cut its policy rate by 425 bps and initiated "front-loaded" easing cycle in its July meeting, enabled by the better-than-expected inflation outlook and the expansionary policies of developed central banks. The policy rate went down to 12% as a result of the respective rate cuts by 325, 250 and 200 bps in September, October and December. Also the CBRT launched a macroprudential policy tool to support economic activity by linking credit expansion and reserve requirements.

In addition to ameliorated internal and external financial conditions, positive base effect accelerated the economic activity in the second half of 2019. We are estimating the growth rate of the Turkish economy to be 0.8% in 2019. With the support of the lagging effects of financial conditions, we are anticipating growth to pick up to 4% in 2020.

Inflation, on the other hand, declined much more rapidly than estimates, thanks to the tight monetary policy, continued normalization of food prices, low oil prices and weak demand (negative output gap). Therefore, annual inflation went down from ca. 20% at the onset of the year to 11.8% at year-end 2019 owing to the strong positive base effect and other factors mentioned before. In the absence of a major negative shock, inflation might step down to as low as 8.5% by end 2020. We consider that the CBRT will react according to inflation realizations and projections, and will carry on with measured rate cuts. Therefore, as per our anticipation for disinflation to continue and maintained dovish stance by the central banks of developing countries, we are expecting the CBRT to pull the policy rate down to 9% by year-end 2020.

External balance recuperated rapidly owing to shrank domestic demand. The positive exports performance backed by the plunged imports coupled with external demand, low oil prices and strong tourism revenues helped the 12-month cumulative current account balance to produce a surplus of USD 1.7 billion corresponding to 0.2% of GDP at the end of 2019. For 2020, we are projecting the surplus to be reversed to a deficit parallel to the recovered economic activity and its ratio to GDP to be around 1%.

As pointed out by the targets covered in the New Economic Program (NEP), the fiscal policy will seemingly adopt a neutral stance with respect to supporting the activity. The Government targeted the ratio of budget deficit to national income to remain flat at 2.9% in 2020 and 2021 before declining to 2.6% in 2022. The budgetary balance further worsened as expenditures remained high and tax revenues dwindled because of weak economic activity in 2019. Yet, transfer of profit and reserve funds from the CBRT restricted the deterioration in the budget deficit. While the budget deficit amounted to TL 123,7 billion corresponding to 2.9% of the GDP at the end of 2019, primary surplus produced a deficit of TL 23,8 billion that corresponded to 0.6% of the GDP. In spite of the anticipated weak performance of non-tax revenues in 2020, we are projecting that as a result of the support to be extended by recovered economic activity to tax revenues and the discipline to be secured in public spending, deterioration of the budget deficit will remain limited, and that the ratio of budget deficit to national income might be registered as 3%.

OPPORTUNITIES AND CHALLENGES OF THE TURKISH ECONOMY

Her dynamic demographic structure, i.e. that it continues to grow and has a young composition when compared to other countries, is one of Turkey's key strengths. According to TurkStat's base scenario projections, the population is expected to grow by 1% on average by 2030. As opposed to the negative growth in Europe and the CEEMEA region, the population in Turkey is anticipated to reach 93 million in 2030. In addition to that, median age is 32,3 according to 2019 data, which manifests a highly younger population versus other countries (40 years in developed countries).

Furthermore, with the weak labor force participation rate in women, overall labor participation rate still remains low. These indicate at a possible significant contribution to the Turkish economy in connection with a possible reform in the education system in alignment with the digital age.

Another key strength of the Turkish economy, which is contributed to also by her dynamic population, is made up of the opportunities in several sectors including transportation, energy and tourism stemming from her geopolitical position. Serving as a bridge between Asia and Europe, Turkey's economy, with a GDP of USD 771 billion, was the 19th largest economy in the world in 2018[1]. Turkey is an important hub in terms of transporting the oil and gas reserves particularly in the Middle East and environs to Europe. The TurkStream Project recently being co-executed with Russia is designed to supply energy to Europe, and mainly to Southern Europe, and shows Turkey's potential in this respect. The Government's plans announced in the areas of energy (Turkey Wealth Fund's intention to take part in the capital asset investments in mining and energy production from national resources), tourism (Tourism Master Plan) and transportation (Logistics Master Plan) will add to the country's capacity to benefit from the advantages conferred by her geopolitical position.

One of the main challenges Turkey faces is the high dependence of production on intermediate goods imports, which, being in the lower part of the global supply chain, results in both higher trade and current account deficit as the Turkish economy grows. Hence, it is vital for Turkey to attract capital inflows in order to finance the deficit. At present, the current account surplus resulting from cyclical factors might adopt a rapid worsening trend in conjunction with the projected recovery in 2020 in the absence of necessary measures. Nonetheless, the monetary policy is anticipated to remain accommodative for a prolonged period of time as inflation still fails to reach the desired levels in developed economies. The current situation and projections might secure continued capital inflow to developing economies by ensuring the cost of financing and liquidity in financial markets to remain accommodative. Hence arises the opportunity to resolve this area emerging in the short term with structural reforms in the medium term. Striving to take place in the high added-value part of the global value chain will be significant in terms of providing structural transformation in the current account balance. Other important considerations with respect to the solution of the problem include branding, apart from production, and brand management steps. For this purpose, the economy management has already begun implementing some structural reforms such as increasing savings tendencies and lowering intermediate goods imports by replacing them with domestic production. Furthermore, it is a known fact that the current deficit substantially stems from energy dependency. Therefore, pursuing new energy resources and alternative energy (nuclear power plant installation plan) resources will also be supportive in this sense.

Fiscal discipline has long been an important anchor for the Turkish economy when compared with other countries. Hence, the recent rapid expansion of the budget deficit raises concerns about this subject. On the other hand, the general government debt stock to GDP ratio has been meeting the EU Maastricht Criteria of 60% since 2004. For this reason, the implementation of the financial consolidation plan together with the economic recovery we foresee for 2020 might eliminate these concerns. The inflation that increased to double-digit numbers as a result of the recent shocks and increased volatility in inflation pose a challenge with respect to the economy, as they diminish predictability. Still, confidence in the economy will increase to the extent that the latest wins in inflation are maintained with a strong monetary policy and that inflation re-converges on targets.

The real sector's open FX position that remains high as compared with emerging countries results in vulnerability to external shocks. Concentrating also on this issue, the economy management has initiated certain measures such as non-deliverable TL forward contracts and some limitations of foreign currency loans under a risk exposure of 15 million dollars. Further, the decreased external debt leverage ratio of the private sector in the economic rebalancing period after the exchange rate shock of 2018 also somewhat alleviated the problem. However, the current outlook might increase exchange rate volatility during a turbulence in global financial markets and continue to deepen the vulnerabilities against external shocks. Therefore, together with the program initiated to increase savings, both external financing needs and vulnerabilities in the economy could be diminished as the Government continues to implement the essential structural reforms.

OPPORTUNITIES AND CHALLENGES OF THE TURKISH BANKING SECTOR

The Turkish banking sector is strictly

regulated and highly monitored by two powerful agencies; the Banking Regulation and Supervision Agency (BRSA) and the Central Bank of the Republic of Turkey (CBRT).

According to the BRSA sector data as of December 2019, there are 51 banks operating in Turkey (29 private commercial banks, 3 state-owned deposit banks, 13 development and investment banks, 6 participation banks). The top seven banks, three of which are state-controlled, are holding 70% of the banking sector's total assets, loans and deposits in Turkey. The current fragmented structure presents future opportunities for mergers and acquisitions between the banks.

Turkey's 54% of the population is younger than 35 years old and bankable population is only 60%[1]. These are among the key indicators of the growth dynamic of the Turkish banking sector. The Turkish banking sector had a cumulative average growth rate of 11% in total assets since 2002. Sustainable credit growth is considered around 15%, given the population dynamics and the banking penetration levels. However, below-potential growth rates emerged as a result of the decelerated economic activity particularly in the first half of 2019. In 2020, credit demand is expected to pick up with the normalization in inflation and lower lending rates and credit growth is anticipated to reach the order of 15%. According to big data indicators, growth will gain speed first on the consumer side, which will likely be followed by the trade segment from the second half of the year.

Another driver behind the growth of the Turkish banking sector is the high liquidity and solid capital structure of the banks. The Turkish banking sector is in compliance with Basel III guidelines. Capital adequacy ratios strengthened as the volatile exchange rates in 2018 relatively stabilized in 2019. An in-depth analysis of the capital structure of Turkish banks exhibits that the banking sector's capital is mainly made up of Common Equity Tier I capital (as high as 77%), namely paid-up capital, legal reserves, profit for the period and retained earnings. It is just the opposite, however, for European and US banks.

BRSA has been monitoring the liquidity position of the banks closely. Liquidity Coverage Ratio requires banks to carry high quality liquid asset reserve sufficient to cover their net cash outflows and the ratio is well above the required levels indicating at Turkish banks' solid liquidity position. Customer deposits constituting 60% of the total assets serve as the main source of funding of the Turkish banking sector. However, average maturities of deposits are mostly 1 to 2 months due to the high inflation/high interest period in Turkey's past. Given this short-term nature of deposits, maturity mismatch is unavoidable for the Turkish banking sector. As a result, faster deposits pricing occurs versus loan pricing. While this leads to the exposure of the Net Interest Margin (NIM) to short-term pressure when funding costs rise, it lends a positive support to the banks' margins when costs decrease, as was the case in 2019. Against this volatility in interest rates, the Turkish banking sector invests in CPI-linkers in order to hedge their balance sheets. Despite the increased funding costs in 2018, the Turkish banking sector managed to increase NIM on the back of the returns on these securities. In 2019, however, returns on CPI-linkers dropped as compared to 2018 because of the downtrend in inflation. Yet, NIM was successfully kept flat without the support of the returns on CPI-linkers owing to the contribution lent by decreased funding costs. Also in 2020, higher growth and anticipated rate cuts will possibly support NIM.

The sector funds 18% of its assets from external financing resources. As Turkish banks do not fund their long-term loans such as project finance loans or mortgages with short-term deposits, they turn to long-term borrowings from international markets. While that indicates at the sector's sensitivity to external developments, the Turkish banking sector's dependence on external borrowing decreased from 2017 given the slumped demand for long-term FC loans and their redemption, and it will continue to do so. With the contraction of the economy in the first half, stagnated economic activity and ongoing rise in unemployment rate, asset quality continued to be a matter of importance for the sector in 2019. Having started the year with an NPL ratio of 4%, the sector ended the year with 5.3%. However, increased demand and the anticipated revival in economic activity, combined with the downturn in lending rates are expected to lead to improved asset quality in 2020.

In the period ahead, there are several critical factors with respect to rendering the funding and liquidity structure of the Turkish banking sector more resilient and ready for any potential development. Among these are the introduction of initiatives aimed at increasing household savings in the medium term, increasing the depth of capital markets in Turkey, extending the maturities of funding resources, and steps targeted at stabilizing the shift to foreign currency.

1 IMF, WEO Database

Source: BRSA monthly data of December 2019 were used for sector data. Population data are based on TurkStat's Address-Based Population Registration System Results on 31 December2019.

CORPORATE PROFILE

462 2.1 min 1 banking

Established in 1946, Garanti BBVA is **Turkey's second largest private bank** with consolidated assets of close to **TL 429 billion (USD 72.4 billion)** as of December 31, 2019. Garanti BBVA is an integrated financial services group operating in every segment of the banking sector including corporate, commercial, SME, payment systems, retail, private and investment banking together with its subsidiaries in pension and life insurance, leasing, factoring, brokerage and asset management, besides international subsidiaries in the Netherlands and Romania.

As of December 31, 2019, Garanti BBVA provides a wide range of financial services to its more than **17.6 million customers with 18,784 employees** through an **extensive distribution network of 904** domestic branches, 7 foreign branches in Cyprus and one in Malta, and 2 international representative offices in Düsseldorf and Shanghai. Garanti offers an omni-channel convenience with seamless experience across all channels with **5,260 ATMs,** an award winning Customer Contact Center, internet, mobile and social banking platforms, all built on **cutting-edge technological infrastructure.**

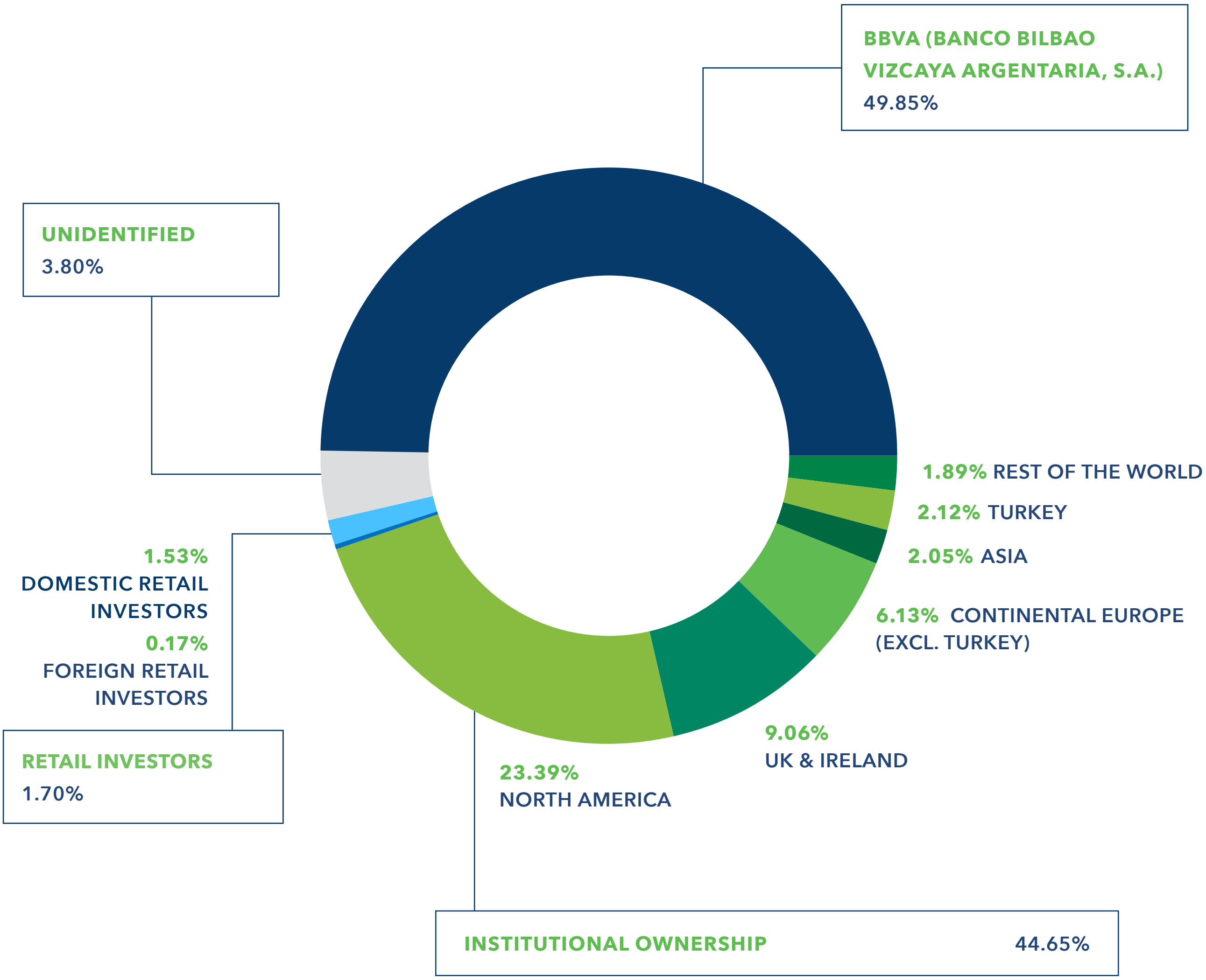
Moving forward to maintain sustainable growth by creating value for all its stakeholders, Garanti BBVA builds its strategy on the principles of always approaching its customers in a **"transparent", "clear"** and **"responsible"** manner, improving customer experience continuously by offering products and services that are tailored to their needs. Its competent and dynamic human resources, uninterrupted investments in technology, innovative products and services offered with strict adherence to quality and customer satisfaction carry Garanti BBVA to a leading position in the Turkish banking sector.

Implementing an advanced corporate governance model that promotes the Bank's core values, Garanti BBVA has Banco Bilbao Vizcaya Argentaria S.A. (BBVA) as its majority shareholder with 49.85% share. Its shares publicly traded in Turkey, and its depositary receipts in the UK and the USA, **Garanti BBVA has an actual free float of 50.07% in Borsa Istanbul as of December 31, 2019.**

Garanti BBVA's constantly improving business model is driven by its strategic priorities focused on responsible and sustainable development, customer experience, employee happiness, digitalization, optimal capital utilization and efficiency. Its custom-tailored solutions and wide product variety play a key role in reaching **TL 322 billion** (USD 54.4 billion) performing cash loans and non-cash loans. Garanti BBVA's capital generative, disciplined and sustainable growth strategy that strictly adheres to solid asset quality enables the Bank to move forward strongly. Its effective risk management through world-class integrated management of financial and non-financial risks and organizational agility in capturing new opportunities result in sustainable value creation for all its stakeholders.

Moreover, Garanti BBVA creates shared value and drives positive change through lending based on impact investment, as well as strategic partnerships and community programs focusing on material issues for both Garanti BBVA and its stakeholders.

GARANTI BBVA SHAREHOLDING STRUCTURE



Insider Holdings: The chairman, members of the Board of Directors, the CEO and the Executive Vice Presidents are allowed to own publicly-traded shares of Garanti BBVA in accordance with the limitations set out in Capital Markets Board regulations and the internal regulations of the Bank; their transactions in Garanti BBVA shares are publicly disclosed pursuant to Capital Markets Board regulations.

Note: There is no ultimate non-corporate controlling shareholder holding more than 5% share in the shareholding structure. Institutional shareholder and foreign individual shareholder composition data based on IPREO Shareholder ID Analysis dated December 2019; the actual free float ratio and the share of local individual shareholders are all based on Central Registry Agency data.

GARANTI BBVA'S POSITION IN THE BUSINESS AREAS

RETAIL BANKING

INNOVATIVE BANKING EXPERIENCE THAT MAKES A DIFFERENCE

17.1 MILLION
RETAIL CUSTOMERS
(based on Garanti BBVA's definition)

Acquisition of
1.2 MILLION
NEW CUSTOMERS
compared to 2018

13.1%
CONSUMER LOAN MARKET SHARE
(#1 in consumer loans among private peers)

10.6%
MORTGAGE MARKET SHARE
(524 thousand people became homeowners with Garanti BBVA)

%10.5
CUSTOMER DEPOSIT MARKET SHARE
(Demand deposits share in customer deposits: 30% vs. sector: 24%)

SME BANKING

INFORMATION AND ADVISORY SERVICES SUPPORTING CUSTOMERS' DEVELOPMENT

8.4%
BUSINESS BANKING LOANS MARKET SHARE

25%
SHARE OF SME LOANS IN TL LOANS
(based on BRSA definition)

COMMERCIAL & CORPORATE BANKING

PRIMARY BUSINESS PARTNER OF CUSTOMERS

9.6%
FC LOANS MARKET SHARE

28
COMMERCIAL BRANCHES

4
CORPORATE BRANCHES

Note: Market shares are calculated based on BRSA Unconsolidated Financials as of December 31, 2019. BRSA weekly data of December 27, 2019 were used for sector data.

PAYMENT SYSTEMS

LEADER OF TRANSFORMATION IN THE SECTOR, THE LARGEST CREDIT CARD PLATFORM WITH 15 MILLION BONUS CARD USERS

18.7%
ISSUING MARKET SHARE
Leader

18.1%
ACQUIRING MARKET SHARE

7 MILLION
CREDIT CARD CUSTOMERS
Leader

652 THOUSAND
POS

DIGITAL BANKING

FOCUS ON FINANCIAL HEALTH, ADVISORY AND FACILITATING CUSTOMERS' LIVES

8.4 MILLION
DIGITAL BANKING CUSTOMERS

73% of our active customers use digital banking

96%
DIGITAL TRANSACTIONS IN NON-CASH FINANCIAL TRANSACTIONS

93%
SHARE OF MOBILE CUSTOMERS IN DIGITAL CUSTOMERS

Garanti BBVA Mobile named 2nd Best in Europe for 2 consecutive years[1]

2nd Largest ATM network among private peers with
10%
MARKET SHARE

1 MILLION PEOPLE
make cardless transactions via QR code at ATMs

INTEGRATED SUBSIDIARIES

Garanti BBVA International
Asset Constribution: **5.61%**

Garanti BBVA Romania
Asset Constribution: **3.93%**

Garanti BBVA Pension
Asset Constribution: **0.51%**

Garanti BBVA Leasing
Asset Constribution: **1.16%**

Garanti BBVA Factoring
Asset Constribution: **0.51%**

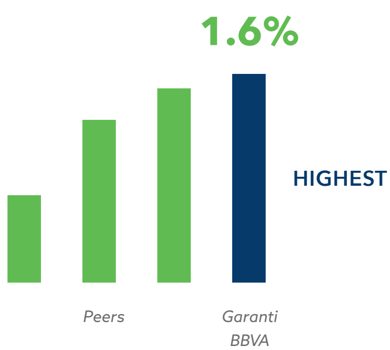
Garanti BBVA Securities
Asset Constribution: **0.18%**

Garanti BBVA Asset Management
Asset Constribution: **0.03%**

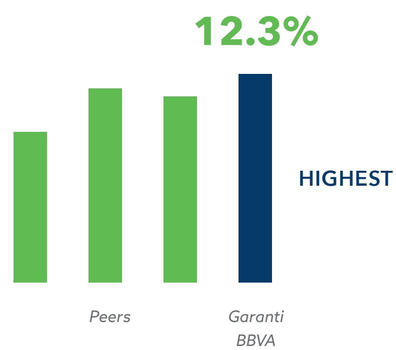
1 Per "The Forrester Banking Wave™: European Mobile Apps, Q2 2019", May 2019.

GARANTI BBVA'S POSITION IN THE SECTOR

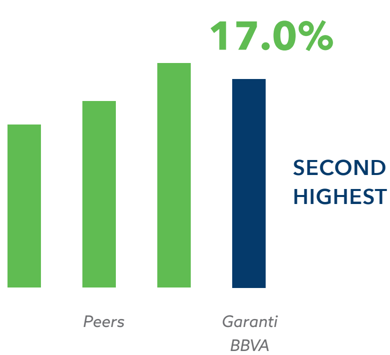
ROAA
Cumulative, 2019



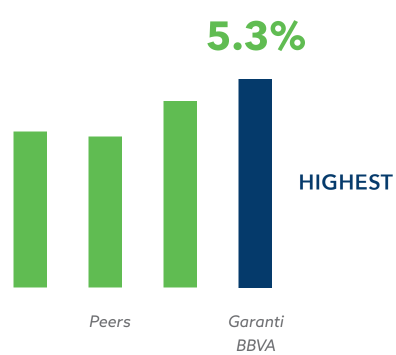
ROAE
Cumulative, 2019



CET-I

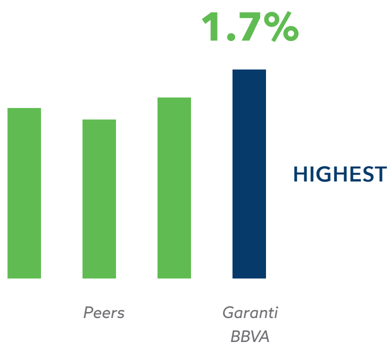


NIM INCLUDING SWAP COST
Cumulative, 2019

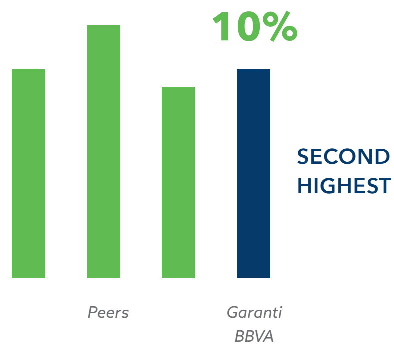


Note: Figures are per December 2019 BRSA Bank-only financials for fair comparison.

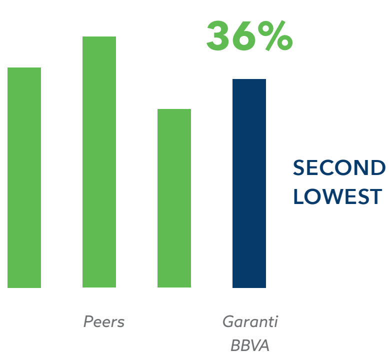
NET FEES & COMMISSIONS / IEA & NON-CASH LOANS



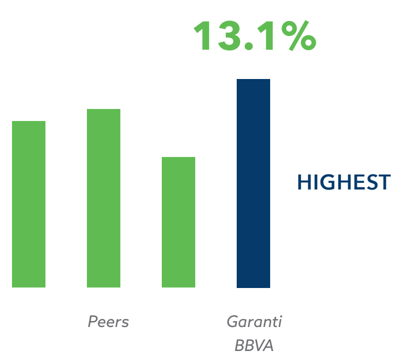
ASSET SIZE



COST/INCOME[1] RATIO

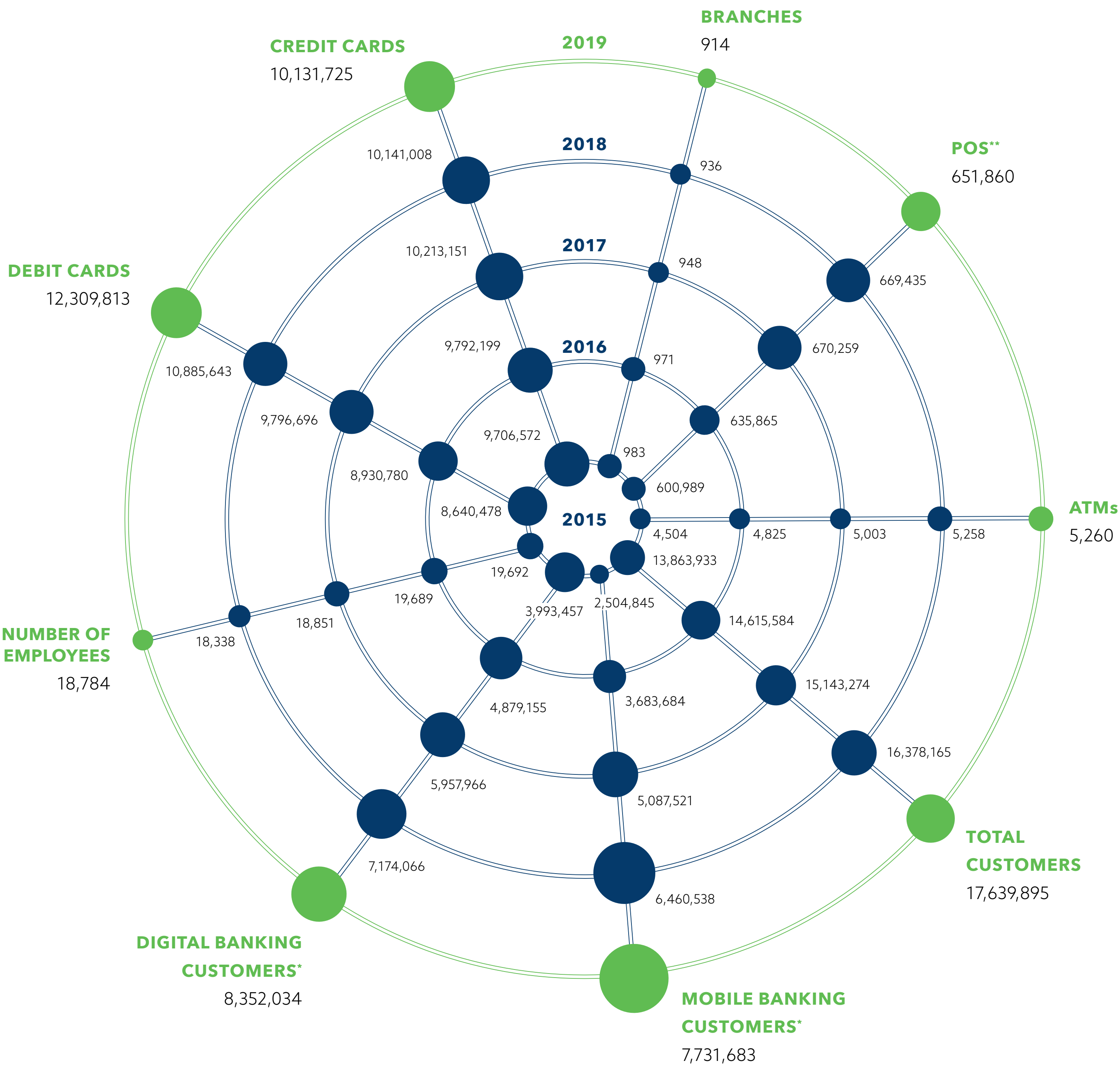


MARKET SHARE IN CONSUMER LOANS



1 Income defined as NII + Net F&C +Trading gains/losses excluding FX provision hedges + Other income excluding provisions reversals + Income from subsidiaries.

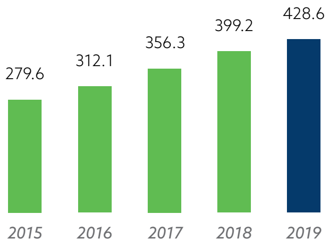
GARANTI BBVA IN NUMBERS



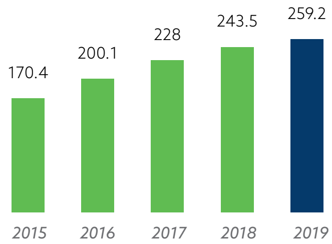
*Active customers on - min. 1 login per quarter

** Includes shared and virtual POS.

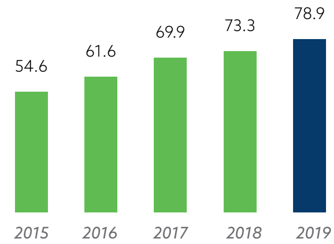
ASSETS
(TL billion)



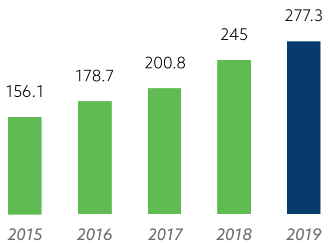
PERFORMING CASH LOANS
(TL billion)



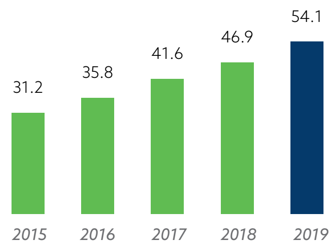
CONSUMER LOANS***
(TL billion)



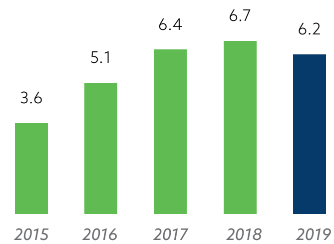
DEPOSITS
(TL billion)



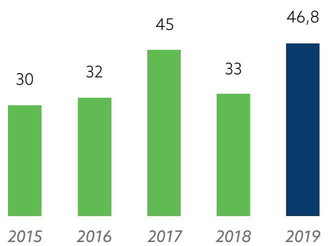
SHAREHOLDERS EQUITY
(TL billion)



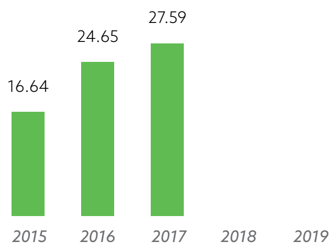
NET INCOME
(TL billion)



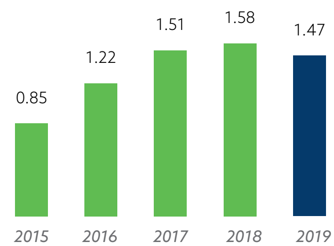
MARKET CAPITALIZATION
(TL billion)



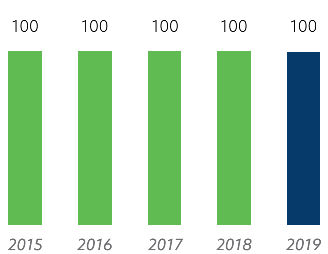
DIVIDEND PAYOUT RATIO
(%)



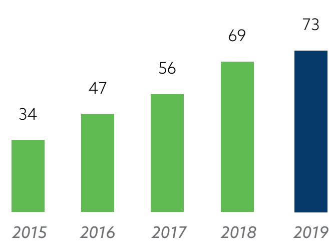
EARNINGS PER SHARE
(in TL)



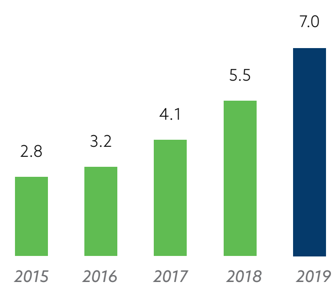
% OF RENEWABLES IN ENERGY PRODUCTION PORTFOLIO
(in new PF greenfield commitments)



NUMBER OF PROJECTS SUBJECTED TO ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT SYSTEM *(Cumulative)*****



TOTAL LOAN GRANTED TO WOMAN ENTREPRENEURS
(Cumulative, TL)



*** Including consumer credit cards.
**** Numbers also include projects (i) that are not included in the scope of ESIAP but are assessed voluntarily, (ii) are in financial evaluation stage, and (iii) are assessed but not-funded projects.

GARANTI BBVA SHARE

4,153 3.5 min 2 2019

GARAN TICKER AND CODES

ISTANBUL - BORSA ISTANBUL

SYMBOL: GARAN
SEDOL: BO3MYP5
ISIN: TRAGARAN91N1
CUSIP: M4752S106

DEPOSITARY RECEIPTS LEVEL - 1

NEW YORK - OTCQX INTERNATIONAL PREMIER

SYMBOL: TKGBY
ISIN: US9001486029
CUSIP: 900148602

DEPOSITARY CERTIFICATES - 144A

NEW YORK - OTC MARKETS

SYMBOL: TKGZY
ISIN: US9001486029
CUSIP: 900148602

Garanti BBVA initially offered its shares to public in 1990 on Borsa Istanbul and has become the first Turkish company to offer its shares on international markets in 1993.

Garanti BBVA's Depository Receipts are listed on the OTC (Over-The-Counter) Markets in the USA. In 2012, Garanti BBVA participated in the prestigious tier of the U.S. Over-The-Counter (OTC) market, OTCQX International Premier, where companies traded must meet high financial standards and an effective disclosure process. Trading on this market with 56 leading companies of the world, Garanti BBVA has established itself among the top Depository Receipts traded on the OTCQX marketplace and ranked 30th per Market Capitalization, 20th per Dollar Volume and 41st per Volume in 2019.

Garanti BBVA has a market capitalization of TL 46.8 billion (USD 7.9 billion) as of the end of 2019, and with a free float ratio of 50.07% and TL 23.4 billion floating market capitalization, Garanti BBVA also has the highest free float in BIST 100. Garanti BBVA share (GARAN) is the most traded banking stock in Borsa Istanbul with an average daily turnover of TL 881 million (USD 156 million) and has 11% market share in BIST 100 turnover. GARAN was the most traded stock by foreign investors with a total foreign transactions turnover of USD 29 billion in 2019. Furthermore, GARAN has the highest weight in BIST 100 and in BIST 30 as of 2019 year-end.

89%* of Garanti BBVA's shares in the free float is owned by foreign investors that are spread to around 33 countries. The composition of the institutional shareholding structure of Garanti BBVA by geographical regions is 52.4% North America, 20.3% UK and Ireland, 13.7% Europe, 4.6% Asia, 4.8% Turkey and 4.2% the rest of the world. Communicating the value created in a pro-active, transparent and consistent way, during 2019, Garanti BBVA Investor Relations held 667 one-on-one meetings by participating in 35 investor conferences and roadshows held in 16 cities in Asia, USA and Europe. Garanti BBVA continued to organize live webcasts/teleconferences bringing its senior management together with the investment community in 2019, and made presentations on its financial results four times a year, as well as a video cast on its operating plan for the following year that described its forward looking projections. Investor Relations published the recordings of these presentations on its website. The full audio recordings of all of these events were posted on Garanti BBVA Investor Relations website, mobile and tablet applications. Furthermore, in 2019, Garanti BBVA IR App was launched for mobile

** Central Registry Agency (CRA) foreign clearing custody data have been used.*

devices in addition to iOS and Android tablets. Contents prepared both in Turkish and English for the convenience of the investment community enable investors from all around the world to have easy access to all the information they need.

Commitment to its irreplaceable values of the principles of trust, integrity, accountability and transparency serves as the guarantee of the Bank's strong reputation and is Garanti BBVA's main responsibility to all its stakeholders. The steps Garanti BBVA takes to create value for the economy, the society and all its stakeholders are recognized by national and international authorities. Having qualified for BIST Sustainability Index and BIST Corporate Governance Index in 2014, Garanti BBVA still continues to be listed in these indices. In 2019, Garanti BBVA continued to be the only bank from Turkey listed in the Dow Jones SustainabilityTM Emerging Markets Index (DJSI), after being qualified in 2015. Companies included in the DJSI index are determined upon evaluation against a number of criteria including ethics, corporate governance, financing activities, environmental and social performance throughout the value chain, risk management, climate change mitigation, transparency, supply chain, human and employee rights. Garanti BBVA qualified for this index also in 2019, and thus, preserved its place in the index for the fifth consecutive year.

In addition to these, Garanti BBVA continued to qualify and remain a constituent of the FTSE4Good Emerging Markets Index, which is the independent organization jointly owned by the London Stock Exchange and the Financial Times and designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. Moreover, through its various practices and initiatives for ensuring gender equality in human resources, among customers and the community, Garanti BBVA is the only company from Turkey to be included in the Bloomberg Gender Equality Index that covers 230 companies from 10 industries from 36 countries and regions across the world.

EQUITY ANALYSTS' RATINGS

Garanti BBVA shares are widely covered by research analysts of leading domestic and international investment banks and brokerage houses. In 2019, 26 institutions have regularly issued equity research reports on Garanti BBVA. As of the end of 2019, 23 analysts had "BUY", 3 analysts had "HOLD" recommendation on Garanti BBVA stock.

23	3
BUY	HOLD

TL 46.8 BILLION
MARKET CAPITALIZATION

TL 23.4 BILLION
HIGHEST FLOATING MARKET CAPITALIZATION IN BIST 100

THE MOST TRADED STOCK BY
FOREIGNERS

TL 881 MILLION
AVERAGE DAILY TURNOVER

USD 29 BILLION
TOTAL FOREIGN TRANSACTIONS IN 2019

BIST 30 & BIST 100
HIGHEST WEIGHT

11%
TURNOVER MARKET SHARE
THE MOST TRADED BANKING STOCK OF BIST100

TL 1.47
EARNINGS PER SHARE

OUR GOVERNANCE

449 2.8 min 1 board

Garanti BBVA's effective Board of Directors is at the heart of the Bank's well-functioning governance structure and goes beyond fiduciary responsibilities. It acts as the ultimate internal monitor and contributes an outside view to corporate strategy, oversees performance against the strategy set out and helps Garanti BBVA thrive in the long run. To ensure effective risk management, the Board monitors compliance, internal control and risk management policies and systems that are aligned with the Bank's strategy and risk appetite, as well as subsequently performing its oversight function.

KEY CHARACTERISTICS OF THE BOARD OF DIRECTORS

Garanti BBVA has a one-tier Board of Directors that is formed by 11 members with the composition of 2 female and 9 male board members as of 31 December 2019. In accordance with the principle of separation of powers and authority, the Chairman and the CEO have different roles at Garanti BBVA. This clear distinction establishes a balance between authorities and powers within the scope of the Bank's corporate structure, drawing the lines of decision-making capacity of each position. The CEO is the only executive member of the Board of Directors.

The composition of the Board with 4 independent members supports the exercise of independent and objective judgment. Garanti BBVA's Board of Directors brings together members with the right combination and diversity of skills, background, knowledge, expertise and experience. Three non-executive members of the Board have board memberships in Garanti subsidiaries, four non-executive members have board memberships in other companies and two non-executive members have board of trustees memberships in foundations.

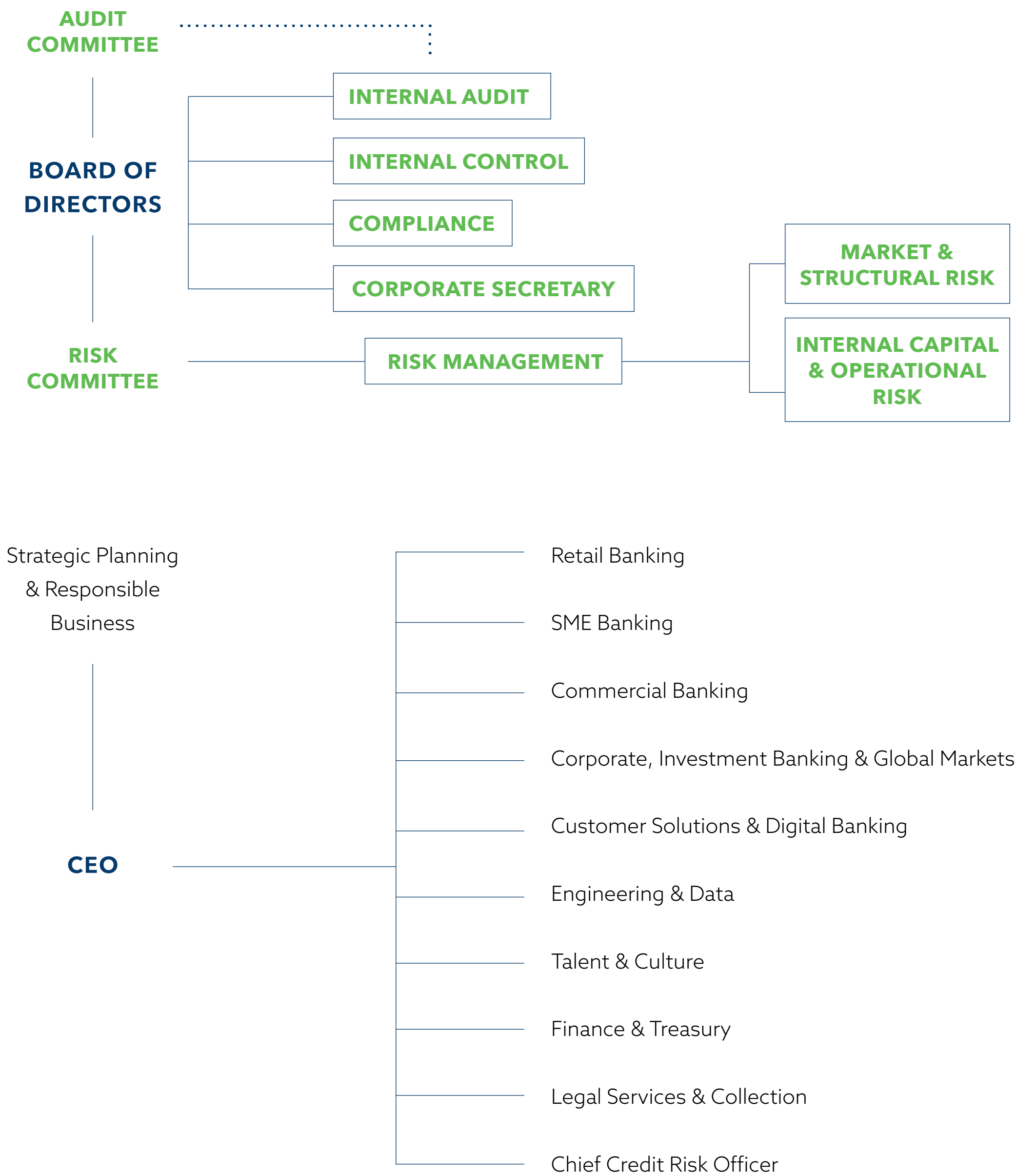
BOARD MEETINGS

The Board of Directors operates on the principle that it must convene as and when necessitated by the Bank's affairs and transactions, but at least once a month. Pursuant to the Articles of Association of the Bank, the Board of Directors meets with the attendance of seven members minimum and resolutions of the Board of Directors are taken by affirmative votes of at least seven members present in the meeting. In 2019, the Board of Directors passed 18 decisions by satisfying the required quorums for meeting and decision.

CORPORATE GOVERNANCE

The Corporate Governance Committee is responsible for monitoring the Bank's compliance with corporate governance principles, undertaking improvement efforts, nominating the independent board members, and offering suggestions regarding the nominees to the Board of Directors. As an indication of its commitment to, and the emphasis it places on, corporate governance, Garanti BBVA has been receiving Corporate Governance Rating since 2014. Increasing its score every year ever since, Garanti BBVA continues to be included in Borsa İstanbul Corporate Governance Index with a score of 9.73 assigned to it in 2019.

ORGANIZATIONAL STRUCTURE



BOARD OF DIRECTORS

	AVERAGE TENURE	AVERAGE EXPERIENCE
INDEPENDENT MEMBERS	4 YEARS	32 YEARS
OTHER MEMBERS	9 YEARS	32 YEARS

NATIONALITY

TURKISH

SPANISH

EDUCATION

BACHELOR'S
55%

MASTER'S
36%

DOCTORATE
9%

EXPERIENCE COMPOSITION

Chart is prepared in accordance with the Global Industry Classification Standard (GICS). The Global Industry Classification Standard (GICS) is an industry taxonomy developed by MSCI and Standard & Poor's (S&P) for use by the global financial community.

33%	Financials
9%	Consumer Discretionary Industrials Energy
6%	Communication Services Information Technology Health Care Consumer Staples Real Estate
3%	Glass and Chemicals Materials Technology Systems

COMMITTEE MEMBERSHIP

1 *Credit*
2 *Audit*
3 *Corporate Governance*
4 *Remuneration*
5 *Risk*
6 *Employee*
7 *Customer*
8 *Garanti BBVA Assets and Liabilities*
9 *Weekly Review*
10 *Cost Management and Efficiency*
11 *Sustainability*
12 *Personnel*
13 *Consumer*
14 *Integrity*
15 *Volcker Rule Oversight*
16 *Operational Risk Admission and Product Governance*
17 *Responsible Business*
18 *Corporate Assurance*
19 *Innovation*
20 *Corporate Crisis and Business Continuity Management*

SÜLEYMAN SÖZEN
CHAIRMAN
5

RECEP BAŞTUĞ
PRESIDENT & CEO
1-6-7-8-9-10-11-12-14-15-17-18-19-20

ERGUN ÖZEN
BOARD MEMBER
4

JORGE SÁENZ-AZCÚNAGA CARRANZA
VICE CHAIRMAN,
INDEPENDENT BOARD MEMBER
1-2-3-4

M. CÜNEYT SEZGİN
BOARD MEMBER
6-9-11-13-14-15-16-17-18-20

JAVIER BERNAL DIONIS
BOARD MEMBER
1-3-5-6-7-9-10

RAFAEL SALINAS MARTINEZ
BOARD MEMBER
1-5

JAIME SAENZ DE TEJADA PULIIDO
BOARD MEMBER
1

MEVHİBE CANAN ÖZSOY
INDEPENDENT BOARD MEMBER

SEMA YURDUM
INDEPENDENT BOARD MEMBER
2-3

RICARDO GOMEZ BARREDO
INDEPENDENT BOARD MEMBER
2

SENIOR MANAGEMENT

Left to right;
Aydın Düren, Didem Dinçer Başer, İlker Kuruöz, Ali Temel,
Işıl Akdemir Evlioğlu, Recep Baştuğ, Ebru Dildar Edin, Aydın Güler,
Cemal Onaran, Mahmut Akten, Selahattin Güldü, Osman Tüzün

COMMITTEES AND POLICIES

285 1.2 min 2 committee

There are a number of committees set up at the Bank to fulfill the supervisory function. The Board of Directors oversees and audits the entire Bank via these committees. The committees organized under the Board of Directors are Credit, Audit, Corporate Governance, Remuneration and Risk Committee.

In addition to these, there are committees whose members are composed of the Board of Directors members (Employee Committee, Customer Committee, Garanti BBVA Assets & Liabilities Committee, Weekly Review Committee, Cost Management and Efficiency Committee, Sustainability Committee, Personnel Committee, Consumer Committee, Integrity Committee, Volcker Rule Oversight Committee, Operational Risk Admission and Product Governance Committee, Responsible Business Committee, Corporate Assurance Committee, Innovation Committee, IT Strategy Committee, Corporate Crisis and Business Continuity Management Committee, Portfolio Strategy Committee) and/or the Bank's executives (Risk Management Committee, Disciplinary Committee, Information Security Committee, Wholesale Credit Risk Committee, Credit Admission Committee, Retail Credit Risk Committee, Risk Technology and Analytics Committee, Local Benefits Committee, IT Risk and Internal Control Committee, Credit Cards and Member Merchants Pricing Committee, Data Security and Protection Steering Committee, Work Out Committee).

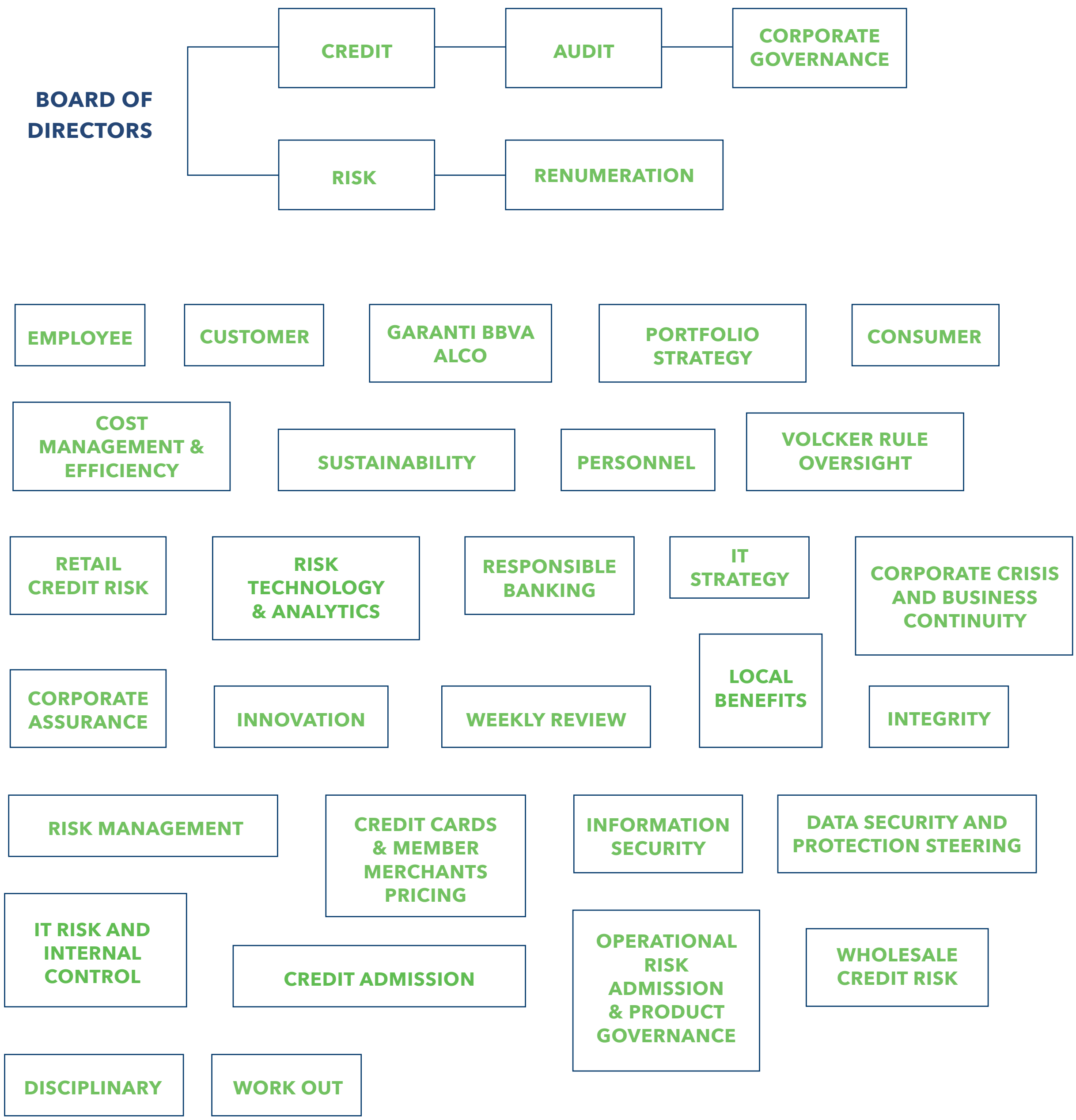
Commitment to its irreplaceable values of the principles of trust, integrity, accountability and transparency is Garanti BBVA's main responsibility to all its stakeholders, particularly its customers and employees, and serves as the guarantee of the Bank's strong reputation.

In line with its responsible and sustainable banking concept, and the importance the Bank attaches to Corporate Governance Principles and ethical values, Garanti BBVA established a number of policies, codes and statements governing conduct and business relationships. Through these documents, an interaction structure has been established between the Board of Directors, senior management and committees and the Bank, corporate culture has been strengthened, and good governance practices have been introduced.

POLICIES

- CLIMATE CHANGE POSITION STATEMENT & ACTION PLAN
- GARANTI BBVA CODE OF CONDUCT FOR SUPPLIERS
- EMPLOYEE COMPENSATION
- DIVIDEND DISTRIBUTION
- ENVIRONMENTAL
- DISCLOSURE
- ENVIRONMENTAL & SOCIAL LOAN
- COMPENSATION
- GARANTI BBVA CODE OF CONDUCT
- DECLARATION OF HUMAN RIGHTS
- ANTI-CORRUPTION POLICY STATEMENT
- DONATION & CONTRIBUTION
- WORKING PRINCIPLES & PROCEDURES OF THE BOD
- ANTI-MONEY LAUNDERING
- HUMAN RESOURCES
- SUSTAINABILITY

COMMITTEES


BOARD OF DIRECTORS
CREDIT
AUDIT
CORPORATE GOVERNANCE
RISK
RENUMERATION
EMPLOYEE
CUSTOMER
GARANTI BBVA ALCO
PORTFOLIO STRATEGY
CONSUMER
COST MANAGEMENT & EFFICIENCY
SUSTAINABILITY
PERSONNEL
VOLCKER RULE OVERSIGHT
RETAIL CREDIT RISK
RISK TECHNOLOGY & ANALYTICS
RESPONSIBLE BANKING
IT STRATEGY
CORPORATE CRISIS AND BUSINESS CONTINUITY
LOCAL BENEFITS
CORPORATE ASSURANCE
INNOVATION
WEEKLY REVIEW
INTEGRITY
RISK MANAGEMENT
CREDIT CARDS & MEMBER MERCHANTS PRICING
INFORMATION SECURITY
DATA SECURITY AND PROTECTION STEERING
IT RISK AND INTERNAL CONTROL
CREDIT ADMISSION
OPERATIONAL RISK ADMISSION & PRODUCT GOVERNANCE
WHOLESALE CREDIT RISK
DISCIPLINARY
WORK OUT

RISK MANAGEMENT REVIEW

884 4.1 min 2 risk

Garanti BBVA measures and monitors its risk exposure on consolidated and unconsolidated bases by using methods compliant with international standards, and in accordance with the applicable legislation. Advanced risk management tools are utilized in measuring operational risk, market risk, structural interest rate risk, exchange rate risk, liquidity risk, counterparty credit risk and credit risk.

The Bank's risk management strategy, policies and implementation procedures are reviewed within the framework of regulatory changes and the Bank's needs.

The risk management process is organized in such a way that the material issues and strategic goals are linked and are the basis for the risks and opportunities identified.

Through the risk appetite framework, the Bank determines the risks that it is prepared to take based on the predicted capability of safe handling of risks so as to achieve the goals and strategic objectives as defined by the Board of Directors. Risk-based limits are monitored regularly using risk appetite metrics pertaining to capital, liquidity and profitability, which have been established as per the risk appetite framework.

Risk Management handles the preparation of the ICAAP report by coordinating the related parties, which will be submitted to the BRSA. In addition, the stress test report is submitted to the BRSA, which addresses how the potential negative effects on macroeconomic data might alter the Bank's three-year budget plan and results within the framework of certain scenarios, as well as their impact upon key ratios including the capital adequacy ratio.

Within the risks managed, the Bank defines the risks and risk factors in dimensions such as customer-centeredness, workplace, ethics and citizenship, finances and leadership, as well as a map in which it prioritizes the Reputational Risks it faces, together with a set of action plans to mitigate these risks. The risks are then governed through the relevant committees within the Bank's extensive committee structure. Reputational Risk is managed according to the relevant policy approved by the Board of Directors.

Environmental and Social Risks associated with financing activities that could result in adverse impacts on the environment and society are governed through methods and procedures that transcend international practices and in a way that covers the entire credit portfolio.

Operational Risk covers processes, internal and external fraud, technology, human resources, business practices, disasters and suppliers, and is managed on the basis of the three lines of defense approach within the framework of risk management policies approved by the Board of Directors.

Market Risk is managed by measuring and limiting risk in accordance with international standards, allocating sufficient capital and minimizing risk through hedging transactions within the framework of the policy approved by the Board of Directors.

Within the scope of the policy approved by the Board of Directors, to determine and manage the Bank's exposure to Structural Interest Rate Risk arising from potential maturity mismatches in its balance sheet, duration gap, economic value of equity (EVE), economic capital (ECAP), credit spread risk sensitivity, net interest income (NII), earnings at risk (EaR) are monitored by measuring market price sensitivity of securities portfolios followed up in the banking book.

The potential impact of negative exchange rate fluctuations upon the capital adequacy ratio and FC risk-weighted assets are regularly followed up, monitored according to internal limits, and reported within the scope of Structural Exchange Rate Risk within the framework of the policy approved by the Board of Directors, in the case that the Bank performs material operations in currencies other than the local currency in its balance sheet or maintains positions for shareholders' equity hedging purposes.

Liquidity Risk is managed within the framework of liquidity and funding risk policies approved by the Board of Directors under the supervision of ALCO and the Weekly Review Committee in order to take appropriate and timely measures in case of liquidity squeeze arising from market conditions or the Bank's financial structure.

Credit Risk management, which is a process for consistently evaluating and monitoring credit risk, is carried out within the framework of the policy approved by the Board of Directors, and covers all credit portfolios. In order to rate customers using objective criteria, outputs from scorecard models and internal risk rating models, which were developed using statistical methods on historical data, are incorporated into relevant lending policies and procedures.

Measurement, monitoring and limit creation activities for Counterparty Credit Risk are managed in accordance with the policy, which is approved by the Board of Directors and encompasses strategy, policy and procedures.

Under the Country Risk policy approved by the Bank's Board of Directors, methods compliant with international norms and local regulations are employed to evaluate and monitor developments in country risk on the basis of individual countries, and related reporting, control and audit systems are established as necessary.

The Bank defines and monitors Concentration Risks on the basis of different types of risks or individual risks, which might result in material losses that would endanger the ability to sustain fundamental activities or the financial structure or lead to a significant change in the risk profile, within the framework of the policy approved by the Board of Directors. Risks for Affiliates subject to consolidation are managed in coordination with risk management units/functions in affiliates in accordance with the scale appropriate for the structure, complexity level, size and risks of the relevant affiliate.

MATERIAL CLUSTERS	VALUE DRIVERS
CUSTOMER EXPERIENCE	→ Offer our customers an excellent experience by placing them at the center of all our activities and efforts → Always be transparent, clear and responsible towards our customers → Design our processes from our customers' perspective, vesting them in a swift, easy and plain format → Help our customers in making informed decisions through supporting financial literacy, health and inclusion in solutions that we offer → Have long-lived relationships with our customers that are built on trust by exceeding their expectations and enhancing their satisfaction → Offer innovative solutions and advise our customers to grow their businesses in a sustainable manner
FINANCIAL PERFORMANCE	→ Use capital effectively so as to maximize the value to be created → Focus on disciplined and sustainable growth on the basis of true banking principle → Strict adherence to solid asset quality → Constantly improve business model and processes with operational and environmental efficiency point of view → Cost and revenue synergies
DIGITAL TRANSFORMATION	→ Constantly invest in digital platforms so as to provide unrivaled customer experience, transaction convenience, and pioneering solution suggestions → Expand our digital customer base and increase the share of digital channels in our sales → Take precautions against all risks which could prevent secure and uninterrupted service (e.g. cyber threats) ensuring information security
INVESTING IN HUMAN CAPITAL	→ Invest in our employees focusing on their development, satisfaction and well-being → Form teams possessing team spirit, acting with shared wisdom, social responsibility and delivering results → Embrace a fair and transparent management policy based on performance, focused on equal opportunities, diversity and promoting from within
RESPONSIBLE AND SUSTAINABLE DEVELOPMENT	→ Implement an advanced corporate governance model that promotes our core values → Act with the principles of trust, integrity, accountability and transparency to all stakeholders → Effective risk management through world-class integrated management of financial and non-financial risks → Create shared value through lending based on impact investment principles → Drive positive change through strategic partnerships → Focus on community investment programs which deliver impactful outcomes on material clusters

MAIN RISK AREAS

- REPUTATIONAL RISK
- ENVIRONMENTAL AND SOCIAL RISK
- OPERATIONAL RISK
- COUNTRY RISK
- MARKET RISK
- STRUCTURAL INTEREST RATE RISK
- STRUCTURAL EXCHANGE RATE RISK
- LIQUIDITY RISK
- CREDIT RISK
- COUNTERPARTY CREDIT RISK
- CONCENTRATION RISK
- RELATED PARTY RISKS

OUR VALUE CREATION

#entrepreneur #empowerment #mentorship #financing #diversity #partnership #incentives #equality

Please scan the QR code to listen *Cemal Onaran, EVP of SME Banking*, talk about fostering the entrepreneurial ecosystem, access to finance, and active participation of women in employment and economic life.

OUR MATERIAL MATTERS

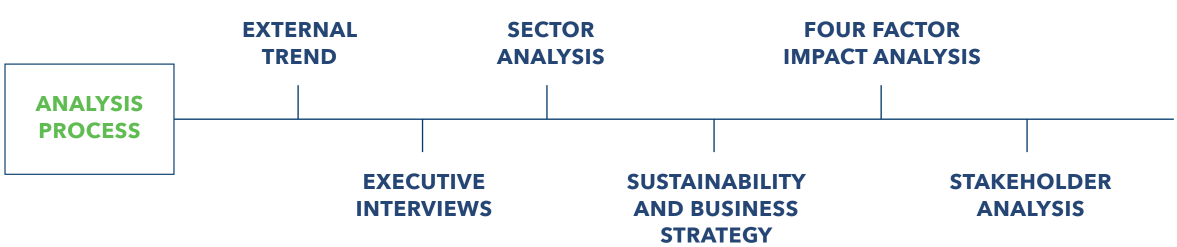
788 3.4 min 3 analysis

With this integrated report we aim to provide a coherent story of our activities. The basis of this story is the materiality analysis which enables us to identify the most relevant and important topics for Garanti BBVA and its stakeholders, the material issues. Material issues are mainly determined based on stakeholder dialogue and are plotted in the materiality matrix. The topics defined within the materiality matrix form the basis of this report, as described in the 'About This Report' section.

We performed our first materiality analysis in 2013. As we want to make sure that we are always in line with the needs of our stakeholders and that the identified material issues are still the most important, we perform an update of our materiality analysis approximately once in every two years. The revision in the first quarter of 2017 formed the basis for our 2017 and 2018 reports. The last revision was finalized in 2019. As we brought our new analysis to completion, we once again listened to our internal and external stakeholders, and reviewed the connection between our corporate strategy and global trends which impact the banking sector.

As Garanti BBVA, we carried out a desk study where we gathered the available information shaped by the opinions of all our key internal and external stakeholders, and studied the trends, sectoral reports, reports of global banks, and advice by international professional organizations such as the UN Environment Program Finance Initiative (UNEP FI), Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB). On another front, we identified the topics taking into consideration the outputs from the task force that included the Strategic Planning and Responsible Banking Unit at the BBVA Group. Then, we conducted a comprehensive stakeholder analysis by reaching all key stakeholder groups via questionnaires and phone calls to gather their opinion. In the external trend analysis, we reviewed the priorities of initiatives which guide the business world and financial sector, such as the UN Sustainable Development Goals, UN Principles for Responsible Investments, the World Economic Forum's Global Risks Report, Presidency of the Republic of Turkey Department of Strategy and 11th Development Plan, and UNEP FI Principles for Responsible Banking. Our external stakeholder analysis also incorporated reports issued by organizations active in the same sector, printed media and social media feedbacks to gain an insight into the perspective of the society and the sector, as well.

We included the view of a senior executive who is directly reporting to our Board of Directors and the CEO. The senior executive evaluated the topics according to the five-year corporate strategy and topics' risk and opportunity areas as well as their operational, reputational, strategic, legal and financial impact. In addition, we

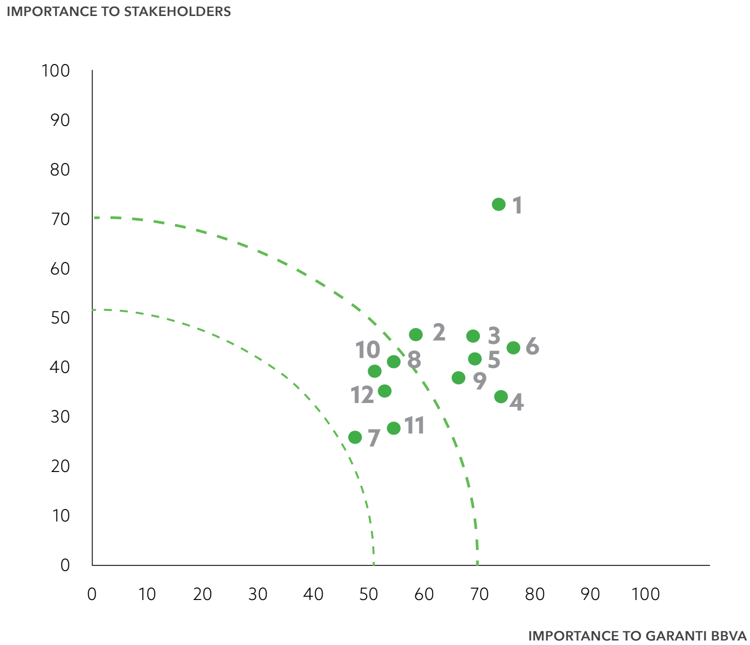


evaluated the topics through a four-step assessment called "Four Factor Impact Analysis". In the assessment, we ranked each topic according to the magnitude of impact, likelihood of impact and time frame (short, middle, long) in terms of;

- Direct financial impact and risk,
- Legal, regulatory and policy drivers,
- Opportunities for innovation,
- Industry norms, best practices and competitive advantage.

In an integrated governance approach, we finalized the analysis considering the alignment of topics with our integrated business strategy. According to the analysis, the following were assigned over 70% importance and were highlighted within 12 material topics: Solvency and sustainable results, corporate governance, ethical behavior and consumer protection, easy, fast and DIY, adequate and timely advice to customers, cybersecurity and responsible use of data, and environmental and climate chang impact. These were clustered under 6 main topics in our analysis: Customer Experience, Financial Performance, Digital Transformation, Corporate Governance and Risk Management, Investing in Human Capital, Responsible and Sustainable Development.

MATERIAL ISSUES FOR GARANTI BBVA AND ITS STAKEHOLDERS



1	**Solvency and Sustainable Results**
2	**Corporate Governance**
3	**Ethical Behavior & Consumer Protection**
4	**Adequate and Timely Advice to Customers**
5	**Easy, Fast and DIY**
6	**Cybersecurity & Responsible Use of Data**
7	Talent Attraction, Development and Retention
8	Diversity and Conciliation
9	**Environmental and Climate Change Impact**
10	Human Rights
11	Financial Education & Inclusion
12	Contribution to Societies' Development

SUSTAINABLE DEVELOPMENT GOALS AND GARANTI BBVA

On 1 January 2016, the Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development officially came into force. SDGs, adopted by the United Nations, guide the business world in terms of contributing to social development.

To ensure an inclusive, strong and stable economy for all individuals and to achieve social welfare in the world, the financial services sector should also adopt the SDGs in various ways, including, for example, by reshaping market opportunities in line with society's needs. The actions we undertake to address the material issues contribute to the SDGs and are explained in the Performance Section of this report.

CUSTOMER EXPERIENCE	4	Adequate and Timely Advice to Customers
	11	Financial Education & Inclusion
FINANCIAL PERFORMANCE	1	Solvency and Sustainable Results
CORPORATE GOVERNANCE & RISK MANAGEMENT	2	Corporate Governance
	9	Environmental and Climate Change Impact
	3	Ethical Behavior & Consumer Protection
DIGITAL TRANSFORMATION	5	Easy, Fast & DIY
	6	Cybersecurity & Responsible Use of Data
INVESTING IN HUMAN CAPITAL	7	Talent Attraction, Development and Retention
	8	Diversity and Conciliation
RESPONSIBLE & SUSTAINABLE DEVELOPMENT	9	Environmental and Climate Change Impact
	10	Human Rights
	11	Financial Education & Inclusion
	12	Contribution to Societies' Development

STAKEHOLDER ENGAGEMENT

3,101 14.57 min 9 customers

Because of the great importance we attach to them, regular communication with our stakeholders and hearing their opinions give us the opportunity to be a more inclusive Bank in every aspect. Continuous feedback from our stakeholders allows us not only to understand stakeholder expectations and meet their needs more sensitively, but also presents us with a great opportunity to determine risks and opportunities, and set our priorities and strategy more comprehensively.

In 2019, as Garanti BBVA we maintained the dialogue with all our internal and external key stakeholders through various channels all year round. Based on the feedback from these dialogues and the outputs from the task group at BBVA Group in which our Strategic Planning and Responsible Banking Unit participated, we identified our material issues. In view of these issues, we updated our materiality analysis and revealed how they are prioritized by our internal and external stakeholders and which issues need to be given the forefront depending on the materiality of the determined issues. In this process, we used the AA1000SE Stakeholder Engagement Standard (2015) as a reference to conduct the stakeholder engagement process in a more strategic and comprehensive way.

Firstly, we grouped our stakeholders according to three criteria as directly impacting Garanti BBVA, indirectly impacting Garanti BBVA, and bringing in new opportunities, insights and approaches.

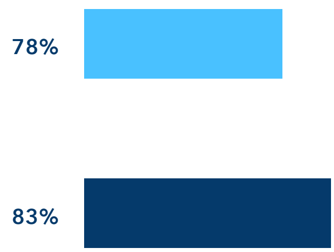
Based on this analysis, Garanti BBVA's key stakeholder groups are determined as customers, employees, shareholders and investors, NGOs, international organizations and associations, government agencies & regulatory bodies, and international financial institutions. In addition to these stakeholder groups, case studies from the banking sector, current international trends, printed broadcast sources and social media feedbacks made a part of our materiality analysis together with the stakeholder groups in order to capture the viewpoint of the society and the sector regarding these issues. Then, we evaluated our stakeholders according to the criteria of dependency, influence, proximity, representation, policy, strategic intent and responsibility, and calculated the weighted score for each stakeholder group.

We reached most of the prioritized stakeholders via surveys. With a 100% response rate, we collected the opinion of approximately 1,500 people through the survey carried out by an independent company and the relevant teams within the Bank. We conducted an interview with a senior manager responsible for strategy and directly reporting to the Board and the CEO. We asked our stakeholders to prioritize the 12 topics identified in terms of the ones they deem important and wish to highlight, and share their perception of important trends with their opinions and expectations about Garanti BBVA's practices.

Within the topics we have identified as Garanti BBVA, the issues assigned with above 70% importance and highlighted by our internal and/or external stakeholders were Solvency and Sustainable Results, Corporate Governance, Ethical Behavior and Consumer Protection, Easy, Fast and DIY Options, Environmental and Climate Change Impact, Adequate and Timely Advice to Customers, Cyber Security and Responsible Use of Personal Data.

GRI 102-43, GRI 102-44

MOST OF OUR STAKEHOLDERS EXPECT GARANTİ BBVA TO MAINTAIN ITS PIONEERING POSITION IN SUSTAINABLE FINANCE, RAISE AWARENESS OF THIS TOPIC AMONG ITS CUSTOMERS AND DELIVER SUSTAINABLE FINANCIAL PRODUCTS.



Customers and employees find sustainable financial products are important for managing environmental impact and battling climate change.

Customers and employees find management of digital risks is important.

PROXIMITY
Garanti BBVA's interaction frequency, engagement in daily activities, long-term relations

DEPENDENCY
Direct or indirect dependency for the continuity of the company's activities

INFLUENCE
Impact on the company or decision-making power

REPRESENTATION
Officially representing certain groups

RESPONSIBILITY
Garanti BBVA's financial, operational and legal responsibility

POLICY AND STRATEGIC INTENT
Supporting the company in developing policy and strategy about emerging new risks and issues

GRI 102-43, GRI 102-44

STAKEHOLDER GROUP	ISSUE	MATERIAL ISSUE RELEVANCY	WHAT DO WE DO ABOUT IT?
CUSTOMERS	→ Increasing expectations on faster service, less waiting time and better experience especially in branches → New demands in line with new technologies and digitalization → Increasing need for being informed about the regulatory changes surrounding FX loans and foreign trade → SME customers' need to personally get acquainted with all contacts in the Bank, and to see and feel them as their advisor or their company's representative at the Bank	→ Cyber Security and Responsible Use of Data → Easy, Fast &DIY → Solvency and Sustainable Results → Ethical Behavior & Consumer Protection → Human Rights → Adequate and Timely Advice to Customers	→ In 2019, Garanti BBVA kept offering new channels as part of complaint handling digitalization. Accordingly, customers began communicating their complaints by leaving "voice messages" via the Customer Communication Center. We will keep enriching the digital channels to offer an even better experience in this regard in 2020. → Under the Central Customer Services Representative (CSR) Project, operational transactions are being performed by a central team, thus alleviating the operational workload on SME portfolios in branches. Thus, portfolios were supported to allocate more time to customer relationship management. → In 2019, Garanti BBVA completed the transformation of branches into the new service model. The new model captures the benefits of the emerging digital world to offer an all-around excellent banking experience. → The usage scope of the chatbot Bilge (the Wise) launched in 2018 in order to improve the customer service quality by the Customer Experience Support team was expanded in 2019. The chatbot was made available for use by new teams, thus bringing the total number of users to more than 1,000. Bilge now answers over 30,000 queries per month. → The customer experience in digital channels have been further improved with the releases of; → QR code based transaction options, → Video call authentication for transactions that needed to be performed through branches or Customer Contact Center before → Integrated in-app search engine for Garanti BBVA Mobile App, displaying specific functions, recent transactions and suggestions → Launched credit card application and limit increase tracking - from initial evaluation to delivery status in BonusFlas → Added card blockage functions - 24 hours temporary & international blockage and international transactions notifications → Service provision also via WhatsApp, and → İstanbulkart top-up and balance viewing capability via Garanti BBVA Mobile. → With the "Smart Transactions" recently added to Garanti BBVA Mobile, a service was offered intended to enhance customer experience by reducing the time and effort customers spend for performing their daily financial transactions. → Onboarding process can be initiated through Garanti BBVA Mobile and completed by just executing a signature at the branch to become a Garanti BBVA customer. It is targeted to turn this into an end-to-end digital experience following the regulatory changes to be made. → Garanti BBVA also redesigned mobile and online services for SME customers to enable them to easily monitor critical products and accounts as well as their cash flow and account summaries. → Informative foreign trade seminars were organized for customers whereby they were updated about the regulatory changes. → Visits were planned for all SME customers, and customer relations were deepened through emphatic visits. The Bank worked on training programs that will help all employees to deliver a better customer experience, as well as sector-related specific content, and authorization packages that will help them find solutions to customer needs more quickly. My Empathy Assistant platform supporting resolution of customers' issues at first contact by our employees is made available to all employees servicing SME customers. The content of the platform was improved and enriched accordingly.

STAKEHOLDER GROUP	ISSUE	MATERIAL ISSUE RELEVANCY	WHAT DO WE DO ABOUT IT?
EMPLOYEES	Increasing the employees focus and satisfaction with the Bank practices; ensuring employee representation in HR processes and decision mechanisms existing within the employee journey.	→ Solvency and Sustainable Results → Cyber Security and Responsible Use of Personal Data → Easy, Fast & DIY → Adequate and Timely Advice to Customers → Corporate Governance → Ethical Behavior and Consumer Protection	→ Garanti BBVA makes available structured training for idea conception with its employees, while offering them the necessary infrastructure and technical capabilities for developing feasible ideas and for thinking big and taking innovative steps. → In 2019, a wide variety of topics were addressed on idea and opinion development platforms, Önersen, GONG, Atölye and Ask/Share. While 230 ideas and opinions were shared via GONG, 922 were conveyed through the Önersen platform (more than 24,000 since 2007). → During the idea workshop intended to build on corporate values in the last quarter of 2019, 120 employees developed ideas that will more efficiently capture the values in daily life, employing the design thinking technique. → In 2019, agile project methodologies launched in Head Office units contributed to business development by employees based on shared wisdom in improvement areas and to presentation of their projects to the committees. → In 2019, existing coaching and mentoring practices began to be reshaped based on employee suggestions and demands. → With the guidance of women employees contacted to get their ideas within the scope of practices observing equality in employee journeys of women and men employees, the Paternal Experience Project was initiated in 2019, similarly to the Maternal Experience Project launched in the previous year.

STAKEHOLDER GROUP	ISSUE	MATERIAL ISSUE RELEVANCY	WHAT DO WE DO ABOUT IT?
SHAREHOLDERS AND INVESTORS	→ Following the change in the CEO seat during the reporting period, communication of our new CEO with investors → Expecting more transparency on the following issues: - Extent of asset quality deterioration due to rapidly changing market conditions and specific sectors - Possible new regulatory framework affecting the banking sector - Currency Volatility - Interest Rates → More detailed disclosure on the carbon intensity of the loan book	→ Solvency and Sustainable Results → Corporate Governance → Environmental and Climate Change Impact → Cyber Security and Responsible Use of Data → Easy, Fast & DIY → Ethical Behavior & Consumer Protection → Financial Education & Inclusion	→ The management interview video of our new CEO broadcast on Garanti BBVA TV increased his visibility by the investors and the media. → Our new CEO got together with shareholders and potential investors at the London investor conference. → Increased transparency in the financial result presentations : detailed sectoral breakdown of the loan book. → Detailed explanation about the differentiated and prudent staging as well as the coverage details. → Additional free provisions were set aside in 1Q19 & 4Q19 for any negative circumstances that may arise. Total free provisions in the balance sheet reached TL 2.5 billion. → In 2019 characterized by rapidly changing market dynamics, Garanti BBVA IR team increased engagement via conferences, roadshows and conference calls. IR team reached 667 investment firms in 2019. → Provisions due to currency depreciation are 100% hedged. → High share of CPI-linkers (share in the TL securities: 73%) serves as a hedge against volatility in interest rates & inflation. → Information was provided about the high margin and profitability that the Bank successfully preserved over the years despite volatile macro indicators. → Information was shared regarding the Bank's action plans against actual and potential regulatory implications. → Lunch meetings were organized with stock analysts and stock sales departments for more effectively telling about the story of Garanti BBVA stock. → Garanti BBVA has been responding to CDP Climate Change since 2009 and CDP Water since 2015. The Bank makes all of its reports public on its website. The Bank is also among the first supporters of TCFD Recommendations, and is part of the core team of the UN Principles for Responsible Banking developed by the UNEP-FI. In this year's Integrated Annual Report, as it does every year, the Bank disclosed the ratio of its loans extended to companies with carbon-related risks and total financing mobilized to low-carbon investments.

STAKEHOLDER GROUP	ISSUE	MATERIAL ISSUE RELEVANCY	WHAT DO WE DO ABOUT IT?
FINANCIAL INSTITUTIONS	Credit ratings of debt instruments were lowered by some rating agencies during the year	→ Solvency and Sustainable Results → Human Rights → Ethical Behavior and Consumer Protection → Environmental and Climate Change Impact → Diversity and Conciliation → Corporate Governance	→ Negotiations and amendments to relevant clauses in existing and new agreements have been made throughout the year. → The Global Compact Sustainable Finance WG headed by the Bank expanded the scope of Sustainable Finance Declaration to include a decrease in investment amount limit and some provisions to ensure better control of banks on the impact of projects financed by them, and provide guidance for the management of environmental and social risks. → A series of stakeholder feedback meetings were organized with other banks and international financial institutions for the final version of the UNEP FI Principles for Responsible Banking. The Principles were launched on 22 September 2019 during the UN General Assembly meeting in New York City. Garanti BBVA was among the banks pledging to implement the UN Principles for Responsible Banking, together with five other banks from Turkey. → UNEP FI Impact Analysis WG organized a series of meetings to work on the portfolio impact analysis methodology in the finance sector.

STAKEHOLDER GROUP	ISSUE	MATERIAL ISSUE RELEVANCY	WHAT DO WE DO ABOUT IT?
NON-GOVERNMENTAL ORGANIZATIONS AND ASSOCIATIONS	→ Sharing our know-how and in-depth experience in ESG Management and Sustainable Finance → Aligning our portfolios with low carbon pathways	→ Diversity and Conciliation → Corporate Governance → Contribution to societies' Development → Solvency and Sustainable Results → Human Rights → Ethical Behavior and Consumer Protection	→ Garanti BBVA transformed its Sustainability Website launched in May 2018 into a living platform in 2019 within the frame of stakeholders' best practices, global trends and developments. → Garanti BBVA, being the only founding member bank from Turkey in the UNEP FI's Principles for Responsible Banking Core Group, became a signatory of the Principles in 2019. The Principles, aimed at aligning the banking sector with the UN Sustainable Development Goals (SDGs), will provide substantial contribution to these goals along with the Paris Agreement by setting the roadmap for the banking sector. Defining the new role of the banking in the 21st century society and economy, they aim to maximize the impact of the banking sector on achieving a sustainable, equal and prosperous future. → Beginning from 2014, 100% of the total amount of financing to greenfield electricity production investments in project finance activities has been provided to renewable investments. → Owing to the importance it attaches to gender equality and diversity and to the steps it has taken in this area, Garanti BBVA qualified to be included once again in 2019 in the Bloomberg Gender Equality Index as the only company from Turkey. The Bank continued to convey its initiatives and experiences in this area to all of its stakeholders via associations it chairs or belongs to.

STAKEHOLDER GROUP	ISSUE	MATERIAL ISSUE RELEVANCY	WHAT DO WE DO ABOUT IT?
GOVERNMENT AGENCIES & REGULATORY AUTHORITIES	→ Personal Data Protection Board announced the procedures and principles of the Data Controllers Registry. It has also outlined the details about applications and information which must be filled with the registry. The Board also published the dates on which data controllers must register. On 17 February 2020, deadline for registration in the Data Controllers Registration Information System (VERBIS) was extended until 30.06.2020. → Pursuant to the final action plan updated in the Coordination Council for the Improvement of Investment Environment (in Turkish: YOIKK) meeting held on 8 August 2019 and chaired by Vice President Fuat OKTAY, which is publicly disclosed on YOİKK portal (yoikk.gov.tr), Borsa İstanbul was designated as the entity in charge of the action "Encouraging our companies to get higher share of global sustainable investment flows" covered within the responsibility areas of Tax, Financing and Incentives Working Group. → The Ministry of Environment & Urbanization asked the banks to provide support on COP Turkey pavilion events and negotiations → Department of Energy Efficiency and Environment asked for opinions regarding new financing models for funding residential heat insulation projects.	→ Solvency and Sustainable Results → Environmental and Climate Change Impact → Talent Attraction, Development and Retention → Easy, Fast & DIY → Contribution to societies' development → Diversity and Conciliation	→ Garanti BBVA initiated an IT project increasing the efficiency of the registration process. As part of this project, the Bank's personal data inventory will be reviewed in light of the regulatory framework. Also, the follow-up structure will be improved to keep the inventory up to date. → Internal work has been completed for VERBIS registration, however the registry was not entered in the system due to the deadline extension. The IT project mentioned above is ongoing for keeping the personal data inventory up-to-date and to improve the VERBIS registration with the help of the inventory. A personal data exploration tool will be purchased for the project. → Garanti BBVA has been advising and cooperating with regulatory bodies such as the BRSA, CMB, and Borsa İstanbul regarding non-financial issues to be included in the regulatory framework. Garanti BBVA directly contributed to the memo sent by TUSIAD (Industry and Business Association of Turkey) for contributing to Borsa İstanbul's work associated with YOIKK and participated in meetings via various business associations. → As part of the side events hosted by the Ministry of Environment & Urbanization at COP25, the panel "10 Years Countdown to 2030: Banks Acting as Influencers to Enhance Common Market Practice" was held in which Garanti BBVA took part. Garanti BBVA is committed to provide support to technical studies and sectoral workshops organized by the Ministry to contribute to climate negotiations. → In response to the demand from the Department of Energy Efficiency and Environment, Garanti BBVA offered its suggestions regarding new financing models directed at support mechanisms that can be created for residential heat insulation projects. The suggestions include mechanisms that can be easily integrated into systems, for which customers can quickly request and receive service for.

STAKEHOLDER GROUP	ISSUE	MATERIAL ISSUE RELEVANCY	WHAT DO WE DO ABOUT IT?
TOP MANAGEMENT	→ Efficient management of asset quality and credit risk → Develop products and services, which will support customers' financial well-being and improve the Bank's "referral" competencies on digital channels using big data analysis and AI in accordance with Transparent, Open, Responsible Banking (TOR) principles → Developing innovative solutions to support our customers on improving their sustainability performance → Constantly enhance customer experience and carry on with improvement after the new service model → Providing a safe, healthy, and happy workplace for employees where their well- being and personal development are fully supported → Be a data-driven organization and ensuring responsible use of data → Sustain technology investments at the same speed and effective use of resource	→ Solvency and Sustainable Results → Adequate and Timely Advice to Customers → Cyber Security and Responsible Use of Data → Talent Attraction, Development and Retention → Environmental and Climate Change Impact → Corporate Governance → Ethical Behavior and Consumer Protection → Easy, Fast & DIY → Diversity and Conciliation → Human Rights	→ Market developments were closely watched and asset quality, which was a top agenda item during the year, was managed proactively. → Customer needs and possible issues were identified asap and action plans were developed, thus observing the health of the balance sheet, and financial well-being of our customers. → Credit teams and business lines worked in harmony, displayed responsible management, while credit risk was managed with the utmost sensitivity and all stakeholders were kept informed transparently throughout the year. The Bank's provisions were managed prudently and reinforced. → While aiming to increase financial literacy of its customers and making them aware of their financial status, Garanti BBVA is working on Financial Health function that will be implemented in Garanti BBVA Mobile Banking app, which will show customers their status on savings and expenses. Customers will be able to get information about their financial status around savings-expenses, they will be offered insights and special action plans to improve their Financial Health. Finally, a percentage about the whole process will be shown to customers. Digital Banking teams work with the Analytical Team to cluster Garanti BBVA customers according to their spending/earning behavior based on big data analysis. → In 2018, Garanti BBVA launched two Green Loan structures where the margin of the loan is directly linked to the sustainability performance of the borrower. The customers' performance evaluations with respect to these loans were completed in 2019.In addition, in 2019, the Bank signed a Gender Loan agreement structured based on its initiatives in gender equality, which supports equal treatment of women and men employees by companies. → Important agenda items included elaborating on improvement areas in other relevant management meetings where customer feedback received from various channels such as Customer Committee meetings, research, complaint handling platforms and so on is regularly evaluated, and steering projects designed to enhance customer experience. As the continuation of the service model transformation that has been completed in all branches last year, work continued to ensure full adaptation of our branches to the new structure. Efforts for minimizing operational workload on branches, digitalization of processes and constantly improving and accelerating the quality of customer service gained speed. → The Employee Committee, which is headed by the CEO and has Board and Top Management members as its members, continued to work on enhancing customer satisfaction, and increasing the number of programs balancing work and life and improving employee motivation in 2019. Our Employee Engagement score increased in 2019 on the back of initiatives in this vein. → Following the introduction of the "Data Governance" and "Data Transformation" projects, increased integration of data in our daily lives and decision-making points, expanding data use in areas that will create positive value for our customers and the Bank, and increasing the prevalence of data projects made the important agenda items of the year. → Project "ARK", which started by mid-2019 , is intended to modernize the entire technology platform. Upon completion of the project, efficiency of software development processes will increase, and in turn, time to market will shorten. Use of state of the art and innovative technology and processes will help overcome the problems experienced in finding the human resource in the technology field. A key output of the project will be increased capability of Garanti BBVA to introduce products depending on new technology (real-time marketing, API market, blockchain etc.). → In terms of effective use of technology resource and project management, quarterly priority setting meetings (PSM) for the Bank projects and investments continued to be held where strategic priorities, value creation, cost and resource utilization aspects were addressed.

RISKS AND OPPORTUNITIES

7,791 38 min 12 customers

2019 was another year of great challenges and opportunities. The major risks businesses are and will be facing today and tomorrow are not the same as yesterday. Within this chapter we will share 10 types of risks and opportunities that we believe are relevant for the banking sector, shaped by this year's mega trends and how they impact Garanti BBVA and our stakeholders.

Below mentioned risks and opportunities are addressed through a variety of hard and soft controls such as Garanti BBVA's risk management approach and through initiatives carried out under the framework of material issues as explained in performance chapters and in the "Corporate Governance & Risk Management" section.

Challenges and opportunities with regards to the Turkish Economy and Turkish Banking Sector are further addressed in "The Environment We Operate In" section.

2019 MEGA TRENDS AND RISK DRIVERS

BUSINESS (1)

- Customer Empowerment
- The Future of Work
- Competition for Talent
- Transparency
- Efficiency
- Transition Risks (Regulatory Landscape)
- Empowered Women
- Next-Gen Workforce
- Social Media
- Connectivity
- Agile Transformation
- Rise of Individual Choice

SOCIETY (3)

- 21st Century Skills Gap
- Sustainable Development
- Growing Inequalities
- Forced Migration
- Food Security
- Entrepreneurship
- Cultural Convergence
- Emergence of Public Opinion as Revolutionary Force
- Rise of the Individual
- Megacities
- Dynamic Population
- Prosumerism

ECONOMY (2)

- Sustainable Finance
- Inclusive Capitalism
- Financial Health & Inclusion
- Sharing Economy
- Circular Economy
- Globalization

ENVIRONMENT (4)

- Climate Urgency
- Extreme Weather Events & Natural Disasters
- Resource Scarcity
- Environmental Awareness

TECHNOLOGY (5)

- Automation
- Big Data, IoT & AI
- Cloud
- Cybersecurity
- Blockchain & Cryptocurrencies
- Data Privacy & Responsible Use of Data
- Digitalization
- Increased Connectedness & Decreasing Privacy

BUSINESS ENVIRONMENT

(1) (2)

Global growth continued its decelerating trend in 2019 due to trade wars, Brexit, ongoing geopolitical issues in Syria & Middle East. Dovish stance of global Central Banks to support global growth increased the risk appetite towards emerging markets. In an environment of rising uncertainties & volatilities, investors become more selective and funds are allocated more to quality stocks. In such an environment, we always focus on expanding our shareholder base and continue to deliver the value generation through our sustainable business model. Garanti BBVA is the proxy and the most liquid stock of Turkey; therefore, changes in the global sentiment towards the region may have a direct impact on Garanti BBVA's market valuation. In order to cope with the impacts of the sudden shifts in markets, we target to increase the share of our long-only funds in our shareholder base and diversify their geography.

Turkish economy has been rebalancing rapidly after the recession in 2018. There has been a V-shape recovery in economic growth starting from the second half of the 2019, with rapid disinflation and decreasing interest rates. Big data indicators on retail sales and investments also suggest that economic recovery is gaining momentum. However, our track record proves that regardless of macro volatility, we always deliver what we promise in terms of profitability, on the back of our sustainable income sources, hedged balance sheet, unattached high free provision, solid capital and liquidity levels.

Today, a company's financial performance is not the sole indicator of its value. The operating environment is transforming and within this transformation, companies' ability to capture talent, to develop innovative solutions and measure & cope with the impact on ESG issues are reflected on company's value. Considering the transformation of the sector, three main factors need attention: (i) financial health of customers, (ii) sustainability and (iii) continuous investment in technology and data analytics.

Social and environmental risks are at a point where we can no longer avoid. Extreme weather conditions, climate action failure and natural disasters are among the Top-3 risks defined by World Economic Forum's Global Risks Report. As we are entering a new decade, many investors, corporations and financial institutions are committed to achieving the Social Development Goals (SDGs) of UN. Opportunity2030 study reveals that there will be a huge opportunity for financial institutions to meet their financing needs of corporates to achieve their sustainable development goals.

From investors' point of view, it is becoming highly significant to invest responsibly. New risk factors are considered in investment decisions and investors are keen to assess the impact analysis of corporates on ESG matters. This realization gave rise to ESG investing even more than ever. The rise of ESG investors are also reflected on the increasing share of passive fund, since majority of them link their investment decision to sustainability indices. Being a company listed not only in Turkey but also in the US, we always strive to operate within globally recognized high standards. In order to better address the needs of our diversified shareholder base, we published our first Integrated Annual Report in 2017 in line with IIRC standards. Paying the utmost attention to transparency, we simultaneously make the public information available on our Investor Relations Website as well as our Sustainability Website both in Turkish and English, and publish all relevant disclosures on the international disclosure platforms of the US and the UK. We also comply with the corporate governance principles set by the banking legislation, capital market legislation as well as the Turkish Commercial Code and other applicable legislation. We pay maximum attention to implement these principles. We periodically update our reports and website, making them available to all our stakeholders.

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

(2) (3) (4)

Environmental, social and economic trends such as increasing population, diminishing resources and the broadening wealth gap are among the grand challenges facing our society today. To tackle these issues, governments and the business world must focus on positive impact and responsible investments.

The momentum gained by the UN Sustainable Development Goals (SDGs) delivered noteworthy results in 2019 all around the world. Accordingly, Turkey is developing tools and mechanisms to make progress and contribute to the SDGs. Turkey ranks 79th among 162 countries in the SDG Global Index with a score of 68.5[1].

1 https://sustainabledevelopment.un.org/content/documents/23862Turkey_VNR_110719.pdf

This means the ongoing efforts need to be accelerated and expanded. As a financial institution, Garanti BBVA is aware of its key role in achieving these goals.

In light of this urgent need for acceleration, the highly anticipated Principles for Responsible Banking was officially launched at the United Nations Headquarters in New York City on 23 September 2019 during the UN General Assembly. The Principles provide the framework for a sustainable banking system, and help the industry to demonstrate how it makes a positive contribution to society in line with the Sustainable Development Goals and the Paris Climate Agreement. To date, 132 banks signed globally, 6 of which being from Turkey. Once the principles are adopted, banks will be in need for a holistic approach in order to be able to track and measure their efforts. Embedding such tools in the banks' overall assessment processes will be quite challenging globally. As a Core Group member that developed the Principles, Garanti BBVA is now contributing to the development of such an impact analysis tool on both portfolio level and transaction level for corporate customers, and come up with widely applicable solutions to overcome the challenges. As set out in our Sustainability Policy adopted in 2014, Garanti BBVA aspires to achieve its aim of sustainable banking through technological innovations, managing the environmental footprint of its operations and developing sound environmental & social risk assessment as part of its risk management framework. The Bank also recognizes the importance of an effective organizational structure and strong corporate governance to maintain ongoing development and successfully deliver its sustainability objectives. Furthermore, we are aware of the need to collaborate and engage with our peers and suppliers on a global level to identify new opportunities, capture emerging best practices & products, and remain a sustainability leader in Turkey. We position ourselves as an advisor for all our stakeholders for sustainable business. In 2019, Garanti BBVA offered 42 different types of loans and products to contribute to sustainable development.

One of the solutions that Garanti BBVA offered in 2019 was the newly designed Gender Loan loan structure that would encourage its customers to improve their gender equality performances. The world's first and only Gender Loan was signed with Polat Energy for a total amount of USD 44 million. An independent consultant will rate Polat Energy's gender equality performance based on a detailed and extensive set of criteria developed by Garanti BBVA. As Polat Energy improves its performance, the margin of the loan will decrease.

Another important milestone was achieved in the inclusive capital area. In December 2019, a loan agreement was executed with IFC, OeEB and GGF in order to obtain a loan with an amount of USD 132.75 million and a maturity of 6 years. This loan will be used to support small enterprises located in 22 Turkish provinces which are lesser developed and most impacted by population under temporary protection, women entrepreneurs and energy efficiency & renewable energy projects. The main goal of this Agreement, apart from the GGF tranche which is USD 22 million, is to support Garanti BBVA's SME financing located in provinces of Turkey which are impacted the most by the influx. The project's main goal is two-fold. The first one is increasing access to finance in underdeveloped regions in Turkey, and to the most underserved segment of the economy – SMEs in the most underdeveloped 22 provinces which are mostly affected by the influx. The second one is increasing the labor force participation for vulnerable groups in these regions which are impacted most by the influx resulting in increased social and economic challenges.

In December 2019, Garanti BBVA issued a USD 50 million inaugural Green Bond with a 5 year maturity. The net proceeds from the issue of the Notes will be applied by the Issuer for financing or refinancing, in part or in full, new and/or existing Green Projects as defined under the BBVA Sustainable Development Goals (SDGs) Bond Framework including energy efficiency, sustainable transport, water, waste management and renewable energy.

In addition to these, the Bank continues its efforts to increase the number of its Green Loan deals, launched in 2018, in order to attract more and more companies to increase their sustainability performances.

In Our Material Matters Section, we explain how Garanti addresses the SDGs through the actions we undertake under each material issue and refer to the relevant sections of this Report.

CLIMATE CHANGE ADAPTATION (3) (4)

As stated in the World Economic Forum Global Risk Report 2019, environmental risks due to climate change continue to dominate the top ten major risks list in both impact and likelihood. Natural disasters that claimed lives and destroyed property globally dominated the news throughout the year. Many people died in devastating floods, typhoons, heatwaves, etc. Climate change amplified 15 extreme weather disasters in 2019 that caused at least a billion dollars in damage in each case, and seven of the events on the list cost over $10 billion each.[2]

Current measures will not keep global temperature increases within the 1.5-to-2-degree Celsius range (a "safe" level to which temperatures can rise and not cause devastation, though 1.5 degrees is preferable) That means global greenhouse gas emissions must fall at least 7.6% every year to remove 32 gigatons of carbon dioxide from the atmosphere. Incremental change is no longer enough to stall off the potentially devastating effects of a changing climate, the report's authors write.[3] With current policies, GHG emissions are estimated to be 60 $GtCO_2e$ in 2030. The emissions gap is large. In 2030, annual emissions need to be 15 $GtCO_2e$ lower than current unconditional NDCs imply for the 2°C goal, and 32 $GtCO_2e$ lower for the 1.5°C goal.[4] 3,751 natural hazards have been recorded over the last 10 years, more than one every day. 84.2% of these had weather-related triggers.[5]

In light of these estimations, we witnessed that the words "Climate Emergency" replaced the words "climate change" in COP 24 dialogues, where the most anticipated Paris Rulebook was finally released following long, heated discussions. The rulebook is a detailed operating manual for the Paris Agreement. It covers a multitude of questions, such as how countries should report their greenhouse gas emissions or contributions to climate finance, as well as what rules should apply to voluntary market mechanisms, such as carbon trading. BBVA Group CEO, Onur Genç also underlined the urgency and the need for acceleration on mitigation and adaptation measures at the CEO Panel: The Future of Banking is Banking for the Future, and said, "We are helping our clients become more sustainable, greener, and putting a lot of emphasis on making sure this transition happens. We cannot miss this opportunity," In that regard, BBVA Group's Pledge 2025, which entails mobilizing €100 billion in sustainable finance by 2025, reached €30 billion by the end of 2019.

Carbon emissions hit record high in 2019 with a projected amount of 37 billion tonnes. Worldwide, industrial emissions are on track to rise 0.6% this year, a considerably slower pace than the 1.5% increase seen in 2017 and the 2.1% rise in 2018. The United States and the European Union both managed to cut their carbon dioxide output this year, while India's emissions grew far more slowly than expected. And global emissions from coal, the worst-polluting of all fossil fuels, unexpectedly declined by about 0.9% in 2019, although that drop was more than offset by strong growth in the use of oil and natural gas around the world.[6]

On the other hand, divestment from fossil fuels was again a growing trend in all sectors, especially the financial sector. As we declared in our Climate Change Action Plan in 2015, we continued to prioritize renewable energy investments in 2019. To date, loans provided to such projects exceeded USD 5.2 billion. As a pioneer in financing renewable energy projects and being the largest lender for wind projects in Turkey, with a 27.5% market share, Garanti BBVA exceeded its goal of prioritizing renewables in project finance as 100% of the total resources allocated to greenfield energy investments was allocated to renewable investments in 2019. On the portfolio decarbonization side, the Bank no longer provides project financing to greenfield coal power plants since 2014. As a pioneer in sustainable finance, Garanti BBVA is aware that one of the key issues regarding divestment policies is to provide a just transition in order to avoid and eliminate all inconveniences and disruption. Under "leaving no one behind" motto, the green transformation should be fair, reasonable and inclusive. Moving forward, Turkey's estimated climate-smart investment potential is estimated to be USD 270 billion between 2016 and 2030. This also clearly shows the future investment need and the critical role of financial institutions. Specific examples of activities undertaken to address this issue are explained in the Responsible and Sustainable Development section. As the rest of the world, Turkey is both physically and economically prone to climate change risks and must take immediate action for adaptation and mitigation. Garanti BBVA contributes to Turkey's battle against climate change by prioritizing renewable investments, applying detailed environmental & social due diligence, promoting energy efficient

2 https://www.forbes.com/sites/ericmack/2019/12/27/climate-change-drove-the-price-tag-for-15-disasters-over-a-billion-dollars-each/#4edc37d57844
3 https://www.unenvironment.org/resources/emissions-gap-report-2019
4 https://www.unenvironment.org/resources/emissions-gap-report-2019
5 https://media.ifrc.org/ifrc/world-disaster-report-2018/
6 https://www.globalcarbonproject.org/carbonbudget/19/files/GCP_CarbonBudget_2019.pdf

buildings and electric & hybrid cars, as well as increasing awareness among our stakeholders. Since 2014, our entire greenfield energy generation projects in the project finance portfolio consisted of renewable investments. To date, we have provided USD 5.2 billion to renewable energy, and hold the market leader position for wind power projects with 27,5% market share. Garanti BBVA's environmental and social impact assessment process is fully compliant with international standards and best practices. In 2019, a total of 4 of projects with a loan amount of USD 4.5 billion were subjected to our ESIAM. Through detailed action plans based on these due diligences, E&S impacts were minimized.

As a country in the drought zone, Turkey will experience severe droughts and heatwaves in addition to extreme precipitation and floods. Turkey is among the countries that will be extremely water-stressed by 2040. If projections come true, with the expected population growth to 100 million people, Turkey will be among the water poor countries by 2030. As we explained in our 2019 CDP Water Security Report, the ratio of financing provided to projects prone to water-related risks by Garanti BBVA was 55.2% in our 2019 project finance portfolio. We applied ESIAM to these projects in order to manage E&S risks including those that are water-related. We adopt a holistic approach in order to raise awareness and encourage each segment of the society to take action. For retail banking, we rolled out our Green Mortgage product to promote efficient and environmentally friendly buildings, under which total financing provided to date amounted to TL 379 million.

Garanti BBVA also took an important step in 2019 to manage its direct impact on climate change and started working on its Scope 1 and Scope 2 emission targets in order to submit to the Science Based Target Initiative. In light of these developments, in the beginning of 2020 the Bank signed a contract with utilities across Turkey to purchase 100% renewable energy for its buildings and branches that have the compatible infrastructure.

Garanti BBVA will continue to support its stakeholders in climate change transition and opportunities along the way. The Bank will focus on encouraging its customers to become aware of their own individual impact and guide them to adaptation mechanisms such as using public transportation, electric & hybrid vehicles, green products, etc. The Bank will keep its key role as an advisor for its customers facilitate and accelerate their efforts in sustainable trends such as circular economy, sustainable investment funds and sustainable innovation.

Specific examples of activities undertaken to address this issue are explained in the Responsible and Sustainable Development section.

TRANSITION RISKS

(1)

As governments and the business world started to take concrete actions for climate change, these steps also brought along some regulatory updates. We saw various incentives as well as new limitations and restrictions from governments. To that end, the ambitious "European Green Deal" was unveiled where one of the mechanisms to curb carbon emissions will be carbon border adjustment tax. The rationale of border carbon adjustments is the differences in the stringency of climate policies between jurisdictions. The aim is to prevent carbon leakage, where climate policies are not strict enough to reach 1.5 degree goal. In addition to preventing such emissions relocation (or 'carbon leakage'), a border carbon adjustment also exerts pressure on trade partners to strengthen their climate policy efforts. However, such a move risks breaching World Trade Organization (WTO) rules, which require equal treatment of similar products and no discrimination between domestic and foreign producers. Considering the strong import & export relationship with the European Union, Turkey is very likely to be affected. The border adjustment tax will have a significant impact on carbon intense sectors such as iron and steel. In 2019, main metal industry had 4.4% shares in total loans among the banks operating in Turkey with a total amount of 153 billion TL.[7] This is a clear indication that such adjustment mechanism would indirectly affect banks as well.

Another busy area in terms of regulatory changes was data protection. With the new Law on the Protection of Personal Data that came into force in 2016, we had to update all our procedures, contractual agreements, and processes. Besides the articles regarding protection of customer and banking data/secret in the Banking Code, the said law is the first regulatory legislation in this field and it provides comprehensive protection for the personal data of individuals. The law also aims to protect individuals' interests, while

7 https://www.bddk.org.tr/BultenAylik/en/Home/Gelismis regulating the processing of personal data and eliminating insecure personal data processing environment. In this context, we first made a risk prioritization and developed an action plan within the frame of a compliance program. Governance of this program is managed by a data protection team. Main actions under the compliance program are as follows: preparation of personal data inventory, integration of explicit consent and information form to core banking transactions, and destruction of expired personal data. However keeping all inventories up-to-date with automated processes are considered as improvement areas. In order to provide this automated processes a project has been initiated. With this project, personal data in bank systems will be identified and a personal data map will be created.

GROWING INEQUALITY

(1) (3)

We are in the midst of a global transformation, the painful construction of a globalized market economy. The income distribution system of the 20th century has broken down, and will not come back. During this construction phase the widening gap between the rich and the poor damages the economies and tears the societies apart. The rich gets much richer and the poor gets much poorer. The world's richest 1% have more than twice as much wealth as 6.9 billion people. On the other hand, almost half of humanity is living on less than US$ 5.50 a day.[8] Growing inequalities brings despair among young population as well. Only 37% of the people under 30 expect life to be better, this ratio is 47% in Turkey.[9]

We are quite used to using GDP as an indicator of growth and wealth. However, although the average GDP is increasing, people do not feel like their lives are improving. On the contrary, we witness that the wealth gap gets bigger and bigger each year. This is a clear indication that GDP is no longer a meaningful indicator to measure wellbeing.

On another note, climate change started to have a deep impact on forced displacement. It is estimated that 200 million people will be displaced due to climate change by 2050, where Turkey is considered to be among the countries that will attract immigrants and consequently will be significantly affected due to limited resources. Climate change was not the only factor in the increasing inequality trend. Turkey already hosts more refugees than any other country. Considering the predicted migrations due to climate change in addition to the current situation, the issue becomes even more urgent and challenging. Furthermore, in January 2020, UN Human Rights Committee made a historic ruling on a complaint by an individual seeking asylum from the effects of climate change that opens the door to climate change asylum claims.[10]

Tackling these challenges requires extreme determination and dedication globally. Growing inequality is resulting in devastating economic and social impacts. The fight against inequalities related to wealth gap, gender, race, ethnicity and social class will be of paramount importance in the coming years. All these developments brought up a new concept called inclusive capitalism. Inclusive capitalism serves equality and diversity also cares for the ecology of our planet while driving returns to shareholders. For the past 5 years, companies have started to embrace more environment and society friendly practices that create long term value. Similarly, Garanti BBVA has been offering various positive impact focused products and services. The Bank is dedicated to tackle this problem by improving financial health of its customers and offering innovative solutions for financial inclusion. With 42 different products and solutions, we helped 85% of our customers to make better informed financial decisions in 2019. To date, the Bank has contributed TL 38.4 billion to impact investment that creates shared value.

Another global effort to reduce inequalities is seen in gender equality. Men own 50% more of the world's wealth than women, and the unpaid care work done by women is estimated USD 10.8 trillion a year, which is three times the size of the tech industry.[11] In the past couple of years, we saw that gender equality initiatives has gained a lot of momentum.

Especially business world is taking strong initiatives and driving significant impact to tackle this issue. Several studies show that not having a diverse group of people causes less profitability. On the other hand, increasingly more directives

8 https://www.oxfam.org/en/5-shocking-facts-about-extreme-global-inequality-and-how-even-it
9 https://www.ipsos.com/sites/default/files/10-Mega-Trends-That-are-Reshaping-The-World.pdf
10 https://www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=25482&LangID=E
11 https://www.oxfam.org/en/5-shocking-facts-about-extreme-global-inequality-and-how-even-it

require concrete and effective measures to promote diversity and inclusion in companies.

Creating and fostering a more diverse workplace for our employees is part of our diversity and inclusion strategy. We follow up data analysis concerning different aspects like gender, age, education, etc. and take measures for these groups.

At Garanti BBVA, the overall ratio of women employees is 56% for the whole Bank and 40% for managers and higher levels. With its pioneering practices in this field, Garanti BBVA is the only company to qualify to be included in the Bloomberg Gender Equality Index for four consecutive years The Bank creates initiatives on female leadership and talent, equal pay and gender pay parity, inclusive culture, sexual harassment policies.

In order to attract, maintain and cultivate talent in a company, it is essential to have modern diversity and inclusion policies capable of integrating people from different professional and personal backgrounds and allowing them to grow professionally.

Examples of such activities can be found in Investing in Human Capital and Customer Experience sections.

SUPPORTING ENTREPRENEURSHIP (1) (3)

Youth unemployment is set to remain an important global challenge - particularly as demographic shifts in developing countries gather pace - and will continue to amplify numerous domestic and global risks, including social exclusion, mass migration and generational clashes over fiscal and labour market policies.[12] According to the results of an annual World Economic Forum survey of more than 30,000 young people globally in 2017, respondents from MENA cited the "lack of economic opportunity and employment" as the most serious issue facing their country.[13] As Garanti BBVA, "Bringing the age of opportunity to everyone" is our purpose and we are strongly urging our customers and society to tackle this challenge.

In order to realize our purpose, we carry out many initiatives that support entrepreneurship. In 2015, we have launched Garanti BBVA Partners Entrepreneurship Acceleration Program to help flourish the entrepreneurial ecosystem in Turkey. Garanti BBVA Partners helps startups grow with specific support, develops strategies together with the entrepreneurs, helping them prepare a comprehensive business plan to put their projects into action, and contributes to their sustainable growth. During this process, we provide working space, mentorship, cooperation and references, marketing activities, consultancy services, training and seminars, technical and infrastructure support and access to finance for these initiatives. In 2019, Garanti BBVA Partners organized 20 events for entrepreneurs and the entrepreneurial ecosystem. Today, 15 startups are supported by the program.

Another important segment that we focus on is women entrepreneurs. Women's share in the workforce is only 34% in Turkey, whereas the OECD average is 64%. If Turkey can reach the OECD average by 2025, the GDP will increase by USD 250 billion. Realizing the support that women need in this area, Garanti BBVA launched its Women Entrepreneurship Program in 2006. Our efforts in empowering women entrepreneurs are categorized under 4 topics: "providing finance", "encouraging", "training" and "accessing new markets". To date, we have provided TL 7 billion financing to women entrepreneurs. In 2019, we launched our Gender Bond for USD 75 million in collaboration with the IFC to support women entrepreneurs. This also marks the first social bond in Emerging Markets. Our competition aimed at encouraging women entrepreneurs, Turkey's Women Entrepreneur Competition, reached 39,000 applications in its 13th year. 3,000 women completed our Women Entrepreneurs Executive School, which we offer in partnership with Boğaziçi University Lifelong Learning Center.

On the other hand, digital transformation enables customer empowerment in a variety of ways. As customers now expect to be better understood by companies, they also proactively offer their insights and creative ideas to companies for better product development. They expect companies to support their ideas or ventures, sometimes even develop partnerships to grow their businesses. This interaction allows companies to build stronger bonds and greater connection with their customers.

As a financial institution we also closely monitor the developments in the FinTech sector. FinTech companies with disruptive technologies can offer great potential for the banking sector to improve their systems

12 http://www3.weforum.org/docs/WEF_GRR18_Report.pdf
13 Global Shapers Community. 2017, Shapers Survey, http://www.shaperssurvey2017.org/

and offer better solutions. As a pioneer bank in digital banking, we have been interacting and building partnerships with such companies for a while. Furthermore, as part of the BBVA Group, we are a member of BBVA's Open Innovation Team, a dedicated team that looks into various opportunities through FinTech companies. This team also organizes the biggest FinTech Competition in the world. As Garanti BBVA, we have been organizing the Turkish chapter of this competition which provides FinTech startups offering direct or indirect solutions to the finance world with the opportunity to compete at the international level. This competition provides a great opportunity for these startups to advertise themselves globally.

Detailed information can be found in Customer Experience and Responsible and Sustainable Development sections.

DIGITAL TRANSFORMATION

(1) (5)

Digital transformation continued to be one of the top topics on senior management agenda. Most large companies now have budgets that are directly allocated to digital innovation and transformation and vary from $500K to $50M.[14] Unfortunately the big chunk of these budgets go to waste since many companies still lack the right mindset to change or lack the fundamental mechanisms in place. Needless to say that these initiatives are mostly owned and sponsored by CIOs or IT Heads. A successful digital transformation is an enterprise-wide effort that is best served by a leader with broad organizational overview. At Garanti BBVA, these initiatives are embraced by all departments and teams across the entire organization. Instead of being coordinated by one single unit with a top down approach, each team comes up with their own ideas and solutions in light of the bank's strategies and targets.

With the Digital Onboarding project, we aim to onboard customers with an end-to-end and real time digital process through digital channels and 3rd parties; and also increase our customer acquisition through sales of products and services. Currently, we require branch visits for digital onboarding, since the regulation has not been completed yet. Expecting the regulation change in 2020, we want to ensure launch readiness of the E2E digital process with a seamless experience. The customer journey and experience on the digital onboarding process will be significant differentiators in competition. Therefore, improving customer journeys in order to increase conversion rates and offering products that meet the customers' needs will be on our agenda to achieve best onboarding experience among competitors.

In GoGreen Project, the "Green Mode" feature is planned to be integrated in the mobile app to initiate a mutual contract between the customer and the bank to initiate sustainable actions in customers' lives through the bank. Thus, it is aimed to create extreme loyalty among this group to create a viral effect and attract new customers with similar sensibilities.

2019 was another important year for the Bank's AI and big data practices. Throughout the year, various teams developed groundbreaking applications in light of better data management and AI. The most important reflection of our AI practices is definitely UGI, which is the first voice process assistant in Turkey, launched in 2016. It understands natural language and can establish meaningful dialogues imitating human interaction very closely. In Garanti BBVA Mobile[15], customers can give voice commands, which provides a hands-free transaction option. UGI can immediately respond to requests like "I would like to pay the minimum for my Bonus card", or "I would like to send 100 liras to my brother from my Etiler account." Beyond simple transactions, our customers can also use UGI to make deeper inquiries such as "Show me all the restaurant expenses in the last 3 months". UGI has created more than 41 million interactions with more than 3.4 million customers since 2016. UGI continuously improves its intelligence and responsiveness through these dialogues with customers. Garanti BBVA has expanded the usage of its chatbot "Bilge (The Wise)" during 2019. Bilge, the chatbot for customer service teams, is serving more than 1,000 employees including Customer Communication Center, Internet Help Desk and Customer Care teams. It replies more than 30,000 queries per month, 200% increase in usage comparing to 2018. Besides, the internal usage of Bilge, a Whatsapp bot is developed internally to answer our customers' most common requests in the Customer Contact Center. Bilge bot's knowledge base is used to create the FAQ[16] base and for the rest of the questions

14 https://moduscreate.com/blog/digital-transformation-2019/
15 Garanti BBVA's mobile app
16 Frequently Asked Questions

related to customers' financial information, users are directed to Garanti BBVA Mobile. Our efforts on AI had a wide coverage in the organization and not only related to natural language understanding. For instance, ATM Decision Support Tool for Deployment and Relocation finds profitable locations considering bank's customer base, traffic, attractions and other individual behaviors and makes it easy to choose and simulate expected usage and profit form deployed ATM. This resulted in decreased time & effort for location finding and analytically correct positioning and expected to achieve TL 3 million loss prevention. Last year the Bank started to use location-based control of customers' living area and application point to prevent fraudulent activities. This application created TL 20 million loss prevention. The new AI engine on anti-fraud, we aim to offer more frictionless e-commerce experience to our customers while preventing fraudulent attacks. With this engine, additional authentication may be reduced to 20% while preventing attacks and offer seamless experience to the rest of 80% is possible. One of the Bank's AI projects aims to decrease the idle cash amount on branches thus an opportunity to generate more than TL 10 million overnight interest.

On the other hand, in an increasingly connected and digitalized world, it is of great importance to address cybercrime threats. Clearly, cybersecurity is one of the top priorities of Garanti BBVA. In 2019, the Bank continued to improve its outstanding information and cyber security systems as explained in detail in the Digital Transformation section. Security responsibility is shared among employees by continuous trainings and awareness campaigns. Technology is the driver of security as much as human is, and Garanti BBVA invests in technology to ensure that vital security baselines are provided for both the Bank and its subsidiaries. Cybersecurity is not only the tools but also the process to support security requirements within the organization through dedicated teams via monitoring and response, compliance, risk assessment, security testing, business continuity and operation services. In order to improve the cybersecurity efforts of Turkey, Garanti BBVA collaborates in several initiatives such as Sectoral Cyber Incident Response Team managed by the Banking Regulation and Supervision Agency (BRSA), Turkey Informatics Industry Association (TUBISAD), and Cyber Emergency Response Team for the Turkish Financial Sector.

Another rising issue is the significant increase in stealing credentials via fake applications of popular applications (i.e. Whatsapp or Shazam). These imposter applications spread by using malicious advertisements which are published on generic applications. We are continuously monitoring these fake applications by using malware databases, and after detection, we take precautions before the fraudulent action occur. Garanti BBVA develops strategies and several partnerships with social media companies to eliminate these attempts at the source. Shutting down times of fake sites that fake applications spread is also significantly decreased due to immediate action taking and collaboration.

2019 marked another milestone in the blockchain area. Turkey's first financial blockchain network, the BiGA Digital Asset Transform Platform was developed by Istanbul Clearing, Settlement and Custody Bank. One unit of cyrptocurrency BiGA is the equivalent of one gram of gold, which is stored in vaults at the Istanbul Stock Exchange. The platform uses blockchain technology to allow gold - converted into digital assets - to be transferred among individuals with no time restrictions. The system's main capabilities include the export, amortization and transfer of digital assets 7/24 in real-time. The BiGA blockchain platform and gold transfer system also feature integration, reconciliation, monitoring and reporting capabilities. Garanti BBVA is among the 7 banks that are onboarded to network and network will be alive after developments completed.

Further details can be found in the Digital Transformation Section.

FINANCIAL HEALTH & INCLUSION (1) (3) (5)

A unique customer experience is one of Garanti BBVA's strategic priorities. Through its financial health Project based on "Transparent, Clear and Responsible" principles, the Bank provides accurate, clear and timely information and protects its customers' earnings in short, medium and long term. With this Project, Garanti BBVA aims to be the most responsible bank and help its customers make conscious decisions as well as deepen and strengthen its relationships with customers. In order to protect their financial health, the Bank utilizes the insights gained from behavioral economics analysis. The Bank supports its customers to be aware of their financial wellbeing, control their financial situations, have a balanced budget, make conscious decisions for their expenses based on their needs, make savings and investments for their dreams and future. Through these efforts the Bank maintains strong ties and long term relationships with customers. In 2018, our Digital Banking teams embarked on a project that will be implemented in Garanti BBVA's Mobile Banking App and show customers their status on savings and expenses through big data analysis. Customers will get information about their financial status around savings-expenses, they will be offered insights and special action plans to improve their financial health. Finally, a percentage for the whole progress will be shown to customers. The Digital Banking teams work with Business Intelligence teams in order to cluster our customers based on their spending/earning behavior by focusing on big data analysis.

In Garanti BBVA's Financial Health Project, more than 50 financial insights were developed and top insights include average spending on shopping and utility payments. The Project was launched in November 2019 to 290 thousand Android users, and various action plans and follow-up components are implemented. For example, customers can create notifications for themselves, if their total spending under a certain category exceeds the limit that was also set by them. Customers can also keep track of their progress on the summary page. We provide customer segmentation based on previous monthly income & spending of customers and initial actionable insight catalog. This segmentation allowed us to differentiate struggler, conservative, stabile and volatile customers who need diverse attention & actions.

Garanti BBVA is trying to meet all financial needs of its customers with the "beyond banking" point of view. For instance, we've been enabling our users to directly load money to their public transportation cards through our mobile app. Public Transportation top-ups are being widely used in 16 cities for almost 3 years. In 2019, we included Istanbul Card which had a huge impact both on the transaction volume. Users can also see insights about how using public transportation will help their financial health Furthermore, this feature also encourages users to use public transportation, which also contributes to our battle against climate change.

With our open-market concept, we aim to make our financial solutions accessible to all customers wherever they may be. Until very recently, Customer Contact Center and ATMs used to be the only alternatives to the branches. Then we rapidly expanded our services on digital channels and adopted a multi-channel strategy. Soon after, our strategy was transformed into an omni-channel one where we began offering seamless experience across all channels. We have made improvements to enable even non-Garanti customers to reach our products and services from all channels. For example, we offer cardless transaction option through our ATMs where everyone, even non-Garanti BBVA customers, can transfer, deposit or withdraw money; they can even pay their bills with this function. Migrating customers to use QR in our ATMs which increase the efficiency by double: Ratio of customers use QR vs. card to withdraw money is around 20% which was only 8% a year ago. In 2019, 44.4 million cardless transactions occurred in TL, and 346 thousand cardless transactions occurred in foreign currency. QR has a huge impact on our migration efforts from branches to ATMs. Thus, in the beginning of 2020, we expanded the scope of our QR code transactions by adding card and loan debt payment. Branch employees also encourages customers to do more transactions through ATMs. Moving forward, we have already commenced our e-commerce initiatives to reach our customers and non-Garanti BBVA customers via non-Garanti BBVA channels.

THE FUTURE OF WORK

(1) (3) (5)

The business world has been undergoing significant changes for the last couple of years. Be it the millennials or the disruptive technological advancements, this is only a telling sign of a much more serious paradigm shift the workplace and in the way we do business. It is no surprise that ILO[17] established the Global Commission on the Future of Work. The Commission is set out to undertake an in-depth examination of the future of work that can provide the analytical basis for the delivery of social justice in the 21st century.

"The world of work is experiencing a major process of change, with important transformations ranging from the development of technologies and the impact of climate change to the changing character of production and employment."[18] We all need to adapt to it by revising our vision, procedures, core values and sometimes even by redefining our core strategies.

Technological development increases both customers' expectations & needs, and the companies' capacity to meet them. The advancements enable us to offer more

17 International Labour Organization
18 https://www.ilo.org/global/topics/future-of-work/WCMS_578759/lang--en/index.htm

customized solutions and advice to our customers. If companies miss the window to quickly adapt to this dynamic environment, they will inevitably be outgrown by smaller and more agile players in the field. Garanti BBVA keeps a close eye on all technological mega trends and takes its place among the pioneers of innovative solution providers. As a necessity of our sector, we have been investing in automation for a long time. Thus we minimize the error factor and provide faster service. We believe our dynamic, adaptive and efficient business model is the enabler of our transformation journey.

In 2018, we initiated a data governance and data transformation project in order to take our big data analysis and value creation abilities to the next level. The Data Governance project aims to establish a governance model where data is seen as an asset. Within this project, we assigned responsible personnel for data, developed an extensive data inventory, and established quality assurance and management systems to enhance data quality. The new data governance structure will enable us to effectively manage data security, privacy, and accessibility in compliance with all relevant regulations. We have also identified and implemented necessary trainings, tools, and infrastructure needs to increase each team's capacity for data processing. This allowed us to better support all decision-making processes at Garanti BBVA through data analytics. Aiming to spread data driven decision making culture within the organization, various trainings and workshops are held and organization structure has reshaped accordingly. In addition, following continuous skill set development strategy Data Scientist Specialization courses are designed with universities. We also cooperate with universities to create awareness among students about "Data Science" and "Analytics".

On another note, this transformation also bears some other risks for companies. For instance, it is hard to reach and attract top talent in the market. The most significant reason is competition, which is not only among the banks within the banking sector, but also among other various sectors. Competition among new trending areas related to data, artificial intelligence, digital marketing, robotics, etc. diminished the attractiveness of the banking sector. New generation talents tend to have short tenure, which leads to low engagement scores. Every company must find new ways to strengthen employee engagement. Along with digital transformations, business's needs and the required skills for the roles are rapidly changing. Talent needs are becoming sophisticated and it's more difficult to attract and select the right talent to the right role.

While managing the expectations of the new generation, our aim is to provide different career paths to our employees to increase talent retention. We've changed our talent acquisition strategy by focusing on campus activities, and we segmented talent attraction events for new graduates (data, risk, finance, digital banking, marketing) using various channels (social media, campus events etc.) in order to reach targeted talents for each different area of the Bank. In addition to that, we are integrating digital tools in the candidate selection process. Following the adoption of the internal mobility policy, all employees at the Bank have the opportunity to manage their own careers in a transparent manner. Furthermore, we launched the global mobility programme to ensure international experience, professional and personal development and global career opportunities to all employees at the Bank.

The transformation and the need for change is not limited to data analysis. The workplace and the organization charts started to look a lot different than they used to. In line with the BBVA Group's vision and strategies, Garanti BBVA has embarked on an agile transformation journey in 2018. Garanti BBVA defines "Agile" as the journey taken up on to provide quality service to our customers along with improving and maintaining the value we created for all our stakeholders. In 2018, the Bank created "Agile Coach" positions. Agile Coaches attended to a 4-week long "Agile Coach Training Program". Currently, there are 25 Agile Coaches in Turkey that help the Agile teams apply this new approach into their routines. Agile thinking brings out the need for managers to become next generation leaders along with the teams' ability to adapt to agility. Although it hasn't been that long, the Bank has already started seeing the advantages of this transformation such as improvement in customer satisfaction and employee commitment as well as significant increase in internal transparency, cooperation and one team vision. Garanti BBVA Agile Team will continue focusing on perfecting the Agile practices for operational excellence and efficiency, automation, robotics, data analysis and AI for continuous improvement in 2020.

21ST CENTURY SKILLS GAP (3)

All these new technological advancements, global developments, and future challenges require a brand new and much broader skill set. However, education is still one of the greatest challenges worldwide. According to the World Development Report the quality and quantity of education vary widely within and across countries. Hundreds of millions of children around the world are growing up without even the most basic life skills, let alone the skills required to survive in the 21st century. In many countries a decent education or quality healthcare has become a luxury only the rich can afford. Today 258 million children, which is 1 out of every 5, will not be allowed to go to school, and it is even worse for girls because for every 100 boys of primary school age who are out of school, 121 girls are denied the right to education.[19] This also creates a challenge for the business world as it means the talent pool will be unable to serve the changing needs of companies. To tackle these issues, Garanti BBVA has many initiatives such as Teachers Academy Foundation, 5 Pebbles Social and Financial Leadership Program, and Code the Future. Through Teachers Academy Foundation, Garanti BBVA reached almost 180,000 teachers across Turkey. In addition, 5 Pebbles program reached total of 6,800 students and 614 teachers. Moreover, 875 children aged 8-10 and 70 teachers benefited from educative contents such as coding, robotics and design-oriented thinking in Code the Future workshops in 22 different Turkish cities.

More examples can be found in Responsible and Sustainable Development and Investing in Human Capital sections.

19 https://www.oxfam.org/en/5-shocking-facts-about-extreme-global-inequality-and-how-even-it

OUR VALUES

CUSTOMER COMES FIRST

WE ARE EMPATHETIC

WE HAVE INTEGRITY

WE MEET THEIR NEEDS

WE THINK BIG

WE ARE AMBITIOUS

WE BREAK THE MOLD

WE AMAZE OUR CUSTOMERS

WE ARE ONE TEAM

WE ARE COMMITTED

WE COLLABORATE

THIS IS OUR BANK

OUR PURPOSE

To bring the age of opportunity to everyone

OUR BUSINESS MODEL

485 2.2 min 1 business

We are molding our business model around our purpose spelled out as "to bring the age of opportunity to everyone".

Garanti BBVA focuses on making banking services available to its customers at any time through any channel they choose, and on delivering them a seamless and uninterrupted experience on each channel.

Blending technology and humanistic elements, the Bank aims to make life easier for its customers, pursue their financial health, help them make the right financial decisions, support them grow their businesses sustainably, and bring its financial services to everyone.

Always imagining and designing the future and striving to be unprecedented in what it offers, Garanti BBVA considers raising competent, well educated, responsible, and ethical banking professionals who think big and are respectful of the society and the environment as an indispensable part of the sustainability of its business model.

Putting digitalization at the heart of its business model, Garanti BBVA targets to lead the transformation of the sector, to command state-of-the-art IT infrastructure, and to be efficient and productive in all of its service channels. To this end, the Bank continues to revamp and simplify its business processes, enhance customer experience and automatize its processes, while securing operational efficiency in keeping with its principle of continuous improvement.

Integrating the opportunities presented by advancing technology and data resources in its business model, Garanti BBVA interprets big data groups and adopts a more analytical approach to customer management. The Bank also uses these outputs in its organizational model, and thus achieves more analytical business results.

Adopting lean method approaches to execute its projects in order to quickly cater to evolving customer expectations and to accommodate advancing technology in its business model, combining the means technological infrastructure has to offer with its vast experience, and aiming to address everybody, Garanti BBVA now defines productivity as the main pillar of its business model. For this purpose, Garanti integrates all the means offered by technological advancements and by the digital world into the ecosystem it has created, and addresses innovative solutions using agile methods, ultimately pioneering the industry in transformation projects.

The employee teams working to achieve the objectives accompanying Garanti BBVA's transition to agile business take full responsibility for their efforts, and they are constructing the products and services according to customer feedback. This allows Garanti BBVA to focus on offering solutions that optimally fulfill current and future customer needs. In this new business model, employees are inspired and motivated by a single target.

Having espoused the principle of gaining insight into customers and taking each and every step with the perspective of "our priority is our customers", Garanti BBVA promotes collaboration with the "one team" point of view. The Bank supports fulfillment of customer demands in the fastest manner possible through consolidated teams that can take action, drawing on its business model driven by an inspiring and innovative mindset that also exceeds expectations.

COMPETITIVE ADVANTAGES

406 1.4 min 1 customer

TALENT AND CULTURE MANAGEMENT

→ Practices focusing on employee happiness and work-life balance
→ Awarded talent programs
→ Platforms for employees to share their suggestions and innovative ideas
→ New development model aligned with changing dynamics, where employees take responsibility for their own development in line with their career goals and shape their developments
→ Management approach that supports diversity - the only company from Turkey to be included in the Bloomberg Gender Equality Index for four consecutive years
→ 40 hours/employee training on average per annum

STATE-OF-THE-ART TECHNOLOGY AND DATA SCIENCE

→ Business-integrated and agile project management
→ In-house developed, custom-fit IT solutions and applications
→ Uninterrupted transaction capability and infrastructure security
→ Data-driven and agile decision-making processes
→ Managing data as a corporate asset with governance models
→ Creating intelligence for smart decision making at every level of business by advanced data analytics
→ Continuous investment in people and technology to improve big data engineering and analytics

SEAMLESS CUSTOMER EXPERIENCE MANAGEMENT

→ Lean and clear processes/customer journeys designed through customers' eyes
→ Products and services blending customer needs and tendencies with emerging trends
→ Smart business processes offering fast and flexible solutions
→ Multi-channel customer relationship management tools delivering solutions to customers at the time and place of their choice
→ Suggestion systems that help the customers make the best financial decisions

STRONG BRAND AND REPUTATION

→ Holistic reputation management approach and strong reputation index
→ Garanti BBVA described by consumers as a bank that is "the leader in technology, reliable, strong, and constantly enhances its service quality"
→ Holistic communication and Community Investment Programs focused on social impact contributing to corporate reputation and brand equity
→ The only company from Turkey listed for the fifth consecutive time after qualifying also in the reporting period in the Dow Jones SustainabilityTM Sustainability Index, one of the most prestigious platforms evaluating global sustainability performances of institutional companies

SEAMLESS EXPERIENCE ACROSS ALL CHANNELS

→ Service model at branches capturing the benefits of digital world for better customer experience
→ Presence in 81 cities with widespread branch network
→ Leading position in mobile & internet banking; 8 million digital active customer base
→ BonusFlaş: Enabling completion of all card activities in a single platform and offering analytics-based smart solutions
→ Rapid and secure e-commerce payment in more than 1,900 entities via GarantiPay
→ >5,200 ATMs, also serving non-bank customers through cardless transactions
→ Leading financial Customer Contact Center with more than 70 million customer contacts per year

STRATEGIC PRIORITIES

410 1.5 min 1 bank

Throughout 2019, Garanti BBVA continued to work in light of its strategic priorities; Customer Experience, Digitalization, Employee Happiness, Optimal Capital Utilization, Efficiency, and Responsible and Sustainable Development, and to create value for all of its stakeholders. The Bank registered significant improvements in numerous key performance indicators related with these areas with the steps taken in line with these priorities. Garanti BBVA kept reviewing its customer-focused and innovative business model, and to enhance its efficiency and productivity on all of its service delivery channels. Accordingly, the Bank continued to revamp and simplify its work processes, and to increase automation. The Bank significantly expanded its customer portfolio and created a more loyal customer base by focusing on customer experience. On the digitalization front, it continued to offer solutions that make customers' lives easier, and remarkably increased the share of sales made through digital channels. The Bank preserved its healthy financial structure with its solid capitalization, its focus on productivity, and proactive balance sheet management. It kept investing in its people, one of the building stones of its strategy, and has taken numerous steps for enhancing their development and satisfaction. As a result of these comprehensive initiatives, the Bank kept producing value for all of its stakeholders.

REVISIONS IN OUR STRATEGIC PRIORITIES

With the aim of 'bringing the age of opportunity to everyone', Garanti BBVA reviewed its strategic priorities in line with the BBVA Group and in the light of main trends reshaping the world and the financial services sector.

EVOLVED CUSTOMER EXPECTATIONS

→ Solutions and suggestions that are simpler, faster and cater to needs
→ Advisory and support for making the best decisions

CHANGES IN COMPETITIVE DYNAMICS

→ Expansion of the ecosystem the banks are operating in with non-bank players such as fin-techs; opportunities and challenges arose
→ Comparison of this experience by customers within this large ecosystem

INCREASED AWARENESS AND CONCERN IN THE COMMUNITY REGARDING SUSTAINABILITY

→ The critical role of the finance sector with respect to the necessary actions for a more sustainable world

DATA THAT IS BECOMING A CRITICAL ASSET / ITS ROLE IN ENSURING COMPETITIVE SUPERIORITY

→ Foresight and guidance in a number of areas from risk management to HR, marketing to process optimization
→ Enabling better insight into customers, instant provision of customized products and solutions that respond to their needs and demands, value creation for customers and deepening relations with them

IN THIS FRAMEWORK, GARANTI BBVA RESHAPED ITS STRATEGIC PRIORITIES UNDER THREE MAIN BLOCKS IN VIEW OF THE MAIN TRENDS:

STRATEGIC PRIORITIES

WHAT WE STAND FOR

FINANCIAL HEALTH

→ Financial advisory to our customers to help them make the right/**healthy financial decisions**
→ Build long-lasting relationships with customers and be their **trusted partner**
→ Offer our customers **solutions and suggestions that cater to their needs** so as to help them attain their goals
→ Deliver a **seamless and excellent customer experience** through all channels by placing the customers at the center of all our activities

DRIVERS OF SUPERIOR PERFORMANCE

REACHING MORE CUSTOMERS

→ **Expand our customer base** and deepen our customers' relations with our Bank by penetrating high potential in our country
→ Be wherever our customers are
→ **Grow** in areas of focus while keeping an eye on risk and cost

ACCELERATORS TO DELIVER ON OUR STRATEGY

THE BEST AND MOST ENGAGED TEAM

→ Invest in our human capital with a focus on their development, happiness and well-being in order to ensure **work-life balance**
→ Aligned with **our values**, form teams possessing team spirit, acting with shared wisdom, thinking big, socially responsible and result- oriented
→ A fair and transparent management policy based on performance, focused on equal opportunities, diversity, and internal promotion

SUSTAINABILITY

→ Positively influence customers, decision-makers and other players in the sector being the **leading bank** in sustainability; continue to make effective use of our social role to raise increased awareness of this matter
→ Observe **climate change**-related risks and opportunities; integrate them into our business processes
→ Increase our **sustainable products diversity** offered to customers, which are inspired by 'UN Sustainable Development Goals'[1]
→ Act with the principles of trust, integrity, accountability and transparency against all stakeholders while implementing our advanced corporate governance model that promotes our core values
→ Focus on **community investment programs** which deliver impactful outcomes on material issues and observe impact investment principles

OPERATIONAL EXCELLENCE

→ Continue to **automatize processes;** deliver transaction convenience and innovative solutions
→ Increase **end-to-end digital** solutions; deliver an excellent customer experience with our investments in digital platforms
→ **Use capital effectively** and maximize our value creation while focusing on disciplined and sustainable growth
→ Constantly improve our business model and processes with operational and environmental **efficiency** point of view while pursuing cost and revenue synergies
→ Ensure effective risk management through world-class integrated management of **financial and non-financial risks**

DATA AND TECHNOLOGY

→ Increase the **agility and strength** of our technological infrastructure and platforms
→ Speed up our solution processes with minimum errors through artificial intelligence, machine learning and big data interpretation, which is important in the day-to-day operations of the Bank
→ Focus on **data analytics** to offer the right product to our customers

1 https://www.tr.undp.org/content/turkey/tr/home/sustainable-development-goals.html

OUR VALUE CREATION

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INPUT

FINANCIAL CAPITAL

We use capital effectively so as to maximize the value to be created. Our dynamically managed and deposit driven funding base together with well diversified funding mix and opportunistic utilization of alternative funding drives our disciplined, sustainable and capital generative growth. With a 8 points reduction of cost to income ratio since 2015, it is our goal to constantly improve our business model and processes with an operational and environmental efficiency point of view and seek cost revenue synergies.

DIGITAL & INTELLECTUAL CAPITAL

We constantly invest in digital platforms so as to provide transaction convenience, unrivaled customer experience and pioneering solution suggestions to our 8.4 million digital banking customers. We expand our digital customer base and increase the share of digital channels in our sales. We take precautions against all risks which could prevent secure and uninterrupted service (e.g. cyber threats) ensuring information security.

HUMAN CAPITAL

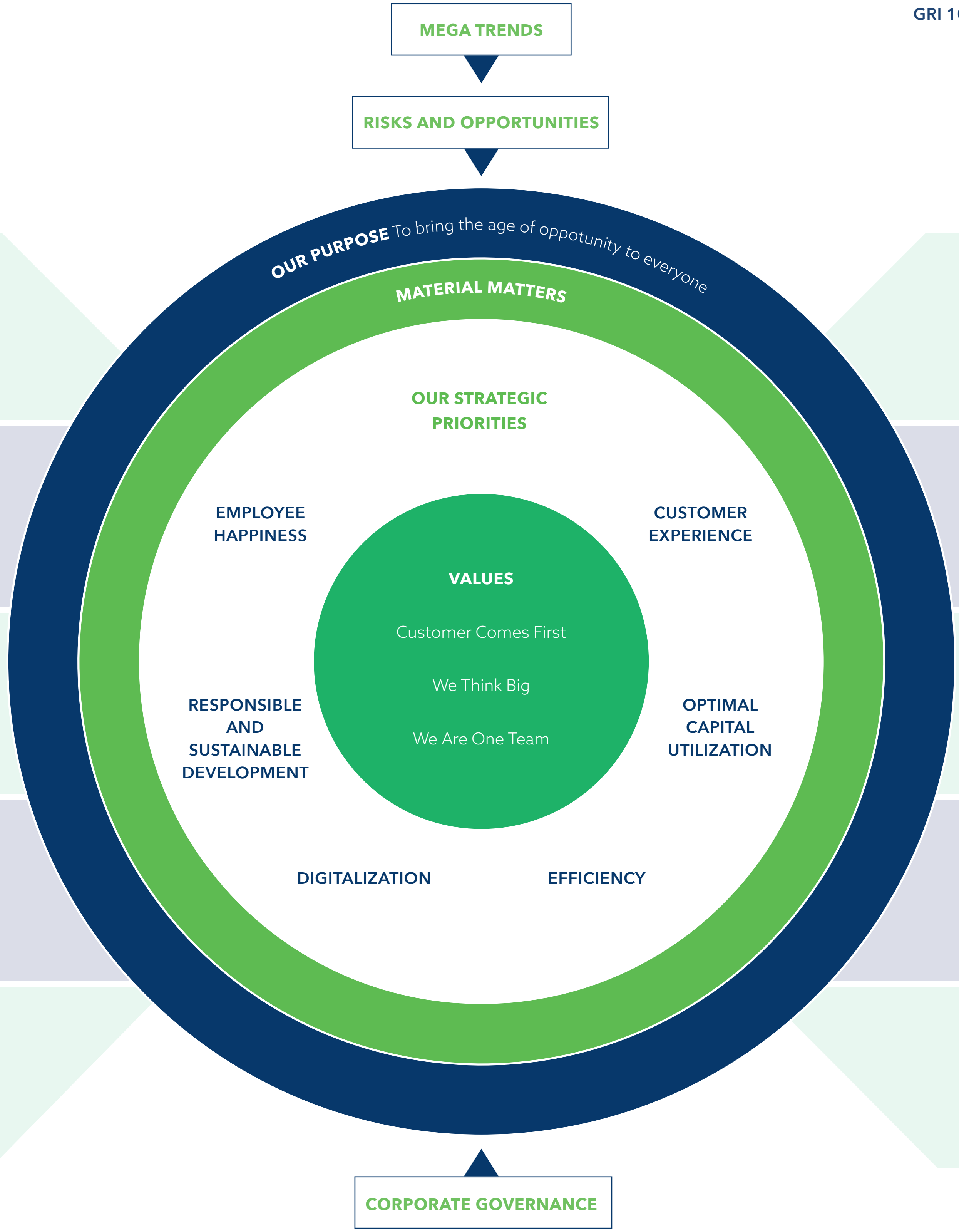
We invest in our employees by focusing on their development, satisfaction and well-being through an average of 43 hours of training per FTE and 11 well-being programs. We strive to form teams possessing team spirit, acting with shared wisdom, social responsibility and delivering results. We embrace a fair and transparent management policy based on performance, focused on equal opportunities and diversity.

RELATIONSHIP CAPITAL

We strive to offer our 17.6 million customers an excellent customer experience by placing them at the center of all our activities and by designing our processes from their perspective. We aim to be transparent, clear and responsible towards our customers and establish long-lived relationships built on trust. We help our customers in making informed decisions supporting financial literacy, health and inclusion through solutions we offer.

NATURAL & SOCIAL CAPITAL

We transform savings into sustainable investments by offering sustainability products & credit lines and TL 38.4 billion lending based on impact investment principles. We advise our customers to grow their businesses in a sustainable manner in our daily communication and initiatives tailored to their needs. We strive to drive positive change through 44 engagement platforms and 27 memberships. We focus on community investment programs and invested TL 22.3 million delivering impactful outcomes on material issues.



GRI 102-46

Garanti BBVA Integrated Annual Report 2019

VALUE CREATED

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

FINANCIAL CAPITAL

We contributed TL 322 billion (USD 54 billion) to the economy, through cash and non-cash lending and our operations produced a Return on Average Equity of 12.4% and a Return on Average Assets of 1.5% with a Capital Adequacy Ratio of 17.8% and CET-I of 15.4%. Garanti BBVA's market capitalization reached TL 46.8 billion (USD 7.9 billion) at the end of 2019. We contribute to the economy and the society by paying dividends to our shareholders, salaries to our employees, invoices to our suppliers and tax revenues to governments. We make a significant contribution to public finances not only through our own tax payments, but also, through third party tax collection due to our economic activity. The total tax contribution of Garanti BBVA to public finances is disclosed voluntarily on Garanti BBVA Investor Relations website.

DIGITAL & INTELLECTUAL CAPITAL

Our investment in digital channels resulted in share of digital sales to total sales increase to 46% with no data breach regarding customer privacy. As a pioneer in digitalization, we empower our customers with state-of-the-art digital solutions and set an example for our peers in keeping up with the latest technological advancements.

HUMAN CAPITAL

We created employment for 18,784 people and our efforts in promoting equal opportunities and enabling professional development contribute to our high employee engagement score and low turnover. With a women ratio of 40% in management levels and a variety of initiatives promoting women's advancement in their career, Garanti BBVA is the only company in Turkey qualified for the Bloomberg Gender Equality Index.

RELATIONSHIP CAPITAL

Our relationship with our customers is built on trust by exceeding their expectations and enhancing their satisfaction. Our leadership position among our private peers in Net Promoter Score is a result of our customer experience focus that is at the core of our business model. Our efforts in supporting financial literacy, health and inclusion resulted in touching lives of 943,541 customers that started using savings products.

NATURAL & SOCIAL CAPITAL

Our impact investment principles and participation in financing renewable energy projects led to avoided GHG emissions of 5.9 million tonnes of CO_2e based on total operational installed capacity, while the Scope 3 footprint of our energy production portfolio is 0 in new PF commitments. Our engagement activities led to 13 policies/position papers that are issued to contribute SDGs and we invested TL 22.3 million in community investment programs addressing 3 different challenges. As a result of these efforts, Garanti BBVA has qualified in nine leading sustainability indices.

SUMMARY OF THE BOARD OF DIRECTORS' ANNUAL REPORT

901 4.2 min 2 year

In 2019, while money supply in global markets and especially in developed economies increased, central banks returned to monetary policies that support growth. The ongoing trade wars between China and the US, the withdrawal of UK from the European Union, and uncertainties fueled by geopolitical factors negatively affected investor confidence, investments and global trade. Central banks of developed countries displayed expansionary stances in their monetary policies because of the increased downside risks on global economic growth. This has led the central banks of developing countries to change their monetary policy stances so as to support the economy. In the Turkish economy, considerable decline was observed in interest rates, driven by the improvement in inflation and the supportive effect of global developments. The policy rate was down from 24% at the onset of the year to 12% at year-end as a result of the rate cuts that began from July. Upon the decrease in interest rates, the Turkish economy exhibited a "V" shaped recovery. Three consecutive quarters of contraction was replaced by growth in the third quarter of the year. In 2019, when economic rebalancing continued, the Turkish banking sector once again overcame the hardships and preserved its robust indicators drawing on its solid foundations.

Garanti BBVA successfully ended 2019 with respect to its financial targets and non-financial performance indicators. The Bank was able to keep its pre-provision profit flat thanks to its innovative business model focused on sustainable growth and effective risk management. In 2019, the Bank set aside additional free provisions in the amount of TL 250 million and booked TL 6.2 billion in net profit. Despite increased capital and low leverage, average return on equity was realized as 12.4% annually, in line with the estimations.

Low growth in the first three quarters of the year was replaced by a significant increase in the last quarter with the support of the declining in interest rates. While TL loans remained flat in the first 9 months of the year, they expanded 6% in the last quarter and ended the year with 7% growth for the whole year. TL credit expansion was across the board; annual growth was 8% in consumer loans, 6% in TL business banking loans, and 8% in credit cards.

Shrinkage in foreign currency loans continued due to redemptions and declined demand for loans in view of the substantially completed large-scale government projects (highways, airports, etc.). As at the end of the year, FC loans narrowed by 6%.

In 2019, Garanti BBVA preserved its liquid balance sheet composition with the help of its prosperous dual currency balance sheet management. Dynamically managed funding base of the Bank continued to be largely composed of deposits. The Bank kept focusing on sticky and low-cost mass deposits during the reporting period. As at year-end 2019, SME and consumer deposits, which can be considered as sticky and low-cost, had 80% share in TL customer deposits and 75% in FC customer deposits. 14% growth rate in customer deposits base was above the loan growth, which helped the Bank to improve its loan to deposit ratio by 6 points.

In 2019 during which economic rebalancing process was ongoing, Garanti BBVA successfully preserved its ability to generate sustainable income on the back of dynamic assets and liabilities management. The Bank maintained the highest Net Interest Margin (NIM) among peers, despite the decreased income on CPI-linkers which took a downturn in connection with declined inflation. Garanti BBVA successfully expanded its spreads owing to disciplined loan pricings and the high share of demand deposits in total deposits. Thus, the Bank was able to enlarge its core NIM by 78 bps year-over-year.

The Bank displays a proactive and consistent approach to risk assessment, which ensures preservation of its solid asset quality. The economic volatility in the first half of 2019 and the contracted GDP resulted in increased Non-Performing Loan (NPL) ratios. Yet, the NPL ratio ended the year at 6.8% in line with the projections at the start of the year.

Garanti BBVA's operating expenses went up by 18% in 2019. On the other hand, net fees and commissions climbed up by 23%, highly exceeding the expectations. Enjoying the highest fee base among its competition, Garanti BBVA carried on with its sustainable income generation on the back of its diversified fee base. In the reporting period, the Bank's cost/income ratio was registered as 39%, which is well below the Bloomberg Emerging Europe Regional Banks 3Q19 average of 49%.

Recognizing that the impact it creates is not restricted to banking, Garanti BBVA works with a focus on responsible and sustainable development to continuously create value for its stakeholders. Total financing extended to areas supporting sustainable development to date topped TL 35 billion. Since 2015, the Bank has been providing financing exclusively to renewable energy projects, mostly to wind power plants within the scope of project finance. Within this framework, Garanti BBVA will keep consolidating its pioneering position in the sector by continued provision of Renewable Energy Finance, Green Bonds, Social Bonds, Green Loans and credit products designed to ensure equality of women and men in business life.

This solid performance achieved in 2019 and the robust capital adequacy of 17.8% will produce better results in a stable environment. Its solid capitalization, asset quality and profitability carry Garanti BBVA to leading position in the sector.

2019 KEY PERFORMANCE INDICATORS

355 1.2 min 2 financial

Focused on creating sustainable value for all its stakeholders, Garanti BVVA places its customers at the core of its operations with the aim of providing unrivaled customer experience. Garanti BBVA's customer-focused innovative business model enables Garanti BBVA to generate sustainable income and command a leading position in Turkish banking sector.

Blending technology and humanistic elements, Garanti BBVA aims to make life easier for its customers, pursue their financial health, help them make the right financial decisions, support them grow their businesses sustainably, and bring its financial services to everyone.

Garanti BBVA employees are one of its most important assets and one of the main pillars of its strategy. Garanti BBVA aims to provide a fair working environment that encourages full utilization of employees' skills, offering a wide range of opportunities and ensuring recognition and awarding of their accomplishments.

Moreover, Garanti BBVA creates shared value and drives positive change through lending based on impact investment, as well as strategic partnerships and community programs focusing on material issues for both Garanti BBVA and its stakeholders.

With its solid capital structure and focus on efficiency, Garanti BBVA preserves its sound financial structure through effective balance sheet management and sustains its contribution to the economy.

CUSTOMER EXPERIENCE

NET PROMOTER SCORE
2ND HIGHEST
Among peer group

GROW CUSTOMER BASE EFFECTIVELY
>17 million
Customers chose Garanti BBVA

DISABLED FRIENDLY ATMS
5,214
99% of all ATMs

HUMAN CAPITAL

EMPLOYEE ENGAGEMENT SCORE
70

AVERAGE HOURS OF TRAINING PER EMPLOYEE
43 HOURS

HIGH PERFORMER TURNOVER
1.67%

WOMEN EMPLOYEES IN DECISION MAKING POSITIONS
40%

DIGITAL TRANSFORMATION

SHARE OF ACTIVE CUSTOMERS USING DIGITAL BANKING
73%

DIGITAL SALES
Increased share of digital sales to total sales: from 44% to **46%**

NON-CASH FINANCIAL TRANSACTIONS THROUGH DIGITAL CHANNELS
96.4%

RESPONSIBLE AND SUSTAINABLE DEVELOPMENT

AMOUNT OF IMPACT INVESTMENTS
TL 38.4 BILLION
(to date)

SUSTAINABILITY INDICES IN WHICH GARANTI BBVA IS INCLUDED
9

INVESTMENT IN COMMUNITY PROGRAMS
TL 22.3 MILLION

% OF LOANS WITH ESG PROVISIONS IN LOAN AGREEMENTS
100%

FINANCIAL PERFORMANCE

RETURN ON AVERAGE ASSETS
1.5%

RETURN ON AVERAGE EQUITY
12.4%

NON-PERFORMING LOANS RATIO
6.8%

CAPITAL ADEQUACY RATIO
17.8%

COMMON EQUITY TIER 1 RATIO
15.4%

COST / INCOME
39%

FINANCIAL PERFORMANCE

#payment #innovation #BonusFlas
#contactless #cardless #cashless
#transaction #analytics

Please scan the QR code to listen *Çağrı Süzer, CEO of Garanti Payment Systems*, talk about the future of payment systems and analytics based smart solutions.

FINANCIAL PERFORMANCE

5,539 26.1 min 12 loans

For Garanti BBVA, financial performance is at the core of value creation process and it is the cause and the effect in delivering sustainable growth. As it makes its products available to customers, invests in its facilities and constantly improves its business model and processes with an operational and environmental efficiency point of view, Garanti BBVA has a direct and indirect impact on the economy.

Aiming to use capital effectively to maximize the value created, Garanti BBVA focuses on disciplined and sustainable growth on the basis of a true banking principle with strict adherence to solid asset quality. Combining its approach to unconditional customer satisfaction with its robust capitalization and a focus on efficiency, Garanti BBVA sustains its contribution to the economy through effective balance sheet management.

During 2019, Garanti BBVA increased its consolidated total assets by 7% on an annual basis, bringing it to TL 429 billion, and succeeded in maintaining the percentage of interest-earning assets to total assets at a high 82%. Standing by its customers at all times, Garanti BBVA continued to keep the share of loans within total assets at 60%. Today, Garanti BBVA pioneers the sector across various segments from retail banking to payment systems, mortgages to auto loans, SMEs to project finance, transaction banking to digital banking.

Garanti BBVA preserved its liquid balance sheet composition with the help of its prosperous dual currency balance sheet management in the reporting period. Dynamically managed funding base of the Bank continued to be largely composed of deposits. 14% growth rate in customer deposits base was above the expansion in lending, which helped Garanti BBVA improve its loan to deposit ratio (LDR) by 6 points on a consolidated basis. Garanti BBVA's strength in consumer deposits is the outcome of its innovative business model, which places customers' needs and satisfaction at the core of its business.

Garanti BBVA successfully expanded its spreads owing to disciplined loan pricings and the high share of demand deposits in total deposits. Despite the declined income on CPI-linkers in connection with the falling inflation, Garanti BBVA was able to improve its Core Net Interest Margin (NIM) by 78 bps with the help of its successful management of spreads. Hence, the Bank was able to maintain its NIM including swap costs almost flat on a year-over-year basis. Garanti BBVA, with 5.2%, continued to have the highest NIM level among its peers.

Garanti BBVA follows a prudent and risk-return focused lending strategy. The Bank displays a proactive and consistent approach to risk assessment, which ensures preservation of its solid asset quality. The economic volatility in the first half of 2019 and the contracted GDP resulted in increased Non-Performing Loan (NPL) ratio. The NPL ratio rose from 5.2% in 2018 to 6.8% in 2019. Net new NPLs mostly consisted of high-amount corporate and commercial loans, which accounted for 2/3 of all new NPL inflows. On the other hand, consumer and SME loans sourced a smaller portion of net new NPLs, accounting for 1/3 of total new NPL inflows.

Garanti BBVA's diversified and actively managed funding base, its capital adequacy ratio of 17.8%, its growing deposits with approximately 18 million customers' trust, and continuous access to foreign funding sources bolster the Bank's business model and long-term sustainable growth.

Its business model, along with its well-diversified fee sources and its further digitalized processes, support the Bank's ability to generate sustainable income. All of them combined secure the highest net interest margin, and the highest net fees and commissions base among its peers. Furthermore, Garanti BBVA maintains its focus on efficiency and effectively manages its operating costs to foster sustainable value creation.

By focusing on financial performance, Garanti BBVA is actively contributing to Sustainable Development Goal 8: Decent Work and Economic Growth.

VALUE DRIVER	INDICATOR	PERFORMANCE			
		2019	2019 PROJECTION	ACTUAL VS PROJECTION	2018
FOCUS ON SUSTAINABLE GROWTH ON THE BASIS OF TRUE BANKING PRINCIPLE	Asset Growth (%)	7%	~%5	Beat	12%
	TL Loan Growth (%)	7%	~%5	Beat	2%
	FC Loan Growth (%)	(%6)	(~%10)	In-line	(%18)
	NPL Ratio (%)	6.8%	<%7	In-line	5.2%
	Capital Adequacy Ratio (%)	17.8%	-	-	16.5%
	CET-1 Ratio (%)	15.4%	-	-	14.2%
	Leverage	6.9x	-	-	7.5x
USE CAPITAL EFFECTIVELY SO AS TO MAXIMIZE THE VALUE TO BE CREATED	ROAE	12.4%	%10-13	In-line	15%
	NIM incl. Swap Cost (%)	%4.3 (+78bps YoY)	Flattish (excluding CPI impact)	Beat	3.5%
	Net Cost of Risk (bps)	272	<300	In-line	258
	Fee Growth (%)	23%	%10-13	Beat	32%
COST AND REVENUE SYNERGIES DRIVEN OPERATIONAL EFFICIENCY	OPEX Growth (%)	18%	<CPI*	In-line	15%
	Cost / Income[1] (%)	39%	-	-	36%

** Initial average CPI expectation was 19%*

1 Income defined as NII + Net F&C +Trading gains/losses excluding FX provision hedges + Other income excluding provision reversals + Income from subsidiaries

ASSESSMENT OF FINANCIAL POSITION, PROFITABILITY AND DEBT PAYMENT CAPABILITY

In 2019, while money supply in global markets and especially in developed economies increased, central banks returned to monetary policies that support growth. On the other hand, trade relations between countries and geopolitical developments all over the world was the main risks facing the economies. For Turkish assets, a substantial part of the year saw a high-inflation environment, before a significant decline was secured in the interest rates after the third quarter with the help of the normalization in the Turkish economy along with global developments. While the volatility in the Turkish currency declined to its lowest level in recent years, rapid gains were observed on the bonds and equity front.

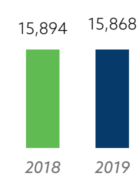
As a result of improving economic outlook and declining inflation, the CBRT policy rate that had started the year at 24.00% declined to 12.00% in the last quarter of the year. Credit expansion recovered visibly with the support of lower interest rates.

Garanti BBVA continued to provide loans to its customers, while being careful to maintain its asset quality in the first half of the year, when TL interest rates and the country risk premium were high.. Lower interest rates that came later in the year pulled the funding costs down substantially, and contributed positively to the Bank's NIM. In the meantime, a quite healthy liquidity was maintained. In this context, long-term external funding transactions were reduced to low volumes with the effect of the prolonged high country risk premium, thus resulting in a significant decrease in the Bank's short-term external liabilities, in particular. No major changes occurred in the Bank's FC liquidity during this time interval.

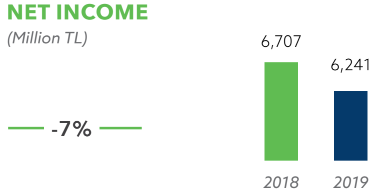
1. SUSTAINABLE PROFIT GENERATION CAPABILITY

In a year of high volatility, Garanti BBVA was able to keep its pre-provision income flattish thanks to its innovative business model focused on operational efficiency, optimal capital utilization and sustainable growth, backed by effective risk management. With TL 15.9 billion, Garanti BBVA remained the bank with the highest pre-provision income. Owing to the prudent risk policy, consolidated net profit went down by 7% year-over-year to TL 6 billion 241 million. The Bank set aside TL 250 million in free provisions during the year, bringing total free provisions to TL 2 billion 500 million. Garanti BBVA's dynamic balance sheet management was reflected on the robust and high quality earnings, delivering a Return on Average Equity (ROAE) of 12.4% and Return on Average Assets (ROAA) of 1.5%.

PRE-PROVISION NET INCOME
(Million TL)



NET INCOME
(Million TL)

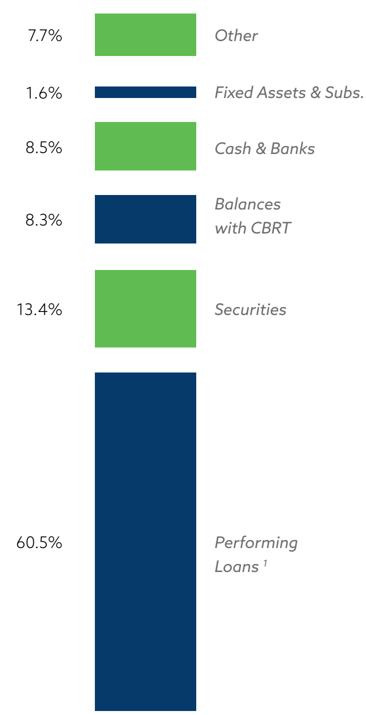


Note: Pre-provision income= Net income + expected credit loss + tax provisions – FC loan provision hedges

2. CUSTOMER-DRIVEN AND HIGH-YIELDING ASSET MIX

In a year of credit growth lagged behind the sector's normal level, Garanti BBVA increased its consolidated total assets by 7% on an annual basis, bringing it to TL 429 billion, and succeeded in maintaining a high percentage of interest earnings assets in total assets. While the securities portfolio was strategically managed as a hedge against volatility, loans represented 60% of assets.

ASSETS
TL 429 BILLION



1 Loans exclude Loans Valued at Fair Value through P&L (FVTPL), leasing and factoring receivables.

2.1 BALANCED LENDING MIX

In the first half of 2019, high inflation and in turn, high funding costs caused a significant deceleration of economic activity. In the second half of the year, on the other hand, credit demand recovered owing to recovered economic indicators.

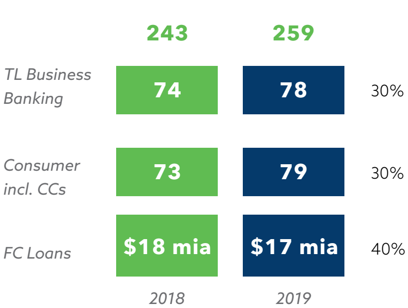
Garanti BBVA preserved the balanced composition of its loan portfolio also in 2019. Total performing loans was made up of business banking loans by 30%, consumer loans by 30% and FC loans by 40%.

While TL loans remained flat in the first 9 months of the year, economic activity picked up in the last quarter with the effect of decreased interest rates, and TL loans expanded 6% in the last quarter, completed the whole year with 7% growth. Annual TL loan expansion displayed a balanced distribution among all products. Consumer loans grew by 8%, TL business banking loans by 6% and credit cards by 8%.

Shrinkage in foreign currency loans continued due to redemptions and declined credit demand in view of the substantially completed large-scale government projects (highways, airports, etc.). As at the end of the year, FC loans shrink by 6% in dollar terms.

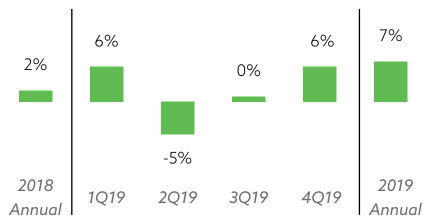
LOAN PORTFOLIO

(60% of total assets) (TL billion)



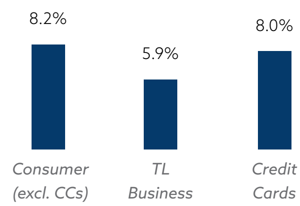
TL PERFORMING LOANS

(Growth, %)



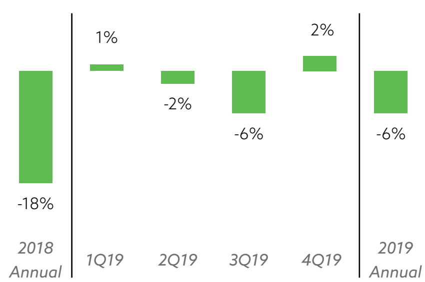
TL LOAN EXPANSION BY PRODUCT

(%, Annual)



FC PERFORMING LOANS

(Growth, %)



2.1.1 LEADING POSITION IN RETAIL BANKING

With its effective delivery channels and successful relationship banking, Garanti BBVA's market share in retail lending among private banks further increased in 2019. Preserving its leading position in retail products, Garanti BBVA continues to respond to its customers' needs with its 904 branches spread around all the cities in Turkey.

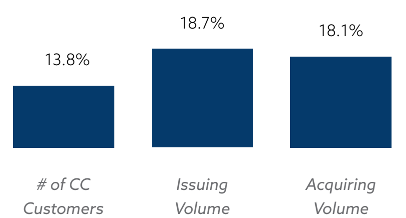
MARKET SHARES[1]

	DEC' 19	QOQ	RANK
Consumer Loans	13.1%	Flattish	#1*
Consumer Mortgage	10.6%	-39bp	#1*
Consumer Auto	37.0%	+30bp	#1*
Consumer GPLs	11.8%	+58bp	#1*
TL Business Banking	8.4%	+6bp	#3*

** Market shares and rankings are among private banks, as of September 2019.*

1 Sector figures used in market share calculations are based on bank-only BRSA weekly data as of 27.12.2019

PIONEER IN CARDS BUSINESS[1]



1 Cumulative figures as of December 2019, as per Interbank Card Center data.

Note: (i) Sector figures used in market share calculations are based on bank-only BRSA weekly data as of 27 December 2019. Market shares among private commercials banks.

2.1.2 PIONEERING PAYMENT SYSTEMS

Garanti BBVA commands a pioneering position in payment systems and credit cards with Garanti Payment Systems, which was founded 20 years ago. With 651,860 POS devices and a market share of 18.7% in issuing volume and 18.1% in acquiring volume, it is one of the leading players in the market.

2.1.3 FOREIGN CURRENCY LENDING

Investment appetite remained weak due to ongoing domestic and global uncertainties. The decreasing demand combined with Garanti BBVA's risk/reward priorities and rational pricing focus reflected on the Bank's large base of Foreign Currency (FC) loan book. The large base of FC loan book and redemptions resulted in 6% shrinkage in USD terms in Garanti BBVA's FC loans portfolio.

Garanti BBVA continued to support Turkey's sustainable growth with its pioneering and leading role in the project and acquisition finance sector. Despite challenging market conditions, Garanti BBVA's commitments in 2019 reached approximately USD 1.2 billion. The portfolio was worth USD 10.5 billion as at year-end 2019.

In 2019, new investments in the energy sector were limited; refinancing and restructuring activities were at the forefront in this area in line with expectations. Yet, Garanti BBVA continued to support renewable energy investments that are vital for Turkey's sustainable growth by increasing its product diversity. In addition to its commitments for the financing of renewable energy projects, Garanti BBVA has introduced the "Gender Loan", a first in Turkey and in the world. Accordingly, annual Gender Loan assessment will evaluate the performance of the project during the term of the loan according to various criteria including equality in new recruitment, equal pay, post-partum return-to-work programs, and improvements noted will result in lower loan commissions.

2019 has been a quieter year with respect to infrastructure and PPP (Public Private Partnership) projects. The most noteworthy infrastructure project in the reporting period was the North Marmara Motorway project with a total financing of USD 4.5 billion. Garanti BBVA acted as the intercreditor agent in this deal in which 10 domestic and international commercial banks and 2 participation banks participated. The project covers 270 kilometers and 6 sections in total on the European and Asian sides. In 2020, our Bank will continue to support infrastructure and PPP projects, as it has done in previous years.

For the Credit Sales and Syndication team that buys and sells loans for concentration risk and balance sheet management purposes, 2019 has been relatively quiet as compared with previous years. In the most important sales deal of the year that took place in the infrastructure sector, 3 domestic banks sold a loan of USD 200 million in total, for which Garanti BBVA fulfilled the coordination between the parties acting as the intercreditor agent.

In terms of M&A, 2019 has seen transaction volumes slump all over the world. This decline in global markets bore a negative impact also upon Turkey. With the added effects of domestic dynamics, total transaction volume in 2019 in Turkey went down to its lowest of the decade. Among the noteworthy deals of the year were the acquisition of 51% of shares in the Third Bridge and North Marmara Motorway by China Merchants Group at the end of the year, and the acquisition of Zorlu's 80 MW WEPP portfolio by Akfen Renewable Energy, financed by Garanti BBVA Invest and Garanti BBVA. Despite decelerated market dynamics, Garanti BBVA kept taking on an active role in acquisition deals. In 2020, the financial conditions in existing global markets are projected to keep supporting developing markets. While international investors are anticipated to display a selective attitude in 2020, an overall improvement is observed in the interest in the Turkish market and assets. The stability in financial markets will be the main driver behind M&A activities in 2020.

3. PRUDENT APPROACH AND SOLID ASSET QUALITY

Garanti BBVA constantly displays a proactive and prudent approach to risk assessment. Accordingly, the performing loans book is monitored in two categories: Stage 1 and Stage 2. Stage 2 loans are subjected to quantitative (Significant Increase in Credit Risk) or qualitative (Watchlist, Overdue, Restructured) assessment using TFRS 9 models. Stage 2 loans of Garanti BBVA constituted 14% of its total lending as at year-end 2019.

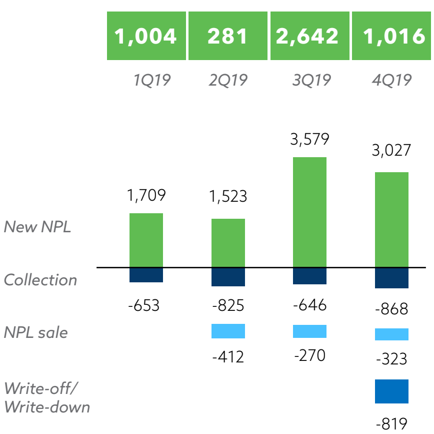
36% of Stage 2 loans consist of loans classified as quantitative whereas 64% consist of those classified as qualitative. While total provision ratio of Stage 2 loans is 10.5%, that of the qualitative portion is 3% and of the quantitative portion is 15%.

After the highest level in new additions to Stage 3 loans was observed in the 3rd quarter, some decline began to show in the last quarter. In 2019, cumulative net Cost of Risk (CoR) and NPL ratio were in line with our year-end projections.

NPL EVOLUTION

(TL million)

Net New NPL *(excl. currency impact)*



NPL
6.8% GUIDANCE MET

Net CoR *(exc. currency impact)*
249 bp GUIDANCE MET

Net CoR *(incl. currency impact)*
272 bp GUIDANCE MET

4. DEPOSIT DRIVEN & HEAVY WITH LOW COST & STICKY DEPOSITS FUNDING BASE

Garanti BBVA preserved its liquid balance sheet composition in 2019 with the help of its prosperous dual currency balance sheet management. Dynamically managed funding base of the Bank continued to be largely composed of deposits.

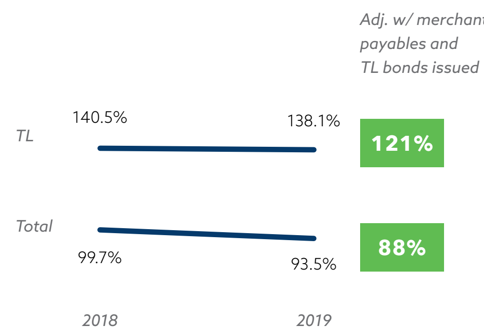
Garanti BBVA's strong muscle in consumer deposits is the outcome of its customer-centric and innovative business model, which places customers' needs and satisfaction at the core of its business. The Bank kept focusing on sticky and low-cost mass deposits during 2019. As at year-end 2019, SME and consumer deposits, which can be considered as sticky and low-cost, had 79% share in TL customer deposits and 74% in FC customer deposits. 14% growth rate in customer deposits base was above the loan growth, which helped Garanti BBVA to improve its loan to deposit ratio by 6 points.

Garanti BBVA has a solid demand deposit base that supports funding cost optimization. The Bank also further strengthened its demand deposit base by 40% annual basis and succeeded in increasing the share of demand deposits in total deposits to 32%, outperforming the sector's average of 24%.

DEMAND DEPOSITS / TOTAL DEPOSITS

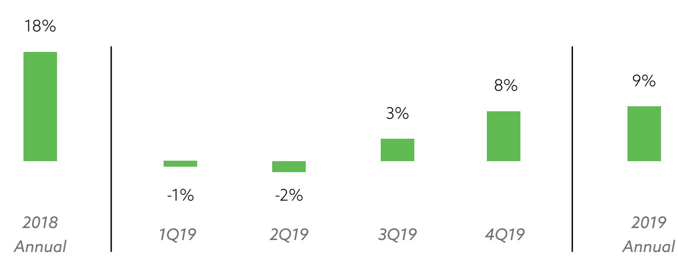
32%

LOAN TO DEPOSIT RATIOS



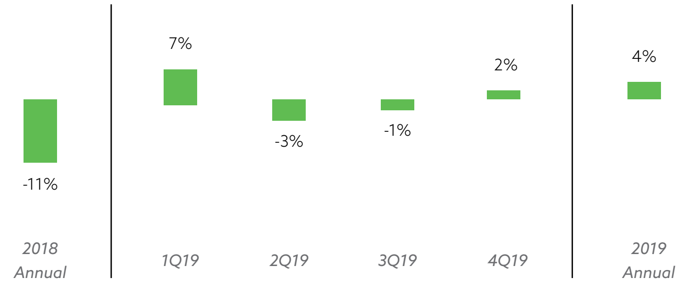
TL DEPOSITS

(TL billion)



FC DEPOSITS

(USD billion) (59% of total deposits)



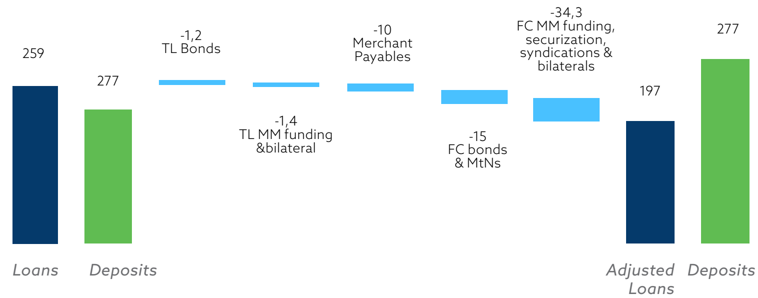
Garanti BBVA registered an LDR of 93%, which further decreases to 71% if we add local currency bond issuances, other local currency MM funding, merchant payables, foreign currency bond issuances and other foreign currency MM funding (Securitizations, syndications, bilaterals).

Loans funded via long-term on B/S alternative funding sources ease LDR.

Total Loans / Deposits: **93%**
TL Loans / TL Deposits: **138%**
FC Loans1 / FC Deposits: **63%**

LOAN TO DEPOSIT RATIO
(milyar TL)

Adjusted LDR: **71%**



4.1 SOLID LIQUIDITY BASE AND MANAGEABLE EXTERNAL DEBT STOCK

Garanti BBVA has significantly less need for external borrowing due to shrinking FC loan portfolio since 2013. While the Bank's total external debts decreased from USD 12.4 billion to USD 9.0 billion, Garanti BBVA was able to keep its FC liquidity buffer at USD 10.8 billion.

On the basis of maturity profile of the external debt that amounts to USD 9.0 billion, the long-term portion of this debt is worth USD 6.4 billion, whereas short-term debt and the short-term portion of the long-term debt amounts to USD 2.6 billion. For this short-term debt, Garanti BBVA has a highly comfortable liquidity buffer of USD 10.8 billion.

Thanks to its solid correspondent relationships, Garanti BBVA continued to diversify its funding structure by accessing international funds at the most favorable costs and terms. The Bank secured funds worth approximately USD 1.6 billion in 2019.

Within the scope of the overseas borrowing program, the Bank obtained DPR (Diversified Payment Rights) in the amount of USD 150 million with a maturity of 5 years in March, and exhibited its success in international markets once again. In December, the Bank secured a 3-year financing of USD 300 million from the Exim Bank of China. Additionally, a 6-year loan in the total amount of USD 133 million was received within the scope of funds supplied by IFC (International Finance Corporation), and by OeEB (Oesterreichische Entwickleungsbank AG – Development Bank of Austria) and GGF (Green for Growth Fund) in December, which was intermediated by IFC. Under this facility, the IFC made available funding worth USD 91 million to be used for supporting the SMEs located in 22 cities where majority of the population offered temporary protection in Turkey lives, whereas OeEB (Development Bank of Austria) extended USD 20 million for supporting women entrepreneurs and GGF (Green for Growth Fund) furnished USD 22 million for supporting energy efficiency and renewable energy projects.

Garanti BBVA turned towards sustainable deals, which are increasingly attracting interest also in the global market, and issued a 5-year Green Bond of USD 50 million under the GMTN program.

Actively carrying on with borrowing in credit markets, the Bank renewed two syndication loans with high rollover ratios in 2019, involving over 30 banks from more than 15 countries in each facility, thus preserving its balanced relations with correspondent banks, and carefully managed the external funds on its balance sheet. This serves as a testament to Garanti BBVA's power to be selective in tapping external funds thanks to its high liquidity, its intrinsic financial strength and solid banking relationships.

100% syndication rollover	$ 775,625 mn equivalent (2Q19) $ 800,180 mn equivalent (4Q19)
DPR Securitization	$ 150 mn 5-yrs maturity (1Q19)
Green Bonds	$ 50 mn 5-yrs maturity (4Q19)
Bilaterals	$132,75 mn 6-yrs maturity (4Q19)

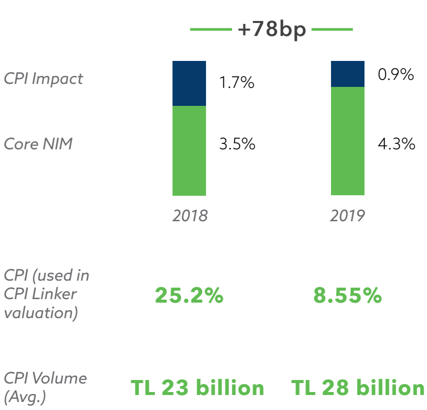
5. DYNAMIC BALANCE SHEET MANAGEMENT IN DEFENSE OF NET INTEREST MARGIN

In 2019 during which economic rebalancing process was ongoing, Garanti BBVA successfully preserved its ability to generate sustainable income on the back of dynamic assets and liabilities management. The Bank maintained the highest Net Interest Margin (NIM) among peers, despite the decreased income on CPI-linkers which took a downturn in connection with declined inflation.

Garanti BBVA successfully expanded its spreads owing to disciplined loan pricings and the high share of demand deposits in total deposits. Thanks to its successful spread management, the Bank was able to enlarge its core NIM by 78 bps.

CUMULATIVE NIM

(Incl. Swap Costs)

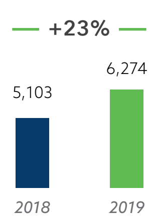


6. DIVERSIFIED FEES AND COMMISSIONS

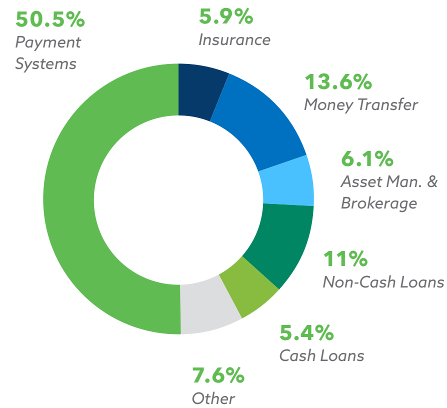
In 2019 that saw reduced contribution of commission income originating from loans, Garanti BBVA succeeded in recording an annual growth rate of 23% in net fees and commissions, well above the expectations. Enjoying the highest fee base among its competition, Garanti BBVA carried on with its sustainable income generation on the back of its diversified fee base. Payment Systems make up 49% of Net Fees and Commissions. The Bank's leading position in issuing and acquiring businesses, strong merchant network, and increasing contribution from clearing and merchant commissions support the fee base. In addition, with increased digital penetration, commissions from digital channels got 45% share within non-credit linked fees.

NET FEES AND COMMISSIONS

(TL million)



NET FEES AND COMMISSIONS BREAKDOWN[1]



1 Breakdown is based on unconsolidated MIS. The breakdown shows private pension and life insurance commissions under «Insurance» commissions. However, this item is recognized under «other operating income» in consolidated financials.

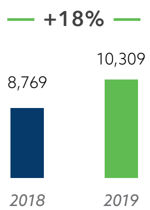
7. DISCIPLINED COST MANAGEMENT AND FOCUS ON OPERATIONAL EXCELLENCE

Garanti BBVA's operating expenses went up by 18% in 2019. The elimination of 5% incentive on private banks' pension funds and the increase in SDIF premium rates, which were not foreseen in 2019 operating guidance plan, had a negative impact of approximately 3% on operating expenses. When these impacts are excluded, the expansion of operating expenses was parallel to the annual mean inflation (15.4%) and in line with the guidance in 2019.

In the reporting period, the Bank's cost/income ratio was registered as 39%, which is well below the Bloomberg Emerging Europe Regional Banks 3Q19 average of 49%.

OPERATING EXPENSES

(TL million)



COST/INCOME[2]

39.4%

Bloomberg Emerging Europe Regional Banks 3Q19 Average:

49.5%

2 : Income defined as NII + Net F&C + Trading gains/losses excluding FX provision hedges + Other income excluding provision reversals + Income from subsidiaries

TURKEY'S FIRST BANK TO CENTRALIZE ITS OPERATIONS: GARANTI BBVA'S OPERATIONS CENTER ABACUS

Turkey's first bank to centralize its operations, Garanti BBVA alleviates the operational load on its branches and enhances employee productivity through active use of technology. The Bank ensures superior quality, timely and error-free execution of operational transactions of its millions of customers through ABACUS. The Bank's loss resulting from operational errors was a mere USD 28,706 within a total turnover of USD 448 billion. Garanti BBVA channels 90% of all operational transactions of branches to ABACUS made up of a dynamic team of 1,354 experts.

8. ROBUST CAPITAL BASE

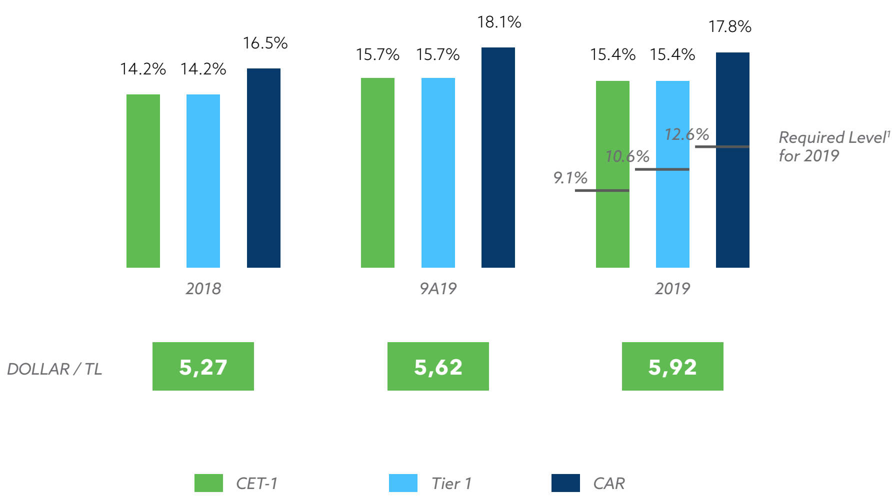
In 2019, Garanti BBVA improved its Capital Adequacy Ratio (CAR) by 129 bps, thanks to basically 186 bps contribution from net profit, coupled with declined FC loans and the transition of asset allocation to low-risk weighted assets. At 17.8%, CAR was well above the Basel III required ratio of 12.6% set for 2019.

9. GARANTI BBVA'S TAX CONTRIBUTION

Having embraced transparency, prudency and honesty principles in tax matters, Garanti BBVA reports on the total tax contribution, both on its own and on behalf of third parties.

Please read more on tax strategy & reporting on Garanti BBVA Investor Relations website, Tax Strategy and Reporting Heading under the Corporate Governance tab.

SOLVENCY RATIOS



1 Required CAR = 8.0% + SIFI Buffer for Group 3 (2%) + Capital Conservation Buffer (2.5%) + Counter Cyclical Buffer (0.05%)

Required Consolidated Tier-I =6.0% + Buffers; Required Consolidated CET-1= 4.5%+Buffers

Note: Our group for the SIFI Buffer will be Group 2 in 2020 (1.5%)

GROUP PERFORMANCE IN 2019

In 2019, the Group achieved improvement in financial and non-financial performance indicators despite the low economic growth at the start of the year. While strong asset quality was preserved thanks to prudent risk management approach across the Group, pre-provision consolidated net income was maintained at a high level.

Subsidiaries played a key role, as they did in previous years, in delivering the strong financial results at the end of 2019. The contribution of subsidiaries to the Group was not only limited to the net income figure but also to other financial performance metrics, enabled by the synergy captured with the parent Bank in all fields of activity as well as in management.

In 2019, major contributors to consolidated performance were insurance & pension business, and brokerage & securities activities, which are also supported by the Group's banking investments abroad.

On the side of insurance and pension business, 2019 was a successful year:

→ Market leader* with 1.1 million participants in total covering both Voluntary PPS and PPS Auto-Enrolment.
→ Through "Online Private Pension", all sales processes were made available online, a first in the sector. Digital experience was further strengthened in 2019, enabling transition from Garanti BBVA Mobile to Garanti BBVA Pension Mobile with a single click.
→ Captured the highest share in total profit among Garanti BBVA's subsidiaries with 7.3%, and was the leader** within privately-owned private pension companies with a net profit figure of TL 454 million.
→ Launched Smart Fund, Turkey's first absolute return fund, thus upgrading customer satisfaction with high returns.

In terms of brokerage & securities activities, year-end 2019 results were positive:

→ In line with the increased transactions volume in equity and derivatives markets, Garanti BBVA Securities increased the share of its income derived on these products by 13%.
→ Treasury revenues more than doubled on an annual basis, contributed significantly by derivatives transactions in the first half of the year and lending transactions in the second half.
→ In Corporate Finance, revenues almost doubled as compared with the previous year, enabled particularly by the contribution of advisory services rendered.
→ 46% rise in total revenues in 2019 was also supported by higher income from new products offered to customers the previous year. The share of revenues derived on new products went up from 3% in 2018 to 7% in 2019.
→ Effective cost management helped maintain 2019 expenses flat with 2018.

Regarding the Group's banking activities abroad;

→ Despite taxes levied on total assets in 2019, the Group's subsidiary operating in Romania ensured minimal impact on net profit through effective measures on cost management, coupled with savings.
→ The Bank operating in the Netherlands secured 36 bps decrease in NPL ratio through prudent balance sheet and risk management strategies, despite shrank credit volume.

The company engaged in the leasing business performed parallel to its targets, and increased its return on assets and return on equity, which secured 11.6% rise in net profit.

All in all, the subsidiaries' performance continued to support the Group's strong financial results in 2019.

** Based on the Pension Monitoring Center data published as of 31 December 2019.*

*** Based on the Insurance Association of Turkey data published as of 30 September 2019.*

2020 OUTLOOK

2020 OUTLOOK	2020 OPERATING PLAN GUIDANCE
Asset Growth	~10%
TL Loans (YoY)	15-18%
FC Loans (YoY, in USD)	Contracted
Total Loans to Deposits	Flattish (<100%)
Net Cost of Risk (excl. currency impact)	~200 bps
NPL Ratio	~6.5%
NIM Inc. Swap Cost Excl. CPI	70-80bps expansion
Fee Growth (YoY)	High single-digit growth
OPEX Growth (YoY)	10-13%
ROAE	15-18%

While central banks of developed economies are anticipated to adhere to loose monetary policies and growth-oriented strategies in 2020, geopolitical risks will come to the forefront especially in the Middle East, as well as in many other parts of the world. Trade deals and Brexit will be at the fore, and the US elections in November, being one of the top highlights, will make an impact on financial markets and economies. With respect to Turkey, it is strongly believed that interests will take a downturn in connection with the decreasing process of inflation. In this context, recovery on the part of growth and employment relative to 2019, and some deterioration in current accounts balance are cited among anticipations. In this framework, extending support to the country's credit expansion while ensuring protection of asset quality will be of critical importance.

In 2020, economic recuperation is expected to gain speed and GDP to grow in the order of 4%. After starting 2020 at 12%, inflation outlook is predicted to begin improving toward the second half of the year and end 2020 at 8.5%. In parallel with improved inflation outlook, the CBRT funding cost is anticipated to decline gradually by 300 bps.

In 2020, asset growth is anticipated to be around 10% and to remain loan-driven. TL loan growth is expected to realize at 15-18% level, in-line with the rebalancing of the economy. While growth is expected be accros the board in TL loans, TL investment loans will likely lead the growth On the retail banking front, Garanti BBVA will keep focusing on customer satisfaction and loyalty by deepening customer relationships while expanding the customer base. The Bank will continue to develop new instruments, channels and processes in keeping with this goal, carry on with big data oriented marketing activities based on an analytical approach, and deliver tailored and fitting solutions for its customers' needs on site.

The contraction trend in FC loans that has been ongoing since 2013 is anticipated to persist also in 2020. FC loan volume is expected to shrink in USD terms. The primary causes underlying the shrinkage are limited demand and high flow of redemptions. Redemptions are anticipated to be covered partially with the expected rise in export loans. In the energy sector, renewable energy projects will be prominent as they were in 2019 and "Renewable Energy Resources Area" (YEKA) projects will be at the forefront in our pipeline in 2020.

Garanti BBVA intends to sustain its deposit-driven funding strategy in 2020. The target is to keep the loan-to-deposit ratio below 100% in the coming year. In parallel with the shrinkage in FC loans, the need for FC funding is anticipated to decline as well. The Bank will continue to opportunistically tap new external funding opportunities throughout 2020, taking into consideration FC liquidity needs and market conditions.

The projected acceleration in economic activity is anticipated to trigger declined new NPL inflow and improved recovery in credit collections. In that case, the NPL ratio is predicted to be around 6.5% and net total CoR excluding currency impact to be around 200 basis points. On the part of credit collections, recovery in the retail segment is anticipated to be faster, whereas the acceleration in the collection performance of commercial loans is expected to occur by year end-2020. Therefore, normalization in net CoR will likely come in 2021.

In 2020, cumulative net interest margin including swap costs excluding CPI linkers' income is expected to expand by 70-80 bps versus year-end 2019 on the back of dynamic assets and liabilities management. Strong credit growth and the ongoing decrease in funding costs will likely support the expansion in NIM. Due to the inflation outlook that is anticipated to improve, CPI-linkers' income will possibly be lower than they were in 2019. While maintaining its focus on sticky and low-cost mass deposits with respect to deposit growth, the Bank will also preserve its solid base of demand deposits. Cross currency swaps will continue to be opportunistically utilized for margin optimization.

After the 23% growth recorded in 2019, net fees and commissions income will probably attain a single-digit growth in 2020. The growth in payment systems commissions that make up nearly 50% of net fees and commissions is anticipated to lose pace due to the upper limit imposed on member merchant commissions that came into force in November 2019. However, this impact is anticipated to be offset with the growth in other commission areas and Garanti BBVA is expected to preserve the base innet fees and commissions.

Garanti BBVA's disciplined approach to operating expenses is anticipated to be sustained in 2020. The increase in operating expenses is estimated to be in the range of 10-13% in 2020. Increased insurance premium ratio in the SDIF insurance limit and planned technology investments are anticipated to drive the increase in operating expenses.

In 2020, active assets and liabilities management that will result in high return on capital will be sustained along with the risk/return focus. In the light of its 2020 projections, Garanti BBVA aims to achieve an ROAE of 15-18%.

EXPECTATIONS REGARDING THE GROUP IN 2020

Garanti BBVA operates as an integrated financial services group through its leading financial subsidiaries offering services in life insurance and pension, leasing, factoring, brokerage and asset management in Turkey, along with its international subsidiaries operating in the Netherlands and Romania.

Garanti BBVA aims to make sure that the synergy captured with its subsidiaries will be powerfully sustained in 2020, and the subsidiaries are expected to increase their shares within the Group's net income.

In 2020, the Group plans to keep working towards preserving and improving its asset quality in geographies where its international subsidiaries pursue their banking operations. Targets include sustaining productivity increase while maintaining asset quality, further improving the strong balance sheet structure, and boosting the profit generation capability and sustaining it.

With respect to its operations in Turkey; the Group targets to receive significant contribution from the insurance business to consolidated profit. Life insurance segment is anticipated to sustain solid premium production, and increased market share is projected in the Auto Enrolment System. Garanti BBVA Pension and Life is gearing up for the Complementary Pension System that is on the 2020 agenda drawing on its robust infrastructure developed in Auto Enrolment for PPS. In the securities business, significant contribution is expected to be lent to consolidated profit by increasing the number of customers using new products, in addition to the high income generated on equity and TurkDex market products through opportunistic moves.

In 2020, the Group aims to sustain its sustainability-focused growth strategy that maintains asset quality, increases productivity and generates capital. The Group intends to preserve its cumulative net interest margin through an active assets and liabilities management.

The Group will carry on with active productivity management and will focus on molding its business model with an eye on potential growth areas. As before, the Group will persist with its initiatives to create long-term value in 2020, as it did in previous years; yet, it will continue to keep operating expenses under control. Standing out with its robust capitalization, the Group will retain this quality as it moves forward. In the light of all of these, the Group will continue to generate sustainable profit on the back of its differentiated business model.

CUSTOMER EXPERIENCE

#responsibility #financialhealth #transparency #inclusion #guidance #savings #empathy #customerjourney

Please scan the QR code to listen *Mahmut Akten, EVP of Retail Banking*, talk about responsible banking approach, financial health and inclusion.

CUSTOMER EXPERIENCE

6,852 33 min 10 customers

Customer experience has always been one of the main pillars of Garanti BBVA's strategy. Garanti BBVA strongly believes that companies delivering compelling experience are and will become the most successful ones in their industries. Customer experience is even more important in today's hyper changing environment accelerated by technology. Boundaries between industries have already blurred, and digital business models create the new norms for all business areas. Solutions that delight customers easily become the standard not for a specific category but for all. Therefore Garanti BBVA regards customer experience as the most important element for strengthening its competitiveness and differentiating it in its industry.

Garanti BBVA has a solid and long-run strategy built on a combination of technology and human factors, which are the key determinants of our age. The Bank executes its customer experience strategy with the aim of making customers' lives easier, looking after their financial well-being, helping them make informed financial decisions, advising them to grow their businesses in a sustainable manner, and finally, bringing financial services to everyone.

Customers' needs and expectations are continuously evolving and reshaping in line with technological advancements. But common ground stays the same: they want to experience shortened and frictionless journeys saving their time, smarter solutions supporting their well-being and personal connection which they enjoy. This understanding shapes all of Garanti BBVA's customer experience management efforts. The Bank wants its customers to be happy for having chosen to work with it. Building a good customer experience is one of the top strategic priorities and indispensable passions for Garanti BBVA's senior management as well. The Customer Committee established for this purpose convenes under the chairmanship of the CEO to discuss customer experience topics. The Committee defines the Bank's customer experience strategies and it is also responsible for realizing and ensuring continuous effort aimed at enhancing experience at every touch point and improving performance.

In 2019, Garanti BBVA continued to regularly receive feedbacks from customers for understanding the status of current customer experience and generating customer insight. Based on these feedbacks, the Bank designed 40 new projects to build on its products and services.

Helping its customers maintain their financial health is a key topic that Garanti BBVA puts emphasis on, and works to constantly improve through new ideas, projects and initiatives. Facilitating access to financial services through all its channels, Garanti BBVA ensures that its customers are informed about their financial positions, and have full control over their finances. The Bank offers solutions to improve their financial well-being, by providing information about savings to customers with the potential to save up, and about loan products to customers needing loan products to better manage their cash flows, as the case may be.

With its responsible banking approach, Garanti BBVA shares advantages and possible risks of products and services. Hence, Garanti BBVA communicates with its customers transparently in all sales and marketing activities, and provides all the information they need in a clear and easy to understand way. The Bank offers feasible solutions and seeks to build long-term and sustainable relations that are built on trust.

Garanti BBVA has a variety of goals: besides producing solutions for their financial needs, the Bank aims to support the growth and resilience of SMEs, women entrepreneurs and startups, who are key to sustainable development of the economy, and to help them improve their environmental, social and ethical performance.

Through Garanti BBVA Partners Acceleration Program, the Bank helps flourish the entrepreneurial ecosystem in

Turkey, and aims to support and accelerate early startups and initiatives with the potential to attract investment and grow.

The Bank facilitates women entrepreneurs' access to financing, encourages them to realize their full potentials through Turkey's Woman Entrepreneur Competition and executes free-of-charge educational collaborations to ensure sustainability such as the Women Entrepreneurs Executive School. Through Women Entrepreneurs Meetings, the Bank targets to help women entrepreneurs build new collaborations and penetrate new markets through experience and information sharing that they need.

The objectives of Garanti BBVA also include provision of innovative solutions and advices to customers to grow their businesses sustainably. The Bank provides its stakeholders such as its customers and non-governmental organizations with information about the most current topics related to sustainable business models such as innovative environmental, social and governance practices in Turkey, governance models, green financing options, risks stemming from digitalization, new trends in non-financial reporting, transparent reporting, and environmental risk perception in the insurance industry.

By focusing on customer experience, Garanti BBVA is actively contributing to Sustainable Development Goal 5: Gender Equality, Goal 8: Decent Work and Economic Growth, Goal 9: Industry, Innovation and Infrastructure, Goal 10: Reduced Inequalities.

VALUE DRIVER	INDICATOR	PERFORMANCE 2018	PERFORMANCE 2019
OFFER CUSTOMERS AN EXCELLENT CUSTOMER EXPERIENCE BY PLACING THEM AT THE CENTER OF ALL ACTIVITIES AND EFFORTS; DESIGN PROCESSES FROM THE CUSTOMERS' PERSPECTIVE, VESTING THEM IN A SWIFT, EASY AND PLAIN FORMAT; HAVE LONG-LIVED RELATIONSHIPS WITH CUSTOMERS THAT ARE BUILT ON TRUST BY EXCEEDING THEIR EXPECTATIONS AND ENHANCING THEIR SATISFACTION	Customers[1]	16,378,165	17,639,895
	Target Customers Surveyed[2]	7.87%	9%
	Feedback Received[3]	942,000	1,068,000
	Products or services that are changed and developed through customer feedback	38	40
	Net Promoter Score[4] (Ranking)	#1	#2
ALWAYS BE TRANSPARENT, CLEAR AND RESPONSIBLE TOWARDS THE CUSTOMERS **HELP THE CUSTOMERS IN MAKING INFORMED DECISIONS THROUGH SUPPORTING FINANCIAL LITERACY, HEALTH AND INCLUSION IN THE SOLUTIONS OFFERED**	New and upgraded products, services and channels that aim to support the customers in terms of managing their financials	3	5
	Customers informed about their financial positions	85%	85%
	Disabled-friendly Garanti BBVA ATMs	5,210	5,214
	Women who attended women entrepreneurship events and Garanti BBVA has helped to enhance financial awareness (cumulative)	9,720	10,250
	Customers that started using saving products	850,000	943,541
OFFER INNOVATIVE SOLUTIONS AND ADVISE THE CUSTOMERS TO GROW THEIR BUSINESSES IN A SUSTAINABLE MANNER	Site visits on Environmental and Social issues to customers	37	29
	Environmental and Social workshops and conferences	3	11
	SME initiatives (incl. apps and events)	6	10
	Topics addressed/discussed in workshops and conferences	29	15
	Women Entrepreneurs encouraged to apply WE Awards (cumulative)	36,908	38,450
	Customers and financial institutions informed on Environmental and Social issues[5]	33	16

1 Excludes customers with inadequate documentation. 2 Represents percentage of target customers surveyed at least once during the year. 3 Represents customer feedbacks received by the Customer Experience Support Team and after-service surveys conducted for the relevant channel. 4 Net Promoter Score research is conducted by independent research agency Ipsos for Garanti BBVA. According to the research results, Garanti BBVA has the second highest Net Promoter Score among retail customers representing its own profile, compared to its competition, which includes İşbank, Akbank, Yapı Kredi Bank, QNB Finansbank and Denizbank. Research was conducted between January 2019 and December 2019. Main bank customers, who have communicated with the banks over the last 3 months, were surveyed face to face in the cities of İstanbul, Ankara, İzmir, Kocaeli, Bursa, Antalya and Adana by quota sampling. Score is calculated as a weighted average of retail segments' scores. 5 Customers and financial institutions informed through E&S workshops or through meetings/calls.

Garanti BBVA's consistent performance in customer experience relies on four key competencies that it embraced in the execution of its strategy: Customer Understanding Capacity, Design Philosophy adopted, Empathetic Culture espoused by each member of the organization and advanced Measurement Systems allowing constant self-control.

1 - CUSTOMER UNDERSTANDING CAPACITY

In 2019, as it did in 2018, Garanti BBVA kept generating insights providing a better understanding of its customers through regular feedback directly from its customers and also from its employees. In 2019, the Bank contacted nearly 845 thousand customers and received their feedbacks concerning their needs and expectations, brand perception and their journeys. In addition, employees conveyed about 1,000 opinions through the Önersen suggestion platform and supported development of services.

All insights that become a part of Garanti BBVA's corporate intellectual capital have been regularly utilized by employees also in 2019. The design teams, in particular, made use of customers' and employees' opinions throughout the entire process from problem identification to solution generation.

2 – DESIGN PHILOSOPHY

In order to deliver a good customer experience, the experience at all digital and physical touch points, in other words the entire journey needs to be designed carefully end-to-end. The 'Customer Journey' methodology adopted by Garanti BBVA has become a powerful tool in creating a consistent and seamless experience, and guided the development activities also in the reporting period.

The efforts in 2019 concentrated on critical journeys most frequently experienced by customers, such as credit card security and POS. Additionally, Legal Entity Customer Journey initiative was commenced to understand the experiences Commercial and SME legal entity customers have with the Bank, along with their expectations from financial services. Customers' journeys on digital channels have also been analyzed utilizing advanced data modeling, and actions have been identified.

The branch leg of the customer acquisition process was improved and redesigned. In parallel, the flow allowing the customers to self-initiate new customer process on the mobile was introduced, which digitalized and facilitated the process.

3 – EMPATHIC CULTURE

Employees are the key actors when designing new products and services, and when implementing designs. To deliver a good customer experience, the atmosphere, mood and understanding dominating the organization should also be conducive.

Initiated to constantly nurture and maintain the customer-centric culture, the "Empathy" program left its third year behind in 2019. Also this year, Empathy continued to provide a platform for all Bank employees to stay informed about, and contribute to, the Bank-wide customer experience projects, learn about best practices both internally and worldwide, access tools such as trainings, tips and guidelines for self-improvement, and share their empathy stories with others to inspire new ones.

The ritual whereby branches that make a difference in customer experience with all their employees are rewarded is ongoing within the scope of Empathy activities. The most successful branch of the year is presented with various surprises, and gets to display the designed award in the branch throughout the year. Handed over to the most successful branch each year, the award continues to serve as a deep-seated sign of Garanti BBVA's aspiration to create unparalleled customer experience.

4 - MEASUREMENT SYSTEMS

In 2019, Garanti BBVA carried on with regular measurements on the basis of channels and products to see its position in customer experience and understand the impact of its activities and efforts. All branch employees can monitor customer feedback regarding the customer experience they have delivered on a daily basis through after-service surveys. Branch managers contact the surveyed customers and turn the feedback received into necessary actions.

Garanti BBVA made use of mobile channels in addition to branches and the Customer Contact Center to gather customer feedback about their digital experiences. Nearly 220 thousand customers using Garanti BBVA Mobile and BonusFlas shared their opinions regarding the application they have used right after their transactions.

The positive outcomes of efforts carried out based on the four key competencies mentioned above and aimed at continuously leveraging customer experience were reflected in various indicators also this year:

- → In a repeat of its 2018 success, Garanti BBVA claimed the top rank both in banking and credit card categories at the A.L.F.A. Awards 2019 with its successful customer experience management[6];
- → The number of complaints by the Bank's 1,000 active customers went down by 22% as compared with the previous year;
- → Customers' NPS for the Bank improved

6 Organized since 2015 by Marketing Türkiye and recognizing brands that make a difference in their respective sectors with the experience delivered to customers, A.L.F.A. Awards winners are determined by customers.

as indicated by after-service surveys conducted in 2019;

→ Garanti BBVA was named the Best Cash Management Bank in Turkey at the Global Finance awards for 2020. Hence, Garanti BBVA earned the "Best Cash Management Bank in Turkey" title for the fourth time within the last 5 years.

→ For the fifth consecutive year, Garanti BBVA was named the Best Retail Bank in Turkey for its innovative services and products by the World Finance Magazine, one of the world's eminent business and finance magazines.

→ The Bank was given the Best Retail Bank in Europe award for the second time by the European CEO Magazine published in Europe.

→ The Bank won the Stevie Award in the "Best Customer Service" category with the "Remote Banking" service offering remote retail portfolio services without a branch visit.

→ The New Service Model took the third spot in the Customer Service Team category at the Stevie Awards, clinching bronze price, and claimed the second spot in the Phygital Distribution category at the Efma Banking Innovation Awards, clinching silver prize.

WHAT WE DID IN 2019

Garanti BBVA places accurate identification and fulfillment of customer needs and expectations in the focal point of its product, service and infrastructure conception and development process.

In 2019, Net Promoter Score (NPS) studies were conducted with customers in the Retail, SME, Commercial and Corporate segments and Digital Channels' users in order to gain a better understanding of customers. In addition, an NPS study was conducted to explore the experiences of customers using their credit cards and insurance products. Advertising research measuring the performances of advertisements, brand surveys measuring the brand's share on the minds, and corporate reputation surveys measuring the reputation of an organization were among other regular surveys conducted. In addition, the annual music and basketball sponsorship surveys were carried out, which measure the effects of sponsorships.

Garanti BBVA finished the year second in Net Promoter Score study among retail customers in 2019. This was an expected, short-term impact in the short term following the transformation of the entire branch into the new service model. Starting to experience the positive impact of the transformation by managing the adaptation process effectively and in a healthy manner, the Bank aims to be the leader among peers in Net Promoter Score in 2020.

The Bank continued to take actions to prevent recurrence of dissatisfaction with the help of root cause analyses performed based on customer feedback also in 2019. Actions taken in this context served to preclude 3% of situations giving rise to customer dissatisfaction. Furthermore, thanks to 18 proactive actions taken, potential situations likely to cause customer dissatisfaction were also prevented.

The Bank started "instant card delivery from branches" with the aim of satisfying customers' needs for cards more rapidly, shortening the delivery time of cards in a manner that they are ready to use, and preventing possible delivery issues. Customers began receiving the credit and debit cards that they applied for, which are branch-approved, from the branches. For cards instantly given from a branch, the passwords assigned are also texted instantly, and customers are able to use the cards as soon as they receive them. In this framework, more than 400,000 cards were instantly delivered from the branches in 2019, which improved card delivery experiences of customers.

The Bank's activities and efforts are erected on the pursuit of fulfilling customer needs easily and plainly through branches and all digital channels, responding to all requests emerging in connection with the changing market conditions, and presenting custom-tailored solutions.

In order to provide a better digital experience to its customers, the Bank upgraded its existing capabilities on digital channels and also added new solutions. Hence, the Bank enabled an easier, faster and more convenient customer experience and introduced a number of exemplary digital products. Garanti BBVA espouses it as a main principle of design to give its customers easy access to solutions for whatever financial need they may have from wherever they may be.

Garanti BBVA conducts monthly usability surveys to better observe its users' needs. Based on these surveys, solutions are devised for user experience problems associated with existing functions. Additionally, these surveys keep user experience in the focal point in relation to new products to be launched. Some upgrades that were implemented following the surveys include the following among others:

→ Customers receiving their salaries via Garanti BBVA can more easily track the privileges they are offered and their gains on the "Salary Customers Menu" on Garanti BBVA Mobile.

→ Transfer to IBAN function detects, the prefix "TR" users copy from elsewhere, thus making it easier for them to enter their IBAN numbers.

→ The ATM screen was updated to highlight the Money Withdrawal via QR transaction to let users perform their transactions more quickly.

Garanti BBVA, in 2019, maintained its focus on customers and on the introduction of various instruments for their financial investments. Besides the regular ones, several deposit products were the favorites of customers: "Inflation-Indexed Deposit Products" providing above-inflation returns at all times, "Multi-Currency Deposit" allowing transition between various currencies during the term, and "Interim Interest Payments", a long-term account that makes interim advance payments on the interest income.

Besides deposit products, Garanti BBVA focused on the returns secured for customers, and ensured active asset management with SMART Funds, which are mutual funds with absolute income targets and invest in domestic and overseas markets, Structured Borrowing Instruments with guaranteed minimum interest, and bonds issued by Garanti BBVA and its subsidiaries.

In a bid to deliver a better banking experience, Garanti BBVA launched a new service model under its initiative named "Central Customer Services Representative", whereby SME customers' operational transactions at branches began to be performed seamlessly and quickly by a centralized, expert team. As a result, operational quality improved, operational workload on SME CRMs in branches was alleviated thus making them accessible at every call, and support could be obtained from expert customer representatives.

The project has been highly instrumental in freeing up SME CRMs so that they can allocate their time to customer and sales management, and deepen further in customer relationship management.

Representing a first in Turkey, the Bank put in place the SWIFT GPI Project that enables customers to monitor SWIFT transactions in a transparent manner from digital channels. The project allows viewing the status of an outgoing transfer, the banks intermediating the transaction, the time spent for a transaction at a given bank, and correspondent and recipient bank charges.

With "Collection from the Account via QR Code", which is a brand new collection solution, legal entity customers are able to make their collections using mobile banking, and retail and legal entity customers that will make the payment can use the Pay/Send function in the mobile channel to make their payments instantly from their demand deposit accounts. The companies are provided the chance to test and quickly integrate their integration documents for this product free-of-charge at developers.garantibbva.com.tr.

Shop&Fly, the new airline agnostic credit card for which the press launch took place on January 29th, introduced novelties to customers' lives, which include mile earning online, online mile redemption on www.shopandfly.com.tr and Shop&Fly Travel Line both of which are operated by Karya Tourism which is the contracted agency of Shop&Fly. New programme offers very easy to understand earning and redemption rates, various travel services, instant advance mile purchasing on the online payment page and extra mile earning for delayed flights through BonusFlas and shopandfly.com.tr. Customers are able to contact the agency by connecting to the Shop&Fly Travel Line at 4440333 or 4440700 for any problems or questions they may have in relation to their travels. In addition, process details and information about the travel and purchases are available on the travel pages of shopandfly.com.tr. All card-related processes run again on Garanti BBVA channels, and all card details are available on the card-related pages of shopandfly.com.tr.

A first in the sector and allowing Garanti BBVA card holders to satisfy any card-related need, BonusFlas was revamped with a customer-friendly new design. Redesigned also according to new trends, the app makes it easier to follow up campaign and card information. The payment functions offered in BonusFlas were expanded with the addition of payment via QR and users were provided with the capability to make cardless payments on all IOS and Android phones even if they do not have their cards with them. E-commerce purchases were made faster and easier with the "Direct Link" property that allows users to be referred to the websites/applications of member merchants they are shopping from with a single click when using BonusFlas.

Garanti BBVA CepPOS app transforming Android smart phones into a contactless POS device is available in Google Play Store since November 2019. CepPOS enables business places to receive payments up to contactless transaction limit (TL 120) from contactless credit/debit cards or mobile phones possessing mobile payment capability. To use Garanti BBVA CepPOS, the user's Android device must have NFC (Near Field Capability) and the user must have applied to be a Garanti BBVA member merchant. Garanti BBVA CepPOS app also enables automatic receipt of the sales amount in the member merchant's account the same day without waiting for the following day, allows member merchants to instantly track the transactions performed with Garanti BBVA CepPOS using in-app menus, and lets them easily view the amounts transferred to their current accounts.

Public transportation top-up for IstanbulCard, which is the public transportation card of Istanbul, was made available through demand deposit accounts on Garanti BBVA Mobile. Being the first bank to offer top-up service directly from demand deposit accounts was received positively by the customers and within a short time the number of uses and transaction volume began to increase.

Being the bank pioneering digital transformation for the past 20 years, Garanti BBVA launched a new business model in its branches. The Bank focused on three main objectives, with the aim of leveraging its branches to the future today by capturing the benefits of the emerging digital world in the branch service model:

- improve customer experience,
- increase digital migration,
- upgrade employees' capabilities to boost their product delivery skills and improve operational efficiency.

Under the project whose pilot was initiated in May 2017, an average of 10 to 15 branches made their transition to the new service model every week during 2018. The transformation has been completed for the entire branch network.

In order to free up more time for interaction with the customers, product and service delivery capacity has been increased in the new service model. The tools necessary to enable servicing customers at any place of their choice, besides in branches, have been developed. Key orthodoxies were challenged, and new posts and responsibilities were created to improve sales/operational efficiency. Processes were re-designed and digitized to promote digital migration and to create seamless, omni-channel experience. Finally, branch layout was re-designed in accordance with the new service model concept, and teller desks were removed. New desks were put in where all customers are sitting while served and digital screens were installed for displaying information.

Thanks to the C-CSR (Central Customer Services Representative) Project launched to allocate branch portfolios to customer and sales-oriented processes instead of operational transactions, all operational transactions performed by branches apart from pricing and active sales items began to be handled by a special team formed within the Abacus organization from February 2018. The service model is erected on linking each customer representative with the related branch and customers. Currently, calls from customers and operational transactions are being handled by the C-CSR team at a rate of 95% and higher.

The "Empathy Assistant", a smart platform introduced in 2017 to help and guide branch employees while resolving customer issues, kept contributing positively to the branch experience throughout 2019. Actively used at 99% of branches, the platform supported the resolution of more than 62,000 issues throughout the year.

Some changes were made to the scope of the New Customer Management Model introduced in 2018 to upgrade the complaint handling concept and to improve customer experience at the time of complaint in 2019. Accordingly, the complaints handling team working under the name Customer Care Line was renamed "Customer Experience Support". On the other hand, channel diversification is ongoing as part of digitalizing complaint management. In 2019, complaint reporting with "voice message" option was introduced via the Customer Communication Center. In the voice referral step, customers who utter the word "complaint" are able to convey their complaints as a voice message. As a result of the work carried out throughout 2019, new digital channels will be added for complaint handling in 2020.

Garanti BBVA continues to increase the use of artificial intelligence, and in particular, to use virtual assistant in customer services. Brought into use by the Customer Experience Support team that handles customer complaints by early 2018, the chatbot named Bilge's scope of use was further expanded in 2019. As Customer Communication Center and Internet Help Desk teams began using the chatbot, total number of users exceeded 1,000. Responding to over 30,000 queries per month, Bilge achieved a usage rate that has increased by 200% year-over-year.

RPA (Robotic Process Automation) initiatives were launched across the Bank in July 2019. The initiative is intended to allocate employees to customer-centric processes rather than routine and manual transactions, and to deliver a better customer experience with minimum errors and high speed. Based on the work carried out within the scope of RPA, 100 processes were identified to date, 7 of which were included in the production environment.

Garanti BBVA also embarked on its transition to agile working. In this context, teams formed of employees take full responsibility for the entirety of tasks they are performing, and construct the products and services according to customer feedback. This allows Garanti BBVA to focus on offering solutions that optimally fulfill current and future customer needs. In this new business model, employees are inspired by a single target and are motivated to reach that target.

Agile working means adopting a new mindset and corporate culture that rely on agile methods. In this model where strict organizational and functional structures are abandoned in favor of a more collaborative working style, the main goal is to increase the speed and quality of operating.

Agility allows gaining insight into customers and taking each and every step with the perspective of "our priority is our customers". It promotes collaboration to a brand new level with the "we are one team" point of view. Dominated by an inspiring and innovative mindset that exceeds expectations, this model supports fulfillment of customer demands in the fastest manner possible through consolidated teams that can take action.

The Bank attaches importance to going to the customer at the right time with the right proposal, and to establish optimum contact with them when doing so. Accordingly, a new platform was developed whereby alignment of the existing infrastructure with the Customer Communication Policy will be rendered systemic and automated in 2019. The platform is intended to centrally manage quantity and consistency checks before contacting customers.

OUTLOOK

Customer needs and expectations will evolve and take shape substantially according to digital developments in the coming years, as they did this year. Also in the year ahead, Garanti BBVA will work towards delivering a better customer experience by bringing the current capabilities of the age to customers.

As always, the Bank will continue to place its customers' voices at the heart of all of its designs. Customer insight drawn up both from internal data by making use of its analytical capabilities and directly from customers will serve as a guide in all products and services.

As Garanti BBVA, we believe that the banking needs of retail banking customers will deepen every passing year, and customization of services/products aimed at these needs will become even more important. In 2020, it will continue as the Bank's main focus to deliver the products that are fit for customers' needs on the right channel and at the right time, thus improving their experiences. We will continue to make use of big data and the capabilities presented by digital transformation in a bid to offer the financial solutions that best fit customers' banking needs and we will continue to deliver the perfect customer experience when doing that.

In line with the direction provided by the Innovation Committee, the work commenced to enhance the customers' experience with the Bank through Artificial Intelligence is ongoing. Within the frame of these activities, Garanti BBVA intends to make projections using the big data volume available to it and thus understand customer needs at an as early stage as possible. The Bank foresees that use of Artificial Intelligence, where business rules or models are restrained, will take the Bank one step ahead in terms of knowing and understanding customers, and thereby, enabling it to deliver a customer experience with much higher added-value.

The Bank will continue to re-design and simplify experiences at all touch points through the customers' eyes in a bid to provide an omni-channel experience that is seamless, integrated and personalized. This way, the Bank will minimize the operational workload on its employees, freeing up their time to be allocated to tasks with higher added-value.

In the next version of its investment application, Garanti BBVA plans to shift to a more user-friendly front end design, to add new order types, and to improve notification and alert structures in line with customer feedback. The Bank also intends to enable customers to reach the Customer Contact Center more quickly and let them realize orders, in addition to getting information. Following the social media research completed recently, the Bank will set up a new working group and focus on such topics as personalization of the service delivered and increased human touch in communication, which are outputs from the research.

Driven by the desire to be accessible and to reach the customers through their top-choice channels, the Bank targets to create new channels for its customers by integrating various communication applications into banking applications. In view of increased use of video and digital content by customers, the Bank will begin using these channels more often for conveying the solutions for their financial needs.

Garanti BBVA will be able to manage branch densities more efficiently through smart platforms in development and the prioritization mechanism that puts customers in the center. It will also be able to allocate more time to coach its employees, and thus continue to enhance the service quality offered at branches.

With the aim of supporting customers in their cash management, Garanti BBVA plans to sustain the same performance by creating new products and services along with pricing strategies also in 2020. Following user demands, development is underway for the Direct Collection System product that offers collection guarantee to vendors. As at year-end 2020, a system will be introduced allowing customers to monitor their cash flows in an even more transparent fashion, which will be more user-friendly thanks to new features to be added.

PRODUCTS AND SERVICES FOR CUSTOMERS' FINANCIAL HEALTH AND INCLUSION

Protecting customers' financial health is a key topic that Garanti BBVA places emphasis on, and works to achieve constant self-development in through new ideas, projects and initiatives.

According to the World Bank Global Financial Inclusion data, 2 billion people in the world do not have access to financial services offered by financial institutions. For this reason, Garanti BBVA works towards improving access to financial services in our country. Facilitating access through all its channels in Turkey, where 43% of the adult population lacks access, Garanti BBVA ensures that its customers are informed about their financial positions, and are on top of their financials. With its segmented approach, Garanti BBVA provides consultancy and guidance on financial planning and offers solutions to its customers according to their needs varying from savings to pension.

Garanti BBVA provides guidance to its customers for a more balanced budget management, and aims to have a positive impact on their lives by offering financial planning services and products that encourage savings such as 'NET Savings Account'.

With its responsible banking approach, Garanti BBVA shares advantages and possible risks of products and services. In this context, Garanti BBVA communicates with its customers transparently in all sales and marketing activities, and provides all the information they need in a clear and easy to understand way. The Bank offers feasible solutions and aims to build long-term and sustainable relations that are built on trust.

WHAT WE DID IN 2019

Going beyond banking products and services, Garanti BBVA works to give advice to support the betterment of their customers' financial health, and to warn them in case of an issue. Custom-tailored insight and action plans are planned to be presented by analyzing customers' behaviors and financials. Work is underway to roll out the project which is currently available to a small customer group of customers.

Garanti BBVA has 21 products and services available designed to support its customers in terms of managing their financials and improving their access to financial services in Turkey. Within the scope of products and services under this heading that can be broken down into different groups, Garanti BBVA;

→ Enables transactions such as bill payments, money withdrawals/deposits/ transfers by/to non-customers via branches, Garanti BBVA ATMs and mobile banking app,

→ Enables women to use their gold savings for loans and deposit accounts through depositing physical gold in terms of grams via branches and gold service point jewelers,

→ Is instrumental in instilling a habit of saving up in 300 thousand customers with its NET Savings Account product, a first in the sector. Garanti BBVA also offers the government incentivized Marriage & Housing Accumulating Accounts to encourage Turkish citizens to save up money,

→ Offers segment specific programs and products for customers of all ages such as Garantili Gelecek (Guaranteed Future), Bonus Genç (Bonus Young), and Retirement Banking Program,

→ Conducts initiatives that contribute to physical and financial freedom of disabled customers and facilitate their access to service from branches and Garanti BBVA ATMs through Disabled-Friendly Banking. Garanti BBVA is delighted to report that over 10 thousand employees completed the web-based Sign Language training to provide better service to disabled customers. In 2019, Garanti BBVA served through 5,214 disabled friendly Garanti BBVA ATMs. The accessibility of Garanti BBVA ATMs for visually impaired customers was enhanced, and credit card debt payments can now be done from the visually impaired menu.

→ Also in 2019, Garanti BBVA framed all communications according to the principles of "Transparent, Clear and Responsible Banking". In this context, the Bank reviewed customer communications such as contracts, forms and informative messages to make sure they are easier to understand and they respond to customer needs. "Product Summary Pages" that summarize products and services in a clearer and more intelligible manner were designed in order to support the customers with their decision making. In 2019, the Bank began sharing the documentation on POS, Bonus Business, Complementary Health Insurance and Shop&Fly Business products with the customers. The Bank will continue to work on summary documentation for diverse products. In keeping with these principles, all employees watched the training videos that are intended to help them talk about all necessary information in an understandable manner in their centralized and face-to-face contacts with customers.

➔ With the Garanti Discount (Supplier Finance System) product updated on the basis of customer and sector demands, Garanti BBVA remains the pioneering bank of the sector. The Bank targets to touch more customers with the Garanti Discount relaunched with new functions in 2019, and offer them solutions for achieving greater efficiency in the utilization of their working capitals. The Bank continues to support customers' cash flows through its discount products that provide financing without furnishing extra collateral, and fulfills their short-term funding needs.

➔ The Direct Collection System contributes to customers' performance of their commercial operations with healthy financials. The system, which allows customers to monitor and manage their cash flows in a transparent fashion, was improved in view of customer demands. The improvements responded to customers' demands for uploading files, filling related documents and pricing. The work is expected to be completed in 2020 for creating a user-friendly, end-to-end digitalized system.

OUTLOOK

Garanti BBVA will continue to develop smart solutions to encourage and support its customers to make healthier financial decisions. In this context, the Bank is also planning to implement more experimental methods and introduce solutions after testing them in a more interactive manner with customers in alignment with the agile working concept it has adopted.

In the years ahead, the Bank will keep offering services that enhance the access of unbanked and underbanked people to financial services, through a variety of solutions such as expanding the disabled-friendly Garanti BBVA ATM and branch network.

Garanti BBVA's principle of always approaching the customers in a "transparent", "clear" and "responsible" manner will remain as a core element of its strategy to enhance customer experience and help them make informed decisions.

SUPPORTING CUSTOMERS TO GROW THEIR BUSINESSES SUSTAINABLY

In addition to producing solutions that address the specific financial needs of the SME's, women entrepreneurs and startups who are key to the sustainable development of the economy, Garanti BBVA aims to support their growth and sustainability, and to help them improve their environmental, social and ethical performance. To this end, the Bank offers training programs and consultancy services making use of its human and intellectual capital as well, while also making various platforms available to them and establishing collaborations. With its support to the economic sustainability of SMEs, Garanti BBVA also creates employment opportunities indirectly and contributes to the sustainable development of Turkey.

Thanks to its robust environmental and social risk assessment process, which is in line with best practices, Garanti BBVA supports all its customers, especially in the corporate and commercial segments, in managing their non-financial risks.

WHAT WE DID IN 2019

Various innovative Garanti BBVA platforms that aim to support companies in terms of managing their financials and businesses help customers grow their businesses in a sustainable manner and increase their resilience to new developments. The Bank offers information services that address the specific needs of the SMEs and contribute to their development such as Teşvikbul (Find Incentive), Şirketkur (Establish Your Business), MarkaOl (Become a Brand), Teknosor (Inquire Technology) and Garantili İşler (Business@Garanti).

Garanti BBVA helps flourish the entrepreneurial ecosystem in Turkey, and targets to support and accelerate early startups and initiatives with the potential to attract investment and grow. Through Garanti BBVA Partners Acceleration Program, the Bank supports early startups of any scale and sector, the SMEs and growing ventures. Under the holistic support mechanism covering provision of office space, mentoring, networking, marketing and training support, the Bank offers versatile and differentiated services at every stage of the entrepreneurial cycle. This year, Garanti BBVA hosted 15 startups and the total amount of investments granted to startups included in the program exceeded TL 20 million.

Garanti BBVA ran the BBVA Momentum Social Entrepreneurship Program in Turkey, which is conducted globally by BBVA. The first-ever social entrepreneurship program carried out by a financial institution in Turkey, BBVA Momentum Social Entrepreneurship Program is designed to contribute to social entrepreneurs seeking to create a higher social impact through a sustainable business model. The startups that qualify for the program co-conducted with Impact Hub İstanbul benefit from one-on-one mentoring and expert support in addition to online training and other classroom training offered by the IE Business School, a school of management science. In addition, startups participating in the Garanti BBVA Momentum program also get the chance to share their experiences with entrepreneurs of different scales and sectors, and to collaborate on an international level.

Garanti BBVA facilitates women entrepreneurs' access to financing, executes free-of-charge educational collaborations to ensure sustainability such as the Women Entrepreneurs Executive School, and encourages them to realize their full potentials through Turkey's Woman Entrepreneur Competition. With the Women Entrepreneurs Meetings, which attracted the participation of 10,250 women to date, the Bank seeks to help women entrepreneurs build new collaborations and penetrate new markets through experience and information sharing that they need. The SROI (Social Return on Investment) value of the Women Entrepreneurs Management School project is estimated as 5.

Within the frame of the international borrowing program, Garanti BBVA, in cooperation with the World Bank member IFC, issued a social bond for the amount of USD 75 million with a maturity of 6 years to be used for financing women entrepreneurs. Issued also with the contribution of the Goldman Sachs 10,000 Women initiative under the agreement with the IFC, the bond is the first social bond issued for use exclusively by women entrepreneurs in Turkey. It is also the first social bond issued by a private bank in an emerging country. Moreover, the Bank signed the Women Entrepreneur Export Support Loan protocol with Türk Eximbank in 2019 to support women entrepreneurs.

In the reporting period, Garanti BBVA continued to share information with its internal stakeholders, as well as external stakeholders including international financial institutions, clients and non-governmental organizations about innovative environmental, social and governance practices in Turkey, sustainable financing products that support equal opportunities to women and men employees in companies, digitalization, transparency and the new trends in non-financial reporting.

Also, in 2019, the Bank shared information about the most current topics related to national and global sustainability trends, sustainable bonds and loans markets, international guidelines and best practices in environmental and social risk management at events such as the CDP Turkey Workshop, of which the Bank is the main sponsor and supporter, in the launch meetings of international principles such as the UNEP-FI of which it is a founding signatory, and two live streaming that it took part in during the year.

In this framework, 15 different topics were addressed in a total of 11 events during 2019, and information was provided to corporate and commercial customers and financial institutions on a one-on-one basis.

In addition, training programs were organized to enable Corporate Banking teams to give more comprehensive support to customers in relation to bonds and loans markets and innovative sustainable financial products.

Within the frame of Environmental and Social Lending Policies, Garanti BBVA paid 29 customer visits in the corporate and commercial segments in 2019 as part of the efforts to improve and monitor customers' environmental and social risk management processes. Under the new Occupational Health and Safety (OHS) Risk Management System that was launched in 2018 and that takes environmental and social risk management system one step further in line with international practices such as the Equator Principles, corporate and commercial customers continued to be given information on best practices in OHS in 2019. In 29 site visits and meetings held, management of OHS risks was also addressed within the scope of environmental and social issues.

OUTLOOK

In 2020 and beyond, Garanti BBVA will continue to highlight entrepreneurship, digitalization, sustainable finance, fight against climate change, and environmental and social risk management issues in its capacity building efforts. Organizing summits and meetings where stakeholders can share experiences and information, and providing informative trainings on emerging new trends will continue to play a key part in the support extended to customers.

Setting up partnerships and specialized teams and providing technical support making use of technological infrastructure in various topics such as sustainable finance and digitalization will be a part of the roadmap for the years ahead. Informing the customers on environmental and social trends will continue to take an important place in the Bank's agenda.

The Bank will make use of the existing international channels and platforms such as the United Nations platforms in designing capacity building initiatives.

NEXT DECADE

DIGITAL TRANSFORMATION

#innovation
#doityourself
#transformation
#interactivity
#customization
#mobilefirst
#accessibility

Please scan the QR code to listen *Işıl Akdemir Evlioğlu, EVP of Customer Solutions & Digital Banking*, talk about digital transformation and Do-It-Yourself trends.

DIGITAL TRANSFORMATION

7,811 37.5 min 12 customers

Digitalization is one of the global trends deeply influencing every part of life. Digital transformation is driven by developments in many different areas from the internet of things to cloud technology, from big data to artificial intelligence. As internet access and smart phone usage become far more widespread, customers change their preferences to reach products and services in favor of simpler, more useful and time-saving channels which they can access from anywhere, turning away from traditional methods. It is now more important to deliver a customer experience where customized solutions are offered, going a few steps beyond just meeting customer expectations.

Constantly investing in digital platforms to provide unrivaled customer experience, transaction convenience, and pioneering solution suggestions, and to increase the share of digital channels in sales is one of the strategic objectives of Garanti BBVA. The Digital Transformation strategy is erected on delivering a full-fledged banking platform covering various banking transactions and services that are convenient, accessible and customized through all channels. Therefore focus is placed on omni-channel banking which enables customers to perform seamless transactions. Accordingly, the Bank's main concern is to listen to customers' needs and answer them in a prompt manner. The goal is to bring the age of opportunity to everyone, and Garanti BBVA is aware of the fact that this process will commence at the branches.

Digital transformation led the banking sector to develop effective risk management tools in many areas including ensuring customer information security and privacy, and managing the increasing cyber threats. While continuously investing in IT systems guaranteeing information security, Garanti BBVA takes precautions against all risks that could prevent secure and uninterrupted service, and measures the results within the context of customer satisfaction on digital platforms.

For Garanti BBVA, digitalization is a key material topic, as identified by both our internal and external stakeholders. Therefore, technology is an integral part in the decision-making mechanism, which supports process efficiencies and continuously drives the Bank forward. With a single source of data and common understanding, technology is used within Garanti BBVA as an enabler for top-down fast decision-making and strong communication. It is reflected in the way we do business, from advanced CRM applications and segmentation, to innovative products and services, and to a paperless banking environment. We want to offer an unrivaled customer experience by constantly investing in digital platforms.

Garanti BBVA supports the idea of all individuals, SMEs, entrepreneurs and corporations benefiting from the opportunities presented by digitalization, and develops solutions to enable use of banking services by more people.

By focusing on digitalization, the Bank actively contributes to Sustainable Development Goal 9: Industry, Innovation and Infrastructure.

VALUE DRIVER	INDICATOR	PERFORMANCE 2018	PERFORMANCE 2019
CONSTANTLY INVEST IN DIGITAL PLATFORMS SO AS TO PROVIDE UNRIVALED CUSTOMER EXPERIENCE, TRANSACTION CONVENIENCE AND PIONEERING SOLUTION SUGGESTIONS **EXPAND OUR DIGITAL CUSTOMER BASE AND INCREASE THE SHARE OF DIGITAL CHANNELS IN OUR SALES**	Digital banking customers*	7.3 million	8.4 million
	Mobile banking customers*	6.5 million	7.7 million
	Digital transactions in non-cash financial transactions	95.5%	96.4%
	Digital sales (share in total sales)	44%	46%
	Number of cardless transactions via Garanti BBVA ATMs	33.7 million	44.8 million
	Amount of cardless transactions via Garanti BBVA ATMs (TL billion)	17.9	26.7
TAKING PRECAUTIONS AGAINST ALL RISKS, WHICH COULD PREVENT SECURE AND UNINTERRUPTED SERVICE (E.G. CYBER THREATS) ENSURING INFORMATION SECURITY	Programs organized to raise awareness on customer privacy and information security	13	5
	Hours of cyber security training per full time employee	1.11	1.19
	Employees who attended cyber security trainings	92%	72%
	Data breaches regarding customer privacy	0	0

** Digital and mobile customer figures are provided for "active customer" definition, which refers to at least one login in the last 3 months. 2018 figures are for Dec'18 & 2019 figures are for Dec'19.*

DIGITALIZATION FOR UNRIVALED CUSTOMER EXPERIENCE

Strictly focused on offering a better experience on digital channels at all times and a follower of omni-channel strategy, Garanti BBVA aims to reach the users at the right time with the right message. The outputs from regular usability research conducted in cooperation with universities are used to constantly improve its platforms, thus ensuring sustainability of perfect experience. Customers are approached through the best-fitting channel by the use of smart decision techniques. Technology is utilized to upgrade customer experience. Developments continue on every possible platform based on the Bank's vision of being accessible by customers anywhere they need banking services.

Furthermore Garanti BBVA transforms digital channels into an environment where customers can receive financial consultancy. The Bank also contributes to its customers' preparation for the digital future by developing financial tools supporting digital transformation. Garanti BBVA aims to maintain its leadership in digital channels by continued monitoring and implementation of new technologies putting mobile channels at the heart of this experience.

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

VALUE CREATION THROUGH DIGITALIZATION

Investing in digital channels feeds the sustainable growth model of Garanti BBVA. It leads to increased customer satisfaction and loyalty. Branches with above-average digital penetration also enjoy higher operation and service quality and efficiency than others. In addition, product penetration of digital customers is higher than average customers, an evidence of higher cross-sell. Service fees driven by digital channels make up 45% of the non-credit-linked commissions and support the growing fee base. On the other hand, transaction costs on digital channels are lower than branch banking, resulting in higher efficiency. Digitalization also leads to higher profitability. Through digitalization comes sustained growth: branches can increasingly focus on building relationships, providing advisory, generating sales and acquiring new customers.

The EVP in charge of digital banking responsible for digital channels, customer experience and satisfaction, and Customer Contact Center together with the EVP in charge of technology, operations, organization and process development, customer analytics, innovation and product development lead digital transformation within the Bank in collaboration with the senior management team. Furthermore, the Board of Directors closely monitors the progress and the performance.

WHAT WE DID IN 2019

Managing the largest digital customer base in Turkey, Garanti BBVA Digital Banking enables 8.4 million digitally active customers to execute any banking transaction anytime, anywhere, with 5,260 Garanti BBVA ATMs, an award-winning Customer Contact Center, Garanti BBVA Mobile and Internet that have been leading novelties. While 7.7 million of these customers actively use mobile banking, 6.1 million customers use only mobile banking. Approximately 428 million transactions are performed through online and mobile banking channels annually. Utilizing digital channels effectively, 96.4% of all non-cash financial transactions go through digital channels. The number of monthly logins to Garanti BBVA Mobile also increases regularly, with 145 million logins reached in December 2019. Aiming to offer its customers an instant, convenient and uninterrupted experience, Garanti BBVA succeeds in remaining the leader of digital banking year after year.

With the objective of managing brand awareness and corporate reputation, Garanti BBVA takes place in social networks with accounts on Facebook, Instagram, Twitter, YouTube and LinkedIn. Aiming to provide direct access to innovative products and services addressing customers' and followers' needs, Garanti BBVA places social media as a digital channel. With over 2.5 million followers overall and more than 1.8 million followers on Facebook, Garanti BBVA is one of the financial institutions with the highest number of followers in Turkey and in Europe.

With "Garanti BBVA'ya Sor" (Ask Garanti BBVA), which is the first 24/7 social media customer satisfaction channel in the Turkish banking sector, the Bank offers an efficient customer satisfaction service. It designs special offers in line with the customers' profiles and needs. On social media platforms, Garanti BBVA carries out initiatives that support its corporate image, contribute to business results by offering a description of products and services, and intended to make customers' lives easier with contents related to financial and digital literacy, which are at the same time aligned with the entertaining and dynamic nature of social networks.

Branches play an important part in digitalizing the customer base. Therefore, an important step was taken for digitalization of the branch network. Branches were vested in an innovative structure on the axis of digitalization, whereby customers will be able to receive a one-stop service as easily and quickly as possible. In this context, the transformation of all branches has been completed. While mobility increased, the new structure enables service delivery not just out of branches but anywhere. Moreover, as all business processes and operations have been simplified and digitalized, the quality and speed of the service rendered have also increased. The figures already reflect the positive outputs of the new service model as 88% of loans are approved in a paperless manner without signatures, and retail loan extension process is down from 25 minutes to 7-8 minutes.

Digitalization of the branch network is vital particularly for enhancing the service corporate customers receive from branches. In this context, internet user authorization process that creates a major operational workload on branches and causes loss of time for customers has been simplified and vested in a fully digital and dynamic flow. Once new developments are fully introduced, workload resulting from internet user definition and modification steps will be decreased by 60%.

Garanti BBVA Mobile and Internet feature informative videos that walk the customers through product application steps. This allows users to easily access information about how to perform a given transaction on digital channels. At the same time, the renewed application page performs tendency calculation to present customized product offers. Seeing a maximum of three different products in this section, customers can easily reach the application step for the offers that interest them and complete the application process.

EMPOWERING CUSTOMERS

Garanti BBVA analyzes customer behavior for each platform and continuously develops them based on customers' needs along the cycle. Completely analyzing and understanding customer life cycle for every single platform is of paramount importance as customer needs vary depending on the platform.

Acting with the vision of making life easier for its customers wherever they may be, Garanti BBVA now offers service also via WhatsApp. Furnishing support to its customers through virtual assistants for a long time, the Bank also launched WhatsApp bot service in addition to the voice assistant Ugi, and the chatbot service on Facebook Messenger and garantibbva.com.tr. Customers can quickly find solutions to their problems and get detailed information about products and services by exchanging messages through the WhatsApp platform they heavily use in their daily lives. Working on smart bot technology, Garanti BBVA Corporate WhatsApp line is accessible 24/7 by saving the phone number +90 444 0 333 or from the "Contact Us" page on Garanti BBVA Mobile.

At Garanti BBVA, all products, infrastructures and services are designed according to the needs of digital channels besides physical channels. On the other hand, products that are developed solely for the needs of the digital channel are also introduced. With the customer experience improvements launched in FX transactions this year and available only on digital channels, customers can now fix the exchange rate for 25 seconds and trade at the rate they see. This product also lets customers track the past changes in FX assets. Customers can access average buy and sell data at a given time interval up to last three years for each foreign currency. Made available on Garanti BBVA Mobile and Garanti BBVA Internet, the product enables customers to execute FX transactions faster using the buy/sell buttons.

Garanti BBVA does not convert traditional products on physical channels to digital channels with the same features. The aim is to create entirely digital products designed for the needs of digital channels. Modular Auto Insurance is a good example of Solely Digital products, where customers can determine their coverages by themselves and take advantage of discounts depending on the number of coverages they select. It was designed based on the analysis of customers' buying trends on digital channels and customers' pain points, etc. Features of the product were shaped based on this thorough analysis and needs of the customers. Therefore, it is available only on digital channels, and as such, it is a truly end-to-end digital product. The learnings from the Modular Auto Insurance were transported to the Health Insurance product, and Modular Health Insurance was introduced.

Garanti BBVA tries to be a part of every technological movement and to adapt its services or create new ones based on these technology trends.

Technology and the faster internet connections boosted video calls and video content consumption. Making use of technology, Garanti BBVA launched video call service to users for limit increase, unblocking etc. that used to require a branch visit, in a bid to make their lives easier. Another service is face-to-face loan service, whereby customers can interact with agents face-to-face while they apply for a loan on Mobile Banking. With the video chat technology, Garanti BBVA also made new customer process much easier. This capability provides a good example of human touch placement within digital experience.

Another digital innovation Garanti BBVA has implemented further extends this example. Garanti BBVA's Facebook Messenger Bot, and the WhatsApp bot launched this year, enable personal loan calculation in a conversational form. Users can run calculations through this platform and easily reach the information they need. The bot responds to personal loan related questions to a certain extent, and it guides the user to Garanti BBVA Mobile, website or other distribution channel when needed.

Garanti BBVA tries to position its channels in a way that they talk to each other. This applies not only to online experience; the Bank aims to connect online and physical experience. Transactions performed via QR code is a good example of this. Customers can easily deposit or withdraw money from the QR Transactions function on Garanti BBVA Mobile, without having to carry a card. Money transfer is also easy via QR code, as it does not require an IBAN number. Credit card debt payment and loan repayment transactions are also added to the set of QR transactions, thus expanding the set of cardless transactions. Another example of this is the general purpose loan application process. Customers are able to perform loan disbursement through online banking irrespective of the application process's having been initiated online or otherwise. When developing products and services, all digital channels are taken into consideration. Garanti BBVA believes that customers would like to use the features that one tool offers also in all the other tools. For instance, they would like to approve a banking document using the mobile app when on the way or to do it on the desktop screen when at work. That is exactly why Garanti BBVA focuses on omni-channel banking.

Furthermore, in purchases from Garanti BBVA's in-network e-commerce websites, customers can apply for a loan via Garanti BBVA Mobile or Garanti BBVA Internet by selecting "Payment by Shopping Loan" option, and can enjoy shopping in the comfort of their homes without having to go to a bank. Moreover, Garanti BBVA Shopping Loan offers installment payment option on mobile phones or smart phones, eliminating the obligation to pay the full price outright on these products.

Garanti BBVA is able to offer most of the products and transactions in each channel with a similar customer experience and is capable of developing new platforms adaptive with other channels from the very first day. Customers can display the campaigns tailored for them in each channel, while they can inquire the transactions they made in a channel on another platform. Also every channel's own needs are taken into consideration. Garanti BBVA is well aware of the fact that the key to keeping customers engaged with each platform is to offer the same rates for banking products and transactions on each channel.

Garanti BBVA tracks customers' and their peers' financial habits and background data. Based on target-oriented research, customer-specific products and campaigns are offered to relevant customers. Furthermore, the Bank is working on offering one-click and proactive products to customers. These offers are customer-specific products that are available one-click away. Proactive offers are customer-specific offers prepared based on the customers' financial backgrounds. Advanced analytics and big data are considered within the products and services in order to understand customer needs and wishes, and to offer them desirable products at the right time from the right channel. Thus, analytic tools are highly used to offer proactive and customizable services to customers.

Real Time Offer Management Infrastructure was launched in the reporting period in order to deliver the real time offers backed by analytical tools to the customers at the right time, through the right channel. The new infrastructure works based on real time customer events and it is integrated with various channels of the Bank. This infrastructure triggers real time offers or referrals that will improve customer experience and so enables us to touch the customer instantly.

In addition, customers' channel usage is taken into consideration in order to keep customers engaged and to offer the services that best fit their needs. This is crucial in terms of migrating customers to digital channels. If a customer is a digital customer, tailor-made offers and features are proposed on digital channels. If a customer is a potential digital customer, Garanti BBVA draws a path to convert the customer to digital with smart offers at each level by starting to communicate with the customer offline (at the branch) and then moving to online. Offers proposed to customers are shaped according to the segmentation model which is based on various criteria such as ownership of investment portfolio, deposit account, salary account, GPL disbursement, and so on. The smart combination of channel usage and segmentation model enables Garanti BBVA to decide what to offer, how to communicate, when to communicate and how to behave. This way, customers can benefit offers that best fit their needs on the channels.

To sum up, offering the best user experience across all channels, taking customer needs into consideration in digital channels and designing products based on those needs, leading innovation, being in the customers' daily lives and engaging with customers through smart offers are key in implementing the digital strategy for empowering customers through digitalization.

MOBILE BANKING

The number of monthly transactions carried out with Garanti BBVA Mobile surpassed 35 million. Active digital customers increased to 8.4 million while mobile-only customers significantly grew to 7.7 million. Garanti BBVA Mobile got 70% share of non-cash financial transactions. The number of active mobile banking customers grew by 18% in the twelve months to end-2019.

Aiming to offer all banking services through digital channels, enabling customers to perform transactions on self-serve basis, and delivering a perfect experience when doing that, Garanti BBVA further improved the available capabilities on digital channels and also added new solutions.

New customer process on Garanti BBVA Mobile has become much easier. After filling in the application steps, users have a video call with the customer agent for authentication, who are than invited to the nearest Garanti BBVA branch for completing authentication procedures. Once customer number activation and demand deposit account opening are completed at the branch, the new customer logs into Garanti BBVA Mobile or Internet, and begins using all Garanti BBVA products and services forthwith.

Smart Transactions added to Garanti BBVA Mobile application are intended to let users execute their daily banking transactions more easily and to gain awareness in relation to their finances. "Regular Deposit Order" rule prioritized with respect to its introduction within the scope of Smart Transactions allows customers to better manage their times and take their money under control. "Spend and Save" rule on the other hand enables customers to save up a given portion of their spendings with their credit cards without spending effort for it. Work is underway for adding new rules to Smart Transactions.

Acting with the vision of accompanying users at every step of their daily lives and making things easier for them, Garanti BBVA lets its customers make their transportation payments on Garanti BBVA Mobile with the İstanbulkart top-up step.

In addition to the available quick and secure log-in option to e-government gateway, customers can now do so also via Garanti BBVA Mobile.

Applications page on Garanti BBVA Mobile now allows making an application for Installment Advance Account, which is a new capability defined on overdraft account and enables payments to be divided into installments. Customers can use this product either to make payments or to withdraw cash, which they can repay in installments with a term of up to 12 months.

From the Payment Promise step in Garanti BBVA Mobile app, customers can view their overdue credit, credit card and advance account payables, and make a payment promise for these debts.

Going beyond banking products and services, Garanti BBVA works to give advice to support the betterment of their customers' financial health, and to warn them at the time of an issue. Custom-tailored insight and action plans are planned to be presented by analyzing customers' behaviors and financials. Work is underway to roll out the project which is currently available to a small customer group of customers.

Garanti BBVA broadens its product and service array for its enterprise customers, as well as retail customers.

Money withdrawal, depositing and transfer via QR code, which were being used by retail customers, can now be easily executed by enterprise customers using Garanti BBVA Corporate Mobile. Hence, one more step has been taken by Garanti BBVA towards becoming a cashless society by enabling payments between buyers and sellers via QR code.

In addition, demand deposit opening function, which will make customers' daily lives easier, is made available on mobile banking and has rapidly become a favorite. Enterprise customers already began opening 35% of their demand deposit accounts on digital channels using mobile banking.

With the addition of Garanti BBVA discount function to Garanti BBVA Corporate Mobile, the set of solutions provided via digital channels was further expanded.

As a result of all these developments, Garanti BBVA topped Forrester's mobile functionality benchmark in Europe with Garanti BBVA Mobile in terms of user experience, and ranked second in overall mobile category.

INTERNET BANKING

To enable its customers to manage their personal finances over the internet, Garanti BBVA offers interfaces which enable customers to follow their assets and liabilities in product-based graphs, and their income, expenditures and cash flows with need-oriented notifications and alerts through its Internet Banking website.

Garanti BBVA Corporate Internet is being revamped in line with the needs of customers.

The entire process of authorization forms, which posed one of the biggest difficulties against digitalization for corporate customers, was renewed in a simplified and user-friendly format, and offers features such as dynamic creation of custom-tailored, need-based instant and summary forms and automated setting of customer and user limits in line with the list of authorized signatures. Developments were made to let the

For enterprise customers, one of the greatest obstacles complicating digitalization was the great loss of time caused by authority forms because of individual monetary or transaction limitation details. The entire process was revamped, and accordingly, need-specific, instant and summary forms for each customer is created dynamically. The forms automatically set customer and user limits in accordance with circular of signatures, producing a fast and user-friendly process for customers.

The authorization process experience was renewed all over so that the individual with the broadest authority of a company conveniently appoints authorizations digitally to employees according to desired limits and capabilities. Similar to authority description forms, the process of the main user to authorize other users provides a simple experience where the structure in the list of authorized signatures is automatically captured in the system and the customer does not need to enter these data thus, preventing waste of time.

"Tracking Report" was added to Garanti BBVA Internet to allow customers to follow up their FC transfers to domestic and overseas banks (Swift transactions). The Swift Tracking capability affords users the privilege to view each step from the moment the instruction is given until the moment transfer takes place. This allows to easily view all details including the status of FC transfer, the intermediary bank it is held with, and the total time until receipt by the receiver bank. In addition, instant notices regarding the fate of the transactions are sent within the scope of the notification function.

POS application step added to Garanti BBVA Corporate Internet lets sole proprietorships to digitally apply for POS without making a branch visit.

Infrastructure development was completed for sending push notifications related to banking transactions and offers to corporate customers. Hence, a new customer experience can now be offered to corporate customers making them feel that the Bank is with them whenever they need it, even when they are not using the mobile app or Internet banking.

All product pages on Garanti BBVA Internet feature a section viewing the most common Frequently Asked Questions (FAQ) along with a brief answer. These FAQ fields are automatically generated upon matching the labels of product pages with the questions (and updated when a new question is added to the database). A similar function is available also on the detailed question page where relevant questions are asked to the user. Under each detailed answer, there is a "Was this answer useful to you?" button, which is used to further develop the help and advice section based on visitor feedback.

BONUSFLAS

A first in the sector and allowing Garanti BBVA card holders to satisfy any card-related need, BonusFlas was revamped with a customer-friendly new design. Redesigned also according to new trends, the app makes it easier to follow up campaign and card information. The payment functions offered in BonusFlas were expanded with the addition of payment via QR and users were provided with the capability to make cardless payments on all IOS and Android phones even if they do not have their cards with them. E-commerce expenses were made faster and easier with the "Direct Link" property that allows users to be referred to the websites/applications of member merchants they are shopping from with a single click when using BonusFlas.

GARANTI BBVA CEPPOS

Garanti BBVA CepPOS is a smart phone app allowing SME and micro businesses to quickly and securely receive payments through mobile phones. The app transforms Android mobile phones with NFC (Near Field Capability) function into a POS device, and thus enables easy payment up to contactless transaction limit from credit/debit cards or Android mobile phones possessing mobile payment capability at business places that own the app. Garanti BBVA CepPOS also lets instant tracking of sales and viewing the amounts received in the account.

After logging into Garanti BBVA CepPOS app with their Garanti BBVA Internet password, the sale amount is entered in the "Get Payment" screen by member merchants. The customer will then scan the credit/debit card or mobile phone to be used for payment at the back of the mobile phone installed with Garanti BBVA CepPOS used by the member merchant. Following the approval given by the member merchant's Garanti BBVA CepPOS app, the sales transaction is realized. Sale reversals or returns are also among the main conveniences offered by the app. The sale can be cancelled and/or returned with the same contactless transaction process.

GARANTI BBVA ATM

Garanti BBVA ATM network reached 5,260 ATMs in 2019. The ratio of cash deposits to cash withdrawals from Garanti BBVA ATMs was registered as 96%. While 390 million transactions per year were carried out from ATMs, more than 44 million transactions were carried out using the cardless menu. The array of transactions via QR was expanded with credit card debt payment and loan repayment, thus expanding the set of cardless transactions. Having doubled the ratio of money withdrawal via QR in 2019, 18 thousand hours of ATM use time was saved on a monthly basis. Also, UK Sterling (GBP) can now be deposited from ATMs. Redesigned ATM screen makes it clearer for customers to understand when an ATM is out of order, and also highlights QR transactions.

GARANTI BBVA CUSTOMER CONTACT CENTER

In a repetition of its unchanged performance since its establishment in 1998, Garanti BBVA Customer Contact Center led the sector in 2019 drawing on its solid technology, dynamic and qualified employees, and innovative and customer-centric service approach in a bid to offer a seamless experience to customers.

Recognizing the importance of quality and consistent service delivery, Garanti BBVA Customer Contact Center analyzes customer needs timely and accurately, and offers its customers fast and easily accessible services targeted at first call resolution, while maintaining its dedication and contention in the sector with its financial products portfolio composed in line with the Bank's strategies. The Customer Contact Center also preserves its leading position, successfully handling 14.1% of all the calls in the financial sector with an average response time of 31.6 seconds via its qualified team of 1,085.

Garanti BBVA Customer Contact Center, Turkey's largest financial contact center with 70.9 million total customer contacts in 2019, made a major difference in its sector with a call response rate of 98.3%, which is the key service performance indicator

Producing customer-centric solutions with the aid of new technologies, the Customer Contact Center reached a much broader customer group in 2019, making their lives easier with the Free Speech Project that provides a much higher protection than customary encryption methods and recognizes customers from their free speeches.

Taking an active role also in the digital transformation process with the "New Customer Acquisition through Digital Channels" introduced in 2019, the Customer Contact Center added a new link to its set of user-friendly services with Video Call, and secured faster and easier fulfillment of customer demands. The future plans include increased variety of services offered through this channel.

Centrally responding the calls placed at the switchboards of the busiest Garanti BBVA branches via "Branch Calls" team throughout the year, the Customer Contact Center introduced another remarkable initiative in 2019. Aiming to deliver a unique experience by providing one call solution to customers from the channel they connected, the team began responding to calls of all retail branch customer advisors in addition to branch switchboard calls within the system. While the response rate went above 91% with an average response time of 11 seconds, customer satisfaction was enhanced, in addition to numerous value-added products and services presented, and significantly reduced workload on branches.

Thanks to the Smart Sales and Dynamic Offer Management projects developed based on the "Right Product and Service Offer to the Right Customer" concept, the Customer Contact Center kept fulfilling customer needs in the most efficient manner, by instantly bringing the customers together with the expertized sales and service specialists that customers were interested in. With 27 financial products on its portfolio, the Customer Contact Center broke new record with a powerful performance that surpassed the net financial income figure generated in 2018 and sold 3.3 million high value-added financial products in 2019.

A significant contributor to the Bank's total loan volume in the marketing and sales of general purpose, mortgage and auto loans through the dedicated hotlines at 444 0 335, 444 EVIM and 444 OTOM, the Customer Contact Center retained its long-standing title as the leader of the loan telesales.

Also in 2020, Garanti BBVA Customer Contact Center will enrich its service and product range that will offer powerful customer experiences and will remain committed to its mission of maintaining its pioneering position in the sector, while keeping its focus on the advancements in the digital world and its unchanging top priority, customer satisfaction and quality of service, with the target of further increasing the value it creates.

GARANTI BBVA'S NEW SERVICE MODEL

Garanti BBVA recently launched a new service model, which captures the benefits of the emerging digital world. With the pilot program started in May 2017, the project was rolled out in phases until the end of 2018. The transformation of the entire branch network was completed within this context. In this new model, Garanti BBVA reflected digitalization in branches.

With the aim of creating seamless, omni-channel experience to reduce branch dependency and ensuring similar customer experience across all channels, Garanti BBVA also launched the "digital approval platform" where customers can approve product/service agreements with the Two Factor Authentication (via internet banking through corporate tablets or mobile devices) in branch processes as well, where paperwork and time spent to complete sales/transactions are reduced. (This service is available for General Purpose Loans, Overdraft Accounts, Account Opening for Real Person Customers, Insurance and Pension and Deposit Accounts.)

The Bank began providing seamless and transparent experience to customers across all channels with the Channel Transitivity Project that secures seamless execution of deposit transactions between branches and digital channels, which was introduced in 2019.

Garanti BBVA believes that acquiring/co-innovating with fintech startups is essential for Banking-as-a-Service (BaaS). Today, banks are no longer just financial players; they offer different services by establishing collaborations with third parties. Building a culture of innovation within the Bank is vital for an open innovation point of view. Thus, co-innovating with fintech startups is very important in terms of imposing startup culture into our and others' way of doing business. Therefore, Garanti BBVA acts in accordance with the notion of supporting new entrepreneurships, products and projects in all areas. The Bank believes that the market can be transformed and external disruptions can be turned into opportunities, by collaborating with various third parties.

The change brought on by technology is picking up speed across all economic sectors, and banking is no exception. Open innovation is one of the key elements of the Bank's transformation to adapt financial services to customers' new needs. The concept stemmed from the necessity to keep up with the rapid pace of change that companies are undergoing. The connection with the innovation ecosystem and entrepreneurs is essential. At this point, Open Talent has evolved from a unified competition for technological companies to one divided into categories that supports all kinds of entrepreneurs in innovation from many countries. In the process, Garanti BBVA continues with collaborative efforts with BBVA.

The Bank's approach to internal innovation can be described as one that is inclusive and facilitative. The primary objective is to ensure conveyance of all employees' creative ideas and suggestions to the correct recipients by offering various channels. In this context, the employees can just communicate a concept for it to be implemented by related teams, or they can take the ideas they share to advanced stages and present their solution suggestions to the Senior Management personally.

Methodologies developed specifically for each channel paves the way for the conversion of bright ideas into real products in the most sensible and profitable manner. The different channels used and tailored methodologies employed enable Garanti BBVA to also address the entire innovation range. This allows simple but valuable improvements on one side, and to carry out initiatives targeted at the bank of the future, on the other.

OUTLOOK

Offering pioneering digital solutions, Garanti BBVA Digital Banking provides users with convenience and speed.

Going forward, Garanti BBVA's efforts to increasingly expand the scope of application of digital channels will continue. With an End to End Digitalization perspective and a zero-based mindset, products are being re-invented within a digital context. Customer journeys will be continuously monitored to boost NPS and to offer best-in-class UX.

"e-loan", the credit solution enabling commercial loan disbursement to SME and Commercial customers through digital channels, is also one of the projects targeted to be introduced in 2020.

In addition, partnership opportunities will be pursued and a range of APIs will be created to integrate with 3rd parties. Not only will this expose the Bank to a much wider range of new technologies, but it will also help Garanti BBVA become the leading financial institution in the fintech ecosystem.

Taking the banking business beyond being a mere provider of banking products and services to offer recommendations to customers for enhancing their financial positions and warn them at times of difficulties will be much more important in the period ahead. Garanti BBVA is aware that acting as the customers' reliable financial coaches is critical for customer satisfaction and social responsibility. The Bank is also working to increase its customers' financial literacy, to help them become more knowledgeable about their financial positions, and to improve their financial positions in general.

In addition, digital transformation also brings along the digitalization of the customer relationship initiation journey, and users can now initiate the new customer process on Garanti BBVA Mobile. The new customer journey is completed with the signature to be executed in the branch. Having made the process a much faster and easier one, Garanti BBVA targets to create an entirely digital experience following the necessary regulatory framework in banking legislation.

With the aim of reducing the effort users spend for their daily financial activities, the Bank is intending to offer a body of automated services. With the Smart Transactions available in Garanti BBVA Mobile, initially "Regular Deposit Order" and "Spend and Save" functions went live. Designed to reduce the time and effort customers allocate for realizing their daily financial transactions and to enhance customer experience, the service is being expanded with the addition of new functions.

Garanti BBVA has long espoused it as its responsibility to lead the expanded implementation of sustainability practices. The Bank aims to communicate its sustainability efforts also on digital channels, and thereby, to join forces with its users in order to grow this support.

Garanti BBVA will be touching the lives of enterprise customers digitally in 2020. The number of application and product sales functions available over Garanti BBVA Mobile and Internet are targeted to be increased. Beyond just simple banking transactions such as money transfers and screening, for enabling enterprise customers to execute more sophisticated banking needs in an end-to-end "DIY-DoItYourself" way, necessary steps will continue to be taken. In this context, the top priority will be the disbursement of commercial loans through digital channels.

Moreover, the vision in 2020 will entail offering financial analysis service through digital channels in order to support corporate customers' financial lives, and stand by the customers acting as a financial advisor beyond being a bank providing solely products and services. The Bank also aims to be innovative on the basis of initiatives in open banking.

Garanti BBVA will maintain its leadership in digital channels by continued monitoring and implementation of new technologies, and will put mobile channels at the heart of this experience.

DIGITALIZATION FOR SECURE AND UNINTERRUPTED SERVICE

Increased digital use leads to greater exposure to cyber security risks, and the improved threat profile results in elevated effect of the diversified risks of the digital environment. Constantly investing in technology, uninterrupted processing capacity, infrastructure security, cost efficiency and energy saving in light of corporate governance and international standards; Garanti BBVA, through its subsidiary Garanti BBVA Technology (GT), sharpens its monitoring effectiveness since 1981. The company allows Garanti BBVA to put measures in place more rapidly and to become aware of global threats at an earlier time via networks that GT belongs to. Accordingly, Garanti BBVA's internet access architecture is restructured with a risk-based perspective. With its strategy, "Better IT, Better Business", Garanti BBVA continuously invests in cloud technology and microservices in order to ensure cost saving and introduction of solutions at a faster pace, and positions its application architecture and security layers so as to support these technologies. Through these initiatives, Garanti BBVA targets to better adjust to the new business models presented by the constantly digitizing world, and to deliver its clients a better customer experience by transforming Big Data infrastructure investments into business intelligence solutions and open application platforms.

The opportunities offered by digitalization also transform issues regarding data protection and security into one of the most significant risks. Taking precautions against all risks, which could prevent secure and uninterrupted service, particularly cyber threats, ensuring information security and informing customers on related issues are among the material issues, both for Garanti BBVA and its stakeholders.

Garanti BBVA carries out efforts ensuring continued awareness of compliance with laws and corporate standards, and development of processes that guarantee management of IT/information security and IT related risks, in order to effectively manage reputational risk across the Bank. In terms of governance, the Information Security Committee headed by the EVP responsible for Engineering and Data coordinates all efforts within the Bank to guarantee information security and monitors policies, procedures, and regulations.

Adopting an "enterprise external fraud prevention" approach within the framework of customer protection principles, Garanti BBVA centrally monitors incidents of fraud involving card transactions, account transactions, POS transactions and loan product applications carried out through any branch or non- branch channel.

Garanti BBVA develops proactive strategies to monitor, detect, control and prevent evolving acts of external fraud. Made up of expert and experienced employees, Customer Security and Transaction Risk Management Department adopts emerging technologies and builds on its competency in fighting external fraud and takes action rapidly and effectively. Data-driven analyses of fraud trends and incidents of fraud, the Department works to minimize the potential losses of the Bank and the customers.

The Department formulates views and suggestions on the Bank's new product and service developments upon assessing the same with respect to external fraud risks. Monitoring new fraud methods and the changes in fraud trends both on a national and international level, the Departments makes necessary preparations and takes necessary steps to update the parameters employed in the Bank's anti-fraud systems. The Department also carries out all necessary examination and investigation about acts of external fraud, sharing related information within the Bank and with other banks. Garanti BBVA continues to cooperate with its stakeholders to increase anti-fraud initiatives across the sector, as well as those between different sectors, against fraud events. Furthermore, within the scope of training and awareness programs for the Bank's employees, a total of 96 training and/or informative programs regarding external fraud were carried out in 2019, using various means including announcements/statements, virtual training and information meetings, emailing and live streaming.

The Customer Security and Transaction Risk Management Department closely follows up technological developments, makes assessments together with national/international various service providers and leads technological developments in order to carry out fraud risk management in the most efficient and effective manner, and to deliver the best experience to Garanti BBVA customers. In addition, necessary developments are carried out, which are also continuously followed up with respect to their effectiveness in fraud prevention and maximizing customer satisfaction. Also instant tactical updates are performed depending on the needs within the frame of strategies determined with a customer-focus.

WHAT WE DID IN 2019

Garanti BBVA secures all IT assets including people, processes and technology so that the organization can focus on business targets without suffering an interruption due to security related issues by concentrating on Confidentiality, Integrity and Availability. The latest and the most advanced security systems are followed up in an effort to offer the most effective security solutions to protect the clients' information. Regular penetration tests and vulnerability assessments are performed to identify and eliminate security risks. Garanti BBVA follows the COBIT (Control Objectives for Information and Related Technology) framework, internal security policies, procedures, and ISO 27001 with specific scope.

Garanti BBVA provides various security-building practices for its customers in line with its approach determined by security and privacy policies. Tokenization (Şifrematik application & device for generating one-time passwords), SMS OTP, Mobile Notification, Voice Biometric Verification and Eye Biometric Verification are used for the authentication of customers. In order to increase security of digital channels' usage; the Bank implements additional security measures on mobile applications. Transactions are automatically analyzed and if necessary, additional verification is implemented to prevent fraud events. As a result, Garanti BBVA has not received any verified data breach regarding customer privacy in the past four years. Garanti BBVA also supports safe execution of external projects that introduce novelties to the sector, in addition to its internal practices.

Through its website and Alo Garanti BBVA, Garanti BBVA offers its customers security information regarding digital banking. Warning its customers against possible situations, Garanti BBVA also explains additional security precautions that customers can take, particularly the "6 Golden Rules" for security, such as creating and protecting passwords, situations when private information is requested, viruses spread via e-mails, fake prize notifications or requesting personal banking information via SMS or by telephone, phishing attacks, suspicious money transfers and requests for information. Also, Garanti BBVA provides customers with information on the protection of mobile devices and computers on which they use Garanti BBVA's internet banking. Garanti BBVA furthermore advises to use utility programs such as anti-virus, spyware scanner and firewall. Garanti BBVA sends SMS and e-mail messages at certain intervals in order to inform its customers about current and widespread attacks.

Work is carried out within the frame of DevSecOps in order to enhance secure software development process. Security evaluation approaches that are aligned with current software trends such as agile are being developed. Initiatives are being carried out targeted at best practices in data classification and data leakage prevention methods, in addition to efforts spent for regulatory compliance. Stricter rules have been introduced in related processes and platforms for the security of mobile market and social media accounts, and training programs were organized for enhancing awareness of the teams managing these accounts in the Bank. Garanti BBVA keeps improving its information security processes by also utilizing the know-how and global experience made available by the BBVA Group. The Bank also extends support to global projects carried out by the BBVA Group in this context.

Under the Decentralized Cash Management (DCM) project, cash deposited in DCM vaults set up at banks are deemed deposited in CBRT branches. While this significantly reduced the funding cost of idle cash, it also minimizes the operational risks involved in physical money transfer and extends support to CBRT operations. Under the DCM Project Garanti BBVA launched as the "first bank" in Turkey in 2018, 4 DCM vaults became operational as of December 2019.

In line with its strategy, Garanti BBVA focuses on dynamically monitoring and precluding fraudulent attempts that increased in 2019. In doing so, the Bank aims to prevent both the Bank's and the customers' potential financial and reputational losses based on a frictionless and customer-centric approach.

In order to provide its customers with a more secure and more frictionless experience, the Bank continues to improve communication channels. New communication channels that have been integrated guarantee a more effective and more personal experience, employing customers' preferred communication methods. It is targeted to enhance customer experience and get customers on board while fighting against fraud and to manage the risk in a frictionless environment. In keeping with this, Garanti BBVA continued to enlighten its customers and to raise awareness about fraud trends and important considerations by using various channels.

OUTLOOK

In 2020, Garanti BBVA will continue to guarantee secure transacting for its customers, and will also continue to work towards ensuring its customers to transact in a convenient and frictionless environment and adopting a focus that will get customers on board while fighting fraud. Along this line, constantly enhancing customer experience through strengthening fraud risk monitoring systems with contemporary technology and analytical methods will remain among the most important targets.

INVESTING IN HUMAN CAPITAL

#workspace #diversity #agility
#humancapital #greenoffice
#teamwork #engagement #integrity

Please scan the QR code to listen *Didem Dinçer Başer, EVP of Talent & Culture,* talk about future of work and creating an ecosystem to capture opportunities.

INVESTING IN HUMAN CAPITAL

5,232 XX min 25.9 employees

Garanti BBVA's Human Resources strategy is based on employee centricity.

Garanti BBVA strongly believes that organizations offering employees development opportunities in diverse areas, highlighting the tools for maximum self-realization, and maintaining practices that nurture the fact that humans are social beings will be the organizations of the future.

Carrying out all of its employee-centered activities under the heading "Talent and Culture", Garanti BBVA thus focuses on sustainable business processes and projects that live, ensure equality and fairness among employees, and their involvement in decisions. At the same time, the Bank keeps developing practices to create a working environment that encourages full utilization of employees' skills, offer a wide range of opportunities and guarantee recognition and rewarding of their accomplishments.

Under the Talent and Culture organization, the Bank regards each employee as a talent in his or her position, and builds its main focus on producing and developing the tools that will secure the development needed by the talent. In this context, the Bank pursues alignment of the "Talent Solutions" practices designed by Garanti BBVA with its fair and happiness-oriented culture that is also molded according to employee needs and is nurtured by the organization's values.

The Bank collects and analyzes employee expectations in environments providing equal opportunities, and constantly updates its policy in keeping with technological advancements. The Bank believes that it creates an environment that complies with international standards by maximizing participation in every aspect. It places great emphasis on keeping bi-directional dialogue channels to ensure that employees are actively engaged in the decision-making mechanism and to benefit from innovative opinions. The Bank aims to increase employee satisfaction and employee engagement by collecting employee opinions systematically using a variety of channels, such as the intranet, various questionnaires and platforms.

Within the frame of processes shaped according to employee needs and expectations, Garanti BBVA maximizes self-monitoring by employees at a number of points from career management to performance evaluation and training planning by taking steps that will encourage more active involvement of employees.

The Employee Committee, headed by the CEO and formed of Board members and Senior Management, is responsible for developing all of Garanti BBVA's employee-centered policies, carrying out and coordinating activities that will further improve employee engagement and satisfaction, monitoring results and developing action plans when needed. With the support of the management, the Committee also aims to promote learning in order to enhance the Bank's development and tracks how training reflects on business.

Under the "Talent Solutions" heading, Garanti BBVA has in place a Compensation Policy for employees, which is prepared in accordance with banking and capital market legislation and approved by the Board of Directors. The Policy is erected on job-based remuneration, encourages fair, transparent, measurable and sustainable achievement among employees, and is aligned with the Bank's risk principles.

The performance evaluation system at Garanti BBVA measures employee performance depending on objectives and the extent of their attainment. Systematic bonus and performance models are supported by concrete and measurable criteria during the assessment, and they serve as major and effective management tools for achieving cost management and efficiency, while ensuring fairness among the employees.

Development is positioned as the most valuable value creation tool in all "Talent Solutions" initiatives that place development in their focus. The Bank devises schemes that increase the share of digital training programs within the entire training portfolio to give equal access to development opportunities for Garanti BBVA employees scattered in all 81 cities across Turkey, and aims to increase the number of training programs per person by the year.

The organization's values make the basis of culture practices. Through the Work Life Integration (İYİ) platform set up to enhance employee satisfaction and ensure a richer working experience, the Bank seeks to increase the number of programs establishing a work-life balance and boosting employee motivation, and to expand their coverage across Turkey.

The Bank thinks that being "one team", one of Garanti BBVA's values determined by employee opinions in 2017, bears major effects upon customer satisfaction. The Bank champions the idea that shared wisdom practices that will build up team spirit directly contribute to joint work and development, as well as to the equality principle. In this context, the Bank develops projects that encourage employees to be respectful of diversities.

One of the key goals of Garanti BBVA is to establish a fair and transparent working environment that is dominated by equal opportunities and diversity. In a bid to provide support with real-life practices, the Bank contributes to gender equality and women's empowerment through studies that measure employees' prejudices regarding equality of women and men. Garanti BBVA will continue to pioneer and further expand activities maintaining equality principle in the ratio of employees at different levels, the ratio of women vs. men employees, and in all fringe benefits and practices provided. Diversity initiatives will be themed around equality once again, and the projects will focus on reducing unconscious bias and boosting awareness.

In line with local regulations on Occupational Health and Safety (OHS), Garanti BBVA, through its OHS team organized under Talent and Culture, coordinates and monitors all processes including risk assessment, occupational health practices, training programs, OHS Committees, near misses, workplace accidents and corrective and preventive actions.

The customer-centric approach of Garanti BBVA that places the utmost emphasis on common value creation by its employees brings along egalitarian and agile working cultures that value team success. Organized under the Talent and Culture roof within the scope of agile working methodology, project teams are structured so as to be responsible for developing employee-centric practices, and they manage the efforts to improve, develop and simplify existing work processes, as well as running projects that will contribute to the development of talent solutions and culture-related implementations.

By focusing on employees' professional development and giving all employees equal opportunities, the Bank is actively contributing to Sustainable Development Goal 4: Quality Education, Goal 5: Gender Equality, Goal 8: Decent Work and Economic Growth, Goal 16: Peace, Justice and Strong Institutions.

VALUE DRIVER	INDICATOR	PERFORMANCE	
		2018	2019
INVEST IN OUR EMPLOYEES FOCUSING ON THEIR DEVELOPMENT, SATISFACTION AND WELL-BEING	Hours training per FTE	47	43
	Digital training/total learning hours	34%	38%
	High performer turnover	2.74%	1.67%
	Employee engagement score	67%	70%
	Programs related to employee well-being	11	11
	Total ideas received from employee	23,305	24,000
FORM TEAMS POSSESSING TEAM SPIRIT, ACTING WITH SHARED WISDOM, SOCIAL RESPONSIBILITY AND DELIVERING RESULTS	Women employees/Total employees	58%	56%
	Salary ratio of men vs. women	1.15**	1.16*
EMBRACE A FAIR AND TRANSPARENT MANAGEMENT POLICY BASED ON PERFORMANCE, FOCUSED ON EQUAL OPPORTUNITIES AND DIVERSITY, AND ENCOURAGES PROMOTING FROM WITHIN	Women ratio in senior/middle level management*	40%	40%
	Bloomberg Gender Equality Index	Qualified	Qualified

** Median value given as average metrics is negatively affected by extreme values (i.e. very high/very low).*
*** Restated for 2018 due to modified methodology.*

The Bank strives to maximize participation by leading an environment of open communication and by displaying a fair and objective attitude. Garanti BBVA therefore believes it creates an environment that complies with international standards.

In the coming period, Garanti BBVA will be reformulating its "career consulting" provided to employees in line with their competencies, knowledge, skills, and needs with a much more strategic and holistic perspective, and will keep investing in its human resource and carry on with its implementations based on its "people-oriented" management concept.

WHAT WE DID IN 2019

LEARNING AND DEVELOPMENT

Garanti BBVA promotes continuous learning culture where employees are autonomous in designing their own learning experience and developing new skills. The Bank focuses on creating an ecosystem where employees will be able to generate their own development opportunities.

Garanti BBVA Training Center has realized all the development and learning activities that have been designed and planned at the Bank with the vision of training the best human resources of the financial sector, ensuring the continuity of development, and seeing development as an investment tool.

In the reporting period, the Bank based its efforts in line with continuous development concept and kept offering training programs aligned with the improvement areas and competencies of employees. Accordingly, priority was given to development of platforms that will allow constant monitoring of employees' progress.

Being a learning organization, Garanti BBVA continues to make effective use of internal training system composed of accredited and expert individuals within the organization in a bid to ensure continuity and sustainability in training management. In addition, a seminar series was initiated where expert professionals from the finance sector and different disciplines are hosted. Being instrumental in hearing different perspectives about various topics, these initiatives are intended to contribute to the development of employees.

Development opportunities targeted at the new organization and working model were created.

In 2019, the Bank concentrated mainly on agile working methodology that will add speed to the Bank's activities, and enhance the quality of products and processes. Various development opportunities were offered with the dual objective of readying employees for this change and communicating the basis of the new working model.

Approximately 1,000 employees underwent a comprehensive training program covering applied classroom sessions and online contents entailing the business principles of the new working model so as to deliver the best experience for product and process designs.

Diversity was a top priority as it was in previous years.

This year, new training programs were designed to make sure that unconscious prejudice and gender equality principles are espoused by the entire employee body of the Bank. These programs delivered perforce through digital channels were targeted at freeing people of their stereotyped thinking, and discover their prejudices so as to minimize their implications. At the same time, women leadership training and mentorship initiatives aimed at women employees continued.

The learning journeys of our employees were reviewed.

We have touched upon our specific programs such as Young Talent Management Programs, to incorporate our employees' ideas, and made important improvements to their learning journeys. In 2020, our focus will remain in the same direction.

Different development topics focused on the competencies of the future were addressed.

New topics that are based in the requirements of the digitalizing world were addressed. Initiated last year with the aim of improving employee competencies so as to secure their contribution to development of data-driven strategies, Data Specialist & Data Scientist programs continued with the same focus.

With the purpose of helping employees better learn and internalize innovative Technologies and transform them into business ideas, and with the aim of rendering development in this area continuous, Enabler Technologies Certification Program was designed which includes digital contents of the world's most prestigious universities, namely Columbia, Wharton, MIT, ELU.

New developments were designed directed towards instilling Behavioral Economy concept, and training was planned for approximately 8,000 people. Espousal of this concept as a thinking methodology rather than a financial concept by all business units was ensured. In addition, training sessions were held to raise increased awareness of "cyber security" across the entire Bank.

Design thinking initiatives continued and nearly 500 people were trained within this scope. Support was extended to employees by way of workshops organized for many other product and process designs.

We continued to attach increased importance to Digital Development Solutions.

Adhering to its strategy of keeping digital learning in the focal point, Garanti BBVA Training Center increased the use of different digital development solutions in terms of time and method.

Having doubled from the previous year, 55,000 hours of live streaming in 2019 facilitated learning up-to-date information interactively from experts in various fields. The number of videos on the video portal covering development opportunities under different headings reached 2,000.

The mobile applications that serve to ensure permanence and reinforcement of the information following the training sections created an impact of approximately 11,000 hours.

In 2019, Garanti BBVA provided approximately 43 hours of training per employee. The ratio of digital training was 38%, where the Bank is aiming to achieve an increase every year.

MANAGING HUMAN CAPITAL

Garanti BBVA employs various objective, skill-based measurement and evaluation tools and methods specific to each position in order to match the right person with the right job.

During 2019, 109 new graduates joined Garanti BBVA under talent programs. 80 university students were given the chance to do internship at branches, regional offices and HQ business units. Talent-oriented activities were differentiated, which are targeted to attract the right candidates to the Bank by touching the talent at an earlier stage and making the internship journey a more effective part of this process.

Standard criteria (experience, seniority, performance, competency evaluation, tests, interviews, etc.) are established for all internal promotions and transfers between positions. They are transparently announced throughout the Bank via career maps, while employees are guided and supported in line with their chosen career path.

In 2019, the Development Model was introduced in order to more clearly manifest the benefits that Talent and Culture implementations contribute to employee development and to ensure their continuity. The new model is intended to ensure that each employee is deeply engaged and continues to produce highly contributory performance for the Bank, while also building on his or her knowledge and advancing in his or her career. The model supports the continuous learning culture, and aims to help employees develop by offering them new experiences.

An employee-centric career-planning model was created, and employee meetings are structured in line with the coaching model. To increase employee communication and to enhance communication quality, 1,578 branch visits and 676 regional office visits were conducted. Career meetings were held with 8,856 employees.

Within the new career management system introduced, career development alternatives are offered, enabling progress in the relevant field of specialization, and a common framework is provided to ensure consistency in career management. In this new system, the employee is the owner of his/her career management and development. The system creates a title structure that reflects the qualities of the role and enables management of career movements in an open and transparent manner.

The new performance system aligned with the strategies of BBVA and Garanti BBVA assesses the targets and competencies together, based on more objective criteria. Employees use target and competency results as input for remuneration, career and development.

In 2019, the Bank released the Career Opportunity Policy, which was revised according to the BBVA Group and career management strategies and aims for uniformity in the assessment process that starts with the announcement of vacant positions firstly within the organization and collection of applications. The policy lets internal career opportunities to be offered to all employees in a more transparent, objective, flexible and consistent manner.

During the reporting period, International Career Opportunities program was made available to employees, which was launched as an experience and career sharing tool among the Group countries within the scope of the Development Model. Hence, all employees can track, and apply for, the announcements for long-term and permanent career moves.

Coaching and mentorship initiatives continue to be offered through various channels and employing different methods depending on the needs (internal coaching, external coaching, women leadership mentorship program, mentorship programs for hands-on processes, etc.) for contributing to employees' awareness processes and supporting their technical and behavioral developments. The Bank targets to make coaching and mentorship available on an online platform to make them accessible to more employees with the steps to be taken in 2020.

Employee Dialogue, Participation in Management and Satisfaction

The Bank aims to increase employee satisfaction and employee engagement by collecting employee opinions systematically via various channels, such as the intranet, employee engagement survey, internal customer satisfaction questionnaire, and the voice of employee platform GONG.

Garanti BBVA conducts an Employee Engagement Survey each year to gather employees' opinions on work-life balance, performance management, remuneration, recognition and training & development opportunities. In 2019, Employee Engagement score was 70%.

People Assessment process collects employee's opinions about themselves, colleagues, line managers and team members and aims to spread the culture of receiving and giving feedback. The process also allows employees to recognize their strengths and improvement areas, and devise their personal development plans accordingly.

Suggestion and idea platforms Önersen, GONG, and Atölye and the "Ask/Share" section of the intranet portal serve as a means for employees to submit their suggestions and ideas. "Önersen" (You Suggest) has been instrumental in collecting 992 suggestions in 2019, two of which were rewarded. More than 24,000 ideas in the aggregate have been communicated via this channel since 2007. Through GONG, the voice of employee platform about employee-centric practices and the working environment, 230 opinions were gathered in 2019.

Each year, through the Executives' Meeting, the CEO and the executive team gather managers to share and assess Garanti BBVA's current outlook and its strategy, goals & objectives for the year ahead.

Employee Benefits

In order to enhance its employees' quality of life, Garanti BBVA offers various products and services. Garanti BBVA employees have private health insurance and life insurance, and can benefit from the Bank's Retirement and Social Assistance Fund services for health expenses not covered by private health insurance, such as dental treatment, prescription glasses and contact lenses. There are fitness centers and internal nutritionists present in Zincirlikuyu, Pendik and Güneşli Head Offices.

The Bank has in place numerous practices so that employees can rest, refresh, and allocate sufficient amount of time to their loved ones and private lives.

With the "Bridge Vacation" implementation initiated in 2019, employees are encouraged to merge official holidays with weekends if the two are not long apart. This way, employees are supported to spare more time for themselves and their loved ones. Sabbatical Leave is another kind of leave also introduced in the reporting period, which lets employees with certain seniority to take three months off for their long-aspired dreams that they have been unable to pursue because of their business life.

OFFERING A FAIR AND TRANSPARENT WORKING ENVIRONMENT

Garanti BBVA aims to establish a fair and transparent working environment that is dominated by equal opportunities and diversity.

Garanti BBVA's approach to human capital is in accordance with its ethical values and the "equality principle". The Bank and employees observe fair treatment in business relations regardless of language, race, gender, political ideology, philosophical belief, religion, sect and the like, sexual orientation, family responsibilities, disabilities, age, medical conditions, and union membership. The Bank and the employees respect human rights.

WHAT WE DID IN 2019

Equal Opportunity and Diversity

Socially and economically empowering women, increasing their role in decision-making mechanisms, ensuring gender equality both in professional and community life, and diversity lie at the heart of Garanti BBVA's approach to talent management.

USD 250 billion incremental GDP could be created by 2025, if the rate of women's participation in workforce in Turkey would increase to the OECD average of 63% from 33% where it presently stands. Garanti BBVA considers equal opportunity and diversity as a fundamental value and a driving force of its corporate culture, as well as a contributor to economic growth, and encourages employees to respect different thoughts and differences among them.

At Garanti BBVA, women employees comprise 56% of all employees and 40% of senior/middle level management. As a result of the importance it attaches to gender equality and women's empowerment, Garanti BBVA was one of the first to implement the Equal Opportunities Model (in Turkish: FEM). Also Garanti BBVA is one of the first signatories of the Women's Empowerment Principles (WEPs) and is the first bank in Turkey to sign them.

In order to raise strong women leaders who are aware of their competencies and capable of managing the challenges in business life, Garanti BBVA signed a cooperation agreement with the UN Women Program in 2016. Women Leadership Trainings organized within this framework were completed buy 70 employees in 2019.

Garanti BBVA has prepared a total of 4 trainings that include Unconscious Bias and Gender Equality, which are mandatory for all employees. These trainings focus on recognizing different biases that are effective in decision-making processes. In 2019, the trainings were completed by 8,758 employees.

The Gender Equality Committee, which includes male and female representatives from the Executive Vice President level to the manager level, has been active since 2015 under the Sustainability Committee. The Committee coordinates programs, processes and initiatives aimed at the Bank's employees or all the external stakeholders in the areas of the inclusion of women in the financial system, women's empowerment and gender equality. Depending on the meeting agenda, employees from different levels and locations join the Committee's activities. Under the committee, there are sub-working groups dealing with Talent and Culture, society and customer projects, which get together quarterly to evaluate the projects and come up with new ideas.

Aimed at empowering women leaders and increasing their recognition in internal networks, Women Leadership Mentorship Program was launched for branch managers and Head Office executives. 34 women executives received mentorship under the program for which Executive Vice Presidents acted as mentors for 6 months.

Garanti BBVA is a founding member of 30% Club Turkey for greater representation of women in executive management, launched in March 2017.

Within the framework of the Domestic Violence Platform Garanti BBVA has established in 2016 in order to extend support to employees suffering from domestic violence whenever they need it and to provide guidance to managers about the effects of domestic violence on the workplace, Garanti BBVA continued to offer the support service 24/7 exclusively to Bank employees and their next of kin through the Domestic Violence Hotline in 2019.

In January 2019, the Bank released its Policy for Prevention of Discrimination and Sexual Harassment for all its employees, thus making transparent and clear reporting channels and the measures adopted more accessible.

With all these gender equality initiatives and practices it realizes for human resources, customers and the society, Garanti BBVA is the only Turkish company included for four years in the Bloomberg Gender Equality Index covering 230 companies from 10 industries from 36 countries and regions around the world.

Internal Communication and Culture

The Bank's values are embedded in all talent and culture processes, and projects are developed for employees to reflect these values in their daily work experience.

Two years ago, the BBVA Group embarked upon a journey for redefining its values After workshops and focus groups held with the employees, the Group's values were defined as follows: Customer Comes First, We Think Big and We are One Team.

Accordingly, a specific day was assigned as the "Values Day", which is celebrated on the same date in all countries to re-familiarize with, assimilate and live the values. The Values Day touched 125,000 employees and turned into an internal communication and culture initiative that is both global and locally diversified by each country's own touches.

The second Values Day was celebrated on 01 October 2019. Employees generated new ideas about Our Values and experienced different ways of working together in the workshops they attended. At Garanti BBVA, more than 1,600 employees took part in the workshops organized online and in classroom session format.

As part of employer brand management efforts, Garanti BBVA carries out a work-life balance program named Work Life Integration (İYİ) in order to enhance employee satisfaction and ensure a richer working experience. Having tripled since the onset, average number of events and services per employee went up from 9 in 2014 to 26 in 2019, within the frame of the Bank's employee communication strategy and priorities. Special events (motivational events, treats, sports organizations, mini courses, hobby clubs, etc.) and services (Employee Support Service, discounts, on-premise hairdresser, gym, dining hall etc.) that also include employees' families are offered to deliver a better employee experience.

Fair and Transparent Remuneration

Garanti BBVA implements a Compensation Policy for employees, which is prepared in accordance with banking and capital market legislation and approved by the Board of Directors. The Policy is erected on job-based remuneration, encourages fair, transparent, measurable and sustainable achievement among employees, and is in alignment with the Bank's risk principles. The compensation structure consists of fixed income and variable income items. The Remuneration Committee and the HR Department authorized by this Committee are responsible for reviewing and duly executing the compensation policies.

In line with its target of being the employer of choice, Garanti BBVA applies a competitive, market-sensitive salary system, which aims to improve employees' life standards. Garanti BBVA's compensation policy is essentially based on "equal pay for equal work" and "pay for performance" principles. In addition to individual performance, the Bank keeps a close eye on general macro-economic circumstances, the current inflation rate in Turkey and the trends in the sector. At Garanti BBVA, the salary package is comprised of various components including the monthly salary, annual bonus payments and premium payments, meal vouchers, foreign language payments and other benefits with variations depending on the level of seniority or the scope of work and the location of the services. The Bank always monitors its compensation system so that it is fair, transparent, measurable, based on balanced performance targets, and it encourages sustainable success.

The compensation system of the Bank is built on job-based remuneration; employees who are employed in similar jobs receive similar compensation. Jobs are evaluated according to objective criteria such as required competency, the risk involved and the number of employees supervised. The Bank's Compensation Policy established within this framework has been approved by the Board of Directors and presented for the information of shareholders at the Ordinary General Shareholders' Meeting. Presently, the policy is available to the public on the Bank's website pursuant to corporate governance principles. The performance evaluation system at Garanti BBVA measures employee performance depending on objectives and the extent of their attainment. Systematic bonus and performance models are supported by concrete and measurable criteria in the assessment, and serve as major and effective management tools for achieving cost management and efficiency, while ensuring fairness among the employees.

In this context, customer satisfaction, service quality and efficient management of human resources are among the basic factors affecting the performance-based remuneration. Garanti BBVA monitors the competitiveness of its salaries through annual survey of salary levels in the sector. Job descriptions, performance criteria and bonus system criteria of all positions in the Bank are announced transparently to all employees via the Intranet.

The portion of 10.88% of the total personnel expenses figure for the benefits provided in 2019 to the Bank's employees including the Board members and senior management in the financial statements results from the performance-based bonuses of all employees and variable salary payments.

The ratio of the average remuneration of female employees to that of male employees is 1.16. Differences can be explained by previous experiences, performance evaluation results and other factors aside from gender that affect pay level.

Maternity Leave

Garanti BBVA employees are entitled to additional rights in maternity leave beyond the practices recognized by the laws. During the reporting period, 580 women employees went on maternity leave and 463 male employees went on paternity leave. 86% of women employees who took maternity leave in 2018 are still working at the Bank[1].

Retirement

Retirement is one of the most important rights of employees. As of their first day of work at the Bank, employees automatically become members of "T. Garanti BBVA Bankası A.Ş. Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı" (Retirement and Social Assistant Fund) established as per the provisional article 20 of the Social Security Law no. 506. For every employee and his or her dependent spouse and children, a health certificate is issued.

Occupational Health and Safety

Having given momentum to its efforts in the field of Occupational Health and Safety (OHS) by forming a specialized OHS Team

1 The ratio of women employees returning from maternity leave is followed up on the basis of the year preceding the reporting period. For details, please refer to the Guidelines on Non-Financial Reporting in the Appendices section.

in 2013 under Talent and Culture which was renamed the OHS Division in 2015, Garanti BBVA has been coordinating the health and safety requirements of all locations via this organization. The unit carries on with its work in accordance with the national legislation throughout Turkey with a team of 41 (OHS experts, occupational physicians, occupational nurses).

Realizing a first among its peers in Turkey, Garanti BBVA has been using its OHS software in all its locations since 2013. Garanti BBVA uses this software to coordinate and monitor all processes including risk assessment, occupational health implementations, training programs, OHS Committees, near misses, workplace accidents, corrective actions, emergency plans and drills.

Garanti BBVA ensures uninterrupted OHS communication and constant improvement by way of monitoring findings and recommendations on OHS in coordination with its lines of business, and collecting the opinions of OHS Employee Representatives and other stakeholders in all locations. Within this context, 922 corrective actions were discussed and implemented in 100 committee meetings held in 2019.

Sub-Employer Management and Business Permit procedures were supplemented to the online booklet compiling Garanti BBVA's Occupational Health and Safety processes, which was thus updated and elaborated.
Digitalization of OHS Training Programs is in progress. In this context, many online training modules concerning Emergency Management in particular were introduced, some of which are evacuation training, earthquake awareness training and evacuator team training. In addition, the OHS Training, which is required to be given face-to-face as per the legislation, was revised with a more interactive content, taking into consideration Design Thinking principles and by obtaining the opinions of employees and related business lines. 56,705 hours of Occupational Health and Safety training were given to employees.

For improving the health and safety conditions at the Pendik Campus, which is the Bank's largest site, periodic assessments were made with technical teams, and steps continued to be taken to improve health and safety conditions.

In addition, important steps were taken towards digitalization of Emergency and Drill processes. All Emergency Management processes such as Emergency Plan updates, team assignments, drill practices and drill feedbacks began to be made via the Occupational Health and Safety software.

As part of furthering Occupational Health, studies and analyses of risk groups continued (examination of psychosocial risks, audio tests, etc.). Within the scope of preventive healthcare services, specific projects like High-Quality Breath Initiative was introduced, aimed at employee well-being and health. This initiative served to raise increased awareness of protecting from the negative effects of smoking among employees.

Work-Related Accidents

In 2019, the total number of incidents at all locations including subcontractors was 418. All accidents without exception were examined, and necessary corrective steps were enforced. None of the work-related accidents resulted in death.

Total Lost Working Days

The total lost working days were 43,321 days for women and 18,146 days for men in 2019. The total lost days data is collected on the basis of medical reports of sickness leave and injuries. The absentee rate of the Bank was 0.01 in 2019.

OUTLOOK

Based on its employee-centric approach, Garanti BBVA is working on developing a common portal that will host all the points of service to employees.

As part of the Development Model introduced in 2019, the Bank is developing a new program that will allow information and experience sharing with colleagues in areas of expertise, using an ecosystem that will be created with the contributions of employees and a virtual scoring implementation. In 2020, during which coaching and mentoring practices will be revamped, global programs giving the foreground to digitalization and supported by long-term academic content focused on delivering new competencies will be made available to employees.

New steps will be taken also for enacting the corporate values at every opportunity, and for creating an egalitarian working culture free from prejudices. Initiatives supporting work-life balance will also make the highlights of the Bank in 2020.

In the year ahead, Garanti BBVA will be reformulating its "career consulting" provided to employees in line with their competencies, knowledge, skills, and needs with a much more strategic and holistic perspective, and will keep investing in its human capital and carry on with its implementations based on its "people-oriented" management concept.

RESPONSIBLE AND SUSTAINABLE DEVELOPMENT

#renewables
#cleanenergy
#lowcarbon
#environment
#climateaction
#financing
#sustainable
#future

Please scan the QR code to listen *Emre Hatem, Director of Investment Banking and Finance*, talk about transition to a low-carbon economy and the rise of renewables.

RESPONSIBLE AND SUSTAINABLE DEVELOPMENT

5,162 24.4 min 8 bank

The world is undergoing a signification social, environmental and economic transformation. Many practices that we know and are familiar with are no longer applicable and capable of fulfilling our needs under the current conditions. In the past decade, we have witnessed a radical change in the expectations of communities from businesses. In the next decade, we will be seeing much more demanding societies that are more aware of their power given these revamped expectations. In the light of these, Garanti BBVA puts responsible and sustainable development in its focus and develops innovative practices to respond to its stakeholders' expectations.

In a bid to support responsible and sustainable development,one of its strategic goals, the Bank mobilizes its human and intellectual capitals along with financial capital. The Bank understands the conditions surrounding its customers and other stakeholders, and develops solutions that cater to their needs. Taking into consideration the 2030 Agenda[1] that ranks high among material issues, the Bank develops innovative financial instruments and solutions such as the green loan and gender loan, and promotes them in the sector through cooperation platforms.

The Bank collaborates with its peers and the business world at a global level to identify new opportunities, to determine emerging best practices and products, and to remain a leader in sustainable finance and development in Turkey. To this end, Garanti BBVA actively supports or chairs 27 initiatives in total including a number of intermediary platforms including the United Nations Environment Program Finance Initiative (UNEP FI), Principles for Responsible Banking, Global Compact Turkey, and the Turkish Business Council for Sustainable Development (BCSD Turkey).

In 2019, Garanti BBVA, along with 6 other banks from Turkey, committed to adhere to the Principles for Responsible Banking as a global guide in projects they finance. The Bank will be evaluating the products in its loan book against non-financial criteria that make an environmental and social risk or impact, as well as financial parameters in the light of these Principles. Guided by the Principles, the Bank will target to set new targets and further improve its performance every time, rather than keeping the decisions fixed.

As a constituent of 9 sustainability indices in total including the Dow Jones Sustainability Emerging Markets Index, Garanti BBVA analyzes the sector's leading practices in environmental and social areas and originates new areas for continuous improvement. Garanti shows the way for sustainable pathways through being involved in the development of collective policies and position papers of the private sector, which numbered 13 in 2019.

Garanti BBVA diversifies financial instruments provided for low-carbon and inclusive growth, and cooperates with international financial institutions for low-cost funding. Drawing on its intellectual capital, the Bank introduces innovative financial resources that incorporate sustainability criteria, as exemplified in the first social bond issue ever carried out by a private bank in an emerging country, and the gender loan, which is a loan structure implemented for the first time in Turkey and in the world.

The green project finance loan and the green corporate loan Garanti BBVA launched in 2018 drive borrowers to improve their sustainability performances throughout the term of the loan. Both representing the first examples of their kind in Turkey, green loan agreements harbor advantages in terms of loan interest or commission rates for borrowers, which are made available depending on the achievement of improved performance in environmental, social and corporate governance areas that satisfy the predefined criteria during the term of the loan.

The Gender Loan, which made its debut in Turkey and in the world, was introduced in 2019 under an agreement signed with Polat

1 The 2030 Agenda refers to 17 Sustainable Development Goals ('SDGs') as defined in 2015 by UN-member countries to end poverty, combat inequalities and injustice, and overcome climate change by 2030.

Energy. Under the Gender Loan, Garanti BBVA will grant discount both on cash loan interest and non-cash loan commission for improvements Polat Energy will secure in gender equality.

As climate change continues to be one of the most significant global crises in the 21st century, responsible finance approach is molded to address climate change issues in addition to societal challenges such as fostering employment through supporting SMEs in growing their business.Having allocated 100% of its project finance support for greenfield energy investments to renewables in recent years, thus increasing the total lending to this area to date to USD 5.2 billion, Garanti BBVA's support to green and environmentally-sensitive energy continues with the use of 100% renewable energy for electricity in all of its locations.

Garanti BBVA believes that a strong economy and business model are attainable only through strong communities, a sustainable environment and empowered individuals. To this end, the Bank creates shared value through its strategic community investment programs focusing on material issues such as quality education, culture and arts, entrepreneurship, and environment.

Launched in 2017 with the collaboration of the Teachers Academy Foundation (ÖRAV), the 5 Pebbles: Social and Financial Leadership Program aims to instill an awareness of financial literacy in future generations. In addition, Code the Future Project was launched in 2016 by Garanti BBVA and Bahçeşehir University. It intends to improve 8-10 aged children's skills, and competencies in problem solving, analytical thinking and teamwork through entertaining content including coding and robotics workshops so that they get better equipped for the requirements of the digital age. The project's scope expanded in 2018, with the inclusion of school teachers. With the aim of adding to society's active participation in culture and arts, SALT continues to operate as a not-for-profit autonomous institution out of three locations, namely SALT Beyoğlu, SALT Galata and SALT Ankara.

By focusing on responsible and sustainable development, the Bank actively contributes to Sustainable Development Goal 4: Quality Education, Goal 5: Gender Equality, Goal 6: Clean Water and Sanitation, Goal 7: Affordable and Clean Energy, Goal 8: Decent Work and Economic Growth, Goal 11: Sustainable Cities and Communities, Goal 12: Responsible Consumption and Production, Goal 13: Climate Action, Goal 14: Life Below Water, Goal 15: Life on Land, Goal 17: Partnerships to Achieve the Goal.

VALUE DRIVER	INDICATOR	PERFORMANCE	
		2018	2019
DRIVE POSITIVE CHANGE THROUGH STRATEGIC PARTNERSHIPS	Participation in sustainability related initiatives and memberships	24	27
	Engagement Platforms	44	44
	Sustainability indices in which Garanti BBVA is included	7	9
	Policies/position papers Garanti BBVA contributed	14	13
CREATE SHARED VALUE THROUGH LENDING BASED ON IMPACT INVESTMENT PRINCIPLES	Total Sustainability Funds utilized from IFIs (TL million)	396	1,087
	Sustainable products/credit lines	34	42
	Amount of Impact Investment (TL billion)	35.2	38.4
	Market share in WPPs	28%	27.5%
	SDGs contributed via E&S risk management of loans	10	11
	Avoided GHGs through renewable portfolio* (million tons of CO_2e)	5,4	5,9
	Scope 3 footprint of greenfield energy production portfolio) (in new PF commitments)	0	0
FOCUS ON COMMUNITY INVESTMENT PROGRAMS WHICH DELIVER IMPACTFUL OUTCOMES ON MATERIAL ISSUES	Issues addressed by community programs	3	3
	Amount of investment in community invesment programs (TL million)	20.2	22.3
	% of renewables in greenfield energy production portfolio (in new PF commitments)	100%	100%
SROI (SOCIAL RETURN ON INVESTMENT) OF COMMUNITY INVESTMENT PROGRAMS	Community Investment Programs (SROI Value)	Quality Education Projects: 3.63 Entrepreneurship Projects: 2.27 Culture and Arts Projects: 1.45	-** - -

** Based on the total operational installed capacities of HEPP, SPP and WPP projects in the financing of which Garanti has participated.*
*** Not calculated for 2019.*

INTRODUCE NEW SUSTAINABLE PRACTICES THROUGH PARTNERSHIPS

The Sustainable Development Goals emphasize the importance of cooperation among all stakeholders from governments to individuals in reaching the 2030 targets. Garanti BBVA combines its understanding of leadership with empathy skills, and is transforming the sector through engaging and building partnerships with key stakeholders to implement sustainable finance and development initiatives.

For many years, Garanti BBVA has been participating in local and international organizations, which allowed for widespread, high-leverage engagement of the business community, governments and policymakers with numerous national and international organizations.

Garanti BBVA chairs, or participates in, the working group meetings of the UNEP FI Principles for Responsible Banking, and the working group meetings of the Global Compact Turkey, the Turkish Business Council for Sustainable Development (BCSD Turkey), the Banks Association of Turkey Role of the Financial Sector in Sustainable Growth Workgroup and the Turkish Industry and Business Association (TUSIAD) Environment and Climate Change Working Group meetings.

WHAT WE DID IN 2019

In 2018, Ebru Dildar Edin, Garanti BBVA Executive Vice President responsible for Corporate and Investment Banking became the Chair of the Turkish Business Council for Sustainable Development (BCSD Turkey). With a total of 63 members from 18 sectors representing 15% of Turkey's gross domestic product, BCSD Turkey has been working for 16 years to make sustainability one of the key strategies of the business community.

Garanti BBVA has been the only bank from Turkey among the 30 founding members of the UNEP FI Principles for Responsible Banking launched in Paris in September 2019 with total assets representing more than USD 18 trillion. The Principles, which are expected to significantly contribute to UN Sustainable Development Goals and Paris Climate Agreement objectives, focus on six main pillars: Alignment, Impact, Clients and Customers, Stakeholders, Governance and Target Setting, Transparency and Accountability.

With the innovative steps it has taken to drive the private sector to integrate the 2030 Agenda into their business models, Garanti BBVA was granted the Energy Efficiency award within the scope of TuREEFF[2], with its Green Mortgage product for its contribution to energy-efficient housing sector and sustainable development in 2019. The same year, the Bank was the recipient of the Best Syndicated Loan House and Best Social Bond awards in CEE at the EMEA Finance Awards 2019.

Garanti BBVA is the only company operating in Turkey to have qualified for the fifth consecutive time in the Dow Jones Sustainability Emerging Markets Index, one of the leading sustainability indices in the world, and also remained as a constituent of BIST Sustainability and Corporate Governance Indices. The only company to be included in Bloomberg Gender-Equality Index for the fourth consecutive year since 2017, Garanti BBVA also continues to take place in the FTSE4Good Emerging Markets Index.

OUTLOOK

Garanti BBVA is aware of the need to collaborate and engage with its peers and suppliers on a global level to identify new opportunities, capture emerging best practices and products, and remain as a leader in sustainable finance and development in Turkey. To this end, the Bank will continue to engage with different stakeholders at the national and international levels to follow the latest developments and include their views in decision-making processes. The Bank will mainly focus on enhancing non-financial risk management approaches within the Turkish banking sector. Additionally, it will support activities to boost public–private sector partnerships. As part of the BBVA Group, the Bank will continue to contribute to BBVA Group's Sustainable Finance Pledge released in 2018 with the aim of supporting the fight against climate change and financing sustainable development.

CREATING SHARED VALUE FOR ALL THROUGH IMPACT INVESTMENT

Garanti BBVA diversifies financial instruments it offers for low-carbon and inclusive growth, and establishes cooperation with international finance institutions focusing on sustainable development. By developing products and services for diverse needs, the Bank pays attention to providing financial solutions facilitating transition to a sustainable economy. Total investments based on impact investment concept amounted to TL 38.4 billion in 2019.

2 EBRD's Turkish Residential Energy Efficiency Financing Facility program

BORROWINGS AND SECURITY PRODUCTS ENTAILING ESG CRITERIA

BOND ISSUANCE

During 2019, Garanti BBVA secured funds worth USD 182,75 million in this scope from international finance institutions. This amount accounts for **8.3%** of the total financing the Bank secured in 2019.

SECURITY PRODUCTS

Garanti BBVA Pension's sustainability stock pension investment fund was worth TL 94.5 million as at end-2019 and makes up **16.1%** of Garanti BBVA Pension Investment Funds.

WHAT WE DID IN 2019

FINANCING THE TRANSITION TO A LOW-CARBON ECONOMY

It is a primary objective for Garanti BBVA to provide the necessary financing for renewable energy, which is making exponential progress through global technological developments, and to contribute to utilization of renewable energy potential of our country.

Garanti BBVA published its Climate Change Action Plan in October 2015, which focuses on carbon pricing, reducing deforestation, managing climate-related water risks and implementing green office standards. Garanti BBVA has been the first bank in Turkey to commit to UN Global Compact's Business Leadership Criteria on Carbon Pricing. The Emissions Trading System is still not being actively used in our country. In order to reflect global developments in this respect in its business model, the Bank keeps applying shadow carbon pricing to 100% of greenfield electricity generation projects in its project finance deals.

As of 31 December 2019, Garanti BBVA has allocated:

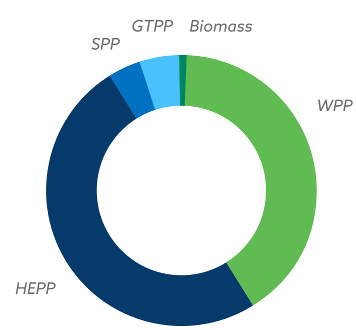
USD 2.53 billion to Wind Power Projects (WPP), for 2,421 MW current installed capacity, which will reach a total installed capacity of 2,469 MW once fully operational,

USD 2.42 billion to Hydropower Projects (HEPP), for 1,819 MW current installed capacity, which will reach a total installed capacity of 3,615 MW once fully operational,

USD 263 million to Geothermal Power Plant Projects (GTPP), which will have a total installed capacity of 337 MW once fully operational,

USD 237 million to Solar Energy Projects (SPP), which will have a total installed capacity of 309 MW once fully operational,

USD 22 million to Biomass to Energy Projects, which will have a total installed capacity of 34 MW once fully operational.



In 2019, all of the project finance loans Garanti BBVA provided for greenfield power plants have been allocated to renewable energy projects.The Bank consolidated its support to renewable energy with solar energy investments launched at three different service locations to supply its own electricity need.

With this Action Plan, Garanti BBVA also pledged that a minimum of 60% of the total funds allocated to greenfield energy production facilities will be allocated to renewable investments. In 2016, Garanti BBVA took its pledge one step further and committed to a renewable energy share at a minimum of 70% of the greenfield power sector financing to be provided by 2020 in new project finance transactions. In 2019, this ratio was far exceeded as it reached 100% similarly to previous years.

To date, Garanti BBVA maintained a 27.5% share in Turkey's operating installed wind power capacity. The amount of cumulative financing provided to renewable energy investments exceeded USD 5.2 billion.

Also, in 2019, the total avoided emissions of operational solar power plant, wind power plant and hydro power plant projects, in the financing of which Garanti BBVA was involved, was 5.9 million tCO_2e based on the current average grid emission factor for Turkey.

Garanti BBVA also launched its Environmentally-Friendly Auto Loan in May 2017 for the financing of hybrid and electric automobiles that provide fuel efficiency and stand out with their environmental features. Total lending reached TL 8.9 million at the end of 2019. The Bank believes there is strong potential moving forward given the international pledges and developments in this area. The Environmentally-Friendly Auto Loan will offer advantages to consumers with more attractive interest rates from 2020.

Through the green project finance loan and green corporate loan introduced last year, Garanti BBVA encourages borrowing companies to improve their sustainability performance throughout the term of the loan. Following the USD 10 million-loan extended to Zorlu Energy in 2018, the project finance deal in the amount of USD 260 million signed between Akfen Renewable Energy and four domestic and two international banks, in which Garanti BBVA participated as the green loan agent, was converted to a green loan. Under the green loan agreements, each one a first in Turkey in their respective avenues, borrower companies may access advantages in terms of loan interest or commission rates provided that they achieve improved performance in ESG[3] areas as benchmarked against preset criteria throughout the term of the loan.

ENVIRONMENTAL IMPACT OF OUR OPERATIONS

Offering innovative solutions in environmental issues to its stakeholders as part of its indirect impact, Garanti BBVA continues to take environmentally-friendly steps for its direct impact, as well. In 2019, Zincirlikuyu Head Office building earned Platinum certificate in LEED, one of the green building rating systems developed by the American Council of Green Buildings (USGBC), thus becoming the first bank to have received such recognition in Turkey. Besides Zincirlikuyu Head Office building, Garanti BBVA Kızılay Branch is the only bank building holding Platinum certificate in New Buildings category. In addition, Garanti BBVA Pendik Technology Campus, Sivas Customer Contact Center and Karşıyaka İzmir Building all have LEED Gold certifications.

Besides its environmentally-friendly buildings, Garanti BBVA took some actions related to plastic use within the Bank in 2019. In this context, the Bank has become a signatory of the Business Initiative for Plastic led by BCSD Turkey, Global Compact Turkey and Turkish Industry and Business Association (TÜSİAD). As part of this initiative, along with 26 companies, the Bank has pledged to declare its plastic commitment by 2021 and based on this commitment to end the consumption of single-use plastics within the Bank. The efforts in this vein will continue in 2020 within the scope of a detailed action plan to be developed to prevent use of plastic within the Bank that creates waste and hinders saving.

Financing 100% renewable energy in the greenfield projects since 2014, the Bank took its efforts in this department one step further and launched an initiative that will be marked in the history. With Zorlu Energy and Bereket Energy, 100% Renewable Energy Agreements were executed for the electricity consumed by the Bank. In 2020 covering the first phase of the initiative, 91 million kWh of electricity need of 852 Garanti BBVA branches and 55 buildings will be totally provided from renewable energy. Thus, 46,100 tons of CO_2-equivalent emissions will be avoided.

Additionally, at Garanti BBVA branches and buildings that are technically fit, energy is supplied from natural and renewable resources. Currently, Garanti BBVA Bodrum Branch, Sivas Customer Contact Center and Antalya Akdeniz Branch procure their electricity needs through rooftop photovoltaic panels.

The Head Office building, on the other hand, secures saving from electric energy consumption with the trigeneration system that has been in operation since 2018.

The Bank has secured significant reduction in carbon intensity over the years as a result of the long-standing efforts in relation to carbon footprint. Since the introduction of ISO 14001 Environmental Management System in 2012, the Bank's carbon intensity lessened by 67%. Resource consumption and carbon emissions of Garanti BBVA by years are presented in detail in App.A3.

Garanti BBVA will carry on and further expand its environmentally-sensitive and pioneering initiatives in the years ahead, thus continuing to contribute to social and environmental benefits.

SUPPORTING WOMEN ENTREPRENEURS

Garanti BBVA supports active participation of women in employment and economic life, with the understanding that an inclusive economy where all individuals make use of opportunities equally will be more efficient and can grow faster. Commitment to gender equality means ensuring development within the Bank and in our country in a way that it is beneficial for everyone.

The loan amount provided to women entrepreneur customers, whom the Bank categorizes as a special customer group within SME Banking, reached TL 7 billion by the end of 2019.

Besides financing, the Bank provides entrepreneurship training for women through Women Entrepreneurs Executive

3 Environmental, Social and Governance

School and supports women entrepreneurs in developing their businesses by creating ecosystems that enable knowledge and experience sharing.

FOSTERING EMPLOYMENT THROUGH SUPPORTING SMES AND ENTREPRENEURSHIP

Making up 74% of the total employment in Turkey, SMEs are important contributors to the economy, domestic development, and inclusive and value-added growth. Garanti BBVA supports SMEs in increasing their financial resilience and making value-added production that will benefit the economy.

In 2019, the amount of commercial loans extended by Garanti BBVA SME Banking[4] to small and medium sized enterprises reached TL 64.2 billion.

PARTNERING WITH FINANCIAL INSTITUTIONS

Leading the sector to transform the real sector's way of doing business, Garanti BBVA signed a 5-year agreement for USD 150 million equivalent TL 540 million with the IFC, a member of the World Bank Group, within the scope of the Mortgage Backed Securities Issuance program. The issuance is the first green bond issued by Garanti BBVA and is also the first Mortgage Backed Securities issuance that the IFC invested in in Turkey.

Garanti BBVA makes available this fund, which is also its first deal in local currency with the IFC, mainly to finance "Green Mortgage" extended to environmentally-friendly projects covering high energy-efficient buildings.

In addition, a Green Mortgage agreement for EUR 75 million equivalent TL 313 million was executed with the EBRD in July 2017, under which total on-lending to date amounted to TL 100 million. These funds falling under the scope of Green Mortgage constitute 46% of the funding Garanti BBVA has secured from the Mortgage Backed Securities market.

In a bid to create equal opportunity in business life, Garanti BBVA has been extending support to women entrepreneurs since 2006. Within the scope of this support, The Bank, in cooperation with the IFC, issued Turkey's first social bond, Gender Bond, for the amount of USD 75 million with a maturity of 6 years to be used for financing women entrepreneurs. Under the facility, the Bank provides working capital up to TL 400,000 and up to maturities of 36 months exclusively to women entrepreneurs. Additionally, the Bank signed the Women Entrepreneurs Export Support protocol with Turk Eximbank in 2019.

Garanti BBVA carried on with its pioneering stance with the new products launched in 2019. In this context, Garanti BBVA provided financing support worth USD 133 million to energy efficiency and renewable energy projects across 22 provinces, to SMEs and women entrepreneurs within the scope of the protocols executed with the IFC, Development Bank of Austria (OeEB) and the Green for Growth Fund (GGF). Under the protocol signed with Garanti BBVA and IFC, a financing package of USD 90.75 million was made available to Garanti BBVA to be on-lent to small enterprises mostly in provinces in South and Southeastern Anatolia, where majority of the population provided with temporary protection in Turkey lives. In addition to this support package, Garanti BBVA obtained access to financing in the amount of USD 22 million from the Development Bank of Austria (OeEB) to be used for supporting women entrepreneurs. Last but not least, Garanti BBVA signed a financing agreement for USD 20 million with the GGF to be extended to energy efficiency and renewable energy projects.

Having developed innovative products that serve sustainable development over the last 15 years, Garanti BBVA issued 5-year maturity green bond for USD 50 million abroad in December under the GMTN (Global Medium Term Notes) program. This is the Bank's first green bond issuance in line with Green Bond Principles. With the fund generated on this issuance, the Bank will extend support to renewable energy and resource efficiency projects that produce solutions for climate change within the scope of the BBVA SDGs Bond Framework[5].

OUTLOOK

Garanti BBVA will carry on with financing activities that create positive impact. The Bank will expand its green products and services to support Turkey's transition to a low-carbon economy and to contribute to the global goal of 1.5-degree warming. In that respect, Garanti BBVA will continue to prioritize renewable investments and take more ambitious actions regarding carbon-intense sectors in its portfolio.

Garanti BBVA will continue to support the empowerment of women entrepreneurs through various programs and initiatives, which eventually will contribute to creating employment opportunities and providing the sustainable development of the Turkish economy. In tandem, the Bank will sustain its support to help render SMEs sustainable businesses with the contribution of the entrepreneurs, as well.

4 Calculated according to the official Small and Medium Sized Enterprises (SME) definition (enterprises employing less than 250 people annually and not exceeding TL 125 million either in annual net sales proceeds or financial balance sheet). Unless otherwise specified, the numbers cited are based on the SME definition of Garanti BBVA.
5 https://shareholdersandinvestors.bbva.com/wp-content/uploads/2018/04/BBVA-SDGs-Bond-Framework_23042018_Eng.pdf

Garanti BBVA pursues a prudent external funding strategy, which is an important pillar underpinning a sustainable and well-diversified funding base. The Bank targets to expand its correspondent network in different geographies and meet the client needs for international transactions. Garanti BBVA aims to provide customized trade finance solutions for its clients and enter into new cooperation in this area with correspondent banks and export credit agencies.

COMMUNITY INVESTMENT PROGRAMS

QUALITY EDUCATION

The fact that sufficient progress is not made worldwide with respect to "Quality Education", which is Goal 4 under the Sustainable Development Goals espoused by the United Nations, exhibits the utmost importance of expanding educational opportunities in our day. The shared value to be created in this respect is attainable through fulfillment of the world's and present day's requirements that are rapidly evolving as a result of the current technology and digitalization, and through closing the skills gap for better preparing the young generations for the future.

The Teachers Academy Foundation (ÖRAV), established by Garanti BBVA in 2008, continues its activities as the first and the most effective non-governmental organization focusing on the personal and professional development of teachers in Turkey.

Launched in 2017 as a collaborative initiative by Garanti BBVA and Teachers Academy Foundation, the "5 Pebbles: Social and Financial Leadership Program" aims to instill an awareness of financial literacy in future generations. Comprised of five modules, the project also entails various activities provides training to children with their active participation in the areas of "Self-Exploration and Understanding", "Rights and Responsibilities", "Saving and Spending", "Planning and Budgeting" and "Social and Financial Entrepreneurship".

"Code the Future" project, which aims to better prepare children aged 8-10 for the requirements of the digital age, was launched under the cooperation of Garanti BBVA and Bahçeşehir University in 2016. The aim is to equip children with skills and competencies required by the present day such as problem solving, analytical thinking and teamwork through entertaining content including coding and robotics in technology workshops. The coverage of the project was further expanded in 2018 to include teachers training. The teachers participating in the project acquired the knowledge to implement practices that are similar to those covered in the project in their own classrooms.

Carrying out its activities with the support of Garanti BBVA, Tohum Autism Foundation's Continuing Education Unit has been providing theoretical and practical education about autism to special education teachers, parents with autistic children, related experts and university students.

Sports and physical education can motivate children and youth to attend and engage in formal and informal education, as well as improve their academic performance and learning success. Sports can teach transferable life skills and key values such as tolerance, inclusion and lead towards learning opportunities beyond school. Sports can advocate for gender equality, address constricting gender norms, and provide inclusive safe environment.

With this perspective, Garanti BBVA has been the main sponsor of 12 Giant Men (National Men's Basketball Team) since 2001, Pixies of the Court (National Women's Basketball Team) since 2005, 12 Brave Hearts (National Men's Wheelchair Basketball Team) and 12 Magical Wrists (National Women's Wheelchair Basketball Team) since 2013. With the inspiration drawn from the 12 Giant Men, the 12 Giant Men Basketball Academies project finds and trains the 12 Giant Men and Pixies of the Court of the future.

ENTREPRENEURSHIP

As explained in the Customer Experience Section, Garanti BBVA also conducts educational and skills development programs such as Women Entrepreneurs Executive School and Women Entrepreneur Meetings in order to support its customers in the SME segment. These programs create positive impact on social dilemmas such as gender equality.

Furthermore, Garanti BBVA started its Garanti BBVA Partners Accelerator Program in 2015 in order to meet entrepreneurs' needs in all aspects of their new ventures. Under the program, the Bank hosted 15 entrepreneurs and provided assistance in various departments such as office space, mentorship, networking, marketing and training. Total investments received by the entrepreneurs exceeded TL 20 million.

In addition to those, Garanti BBVA Momentum Social Entrepreneurship Support Program, which is intended to support entrepreneurship seeking to create a high social impact through a sustainable business model, has been ongoing since 2017. The program is intended to contribute to social entrepreneurs attempting to realize their businesses in a sustainable model and to create a high social impact. Co-conducted with Impact Hub İstanbul, the program also makes available online training, classroom activities, mentorship and expert support within the scope of IE Business School to qualifying entrepreneurs.

CULTURE AND ARTS

Cultural aspects, including active participation in cultural life, the development of individual and collective cultural liberties, the safeguarding of tangible and intangible cultural heritages, and the protection and promotion of diverse cultural expression are core components of personal and also sustainable development.

In 2011, Garanti BBVA unified Platform Garanti Contemporary Art Center, Ottoman Bank Museum and Garanti Gallery that had been operating under its organization to make culture and arts accessible to all parts of the society, under one roof; namely SALT. Being a not-for-profit and autonomous entity, SALT contributes to the society in three locations: SALT Beyoğlu, SALT Galata and SALT Ankara.

Garanti BBVA also aims to make cultural activities that are usually addressing certain communities become widespread. As the main sponsor of Istanbul Jazz Festival for 22 years, Garanti BBVA has been supporting the leading music venues in Istanbul under the name of "Garanti BBVA Concerts" series.

ENVIRONMENT

Garanti BBVA has been the main sponsor of WWF-Turkey for 27 years. Contributing to the sustainability of the planet through its efforts and initiatives worldwide, WWF is one of the largest wildlife protection associations in the world, with 6,200 employees in more than 100 countries. WWF-Turkey conducts projects in the areas ofseas, freshwater, wildlife, climate-energy, forests and food.

Garanti BBVA supports the Earth Hour movement organized by the WWF every year in order to highlight the world's environmental problems. Garanti BBVA is also part of WWF-Turkey's Green Offices network, and contributes to the Foundation's nature protection initiatives with its employee volunteerism.

In addition, Garanti BBVA is the main sponsor of CDP Turkey, the Turkey office of the world's most powerful green non-governmental organization which is engaged in the fight against climate change and conservation of natural resources.

SOCIAL IMPACT ANALYSIS

Garanti BBVA conducts Social Impact Analysis using the Social Return on Investment (SROI)[6] method in order to assess the value and the social impact of its ongoing programs among the target audiences.

WHAT WE DID IN 2019

While ÖRAV reached 11,039 teachers in 81 cities, the number of active users of its online platform (eKampüs) reached 7,915 users in 2019. The 5 Pebbles: Social and Financial Leadership Program reached 314 teachers and 6,800 students in 9 cities in 2019. 35 teachers and 175 students attended the workshops "Code the Future" organized in state schools in 7 cities in 2019;namely, İstanbul, Amasya, Isparta, Niğde, Mersin, Mardin, and Erzurum. 7,330 people were reached through Tohum Autism Foundation with the support of Garanti BBVA in 2019. 12 Giant Men Basketball Schools (12 DABO) Project reached 867 students in 26 cities in the reporting period. SALT Beyoğlu, SALT Galata and SALT Ankara hosted a number of exhibitions and public programs. 17,280 participants attended these events. In the same timeframe, the three SALT locations welcomed a total of 508,397 visitors free of charge.

2019 proved to be a proud year for the Turkish basketball. All national teams, which have Garanti BBVA as their main sponsor, competed in championships and qualification rounds. While Pixies of the Court competed in the FIBA European Women's Basketball Championship, 12 Giant Men represented our country in the World Championship held in China. While 12 Magical Wrists played in the Women's European Wheelchair Basketball Championship in the Netherlands, 12 Brave Hearts earned the bronze medal at the European Wheelchair Basketball Championships held in Poland, and qualified to represent our country at the 2020 Paralympic Games in Tokyo.

All in all, Garanti BBVA invested TL 22.3 million* for community investment programs in 2019.

OUTLOOK

Garanti BBVA aims to develop its community investments so as to produce shared value be in alignment with the Bank's strategic priorities and Turkey's social sensitivities. In 2020, the Bank will continue to make investments focused on creating high social impact in the fields of quality education, entrepreneurship, and culture & arts.

6 Social Return on Investment (SROI): SROI is an approach created to measure social impact of projects. According to technical literature, projects with an SROI value higher than 1:1 are considered as successful projects in terms of social return, whereas projects within financial sector with an SROI value higher than 2:1 are accepted as very successful.

** Garanti jazz and basketball sponsorships are not included.*

CORPORATE GOVERNANCE AND RISK MANAGEMENT

#robotics #e2esolutions #automation #efficiency #machinelearning #productivity

Please scan the QR code to listen *İlker Yavaş, Director of Operation Center - Abacus*, talk about implementation of RPA and E2E solutions for operational excellence.

BOARD OF DIRECTORS

2,030 9.4 min 3 board

SÜLEYMAN SÖZEN

CHAIRMAN

Süleyman Sözen is a graduate of Ankara University Faculty of Political Sciences and has worked as a Chief Auditor at the Ministry of Finance and the Under secretariat of Treasury. Since 1981, he has held various positions in the private sector, mainly in financial institutions. Having served on the Board of Directors of Garanti BBVA since 1997, Mr. Sözen was appointed as the Vice Chairman on July 8, 2003 and then as the Chairman on September 19, 2017. Mr. Sözen holds a Certified Public Accountant license and serves as the Board Member of Görüş YMM A.Ş. and as the Board of Trustees Member of Teachers Academy Foundation. Mr. Sözen has 39 years of experience in banking and business administration.

JORGE SÁENZ-AZCÚNAGA CARRANZA

VICE CHAIRMAN, INDEPENDENT BOARD MEMBER

Jorge Sáenz-Azcúnaga earned his BS in Business Administration from Universidad Deusto. He has developed his entire career in BBVA starting as Research Analyst. He then worked as Corporate Strategist, Head of CEO Office, Business Development (Commercial & Institutional Banking in Spain), Head of Strategy (Wholesale Banking & Asset Management), Head of Strategy and Planning (Spain & Portugal) and between years 2013 and 2015 as Regional Manager for the North of Spain. As of 2015, he served as the Head of Business Monitoring Spain, USA and Turkey. In July 2016 he was appointed Head of Country Monitoring and member of the Global Leadership Team in BBVA. Mr. Sáenz-Azcúnaga is member of the Board of Directors of BBVA Compass Bancshares in the US and BBVA Bancomer in Mexico. He has been serving as the Board Member of Garanti BBVA since March 24, 2016 and since his appointment as an Audit Committee member of Garanti BBVA on March 31, 2016, he is deemed as an Independent Board Member of Garanti BBVA in accordance with the relevant regulations of the Capital Markets Board of Turkey. He was appointed as Vice Chairman on September 19, 2017 and has 26 years of experience in banking and business administration.

RECEP BAŞTUĞ

PRESIDENT & CEO

Recep Baştuğ graduated from Çukurova University Faculty of Economics. He started his career in Garanti BBVA Internal Audit Department in 1989. Mr. Baştuğ worked as Corporate Branch Manager during 1995-1999, Commercial Regional Manager during 1999-2004, Commercial Banking Coordinator during 2004-2012, and served as an EVP of Commercial Banking and Consumer Finance during 2013-2018. After serving in various capacities on a number of Board of Directors at one of Turkey's largest industrial groups, on September 6, 2019, he was appointed as the Board Member, President & CEO at Garanti BBVA. He is also the Chairman of the Board of Directors at Garanti BBVA International N.V., Garanti BBVA S.A. (Romania), Garanti BBVA Securities, Garanti BBVA Pension, Garanti BBVA Factoring, Garanti BBVA Leasing, Garanti BBVA Payment Systems and Garanti BBVA Technology. In addition to his responsibilities, he also serves as the Board Member in the Banks Association of Turkey and the İstanbul Foundation for Culture and Arts (İKSV) and as the Board of Trustees Member of Teachers Academy Foundation. Mr. Baştuğ has 30 years of experience in banking and business administration.

ERGUN ÖZEN

BOARD MEMBER

Ergun Özen earned his BA in Economics from New York State University and is a graduate of the Advanced Management Program at Harvard Business School. He started his banking carrier in Treasury department in 1987 before joining Garanti BBVA in 1992. Having served as the

President & CEO at Garanti BBVA between April 1, 2000-September 2, 2015, Mr. Özen is a Board Member of Garanti BBVA since May 14, 2003. Mr. Özen is the Chairman of Boyner Perakende ve Tekstil Yatırımları A.Ş. and Board Member of Atom Bank. Mr. Özen has 33 years of experience in banking and business administration.

M. CÜNEYT SEZGİN, PH.D.
BOARD MEMBER

Cüneyt Sezgin received his undergraduate degree from Middle East Technical University Department of Business Administration, his MBA from Western Michigan University and his Ph.D. from Istanbul University Faculty of Economics. Having served in executive positions at several banks, Mr. Sezgin joined Garanti BBVA in 2001. In addition to serving as a Board Member on the Board of Directors of Garanti BBVA, Dr. Sezgin serves as the Board Member and Chairman of the Audit Committee at Garanti BBVA S.A. (Romania), Garanti BBVA Pension and Garanti BBVA Securities and as Board Member of Türk Telekomünikasyon A.Ş. and its several subsidiaries. Dr. Sezgin is a Board of Trustees Member at Teachers Academy Foundation and World Wildlife Foundation Turkey, Kabataş Education Foundation and Board Member of Finance Executives Foundation of Turkey and Corporate Governance Association of Turkey. Dr. Sezgin has been serving as a Board Member of Garanti BBVA since June 30, 2004 and has 32 years of experience in banking and business administration.

JAIME SAENZ DE TEJADA PULIDO
BOARD MEMBER

Jaime Saenz de Tejada Pulido holds undergraduate degrees from Universidad Pontificia de Comillas (ICADE) in both Law & Economics and Business Sciences and completed Programa de Dirección General (PDG) at IESE Business School in 1999. Mr. Saenz de Tejada joined BBVA in 1992 and in 2000 he was appointed as the Director of Corporate and Investment Banking in America. Subsequently, he served as the Managing Director of BBVA Banco Continental in Peru until his return to Spain as Territorial Director at the end of 2007. In 2011 he was appointed as the Director of Business Development of Spain and Portugal and in May 2012, he became a member of the Executive Committee of the Group. After serving as the Director of Strategy & Finance in 2014, in May, 2015, Mr. Saenz de Tejada was appointed to his current role, Global Head of Finance & Accounting at BBVA Group. He has been serving as the Board Member of Garanti BBVA since October 2, 2014 and has 28 years of experience in banking and business administration.

JAVIER BERNAL DIONIS
BOARD MEMBER

Javier Bernal graduated from University of Barcelona, Faculty of Law and he earned his MBA from IESE Business School, University of Navarra. After working in Barna Consulting Group as Partner and in Promarsa as General Manager, he joined BBVA in 1996. Until 1999 he served as the Segment Manager of Retail Banking (Spain). During 2000-2003, he founded and managed an internet business. Since 2004, he has been working in different areas at BBVA; Head of Innovation and Business Development reporting to the CEO, Head of Business Development Spain & Portugal, Head of Global Business Development, Head of Business Alignment of BBVA and Garanti BBVA, member of BBVA Group Executive Committee, member of Spanish and Portugal Executive Committee and Chairman of BBVA Insurance Spain. He has been serving as a Board Member of Garanti BBVA since July 27, 2015 and is furthermore Board Member at Garanti BBVA Pension, Garanti BBVA S.A. (Romania), Garanti BBVA Leasing, Garanti BBVA Securities and Garanti BBVA Payment Systems. Responsible of BBVA-Garanti BBVA coordination, Mr. Bernal has 30 years of experience in banking and business administration.

RAFAEL SALINAS MARTINEZ DE LECEA
BOARD MEMBER

Rafael Salinas Martínez De Lecea holds a B.S. degree in Economics and Business Management from Universidad de Alicante and graduate degrees from the Center for Monetary and Financial Studies of the Bank of Spain (CEMFI), MSc in Econometrics and Mathematical Economics of London School of Economics and MBA from the Graduate School of Business of University of Chicago. He joined BBVA in 1991 as the Director of Derivative Products in BBVA Interactivos, S.V.B and developed all his professional career at the BBVA Group. Between 1998-2003, he worked as the Deputy Director of Assets and Liability Management of the BBVA Group. After working as the Head of Capital Base Management of BBVA, he was appointed as the CFO of Banco de Credito Local de Espana (BCL) in 2003. Between 2006-2015, he served as the Director of Risk & Portfolio Management of the Corporate and Investment Banking unit of BBVA and since 2015, he is the Head of Global Risk Management of BBVA Group. Mr. Salinas has been serving as a Board Member of Garanti BBVA since May 8, 2017 and has 29 years of experience in banking and business administration.

SEMA YURDUM

INDEPENDENT BOARD MEMBER

Sema Yurdum graduated from Boğaziçi University, Faculty of Administrative Sciences in 1979 and completed the Advanced Management Program at Harvard Business School in 2000. After working in a private sector company between 1979-1980 as a human Resources Expert, she had her career in banking sector between 1980-2005. She worked as an Executive Vice President of Garanti BBVA and held Audit Committee membership in various subsidiaries between 1992-2005. In addition to serving as Independent Board Member at Garanti BBVA, Ms. Yurdum is the Board Member at Garanti BBVA S.A. (Romania). Offering management consultancy services since 2006, Ms. Yurdum has been serving as an Independent Board Member of Garanti BBVA since April 30, 2013. Ms. Yurdum has 40 years of experience in banking and business administration.

RICARDO GOMEZ BARREDO

INDEPENDENT BOARD MEMBER

Ricardo Gomez Barredo earned his B.S. degree in Economics and Business Management from Universidad Autonoma de Madrid and graduate degree in Tax Consultancy from ICADE. He also completed Programa de Dirección General (PDG) at IESE Business School. After working in a global consultancy firm in the Tax & Legal Department and in an industrial company as the Head of Tax Consultancy, he joined BBVA in 1994 as Director of Tax Advice Mortgage Banking. He held several top management positions in BBVA, such as Tax Advice Private Banking, Director of Tax Advice Argentaria, Deputy Director of Tax Consulting, Head of Financial Analysis and Planning, Head of Financial Planning and Management Control and the Head of Global Accounting & Information Management. In 2016, he was appointed as Head of Accounting & Supervisors. In 2019, Mr. Barredo left BBVA as an executive, and joined the University of Navarra as In-Company Training Executive Director of the Master in Banking and Financial Regulation. Mr. Barredo has been serving as the Board Member of Garanti BBVA since May 8, 2017. Since his appointment as an Audit Committee member of Garanti BBVA on March 29, 2018, he is deemed as an Independent Board Member of Garanti BBVA following the relevant regulations of the Capital Markets Board of Turkey. Mr. Barredo has 32 years of experience in banking and business administration.

As of September 6, 2019, Recep Baştuğ was appointed to the position of the CEO, which was vacated following the resignation of Ali Fuat Erbil on September 1, 2019, following the completion of the necessary notifications and legal permits.

MEVHİBE CANAN ÖZSOY

INDEPENDENT BOARD MEMBER

She graduated from Istanbul University with Bachelor's Degree of Dental Medicine in 1985. She accomplished her master degree on Dental Medicine at the same University in 1987, and earned her MBA from Bogazici University in 1994 and then completed her Energy Technologies Master's Degree at Sabancı University in 2015. Before joining the pharmaceutical industry in 1990 she had her career as a Medical Dentist. She has occupied Sales & Marketing and commercial leadership positions in Hoechst Marion Roussel, Glaxo Wellcome, Sanofi Aventis companies which are operating in the pharmaceutical industry. She was appointed as Vice President in charge of Marketing International in 2007 at General Electric Healthcare, Paris. She was then assigned as Chief Marketing Officer at General Electric Healthcare, USA in 2009. She came back to Paris as General Manager of Global Mammography in 2011 and led the mammography business field of General Electric (GE). She was appointed as the Chairman and Chief Executive Officer at General Elektrik Ticaret ve Servis A.Ş. in 2012. Besides, she has been serving as the Chief Growth Officer in charge of Middle-East, North Africa and Turkey since 2017. Furthermore, she is also the Vice Chairman of TEI (TUSAŞ Motor Sanayii A.Ş.) and METCAP Group KOMET (joint-ventures of GE), ABFT (American Business Forum in Turkey) and the Chairman of WCD (Woman Corporate Directors). She was appointed as Independent Board Member at Garanti BBVA on April 4, 2019, and has 31 years of experience in banking and business administration.

SENIOR MANAGEMENT

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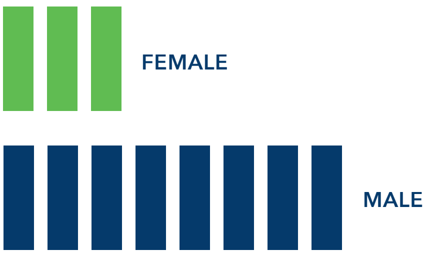
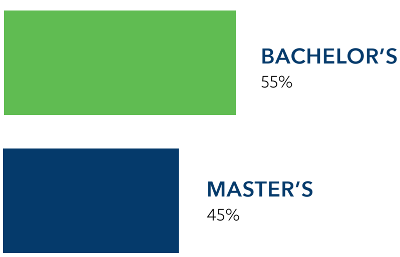
GENDER



EDUCATION



AVERAGE EXPERIENCE

RECEP BAŞTUĞ

PRESIDENT & CEO

Recep Baştuğ graduated from Çukurova University Faculty of Economics. He started his career in Garanti BBVA Internal Audit Department in 1989. Mr. Baştuğ worked as Corporate Branch Manager during 1995-1999, Commercial Regional Manager during 1999-2004, Commercial Banking Coordinator during 2004-2012, and served as an EVP of Commercial Banking and Consumer Finance during 2013-2018. After serving in various capacities on a number of Board of Directors at one of Turkey's largest industrial groups, on September 6, 2019, he was appointed as the Board Member, President & CEO at Garanti BBVA. He is also the Chairman of the Board of Directors at Garanti BBVA International N.V., Garanti BBVA S.A. (Romania), Garanti BBVA Securities, Garanti BBVA Pension, Garanti BBVA Factoring, Garanti BBVA Leasing, Garanti BBVA Payment Systems and Garanti BBVA Technology. In addition to his responsibilities, he also serves as the Board Member in the Banks Association of Turkey and the İstanbul Foundation for Culture and Arts (İKSV) and as the Board of Trustees Member of Teachers Academy Foundation. Mr. Baştuğ has 30 years of experience in banking and business administration.

MAHMUT AKTEN

EXECUTIVE VICE PRESIDENT
RETAIL BANKING

With an undergraduate degree from Boğaziçi University in Electrical and Electronics Engineering and graduate degree in Business Administration from Carnegie Mellon University, Mahmut Akten started his career in 1999 in the USA. After having served in various positions in the Finance and Treasury departments of a global construction materials company, he joined a global management consulting firm in 2006. Between the years 2006-2012, after having worked in Boston and Istanbul offices and lastly as an Associate Partner, he joined Garanti BBVA on July 1, 2012 as the Senior Vice President responsible for Mass Retail Banking Marketing. As of January 1, 2017, Mr. Akten was appointed Executive Vice President responsible for Retail Banking and is the Chairman of Garanti BBVA Mortgage. In addition, Mr. Akten serves as Board Member of Garanti BBVA S.A. (Romania), Garanti BBVA Securities, Garanti BBVA Payment Systems, Garanti BBVA Technology and Garanti BBVA Pension. He is also a Board of Trustees Member of Teachers Academy Foundation. With 21 years of experience in banking and business administration, Mr. Akten's areas of responsibility are Retail Banking Marketing, Mass Banking Marketing, Affluent Banking Marketing and Customer Finance.

DİDEM DİNÇER BAŞER

EXECUTIVE VICE PRESIDENT
TALENT AND CULTURE

Didem Başer graduated from Boğaziçi University Department of Civil Engineering and earned her graduate degree from University of California, Berkeley. She started her career in 1995. Before joining Garanti BBVA, she worked for a global management consulting firm for 7 years and lastly as an Associate Partner. Ms. Başer joined Garanti BBVA in 2005 and worked as the Coordinator of Retail Banking Business Line during her first 7 years. Ms. Başer served as the Executive Vice President responsible for Customer Solutions and Digital Banking between the years 2012-2020. On February 29, 2020, Ms. Başer was appointed as the Executive Vice President responsible for Talent and Culture and she is also Vice Chairman of Garanti BBVA Pension, Board Member of Garanti Payment Systems and Garanti BBVA Technology, and Board Member and Board of Trustees Member of Teachers Academy Foundation. With 25 years of experience in banking and business administration, Ms. Başer's areas of responsibility are Talent and Culture Front, Talent Solutions and Compensation Discipline, Talent and Culture Business Execution, Talent and Culture Projects, Internal Communications and Culture Discipline, Construction and Premises Discipline and Corporate Physical Security.

AYDIN DÜREN

EXECUTIVE VICE PRESIDENT
LEGAL SERVICES AND COLLECTION

Aydın Düren graduated from the Faculty of Law at Istanbul University and earned his graduate degree on International Law from the American University, Washington College of Law. After serving as an associate, partner and managing partner for over 18 years at international private law firms in New York, London and Istanbul, Mr. Düren joined Garanti BBVA on February 1, 2009 as Executive Vice President in charge of Legal Services. Furthermore, Mr. Düren is Vice Chairman of Garanti BBVA International N.V. and Garanti BBVA Pension and Provident Fund Foundation, and Board Member of Garanti BBVA Payment Systems and Garanti BBVA Mortgage and Board of Trustees Member of Teachers Academy Foundation. Since June 2015, Mr. Düren also serves as the Corporate Secretary of the Bank. With 28 years of experience in banking and business administration, Mr. Düren's areas of responsibility are Legal Advisory Services, Legal Collections, Litigation, Garanti Payment Systems Legal Services, Legal Operations, Wholesale Recovery and Retail Collections.

EBRU DİLDAR EDİN

EXECUTIVE VICE PRESIDENT
CORPORATE, INVESTMENT BANKING AND GLOBAL MARKETS

Ebru Dildar Edin graduated from Boğaziçi University Department of Civil Engineering and started her career in 1993. She joined the Corporate Banking Department at Garanti BBVA in 1997. In 1999, she took part in the establishment of the Project Finance Department. After leading the department for 6 years as Senior Vice President, Ms. Edin became Project and Acquisition Finance Coordinator in 2006 and was appointed to her current position on November 25, 2009. A member of the Sustainability Committee since 2010, Ms. Edin also took responsibility of the coordination of the Sustainability Team, which was established in 2012 to implement the decisions of the aforementioned Sustainability Committee. Ms. Edin is the Chairman of the Board of Directors of Business Council for Sustainable Development Turkey, Board Member of UN Global Compact Local Network, Board Member and Board of Trustees Member of Teachers Academy Foundation. Furthermore, Ms. Edin serves as Vice Chairman of the Board of Directors of Garanti BBVA Securities and Member of the Board of Directors at Garanti BBVA S.A. (Romania). With 26 years of experience in banking and business administration, Ms. Edin's areas of responsibility are Corporate Banking, Global Markets, Global Markets Sales & Financial Solutions, Global Markets, Cash Management, Financial Institutions, Corporate & Investment Banking Strategy, Analysis & Coordination, Investment Banking and Finance, and Sustainability.

IŞIL AKDEMİR EVLİOĞLU

EXECUTIVE VICE PRESIDENT
CUSTOMER SOLUTIONS AND DIGITAL BANKING

Işıl Akdemir Evlioğlu graduated from Bilkent University Department of Economics and earned her graduate degree in Business Administration from Kellogg School of Management. She started her career in

2003 as a Consultant at a global consulting firm where she last served as a Junior Partner between 2003-2012 before joining Garanti BBVA. Ms. Akdemir Evlioğlu served as the Vice President of Marketing at Garanti Payment Systems between 2012-2017 and as the CEO from January, 2017 to February, 2020. On February 29, 2020, Ms. Akdemir Evlioğlu was appointed as the Executive Vice President in charge of Customer Solutions and Digital Banking. In addition, Ms. Akdemir Evlioğlu serves as Vice Chairman of Garanti BBVA Payment Systems. With 16 years of experience in banking and business administration Ms. Akdemir Evlioğlu's areas of responsibility are Digital Banking, Client Digital Solutions, Corporate Brand Management and Marketing Communication, Customer Experience and Satisfaction, Insurance and Pension Coordination, Customer Contact Center and Customer Analytics, Innovation and Product Development.

SELAHATTİN GÜLDÜ

EXECUTIVE VICE PRESIDENT COMMERCIAL BANKING

With an undergraduate degree from Middle East Technical University in Public Administration, Selahattin Güldü started his career as Assistant Auditor in Garanti BBVA Internal Audit Department in 1990. He worked as a branch manager between the years 1997-1999. He served as Regional Manager in several regional offices at Istanbul between the years 1999-2018. Mr. Güldü was appointed as Executive Vice President responsible for Commercial Banking on April 5, 2018. Furthermore, Mr. Güldü is a Board Member of Garanti BBVA Leasing, Garanti BBVA Factoring and Garanti BBVA Fleet. With 29 years of experience in banking and business administration, Mr. Güldü's areas of responsibility are Commercial Banking Anatolian Marketing and Commercial Banking Istanbul Marketing.

AYDIN GÜLER

EXECUTIVE VICE PRESIDENT FINANCE AND TREASURY

Aydın Güler graduated from Istanbul Technical University Department of Mechanical Engineering and joined Garanti BBVA Fund Management Department in 1990. After working at different Head Office departments for 10 years, in 2000 he was appointed Senior Vice President responsible for Risk Management and Management Reporting. Between the years 2001-2013, Mr. Güler served as the Senior Vice President responsible for Financial Planning & Analysis and was appointed as Coordinator in 2013. On December 21, 2015, Mr. Güler was appointed as the Executive Vice President in charge of Finance and Treasury and he is furthermore the Vice Chairman of Garanti BBVA Fleet, Board Member of Garanti BBVA Leasing, Garanti BBVA Mortgage, Garanti BBVA Pension and Provident Fund Foundation and Garanti BBVA Pension and Board of Trustees Member of Teachers Academy Foundation. With 29 years of experience in banking and business administration, Mr. Güler's areas of responsibility are Assets & Liabilities Management, Financial Management, Financial Data, Performance Management and Budget Planning, Cost Management and Efficiency, Investor Relations, Financial Reporting and Accounting, Finance Projects, Purchasing Department and Credit Cards, Member Merchant Coordination.

İLKER KURUÖZ

EXECUTIVE VICE PRESIDENT ENGINEERING AND DATA

İlker Kuruöz earned his undergraduate and graduate degrees from Bilkent University Department of Computer Engineering and started his professional career in the USA. Mr. Kuruöz worked at Garanti Technology as Application Development Senior Vice President between 1997-2006 and worked at a global consulting firm as IT Consulting Senior Manager. Between the years 2006-2016, he has served as Business and Technical Solutions Division Head, Chief Information Officer, Chief Technology Group Officer and for a short time acting CEO at a private telecommunication and technology services provider. Mr. Kuruöz worked as CTO at Doğuş Group and CEO at Doğuş Technology during 2016-2018. As of March 14, 2018, Mr. Kuruöz was as appointed Executive Vice President responsible for Engineering & Data and Vice Chairman of the Board of Directors at Garanti Technology. He is also a Board of Trustees Member of Teachers Academy Foundation. With 28 years of experience in banking and business administration, Mr. Kuruöz's areas of responsibility are Garanti BBVA Technology Center, Banking Disciplines, Data & Business Analytics, Core Units, Organization and Business Process Engineering, Corporate Security, Customer Security and Transaction Risk Management and Abacus Operation Center.

CEMAL ONARAN

EXECUTIVE VICE PRESIDENT
SME BANKING

Cemal Onaran graduated from Middle East Technical University with a B.S. in Public Administration in 1990 and started his career as Assistant Auditor in Garanti BBVA at the Audit Committee in the same year. Between years 2000-2007, he worked as the Regional Manager in various regions of Garanti BBVA in Istanbul. After the establishment of Garanti BBVA Mortgage in October 2007, he was appointed General Manager of Garanti BBVA Mortgage. After having served as the General Manager of Garanti BBVA Pension, since August 1, 2012, Mr. Onaran serves as Executive Vice President of Garanti BBVA in charge of SME Banking on January 1, 2017. Mr. Onaran is Chairman of the Board of Directors at Garanti BBVA Fleet, Vice Chairman at Garanti BBVA Mortgage and Board Member at Garanti BBVA Pension, Garanti BBVA Leasing, Garanti BBVA Technology, Garanti BBVA Factoring and Garanti BBVA S.A. (Romania) and Board of Trustees Member of Teachers Academy Foundation. With 29 years of experience in banking and business administration, Mr. Onaran's areas of responsibility are SME Medium & Large Enterprise Banking and SME Small Enterprise Banking Marketing.

ALİ TEMEL

EXECUTIVE VICE PRESIDENT
CHIEF CREDIT RISK OFFICER

Ali Temel earned his undergraduate degree from Boğaziçi University Department of Electric-Electronic Engineering and started his carrier in banking in 1990 at a private bank. Mr. Temel joined Garanti BBVA in 1997 and after working as the Senior Vice President in charge of Cash Management and Commercial Banking departments, he served as the Executive Vice President responsible of Commercial Banking between 1999-2001 and as the Executive Vice President responsible of Loans between 2001-2012. On December 10, 2015, Mr. Temel was appointed as the Chief Credit Risk Officer. Furthermore, Mr. Temel is Vice Chairman of Garanti BBVA Leasing and Garanti BBVA Factoring, Board Member of Garanti BBVA S.A. (Romania) and Board of Trustees Member of Teachers Academy Foundation. With 29 years of experience in banking and business administration, Mr. Temel's areas of responsibility are Wholesale Risk, Retail Risk, Corporate & Commercial Loans Restructuring; Risk Planning, Monitoring and Reporting; Risk Analytics, Technology and Innovation; Regional Loans Coordination.

OSMAN TÜZÜN*

EXECUTIVE VICE PRESIDENT
TALENT AND CULTURE

Osman Tüzün graduated from the Middle East Technical University with a B.S. in Computer Engineering and earned his MBA from Bilkent University. He started his banking career in 1992 and served in various branches and head office departments for 7 years. He joined Garanti BBVA in 1999 as the Senior Vice President responsible for Branchless Banking. Between the years 2000-2005, he served as the Senior Vice President of Retail Banking. During 2005-2008, he was the CEO of a private sector company. In 2008, Mr. Tüzün returned to Garanti BBVA as the Coordinator responsible for Human Resources and worked as the Executive Vice President in charge of Talent and Culture between August 19, 2015-February 29, 2020. Mr. Tüzün also served as the Chairman of the Board of Directors of Garanti BBVA Retirement and Provident Fund Foundation and Board Member and Board of Trustees Member of Teachers Academy Foundation. With 28 years of experience in banking and business administration, Mr. Tüzün's areas of responsibility were Talent and Culture Front, Talent Solutions and Compensation Discipline, Talent and Culture Business Execution, Talent and Culture Projects, Internal Communications and Culture Discipline, Construction and Premises Discipline and Corporate Physical Security.

** Osman Tüzün left his post as the Executive Vice President in charge of Talent and Culture as of February 29, 2020. Didem Dinçer Başer was appointed as the Executive Vice President in charge of Talent and Culture.*

Işıl Akdemir Evlioğlu, who worked as the CEO of Garanti Payment Systems, was appointed as the Executive Vice President in charge of Customer Solutions and Digital Banking.

As of September 6, 2019, Recep Baştuğ was appointed to the position of the CEO, which was vacated following the resignation of Ali Fuat Erbil on September 1, 2019, following the completion of the necessary notifications and legal permits.

The related disclosures announced on the PDP (Public Disclosure Platform) are available on the website www.garantibbvainvestorrelations.com/en

COMMITTEES AND ATTENDANCE TO COMMITTEES

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There are 34 committees set up at the Bank to fulfill the supervisory function. The Board of Directors oversees and audits the entire Bank via Credit, Remuneration, Corporate Governance, Audit and various risk Committees. The committees organized under the Board of Directors are Credit, Audit, Corporate Governance, Remuneration and Risk Committee.

Members of the Board of Directors and/or Bank executives may take part in committees in addition to these mentioned above.

The detailed information about the committees is as follows:

- Objectives and responsibilities
- Members
- Number of meetings in 2019

CREDIT COMMITTEE

In accordance with the Banking Law, the Board of Directors of Garanti BBVA has delegated a certain amount of its loan allocation authority to the Credit Committee. The Credit Committee holds meetings once in two weeks to review appropriate loan proposals from among those sent by the branches to the Head Office but exceed the loan authorization limit of the latter. The Credit Committee reviews these loan proposals and decides on those that are within its authorization limits, and submits those others it deems appropriate but are outside of its authorized limits to the Board of Directors for finalization.

In 2019, the Committee held 19 meetings.

COMMITTEE MEMBERS

Rafael Salinas Martinez De Lecea (Board Member), Jaime Saenz de Tejada Pulido (Board Member), Javier Bernal Dionis (Board Member), Jorge Saenz Azcunaga Carranza (Vice Chairman), Recep Baştuğ (CEO, Board Member)

AUDIT COMMITTEE

The Audit Committee was set up to assist the Board of Directors in the performance of its audit and supervision functions. The Committee is responsible for:

- Monitoring the effectiveness and adequacy of Garanti BBVA's internal audit, internal control and risk management systems; and overseeing the operation of these systems and accounting and reporting systems in accordance with applicable regulations, and the integrity of resulting information,
- Conducting necessary preliminary evaluations for the selection of independent audit firms, appraisal and support services providers, and regularly monitoring their activities,
- Ensuring that the internal audit functions of consolidated entities are performed in a consolidated and coordinated manner, Developing the audit and control process in order to ensure ICAAP adequacy and accuracy,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2019, the Committee held 6 meetings.

COMMITTEE MEMBERS

Ricardo Gomez Barredo (Independent Board Member), Sema Yurdum (Independent Board Member), Jorge Saenz Azcunaga Carranza (Vice Chairman)

CORPORATE GOVERNANCE COMMITTEE

In accordance with Capital Market Legislation, checking whether the Corporate Governance Principles are complied with, and if not, determining the reasons for not applying them, advising the Board of Directors on improvement and carrying out activities to fulfill the duties of the Nomination Committee under the relevant Communiqué of CMB.

Within the frame of the CMB Communiqué No: II-17-1 on Corporate Governance that is currently in force, the Committee:

→ Monitors whether corporate governance principles are implemented at the Bank, determines the grounds for non-implementation, if applicable, as well as any potential conflicts of interest arising from failure to fully comply with these principles, and presents suggestions to the Board of Directors for the improvement of corporate governance practices;
→ Oversees the activities of the Investor Relations Department;
→ Evaluates the proposed nominees for independent Board membership, including those nominated by the management and investors, considering whether the nominees fulfill the independence criteria, and presents its assessment report to the Board of Directors for approval;
→ Makes an assessment for election of independent members to the seats vacated due to a situation that eradicates independence and the resignation of a Board member who loses his independence, so as to re-establish the minimum number of independent Board members through temporarily elected members who will serve until the immediately following General Assembly Meeting to be held, and presents its written assessment to the Board of Directors;
→ Works to create a transparent system for the identification, evaluation and training of nominees who are appropriate for the Board of Directors and managerial positions with administrative responsibility, and to determine related policies and strategies;
→ Makes regular assessments about the structure and efficiency of the Board of Directors, and presents suggested changes to the Board of Directors.

In 2019, the Committee held 3 meetings.

COMMITTEE MEMBERS

Javier Bernal Dionis (Board Member), Jorge Saenz Azcunaga Carranza (Vice Chairman), Sema Yurdum (Independent Board Member), Handan Saygın (Director)

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for:

→ Conducting the oversight and supervision process required to ensure that the Bank's remuneration policy and practices comply with applicable laws and regulations and risk management principles,
→ Reviewing, at least once a year, the Bank's remuneration policy in order to ensure compliance with applicable laws and regulations in Turkey, or with market practices, and updating the policy, if necessary,
→ Presenting, at least once a calendar year, a report including the findings and proposed action plans to the Board of Directors,
→ Determining and approving salary packages for executive and non-executive members of the Board of Directors, the CEO and Executive Vice Presidents,
→ Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2019, the Committee held 7 meetings.

COMMITTEE MEMBERS

Sait Ergun Özen (Board Member), Jorge Saenz Azcunaga Carranza (Vice Chairman)

EMPLOYEE COMMITTEE

The Employee Committee is responsible for developing the Bank's HR policies, carrying out and coordinating activities in order to improve employee engagement and satisfaction, monitoring results and developing action plans when needed. With the support of management, the Committee also aims to promote learning in order to enhance the Bank's development.

In 2019, the Committee held 3 meetings.

COMMITTEE MEMBERSS

Javier Bernal Dionis (Board Member), Recep Baştuğ (CEO, Board Member), M. Cüneyt Sezgin, (Board Member), Mahmut Akten (EVP), Didem Dinçer Başer (EVP), B. Ebru Edin (EVP), Cemal Onaran (EVP), İlker Kuruöz (EVP), Aydın Güler (EVP), Ali Temel (Chief Credit Risk Officer), Aydın Düren (EVP), Selahattin Güldü (EVP), Osman

Tüzün (EVP), Işıl Akdemir Evlioğlu (CEO, GÖSAŞ)

CUSTOMER COMMITTEE

The Customer Committee is established to discuss efforts for improving customer experience and convenes under the chairmanship of the CEO. The Bank's customer experience strategies are defined by the Committee, which is also responsible for realizing projects aimed at enhancing customer experience at every touch point and at improving the Net Promoter Score and for ensuring continuous efforts. The Committee also monitors the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and takes action to keep them up-to-date.

In 2019, the Committee held 3 meetings.

COMMITTEE MEMBERS

Recep Baştuğ (CEO, Board Member), Javier Bernal Dionis (Board Member), Ali Temel (Chief Credit Risk Officer), Aydın Düren (EVP), Aydın Güler (EVP), Didem Dinçer Başer (EVP), B. Ebru Edin (EVP), İlker Kuruöz (EVP), Cemal Onaran (EVP), Mahmut Akten (EVP), Osman Tüzün (EVP), Selahattin Güldü (EVP), Işıl Akdemir Evlioğlu (CEO, GÖSAŞ), Hülya Türkmen (Director)

RISK COMMITTEE

The responsibilities of the Risk Committee are as follows:

- Monitor and oversee the strategy and general risk policies of the Bank and review the risk appetite declaration and core metrics, risk tolerance levels, limit structure, and metrics, taking into consideration the strength of the Bank's capital and the overall quality of risk management, measurement and reporting,
- Review and approve, as appropriate, the corporate risk policies for each risk type, and the yearly limits for each risk type and business line with the level of detail that may be deemed appropriate at the time,
- Review and approve, as appropriate, measures to mitigate the impact of identified risks, should these materialize,
- Monitor the evaluation of the global risk profile and the Bank's risk exposure, by type of risk, business line, product, or customer segment, and how these compare to the risk strategy and policies and the risk appetite,
- Assess the adequacy of risk information and risk internal control systems in the Bank to guarantee appropriate functioning of risk management as well as the suitability of the structure and operation of risk management in the Bank,
- Monitor that pricing of investment and deposit products offered to clients fully take into consideration the business model and risk strategy of the Bank, including a remediation plan should it be necessary,
- Verify that the Bank takes the necessary steps to guarantee the availability of systems, staffing and general resources adequate for the management of risks,
- Analyze and assess the appropriate working of asset valuation, asset classification and risk estimation processes of the Bank,
- Promote the continuous development and improvement of advanced risk management model and practices, whilst closely monitoring requirements and recommendations of regulators and supervisors,
- Receive and review reports on capital planning, capital adequacy and provide effective challenge of the enterprise risk management and capital planning processes.

In 2019, the Committee held 11 meetings.

COMMITTEE MEMBERS

Rafael Salinas Martinez De Lecea (Board Member), Javier Bernal Dionis (Board Member), Süleyman Sözen (Board Chairman)

RISK MANAGEMENT COMMITTEE

The purpose of Risk Management Committee is to develop the strategies, policies, procedures and infrastructures required to identify, assess, measure, plan and manage material risks faced by the Bank in the ordinary course of business, within its delegated authority.

The Committee's responsibilities are:

- Development of the Enterprise Risk Management architecture, which includes the establishment of a risk appetite framework, a model governing the organization and governance of the function, a risk identification and monitoring model and the infrastructures

→ and processes required to efficiently and transparently manage the risks,
→ Identification, assessment, measurement, planning and management of risks the Bank is exposed to,
→ Assessment of economic capital adequacy of the Bank both under normal course of business and in stress scenarios,
→ Monitoring and analysis of all significant matters related to the Bank's risk on an ongoing basis,
→ Guidance to the Bank's management concerning significant risk matters,
→ Oversight of the risk framework and performance of the Bank's subsidiaries and affiliates,
→ Promote and develop a risk culture throughout the organization,
→ Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2019, the Committee held 28 meetings.

COMMITTEE MEMBERS

Ali Temel (Chief Credit Risk Officer), Mustafa Tiftikçioğlu (Director), Alper Eker (Director), Özlem Ernart ((Head of Risk Management), Berkay Emekli (Director)

WHOLESALE CREDIT RISK COMMITTEE

The purpose of Wholesale Credit Risk Committee is to propose or determine the wholesale credit risk framework, integrate it into management and monitor its performance.

The Committee is responsible for:

→ Approving or proposing for approval wholesale risk strategies and policies,
→ Monitoring wholesale portfolio quality and performance, and assess risk strategies and policies in terms of effectiveness, profitability and efficiency,
→ Approving or proposing for approval risk decisions or requests from/to other units or regulators,
→ Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2019, the Committee held 12 meetings.

COMMITTEE MEMBERS

Mustafa Tiftikçioğlu (Director), Adnan Kesim (Director), Cemal Vurankaya (Director), Emre Hatem (Director), Gülay Tok Başak (Director), Selim Selimata (Director), Nuriye Bozkurt (Manager), Ekrem Özay (Manager), Yeliz Buyan* (Manager), Muhsin Sığnak* (Manager), Dilek Dalda* (Manager), Senem Irmak* (Manager), Ömer Yolboğa* (Manager), Gözde Şener* (Manager), Nurdan Demir* (Manager), Orhan Tanrıverdi* (Manager), Duygu Okdemir Cangül* (Manager)

** At least two of the managers attend the meetings.*

CREDIT ADMISSION COMMITTEE

The purpose of the Credit Admission Committee is to approve or propose for approval to Garanti BBVA's governing bodies, credit risk transactions or financial programs according to its delegated authority and following the requirements stated in the Credit Risk Delegation Rule.

The Committee's responsibilities are:

→ Approving the credit proposals within its authorized limits, and submitting credit proposals that exceed the delegated authority of the Chief Credit Risk Officer to management bodies for approval,
→ Overseeing whether the credit risks falling under its delegated authority are duly subjected to assessment and scoring process in line with the Bank's policies and procedures,
→ Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2019, the Committee held 47 meetings.

COMMITTEE MEMBERS

Ali Temel (Chief Credit Risk Officer), Mustafa Tiftikçioğlu (Director), Alper Eker* (Director), Selim Selimata (Director), Gülay Tok Başak (Director), Kerem Akça*** (Director), Yeliz Buyan** (Manager), Muhsin Sığnak** (Manager), Dilek Dalda* (Manager), Senem Irmak** (Manager), Ömer Yolboğa** (Manager), Duygu Okdemir Cangül** (Manager), İbrahim Şanlı*** (Manager)

** Participate when retail loan offers are submitted.*

*** Participate for loan offers in their portfolios.*

**** Committee members who do not have the right to vote.*

RETAIL CREDIT RISK COMMITTEE

The purpose of the Committee is to propose or determine the Bank's retail credit risk framework, integrate it into management and monitor its performance.

The Committee's responsibilities are:

→ Approving, or proposing for approval, risk strategies and policies in relation to retail credits,
→ Monitoring the performance of the retail portfolio; evaluating the efficiency of risk strategies and policies and their effect on profitability and productivity,
→ Approving or proposing for approval risk decisions, or requests from/to other units or regulators,
→ Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2019, the Committee held 10 meetings.

COMMITTEE MEMBERS
Alper Eker (Director), Pınar Denizaşan (Director), Faruk Ergin (Director), Teoman Alponat (Director), Şeyda Güroğlu Kan (Director)

RISK TECHNOLOGY AND ANALYTICS COMMITTEE

The purpose of the Committee on Risk Technology and Analytics ("RTA") is to promote an appropriate framework for risk models and tools within Garanti BBVA. The RTA is constituted as a forum of advice and support to the Chief Credit Risk Officer for the exercise of the functions and the decision making that the latter must adopt. The scope of the RTA encompasses all types of risks and the entire risk life cycle.

The Committee is responsible for:

→ Ensuring the quality, adequacy and consistency of the models and their parameters throughout the Bank,
→ Monitoring risk tools roll-outs (functional definitions and regulatory/economic milestones) as well as areas for improvement,
→ Ensuring the existence of adequate technological infrastructure to develop the risk function, keeping track of specific technology projects deemed relevant by the Bank.

In 2019, the Committee held 17 meetings.

COMMITTEE MEMBERS
Evrim Gündüz (Manager), Mustafa Tiftikçioğlu (Director), Alper Eker (Director), Özlem Ernart (Head of Risk Management), Berkay Emekli (Director), Arif Köker (Manager)

GARANTI BBVA ASSETS AND LIABILITIES COMMITTEE

The main goal of Garanti BBVA Assets and Liabilities Committee (ALCO) is to assist the CEO with decision-making processes concerning assets and liabilities management (including liquidity and funding, interest rates and exchange rates) and capital management.

The Committee is structured around the following objectives:

→ Coordinate and review the implementation of policies for managing the sources and utilization of funds that should provide an appropriate level of profitability consistent with planned growth within acceptable levels of risk,
→ Monitor and analyze the profitability and net interest income,
→ Allow senior management to thoroughly understand, efficiently develop and refine the ALM and capital policies by assisting them in overseeing and supervising the management activities of the Finance Department,
→ Follow-up limits to control the balance sheet and capital risks, as well as the risk profiles defined by Garanti BBVA's Board of Directors,
→ Assess the status of financial markets and macro variables,
→ Monitor that individual business lines are aligned in terms of overall objectives and proactively controlled with regard to the prudential risks under the control of ALM and capital functions,
→ Review and assess the impact of changes in market and other variables on the ALM risk and capital profile,
→ Evaluate the strategies presented by the Finance Department and revise the execution of previously approved actions,
→ Monitor regulatory capital adjusted profitability measures,
→ Challenge and regularly monitor medium-term capital and liquidity plans for base scenarios and adverse or severely adverse scenarios,

- Analyze extraordinary liquidity and funding situations that require the Committee to be summoned (if deemed appropriate, the Assets and Liabilities Committee will activate the Liquidity Contingency Plan. The Liquidity Contingency Plan activation will be informed to the Corporate Assets and Liabilities Committee),
- Approve the Procedure for Hedge Accounting Transactions Process,
- Approve Funds Transfer Pricing Methodology,
- Approve assumptions or methodology associated with Structural Risk Measurement Techniques,
- Approve internal framework documents for ALM and Capital Management,
- Monitor the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and take action to keep them up-to-date.

In 2019, the Committee held 11 meetings with the required quorum.

COMMITTEE MEMBERS

Recep Baştuğ (CEO, Board Member), Alvaro Ortiz Vidal-Abarca (Emerging Markets - Chief Economist), Aydın Güler (EVP), Mahmut Akten (EVP), Selahattin Güldü (EVP), Cemal Onaran (EVP), B. Ebru Edin (EVP), Ali Temel (Chief Credit Risk Officer), Özlem Ernart (Head of Risk Management), Metin Kılıç (Director), Sıdıka Dizdar (Director)

WEEKLY REVIEW COMMITTEE

The Weekly Review Committee is charged with managing the assets and liabilities of the Bank. Its objective is to assess interest rate, exchange rate, liquidity and market risks. Based on these assessments and taking into account the Bank's strategies and competitive conditions, the Committee adopts the decisions to be executed by the relevant units in relation to the management of the Bank's balance sheet, and monitors their implementation.

In 2019, the Committee held 51 meetings.

COMMITTEE MEMBERS

Recep Baştuğ (CEO, Board Member), M. Cüneyt Sezgin, (Board Member), Javier Bernal Dionis (Board Member), Alvaro Ortiz Vidal-Abarca (Emerging Markets - Chief Economist), İlker Kuruöz (EVP), Selahattin Güldü (EVP), Cemal Onaran (EVP), Mahmut Akten (EVP), Didem Dinçer Başer (EVP), Ali Temel (Chief Credit Risk Officer), B. Ebru Edin (EVP), Aydın Güler (EVP), Işıl Akdemir Evlioğlu (CEO, GÖSAŞ), Alpaslan Özbey (Director), Lütfi Hacıoğlu (Director), Mustafa Sağlık (Director), Hakan Öger (Director), Kerem Ömer Orbay (Director), Ceren Acer Kezik (Director), Metin Kılıç (Director), Vahan Üçkardeş (Director), Handan Saygın (Director), Özlem Ernart (Head of Risk Management), Batuhan Tufan (Director), Fulya Göyenç (Director), Kıvanç Fidan (Director), Alper Eker (Director), Demet Yavuz (Director), Sinem Edige (Director), Taşkın Erkoç (Director), Oben Savaş (Director)

COST MANAGEMENT AND EFFICIENCY COMMITTEE

The objective of the Cost Management Committee is to support the Board of Directors in controlling costs within the context of real revenue performance (operating efficiency) and securing savings by optimizing budget implementations over the course of the year.

The Committee is also responsible for:

- Identifying the efficiency areas of Garanti BBVA and providing a platform to discuss improvement areas,
- Informing committee members about cost developments in the future and evaluating saving suggestions,
- Providing a platform to discuss and decide on new ideas and alternatives about efficient cost management by taking into consideration the Bank's strategies,
- Approving expenses or investment projects and proposals received from the units within the established limits of delegation,
- Clarifying the corresponding budget allocations,
- Ensuring local or regional implementation of corporate models, standards and specifications,
- Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2019, the Committee held 6 meetings.

COMMITTEE MEMBERS

Recep Baştuğ (CEO, Board Member), Javier Bernal Dionis (Board Member), Aydın Güler (EVP), Osman Tüzün (EVP), Mahmut Akten (EVP), İlker Kuruöz (EVP), Didem Dinçer Başer (EVP), Ali Temel (Chief Credit Risk Officer), B. Ebru Edin (EVP), Selahattin Güldü (EVP), Cemal Onaran (EVP), Aydın Düren (EVP), Işıl Akdemir Evlioğlu (CEO, GÖSAŞ), Oğuz Acar (Director), Hazal Özgüven (Director), Sibel Kaya (Director), Vahan Üçkardeş (Director), Burçin Bıkmaz (Director)

SUSTAINABILITY COMMITTEE

The Sustainability Committee is responsible for:

→ Overseeing the efforts for assessing potential risks resulting from the Bank's energy consumption, waste management, etc. and from the Bank's direct impact upon the environment,
→ Supervising the efforts for assessing potential risks arising from indirect environmental, social and economic impact resulting from financed projects and other loans, and providing necessary opinions to relevant decision-making parties,
→ Monitoring the efforts for managing the risks which can negatively affect the Bank's reputation and/or other activities in environmental, social and governance areas,
→ Ensuring conformity of all decisions made and all projects carried out within the framework of the sustainability structure created within the Bank with other policies and related regulations of the Bank,
→ Managing the efforts to allow the Bank to offer products and services that support sustainable development,
→ Supervising the efficiency of sustainability efforts,
→ Providing information to the Board of Directors on the Committee's activities when needed,
→ Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2019, the Committee held 1 meeting.

COMMITTEE MEMBERS

M. Cüneyt Sezgin, (Board Member), Recep Baştuğ (CEO, Board Member), Osman Tüzün (EVP), B. Ebru Edin (EVP), Ali Temel (Chief Credit Risk Officer), Cemal Onaran (EVP), Aydın Güler (EVP), Burçin Bıkmaz (Director)

DISCIPLINARY COMMITTEE

The Disciplinary Committee is responsible for:

→ Reviewing and deciding on the matters referred to it based on the relevant articles of the Garanti BBVA Integrity Principles,
→ Examining, sua sponte, any acts and practices, if any, that are established to be contrary to the laws, banking customs, Garanti BBVA Integrity Principles, the Bank's circulars, announcements or procedures (requesting an examination by the Internal Audit Department in cases where it deems necessary), and implementing the administrative sanctions set out in the Personnel Regulation,
→ Ensuring that the personnel adheres to the Garanti BBVA Integrity Principles, both in their behaviors and their practices, and undertaking the function of monitoring such adherence and acting as a safeguarded authority before the employees,
→ Taking measures against all sorts of acts and practices that might lead to an erosion of the Bank's reputation and image in view of the laws, public opinion and our customers, and announcing these measures throughout the Bank,
→ Ensuring that necessary measures are adopted by relevant units for remedying the systemic problems or hitches in work flow processes or general practices as observed in the files on its agenda, and steering the concerned subsidiaries and overseeing the measures taken.

In 2019, the Committee held 3 meetings.

COMMITTEE MEMBERS *

Osman Tüzün (EVP), Aydın Düren (EVP), Aydın Güler (EVP), Cemal Onaran (EVP), Mahmut Akten (EVP), Selahattin Güldü (EVP), Ali Temel (Chief Credit Risk Officer), Sibel Kaya (Director), Osman B. Turgut (Head of Internal Audit), Barış Gülcan (Director), Şevki Öğüt (Internal Audit Partner), Koray Öztopçu (Branch Manager), Gültekin Keskin (Regional Manager), Cenk Özsezginler (Regional Manager), Ali Aktan (Manager, Assistant Legal Counsel), Murat Özdemir (Manager), Görkem Kıran Dumlu (Manager)

** Regional and Branch Managers change every year*

INFORMATION SECURITY COMMITTEE

Information Security Committee is responsible for:

→ Coordinating the tasks related with information security,
→ Contributing to the establishment of the policies, monitors the functioning of the information security management system (ISMS) and agrees on decisions by evaluating the improvement suggestions,
→ Informing about the information security projects and certification processes,
→ Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2019, the Committee held 1 meeting.

COMMITTEE MEMBERS

İlker Kuruöz (EVP), Ferda Özge (EVP, TC), Eray Kaya (EVP, TC), Fatih Bektaşoğlu (EVP, TC), Aydın Küçükkarakaş (EVP, TC), Şebnem İpekçi (EVP, TC), Reha Emekli (EVP, TC), Kutluhan Apaydın (EVP, TC), Özgür Tüzemen (EVP, TC), Feridun Aktaş (EVP, TC), Emre Kunt (EVP), Burak Erkek (Internal Audit Partner), Korcan Demircioğlu (Director), Barış Gülcan (Director), Hazal Özgüven (Director), Tutku Coşkun (Director), Orhan Veli Çaycı (Director), Sibel Kaya (Director), Seval Demirkılıç (Unit Manager, TC), Cihan Subaşı (Unit Manager, TC), Ümit Malkoç (Unit Manager, TC), Bekir Özmen (Manager, TC), Şebnem Arasıl (Manager, TC), Kerem Aslandağ (Manager, TC)

PERSONNEL COMMITTEE

The Personnel Committee has been set up to finalize transfer and appointment decisions at manager level, make proposals regarding the Bank's organizational structure, and contribute to the management of the HR budget and balance sheet. The Committee monitors the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and takes action to keep them up-to-date.

The Committee meets when it is needed. In 2019, the Personnel Committee held 1 meeting.

COMMITTEE MEMBERS *

Recep Baştuğ (CEO, Board Member), Mahmut Akten (EVP), Selahattin Güldü (EVP), Cemal Onaran (EVP), İlker Kuruöz (EVP), Didem Dinçer Başer (EVP), Ali Temel (Chief Credit Risk Officer), Osman Tüzün (EVP), B. Ebru Edin (EVP), Aydın Düren (EVP), Aydın Güler (EVP), Alper Eker (Director), Mustafa Tiftikçioğlu (Director), İlker Yavaş (Director), Sibel Kaya (Director), Lütfi Hacıoğlu (Director), Mustafa Sağlık (Director), Taşkın Erkoç (Director), Kerem Ömer Orbay (Director), Ceren Acer Kezik (Director), Hakan Öger (Director), Işıl Akdemir Evlioğlu (CEO, GÖSAŞ), Eyüp Yıldırım (Regional Manager), Sevgi Cevani (Regional Manager), Murat Özdemir (Manager), Görkem Kıran Dumlu (Manager)

** Regional Managers alternate in attending the committee.*

LOCAL BENEFITS COMMITTEE

The Local Benefits Committee aims to manage the employee benefits model centrally with the participation of HR, Risk and Finance areas.

The Committee's responsibilities are:

→ Ensuring that decisions regarding fringe benefits are made centrally, with the concurrence of all representatives and in line with the Bank's business goals;
→ Reporting the local committee's decisions to the global committee,
→ Benchmarking against the market before a new fringe benefit proposal is approved and reviewing the same from the perspective of Finance , Risk and Compliance,
→ Controlling the production of consolidated accounting reports of fringe benefits,
→ Aligning the investment policy of Garanti BBVA Retirement Fund with BBVA's standards,
→ Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2019, the Committee held 2 meetings.

COMMITTEE MEMBERS

Osman Tüzün (EVP), Aydın Güler (EVP), Ali Temel (Chief Credit Risk Officer), Özlem Ernart (Head of Risk Management), Sibel Kaya (Director)

CONSUMER COMMITTEE

The Consumer Committee aims to ensure that topics and practices regarding the individual products and services, which may cause risk and dissatisfaction in terms of consumer and/or related legislation are highlighted, evaluated and required actions for solution are planned.

The Committee is responsible for;

→ Informing about the findings brought up by Internal Audit, Internal Control and Compliance departments to the committee and evaluate the required findings and develop action plans,
→ Informing about the improvement areas raised during the analysis based on customer feedbacks (complaint, objection etc.) and evaluate the required ones and develop action plans,
→ Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2019, the Committee held 3 meetings.

COMMITTEE MEMBERS

M. Cüneyt Sezgin, (Board Member), Mahmut Akten (EVP), Aydın Düren (EVP), Didem Dinçer Başer (EVP), İlker Kuruöz (EVP), Eray Kaya (EVP, TC), Işıl Akdemir Evlioğlu (CEO, GÖSAŞ), Osman B. Turgut (Head of Internal Audit), Hülya Türkmen (Director), Barış Gülcan (Director), Emre Özbek (Director), Kerem Ömer Orbay (Director), Ceren Acer Kezik (Director), Hazal Özgüven (Director), Berna Avdan (Legal Counsel), Bora Uludüz (Director), Demet Yavuz (Director), Alpaslan Özbey (Director), Hakan Öger (Director), Kıvanç Fidan (Director), (Murat Hamurkaroğlu (Manager)

INTEGRITY COMMITTEE

The main objective of the Committee is to contribute to preserve the Corporate Integrity of Garanti BBVA.

Its fundamental function, is to ensure that the Code is being applied efficiently, through following responsibilities:

→ Encouraging and monitoring efforts for creating a shared culture of integrity within Garanti BBVA Group;
→ - Making sure that the Code are implemented homogenously across Garanti BBVA; in this context, formulating and disseminating descriptive notes when needed;
→ Implementing exclusion criteria with regard to compliance with certain provisions of the Code;
→ Notifying matters deemed to be in contradiction to the Bank's disciplinary rules to the Disciplinary Committee, and obtaining information about the ongoing examinations procedures and actions taken for the issue;
→ Reporting immediately any incidents and circumstances that may pose a material risk against Garanti BBVA to:
1. Top Management,
2. The individual in charge of preparing the financial statements accurately;
→ Following up the proposals of action agreed during the meetings,
→ Encouraging adoption of necessary measures for handling suggestions regarding compliance with the Code and implementation of the document, and behaviors creating doubts with respect to ethics;
→ Promote and monitor the operation and efficiency of the Complaint Channel at local level take necessary measures regarding updates and review where appropriate,
→ Monitoring the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2019, the Committee held 1 meeting.

COMMITTEE MEMBERS

M. Cüneyt Sezgin, (Board Member), Recep Baştuğ (CEO, Board Member), Osman Tüzün (EVP), Aydın Düren (EVP), Didem Dinçer Başer (EVP), İlker Kuruöz (EVP), B. Ebru Edin (EVP), Osman B. Turgut (Head of Internal Audit), Emre Özbek (Director), Barış Gülcan (Director)

VOLCKER RULE OVERSIGHT COMMITTEE

Volcker Rule Oversight Committee is an internal body established in scope of the "Volcker Rule Compliance Program" provisions. It is formed to evaluate the conformity status of Garanti BBVA and its Subsidiaries' activities and Compliance Program to the Volcker Rule and to supervise the effectiveness of Volcker Rule Compliance Program.

Committee's main roles and responsibilities are;

→ Provide the settlement of a sufficient Compliance culture,
→ Evaluate the conformity of the Volcker Rule Compliance Program to the Volcker Rule;
→ Assess declarations of compliance received from the subsidiaries, evaluate conformity of Garanti BBVA's operations to the Volcker Rule; make decisions on this subject, and communicate the decision to the related committee of the BBVA Group;
→ Resolve the Volcker Rule related issues which are submitted to the Committee's agenda,
→ Monitor necessities of document updates regarding the policies, procedures, regulations and take actions to ensure that they are updated.

In 2019, the Committee held 3 meetings.

COMMITTEE MEMBERS

M. Cüneyt Sezgin, (Board Member), Recep Baştuğ (CEO, Board Member), Aydın Güler (EVP), Aydın Düren (EVP), B. Ebru Edin (EVP), Reha Emekli (EVP, TC), Ali Temel (Chief Credit Risk Officer), Osman B. Turgut (Head of Internal Audit), Özlem Ernart (Head of Risk Management), Emre Özbek (Director), Barış Karaayvaz (Director), Çağlar Kılıç (Director), Metin Kılıç (Director), Berna Avdan (Legal Counsel), Hakan Özdemir (Director), Barış Gülcan (Director)

OPERATIONAL RISK ADMISSION AND PRODUCT GOVERNANCE COMMITTEE

The Committee aims to identify, analyze and evaluate the operational risks associated initiatives related with new business, products or services, outsourcing, process transformation and new systems), prior to its launch. The Committee will give an opinion about the feasibility of the initiatives before they are materialized, as well as on their following-up. The Committee will evaluate the inherent operational risks, indicating the required controls and mitigations needed to ensure that the residual risks are within the established operational risk appetite.

The Committee's responsibilities are;

→ Analyze and decide on new business, product and service offers.
→ Analyze the viability of outsourcing offers and decide on outsourcing offers.
→ Analyze and decide on feasibility of other offers including technological and process reengineering and vendor assessment.
→ Decides the insurance framework of operational risks arising from initiatives, reviews, analyzes and approves insurance policy structures.
→ To conduct an ongoing review of each new product at least 12-month period following implementation to ensure that it has been carried out properly (in this context, the Committee shall revoke approval of a previously approved Product, or an existing product or service, or block the implementation of a Product or continued use of a Product),
→ To summarize and inform on its actions and deliberations, as appropriate, to members of senior management, managers within affected business lines, Board Risk Committee and to the respective bodies of each affected Garanti BBVA entity,
→ To monitor the policies, procedures, regulations and similar documents under its responsibility with respect to necessary updates, and taking action to keep them up-to-date.

In 2019, the Committee held 6 meetings.

COMMITTEE MEMBERS
M. Cüneyt Sezgin, (Board Member), Aydın Güler (EVP), İlker Kuruöz (EVP), Aydın Düren (EVP), Osman Tüzün (EVP), Ali Temel (Chief Credit Risk Officer), Özlem Ernart (Head of Risk Management), Barış Gülcan (Director), Emre Özbek (Director), Murat İman (Director), Burçin Bıkmaz (Director), Beyza Yapıcı (Director), Osman B. Turgut (Head of Internal Audit)

IT RISK AND INTERNAL CONTROL COMMITTEE

IT Risk Committee has been established to coordinate the tasks related with IT Risk and IT Internal Control Management. This committee contributes to the establishment of the IT Risk and IT Internal Control Management Policy, Procedure and related process documents and also other needed processes, monitors the functioning of the IT risk and IT internal control management process and agrees on decisions by evaluating the improvement suggestions.

The Committee's responsibilities are:

→ Identification of IT risk and IT internal control management strategy,
→ Identification of IT risk and IT internal control management scope and making related plans,
→ Assessing the threats and risks that arise as a result of IT risk analysis, identification of actions to be taken,
→ Assessment of IT risk and IT internal control management outputs and following the corresponding actions,
→ Reviewing policies and procedures related to IT risk and IT internal control management, work on updating and compliance issues.

In 2019, the Committee held 3 meetings.

COMMITTEE MEMBERS
İlker Kuruöz (EVP), Aydın Küçükkarakaş (EVP, TC), Feridun Aktaş (EVP, TC), Ferda Özge (EVP, TC), Eray Kaya (EVP, TC), Fatih Bektaşoğlu (EVP, TC), Reha Emekli (EVP, TC), Kutluhan Apaydın (EVP, TC), Özgür Tüzemen (EVP, TC), Şebnem İpekçi (EVP, TC), Emre Kunt (EVP, TC), Ümit Malkoç (Unit Manager, TC), Cihan Subaşı (Unit Manager, TC), Özcan Elçi (Manager, TC), Kerem Aslandağ (Manager, TC)

CORPORATE ASSURANCE COMMITTEE

The purpose of the Committee is to inform the top management about the internal control problems which can prevent business lines and/or our Bank's goals due to their current or possible effects and to provide guidance from top management about the problems.

"The scope of the Committee includes internal control findings and issues that are considered to have priority for the Bank, regarding their effect and urgency, fundamentally compliance, financial reporting, risk management, operational risk, reputation risk, technology and fraud.

The Committee's responsibilities are;

→ To provide standardization and top management coordination for the improvement needs of the internal control system by focusing on critical risks and controls that needs top management's monitoring,
→ To discuss the internal control problems/issues within its agenda and responsibility area, and to evaluate the proposed measures and actions,
→ To monitor mitigation of risks to a desired level by examining the action plans,
→ To make necessary coordination in case of a contribution need from different departments,
→ To inform the Board of Directors about the main internal control problems.

In 2019, the Committee held 4 meetings.

COMMITTEE MEMBERS

M. Cüneyt Sezgin, (Board Member), Recep Baştuğ (CEO, Board Member), Didem Dinçer Başer (EVP), Cemal Onaran (EVP), Selahattin Güldü (EVP), B. Ebru Edin (EVP), Osman Tüzün (EVP), İlker Kuruöz (EVP), Aydın Güler (EVP), Aydın Düren (EVP), Mahmut Akten (EVP), Ali Temel (Chief Credit Risk Officer), Özlem Ernart (Head of Risk Management)

RESPONSIBLE BUSINESS COMMITTEE

The Committee aims to guarantee that Responsible Business is integrated into the banking functions and into the strategic priorities of the Bank, and to systematically ensure that Garanti BBVA puts stakeholders at the center of decision-making processes.

The Committee's responsibilities are as follows:

→ Monitor Responsible Business trends globally and the development of Responsible Business within the BBVA Group; evaluate how these trends and developments can be aligned and implemented at Garanti BBVA, and steer the development of Responsible Business across Garanti BBVA,
→ Provide direction for the preparation of the Responsible Business Plan (RBP), its KPIs and approve them,
→ Monitor updates on all initiatives within the RBP, their KPIs; request changes to the RBP as necessary and/or assess/approve suggested changes,
→ Ensure correct and timely execution of the actions plans within the RBP,
→ Review and approve the general Community Investment Plan and the RB Communications Plan,
→ Monitor the TCR Plan and its accomplishments; make proposals to the TCR plan to be reviewed by the Customer Committee,
→ Provide direction for the development of the Responsible Business Policies and Strategy, review and approve them; review and approve the Responsible Business reports and/or the Responsible Business-related sections of the Annual Reports.

In 2019, the Committee held 1 meeting.

COMMITTEE MEMBERS

M. Cüneyt Sezgin, (Board Member), Recep Baştuğ (CEO, Board Member), Didem Dinçer Başer (EVP), B. Ebru Edin (EVP), Cemal Onaran (EVP), Osman Tüzün (EVP), Aydın Güler (EVP), Aydın Düren (EVP), Mahmut Akten (EVP), Burçin Bıkmaz (Director), Elif Güvenen (Director), Hülya Türkmen (Director), Emre Hatem (Director), Mustafa Sağlık (Director), Handan Saygın (Director), Hakan Öger (Director), Nazlı Çakıroğlu Boysan (Manager)

INNOVATION COMMITTEE

Innovation Committee's objective is to increase Garanti BBVA's focus on innovation and improve the prioritization of innovative projects.

The IC's responsibilities are:

→ Creating the conditions and opportunities for the collection and evaluation of all innovative ideas in the most efficient way across the bank.
→ Setting themes to focus on periodically: The Innovation & Digital Teams will have the responsibility to organize events, workshops & trainings to increase employees' knowledge about selected themes and spur new ideas around them.
→ Deciding whether the projects emanating from the Innovation Pipeline will proceed to MVP phase or not, and prioritizing them. Committing bank's resources for approved projects

In 2019, the Committee held 3 meetings.

COMMITTEE MEMBERS

Recep Baştuğ (CEO, Board Member), Didem Dinçer Başer (EVP), İlker Kuruöz (EVP), Cemal Onaran (EVP), Mahmut Akten (EVP), B. Ebru Edin (EVP), Selahattin Güldü (EVP), Işıl Akdemir Evlioğlu (CEO, GÖSAŞ), Fatih Bektaşoğlu (EVP, TC), Reha Emekli (EVP, TC), Seçkin Çağlın (EVP, GÖSAŞ), Bora Uludüz (Director), Tutku Coşkun (Director), Hazal Özgüven (Director), Kıvanç Fidan (Director), Hülya Türkmen (Director), Mustafa Sağlık (Director), Hakan Öger (Director), Ceren Acer Kezik (Director), Kerem Ömer Orbay (Director), Lütfi Hacıoğlu (Director), Taşkın Erkoç (Director), Burçin Bıkmaz (Director)

CREDIT CARDS AND MEMBER MERCHANTS PRICING COMMITTEE

The Committee has been established with the aim of evaluating the researched about member merchant commissions and card pricing, pricing samples and modeling provided by Garanti Payment Systems (GÖSAŞ) within the framework of the credit card / member merchant strategy and policies and pricing principles determined by the Bank.

GÖSAŞ presents current market conditions, pricing offers and models within the rules determined by credit card and merchant pricing principles, local and global developments that may affect fees / commissions and costs, new products that may have an impact on pricing to the committee for evaluation. The main task of the Committee is to evaluate the presented reports and to prepare new or additional models at the request of the Committee Chairman.

In 2019, the Committee held 11 meetings.

COMMITTEE MEMBERS

Alpaslan Özbey (Director), Cem Dal (EVP, GÖSAŞ), Özgür Altan (EVP, GÖSAŞ), Seçkin Çağlın (EVP, GÖSAŞ), Perim Berk (Manager, GÖSAŞ), Elif Üçdal (Manager, GÖSAŞ), M. Ersin Topan (Manager, GÖSAŞ), Pelin Batu (Manager, GÖSAŞ), Ulaş Erdur (Manager, GÖSAŞ), Seçkin Akbaba (Manager, GÖSAŞ)

DATA SECURITY AND PROTECTION STEERING COMMITTEE

Committee is responsible for ensuring that data owned by Garanti BBVA, its subsidiaries and its customers are compliant with the relevant legal regulations and corporate policies.

The Comittee's responsibilities are;

→ To determine the policies that are within the scope of data security and protection, to review these policies periodically and to update them if needed,
→ To prioritize the projects which are in the context of data security and protection,
→ To monitor the efficiency of the processes operated in the scope of data security and to evaluate the improvement needs,
→ To monitor the legislative changes that are in the scope of data security and to ensure that the needs are met.

In 2019, the Committee held 3 meetings.

COMMITTEE MEMBERS

İlker Kuruöz (EVP), Aydın Düren (EVP), Osman Tüzün (EVP), Aydın Küçükkarakaş (EVP, TC), Şebnem İpekçi (EVP, TC), Ferda Özge (EVP, TC), Özgür Tüzemen (EVP, TC), Eray Kaya (EVP, TC), Fatih Bektaşoğlu (EVP, TC), Reha Emekli (EVP, TC), Kutluhan Apaydın (EVP, TC), Feridun Aktaş (EVP, TC), Emre Kunt (EVP, TC), Berna Avdan (Legal Counsel), Beyza Yapıcı (Director), Burak Erkek (Internal Audit Partner), Hazal Özgüven (Director), Sibel Kaya (Director), Korcan Demircioğlu (Director), Barış Gülcan (Director), Emre Poyraz (Unit Manager, TC), Seval Demirkılıç (Unit Manager, TC), Ümit Malkoç (Unit Manager, TC), Bekir Özmen (Manager, TC), Kerem Aslandağ (Manager, TC)

WORK OUT COMMITTEE

The purpose of the Work Out Committee ("WOC") is to approve or propose for approval to Garanti BBVA's governing bodies, restructuring requests of the firms in the authorization of the Head Office, according to its delegated authority and following the requirements stated in the Credit Risk Delegation Rule.

In 2019, the Committee held 45 meetings.

COMMITTEE MEMBERS

Ali Temel (Chief Credit Risk Officer), Mustafa Tiftikçioğlu (Director), Cemal Vurankaya (Director), Emre Hatem (Director), Kerem Akça (Director), İbrahim Şanlı (Manager), Gözde Şener (Manager), Nurdan Demir (Manager), Orhan Tanrıverdi (Manager)

CORPORATE CRISIS AND BUSINESS CONTINUITY MANAGEMENT COMMITTEE

Duties of the Committee during the crisis:

→ Manages all the crisis situations that the bank will face, regardless of the nature of the event, For this purpose, coordinates and integrates all parties that need to respond to the crisis.

➔ Activated by the President. If the President considers the situation as a crisis after a preliminary analysis of the situation, he formally calls the committee to a meeting.

➔ Requests information from the incident management teams about the situation.

➔ Makes the necessary decisions to manage the crisis effectively.

➔ Manages the crisis by giving instructions to the teams responsible for implementing the decisions taken, coordinates the relevant business areas, monitors the actions taken and the results of the decisions.

➔ Officially declares to all relevant stakeholders when the crisis is over. This statement is made by the chairman of the committee

➔ Uses lessons learned during crisis management to improve crisis management plans.

The Committee's duties under normal circumstances:

➔ Provides support and guidance for the creation of business continuity management plans.

➔ Provides support, and guidance for the establishment of the business continuity policy and business continuity program, which determines the Bank's business continuity vision and principles, in line with the Bank's strategic objectives. Provides support, and guidance for the progress of the business continuity management program in line with policies and objectives.

➔ Evaluates and approves the test and exercise schedule and test methods determined within the scope of business continuity. Evaluates the test reports and provides support for the necessary improvements for the identified development areas.

➔ Evaluates the internal and external audit outputs for the business continuity program and determines the priorities of the development areas identified in the reports.

➔ Evaluates and approves the recovery solutions determined within the scope of business continuity management program within the determined budget.

➔ Evaluates the effectiveness, suitability and adequacy of the business continuity program.

➔ Ensures compliance with business continuity management policies, standards, risk reduction controls and procedures throughout the Bank.

➔ Encourages the adoption and implementation of the roles and responsibilities determined in the business continuity policy within the bank organization.

➔ Enables the spread of business continuity culture and awareness within the bank.

➔ Participates in trainings and plan exercises in order to increase the maturity level in crisis preparation and rapid response.

In 2019, the Committee held no meetings.

COMMITTEE MEMBERS

Recep Baştuğ (CEO, Board Member), Dr. M. Cüneyt Sezgin (Board Member), İlker Kuruöz (EVP), Aydın Düren (EVP), Didem Dinçer Başer (EVP), Osman Tüzün (EVP), Aydın Güler (EVP), B. Ebru Edin (EVP), Mahmut Akten (EVP), Selahattin Güldü (EVP), Cemal Onaran (EVP), Ali Temel (Chief Credit Risk Officer), Aydın Küçükkarakaş (EVP, TC), Ferda Özge (EVP, TC), Feridun Aktaş (EVP, TC), Şebnem İpekçi (EVP, TC), Reha Emekli (EVP, TC), Fatih Bektaşoğlu (EVP, TC), Eray Kaya (EVP, TC), Özgür Tüzemen (EVP, TC), Kutluhan Apaydın (EVP, TC), Emre Kunt (EVP, TC), Özlem Ernart (Head of Risk Management), Ümit Malkoç (Unit Manager, TC), Şebnem Arasıl (Manager, TC)

IT STRATEGY COMMITTEE

It is the committee in which the strategies are planned and followed during the year are determined, responsibles are assigned to these strategies and the current status of the strategic projects are discussed.

After the Strategic Plan is established, IT Strategy Committee assigns EVPs and unit managers in order to prepare tactical plans for the strategic plan. The process of forming a Strategic Plan is repeated in each year of activity.

Taking into consideration the Bank's business strategy and the organizational structure within the Garanti BBVA Technology, IT Strategy Committee is responsible for advising large investments together with the establishment of the necessary management and organizational structure in order to achieve the IT targets established in line with the business objectives.

The Committee's responsibilities are;

→ Determining the next year's Engineering & Data strategies / focus areas
→ Identifying responsible EVPs and unit managers for these strategies
→ At the second meeting to be held during the year, discussing the latest status of the projects and action plans.

In 2019, the Committee held 1 meeting.

COMMITTEE MEMBERS

Recep Baştuğ (CEO, Board Member), İlker Kuruöz (EVP), Mahmut Akten (EVP), Cemal Onaran (EVP), Selahattin Güldü (EVP), B. Ebru Edin (EVP), Didem Dinçer Başer (EVP), Osman Tüzün (EVP), Aydın Güler (EVP), Aydın Düren (EVP), Ali Temel (Chief Credit Risk Officer), Aydın Küçükkarakaş (EVP, TC), Eray Kaya (EVP, TC), Fatih Bektaşoğlu (EVP, TC), Ferda Özge (EVP, TC), Kutluhan Apaydın (EVP, TC), Özgür Tüzemen (EVP, TC), Reha Emekli (EVP, TC), Emre Kunt (EVP, TC), Feridun Aktaş (EVP, TC), Şebnem İpekçi (EVP, TC), İlker Yavaş (Director), Hazal Özgüven (Director), Korcan Demircioğlu (Director), Seval Demirkılıç (Unit Manager, TC)

PORTFOLIO STRATEGY COMMITTEE

Committee is the top level body to determination of group level strategic priorities. It is held provide a platform for the prioritization of top group priorities or revise of them, if necessary. All non-routine projects are subject to the alignment of these PSM determined group strategies. Committee is also responsible from the follow up current portfolio performance in terms of strategy alignment. In some cases, projects having high strategic importance can be discussed during PSM committees.

The Committee's responsibilities are;

→ Definition of the bank's strategic priorities
→ Set guidelines and strategic priorities that act as a guide for subsequent prioritization and approval of projects and assignment of resources in the corresponding meeting
→ Assign cash out if necessary for specific impact categories, programs
→ - Monitoring of the strategic alignment of the Project Portfolio, based on the priorities established
→ Assignment of Budget Ceilings, approval of budgets and installed capacity

In 2019, the Committee held 4 meetings.

COMMITTEE MEMBERS

Recep Baştuğ (CEO, Board Member), Mahmut Akten (EVP), Didem Dinçer Başer (EVP), Cemal Onaran (EVP), Selahattin Güldü (EVP), B. Ebru Edin (EVP), İlker Kuruöz (EVP), Osman Tüzün (EVP), Aydın Güler (EVP), Aydın Düren (EVP), Ali Temel (Chief Credit Risk Officer), Oğuz Acar (Director), Yazgı Demiralp (Manager)

The information within "The Committees and Attendance to Committees" is presented as at December 31, 2019.

Osman Tüzün left his post as the Executive Vice President in charge of Talent and Culture as of the end of February, 2020. Didem Dinçer Başer was appointed as the Executive Vice President in charge of Talent and Culture.

Işıl Akdemir Evlioğlu, who worked as the CEO of Garanti Payment Systems, was appointed as the Executive Vice President in charge of Customer Solutions and Digital Banking.

INTERNAL SYSTEMS GOVERNANCE

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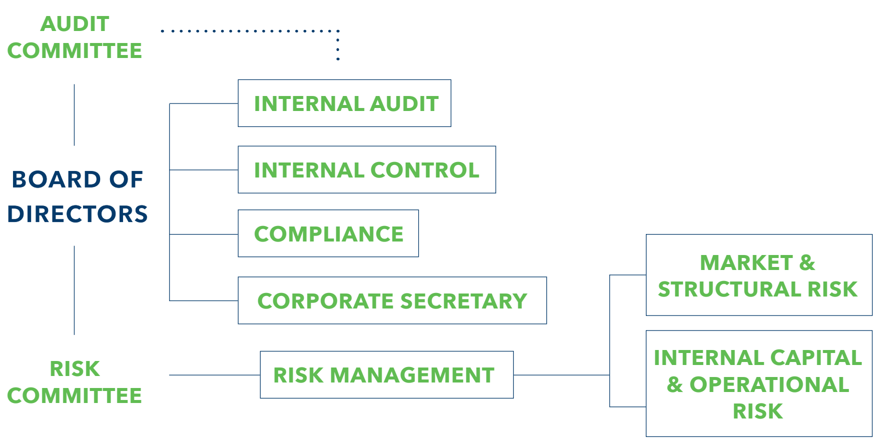

The Risk Committee is composed of the members of the Board of Directors, and is responsible for overseeing risk management policies and practices, their alignment with strategic goals, capital adequacy and planning, and liquidity adequacy, as well as the management's ability to assess and/or manage various risks inherent in the operations.

Risk Management is composed of "Internal Capital and Operational Risk Department" and "Market and Structural Risk Department" under the execution and management of the Head of Risk Management, and Validation, Credit Risk Control and Risk Management Control functions.

THE RESPONSIBILITIES OF THE HEAD OF RISK MANAGEMENT ARE OUTLINED BELOW:

→ Ensure that risk management culture is recognized and risk management principles are widely embraced throughout the Bank and its affiliates, and make sure that an integrated risk management system is implemented which measures all of the Bank's risks collectively, which guarantees that limits determined in connection with the risk appetite approved by the Board of Directors are not breached, which is in compliance with applicable legislation, the Bank's strategies and policies, and which pursues risk-return relationship and entail control and validation activities,

→ Define, measure, monitor and report risks, and ensure that all control activities are conducted thoroughly and timely; monitor and supervise results.

THE RESPONSIBILITIES OF INTERNAL CAPITAL AND OPERATIONAL RISK DIRECTOR ARE OUTLINED BELOW:

→ Propose operational risk, operational risk admission and risk appetite principles which are then set down by the Board of Directors,

→ Conduct measuring, monitoring and analysis activities for risk appetite, operational risk, operational risk admission and capital adequacy; report their results regularly to relevant units, committees and senior management,

→ Coordinate the ICAAP business process,

→ Oversee adherence to Enterprise Risk Management Framework in affiliates; ensure that an infrastructure for defining, measuring, monitoring and controlling risks is in place.

THE RESPONSIBILITIES OF MARKET AND STRUCTURAL RISK DIRECTOR ARE OUTLINED BELOW:

→ Propose market, counterparty credit, liquidity, structural interest rate and exchange rate risk principles which are then set down by the Board of Directors; review and update the same,

→ Carry out risk-based measuring, monitoring and analysis activities; report their results regularly to relevant units, committees and senior management,

→ Perform market, counterparty credit, structural interest rate, exchange rate and liquidity risk-based activities within the scope of ICAAP, stress testing and risk appetite framework, and risk assessment for new business and products/ services; monitor and report risk based concentrations,

➔ Monitor affiliates' adherence to Enterprise Risk Management Framework; ensure that an infrastructure for defining, measuring, monitoring and controlling risks is in place.

THE INTERNAL AUDIT DEPARTMENT

Annual audit plans are prepared based on a risk-oriented approach and by determining internal risk and control levels of the Bank's business lines and subsidiaries regarding fundamental risk types, and in view of the goals and strategies of Garanti BBVA and priorities determined by the Board of Directors and the Internal Audit Department. Scopes and frequencies of audit activities are determined in the light of multi-factor horizontal and vertical analyses with the aim of providing maximum contribution to the Bank.

Following up the new approaches in the banking industry and internal audit field, Garanti BBVA Internal Audit Department began employing Agile Methodology in its audits starting from 2019, aiming to produce high added-value results, increase the autonomy of audit teams, and improve communication with the auditees. Each audit performed within the scope of agile methodology is handled as an individual project and the results are shared at predetermined periods with the auditees in line with the requirements of the methodology, without waiting for the end of the audit, thereby securing swift actions for remedying the findings.

With the aim of minimizing the increased technological and cyber security risks within the frame of the activities the Bank carries out in line with its digital transformation target, a new audit methodology was adopted which relies on the examination of the data universe instead of examination based on sampling based on the analytical approaches of the data scientist and data engineering positions formed under the Internal Audit Department to audit processes. The audits make use of data modeling algorithms, and techniques based on image processing and machine learning.

The Internal Audit Department implements a risk-based audit model with an innovative approach, and risk-based process audits are being performed in 11 different risk types/areas (business model risk, internal governance and risk management, capital risk, credit risk, market risk, structural risk, operational risk, legal risk, compliance risk, technology risk, external risks) by covering head office units, domestic branches, foreign branches and subsidiaries. This approach increases the effectiveness of internal audit and contributes to the Bank's total risk management quality:

1. Within the scope of business model risk audits, focus is placed on business model viability, business model sustainability and strategy.
2. Within the scope of internal governance and risk management audits, focus is placed on corporate governance, organizational framework and risk control framework, including procedures, duties and responsibilities.
3. Within the scope of capital risk audits, focus is placed on legal capital adequacy ratio and assessment of internal capital adequacy.
4. Within the scope of the credit risk audits, focus is placed on governance and risk management structure for credit risk, thresholds and limit structure and measurement, and loan portfolios and credit processes that have been established are audited.
5. Within the scope of market risk audits, focus is placed on management framework, measurement, modeling and monitoring.
6. Within the scope of structural risk audits, focus is placed on management framework, measurement, modeling and monitoring regarding exchange rate risk, structural interest rate risk and liquidity risk.
7. Within the scope of operational risk audits, focus is placed on banking processes, non-banking processes, enterprise processes, operations, channels, data governance and data quality, digital transformation and CIB, while both onsite and remote audits are performed at branches and related head office units.
8. Within the scope of legal risk audits, focus is placed on regulations, tax legislation, labor law, other regulations and contractual risks regarding financial reporting and financial statements.
9. Within the scope of compliance risk audits, focus is placed on compliance risk management model, ethical standards and legal regulations, such as money laundering and financing of terrorism, customer protection and personal data protection.
10. Within the scope of technology risk audits, focus is placed on IT infrastructure, IT operations, management of risks associated with IT, software development, business continuity & systems recovery, information security and cyber security.
11. Within the scope of extended enterprise risk audits, focus is placed on the operations of support services providers, along with various processes such as appraisal,

budget and cost management, messenger services and construction management that incorporate service and/or product procurement from third parties.

As per the Regulation on the Internal Systems of Banks and Internal Capital Adequacy Assessment Process issued by the BRSA, parent banking companies are expected to perform and coordinate the internal audit activities of consolidated entities in a consolidated manner.

Accordingly, the Internal Audit Department audits the Bank's consolidated subsidiaries in line with the annual audit plan by taking prominent risks into account.

By way of inquiries and investigations covered among the activities of the Internal Audit Department, fraud, swindling and counterfeiting activities are prevented or detected, upon which necessary managerial actions are taken immediately.

THE INTERNAL CONTROL UNIT

The Internal Control Unit is responsible for the establishment and coordination of a sound internal control environment within Garanti BBVA. The Unit ensures that banking activities are carried out in accordance with the management strategies and policies in a regular, efficient and effective manner within the existing regulatory framework and guidelines.

Within the applied internal control model that is structured according to three lines of defense principles, controls are identified by the first line of defense teams in the business units by taking the relevant risks into consideration. There is a process in place whereby the results of control activities are reported from business units to the relevant second line of defense functions. In this model, the Internal Control Unit ensures the proper execution of control activities performed within the Bank by implementing a common methodology.

On-site control activities are carried out at the branches (including overseas branches) and regional directorates. Regarding the Head Office departments, the related control activities which are regularly conducted within the business/support units are monitored closely and challenged and verified in order to ensure their timely, thorough and accurate performance.

The IT Controls team, set up within the Internal Control Unit, oversees the secure performance of IT functions in accordance with the guidelines set by the Bank. The team defines internal control steps for IT processes, and subjects them to control activities in accordance with predefined control items, methodology and tools.

The Internal Control Unit is also responsible for supervising that the internal control environments of the Bank's financial subsidiaries are adequately equipped in terms of structure and functionality.

Findings and recommendations resulting from control activities are reported to relevant managerial levels and agreed-upon actions are followed up.

Moreover, the Internal Control Unit gives training programs for increasing risk/control awareness of the Bank's employees and provides them with the necessary guidance.

THE COMPLIANCE DEPARTMENT

Working with the purposes of managing the potential compliance risks of the Bank and of identifying and preventing these risks before implementation, the Compliance Department aims to help improve the compliance culture constantly and establish a world-class compliance culture across the Bank. The Compliance Department carries out the following tasks.

The Compliance Officer Team performs the following duties as also stipulated by the regulations governing prevention of money laundering and countering the financing of terrorism:

- ➔ Carry out all necessary efforts to achieve Garanti BBVA's compliance with the regulations issued to prevent money laundering and countering the financing of terrorism and provide necessary coordination and communication with the Financial Crimes Investigation Board (in Turkish: MASAK),
- ➔ Ensure that the Compliance Program is carried out; develop policies and procedures within this scope; execute risk management, monitoring and control activities; follow up the results of internal audit and training activities,
- ➔ Lay down the efforts related to the training program about prevention of money laundering and countering the financing of terrorism for the approval of the Board of Directors, and ensure that the approved training program is carried out effectively,
- ➔ Look into and evaluate information on potentially suspicious transactions that it receives or becomes aware of sua sponte; report any transaction that it deems to be suspicious to the Financial Crimes Investigation Board,

→ Manage relations with relevant governmental or private agencies.

In terms of compliance activities regarding customer products and services, assessments are made on the compliance of products and processes to applicable regulations. Activities are carried out in relation to compliance controls in accordance with the requirements of Article 18 of the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks. The control mechanisms in place are monitored and coordinated with respect to compliance of the Bank's current and planned activities, new transactions and products with the laws, internal policies and guidelines, and banking practices. The processes are monitored for any necessary revisions according to regulatory changes, related employees are notified on such changes, and opinions are formed prior to introduction of new products and transactions.

With respect to corporate compliance activities, the Compliance Department is responsible for promoting awareness of "Garanti BBVA Code of Conduct" approved by the Board of Directors in 2015, "Anti-Corruption Policy" approved in 2018 and "Competition Policy" approved in 2019, encouraging adherence to the documents, ensuring development and dissemination of the procedures to be formed in the context of the documents, and helping resolve any doubts that may arise during the interpretation of the documents. These documents are available on the Intranet accessible to all employees and are also made public on the Garanti BBVA Investor Relations website.

The Compliance Department manages the Whistleblowing Channel, which is established to report any noncompliance to Garanti BBVA Code of Conduct and forms an essential part of the compliance system. The channel is also a resource to assist the employees in reporting transgressions that they observe or which are reported to them by their team members, customers, suppliers or colleagues. Communications through this channel include, but are not limited to, the reporting of suspicious illegal conduct or professionally unethical conduct. In case of an actual or suspected breach of Garanti BBVA Code of Conduct, the incident is reported immediately via the Garanti BBVA Whistleblowing Channel, by e-mail at etikbildirim@garantibbva.com.tr or by telephone at +90 212 318 2375. The Compliance Department, responsible for managing the Whistleblowing Channel, processes all reports received carefully and promptly, ensuring they are investigated and resolved in accordance with the Whistleblowing Channel management procedures. Information is analyzed objectively, impartially and confidentially. The identity of the person who reported is kept confidential. The information is made known only to those departments whose cooperation is necessary for the investigation process. The result of the investigation is communicated to the departments that need to take appropriate measures to correct the transgression, as well as to the person being reported and the reporter, as appropriate. During the investigation process, personnel are expected to cooperate with the Compliance Department and other related parties, and are required to maintain confidentiality about their involvement in the process and any information about the subject. Nobody, who reports any facts or activities through the Whistleblowing Channel in good faith, will be the target of reprisal nor will he/she suffer any other adverse consequence as a result. Garanti BBVA Code of Conduct also includes incidents of conflict of interest and aspects that would prevent employees' professional behaviors from being affected thereby.

Securities compliance activities encompass examination of suspicious transactions within the scope of the Capital Markets Board (CMB) Communiqué on Obligation of Notification Regarding Insider Trading and Manipulation Crimes. Procedures are being established regarding own-account trading and use of privileged information by the Bank employees who may have insider information or periodic information about capital market instruments or issuers, due to performing their jobs, professions and tasks. In addition, relevant legislation and internal guidelines are also monitored.

With respect to subsidiaries' coordination activities, the Compliance Department monitors the compliance activities at the Bank's subsidiaries and overseas branches. In this respect, meetings are held regularly with those who are responsible for the compliance function at the related subsidiaries and overseas branches. In line with the related legislation, an employee is assigned at each of the consolidated subsidiaries and overseas branches for monitoring compliance with local regulations; these employees submit periodic reports to the Compliance Department.

In performing all of its duties and responsibilities outlined above, the Compliance Department continues to work in coordination primarily with the Internal Audit Department, Internal Control Unit, Training Department, Customer Security and Transaction Risk Management Department and Legal Department, as well as other relevant units and people.

RISK MANAGEMENT

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IDENTIFIED RISKS AND OUR RESPONSE

REPUTATIONAL RISK

The Bank identifies, evaluates and manages its reputational risk, avoiding all kinds of transactions and activities that would cause reputational risk in the eyes of customers, legal authorities and other stakeholders. Trainings are held with the aim of raising awareness about reputational risk throughout the Bank and of encouraging all employees to fulfill their duties and responsibilities.

In order to ensure efficient management of reputational risk across the Bank, it is aimed to monitor the Bank's reputation and reputational risk through a methodological approach and take all necessary precautions before the reputational risk occurs. Through this methodology, the Bank regularly defines and reviews a map in which it prioritizes the reputational risks it faces, together with a set of action plans to mitigate these risks. It defines key risk indicators for each risk factor to regularly monitor the strength of the risk mitigation. The risks and risk factors are defined in dimensions such as customer-centeredness, workplace, ethics and citizenship, finances and leadership.

Additional efforts carried out to monitor reputational risk include monitoring the media, the press and social media platforms with respect to the Bank's reputation, conducting a regular reputation analysis and managing potential impacts; ensuring continued awareness of compliance with laws, corporate standards, Code of Conduct and best practices, and development of processes that guarantee management of IT/information security and IT-related risks.

Reputational risk factors cover many aspects from marketing practices, customer service to product terms and are governed through the relevant committees within the Bank's extensive committee structure.

Please refer to the Committees Section for detailed information.

ENVIRONMENTAL AND SOCIAL RISK

Banks face risks associated, in particular, with occupational health and safety and with financing activities that could result in adverse impacts on the environment and society. Failure to timely and duly address these risks may result in reputational damage and consequently a loss of investor support and customer loyalty, among other challenges.

Garanti BBVA sees its proactive management of these risks, such as those arising from climate change, not only as critical to its success but also as one of its most essential duties to its stakeholders. Through its effective approach to sustainability embedded throughout its organization, Garanti BBVA monitors a variety of environmental and social indicators, benchmarks itself against best practices worldwide, takes steps to close the gap, raises the awareness of employees and collaborates with its peers, financial institutions, customers and business associations.

Garanti BBVA also implements an Environmental and Social Risk Assessment Process (ESRAP) in line with international best practices to help drive improvement across its loan portfolios.

Within the scope of ESRAP, Garanti BBVA ensures that the projects financed by the Bank satisfy the social and environmental standards required by legislation and the Bank's policies. If necessary, the Bank also ensures that the project owners undertake an impact assessment, take prescribed measures and establish effective control mechanisms.

Garanti BBVA has a Responsible Banking Committee, which comprises of 6 full-time members and is responsible for embedding sustainability criteria into core business. Reporting to the Sustainability Committee and chaired by a Board Member, the Team's responsibilities regarding the management of environmental and social risk and occupational health and safety risks include the following: verify environmental and social risk management policies, strategy and implementation principles; ensure that risk management principles are widely embraced throughout Garanti BBVA and its subsidiaries through hard and soft controls; provide technical and implementation support on E&S risk-related measures to other departments as well as customers. Garanti BBVA's Wholesale Credit Risk Management Coordinator is also responsible for ensuring the effective implementation of Environmental and Social Impact Assessment Process (ESIAP).

Please visit https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/material-issues/environmental-and-social-risk-management/ for the scope of implementation of environmental and social risk management system.

OPERATIONAL RISK

Operational risk is managed on the basis of the three lines of defense approach within the framework of risk management policies approved by the Board of Directors. The Board of Directors issues the risk appetite for operational risk and related limits, and senior management ensures consistent and efficient implementation and maintenance of the operational risk management framework in relation to all activities, processes and products.

First line of defense, composed of business and support areas, is responsible for the primary management of operational risk in the products, activities, processes and systems within the frame of the Bank's policies and implementation principles. Accordingly, there are operational risk and control officers responsible for ensuring the implementation of policies and procedures associated with operational risk management and expanding risk determination methodology on the basis of each business and support area.

Second line of defense is composed of the Risk Management Department, Internal Control Unit and Compliance Department functions, in order to assist the senior management in understanding and managing the operational risk exposure, and the Board of Directors in overseeing operational risk management activities. In addition, Operational Risk and Control Specialty Functions (Finance, Legal, Compliance, Risk, Talent and Culture, Process, Third Party, Information and Data Security, Technology Security, Physical Security) provide support, to the extent necessary and appropriate, to the second line of defense in the management of operational risks that other units are exposed to in accordance with Article 26 of the Operational Risk Management Guide published by the BRSA.

Capital and Operational Risk Department that reports to the Risk Management Department establishes the policies and procedures governing operational risk management, provides that operational risk management tools (loss data, risk and control self-assessment, key risk indicators and scenario analyses) are used by the first line of defense, and evaluates, verifies and reports the outcomes obtained from these tools.

Third line of defense, e.g. the Internal Audit Department, performs internal audit activities and independently reviews all aspects of operational risk management framework.

The definition of Operational Risk includes the following risk types: Processes, External and Internal Fraud, Technological, Human Resources, Business Practices, Disasters, Suppliers.

MARKET RISK

Managed within the frame of a policy approved by the Board of Directors, market risk is measured employing internationally accepted methodologies that are aligned with applicable regulations, Garanti BBVA's policies and procedures, the Bank's structure, and they are evaluated within a continuously improving structure. Market risk is managed by measuring and limiting risk in accordance with international standards, allocating sufficient capital and minimizing risk through hedging transactions.

Market risk is defined as the risk Garanti BBVA faces due to fluctuations in market prices in relation to the positions it maintains on or off its balance sheet for trading purposes, and is calculated daily using the Value-at-Risk (VaR) model. VaR is a measure of the maximum expected loss in the market value of a portfolio of a certain maturity as a result of market price fluctuations, at a specified probability within a certain confidence interval. VaR is calculated using historical simulation method and two-year historical data at 99% confidence interval. Regular backtesting is conducted to measure the reliability of the VaR model. The model is validated on an annual basis. Market Risk is managed through capital, VaR and stop/loss limits approved by the Board of Directors. Limit levels are determined according to annual profit/loss targets. The limits set are monitored and reported daily by the Market and Structural Risk Department. In order to identify the risks that might arise from major market volatilities, regular stress tests and scenario analyses are conducted using the VaR model. Market risk internal capital, stress tests and scenario analyses are conducted annually within the scope of ICAAP and stress testing.

STRUCTURAL INTEREST RATE RISK

To determine and manage the Bank's exposure to structural interest rate risk arising from potential maturity mismatches in its balance sheet, the Structural Interest Rate Risk that is managed subject to the policy approved by the Board of Directors is monitored by measuring duration gap, economic value of equity (EVE), economic capital (ECAP), credit spread risk, net interest income (NII), earnings at risk (EaR), and market price sensitivity of securities portfolios followed up in the banking book.

The risk metrics calculated and the reports generated are used for managing balance sheet interest rate risk under the supervision of the Assets and Liabilities Committee (ALCO).

Stress tests and scenario analyses are carried out within the framework of structural interest rate risk to measure the risks resulting from Bank-specific negative developments or major risks and vulnerabilities that may potentially arise in the economic and financial environment under stress, by observing the regulatory and internal interest rate risk management requirements.

Results of stress tests are used as input for determining risk appetite, limit and budget-related works, for generating balance sheet management strategies, and for evaluating the need for capital.

Within this framework, internal alerts and limits for EVE sensitivity, ECAP, NII sensitivity, earnings at risk, credit spread risk, securities revaluation differences, and EVE sensitivity of securities portfolio are regularly monitored and reported. The interest rate risk in the banking book is measured on an unconsolidated basis, using the standard shock method; the regulatory limit is monitored and reported to the Banking Regulation and Supervision Agency (BRSA) on a monthly basis. It is ensured that subsidiaries set and monitor internal structural interest rate risk limits. Structural interest rate risk internal measurements, stress tests and scenario analyses are conducted within the frame of ICAAP and stress testing.

STRUCTURAL EXCHANGE RATE RISK

With respect to the Structural Exchange Rate Risk that is managed subject to the policy approved by the Board of Directors, the potential impact of negative exchange rate fluctuations upon the capital adequacy ratio and FC risk-weighted assets are regularly followed up, monitored according to internal limits, and reported, in the case that the Bank performs material operations in currencies other than the local currency in its balance sheet or maintains positions for shareholders' equity hedging purposes. The analyses conducted in this framework are expanded to encompass potential sensitivities that may result from Bank-specific negative events or changes in the market by supervising the regulatory and internal structural exchange rate risk management requirements. In addition, the Bank's FC position and the profit/loss movements resulting from this position are monitored and reported at regular intervals. It is ensured that subsidiaries set and monitor internal structural exchange rate risk limits. FX sensitivity of 12-month projected P&L is monitored.

Internal exchange rate risk internal capital calculations, stress tests and scenario analyses are conducted annually within the scope of ICAAP and stress testing.

LIQUIDITY RISK

Within the framework of liquidity and funding risk policies approved by the Board of Directors, liquidity risk is managed under the supervision of ALCO and the Weekly Review Committee in order to take appropriate and timely measures in case of liquidity squeeze arising from market conditions or Garanti BBVA's financial structure. Under the Liquidity Contingency Plan approved by the Board of Directors, Garanti BBVA monitors liquidity risk within the scope of stress indicators and thresholds anticipating potential liquidity stresses which could activate the liquidity contingency plan, activation of the communication procedure, predefined measures and action plans and roles and responsibilities in a stress situation. Liquidity risk stress test is performed in order to identify potential liquidity tensions and to ensure that the Bank has a sufficient liquidity buffer to face exceptional liquidity stresses. Liquidity risk is monitored by internal limits and alert levels in order to assess the funding structure and liquidity capacity based on maturity buckets and to manage short term funding sources effectively, while compliance with regulatory liquidity ratios is ensured. Core deposit and average life analyses are performed for deposits, which is an important balance sheet item in terms of liquidity management. Concentration in liquidity and funding risks are monitored. During 2019, intraday liquidity risk continued to be monitored regularly using defined metrics. Under the contingency plan within the intraday liquidity risk procedure approved by the Risk Management Committee, situations anticipating intraday liquidity stress, which could activate the contingency plan, are monitored, and stress testing is performed for intraday liquidity risk. Within ICAAP, liquidity planning is performed annually. Stress test results for affiliates are monitored and it is ensured that affiliates which are concerned with liquidity risk establish and monitor internal liquidity and funding limits to assess the robustness of their liquidity and funding structures and have liquidity and funding risk policies approved by the affiliates' Boards of Directors including liquidity contingency plan.

CREDIT RISK

Credit risk management, which is a process for consistently evaluating and monitoring credit risk, is carried out within the frame of the policies approved by the Board of Directors, and covers all credit portfolios. Internal capital levels calculated using internal parameters pertaining to credit risk are monitored together with their historic performances and routine reporting is performed.

Within the scope of ICAAP and stress testing, internal capital for credit risk, credit concentration risk calculations, stress tests and scenario analyses are evaluated on an annual basis. All credit units are coordinated to assess the compliance level to the credit guide, which is then referred to relevant committees for necessary decisions and actions.

Under the asset allocation performed annually in view of risk-based return, nominal limits are determined for credit portfolios, and approval of the Board of Directors is obtained. Internal capital thresholds and risk adjusted return target for the entire portfolio are determined and monitored within the framework of asset allocation limits. Impact analyses are performed according to updated or renewed risk parameters, and necessary documents are prepared, presented to related committees and approval is obtained. Additionally, development and improvement projects are carried out for the systemic automation of calculations and analyses.

In order to rate customers in the loan portfolios using objective criteria, outputs from scorecard models and internal risk rating models, which were developed using statistical methods on historical data, are incorporated into the relevant lending policies and procedures at Garanti BBVA. The probability of default produced through models for loan portfolios, loss given default, credit conversion factor, parameters are used effectively for credit allocation authorization, internal capital, risk appetite indicator, asset allocation limits, risk-based profitability calculations, budgeting, concentration risk calculations and stress tests. In addition, provisions calculated using the outputs of models mentioned above together with other explanatory variables are monitored under IFRS9.

All models and methodologies are subjected to qualitative and quantitative validation. Moreover, periodic model monitoring activities are performed and actions are taken if necessary.

COUNTERPARTY CREDIT RISK

Counterparty credit risk strategy, policy and implementation principles are defined in the policy document approved by the Board of Directors. The Bank measures, monitors and creates limit for this risk in line with this policy. The Bank uses the Internal Model Method (IMM) to measure and report the counterparty credit risk for derivative transactions, repurchase transactions, security and commodity lending in addition to using Current Exposure Method (CEM) for regulatory purposes. Within this scope, the Bank employs risk mitigation techniques through framework agreements (ISDA, CSA, GMRA, etc.), obtaining collateral and complementing margins as part of counterparty credit risk management to the extent allowed by national and international legislation. The model is validated every year.

The Bank also calculates internal capital for counterparty credit risk by way of a model that uses parameters (Rating, PD, LGD) based on the internal model. Internal counterparty credit risk internal capital calculations, stress tests and scenario analyses are conducted annually within the scope of ICAAP and stress testing.

COUNTRY RISK

Under the country risk policy approved by the Bank's Board of Directors, methods compliant with international norms and local regulations are employed to evaluate and monitor developments in country risk on the basis of individual countries. Actions are taken to make sure that the Bank's country risk exposure remains within the set limits, and related reporting, control and audit systems are established as necessary.

CONCENTRATION RISK

The Bank defines and monitors any concentrations among different types of risks or in any individual risk, which might result in material losses that would endanger the ability to sustain fundamental activities or the financial structure or lead to a significant change in the risk profile, within the framework of the policy approved by the Board of Directors. Qualitative and quantitative assessments of concentrations on the basis of individual risks or among risks are addressed in reports produced according to risk-oriented policies and procedures.

RELATED PARTY RISKS

The Bank determines the needs for risk management of affiliates and ensures that required studies and reports with the scale appropriate for the structure, complexity level, size and risks are effectively managed in coordination with risk management units/functions in affiliates. Necessary work is carried out with affiliates in accordance with market conditions and legal regulations to align risk management policies, rules, procedures and risk limits with the Bank. Risk management activities of affiliates are monitored.

INTERNAL SYSTEMS MANAGERS

ÖZLEM ERNART

Head of Risk Management

Özlem Ernart received her bachelor's degree in economics (in English) from Marmara University and her MBA from the City University of New York. She worked for various privately-owned banks and companies from 1993 until 2001, when she joined the Risk Management Department of Garanti BBVA. She held the position of Senior Vice President of Risk Planning, Monitoring and Reporting from December 2015 until July 2018. Ms. Ernart has been serving as the Head of Risk Management since July 2018.

The responsibilities of the Head of Risk Management are outlined below:

→ Ensure that risk management culture is recognized and risk management principles are widely embraced throughout the Bank and its affiliates, and make sure that an integrated risk management system is implemented which measures all of the Bank's risks collectively, which guarantees that limits determined in connection with the risk appetite approved by the Board of Directors are not breached, which is in compliance with applicable legislation, the Bank's strategies and policies, and which pursues risk-return relationship and entails control and validation activities,
→ Define, measure, monitor and report risks, and ensure that all control activities are conducted thoroughly and timely; monitor and supervise results.

BEYZA YAPICI

Director, Capital and Operational Risk

Beyza Yapıcı got his degree in labor economics from Marmara University. After joining Garanti BBVA's General Accounting Department in 2001, he worked in the Risk Management Department from 2008 until 2016. Mr. Yapıcı has been serving as Capital and Operational Risk Director since April 2016.

The responsibilities of the Capital and Operational Risk Director are outlined below:

→ Propose operational risk, operational risk admission and risk appetite principles which are then set down by the Board of Directors,
→ Conduct measuring, monitoring and analysis activities for risk appetite, operational risk, operational risk admission and capital adequacy; report their results regularly to relevant units, committees and senior management,
→ Coordinate Internal Capital Adequacy Assessment Process (ICAAP) business process,
→ Oversee adherence to Enterprise Risk Management Framework in affiliates; ensure that an infrastructure for defining, measuring, monitoring and controlling risks is in place.

SIDIKA DİZDAR
Director, Market and Structural Risk

Sıdıka Dizdar holds a bachelor's degree in mathematics from Boğaziçi University and an Executive MBA from the Middle East Technical University. She joined Garanti BBVA as a Management Trainee in 1996, where she worked in Research, Treasury, Financial Control, Risk Management and Ankara Commercial Regional Marketing units until 2002. In 2002, Ms. Dizdar began working for a private bank abroad followed by a twelve-year tenure with the Banking Regulation and Supervision Agency. She returned to Garanti BBVA in 2016 and joined Asset and Liability Management Department. Ms. Dizdar has been serving as the Market and Structural Risk Director since July 2018.

The responsibilities of the Market and Structural Risk Director are outlined below:

→ Propose market, counterparty credit, liquidity, structural interest rate and exchange rate risk principles which are then set down by the Board of Directors; review and update the same,
→ Carry out risk-based measuring, monitoring and analysis activities; report their results regularly to relevant units, committees and senior management,
→ Perform market and structural risk-based activities within the scope of ICAAP, stress testing and risk appetite framework, and risk assessment for new business and product/services; monitor and report risk based concentrations,
→ Monitor affiliates' adherence to Enterprise Risk Management Framework; ensure that an infrastructure for defining, measuring, monitoring and controlling risks is in place.

OSMAN BAHRİ TURGUT
Head of Internal Audit

Osman Bahri Turgut received his undergraduate degree in economics from Marmara University in 1990. He joined Garanti BBVA the same year as an Assistant Auditor, where he subsequently worked as Branch Manager, Assistant Director of the Internal Audit Department, Commercial Loans Senior Vice President, Internal Control Unit Manager and Head of Internal Audit and Control. He currently serves as the Head of Garanti BBVA's Internal Audit Department. Mr. Turgut, who has CMB certificates for Level 3 (Advanced Level Licence), Corporate Governance and Derivative Instrument Licence, is also a member of the Board of Directors and Audit Committee at Garanti BBVA Leasing and Garanti BBVA Filo; a member of the Board of Directors and Corporate Governance Committee at Garanti BBVA Factoring; a member of the Board of Directors at Garanti BBVA Emekli ve Yardım Sandığı Vakfı (Pension Fund) and Garanti Kültür; and a member of the Audit Committee at Garanti BBVA Leasing SA, Garanti BBVA Consumer Finance SA and Garanti BBVA Payment Systems (Ödeme Sistemleri); a member of the Board of Trustees at Teachers' Academy Foundation and a member of the Board of Directors at the Institute of Internal Auditing – Turkey.

The responsibilities of the Head of the Internal Audit Department are outlined below:

→ Set out internal audit policies and procedures, and implement these after obtaining the necessary approvals,
→ Conduct internal audit activities in accordance with audit policies and implementation procedures and with internal audit plans,
→ Oversee and guide the supervision, auditing, policies, programs, processes and practices of internal audit activities, and annual risk assessment,
→ Oversee notifications, complaints or allegations, and potential investigations and examinations,
→ Ensure compliance of audit, investigation and examination reports to auditing principles and procedures, the Bank's internal policies and guidelines, laws, decrees and official communiqués with respect to their quality and format,
→ Verify that Department members possess the qualifications required by their authorities and responsibilities; oversee whether they perform their duties independently and objectively exercising due professional care and attention.

EMRE ÖZBEK
Head of Compliance

Emre Özbek received his degree in business administration from Ankara University, Faculty of Political Sciences. He joined Garanti BBVA as an Assistant Auditor in 1999. He was appointed as the Assistant Director of the Internal Audit Department in 2007, as the Senior Vice President of the Internal Control Unit in 2009 and as the Head of Internal Audit Department in 2014. Mr. Özbek, who holds CIA (Certified Internal Auditor) and CBRM (Certified Business Resilience Manager) certifications and has 19 years of banking experience, has been serving as the Compliance Director since 01 August 2015.

The responsibilities of the Head of Compliance are outlined below:

→ Ensure that the Bank's compliance activities are carried out in accordance with applicable legislation and Garanti BBVA's goals and policies,
→ Carry out all necessary activities to achieve compliance with the regulations issued in relation to prevention of money laundering and financing of terrorism, and provide necessary coordination and communication with MASAK (Financial Crimes Investigation Board),
→ Develop the Bank's compliance policies, procedures and training programs in accordance with the legislation and ensure their effectiveness; carry out activities in relation to the identification and notification of suspicious transactions; provide the preparation of statistics on internal audits and trainings and inform MASAK, and fulfill the obligation of providing information and documentation to MASAK in conformity with the manner and methods defined by MASAK,
→ Within the scope of compliance controls, ensure the compliance of the Bank's all current and future activities, transactions and products with the Banking Law and other applicable legislation, internal policies and rules, and with banking practices,
→ Develop recommendations for defining and mitigating compliance risks that may arise from regulatory changes,
→ Monitor compliance functions of all domestic/overseas subsidiaries and overseas branches as part of Subsidiary Coordination activities.

BARIŞ ERSİN GÜLCAN
Head of Internal Control

Barış Ersin Gülcan got his bachelor's degree in economics and his master's degree in HR management from İstanbul University. After starting his career as an Assistant Auditor at Garanti BBVA in 1997, he served in the Internal Audit Department for 10 years. During his 22-year experience in the banking sector, he functioned as Compliance Officer and Assistant Head of the Internal Audit Department. He assumed the position of Internal Control Unit Director in March 2014. Mr. Gülcan is a CIA (Certified Internal Auditor) since 2004 and a CPA (Certified Public Accountant) since 2005.

The responsibilities of the Head of Internal Control are outlined below:

→ Ensure the establishment of the Bank's internal control system in accordance with applicable legislation and Garanti BBBVA's goals and policies,
→ Collaborate with senior management to define the principles and procedures governing the distribution of internal control tasks between operational employees and internal controllers of Garanti BBVA,
→ Prepare the annual business plans of the Internal Control Unit and ensure that activities are performed in accordance with these plans,
→ Verify that internal controllers possess the qualifications required by their authorities and responsibilities,
→ Supervise that internal controllers perform their duties in an independent, diligent and unbiased manner.

ANTI-FRAUD, INFORMATION SECURITY, DATA AND BUSINESS ANALYTICS MANAGERS

M. FERİDUN AKTAŞ

Chief Security Officer

M. Feridun Aktaş got his bachelor's degree in Electronics and Communication Engineering from İstanbul Technical University and his master's degrees in Electronics Engineering from Boğaziçi University and in Management from Marmara University.

After working as a R&D specialist for 3 years at a telecommunications company, Mr. Aktaş started working at Garanti BBVA Technology in 1997. He served as Network Technologies Specalist, Information Security Manager and Strategic Support Unit Manager at Garanti BBVA Technology and as IT & Data Security Unit Manager at Garanti BBVA. He then worked as Technology Governance and Security Director at a telecommunications operator for 5 years starting in 2014. Mr. Aktaş re-joined Garanti BBVA Technology in October, 2019, and currently serves as the Corporate Security Director.

Corporate Security Directorate carries out the responsibilities of Garanti BBVA in the areas of Information Security, Anti-Fraud Monitoring and Physical Security as outlined below:

Information Security:

→ Ensure the development and implementation of information security policies, procedures and guidelines and the management of IT risks based on international standards,

→ Design, implement and operate IT Security infrastructure,

→ Designing, implementing and operating Cyber Security functions against changing threats,

→ Ensure business continuity planning and disaster recovery testing,

Anti-Fraud Monitoring:

→ Develop and ensure the implementation of strategies for minimizing financial and non-financial losses that may arise from external fraud,

→ To implement the arrangements that will ensure that business processes are protected, traceable and detectable against counterfeiting risk, together with the Bank's lines of business,

Corporate Security:

→ Assigning Security Officers within the framework of the current law and the Bank's needs,

→ Designing, configuring and operating measures against all kinds of physical security risks in the buildings, branches and in the settings where cash transactions are made,

→ Designing electronic security systems, closed circuit monitoring and warning mechanisms in ATMs, branches and campuses/buildings, operating the "Alarm Center" and "Security Centers" in the buildings,

To this end:

→ Prepare the annual business plan and the budget and ensure that operations are carried out according to this plan,

→ Ensure that all necessary compliance studies are carried out, reported and managed in the scope of regulatory institutions for the functions within this scope,

→ Ensure compliance of activities in this field with BBVA Group standards and best practices,

→ Ensure that Corporate Security personnel perform their duties independently and impartially within the framework of professional care and attention.

ALİ ÖZGÜR TÜZEMEN

Head of Data and Business Analytics

Ali Özgür Tüzemen got his bachelor's degree in Economics from Bilkent University. He completed his MBA in İstanbul Bilgi University. During his 23-year career, he has worked in Retail, SME banking marketing and sales and business analysis fields. Since February 2018, he serves as the Data and Business Analytics Director.

The responsibilities of the Data and Business Analytics Director are outlined below:

→ Developing analytical models for areas such as understanding customer behavior and expectations, estimating life cycles, identifying product needs and channel usage patterns, pricing, segmentation, process efficiency and fraud prevention,

→ Developing and determining the data warehouse structure to help decision-making processes, creating the necessary infrastructures for reporting activities,

→ Establishing reports requested by the legal authorities and external institutions,

→ Determining the standards of the components of data governance, such as the assignment of data ownerships, definition and quality rules of data entities, and to coordinate the work carried out in this direction.

IMPORTANT DEVELOPMENTS REGARDING 2019 OPERATIONS

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INFORMATION ON SHARE BUYBACKS BY THE BANK

The Bank did not buy back any of its own shares in 2019.

INFORMATION ON PRIVATE AUDIT AND PUBLIC AUDIT CONDUCTED DURING THE FISCAL YEAR

Under the applicable legislation, routine audits are conducted by supervisory authorities such as the Banking Regulation and Supervision Agency (BRSA), the Capital Markets Board of Turkey (CMB), the Ministry of Finance, the Undersecretariat of Treasury and the Central Bank of the Republic of Turkey (CBRT). Detailed information about the administrative fines imposed against the Bank in 2019 by supervisory authorities as a result of auditing is provided in the following sections.

INFORMATION ON LAWSUITS FILED AGAINST THE BANK, WHICH MAY AFFECT THE FINANCIAL STATUS AND OPERATIONS OF THE BANK, AND THEIR POTENTIAL RESULTS

No lawsuits that may affect the financial status and operations of the Bank were initiated against the Bank in 2019.

An investigation was initiated also against the Bank in connection with an investigation on VAT evasion in relation to carbon emission trade in France on the grounds that accounts had been set up before the Bank for two persons implicated in the investigation. The reason our Bank was included in the investigation is not directly related to the subject matter of the investigation, but to banking transactions performed by persons implicated in the investigation and by three Turkish legal entity customers that carried out money transfers with various foreign firms with which the former were linked. During the investigation process, while no action was deemed necessary for the three Turkish customers with respect to the investigation, our Bank was included in the investigation based on the opinion that our Bank had not achieved adequate compliance with the legislation with respect to account opening and transacting by two foreign customers. The trial was completed on 16 June 2017. The Court acquitted our Bank for the actions it had taken in 2008 and early 2009 at the time these individuals who had engaged in tax evasion had started opening accounts and making use of banking services in Turkey; however, the Court adjudged a judicial fine of EUR 8 million for account closure procedures by mid-2009, with total disregard of local legislation and regulations. In addition, the French Treasury asked for collection of the tax loss from all of the defendants of this litigation for the tax losses suffered because of tax evasion. Accordingly, the Bank will be subject to payment of damages up to EUR 25 million. Since our Bank believes that the ruling is faulty and irrelevant, has taken all necessary action for appeal on 22 September 2017, and the Bank's Management has taken all necessary steps that it was legally obliged to take in the said event. On the other hand, the Appeal Court has reviewed the appellate plea and approved the decision of the Grande Tribunal of Paris in September 2019. Our Bank believes that this judgment is unfair and exercised its right to appeal before the High Court in France in September 2019. The Bank has set aside provisions in the amount of EUR 33,000,000 for the case on trial.

INFORMATION ON ADMINISTRATIVE OR JUDICIAL SANCTIONS IMPOSED ON THE BANK AND ITS MANAGING MEMBERS DUE TO ANY PRACTICE CONTRARY TO THE LAWS AND REGULATIONS

During 2019, administrative fines levied by regulatory and supervisory authorities on our Bank amounted to TL 3,425,284.80; the Bank took advantage of the cash payment discount and paid TL 2,570,799.55.

INFORMATION ON REGULATORY CHANGES IN 2019 THAT MAY HAVE A MATERIAL IMPACT ON THE OPERATIONS OF THE BANK

On June 13, 2019, the minimum amount to be paid for credit card debts for each period is determined as 30% of the total debt for the relevant period. The minimum amount to be paid for each debt period regarding the debts accrued within the first year of issuance of the credit card is determined as 40%. Parallel to the previous regulations, banks may determine the minimum payment amount, provided that it is not less than the limits stated above.

The Central Bank amended the maximum interest rates to be applied for credit card transactions during the year. for Turkish Lira transactions;

→ The monthly maximum contractual interest rates determined as 2.25% in 1Q19, 2.15% in 2Q19, 2.00% in 3Q19, 1.60% in 4Q19.

→ The monthly maximum default interest rates determined as 2.75% in 1Q19, 2.65% in 2Q19, 2.40% in 3Q19, 2.00% in 4Q19.

For foreign currency transactions;

→ The monthly maximum contractual interest rates determined as 1.80% in 1Q19, 1.72% in 2Q19, 1.60% in 3Q19, 1.28% in 4Q19.

→ The monthly maximum default interest rates determined as 2.30% in 1Q19, 2.22% in 2Q19, 2.00% in 3Q19 and 1.68% in 4Q19.

As of November 1, 2019 the maximum commission rates applicable to the member merchants has been determined. If the transaction amount is transferred to the merchant on the next day of the transaction, banks will apply a maximum commission rate of 1.60% to the purchases of goods and services. If the purchase will be made in instalments, the relevant rates can be increased 0.89 points at maximum for each additional instalments. If the transaction amount is not transferred to the merchant on the next day of the transaction, the commission rate will be decreased by taking into consideration the rate of 1.60% (monthly rate), and the days that passed between the transaction day and the day which transaction amount is transferred to the merchant's account.

Pursuant to the announcement published on the website of the Revenue Administration Presidency on 15 December,12 2019, it has been decided that all taxes, fees, penalties and other receivables which are being collected by tax offices shall only be collected by the public banks listed on the announcement as of January 1, 2020. Institutions other than those mentioned in the announcement will no longer be able to process such payments in cash, on account, via cheque, debit card, wire transfer or EFT. Certain payments which can be collected through credit cards and listed under the announcement (such as motor vehicles tax etc.) will continue to be collected through private banks listed under the announcement (including Garanti BBVA). However, such payments shall be made by credit cards only.

Pursuant to the amendment on the relevant Regulation made by the Savings Deposit Insurance Fund (the "Fund") on September 25, 2019 the amount of the insurance which provides by the Fund has been increased to TRY 150,000 from TRY 100,000 for the deposits and participation funds subject to the insurance.

Reserve requirements have been revised a number of times during the course of 2019. Consequently, Turkish Lira deposit reserve requirements were revised from 1.5% - 8% to 1% - 7% (based on the maturity), while foreign currency deposit reserve requirements were revised from 8% - 12 % to 5% - 21% (based on the maturity).

Effective of August 9, 2019, further revisions were made to link the calculation of reserve requirements to the credit growth of the bank. Accordingly, the banks whose credit growth (Turkish Lira loans except for foreign exchange indexed and bank-to-bank loans) is between 10% and 20% will benefit from 2% reserve requirements for all Turkish Lira deposits with maturities up to 1 year (except for deposits form foreign banks). Banks meeting the credit growth criteria further benefits from a 200 bps decrease in foreign currency reserve requirements.

On August 20, 2019 the methodology for calculation of credit growth were revised as follows:

i. Banks that have credit growth rate of 15% or higher, while having a credit growth rate net of mortgages with maturities longer than five years and corporate loans (i.e. non-retail and non-credit card) with maturities longer than two years that is less than 15%; or

ii. Banks that have credit growth rate of less than 15%, while having a credit growth rate net of 50% of growth in retail loans (except for mortgages with maturities longer than five years) and personal credit card that is higher than 5%.

With amendments to the reporting requirements applicable to the banks and financial leasing companies, expected credit loss accounts held for the full maturity of loans with no reasonable expectation of recovery may be written-off in accordance with TFRS 9. Such write-off is for accounting purposes only and will not mean that the financial leasing company has released such receivable.

Application of the risk-weighted calculation for capital adequacy related to non-cash loans (i.e. standardized approach) as set out under the capital adequacy regulation has been postponed from January 1, 2020 to January 1, 2022. Accordingly, inclusion of reserves allocated for such loans as tier 2 capital in the calculation of capital adequacy ratio is also postponed to January 1, 2022.

On December 18, 2019, the BRSA limited the total notional principle amount of Turkish banks' currency swaps and other similar products (spot + forward FX transactions) with foreign counterparties, having maturities of seven days of less, where at the maturity Turkish banks pay TRY and receive foreign currency, to a maximum of 10% of the bank's legal reserve as per the latest calculation.

On March 12, 2019, Capital Markets Board has announced that money market funds has to allocate a minimum of 50% of their total value to bank deposits/participation funds; while the total funds allocated to a single bank may not exceed 6%. Furthermore, the amounts allocated by such funds to reverse-repo transactions and transactions in Takasbank money market and domestic organized money markets may not exceed 40% of the total value of the fund.

On May 27, 2019, Capital Markets Board has announced that retirement funds that are qualified as standard funds has to allocate a minimum of 10% of its total value to equities listed under BIST 100, BIST Sustainability Index, BIST Corporate Governance Index, and participation indexes calculated by Borsa Istanbul; and funds that qualified as money market funds has to allocate 25% of its total value to government issued securities

In line with the amendments to the Banking Law and the relevant regulation, the financial restructuring framework agreements executed among the creditor institutions (as defined within the current legislations) were redrafted. Financial debt restructuring practice is to be applied for a 2-year period starting from July 17, 2019 (which may be extended for another 2 years by the President) for debts owed to the creditor institutions. Accordingly, debts may be restructured under the large-scaled or small-scaled framework agreements (determined by whether the total amount of the debt is under or above 25 million Turkish Lira threshold) that have been put into effect by the Banks Association of Turkey following the necessary approvals.

The maximum maturity of the consumer loans (except for mortgage loans and certain other loans) have been increased to 60 months from 36 months. The maximum maturity of the vehicle loans which was previously determined as 48 months, has been revised as 60 months regarding the loans extended for the purchase of the vehicles of which final invoiced amount is above 120,000 Turkish Liras. The maximum maturity of the loans extended for the purchase of computers was increased to 12 months from 6. The maximum maturity of the loans extended for the purchase of the mobile phones of which amount is over 3,500 Turkish Liras has been reduced from 6 months to 3 months.

In 2019, the Banking Regulation and Supervision Agency has been authorized to change the existing maximum maturity dates, rates and other limitations or determine additional limitations upon receiving opinion from the Strategy and Budget Department of the Presidency (Cumhurbaşkanlığı Strateji ve Bütçe Başkanlığı) and the Ministry of Treasury and Finance.

As per the law dated November 22, 2019, effective of January 1, 2020 the authorities and powers of the Banking Regulation and Supervision Agency within the scope of the payment systems have been transferred to Central Bank of Republic of Turkey, and CBRT shall also supervise and monitor all payment services of the banks as payment service providers. CBRT has been authorized to allow costs, commissions and expenses charged under payment systems services to be set independently or to determine the maximum amounts, rates or qualifications thereunder. Open banking services provided by the payment service providers have been determined as payment service performance and a separate regulation on the principles and procedures thereunder shall be drafted. Turkish Payment Services and Electronic Money Institutions Association shall be established within the upcoming year, which was introduced for the submission of the payment services and electronic money institutions.

Withholding rates in foreign currency deposit accounts; Increased from 18% to 20% in maturities up to 6 months, from 15% to 20% in maturities up to 1 year and from 13% to 18% in maturities over 1 year.

TLREF Turkish Lira Overnight Reference Rate is created by Borsa Istanbul in order to meet the need of Turkish Lira short-term reference rate that can be used as an underlying or a benchmark in financial products, debt instruments and different types of financial contracts.

AUDIT COMMITTEE'S ASSESSMENT

OF THE OPERATIONS OF INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS

1,564 7.3 min 3 risk

In accordance with its duties arising from the legislation, the Audit Committee continued to review the effectiveness and adequacy of internal systems, the operation of accounting and reporting systems in line with the applicable regulations, and the integrity of the resulting information, and continued to verify whether the internal audit system encompassed the Bank's current and planned operations and the risks resulting therefrom upon review of internal audit plans. Within this scope, the Audit Committee regularly monitored and evaluated the activities of the internal systems during the course of the year. Furthermore, the Committee also fulfilled its functions of overseeing the activities of the external audit company, appraisal firms and support service providers that are designated by the Board of Directors, as well as evaluating the relevant external audit results. Accordingly, the Audit Committee met six times during 2019 and informed the Board of Directors on the activities of the Committee, its assessments about the external audit firms, appraisal firms and support services providers, and other matters.

The Internal Audit Department conducted risk-based process audits on the basis of 11 different risk types covering the Bank's head office units, domestic branches, overseas branches and subsidiaries. The said basic risks of the Bank are as follows:

- → Business model risk audits,
- → Internal governance and risk management audits,
- → Capital risk audits,
- → Credit risk audits,
- → Market risk audits,
- → Structural risks audits,
- → Operational risk audits,
- → Legal risk audits,
- → Compliance risk audits,
- → Technology risk audits,
- → Extended enterprise risk audits.

Starting from 2019, the Internal Audit Department began employing the Agile Methodology in its audits with the target of more efficient use of the workforce and generation of high added-value results.

In order to mitigate the growing technological and cyber security risks and to focus on audit processes with a data-based approach in line with the Bank's digital transformation target, data scientist/specialist positions were created under the Internal Audit Department; review methods that rely on the related data universe was adopted in lieu of sampling, with the ultimate goal of minimizing audit risk. The audits used techniques based on data modeling algorithms, image processing and machine learning.

Follow-up of suggestions resulting from the audit engagements by the Bank's senior management, the Audit Committee and the Board of Directors ensured that corrective actions were taken according to the timeline by the auditees.

By way of inquiries and investigations covered among the activities of the Internal Audit Department, fraud, swindling and counterfeiting activities were prevented or detected, and it has been ensured that necessary managerial actions were taken promptly. Remote and on-site studies were carried out to determine internal fraud incidents. A new project was introduced within the scope of remote (centralized) studies, which identifies transactions with the highest risk through predetermined various risk factors and early warning signals by making use of big data capabilities. The same were examined on a daily basis, thus resulting in a more proactive and productive practice for identifying internal fraud.

The Internal Control Unit continued to challenge all control activities that are performed by business and support units. In this regard, second level control activities were conducted at branches and head office departments. During on-site branch visits, examinations were carried out regarding operational risks. The Unit also fulfilled its responsibility for overseeing that the internal control environments of financial subsidiaries of the Bank are adequately outfitted in terms of structuring and functionality.

Reporting flows have been implemented and periodic follow-up continued for remedying the findings determined during the controls.

The Compliance Department continued to manage the Bank's potential compliance risks and kept working towards identifying and preventing these risks before implementation. The Department kept overseeing and coordinating the compliance of the Bank's ongoing and future activities, new transactions and products with the Banking Law, applicable legislation, internal policies and guidelines, and banking practices. With the aim of reinforcing the Bank's consolidated compliance policy, the Department supervised the compliance activities of overseas branches and consolidated subsidiaries, taking steps towards promoting compliance awareness and culture.

As part of corporate compliance activities, the Competition Policy in place across the BBVA Group was introduced. Bank-wide training activities were carried out in relation to Anti-Corruption and Code of Conduct. Notifications received by the Garanti BBVA Whistleblowing Channel were evaluated, upon which results were presented to the Integrity Committee. Within the scope of securities compliance function related to investment transactions, examinations were carried out within the frame of the CMB's Communiqué on Obligation of Notification Regarding Insider Trading or Manipulation Crimes regarding own-account trading and use of privileged information by the Bank employees who may have insider information or periodic information about capital market instruments or issuers. As part of Customer Compliance activities, new business, products and processes were evaluated prior to implementation.

As part of anti-money laundering (AML) and countering financing of terrorism strategy (CFT) strategy, studies were carried out in order to achieve alignment with national and international regulations. Through the existing monitoring programs and other initiatives by the Compliance Officer Team, risk management, monitoring and control activities were carried out efficiently. Classroom training sessions, regional office visits and web-based AML and CFT training programs offered throughout the Bank served to secure higher awareness and consciousness of the matter among the employees.

As part of Risk Management activities, Capital and Operational Risk Department monitored the regulatory framework regarding risk management and provided the necessary internal information flow. In accordance with the regulations published by the BRSA, ICAAP activities, which are conducted parallel to the budget process that covers the parent bank and affiliates, were carried out, which cover stress tests, as well. Risk appetite core metrics for solvency and profitability and operational risk limits and their thresholds were reviewed in the scope of the risk appetite and submitted for approval of the Board of Directors. Necessary coordination continued for risk appetite reporting to the Risk Committee and the Risk Management Committee, which were done on monthly basis, began to report to the Board of Directors and the Audit Committee on a quarterly basis; in this scope, core metrics and risk limits mentioned above were monitored and reported. Additionally, monitoring, analysis and internal reporting were carried out with respect to the evaluation of the capital adequacy ratio. Operational risk and operational risk admission activities were carried out. Operational Risk, Control and Self-Assessment activities and stress test analyses for operational risk were carried out. Meetings and trainings were held and information was provided to the Bank's staff to enhance awareness of the Bank's employees regarding operational risk management. Acquisition Appraisal Services Management and Outsourcing Management function, which will be handling the outsourcing process including support services, were set up under the Capital and Operational Risk Department. The operational risk admission function coordinated the Operational Risk Admission and Product Governance Committee processes in relation to new initiatives (new business, product and service provision, system and process modifications, outsourcing including support services). The Operational Risk Admission and Product Governance Committee met and functioned in accordance with the charter and procedure. Market and Structural Risk Department reviewed thresholds within the framework of risk appetite, in order to manage and monitor market, counterparty credit, structural interest rate, exchange rate and liquidity risks, and submitted these thresholds for the approval of the Board of Directors. Internal metrics and early warning indicators, as well as regulatory limits for risk-based limits were regularly monitored and reported to all related parties and committees. Stress tests were employed to evaluate potential and worst-case risks that may arise from economic circumstances. Limits and alert levels instituted to determine risk exposure were monitored, and necessary actions were taken in accordance with the applicable procedures. New regulatory framework introduced and the decision adopted within the frame of financial stability policies were watched closely. Their impact on the Bank's liquidity, structural interest rate, exchange rate, market and counterparty credit risks were analyzed thoroughly and were reflected on internal core metric measurements. Within the frame of ICAAP and stress test report, stress tests and scenario analyses were performed along with internal calculations on the basis of risk types. Intraday liquidity risk was monitored regularly using the metrics defined. Infrastructural work was carried out to increase operational efficiency. Risk management activities at subsidiaries were followed up closely.

The Validation Function performed qualitative and quantitative validations regarding internal models. Validations performed for those models and parameters that are taken into account in ICAAP calculations were presented to the Audit Committee. The Credit Risk Control Department set limits for loan growth in view of risk-return balance. Internal capital requirement was calculated and the internal capital threshold values set at the onset of the year were monitored. Internal capital definitions needed for systemic computation of risk-based profitability metrics were made, and user acceptance tests were conducted for the systems established following these definitions. Internal credit risk and credit concentration risk calculations, stress tests and scenario analyses were carried out within the framework of ICAAP and stress test report. The conformity of the risk models employed at the Bank with the internal rating-based (IRB) approach was monitored and the use of the models within the Bank were assessed. The Risk Internal Control function verified that risk management activities were handled by risk units in accordance with the Bank's policy and procedures.

RISK COMMITTEE'S ASSESSMENT

OF RISK MANAGEMENT POLICIES, THEIR IMPLEMENTATION AND MANAGEMENT OF VARIOUS RISKS THAT THE BANK MAY BE EXPOSED TO

568 2.4 min 1 risk

Bank's risk management activities were carried out with the target of maintaining a moderate risk profile, a sound financial position and a solid through-the-cycle risk-adjusted profitability, as the optimal way to face adverse situations without jeopardizing the strategic goals. Within the framework of the risk appetite and risk based polices approved by the Board of Directors, in 2019, the Risk Management further improved its measurement, reporting and management tools, where risks were measured via advanced methods, reported to relevant committees and senior management in order to determine strategies and take decisions, considering compliance with local and international standards and practices. With the coordination of the Risk Management, the Board of Directors approved reports including the results of Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP), which were integrated with risk appetite, stress tests and budget processes. Throughout the year, Risk Management continued to measure, monitor and report risk metrics within the scope of the risk appetite framework and to work on projects in order to further promote the effectiveness of risk management activities via automated and advanced processes.

In 2019, where asset quality became more prominent and many regulation amendments took place, the Bank continued its prudent, transparent and forward-looking approach in the risk management activities. Market developments and new regulations and new decisions within the scope of financial stability policies, which entered into force within 2019, were closely monitored and were reflected into internal risk measurements. Impacts especially on the Bank's liquidity, solvency and asset quality and also on the Bank's risk profile were thoroughly analyzed. In addition, the Bank closely monitored its asset quality within the risk appetite framework and via stress tests. Even though bank-only non-performing loans ratio increased to 6.9% in YE19 from 4.9% of the previous year, thanks to sound and prudent staging and provisioning policies, increase in CoR has remained limited and provision coverage increased in all stages. In the period ahead, the Bank targets to manage non-performing loans portfolio by focusing on efficient recovery strategies as well as via utilizing write-off processes.

The Risk Committee continued to monitor the evolution of the Bank's risk exposure, by type of risk, business line, product or customer segment and how these compare to the strategy and the risk appetite through regular reporting channels during 2019. Besides, the Risk Committee reviewed as appropriate and approved, the Bank's risk appetite statement, risk metrics and risk based policies before their submission for approval to the Board of Directors. The Committee also received and reviewed reports related to capital and liquidity planning including ICAAP and ILAAP reports. Based on their scope, the affiliates were reviewed by the Risk Committee in order to ensure a risk culture throughout the organization that guarantees the coherence of the risk management at all levels of the organization. Asset quality evolution, market developments and new regulations within 2019, that were closely monitored by the Risk Management, were also monitored by the Risk Committee.

Consequently, the Risk Committee held 11 meetings in 2019 in order to assist the Board of Directors in overseeing the Bank's enterprise risk management policies and practices, including the alignment with its strategic objectives and management's ability to assess and manage the various risks present in its activities, as well as capital adequacy, planning and liquidity adequacy.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

4,372 20.5 min 6 bank

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Türkiye Garanti Bankası A.Ş. ("Garanti BBVA" or "the Bank") complies with the corporate governance principles set out by the banking legislation, capital market legislation as well as the Turkish Commercial Code and other applicable legislation. Garanti BBVA pays the utmost attention to implement these principles. The Bank accordingly updates its annual reports and website, making them available to its stakeholders. The shareholders can access comprehensive information, get information about the latest developments and activities from the regularly updated Garanti BBVA Investor Relations website, and can address their questions to the Investor Relations Department and to the Subsidiaries and Shareholders Service.

In keeping with Garanti BBVA's commitment to corporate governance principles, information about the Bank's compliance with non-mandatory principles under the Corporate Governance Communiqué numbered II-17.1 is provided under the related headings of this report.

The Corporate Governance Committee was established in February 2013 pursuant to the Regulation on the Banks' Corporate Governance Principles published by the Banking Regulation and Supervision Agency ("BRSA") and the Communiqué Serial: IV-56 on the Determination and Implementation of Corporate Governance Principles issued by the CMB, which was effective at the time. The Committee is responsible for overseeing compliance with corporate governance principles and for ensuring that relevant improvement efforts are carried out in the Bank. In 2019, the Committee held 3 meetings with full participation of its members. The Board of Directors deemed that the activities performed by the Corporate Governance Committee in 2019 were efficient, appropriate, adequate and compliant with the relevant legislation. The activities of the Corporate Governance Committee are presented in detail in the Committees section.

On the other hand, Garanti BBVA, during 2019, achieved compliance with all of the mandatory principles of the Corporate Governance Communiqué No. II-17.1.

AUDIT COMMITTEE'S REPORT

Please refer to page 178 in the annual report for related information.

SHAREHOLDER RELATIONS

SHAREHOLDING STRUCTURE

Please refer to page 21 in the annual report for the Company's shareholding structure.

GENERAL SHAREHOLDERS' MEETINGS

General Shareholders' Meeting is held in accordance with the resolution adopted by the Board of Directors. For reaching the highest number of shareholders possible, the General Meeting announcement including the meeting date, venue, agenda and similar information is duly announced at least three weeks prior to the meeting date as per the provisions stipulated in the Communiqué via the Turkish Trade Registry Gazette, Public Disclosure Platform (www.kap.gov.tr), e-Governance Corporate Governance and Investor Relations (www.mkk.com.tr), e-Company Companies Information Portal (www.mkk.com.tr), e-General Meeting Electronic General Meeting System (www.mkk.com.tr), the Bank's websites and two national newspapers. The Bank invites all stakeholders to the General Shareholders' Meeting, who will be voiceless during such meetings. Before the meeting, balance sheets, income statements and annual reports are made available for review by shareholders within the timeframe determined in the applicable legislation on the Garanti BBVA Investor Relations website, at the Head Office and at all branches. In General Shareholders' Meeting, agenda items are discussed and submitted for the shareholders' approval. Shareholders are entitled to ask questions, express their opinions and submit proposals regarding the agenda items. Questions are handled and answered in accordance with the regulations of the Capital Markets Board as well as the principles and procedures specified in the Turkish Commercial Code. Proposals are submitted for approval at the General Shareholders' Meeting and become effective if approved by the specified majority. The meeting minutes and the list of attendants of the General Shareholders' Meeting are posted on the Public Disclosure Platform (KAP), e-Company Companies Information Portal, e-General Meeting Electronic General Meeting System, and Garanti BBVA Investor Relations website on the same day, and is published in the Trade Registry Gazette following its registration.

Resolutions adopted in the General Shareholders' Meeting are carried out in accordance with the legal procedures within due time. Pursuant to the provisions of the Regulation on Electronic General Meeting at Joint Stock Companies and the Communiqué on Electronic General Meeting System Applicable at General Assemblies of Joint Stock Companies, attendance to, and voting at, the General Shareholders' Meeting by electronic means is permissible. In addition, holders of depositary receipts have the right to vote and can do so at the General Shareholders' Meeting. The minutes and the list of attendants of the General Shareholders' Meeting are available to shareholders on Garanti BBVA Investor Relations websites. These documents can also be obtained from the Subsidiaries and Shareholders Service.

Garanti BBVA held its Ordinary General Shareholders' Meeting for the period 01 January 2018-31 December 2018 on 04 April 2019 and meeting quorum realized at 85.90%. Media representatives did not attend the General Shareholders' Meeting. At the meeting, one shareholder lodged a statement of opposition, and expressed demands; in response, necessary information has been given within the frame of the CMB regulations and the principles and procedures set out in the Turkish Commercial Code.

There were no transactions in the reporting period for which the decision was left to the General Assembly of Shareholders by reason of dissenting votes cast by independent board members.

INFORMATION ON DONATIONS AND GRANTS IN 2019

The total amount of donations and grants made by the Bank in the reporting period is TL 6,818,454. Based on its commitment to add value to the society, the Bank makes donations and contributions mostly to persons, non- governmental organizations, societies or foundations, public entities and organizations that work in the fields of education, culture, art, environment and sports. Donations can also be made to promote the Bank's corporate identity and to expand the coverage of banking activities.

Amounts and beneficiaries of the donations made in 2019 are as follows:

BENEFICIARIES	AMOUNT
ÖĞRETMEN AKADEMİSİ VAKFI (TEACHERS ACADEMY FOUNDATION)	3,205,090
VARIOUS FOUNDATIONS, SOCIETIES, INDIVIDUALS AND INSTITUTIONS	1,589,370
UNIVERSITIES AND EDUCATIONAL INSTITUTIONS	1,542,144
AYHAN ŞAHENK VAKFI	425,000
TÜRKİYE EĞİTİM GÖNÜLLÜLERİ VAKFI (EDUCATIONAL VOLUNTEERS FOUNDATION OF TURKEY)	41,600
DOĞAL HAYATI KORUMA VAKFI (WORLD WILDLIFE FUND – TURKEY)	15,250
TOTAL	6,818,454

Information regarding the amounts and beneficiaries of donations and contributions made by the Bank during the reporting period is provided to the shareholders under a dedicated agenda item during the General Shareholders' Meeting.

VOTING RIGHTS

Shareholders' voting rights and exercise of these rights are set out in Article 38 of Garanti BBVA Articles of Association. There are no privileged voting rights at the General Shareholders' Meetings of Garanti BBVA. The Bank is not in a cross-shareholding relationship with any company, therefore no such votes were cast at the latest General Shareholders' Meeting.

DIVIDEND RIGHT

The Bank's Dividend Distribution Policy is as follows:

"The details of our Bank's dividend distribution policy are specified in Articles 45, 46, and 47 of the Articles of Association. In this context, by taking into account our Bank's growth in accordance with its goals within the sector and its financial needs, the General Assembly is authorized to distribute dividend in cash or capitalize the dividends and distribute the bonus shares which are to be issued by the Bank, or implement both methods together, and execute the dividend distribution within the time period specified in the relevant legislation.

Following the affirmative opinion of the Banking Regulation and Supervision Agency, the Bank's dividend distribution policy is in the manner to distribute up to 30% of the distributable profit in cash or bonus shares, provided that there is no unfavorable situation in the local and/or global economic conditions and the standard rates, which are specified by the protective measures in the Banking Law No. 5411 and its sub-regulations, are at the targeted level. Following the set aside of the legal reserves and the funds which have to be saved by the Bank, the remaining net profit amount which has not been distributed to the shareholders should be transferred to the Extraordinary Reserve Account.

Dividend distribution shall start within 3 months after the date of distribution decision at the latest, that it is started at the end of the accounting period in which decision of the distribution is given by general assembly meeting. There is no dividend advance payment in the Bank.

In accordance with Article 46 of the Articles of the Association, the dividend distribution proposals shall be submitted for approval of the General Assembly following a decision by the Board of Directors in this regard, by taking into account the Bank's operational performance, financial needs, growth target and the legal regulations applicable to the Bank.

The dividend distribution resolution becomes effective when adopted in the General Assembly Meeting and resolutions shall be published via Public Disclosure Platform on the same day the resolution becomes effective".

At the General Shareholders' Meeting held on 04 April 2019, it was resolved to retain and not to distribute the Bank's after-tax net distributable profit for the period for 2018 and to transfer the same to the Extraordinary Reserve Account in view of the Bank's growth targets, long-term strategy, national and international economic developments, within the frame of the Banking Law, Capital Market Law and related legislation, as well as Article 45 of the Bank's Articles of Association and the Dividend Distribution Policy. It was further resolved that; (i) the amounts that were exempted from the Corporate Tax and (ii) allocated to the special fund account as the requirements in the applicable legislation were satisfied pursuant to Article 5-1(e) of the Corporate Tax Law and the profit that accrues because of the Company's initial transition to the TFRS 9 Financial Instruments Standard as of 01 January 2018 and that is categorized under the "Prior Year Profit/Loss" item, be transferred to the Extraordinary Reserve Account.

STAKEHOLDERS

INFORMING STAKEHOLDERS

The stakeholders can participate in management through specially designed systems and meetings. In order to ensure accurate and reliable information flow, the Investor Relations Department prepares presentations on quarterly financial statements; the Department shares these presentations with the stakeholders through its website, tablet PC and mobile applications, and responds to questions during live webcasts/teleconferences, the audio recordings of which are subsequently posted on these public channels.

In addition to handling customer complaints through a variety of alternative channels, the Customer Experience Support Team also carefully considers customers' suggestions. Garanti BBVA provides its customers with the means to communicate their complaints, and comments about management any time through the contact form on its website, by leaving a voice message on the phone line at 444 0 333, its social media platforms, i.e. Garanti BBVA Facebook page and Twitter Garanti BBVA'ya Sor (Ask Garanti BBVA) account.

Additionally, in case of violation of the customers' rights protected by regulations and contracts, the Bank provides efficient and fast remedy, and facilitates the use of loss indemnification mechanisms by customers who have incurred any loss.

At the completion of the service customers receive from branches, the Customer Contact Center, Customer Experience Support Team and digital channels, they are asked to respond to a survey via phone, email or digital channels. Survey outcomes are carefully studied and the feedbacks received are converted into improvement actions. Customer feedbacks received especially at times of new product launches and process modifications are sensitively followed through, followed by arrangements to processes as necessary.

Garanti BBVA objectively assesses investors' expectations, their opinions regarding the Bank and the management by way of a "Perception Study". The study is conducted by third party companies, thus supporting impartial and transparent communication. Within this frame, improvement areas are analyzed and action plans are created.

In order to ensure that employees take active role in decision-making mechanisms and to benefit from innovative opinions, Garanti BBVA keeps dialogue channels bi-directional. While there are no written internal regulations on employee participation in management, employees are provided with the opportunity to make assessments in all projects and activities carried out in line with the Bank's strategic priorities, ensuring their involvement in decisions.

Making systematic use of various channels, including employee opinions, the intranet, employee engagement survey, internal customer satisfaction survey, and the voice of employee platform GONG, the Bank aims to increase employee satisfaction and employee engagement.

Garanti BBVA carries out an Employee Engagement Survey each year to gather employees' opinions on work-life balance, performance management, remuneration and training & development opportunities. In 2019, Employee Engagement score was 70%.

360 Degree Assessment and Feedback collects employee opinions regarding themselves, their colleagues, line managers and team members, and aims to establish the culture of giving and receiving feedback. This process also allows employees to recognize their strengths and improvement opportunities, and devise their personal development plans accordingly.

Suggestion and idea platforms Önersen, GONG, and Atölye and the "Ask/Share" section of the intranet portal serve as a means for employees to submit their suggestions and ideas. "Önersen" (You Suggest) has been instrumental in collecting 992 suggestions in 2019, two of which were rewarded. More than 24,000 ideas in the aggregate have been communicated via this channel since 2007. Through GONG, the voice of employee platform about Talent and Culture practices and the working environment, 230 opinions were gathered in 2019.

Each year, the CEO and the executive team bring the total employee base together at the Future Meeting and share & assess Garanti BBVA's current outlook and its strategy, goals & objectives for the year ahead.

BOARD OF DIRECTORS

STRUCTURE AND COMPOSITION OF THE BOARD OF DIRECTORS

Süleyman Sözen is the Chairman of the Board of Directors. The Chairman has no executive functions and the executive member of the Board is Chief Executive Officer Recep Baştuğ, who is a natural member of the Board.

CMB requirements regarding Corporate Governance Principles stipulate that minimum three independent members must serve on the boards of directors of banks. Pursuant to such requirements, since the Board members assigned as members of the Audit Committee are deemed as independent Board members, Jorge Saenz-Azcunaga Carranza, who currently serves as the Head of the Audit Committee, and Sema Yurdum and Ricardo Gomez Barredo, who currently serve as the Audit Committee members, are deemed as independent Board members.

On the other hand, at the Ordinary General Shareholders' Meeting held in 2019, it was resolved that the number of the board members be increased from nine to ten excluding the CEO pursuant to Article 18 of the Articles of Association and that Sema Yurdum, who was elected as an independent board member to serve for the remaining term of office specified under the independence criteria within the scope of the clause 4.3.6. of the Corporate Governance Principles stipulating "Not to have conducted membership of board of directors more than a term of six years in the last ten years, and whose term of office as an independent board member expired be elected to the newly established membership to fill the remaining term of office of other Board Members, and it was further resolved that Mevhibe Canan Özsoy, be elected as an independent board member to fill the remaining term of office of other Board Members for whom the Capital Markets Board of Turkish Republic did not express an adverse opinion regarding her independent board membership candidature in accordance with the Corporate Governance Principles of the CMB. On the other hand, Sema Yurdum is deemed an independent member since her duty as a member of the Bank's Audit Committee continues.

The Corporate Governance Committee report dated 22 January 2019 stating that Mevhibe Canan Özsoy satisfies the independence criteria has been submitted to the Board of Directors and the Board of Directors resolved to notify her independent board membership candidature to CMB.

Quoted below is the declaration of independence by Mevhibe Canan Özsoy, who was elected as an independent Board member at the Ordinary General Shareholders' Meeting held in 2019:

TO TÜRKİYE GARANTİ BANKASI A.Ş. CORPORATE GOVERNANCE COMMITTEE,

I hereby declare that I stand for serving as an "independent member" on the Bank's Board of Directors pursuant to the provisions of the Communiqué Serial: II-17.1 on Corporate Governance Principles issued by the Capital Markets Board of Turkey. In this context, I hereby declare as follows:

a) I have not held a seat on the Bank's Board of Directors for more than six years in the past ten years,
b) Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, or individually or jointly held more than 5% of the capital or voting rights or privileged shares, or established any commercial interest of a significant nature, with any corporate entity with

which the Bank, any company in which the Bank has management control or significant influence, or any shareholder having management control or significant influence over the Bank or any corporate entity in which these shareholders have management control,
c) I was neither a shareholder (5% and higher), nor have I worked in an executive capacity involving major duties and responsibilities for or served as a member on the boards of directors of any company from/to which, under a contract, the Bank purchased/sold services or products of material quantity during the period of time such services or products were being purchased or sold, and particularly of the firms performing the audit (including tax audit, legal audit and internal audit), rating and consultancy of the Bank, in the past five years,
d) I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member,
e) I am not a full-time employee of public institutions and establishments as at the date of nomination,
f) I am considered to be a resident of Turkey as for the purposes of the Income Tax Law,
g) I possess strong ethical standards, professional credibility and experience that are necessary for making positive contributions to the Bank's operations, maintaining my independence in possible conflicts of interest between the Bank's shareholders, and making decisions freely taking into consideration the rights of stakeholders,
h) I am capable of dedicating sufficient amount of time to be able to follow up the execution of the Bank's affairs and to fully meet the requirements of the duties I undertake,
i) I am not serving as an independent board member in any company, which is controlled by the Bank or by shareholders having management control over the Bank,
j) I will be serving on the Bank's Board of Directors as a real person and in this context, I have not been registered and promulgated in the name of any corporate entity elected as a board member."

On the other hand, no circumstances arose in 2019 fiscal year, which prejudiced the independence of independent Board members.

The Board of Directors of Garanti BBVA is formed of 11 members, and the number of women members increased from 1 to 2 during 2019.

Résumés, terms of office and positions of the Board members are presented on pages 142, 143 and 144 of the Annual Report. The positions held by the Bank's Board members in and out of the Group are stated in their résumés.

Pursuant to Article 396 of the Turkish Commercial Code, the General Assembly authorized the members of the Board of Directors of Garanti BBVA to execute a transaction of a commercial business nature that falls under the Bank's field of operation on their own or other's behalf or to become a partner with unlimited liability in a company engaged in the same kind of commercial affairs, during the reporting period.

WORKING PRINCIPLES AND PROCEDURES OF THE BOARD OF DIRECTORS

The Board of Directors of the Bank as the highest body of representation, direction, management and oversight of the Bank operates in order to fulfill the roles and responsibilities appointed to it by the Articles of Association and related legislation. In 2019, the Board of Directors resolved 18 decisions by satisfying the required quorums for meeting and decision.

Garanti BBVA's Internal Directive on the Working Principles and Procedures of the Board of Directors is available at www.garantibbvainvestorrelations.com, under Corporate Governance > Policies section.

RELATED PARTY TRANSACTIONS

As of 31 December 2019, the total amount of operating income generated by the parent bank and its consolidated financial affiliates ("the Group") on related party transactions is 0.15% of the Group's total operating income. In addition, the total of the shares representing the share capital in its related parties owned by the Group and cash and non- cash loans and other receivables provided to related parties by the Group are around 2% of the Group's consolidated regulatory capital used for the calculation of legal limits, and the total of cash portions of such risks accounts for 0.03% of total consolidated assets in the financial statements drawn up in accordance with the Turkish Financial Reporting Standards and the explanations provided by the BRSA as of the same date.

REMUNERATION

As published on the Bank's website, a Compensation Policy has been formulated for the Bank's employees in accordance with the banking and capital market legislation, and it has been approved by the Board of Directors. Pursuant to the Bank's Compensation Policy, the policy encourages fair, transparent, measurable and sustainable success among employees and is in alignment with the Bank's risk principles. The compensation structure consists of fixed income and variable income items. The Remuneration Committee and the Talent and Culture Unit authorized by this Committee are responsible for reviewing and duly executing the compensation policies.

The benefits provided to the Board of Directors members and senior executives are shown in the Financial Statements, and the upper limit of total remuneration to be paid during any given year to Board members undertaking a specific role at the Bank and to independent Board members are submitted for approval and determined at the General Shareholders' Meeting. As of 31 December 2019, the net payment provided or to be provided to the key managers of the Bank, including the members of the Board of Directors, including compensations paid to key management personnel who left their position during the year, amounted to TL 98 million 589thousand. As the public disclosures regarding the remunerations and benefits provided to key managers including Board members are subject the BRSA's regulations on the banks' qualitative and quantitative disclosures with regard to the remuneration policies, such remunerations and benefits are disclosed cumulatively.

Members of the Bank's Board of Directors are paid attendance fees. The amount of the attendance fee is determined and approved at the General Shareholders' Meeting. In addition to the attendance fee paid to the Board members, it has been decided at the Ordinary General Shareholders' Meeting held in 2019 that payments to be made to those Board members who assume a specific position in the Bank, and to independent Board members be determined by the Remuneration Committee that has been authorized by the Board of Directors pursuant to Corporate Governance Principles. It has also been resolved to set a maximum limit of TL 30,000,000 net for the total compensation so determined and will be paid until the first ordinary general shareholders' meeting to be convened in 20120.

Furthermore, other financial rights to be provided to the Senior Management consisting of the members of the Board of Directors, the CEO and Executive Vice Presidents are determined by the Remuneration Committee that is established in accordance with the Regulation on the Banks' Corporate Governance Principles published by the Banking Regulation and Supervision Agency. Under the provisions of the said Regulation, the Remuneration Committee has determined the manner of payments to Senior Management and the criteria for performance-based payments, by taking into account the European Union regulations and practices. Accordingly, Senior Executives receive performance-based payments in addition to their monthly salaries, which payments are determined by the Remuneration Committee based on objective criteria including the economic profitability and key performance indicators of the Bank, as well as subjective criteria based on the respective personal performance. The Remuneration Committee ensures that such payments do not negatively affect the Bank's capital adequacy ratio and continuity of the Bank's operations. Part of the performance-based payments are made in installments and spread over future periods.

At the Ordinary General Shareholders' Meeting held in 2019, the following information has been provided to the shareholders regarding the compensation principles applicable to senior management.

"Our Bank has established and announced a compensation policy for all employees pursuant to applicable legislation. A fair, performance and success-based remuneration policy has been created. Our Bank's Compensation Policy has been implemented as approved and it is reviewed periodically. In addition to the compensation policy covering the Bank's entire personnel, the Remuneration Committee continued to implement the policies it has set in relation to remuneration and bonuses to be paid to the members of the Board of Directors who assume administrative roles and to senior executives, which do not rely solely on profit. The Committee reviewed the same at certain intervals. The policy, which has been developed in line with the local legislation and international practices, continued to be implemented.

The portion of 10.88% of the total personnel expenses figure for the benefits provided in 2019 to the Bank's employees including the Board members and senior management in the financial statements results from the performance-based bonuses of all employees and variable salary payments.

Subject to the restrictions imposed by the banking legislation, the Bank may extend loans to Board members and executives. On the other hand, the loans to be disbursed by Garanti BBVA to the members of the Board of Directors and managers are restricted to specific framework by Article 50 of the Banking Law. The Bank does not disburse loans to the members of the Board of Directors and managers outside of the above mentioned framework."

Detailed information on the Remuneration Committee can be found in the Annual Report, page 150.

CORPORATE GOVERNANCE COMPLIANCE REPORT

	COMPLIANCE STATUS					
	YES	PARTIALLY	NO	EXEMPTED	N/A	REMARKS
1.1. FACILITATING THE EXERCISE OF SHAREHOLDERS RIGHTS						
1.1.2 - Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors on the corporate websiter.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7 -Insiders with privileged information have informed the Board of Directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.	X					
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.	X					
1.4.3 - The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.	X					

	YES	PARTIALLY	NO	EXEMPTED	N/A	REMARKS
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of minority rights.			X			Contrary to what is suggested in the principle numbered 1.5.2, there is no provision in the Bank's Articles of Association to extend the use of minority rights to those who own less than one twentieth of the outstanding shares. Shareholders constituting at least one twentieth of the capital are entitled to request the Board of Directors to summon the general assembly for a meeting, by specifying the grounds therefor along with the agenda, which should both be put in writing, or if the general assembly is already scheduled to meet, then to request the addition of matters they wish to be decided to the agenda, under Article 411 of the Turkish Commercial Code No. 6102. As and when such a request is received, the Bank takes the utmost care for facilitating the exercise of minority rights. In-line with our Bank's proactive, transparent and consistent communication strategy, utmost care is given to ensure that information is delivered with equal opportunities for everyone at all times. Bilingual Investor Relations (IR) web site, mobile applications developed in Turkish and English offer constant and worldwide access to the relevant information by focusing on the needs of the whole investors. Garanti BBVA Investor Relations website contains stock data, corporate information, periodically published financial statements and annual reports, information about corporate governance, sustainability and projects that add value to the society. This website also gives access to Material Event Disclosures pertaining to developments regarding Garanti BBVA, which are disclosed to the public via the Public Disclosure Platform. This website also responds to all sorts of user needs with the Investor Kit that contains basic, practical information and the Download Center function that covers all documents.
1.6. DIVIDEND RIGHT						
1.6.1 - The dividend policy approved by the General Assembly is posted on the company website.	X					
1.6.2 - The dividend policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	X					
1.6.4 - The Board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					

	YES	PARTIALLY	NO	EXEMPTED	N/A	REMARKS
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
2.1. CORPORATE WEBSITE						
2.1.1 - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.	X					
2.2. ANNUAL REPORT						
2.2.1 - The Board of Directors ensures that the annual report fully and accurately reflects the activities of the company.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
3.1. CORPORATION'S POLICY ON STAKEHOLDERS						
3.1.1 - The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing program is in place for reporting legal and ethical issues.	X					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					

	YES	PARTIALLY	NO	EXEMPTED	N/A	REMARKS
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/manuals) regulate the participation of employees in management.			X			Contrary to what is suggested in the principle numbered 3.2.1, there are no written internal regulations in the the participation of employees in Management. However, employees are provided with the opportunity to comment on all projects and activities carried out in line with the Bank's strategic priorities, ensuring their involvement in decisions. Senior and middle-level managers participate in decision-making mechanisms via 34 committees. However, in the following periods, the appointment of one representative each from the branch and Headquarter to the our Bank's Employee Committee and the discussion of the decisions to be submitted to the Employee Committee on our employees platform called 'GONG' will be evaluated.
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The company has a policy on human resources development, and organizes trainings for employees.	X					
3.3.4 - Meetings have been organized to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X					
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them, and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					

	YES	PARTIALLY	NO	EXEMPTED	N/A	REMARKS
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1 - The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2 - The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1- The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3 - The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7 - The board of directors ensures that the Investor Relations Department and the corporate governance committee work effectively. The Board works closely with them when communicating and settling disputes with shareholders.	X					

	YES	PARTIALLY	NO	EXEMPTED	N/A	REMARKS
4.2.8 - The company has subscribed to a Directors and Officers Liability insurance covering more than 25% of the capital.		X				The Bank's paid-in capital is TL 4.2 billion; and it has subscribed to a Directors and Officers Liability cover with a limit of EUR 100 million for the individual liabilities of executives and Board Members arising from their improper conduct.
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The Board annually evaluates its composition and nominates directors so as to be compliant with the policy.			X			We are not currently in full compliance with the recommendation however the Bank intends to increase the participation of women directors in the Board and gradually increase their percentage in the coming years. The current board holds an extensive experience in banking which is extremely important for the Bank especially in these globally volatile markets. However, in parallel to BBVA's policies on this issue the Bank intends to favor female candidates to be nominated in the future if there is a replacement of a board member or re-selection of the full board.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
4.4. BOARD MEETING PROCEDURES						
4.4.1 - Each board member attended the majority of the board meetings in person.	X					
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	X					
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions, if any.	X					
4.4.7 - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.		X				Board members' external commitments are presented for the information of shareholders at the General Meeting. The Bank's Board members comply with the banking legislation regarding the external entities they can serve. There is no internal written regulation specifying any limitations in this respect.

	YES	PARTIALLY	NO	EXEMPTED	N/A	REMARKS
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.			X			When the number of members of the Board of Directors and the number of members of the committees are taken into consideration, a member of the Board of Directors may take part in more than one committee. On the other hand, the only committee established according to the Corporate Governance Principles is the Corporate Governance Committee (with the functions of the Nominating Committee). There are three members of the Board of Directors in the Corporate Governance Committee. Other Board Committees (Risk, Credit, Audit and Remuneration) were established in accordance with the Banking Law No. 5411.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.	X					
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
4.6. FINANCIAL RIGHTS						
4.6.1 - The board of directors has conducted a Board performance evaluation to review whether it has discharged all its responsibilities effectively.	X					
4.6.4 - The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favor of them.					X	
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.		X				The benefits provided to the Board of Directors members and senior executives are shown in the Financial Statements, and the upper limit of total remuneration to be paid during any given year to Board members undertaking a specific role at the Bank and to independent Board members are submitted for approval and determined at the General Meeting of Shareholders. As of 31 December 2019, the net payment provided or to be provided to the key managers of the Bank, including the members of the Board of Directors, including compensations paid to key management personnel who left their position during the year, amounted to TL 98 million 589 thousand. As the public disclosures regarding the remunerations and benefits provided to key managers including Board members are subject the BRSA's regulations on the banks' qualitative and quantitative disclosures with regard to the remuneration policies, such remunerations and benefits are disclosed cumulatively.

CORPORATE GOVERNANCE INFORMATION FORM

1. SHAREHOLDERS	
1.1. FACILITATING THE EXERCISE OF SHAREHOLDERS RIGHTS	**REMARKS / RELATED LINKS**
The number of investor meetings (conference,seminar/etc.) organized by the company during the year	In 2019, Garanti BBVA Investor Relations team participated in 35 investor conferences and roadshows held in 16 cities in Asia, USA and Europe. The team held face-to-face meetings with 667 international investment funds. CEO attended 1 out of 3 meetings.
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION	
The number of special audit request(s)	None. The appointment of a special auditor has not been set forth as an individual right in the Articles of Association of the Bank. However, pursuant to Article 438 of the Turkish Commercial Code No. 6102, shareholders have the right to request a special audit from the General Assembly of Shareholders, whether included in the agenda or not, in order to clarify certain aspects within the frame of exercising shareholders' rights, provided that shareholders making such request have previously exercised the right to obtain or review information as stipulated in the Turkish Commercial Code. So far, Garanti BBVA has not received any request for the appointment of a special auditor. If such a request is received, then the Bank will take maximum care for facilitating the exercise of such special audit right.
The number of special audit requests that were accepted at the General Shareholders' Meeting	None
1.3. GENERAL ASSEMBLY	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1 (ad)	https://www.kap.org.tr/en/Bildirim/752881
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Available. The link to the related website: Turkish: https://www.garantibbvainvestorrelations.com/tr/kurumsal-yonetim/olagan-genel-kurul-toplantilari/Olagan-Genel-Kurul-Toplantilari/452/0/0 English: https://www.garantibbvainvestorrelations.com/en/corporate-governance/Ordinary-General-Shareholders-Meetings/Annual-General-Meeting/102/0/0
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	None
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-17.1)	None
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance (II-17.1)	None
The name of the section on the corporate website that demonstrates the donation policy of the company	https://www.garantibbvainvestorrelations.com/en/corporate-governance/detail/Donation-and-Contribution-Policy/99/410/0
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	https://www.kap.org.tr/tr/Bildirim/265119
The number of the provision(s) of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	While the Articles of Association does not contain any provisions to that effect, the Bank invites all stakeholders to the General Meetings of Shareholders, who will be voiceless during such meeeetings.

Identified stakeholder groups that participated in the General Meeting of Shareholders, if any	General Meeting minutes are available to shareholders in media and locations stipulated by applicable legislation. The members of the media did not attend the General Meeting convened in 2019. The Bank invites all stakeholders to the General Meetings of Shareholders, who will be voiceless during such meetings.
1.4. VOTING RIGHTS	
Whether the shares of the company have differential voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares	There are no voting privileges
The percentage of ownership of the largest shareholder	49.85%
1.5. MINORITY RIGHTS	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of association	No
If yes, specify the relevant provision of the articles of association	None
1.6. DIVIDEND RIGHT	
The name of the section on the corporate website that describes the dividend distribution policy	https://www.garantibbvainvestorrelations.com/en/corporate-governance/detail/Dividend-Distribution-Policy/96/407/0
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend	The Board of Directors' proposal for the distribution of the Bank's 2018 Balance Sheet Profit was laid down for approval at the General Meeting of Shareholders held on 04 April 2019 and approved with majority of votes. It is resolved that, in accordance with the Banking Law, Capital Markets Law and related regulations, Article 45 of the Bank's Articles of Association and Profit Distribution Policy, considering the Bank's growth target, its long term strategy, along with domestic and international economic developments, the proposal of the Board of Directors regarding the transfer of the distributable net profit realized in the 2018 accounting period to the Extraordinary Reserves Account without being distributed to the shareholders, be approved. The information provided to our Shareholders regarding the subject is stated in article 5 of the document whose link follows: https://www.garantibbvainvestorrelations.com/en/images/pdf/2019_04_04_Information_regarding_the_results_of_Ordinary_General_Shareholders_Meeting.pdf
PDP link to the related general meeting minutes in case the board of directors proposed to the General Assembly not to distribute dividends	https://www.kap.org.tr/en/Bildirim/752881
General Meeting Date	4.04.2019
The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	0
Shareholder participation rate in the General Shareholders' Meeting	85.9
Percentage of shares directly present at the GSM	0.001%
Percentage of shares represented by proxy	99.999%
Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the number of votes for or against	Garanti BBVA Investor Relations web site Main Page > Corporate Governance > Annual General Meeting https://www.garantibbvainvestorrelations.com/en/corporate-governance/Ordinary-General-Shareholders-Meetings/Annual-General-Meeting/102/0/0
Specifiy the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	Garanti BBVA Investor Relations web site Main Page > Corporate Governance > Annual General Meeting https://www.garantibbvainvestorrelations.com/en/corporate-governance/Ordinary-General-Shareholders-Meetings/Annual-General-Meeting/102/0/0
The number of the relevant item or paragraph of the GeneralShareholders' Meeting minutes in relation to related party transactions	None
The number of declarations by insiders received by the board of directors	594

2. DISCLOSURE AND TRANSPARENCY	
2.1. CORPORATE WEBSITE	**REMARKS / RELATED LINKS**
Specify the names of the sections of the website providing the information requested by the Principle 2.1.1.	Trade registry information: Garanti BBVA Investor Relations website Home > Contact > Garanti BBVA Latest shareholding and management structure: Garanti BBVA Investor Relations website Home > About Garanti BBVA > Shareholding Structure Detailed information on preference shares: There are no preference shares. The latest version of the Articles of Association: Garanti BBVA Investor Relations website Home > Corporate Governance > Articles of Association Disclosures: Garanti BBVA Investor Relations website Home > News > Disclosures Financial Reports and Annual Reports: Garanti BBVA Investor Relations website Home > Library Prospectuses and other public disclosure documents: Garanti BBVA Investor Relations website Home > News > Disclosures General meeting documents: Garanti BBVA Investor Relations website Home > Corporate Governance > Annual General Meetings Dividend distribution policy: Garanti BBVA Investor Relations website Home > Corporate Governance > Policies > Dividend Distribution Policy Disclosure policy: Garanti BBVA Investor Relations website Home > Corporate Governance > Policies > Disclosure Policy Ethical rules created by the company: Garanti BBVA Investor Relations website Home > Corporate Governance > Policies > Garanti BBVA Code of Ethics Frequently asked questions: Garanti BBVA Investor Relations website Home > FAQ"
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares	https://www.garantibbvainvestorrelations.com/en/about-garanti/detail/Shareholding-Structure/7/16/0
List of languages for which the website is available	Garanti BBVA has two different websites prepared in Turkish and English languages. These can be accessed as follows: The website in Turkish: www.garantibbva.com.tr The website in English: www.garantibbva.com Garanti BBVA Investor Relations website provides detailed information, both in Turkish and English, about data that are required to be covered in websites as per the Corporate Governance Principles and all other information about Garanti BBVA and share in line with stakeholders' needs. Investor Relations website in Turkish: www.garantibbvayatirimciiliskileri.com Investor Relations website in English: www.garantibbvainvestorrelations.com"
2.2. ANNUAL REPORT	
THE PAGE NUMBERS AND/OR NAMES OF THE SECTIONS IN THE ANNUAL REPORT THAT DEMONSTRATE THE INFORMATION REQUESTED BY PRINCIPLE 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the external of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	Section: Board of Directors, Page: 142 Declaration of Independence, Page: 185
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	Section: Committees, Page: 149

c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	Section: Governance, Page: 30
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in legislation which may significantly affect the activities of the corporation	Section: Important developments regarding 2019 operations, Page: 175
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Section: Important developments regarding 2019 operations, Page: 175
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	Section: Service Providers, Page: 538
f)The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	Consolidated Financial Statements As of and For the Year Ended 31 December 2019, Section: 5.1.10.2, Page: 478
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Included in multiple sections: Investing in Human Capital, Responsible and Sustainable Development, Customer Experience, Pages: 122, 132, 96

3. STAKEHOLDERS	
3.1. CORPORATION'S POLICY ON STAKEHOLDERS	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	Garanti BBVA Investor Relations website Home > Corporate Governance > Policies > Compensation Policy
The number of definitive convictions the company was subject to in relation to breach of employee rights	169
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Garanti BBVA Compliance Department (related committee: Integrity Committee)
The contact detail of the company alert mechanism	Garanti BBVA Whistleblowing Channel etikbildirim@garantibbva.com.tr 0 212 318 23 75"
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT	
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies.	While there are no written internal regulations, employees are provided with the opportunity to comment on all projects and activities carried out in line with the Bank's strategic priorities, ensuring their involvement in decisions.
Corporate bodies where employees are actually represented	From amongst employees, upper and middle level managers take part in decision-making mechanisms via 34 committees. Please see the Committees section in the Annual Report for further details. In order to ensure that employees take active role in the decision-making mechanism and to benefit from innovative opinions, suggestion and idea platforms Önersen, GONG, and Atölye and the "Ask/Share" section of the intranet portal serve as a means for employees to submit their suggestions and ideas.
3.3. HUMAN RESOURCES POLICY	
The role of the Board on developing and ensuring that the company has a succession plan for the key management positions	There is a succession plan for key management positions, which is regularly followed up by the executive Board member and Executive Vice President on an annual basis.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy	Declaration of human rights and human resources policy are posted on the Investor Relations website. Related links are as follows: https://www.garantibbvainvestorrelations.com/en/corporate-governance/detail/Declaration-of-Human-Rights/584/1866/0 https://www.garantibbvainvestorrelations.com/en/corporate-governance/detail/Human-Resources-Policy/97/408/0

Whether the company provides an employee stock ownership program	There is a plan for "identified personnel", which is described in the Compensation Policy. As at year-end 2019, there are 28 identified employees serving at the Bank. In the variable payments made to identified employees, payment is made in cash and by non-cash means (linked to share certificates) in line with the "Guidelines on Good Compensation Practices in Banks". In payment practices that rely on non-cash means within the scope of 2019 variable payments of identified employees, Banco Bilbao Vizcaya Argentaria S.A. share will be taken as basis. Link for the Compensation Policy: https://www.garantibbvainvestorrelations.com/en/corporate-governance/Compensation-Policy/Compensation-Policy/100/411/0
The name of the section on the corporate website that demonstrates the human resources policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy	The Human Resources Policy and Code of Conduct are posted on the Investor Relations website. Related links are as follows: https://www.garantibbvainvestorrelations.com/en/corporate-governance/detail/Human-Resources-Policy/97/408/0 https://www.garantibbvainvestorrelations.com/en/corporate-governance/detail/Code-of-Conduct/94/405/0
The number of definitive convictions the company is subject to in relation to health and safety measures	Garanti BBVA repositioned its Occupational Health and Safety (OHS) team set up under the Human Resources Department in 2013 as the OHS Section in 2015. OHS activities are carried out across the country with a team of 41 people covering Occupational Safety Experts, On-Site Physicians and On-Site Nurses. Authoring a first among financial service institutions of a similar size in Turkey, Garanti BBVA launched the OHS software in all of its locations. The Bank uses the platform to keep track of various activities including risk assessment, health monitoring, training programs, OHS Committees, near misses, work place accidents, review of occupational illness processes, and coordination and control of countermeasures. Going well beyond the requirements brought by the national legislation in its Occupational Health and Safety practices and activities, Garanti BBVA initiated work in relation to OHSAS 45001 Occupational Health and Safety Management System that will replace OHSAS 18001, and these efforts are intended to enhance employee and stakeholder satisfaction and well-being. There is no final court decision rendered against the company in relation to health and safety measures in 2019.
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY	
The name of the section on the corporate website that demonstrates the code of ethics	Garanti BBVA Investors Relations website Home > Corporate Governance > Policies > Garanti BBVA Code of Conduct
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide information about any measures taken on environmental, social and corporate governance issues.	Garanti BBVA publishes integrated annual reports; hence, the Bank does not release a separate sustainability or corporate social responsibility report. The Bank discloses its entire value creation, both financial and non-financial, within the frame of materiality analysis, its strategic priorities, and its performance in these aspects. Addressed in a comprehensive scope extending from customer experience to employee satisfaction, from digital transformation to responsible and sustainable development, these topics, along with the information on risk management and corporate governance can be found in the integrated annual report. Garanti BBVA Investor Relations website Home > Library > Publications & Reports > Annual Reports
Any measures combating any kind of corruption including embezzlement and bribery	Garanti BBVA's Anti-Corruption Policy sets out the actions that need to be taken to prevent and determine across the Bank cases posing corruption risk, and to encourage reporting thereof. Furthermore, In order to prevent corruption, our Bank and its subsidiaries are engaged in an "anti-corruption program". In-class and e-learning trainings covering these subjects are assigned to all personnel.

4. BOARD OF DIRECTORS - I	
4.2. ACTIVITY OF THE BOARD OF DIRECTORS	**REMARKS / RELATED LINKS**
Date of the last board evaluation conducted	In its meeting on 19 February 2019, the Corporate Governance Committee that also functions as the Nomination Committee in line with the applicable legislation evaluated the composition and activities of the Board of Directors to be adequate and compliant with the legislation. The Board of Directors has been informed on the issue during the Board of Directors meeting held on 4 March 2019.
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Based on the Bank's Board of Directors decision dated 29 March 2018, it has been decided to reassign Muammer Cüneyt Sezgin as the Board director in charge of the duties and responsibilities within the scope of internal systems, save for "Risk Management" duties that have been delegated to the Risk Committee as per the applicable legislation, which will based on the Audit Committee's opinions, suggestions, assessments and the like.
Number of reports presented by internal auditors to the audit committee or any other relevant committee of the board	7 in 2019
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Section: Internal Systems Governance, Page: 163
Name of the Chairman	Süleyman Sözen
Name of the CEO	Recep Baştuğ
If the CEO and Chair functions are combined, provide the link to the relevant PDP announcement providing the rationale for such combined roles	The roles of the Chairman and CEO are undertaken by different individuals.
Link to the PDP notification stating that any damage that may be caused by the members of the Board of Directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	PDP disclosure link is not available. Annual Report: Corporate Governance Compliance Report / Board of Directors The Bank's capital is TL 4.2 billion, and a Directors and Officers Liability cover for EUR 100,000 has been obtained for the individual liabilities of Executives and Board directors associated with improper performance of their duties.
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	There is no such policy.
The number and ratio of female directors within the Board of Directors	There are 2 women members representing 18% of the full number of members.

NAME/SURNAME OF BOARD MEMBER	WHETHER EXECUTIVE DIRECTOR OR NOT	WHETHER INDEPENDENT DIRECTOR OR NOT	THE FIRST ELECTION DATE TO BOARD	LINK TO PDP NOTIFICATION THAT INCLUDES THE INDEPENDENCY DECLARATION	WHETHER THE INDEPENDENT DIRECTOR CONSIDERED BY THE NOMINATION COMMITTEE	WHETHER SHE/HE IS THE DIRECTOR WHO CEASED TO SATISFY THE INDEPENDENCE OR NOT	WHETHER THE DIRECTOR HAS AT LEAST 5 YEARS' EXPERIENCE ON AUDIT, ACCOUNTING AND/OR FINANCE OR NOT
Süleyman Sözen	No	No	1997	https://www.kap.org.tr/en/Bildirim/752881			Yes
Jorge Sáenz-Azcúnaga Carranza	No	Yes	24.Mar.16	https://www.kap.org.tr/en/Bildirim/752881	No	No	Yes
Ergun Özen	No	No	14.May.03	https://www.kap.org.tr/en/Bildirim/752881			Yes
M. Cüneyt Sezgin, Ph.D.	No	No	30.Jun.04	https://www.kap.org.tr/en/Bildirim/752881			Yes
Sema Yurdum	No	Yes	30.Apr.13	https://www.kap.org.tr/en/Bildirim/752881	No	No	Yes
Jaime Saenz De Tejada Pulido	No	No	2.Oct.14	https://www.kap.org.tr/en/Bildirim/752881			Yes
Javier Bernal Dionis	No	No	27.Jul.15	https://www.kap.org.tr/en/Bildirim/752881			Yes
Recep Bastug	Yes	No	2.Sep.15	https://www.kap.org.tr/en/Bildirim/752881			Yes
Rafael Salinas Martinez de Lecea	No	No	8.May.17	https://www.kap.org.tr/en/Bildirim/752881			Yes
Ricardo Gomez Barredo	No	Yes	8.May.17	https://www.kap.org.tr/en/Bildirim/752881	No	No	Yes
Mehibe Canan Özsoy	No	Yes	4.Apr.19	https://www.kap.org.tr/en/Bildirim/752881	Yes	No	Yes

4. BOARD OF DIRECTORS - II	
4.4. MEETING PROCEDURES OF THE BOARD OF DIRECTOR	**REMARKS / RELATED LINKS**
Number of physical board meetings in the reporting period (meetings in person)	The Board held 10 physical meetings in 2019.
Director average attendance rate at board meetings	76,8%
Whether the board uses an electronic portal to support its work or not	Yes
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	4-5 days on average.
The name of the section on the corporate website that provides information about the board charter	Garanti BBVA Investor Relations website Home > Corporate Governance > Policies > Working principles and procedures of the BoD
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	The limits set by the banking legislation are complied with.
4.5. BOARD COMMITTEES	
Page numbers or section names of the annual report where information about the board committees are presented	Section: Committees, Page: 149
Link(s) to the PDP announcement(s) with the board committee charters	While a PDP disclosure link is unavailable for the announcement pertaining to operating principles, the responsibilities of the committees are described on pages 149-162 of the Annual Report.

NAMES OF THE BOARD COMMITTEES	NAME OF COMMITTEES DEFINED AS "OTHER" IN THE FIRST COLUMN	NAME-SURNAME OF COMMITTEE MEMBERS	WHETHER COMMITTEE CHAIR OR NOT	WHETHER BOARD MEMBER OR NOT
Corporate Governance Committee (including the functions of Nomination Committee)		Javier Bernal Dionis, Jorge Saenz Azcunaga Carranza, Sema Yurdum, Handan Saygın	Jorge Saenz Azcunaga Carranza	Except for Handan Saygın, all members are members of the Board of Directors.

4. BOARD OF DIRECTORS - III	
4.5. BOARD COMMITTEES - II	**REMARKS / RELATED LINKS**
Specify where the activities of the Audit Committee are presented in your annual report or website (Page number or section name in the annual report/website	https://www.garantibbvainvestorrelations.com/en/corporate-governance/detail/Audit-Committee/778/3219/0
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	https://www.garantibbvainvestorrelations.com/en/corporate-governance/detail/Corporate-Governance-Committee/84/397/0
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	https://www.garantibbvainvestorrelations.com/en/corporate-governance/detail/Corporate-Governance-Committee/84/397/0
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	For information on Credit and Risk Committees within the frame of banking legislation: Pages 149, 151
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	https://www.garantibbvainvestorrelations.com/en/corporate-governance/detail/Remuneration-Committee/83/396/0
4.6. FINANCIAL RIGHTS	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Section: Financial Performance, Page: 82
Specify the section of the website where remuneration policy for executive and non-executive directors are presented	The Compensation Policy has been published within the policies under the heading Corporate Governance on Investor Relations website. Related link: https://www.garantibbvainvestorrelations.com/en/corporate-governance/Compensation-Policy/Compensation-Policy/100/411/0
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Section: Corporate Governance Compliance Report > Remuneration, Page: 186-187

NAMES OF THE BOARD COMMITTEES	NAME OF COMMITTEES DEFINED AS "OTHER" IN THE FIRST COLUMN	THE PERCENTAGE OF NON-EXECUTIVE DIRECTORS	THE PERCENTAGE OF INDEPENDENT DIRECTORS IN THE COMMITTEE	THE NUMBER OF COMMITTEE MEETINGS HELD IN PERSON	THE NUMBER OF REPORTS ON ITS ACTIVITIES SUBMITTED TO THE BOARD
Corporate Governance Committee (including the functions of Nomination Committee)		75%	50%	3	2

GARANTI BBVA'S RATINGS

Garanti BBVA is rated by Fitch Ratings, Moody's and JCR Eurasia. The Long Term LC and FC ratings of Garanti BBVA assigned by JCR Eurasia Ratings represent investment grade.

Garanti BBVA is included in the Borsa Istanbul (BIST) Corporate Governance Index by achieving an overall corporate governance score of 9.73 assigned by JCR Eurasia Ratings for its superior compliance with Capital Markets Board Corporate Governance Principles.

CORPORATE GOVERNANCE RATING

JCR Eurasia Ratings (Outlook: Positive)

Overall Compliance Score: 9.73

SECTIONS	WEIGHT	SCORE
Shareholders	25%	9.67
Disclosure and Transparency	25%	9.67
Stakeholders	15%	9.86
Board of Directors	35%	9.76

CREDIT RATINGS

FITCH RATINGS (NOVEMBER, 2019)

(Outlook: Stable)

Long Term FC	B+
Long Term LC	BB-

MOODY'S (JUNE, 2019)

(Outlook: Negative)

Long Term FC Deposits	B3
Long Term LC Deposits	B2

JCR EURASIA RATINGS (JUNE, 2019)

(Outlook: Negative)

Long Term International FC	BBB
Long Term International LC	BBB+

For detailed information on Garanti BBVA ratings, their definitions, rating and outlook actions, please refer to Garanti BBVA Investor Relations website ratings section.

PROFIT DISTRIBUTION

We propose our esteemed shareholders the profit of TL 6.158.840.673,31, which is generated in the 74th fiscal year of the Bank, to be distributed as detailed in the table below in accordance with the "Article 45 - Distribution of the Profit" of the Articles of Association of the Bank and the Head Office to be authorized to conduct the operations regarding the issue.

Sincerely,
Board of Directors

2019 DISTRIBUTION OF THE PROFIT TABLE

(Turkish Liras)

NET PROFIT	**6,158,840,673.31**
A - 5% for the 1st Legal Reserve Fund (TCC 519/1)	0.00
B - FIRST DIVIDEND CORRESPONDING TO THE 5% OF THE PAID UP CAPITAL	**0.00**
C - 5% Extraordinary Reserve Fund	307,942,033.67
D - SECOND DIVIDEND TO ORDINARY SHAREHOLDERS	**0.00**
2nd Legal Reserve Fund (TCC 519/2)	0.00
The other funds have to be kept in the Bank (CIT 5/1/e)	5,436,405.85
D - Extraordinary Reserve Fund	5,845,462,233.79

INFORMATION ON DIVIDEND PAYOUT RATIO

	GROUP	TOTAL DIVIDEND AMOUNT		TOTAL DIVIDEND / NET DISTRIBUTABLE PROFIT	DIVIDEND PER SHARE (NOMINAL VALUE: 1TL)	
		CASH (TL)	BONUS SHARE (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
GROSS	-	-	-	-	-	-
NET	-	-	-	-	-	-

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CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the Shareholders of Türkiye Garanti Bankası Anonim Şirketi

QUALIFIED OPINION

We have audited the annual report of Türkiye Garanti Bankası Anonim Şirketi (the "Bank") for the period between 1 January 2019 and 31 December 2019, since we have audited the complete set consolidated and unconsolidated financial statements for this period.

In our opinion, except for the effects of the matter described in the Basis For Qualified Opinion section of our report, the consolidated and unconsolidated financial information included in the annual report and the analysis of the Board of Directors by using the information included in the audited consolidated and unconsolidated financial statements regarding the position of the Bank are consistent, in all material respects, with the audited complete set of consolidated and unconsolidated financial statements and information obtained during the audit and provides a fair presentation.

BASIS FOR QUALIFIED OPINION

As described in the Basis For Qualified Opinion section of Independent Auditor's Report on the complete set of audited consolidated and unconsolidated financial statements of the Bank for the period between 1 January 2019 and 31 December 2019 dated 30 January 2020; the complete set of consolidated and unconsolidated financial statements of the Bank as at 31 December 2019 include a general reserve of total of TL 2,500,000 thousands, of which TL 250,000 thousands was recognized as expense in the current period and TL 2,250,000 thousands had been recognized as expense in prior periods, which does not meet the requirements of BRSA Accounting and Reporting Legislation. This general reserve is provided by the Bank management for the possible effects of the negative circumstances which may arise in economy or market conditions.

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

AUDITOR'S OPINION ON COMPLETE SET OF CONSOLIDATED AND UNCONSOLIDATED FINANCIAL STATEMENTS

We have expressed a qualified opinion on the complete set of consolidated and unconsolidated financial statements of the Bank for the period between 1 January 2019 and 31 December 2019 on 30 January 2020.

BOARD OF DIRECTORS' RESPONSIBILITY FOR THE ANNUAL REPORT

In accordance with the Articles 514 and 516 of the Turkish Commercial Code numbered 6102 ("TCC") and Regulation on the Principles and Procedures Concerning the Preparation of and Publishing Annual Reports by the Bank ("Regulation") published in the Official Gazette dated

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1 November 2006 and Numbered 26333, the Bank's management is responsible for the following regarding the annual report:

a) The Bank's management prepares its annual report within the first three months following the date of statement of financial position and submits it to the general assembly.
b) The Bank's management prepares its annual report in such a way that it reflects the operations of the year and the consolidated and unconsolidated financial position of the Bank accurately, completely, directly, true and fairly in all respects. In this report, the financial position is assessed in accordance with the Bank's consolidated and unconsolidated financial statements. The annual report shall also clearly indicates the details about the Bank's development and risks that might be encountered. The assessment of the Board of Directors on these matters is included in the report.
c) The annual report also includes the matters below:
- Significant events occurred in the Company after the reporting period,
- The Bank's research and development activities.
- Financial benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, benefits in cash and kind, insurance and similar guarantees.

When preparing the annual report, the Board of Directors also considers the secondary legislation arrangements issued by the Ministry of Trade and related institutions.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE ANNUAL REPORT

Our objective is to express an opinion on whether the consolidated and unconsolidated financial information included in the annual report in accordance with the TCC and the Regulation, and analysis of the Board of Directors by using the information included in the audited consolidated and unconsolidated financial statements regarding the position of the Bank are consistent with the audited consolidated and unconsolidated financial statements of the Bank and the information obtained during the audit and give a true and fair view and form a report that includes this opinion .

We conducted our audit in accordance with BRSA Auditing Regulation and Standards on Auditing issued by POA. Those standards require compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the consolidated and unconsolidated financial information included in the annual report and analysis of the Board of Directors by using the information included in the audited consolidated and unconsolidated financial statements regarding the position of the Bank are consistent with the consolidated and unconsolidated financial statements and the information obtained during the audit and provides a fair presentation.

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A member firm of KPMG International Cooperative

Alper Güvenç, SMMM
Partner
2 March 2020
İstanbul, Turkey

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INDEPENDENT LIMITED ASSURANCE REPORT

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

We were engaged by T. Garanti Bankası A.Ş. (hereinafter "Company" or "Garanti") to provide limited assurance on the "Selected Information" contained as defined in Appendix A.1 of the Integrated Annual Report (hereinafter "the Report") for the year ended 31 December 2019.

The scope of our assurance is limited to the Selected Information listed below:

- Total Yearly GHG Emissions in tCO_2e reported under scope 1 and 2 of the GHG Protocol (Revised Edition)
- GHG Emissions Intensity in the reporting period
- Annual percentage change in GHG Emissions Intensity
- Total Yearly GHG emissions from business air travel – Scope 3 & Air Travel in Kilometres
- Total Yearly Avoided Emissions due to operational renewable energy projects under loan from Garanti (HPP, WPP, SPP)
- Total Yearly Energy Consumption by Source
- Total Yearly Water Consumption by Source
- Total Yearly Waste Generated (Recycled Hazardous and Recycled Non-hazardous)
- Environmental & Social Impact Assessment Process related to projects financed by Garanti:
  - o Number of assessed projects in 2019
  - o Risk rating of the assessed projects in 2019
  - o Number of project site visits conducted during 2019
- Renewable energy portfolio:
  - o Amount of investments in renewable energy projects by type as of the reporting period end
  - o Installed capacity of renewable energy projects by type as of the reporting period end
  - o Garanti's market share of operational installed wind capacity in Turkey as of the reporting period end
- Materiality Analysis
- Sustainability Governance
- Total monetary amount of community investments in the reporting period
- Cardless Transactions from Garanti ATMs:
  - o Total number of cardless transactions from Garanti ATMs in the reporting period
  - o Total volume of cardless transactions from Garanti ATMs in the reporting period
- Women employee ratio:
  - o Senior+Middle Management
  - o Total women employee
- Number of maternity leaves
- Number of paternity leaves
- Ratio of women employees returned to work after maternity leave
- Number of employees registered to Gender Equality trainings in 2019
- Number of employees attended the Female Leadership trainings in 2019
- Absentee Rate
- Number of Clients (Total, Digital Banking and Mobile Banking) as of the reporting period end

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MANAGEMENT'S RESPONSIBILITIES

Management is responsible for the preparation and presentation of the Report for the Selected Information in accordance with the Garanti's internally developed criteria as described in Appendix A.1 of the Report, and the information and assertions contained within it; for determining the Garanti's objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that Garanti complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and the Selected Information are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

OUR RESPONSIBILITIES

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement.

We apply International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

PROCEDURES PERFORMED

A limited assurance engagement on a Selected Information consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Selected Information, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Inquiries of management to gain an understanding of Garanti's processes for determining the material issues for Garanti's key stakeholder groups.
- Interviews with senior management and relevant staff at group level and selected business unit level concerning sustainability strategy and policies for material issues, and the implementation of these across the business.
- Interviews with relevant staff at the corporate and business unit level responsible for providing the information in the Selected Information.
- Comparing the information presented in the Selected Information to corresponding information in the relevant underlying sources to determine whether all the relevant information contained in such underlying sources has been included in the Selected Information.

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• Reading the information presented in the Selected Information to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of Garanti.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

INHERENT LIMITATIONS

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities in the information presented in the Selected Information may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Selected Information, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

CONCLUSION

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

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

Based on the procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the Selected Information as defined in Appendix A.1 of the Report of Garanti for the year ended 31 December 2019 is not presented, in all material respects, in accordance with the Garanti's internally developed reporting criteria as explained in Appendix A.1 of the Report.

In accordance with the terms of our engagement, this independent limited assurance report on the Selected Information has been prepared for Garanti in connect with reporting to Garanti and for no other purpose or in any other context.

RESTRICTION OF USE OF OUR REPORT

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than Garanti, for any purpose or in any other context. Any party other than Garanti who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Garanti for our work, for this independent limited assurance report, or for the conclusions we have reached.

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

Şirin Soysal,
Partner
İstanbul, 2 March 2020

STATEMENT OF RESPONSIBILITY

STATEMENT OF RESPONSIBILITY IN ACCORDANCE WITH ARTICLE 9 OF THE COMMUNIQUÉ ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS (II-14.1) ISSUED BY THE CAPITAL MARKETS BOARD

T. Garanti Bankası A.Ş.'s year-end Annual Report for the period 01.01.2019 - 31.12.2019, prepared in accordance with the Communiqué On Principles of Financial Reporting in Capital Markets (II-14.1) issued by the Capital Markets Board, has been examined by us;

→ Based on our duties and responsibilities in the Bank and the information we have, we declare that the year-end Annual Report does not contain any untrue statement on material events or any deficiency which may make them misleading as of the date of statement,

→ Based on our duties and responsibilities in the Bank and the information we have, we declare that the year-end Annual Report honestly reflects the progress and performance of the business and the Bank's financial position with significant risks and uncertainties.

Sincerely,

RECEP BAŞTUĞ
GENERAL MANAGER

AYDIN GÜLER
EXECUTIVE VICE PRESIDENT

JORGE SAENZ-AZCUNAGA CARRANZA
AUDIT COMMITTEE MEMBER

RICARDO GOMEZ BARREDO
AUDIT COMMITTEE MEMBER

BELKIS SEMA YURDUM
AUDIT COMMITTEE MEMBER

STATEMENT OF RESPONSIBILITY IN ACCORDANCE WITH ARTICLE 9 OF THE COMMUNIQUÉ ON PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS (II-14.1) ISSUED BY THE CAPITAL MARKETS BOARD

T. Garanti Bankası A.Ş.'s Unconsolidated and Consolidated Financial Statements and Independent Auditor's Report for the period 01.01.2019 - 31.12.2019, prepared in accordance with the Communiqué On Principles of Financial Reporting in Capital Markets (II-14.1) issued by the Capital Markets Board, have been examined by us;

→ Based on our duties and responsibilities in the Bank and the information we have, we declare that Unconsolidated and Consolidated Financial Statements and Independent Auditor's Report do not contain any untrue statement on material events or any deficiency which may make them misleading as of the date of statement,

→ Based on our duties and responsibilities in the Bank and the information we have, we declare that Unconsolidated and Consolidated Financial Statements and Independent Auditor's Report honestly reflect the truth relating to the Bank's assets, liabilities, financial position, profits and losses.

Sincerely,

RECEP BAŞTUĞ
GENERAL MANAGER

AYDIN GÜLER
EXECUTIVE VICE PRESIDENT

JORGE SAENZ-AZCUNAGA CARRANZA
AUDIT COMMITTEE MEMBER

RICARDO GOMEZ BARREDO
AUDIT COMMITTEE MEMBER

BELKIS SEMA YURDUM
AUDIT COMMITTEE MEMBER

UNCONSOLIDATED FINANCIAL STATEMENTS

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ

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

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

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CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITORS' REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH TO ENGLISH

To the General Assembly of Türkiye Garanti Bankası Anonim Şirketi

A) REPORT ON THE AUDIT OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

Qualified Opinion

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

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

Basis for Qualified Opinion

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

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

Key Audit Matters

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

Impairment of loans measured at amortised cost

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

KEY AUDIT MATTER	HOW THE MATTER IS ADDRESSED IN OUR AUDIT
As of 31 December 2019, loans measured at amortised cost comprise 64% of the Bank's total assets. The Bank recognizes its loans in accordance with the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside (the "Regulation") published on the Official Gazette No. 29750 dated 22 June 2016 and TFRS 9 Financial Instruments standard ("Standard"). The Bank applies the "expected credit loss model" in determining the impairment of financial assets in accordance with the Regulation and Standard. The model which contains significant assumptions and estimates is reviewed by the Bank management annually. The significant assumptions and estimates of the Bank's management are as follows: • significant increase in credit risk; • incorporating the forward looking macroeconomic information in calculation of credit risk; and • design and implementation of expected credit loss model. The determination of the impairment of loans measured at amortised cost depends on the (i) credit default status, (ii) the model based on the change in the credit risk at the first recognition date and (iii) the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets. The Bank calculates expected credit losses on both an individual and a collective basis. Individual provisions consider the estimated future performance of the business and the fair value of the collateral provided for credit transactions. The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and expectations. The completeness and accuracy of data sets in the model are also considered and the forward looking expectations are reflected by macroeconomic models. Impairment on loans measured at amortised cost was considered to be a key audit matter, due to the significance of the estimates, assumptions, the level of judgements and its complex structure as explained above.	Our procedures for testing the impairment of loans included below: • We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the involvement of information risk management specialists. • We evaluated the Bank's business model whose objective is to hold financial assets in order to collect contractual cash flows and we tested the appropriateness of the loan agreements with the model by selecting samples. • We evaluated the adequacy of the subjective and objective criteria that is defined in the Bank's impairment accounting policy compared with the Regulation and Standard. • We evaluated the Banks's business model and methodology and the evaluation of the calculations were carried out with the control testing and detailed analysis by the involvement of specialist. • We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and testing their classification. In this context, the current status of the loan customer has been evaluated by including prospective information and macroeconomic variables. • We evaluated the accuracy of the expected credit loss calculations by selecting sample for the loans which are assessed on individual basis and discussed the assumptions and estimates with the Bank management. • We tested the accuracy and completeness of the data in the calculation models for the loans which are assessed on collective basis. The expected credit loss calculation was tested through recalculation. The models used for the calculation of the risk parameters were examined and the risk parameters for the selected sample portfolios were recalculated. • We assessed the macroeconomic models which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method. • We evaluated the qualitative and quantitative assessments which are used in determining the significant increase in credit risk. Additionally, we also evaluated the adequacy of the unconsolidated financial statements' disclosures related to impairment provisions.

Measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3)

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

KEY AUDIT MATTER	HOW THE MATTER IS ADDRESSED IN OUR AUDIT
The classification of the financial assets is based on the Bank's business model and characteristics of the contractual cash flows in accordance with TFRS 9. The fair value of the loan classified as financial assets measured at fair value through profit or loss according to business model is determined as Level 3 considering the significant unobservable inputs, assumptions and estimates used. Management assesses the significant unobservable inputs and uncertainties due to assumptions and estimates with the involvement of an independent valuation firm. The Bank has also financial liabilities (securitization loans) which are accounted by using the fair value option on the initial recognition in order to eliminate any accounting mismatch in accordance with TFRS 9. The fair value of the securitization loans which are accounted as financial liabilities measured at fair value through profit or loss are determined as Level 3 considering the significant unobservable inputs, assumptions and estimates used. As mentioned above, the measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3) is determined as key audit matter considering high degree of judgements and assumptions.	Our procedures for testing the fair value hierarchy of the financial instruments (the fair value hierarchy of financial instruments determined as Level 3) included below: • We evaluated the design and implementation of the controls that the Bank sets for the measurement of fair value of the relevant financial instruments. • We assessed the policy of the measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3) based on TFRS 9 and compared with the requirements of TFRS 9 • We have involved our own valuation specialists to evaluate the significant unobservable inputs and assumptions used by the Bank for the fair value calculation of the related instruments. Additionally, we also evaluated the adequacy of the unconsolidated financial statements' disclosures related to the measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3).

Pension plan

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

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
The Bank's defined benefit pension plan (the "Plan") is managed by "Türkiye Garanti Bankası A.Ş. Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı" (the "Fund") established as per the provisional article 20 of the Social Security Law No. 506 and the Bank's employees are the members of this Fund. As disclosed in the Note 3.17 to the unconsolidated financial statements, the Plan is composed of benefits which are subject to transfer to Social Security Foundation ("SSF") as per the Social Security Law no.5510 provisional article 20, and other social rights and pension benefits provided by the Bank that are not transferable to SSF. The Council of Ministers has been authorized to determine the transfer date. Following the transfer, the non-transferable social rights and pension benefits provided under the Plan will be covered by the funds and the institutions that employ the funds' members. As of 31 December 2019, the Bank's transferrable liabilities are calculated by an independent actuary using the actuarial assumptions regulated by Law, and in accordance with the Decision of the Council of Ministers announced in the Official Gazette dated 15 December 2006 and No.26377. As of 31 December 2019, the Bank's non-transferrable liabilities are also calculated by independent actuary in accordance with TAS 19 Employee Benefits Standard. The valuation of the Pension Fund liabilities requires judgement in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, inflation levels, demographic assumptions, and the impact of changes in Pension Plan. Management uses independent actuaries to assist in assessing the uncertainty around these assumptions. Considering the subjectivity of key judgements and assumptions, plus the uncertainty around the transfer date and basis of the transfer calculation given the fact that the technical interest rate is prescribed under the law, we considered this to be a key audit matter.	Our procedures for auditing calculations of the management's pension plan liability included below: • We evaluated the design and implementation of the controls that the Bank has set for the liability calculations related to the pension plan was tested. • We have assessed whether there have been any significant changes in actuarial assumptions, methods and underlying regulations used in calculations. • Significant changes during the period in pension plan benefits, plan assets or membership profiles which affect liabilities have been evaluated. • We have involved our own actuarial specialist to assess the appropriateness of the actuarial assumptions and calculations. • We have evaluated whether the plan assets are adequate to cover the Pension Plan liabilities, under the methods and assumptions used. • Additionally, the adequacy of the unconsolidated financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities have been evaluated.

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

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

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

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

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

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

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

• Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to

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provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

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

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

B) REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

ADDITIONAL PARAGRAPH FOR CONVENIENCE TRANSLATION TO ENGLISH:

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

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

Alper Güvenç, SMMM
Partner

30 January 2020
Istanbul, Turkey

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The unconsolidated year-end financial report prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

1. General Information about the Bank
2. Unconsolidated Financial Statements of the Bank
3. Accounting Policies
4. Financial Position and Results of Operations, and Risk Management Applications of the Bank
5. Disclosures and Footnotes on Unconsolidated Financial Statements
6. Other Disclosures and Footnotes
7. Independent Auditors' Report

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

SÜLEYMAN SÖZEN Board of Directors Chairman	**RECEP BAŞTUĞ** General Manager	**AYDIN GÜLER** Executive Vice President Responsible of Financial Reporting	**HAKAN ÖZDEMIR** Financial Reporting and Accounting Director

JORGE SAENZ - AZCUNAGA CARRANZA Audit Committee Member	**RICARDO GOMEZ BARREDO** Audit Committee Member	**BELKIS SEMA YURDUM** Audit Committee Member

The authorized contact person for questions on this financial report:
Name-Surname/Title: Handan SAYGIN/Director of Investor Relations

Phone no: 90 212 318 23 50
Fax no: 90 212 216 59 02

1 GENERAL INFORMATION

1.1 HISTORY OF THE BANK INCLUDING ITS INCORPORATION DATE, INITIAL LEGAL STATUS, AMENDMENTS TO LEGAL STATUS

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

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

The Bank provides banking services through 904 domestic branches, 8 foreign branches and 2 representative offices abroad (31 December 2018: 926 domestic branches, 8 foreign branches and 2 representative offices). The Bank's head office is located in Istanbul.

1.2 BANK'S SHAREHOLDER STRUCTURE, MANAGEMENT AND INTERNAL AUDIT, DIRECT AND INDIRECT SHAREHOLDERS, CHANGE IN SHAREHOLDER STRUCTURE DURING THE PERIOD AND INFORMATION ON BANK'S RISK GROUP

As of 31 December 2019, group of companies under BBVA that currently owns 49.85% shares of the Bank, is defined as the BBVA Group (the Group) and it is the main shareholder.

On 22 March 2011, BBVA had acquired; 78.120.000.000 shares of the Bank owned by GE Capital Corporation at a total nominal value of TL 781,200 representing 18.60% ownership, and 26.418.840.000 shares of the Bank owned by Doğuş Holding AŞ at a total nominal value of TL 264,188 representing 6.29% ownership. BBVA, purchasing 24.89% shares of the Bank, had joint control on the Bank's management together with group of companies under Doğuş Holding AŞ (the Doğuş Group).

Subsequently, on 7 April 2011, BBVA had acquired 503.160.000 shares at a nominal value of TL 5,032 and increased its ownership in the Bank's share capital to 25.01%. Accordingly, BBVA and the Doğuş Group continued to have mutual control on the Bank's management.

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

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

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

BBVA GROUP

BBVA is operating for more than 150 years, providing variety of wide spread financial and non-financial services to 77 million retail and commercial customers.

The Group's headquarter is in Spain, where the Group has concrete leadership in retail and commercial markets. BBVA adopting innovative, and customer and community oriented management style, besides banking, operates in insurance sector in Europe and portfolio management, private banking and investment banking in global markets.

BBVA which is the largest financial institution in Mexico and also the market leader in South America, operates in more than 30 countries with more than 126 thousand employees.

(Thousands of Turkish Lira (TL))

1.3 INFORMATION ON THE BANK'S BOARD OF DIRECTORS CHAIRMAN AND MEMBERS, AUDIT COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER, EXECUTIVE VICE PRESIDENTS AND THEIR RESPONSIBILITIES AND SHAREHOLDINGS IN THE BANK

BOARD OF DIRECTORS CHAIRMAN AND MEMBERS:

NAME AND SURNAME	RESPONSIBILITY	APPOINTMENT DATE	EDUCATION	EXPERIENCE IN BANKING AND BUSINESS ADMINISTRATION
Süleyman Sözen	Chairman	29.05.1997	University	39 years
Jorge Saenz Azcunaga Carranza	Vice Chairman Independent Member and Member of Audit Committee	24.03.2016	University	27 years
Recep Baştuğ	Member and CEO	06.09.2019	University	30 years
Sait Ergun Özen	Member	14.05.2003	University	33 years
Dr. Muammer Cüneyt Sezgin	Member	30.06.2004	PhD	32 years
Jaime Saenz de Tejada Pulido	Member	02.10.2014	University	28 years
Javier Bernal Dionis	Member	27.07.2015	Master	30 years
Rafael Salinas Martinez de Lecea	Member	08.05.2017	Master	29 years
Belkıs Sema Yurdum	Independent Member and Member of Audit Committee	30.04.2013	University	39 years
Ricardo Gomez Barredo	Independent Member and Member of Audit Committee	08.05.2017	Master	32 years
Mevhibe Canan Özsoy	Independent Member	04.04.2019	Master	31 years

CEO AND EXECUTIVE VICE PRESIDENTS:

NAME AND SURNAME	RESPONSIBILITY	APPOINTMENT DATE	EDUCATION	EXPERIENCE IN BANKING AND BUSINESS ADMINISTRATION
Recep Baştuğ	CEO	06.09.2019	University	30 years
İlker Kuruöz	EVP-Engineering Services and Data	14.03.2018	Master	28 years
Avni Aydın Düren	EVP-Legal Services and Collection	01.02.2009	Master	28 years
Betül Ebru Edin	EVP-Corporate, Investment Banking and Global Markets	25.11.2009	University	26 years
Didem Başer	EVP- Customer Solutions and Digital Banking	20.03.2012	Master	25 years
Selahattin Güldü	EVP-Commercial Banking	20.04.2018	University	29 years
Osman Nuri Tüzün	EVP- Talent and Culture	19.08.2015	Master	27 years
Aydın Güler	EVP- Finance and Treasury	03.02.2016	University	29 years
Ali Temel	Head of Credit Risk Management	03.02.2016	University	29 years
Mahmut Akten	EVP-Retail Banking	17.01.2017	Master	20 years
Cemal Onaran	EVP-SME Banking	17.01.2017	University	29 years

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

1.4 INFORMATION ON THE BANK'S QUALIFIED SHAREHOLDERS

NAME / COMPANY	SHARES	OWNERSHIP	PAID-IN CAPITAL	UNPAID PORTION
Banco Bilbao Vizcaya Argentaria SA	2,093,700	49.85%	2,093,700	-

1.5 SUMMARY INFORMATION ON THE BANK'S ACTIVITIES AND SERVICES

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

- All banking operations,
- Participating in, establishing, and trading the shares of enterprises at various sectors within the limits set forth by the Banking Law;
- Providing attorneyship, insurance agency, brokerage and freight services in relation with banking activities,
- Purchasing/selling debt securities, treasury bills, government bonds and other share certificates issued by Turkish government and other official and private institutions on the condition that completion of the necessary approvals and permits by Capital Markets Board of Turkey,
- Developing economical and financial relations with foreign organizations,
- Dealing with all economic operations in compliance with the Banking Law.

The Bank's activities are not limited to those disclosed in that third clause, but whenever the Board of Directors deems any operations other than those stated above to be of benefit to the Bank, it is recommended in the general meeting, and the launching of the related project depends on the decision taken during the General Assembly which results in a change in the Articles of Association and on the approval of this decision by the Ministry of Industry and Commerce. Accordingly, the approved decision is added to the Articles of Association.

The Bank is not a specialized bank but deals with all kinds of banking activities. Deposits are the main sources of the lendings to the customers. The Bank grants loans to companies operating in various sectors while aiming to maintain the required level of efficiency.

The Bank also grants non-cash loans to its customers; especially letters of guarantee, letters of credit and acceptance credits.

1.6 CURRENT OR LIKELY ACTUAL OR LEGAL BARRIERS TO IMMEDIATE TRANSFER OF EQUITY OR REPAYMENT OF DEBTS BETWEEN THE BANK AND ITS SUBSIDIARIES

None.

2 UNCONSOLIDATED FINANCIAL STATEMENTS

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

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

Balance Sheet (Statement of Financial Position)

At 31 December 2019

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

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

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

Off-Balance Sheet Items

At 31 December 2019

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

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

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

TÜRKİYE GARANTİ BANKASI AŞ AND ITS FINANCIAL SUBSIDIARIES

Statement of Profit or Loss

For the period ended at 31 December 2019

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

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

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

TÜRKİYE GARANTİ BANKASI AŞ AND ITS FINANCIAL SUBSIDIARIES

Statement of Profit or Loss and Other Comprehensive Income

For the period ended at 31 December 2019

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

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

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

TÜRKİYE GARANTİ BANKASI AŞ AND ITS FINANCIAL SUBSIDIARIES

Statement of Changes in Shareholders' Equity

For the period ended at 31 December 2019

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

THOUSANDS OF TURKISH LIRA (TL)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	FOOTNOTES	PAID-IN CAPITAL	SHARE PREMIUM	SHARE CANCELLATION PROFITS	OTHER CAPITAL RESERVES	OTHER COMPREHENSIVE INCOME/EXPENSE ITEMS NOT TO BE RECYCLED TO PROFIT OR LOSS: REVALUATION SURPLUS ON TANGIBLE AND INTANGIBLE ASSETS	DEFINED BENEFIT PLANS' ACTUARIAL GAINS/ LOSSES	OTHERS	OTHER COMPREHENSIVE INCOME/ EXPENSE ITEMS TO BE RECYCLED TO PROFIT OR LOSS: TRANSLATION DIFFERENCES	INCOME/EXPENSES FROM VALUATION AND/OR RECLASSIFICATION OF FINANCIAL ASSETS MEASURED AT FVOCI	OTHERS	PROFIT RESERVES	PRIOR PERIODS' PROFIT/LOSS	CURRENT PERIOD'S NET PROFIT/ LOSS	TOTAL SHAREHOLDERS' EQUITY
PRIOR PERIOD (01/01/2018-31/12/2018)															
I. Balances at Beginning of Period		4,200,000	11,880	-	772,554	1,431,478	(142,992)	60,858	1,711,458	(138,997)	(350,921)	27,431,972	6,343,920	-	41,331,210
II. Correction made as per TAS 8		-	-	-	-	-	-	-	-	393,233	-	-	397,309	-	790,542
2.1 Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	393,233	-	-	397,309	-	790,542
III. Adjusted Balances at Beginning of Period (I+II)		4,200,000	11,880	-	772,554	1,431,478	(142,992)	60,858	1,711,458	254,236	(350,921)	27,431,972	6,741,229	-	42,121,752
IV. Total Comprehensive Income		-	-	-	-	(7,584)	(15,837)	38,504	1,146,418	(1,143,581)	(423,077)	6,059	-	6,638,236	6,239,138
V. Capital Increase in Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase from Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Capital Reserves from Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Others Changes		-	-	-	-	-	-	-	-	-	-	76,963	-	-	76,963
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	4,593,920	(6,343,920)	-	(1,750,000)
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	(1,750,000)	-	(1,750,000)
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	4,592,770	(4,592,770)	-	-
11.3 Others		-	-	-	-	-	-	-	-	-	-	1,150	(1,150)	-	-
Balances at end of the period (III+IV...+X+XI)		4,200,000	11,880	-	772,554	1,423,894	(158,829)	99,362	2,857,876	(889,345)	(773,998)	32,108,914	397,309	6,638,236	46,687,853
CURRENT PERIOD (01/01/2019-31/12/2019)															
I. Balances at Beginning of Period															
II. Correction made as per TAS 8	5.5	4,200,000	11,880	-	772,554	1,423,894	(158,829)	99,362	2,857,876	(889,345)	(773,998)	32,108,914	7,035,545	-	46,687,853
2.1 Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Balances at Beginning of Period (I+II)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Total Comprehensive Income		4,200,000	11,880	-	772,554	1,423,894	(158,829)	99,362	2,857,876	(889,345)	(773,998)	32,108,914	7,035,545	-	46,687,853
V. Capital Increase in Cash		-	-	-	-	(241)	(12,567)	117,734	502,294	475,059	(189,720)	-	-	6,158,841	7,051,400
VI. Capital Increase from Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Capital Reserves from Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Others Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	26,413	-	-	26,413
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	7,035,545	(7,035,545)	-	-
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3 Others		-	-	-	-	-	-	-	-	-	-	7,029,129	(7,029,129)	-	-
Balances at end of the period (III+IV+X+XI)		4,200,000	11,880	-	772,554	1,423,653	(171,396)	217,096	3,360,170	(414,286)	(963,718)	39,170,872	-	6,158,841	53,765,666

Statement of Cash Flows

For the period ended at 31 December 2019

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

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

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

Statement of Profit Distribution

For The Year Ended 31 December 2019

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

		THOUSANDS OF TURKISH LIRA (TL)	
	STATEMENT OF PROFIT DISTRIBUTION	**CURRENT PERIOD (*) 31 DECEMBER 2019**	**PREVIOUS PERIOD (*) 31 DECEMBER 2018**
I.	**DISTRIBUTION OF CURRENT YEAR PROFIT**		
1.1	CURRENT PERIOD PROFIT	7,816,281	8,445,261
1.2	TAXES AND LEGAL DUTIES PAYABLE (-)	1,657,440	1,807,025
1.2.1	Corporate tax (income tax)	1,657,440	1,807,025
1.2.2	Withholding tax	-	-
1.2.3	Other taxes and duties	-	-
A.	**NET PROFIT FOR THE YEAR (1.1-1.2)**	**6,158,841**	**6,638,236**
1.3	ACCUMULATED LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	-
1.5	OTHER STATUTORY RESERVES (-)	-	6,416
B.	**NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]**	**-**	**6,631,820**
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To owners of ordinary shares	-	-
1.6.2	To owners of privileged shares	-	-
1.6.3	To owners of redeemed shares	-	-
1.6.4	To profit sharing bonds	-	-
1.6.5	To holders of profit and loss sharing certificates	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1	To owners of ordinary shares	-	-
1.9.2	To owners of privileged shares	-	-
1.9.3	To owners of redeeemed shares	-	-
1.9.4	To profit sharing bonds	-	-
1.9.5	To holders of profit and loss sharing certificates	-	-
1.10	SECOND LEGAL RESERVES (-)	-	-
1.11	STATUS RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	6,631,820
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
II.	**DISTRIBUTION OF RESERVES**		
2.1	APPROPRIATED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1	To owners of ordinary shares	-	-
2.3.2	To owners of privileged shares	-	-
2.3.3	To owners of redeemed shares	-	-
2.3.4	To profit sharing bonds	-	-
2.3.5	To holders of profit and loss sharing certificates	-	-
2.4	DIVIDENDS TO PERSONNEL (-)	-	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III.	**EARNINGS PER SHARE (per YTL'000 face value each)**		
3.1	TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)	0.01466	0.01581
3.2	TO OWNERS OF ORDINARY SHARES (%)	146.64	158.05
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV.	**DIVIDEND PER SHARE**		
4.1	TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)	-	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) Decision regarding the 2018 profit distribution will be held at General Assembly meeting.
(**) 2018 Profit distribution table is presented excluding TFRS 9 Financial Instruments Standard transition effects.
The accompanying notes are an integral part of these unconsolidated financial statements.

3 ACCOUNTING POLICIES

3.1 BASIS OF PRESENTATION

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

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis except for financial instruments measured at fair value through profit/loss, financial assets measured at fair value through other comprehensive income, real estates and subsidiaries accounted based on equity method.

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

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

3.1.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

3.1.1.1 MAJOR NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

3.1.1.2 1 STANDARDS EFFECTIVE AS OF 1 JANUARY 2019

TFRS 16 Leases

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

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

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

3.2 STRATEGY FOR USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS

3.2.1 STRATEGY FOR USE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

Another influential factor in management of interest and liquidity risks on balance sheet is product diversification both on asset and liability sides. Exchange rate risk, interest rate risk and liquidity risk are controlled and measured by various risk management systems, and the balance sheet is managed under the limits set by these systems and the limits legally required. Asset-liability management and value at risk models, stress tests and scenario analysis are used for this purpose.

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

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

3.2.2 FOREIGN CURRENCY TRANSACTIONS

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

In the unconsolidated financial statements, the financial subsidiaries are accounted for using the equity method in accordance with the Communique published on the Official Gazette dated 9 April 2015 no. 29321 related to the amendments to the Turkish Accounting Standard 27 (TAS 27) "Separate Financial Statements". In this context, foreign subsidiaries' asset and liability items in the balance sheet are translated into Turkish Lira by using foreign exchange rates as of the balance sheet date whereas income and expense items are translated into Turkish Lira by using average foreign exchange rates for the related period. Foreign exchange differences arising from translation of income and expense items and other equity items are accounted under capital reserves under equity.

From 1 September 2015, it has been started to apply net investment hedge amounting to EUR 401,703,512 (31 December 2018: EUR 366,635,075) in total among investments in Garanti Bank International NV and Garanti Holding BV having capitals denominated in foreign currencies and long term foreign currency borrowings. Foreign exchange losses in the amount of TL 1,204,648 (31 December 2018: TL 967,498), arising from conversion of both foreign currency investments and long term foreign currency borrowings are accounted under capital reserves and other comprehensive income/expense items to be recycled to profit/loss, respectively under equity as of 31 December 2019. There is no ineffective portion arising from net investment hedge accounting.

3.3 INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

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

In accordance with the Turkish Accounting Standard 28 (TAS 28) for "Investments in Associates and Joint Ventures" through the equity method, the carrying value of financial subsidiaries are accounted in the financial statements with respect to the Bank's share in these investments' net asset value. While the Bank's share on profits or losses of financial subsidiaries are accounted in the Bank's statement of profit or loss, the Bank's share in other comprehensive income of financial subsidiaries are accounted in the Bank's statement of other comprehensive income.

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

3.4 FORWARDS, OPTIONS AND OTHER DERIVATIVE TRANSACTIONS

3.4.1 DERIVATIVE FINANCIAL ASSETS

Derivative financial assets measured at fair value through profit/loss

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

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

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

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

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

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

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

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

3.4.2 DERIVATIVE FINANCIAL INSTRUMENTS HELD FOR HEDGING PURPOSE

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

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

Derivative financial instruments measured at fair value through other comprehensive income

The Bank enters into interest rate and cross currency swap transactions in order to hedge the changes in cash flows of the floating-rate financial instruments. While applying cash flow hedge accounting, the effective portion of the changes in the fair value of the hedging instrument is accounted for under other comprehensive income or expense to be recycled to profit/loss in shareholders' equity, and the ineffective portion is recognised in statement of profit or loss. The changes recognised in shareholders' equity is removed and included in statement of profit or loss in the same period when the hedged cash flows effect the income or loss.

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

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

3.5 INTEREST INCOME AND EXPENSES

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

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

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

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

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

3.6 FEES AND COMMISSIONS

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

3.7 FINANCIAL INSTRUMENTS

3.7.1 INITIAL RECOGNITION OF FINANCIAL INSTRUMENTS

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

3.7.2 INITIAL MEASUREMENT OF FINANCIAL INSTRUMENTS

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

3.7.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

3.7.3.1 ASSESSMENT OF BUSINESS MODEL

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

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

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

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

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

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

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

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

3.7.3.2 CONTRACTUAL CASH FLOWS THAT ARE SOLELY PAYMENTS OF PRINCIPAL AND INTEREST ON THE PRINCIPAL AMOUNT OUTSTANDING

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

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

3.7.4 MEASUREMENT CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

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

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

Financial investments and loans measured at amortised cost

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

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

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

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

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

Loans are recognized at cost and measured at amortized cost using the effective interest method. Duties paid, transaction costs and other similar expenses on assets received against such risks are considered as a part of transaction cost and charged to customers. The expected loss calculated for the relevant financial assets in accordance with TFRS 9 is presented in Note 5.1.5.11.

Financial assets measured at fair value through other comprehensive income

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

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

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

Financial assets measured at fair value through other comprehensive income are measured at their fair values subsequently. However, assets for which fair values could not be determined reliably are valued at amortized costs by using the discounting method with effective interest rate, that approximates to fair value, of return for floating-rate securities; and by using valuation models or discounted cash flow techniques for fixed-rate securities. Unrecognised gain/losses derived from the difference between their fair value and the discounted values are recorded in accumulated other comprehensive income or expense to be reclassified to profit or loss under the shareholders' equity. In case of sales, the gain/losses arising from fair value measurement accumulated under shareholders' equity are recognized in statement of profit or loss.

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

The Bank also owns in its securities portfolio; consumer price indexed government bonds (CPI) reclassified as financial assets measured at fair value through other comprehensive income, financial assets measured at fair value through profit or loss and financial assets measured at amortised cost. CPI's are valued and accounted according to the effective interest rate method which is calculated according to the real coupon rate and the reference inflation index on the issue date. As it is mentioned in the Undersecretariat of Treasury's Investor Guide of CPI, the reference index used during the calculation of the actual coupon payment amount is the previous two months CPI's. The Bank determines its expected inflation rates in compliance with this guide. The estimated inflation rate according to the Central Bank of Turkey and the Bank's expectations, is updated during the year when it is considered necessary.

Equity instruments measured at fair value through other comprehensive income

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

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

Financial assets and liabilities measured at fair value through profit or loss

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

The Bank classifies certain loans and securities issued at their origination dates, as financial assets/liabilities at fair value through profit/ loss, irrevocably in order to eliminate any accounting mismatch in compliance with TFRS 9.

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

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

3.8 DISCLOSURES ON IMPAIRMENT OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

3.8.1 CALCULATION OF EXPECTED CREDIT LOSSES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.8.1.1 LOAN COMMITMENTS AND NON-CASH LOANS

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

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

3.8.1.2 DEBT INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

3.8.1.3 CREDIT CARDS AND OTHER REVOLVING LOANS

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

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

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

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

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

3.8.2 FORWARD-LOOKING MACROECONOMIC INFORMATION

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

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

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

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

3.8.3 SIGNIFICANT INCREASE IN CREDIT RISK

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

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

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

Quantitative assessment:
The quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date.
The absolute and relative thresholds used for the probability of default are differantiated on the basis of segment/ loan group.

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

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

3.8.4 LOW CREDIT RISK

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

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

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

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

- Receivables from the Central Bank of the Republic of Turkey (required reserves, free reserves, placement, etc.)

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

3.9 NETTING AND DERECOGNITION OF FINANCIAL INSTRUMENTS

3.9.1 NETTING OF FINANCIAL INSTRUMENTS

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

3.9.2 DERECOGNITION OF FINANCIAL INSTRUMENTS

3.9.2.1 DERECOGNITION OF FINANCIAL ASSETS DUE TO CHANGE IN CONTRACTUAL TERMS

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

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

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

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

3.9.2.2 DERECOGNITION OF FINANCIAL ASSETS WITHOUT ANY CHANGE IN CONTRACTUAL TERMS

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

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

3.9.2.3 DERECOGNITION OF FINANCIAL LIABILITIES

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

3.9.3 RECLASSIFICATION OF FINANCIAL INSTRUMENTS

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

3.9.4 RESTRUCTURING AND REFINANCING OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

- Recovery in debt service.
- At least one year should pass over the date of restructuring
- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring /refinancing or the date when the debtor is classified as non-performing (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring /refinancing
- Collection of all overdue amounts, disappearance of the reasons for classification as non-performing receivable (based on the conditions mentioned above) and having no overdue more than 30 days as of the date of reclassification

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

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

3.10 REPURCHASE AND RESALE AGREEMENTS AND SECURITIES LENDING

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

Securities purchased under resale agreements are classified under "Money Market Placements" separately. An income accrual is accounted for the positive difference between the purchase and resale prices earned during the period on such securities.

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

3.11 ASSETS HELD FOR SALE, DISCONTINUED OPERATIONS AND RELATED LIABILITIES

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

A discontinued operation is a part of the Bank's business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in statement of profit or loss. The Bank has no discontinued operations.

3.12 GOODWILL AND OTHER INTANGIBLE ASSETS

The Bank's intangible assets consist of softwares, intangible rights and other intangible assets.

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

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

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

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

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

The intangible assets are amortised by the Bank over their estimated useful lives based on their inflation adjusted costs on a straight-line basis. Estimated useful lives of the Bank's intangible assets are 3-15 years, and amortisation rates are 6.67-33.3%.

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

3.13 TANGIBLE ASSETS

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

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

(Thousands of Turkish Lira (TL))

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

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

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

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

TANGIBLE ASSETS	ESTIMATED USEFUL LIVES (YEARS)	DEPRECIATION RATES %
Buildings	50	2
Vaults	50	2
Motor Vehicles	5-7	15-20
Other Tangible Assets	4-20	5-25

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

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

Investment properties

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

Investment properties accounted at fair value are not depreciated.

Right-of-use assets

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

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

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

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

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

3.14 LEASING ACTIVITIES

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

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

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

After the commencement date, the Bank measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

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

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

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

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

3.15 PROVISIONS AND CONTINGENT LIABILITIES

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

3.16 CONTINGENT ASSETS

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

(Thousands of Turkish Lira (TL))

3.17 LIABILITIES FOR EMPLOYEE BENEFITS

Severance indemnities and short-term employee benefits

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

Accordingly, the Bank reserved for employee severance indemnities in the accompanying financial statements using actuarial method in compliance with the Turkish Accounting Standard 19 (TAS 19) "Employee Benefits" for all its employees who retired or whose employment is terminated, called up for military service or died.

The major actuarial assumptions used in the calculation of the total liability are as follows:

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

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

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

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

Retirement benefit obligations

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

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

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

	31 DECEMBER 2019		31 DECEMBER 2018	
	EMPLOYER	EMPLOYEE	EMPLOYER	EMPLOYEE
Pension contributions	15.5%	10.0%	15.5%	10.0%
Medical benefit contributions	6.0%	5.0%	6.0%	5.0%

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

a) Benefits transferable to SSF

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

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

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

On 19 June 2008, Cumhuriyet Halk Partisi ("CHP") applied to the Constitutional Court for the cancellation of various articles of the Law including the first paragraph of the provisional Article 20. At the meeting of the Constitutional Court on 30 March 2011, it was decided that the article 73 and the first paragraph of the provisional Article 20 added to the law no. 5510 are not contradictory to the Constitutional Law, and accordingly the dismissal of the cancellation request has been denied with the majority of votes.

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

b) Other benefits not transferable to SSF

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

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

3.18 TAXATION

3.18.1 CORPORATE TAX

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

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

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

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

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

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

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

The tax applications for foreign branches;

NORTHERN CYPRUS

According to the Corporate Tax Law of the Turkish Republic of Northern Cyprus no.41/1976 as amended, the corporate earnings (including foreign corporations) are subject to a 10% corporate tax and 15% income tax. This tax is calculated based on the income that the taxpayers earn in an accounting period. Tax base is determined by modifying accounting income for certain exclusions and allowances for tax purposes. The corporations cannot benefit from the rights of offsetting losses, investment incentives and amortisation unless they prepare and have certified their balance sheets, income statements and accounting records used for tax calculations by an auditor authorized by the Ministry of Finance. In cases where it is revealed that the earnings of a corporation were not subject to taxation in prior years or the tax paid on such earnings are understated, additional taxes can be charged in the next 12 years following that the related taxation period. The corporate tax returns are filed in the tax administration office in April after following the end of the accounting year to which they relate. The corporate taxes are paid in two equal installments in May and October.

MALTA

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

3.18.2 DEFERRED TAXES

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

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

If transactions and events are recorded in the statement of profit or loss, then the related tax effects are also recognized in the statement of profit or loss. However, if transactions and events are recorded directly in the shareholders' equity, the related tax effects are also recognized directly in the shareholders' equity.

The deferred tax assets and liabilities are reported as net in the financial statements.

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

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

3.18.3 TRANSFER PRICING

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

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

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

3.19 FUNDS BORROWED

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

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

3.20 SHARE ISSUANCES

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

3.21 CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES

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

(Thousands of Turkish Lira (TL))

3.22 GOVERNMENT INCENTIVES

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

3.23 SEGMENT REPORTING

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

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

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

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

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

Information on the business segments is as follows:

CURRENT PERIOD	RETAIL BANKING	CORPORATE / COMMERCIAL BANKING	INVESTMENT BANKING	OTHER	TOTAL OPERATIONS
Total Operating Profit	12,348,848	9,772,521	(4,622,619)	9,642,506	27,141,256
Other	-	-	-	-	-
Total Operating Profit	**12,348,848**	**9,772,521**	**(4,622,619)**	**9,642,506**	**27,141,256**
Net Operating Profit	5,499,594	1,743,498	(5,074,584)	5,638,880	7,807,388
Dividend Income from Associates and Subsidiaries	-	-	-	8.893	8.893
Net Operating Profit	**5,499,594**	**1,743,498**	**(5,074,584)**	**5,647,773**	**7,816,281**
Provision for Taxes	-	-	-	1,657,440	1,657,440
Net Profit	**5,499,594**	**1,743,498**	**(5,074,584)**	**3,990,333**	**6,158,841**
Segment Assets	71,993,606	163,485,225	118,816,028	28,270,533	382,565,392
Investments in Associates and Subsidiaries	-	-	-	8,586,878	8,586,878
Total Assets	**71,993,606**	**163,485,225**	**118,816,028**	**36,857,411**	**391,152,270**
Segment Liabilities	169,796,486	86,694,416	67,961,445	12,934,257	337,386,604
Shareholders' Equity	-	-	-	53,765,666	53,765,666
Total Liabilities and Shareholders' Equity	**169,796,486**	**86,694,416**	**67,961,445**	**66,699,923**	**391,152,270**

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

3.24 PROFIT RESERVES AND PROFIT APPROPRIATION

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

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

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

3.25 EARNINGS PER SHARE

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

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

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

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

(Thousands of Turkish Lira (TL))

3.26 RELATED PARTIES

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

3.27 CASH AND CASH EQUIVALENTS

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

3.28 RECLASSIFICATIONS

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

	NOTE	31.12.2018	TFRS16 RECLASSIFICATION EFFECT	TFRS16 TRANSITION EFFECT	01.01.2019
TANGIBLE ASSETS (Net)	(1),(2)	4,106,029	30,190	923,465	5,059,684
OTHER ASSETS (Net)	(2)	11,167,879	(30,190)	-	11,137,689
LEASE PAYABLES (Net)	(1),(3)	16,464	-	923,465	939,929

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

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

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

3.29 OTHER DISCLOSURES

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

(Thousands of Turkish Lira (TL))

4 FINANCIAL POSITION AND RESULTS OF OPERATIONS AND RISK MANAGEMENT

4.1 TOTAL CAPITAL

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

4.1.1 COMPONENTS OF TOTAL CAPITAL

CURRENT PERIOD	AMOUNT	AMOUNT AS PER THE REGULATION BEFORE 1/1/2014 (*)
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	39,170,872	
Other Comprehensive Income according to TAS	5,186,540	
Profit	6,158,841	
Current Period's Profit	6,158,841	
Prior Periods' Profit	-	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	1,855	
Common Equity Tier I Capital Before Deductions	**55,502,542**	
DEDUCTIONS FROM COMMON EQUITY TIER I CAPITAL		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	1,258,902	-
Leasehold Improvements on Operational Leases (-)	163,555	-
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	328,535	328,535
Net Deferred Tax Asset/Liability (-)	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)		
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Excess Amount arising from Mortgage Servicing Rights (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)		
Total Deductions from Common Equity Tier I Capital	**1,750,992**	
Total Common Equity Tier I Capital	**53,751,550**	

(Thousands of Turkish Lira (TL))

ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Additional Tier I Capital before Deductions	**-**	
DEDUCTIONS FROM ADDITIONAL TIER I CAPITAL		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
ITEMS TO BE DEDUCTED FROM TIER I CAPITAL DURING THE TRANSITION PERIOD		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	**-**	
Total Additional Tier I Capital	**-**	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	**53,751,550**	
TIER II CAPITAL	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	4,693,480	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	3,424,763	
Total Deductions from Tier II Capital	**8,118,243**	
DEDUCTIONS FROM TIER II CAPITAL		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	**-**	
Total Tier II Capital	**8,118,243**	
Total Equity (Total Tier I and Tier II Capital)	**61,869,793**	

TOTAL TIER I CAPITAL AND TIER II CAPITAL (TOTAL EQUITY)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	109	
Other items to be Defined by the BRSA (-)	7,821	
ITEMS TO BE DEDUCTED FROM THE SUM OF TIER I AND TIER II CAPITAL (CAPITAL) DURING THE TRANSITION PERIOD	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	

(Thousands of Turkish Lira (TL))

CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	**61,861,863**	-
Total Risk Weighted Assets	**316,152,290**	-
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	**17.00**	**-**
Tier I Capital Ratio (%)	**17.00**	**-**
Capital Adequacy Ratio (%)	**19.57**	**-**
BUFFERS		
Total Additional CET1 Capital Requirement Ratio (a+b)	2.55	-
a) Capital Conservation Buffer Ratio (%)	2.500	-
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.05	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	10.84	-
AMOUNTS LOWER THAN EXCESSES AS PER DEDUCTION RULES		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	1,732,866	-
LIMITS FOR PROVISIONS USED IN TIER II CAPITAL CALCULATION		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	5,899,595	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3,424,763	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
DEBT INSTRUMENTS COVERED BY TEMPORARY ARTICLE 4 (EFFECTIVE BETWEEN 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

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

PRIOR PERIOD	AMOUNT	AMOUNT AS PER THE REGULATION BEFORE 1/1/2014 (*)
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	32,108,914	
Other Comprehensive Income according to TAS	4,443,308	
Profit	7,035,545	
Current Period Profit	6,638,236	
Prior Period Profit	397,309	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	1,855	
Common Equity Tier I Capital Before Deductions	**48,574,056**	
DEDUCTIONS FROM COMMON EQUITY TIER I CAPITAL		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	1,961,968	
Leasehold Improvements on Operational Leases (-)	235,547	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	279,586	279,586
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	

Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	1,672	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Excess Amount arising from Mortgage Servicing Rights (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions from Common Equity Tier I Capital	**2,478,773**	
Total Common Equity Tier I Capital	**46,095,283**	
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Additional Tier I Capital before Deductions	**-**	
DEDUCTIONS FROM ADDITIONAL TIER I CAPITAL		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	
ITEMS TO BE DEDUCTED FROM TIER I CAPITAL DURING THE TRANSITION PERIOD		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	**-**	
Total Additional Tier I Capital	**-**	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	**46,095,283**	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	3,952,425	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	3,228,493	
Total Deductions from Tier II Capital	**7,180,918**	
DEDUCTIONS FROM TIER II CAPITAL		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	

(Thousands of Turkish Lira (TL))

Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	
Total Tier II Capital	**7,180,918**	
Total Equity (Total Tier I and Tier II Capital)	**53,276,201**	
TOTAL TIER I CAPITAL AND TIER II CAPITAL (TOTAL EQUITY)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	1	
Other items to be Defined by the BRSA (-)	14,040	
ITEMS TO BE DEDUCTED FROM THE SUM OF TIER I AND TIER II CAPITAL (CAPITAL) DURING THE TRANSITION PERIOD		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	**53,262,160**	-
Total Risk Weighted Assets	**290,922,820**	-
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	15.84	-
Tier I Capital Ratio (%)	15.84	-
Capital Adequacy Ratio (%)	18.31	-
BUFFERS		
Total Additional CET1 Capital Requirement Ratio (a+b)	1.90	
a) Capital Conservation Buffer Ratio (%)	1.875	-
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.02	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	9.66	-
AMOUNTS LOWER THAN EXCESSES AS PER DEDUCTION RULES		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	1,326,411	-
LIMITS FOR PROVISIONS USED IN TIER II CAPITAL CALCULATION		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	5,119,174	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3,228,493	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
DEBT INSTRUMENTS COVERED BY TEMPORARY ARTICLE 4 (EFFECTIVE BETWEEN 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

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

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

(Thousands of Turkish Lira (TL))

4.1.2 ITEMS INCLUDED IN CAPITAL CALCULATION

CURRENT PERIOD	INFORMATION ABOUT INSTRUMENTS INCLUDED IN TOTAL CAPITAL CALCULATION	
Issuer	T. Garanti Bankası A.Ş.	T. Garanti Bankası A.Ş.
Identifier (CUSIP, ISIN vb.)	Reg S: ISIN: XS1617531063 Common Code: 161753106 144A: CUSIP: 900148 AE7 ISIN: US900148AE73 Common Code: 161752479	ISIN: TRSGRANE2915
Governing law (s) of the instrument	Subject to English Law and in terms of certain articles to Turkish Regulations. It is issued within the scope of the Communiqué VII-128.8 on Debt Instruments of the Capital Markets Board and the Regulation on Bank Capital of the BRSA.	It is subject to English Law and in terms of certain articles to Turkish Regulations. It is also issued within the scope of the "Regulation on Equities of Banks" and "the Communique Regarding the Capital Instruments that will be included in own funds of banks" within the legislation of Capital Markets Board of Turkey.
REGULATORY TREATMENT		
Subject to 10% deduction as of 1/1/2015	No	No
Eligible on unconsolidated and /or consolidated basis	Eligible on unconsolidated and consolidated	Eligible on unconsolidated and consolidated
Instrument type	Subordinated debt instruments (Notes)	Subordinated debt instruments (Notes)
Amount recognized in regulatory capital (Currency in TL million, as of most recent reporting date)	4,441 (31 December 2018: 3,952)	253
Nominal value of instrument (TL million)	4,441 (31 December 2018: 3,952)	253
Accounting classification of the instrument	34701 – Secondary Subordinated Loans	34601– Secondary Subordinated Loans
Issuance date of instrument	23.05.2017	09.10.2019
Maturity structure of the instrument (demand/time)	Time	Time
Original maturity of the instrument	24.05.2027	07.10.2029
Issuer call subject to prior supervisory (BRSA) approval	Yes	Yes
Optional call date, contingent call dates and redemption amount	24.05.2022 – USD 750,000,000	07.10.2024 – TL 252,880,000
Subsequent call dates, if applicable	-	-
INTEREST/DIVIDEND PAYMENT		
Fixed or floating coupon/dividend payments	Fixed	Floating
Coupon rate and any related index	6.1250%	TLREF + 130 bps
Existence of any dividend payment restriction	None	None
Fully discretionary, partially discretionary or mandatory	-	-
Existence of step up or other incentive to redeem	None	None
Noncumulative or cumulative	None	None
Convertible into equity shares	None	None
If convertible, conversion trigger (s)	-	-
If convertible, fully or partially	-	-
If convertible, conversion rate	-	-
If convertible, mandatory or optional conversion	-	-
If convertible, type of instrument convertible into	-	-
If convertible, issuer of instrument to be converted into	-	-
Write-down feature	Yes	Yes

If bonds can be written-down, write-down trigger(s)	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked and the Bank is liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable), or (iii) it is probable that the Issuer will become non-viable; then the bonds can be written-down.	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked or(ii) to be determined the probability of transfer to the SDIF Turkey, the bonds can be written off.
If bond can be written-down, full or partial	Partially or fully	Partially or fully
If bond can be written-down, permanent or temporary	Continuously	Continuously
If temporary write-down, description of write-up mechanism	There are no any temporary write-up mechanisms.	There are no any temporary write-up mechanisms.
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	In priority of receivables, it comes after the senior obligations of the Issuer.	In priority of receivables, it comes after the senior obligations of the Issuer.
In compliance with article number 7 and 8 of Regulation on Bank Capital	Instrument is in compliant with Article 8 of the Regulation on Bank Capital.	Instrument is in compliant with Article 8 of the Regulation on Bank Capital.
Details of incompliances with article number 7 and 8 of Regulation on Bank Capital	Instrument is not in compliant with Article 7 of the Regulation on Bank Capital.	Instrument is not in compliant with Article 7 of the Regulation on Bank Capital.

4.1.3 RECONCILIATION OF CAPITAL ITEMS TO BALANCE SHEET

CURRENT PERIOD	CARRYING VALUE	AMOUNT OF CORRECTION	VALUE OF THE CAPITAL REPORT	EXPLANATION OF DIFFERENCES
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	784,434	(772,554)	11,880	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Other Capital Reserves	772,554	(772,554)	-	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	-	-	-	
Share Premium	11,880	-	11,880	
Other Comprehensive Income/Expenses in Shareholders' Equity as per TMS	3,451,519	477,974	3,929,493	Items not included in the calculation as per Regulation's Article 9-1-f
Other Comprehensive Income/Expense Items not to be Recycled to Profit/Loss	1,469,353	-	1,469,353	
Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss	1,982,166	477,974	2,460,140	Items not included in the calculation as per Regulation's Article 9-1-f
Profit Reserves	39,170,872	-	39,170,872	
Profit or Loss	6,158,841	-	6,158,841	
Prior Periods' Profit/Loss	-	-	-	
Current Period Net Profit/Loss	6,158,841	-	6,158,841	
Deductions from Common Equity Tier I Capital (-)	-		492,090	Deductions from Common Equity Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	**53,765,666**		**53,751,550**	
Subordinated Debts	-		-	
Deductions from Tier I Capital (-)	-		-	Deductions from Tier 1 Capital as per the Regulation

(Thousands of Turkish Lira (TL))

Tier I Capital	**-**		**53,751,550**	
Subordinated Debts			4,693,480	
12 Month ECL (Stage 1) and Lifetime ECL Significant Increase in Credit Risk (Stage 2)			3,424,763	Stage 1 and Stage 2 evpected credit losses added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
Tier II Capital			**8,118,243**	
Deductions from Total Capital (-)			7,930	Deductions from Capital as per the Regulation
Total			**61,861,863**	

PRIOR PERIOD	CARRYING VALUE	AMOUNT OF CORRECTION	VALUE OF THE CAPITAL REPORT	EXPLANATION OF DIFFERENCES
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	784,434	(772,554)	11,880	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Other Capital Reserves	772,554	(772,554)	-	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	-	-	-	
Share Premium	11,880	-	11,880	
Other Comprehensive Income/Expenses in Shareholders' Equity as per TMS	2,558,960	(75,765)	2,483,195	Items not included in the calculation as per Regulation's Article 9-1-f
Other Comprehensive Income/Expense Items not to be Recycled to Profit/Loss	1,364,427	-	1,364,427	
Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss	1,194,533	(75,765)	1,118,768	Items not included in the calculation as per Regulation's Article 9-1-f
Profit Reserves	32,108,914	-	32,108,914	
Profit or Loss	7,035,545	-	7,035,545	
Prior Periods' Profit/Loss	397,309	-	397,309	
Current Period Net Profit/Loss	6,638,236	-	6,638,236	
Deductions from Common Equity Tier I Capital (-)	-	-	516,805	Deductions from Common Equity Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	**46,687,853**		**46,095,283**	
Subordinated Debts	-	-	-	
Deductions from Tier I Capital (-)	-		-	Deductions from Tier 1 Capital as per the Regulation
Tier I Capital	**-**		**46,095,283**	
Subordinated Debts			3,952,425	
12 Month ECL (Stage 1) and Lifetime ECL Significant Increase in Credit Risk (Stage 2)			3,228,493	Stage 1 and Stage 2 evpected credit losses added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
Katkı Sermayeden İndirimler (-)			-	
Tier II Capital			**7,180,918**	
Deductions from Total Capital (-)			14,041	Deductions from Capital as per the Regulation
Total			**53,262,160**	

(Thousands of Turkish Lira (TL))

4.2 CREDIT RISK

Credit risk is defined as risks and losses that may occur if the counterparty fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set. In compliance with the legislation, the credit limits are set for the financial position and credit requirements of customers within the authorization limits assigned for Branches, Lending Departments, Executive Vice President responsible of Lending, General Manager, Credit Committee and Board of Directors. The limits are subject to revision if necessary.

The debtors or group of debtors are subject to credit risk limits. Sectoral risk concentrations are reviewed on a monthly basis.

Credit worthiness of debtors is periodically reviewed in compliance with the legislation and in case that the risk level of debtor deteriorates, the credit limits are revised and further collateral is required by risk rating models developed and optimized for this purpose. For unsecured loans, the necessary documentation is gathered in compliance with the legislation.

Geographical concentration of credit customers is reviewed monthly. This is in line with the concentration of industrial and commercial activities in Turkey.

In accordance with the Bank's lending policies, the debtor's creditworthiness is analysed and the adequate collateral is obtained based on the financial position of the company and the type of loan; like cash collateral, bank guarantees, mortgages, pledges, bills and personal or corporate guarantees.

The Bank has control limits on the position held through forwards, options and other similar agreements. Credit risk of such instruments is managed together with the risk from market fluctuations. The Bank follows up the risk arising from such instruments and takes the necessary actions to decrease it when necessary.

The liquidated non-cash loans are subject to the same risk weight with the overdue loans.

The Bank performs foreign trade finance and other interbank credit transactions through widespread correspondents network. Accordingly, the Bank assigns limits to domestic and foreign banks and other financial institutions based on review of their credit worthiness, periodically.

The Bank's largest 100 and 200 cash loan customers compose 26.15% (31 December 2018: 27.63%) and 31.83% (31 December 2018: 33.38%) of the total cash loan portfolio, respectively.

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

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

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

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

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

	CURRENT PERIOD	PRIOR PERIOD
	%	%
Above Average	5.85	4.78
Average	21.93	37.87
Below Average	72.22	57.35
Total	**100.00**	**100.00**

(Thousands of Turkish Lira (TL))

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

(*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.
(**) Average risk amounts are the arithmetical average of the amounts in monthly reports prepared as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

(Thousands of Turkish Lira (TL))

4.2.1 PROFILE OF SIGNIFICANT EXPOSURES IN MAJOR REGIONS

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

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversion.
(**) Includes OECD countries other than EU countries, USA and Canada.
(***) Includes assets and liability items that can not be allocated on a consistent basis

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

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversion.
(**) Includes OECD countries other than EU countries, USA and Canada.
(***) Includes assets and liability items that can not be allocated on a consistent basis.

(Thousands of Turkish Lira (TL))

4.2.2 RISK PROFILE BY SECTORS OR COUNTERPARTIES

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

TÜRKİYE GARANTİ BANKASI AŞ AND ITS FINANCIAL SUBSIDIARIES

Unconsolidated Financial Report as of and for the Year Ended 31 December 2019

(Thousands of Turkish Lira (TL))

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

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

(Thousands of Turkish Lira (TL))

4.2.3 ANALYSIS OF MATURITY-BEARING EXPOSURES ACCORDING TO REMAINING MATURITIES

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

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

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

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

(Thousands of Turkish Lira (TL))

4.2.4 EXPOSURE CATEGORIES

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

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

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

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

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

CREDIT QUALITY GRADE	FITCH RATINGS LONG TERM CREDIT RATING	EXPOSURE CATEGORIES			
		EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS	EXPOSURES TO BANKS AND BROKERAGE HOUSES		EXPOSURES TO CORPORATES
			EXPOSURES WITH ORIGINAL MATURITIES LESS THAN 3 MONTHS	EXPOSURES WITH ORIGINAL MATURITIES MORE THAN 3 MONTHS	
1	AAA to AA-	0%	20%	20%	20%
2	A+ to A-	20%	20%	50%	50%
3	BBB+ to BBB-	50%	20%	50%	100%
4	BB+ to BB-	100%	50%	100%	100%
5	B+ to B-	100%	50%	100%	150%
6	CCC+ and below	150%	150%	150%	150%

4.2.5 EXPOSURES BY RISK WEIGHTS

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

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

(Thousands of Turkish Lira (TL))

4.2.6 INFORMATION BY MAJOR SECTORS AND TYPE OF COUNTERPARTIES

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

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

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

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

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

(Thousands of Turkish Lira (TL))

4.2.7 MOVEMENTS IN VALUE ADJUSTMENTS AND PROVISIONS

CURRENT PERIOD	OPENING BALANCE	PROVISION FOR PERIOD	PROVISION REVERSALS	OTHER ADJUSTMENTS	CLOSING BALANCE
Stage 3 Provisions	7,059,017	7,402,523	962,227	2,138,398	11,360,915
Stage 1 and Stage 2 Provisions	5,119,174	3,193,988	2,497,086	-	5,816,076

PRIOR PERIOD	OPENING BALANCE	PROVISION FOR PERIOD	PROVISION REVERSALS	OTHER ADJUSTMENTS	CLOSING BALANCE
Stage 3 Provisions	3,787,069	7,582,718	1,781,172	2,529,598	7,059,017
Stage 1 and Stage 2 Provisions	4,354,840	8,215,418	7,451,084	-	5,119,174

4.2.8 EXPOSURES SUBJECT TO COUNTERCYCLICAL CAPITAL BUFFER

CURRENT PERIOD COUNTRY	RWAS OF BANKING BOOK FOR PRIVATE SECTOR LENDING	RWAS OF TRADING BOOK	TOTAL
Turkey	220,389,441	1,494,888	221,884,329
Cayman Islands	896,573	-	896,573
Turkish Republic of Northern Cyprus	808,362	-	808,362
Malta	417,512	-	417,512
Switzerland	341,644	-	341,644
The Netherlands	312,679	-	312,679
United Kingdom	984,825	117,613	1,102,438
Macedonia	144,149	-	144,149
Romania	183,424	-	183,424
Others	288,529	-	288,529

PRIOR PERIOD COUNTRY	RWAS OF BANKING BOOK FOR PRIVATE SECTOR LENDING	RWAS OF TRADING BOOK	TOTAL
Turkey	208,549,240	1,005,678	209,554,918
Cayman Islands	808,283	-	808,283
Turkish Republic of Northern Cyprus	657,485	-	657,485
Malta	450,333	-	450,333
Switzerland	440,229	-	440,229
The Netherlands	317,740	-	317,740
United Kingdom	154,434	54,814	209,248
Macedonia	148,988	-	148,988
Romania	85,144	-	85,144
Others	227,681	-	227,681

4.3 CURRENCY RISK

Foreign currency position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 31 December 2019, the Bank's net 'on balance sheet' foreign currency short position amounts to TL 25,694,849 (31 December 2018: TL 17,732,924), net 'off-balance sheet' foreign currency long position amounts to TL 29,642,308 (31 December 2018: TL 19,778,676), while net foreign currency close position amounts to TL 3,947,459 (31 December 2018: TL 2,045,752).

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

(Thousands of Turkish Lira (TL))

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

	USD	EURO
Foreign currency purchase rates at balance sheet date	5.9208	6.6431
Exchange rates for the days before balance sheet date;		
Day 1	5.9138	6.6272
Day 2	5.9285	6.6150
Day 3	5.9103	6.5551
Day 4	5.9130	6.5602
Day 5	5.9225	6.5633

	USD	EURO
Last 30-days arithmetical average rates	5.8311	6.4782

(Thousands of Turkish Lira (TL))

The Bank's currency risk:

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

(*) The foreign currency-indexed loans amounting TL 1,054,857 included under TL loans in the accompanying balance sheet are presented above under the related foreign currency codes.
(**) Includes expected credit losses in accordance with TFRS 9.
(***) Includes funds presented under financial liabilities amounting TL 14,292,878 measured at fair value through profit or loss in balance sheet.
(****) Includes securities issued having qualification of subordinated loan presented under subordinated debts in balance sheet.
(*****) Other liabilities include gold deposits of TL 6,133,299.

(Thousands of Turkish Lira (TL))

4.4 INTEREST RATE RISK

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

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

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

4.4.1 INTEREST RATE SENSITIVITY OF ASSETS, LIABILITIES AND OFF BALANCE SHEET ITEMS

(Based on repricing dates)

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

(*) Interest accruals are also included in non-interest bearing column.
(**) Includes expected credit losses in accordance with TFRS 9.
(***) Includes subordinated securities issued and presented under subordinated debts in balance sheet.

(Thousands of Turkish Lira (TL))

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

(*) Interest accruals are also included in non-interest bearing column.
(**) Includes expected credit losses in accordance with TFRS 9.
(***) Includes subordinated securities issued and presented under subordinated debts in balance sheet.

(Thousands of Turkish Lira (TL))

4.4.2 AVERAGE INTEREST RATES ON MONETARY FINANCIAL INSTRUMENTS (%)

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

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

4.5 POSITION RISK OF EQUITY SECURITIES

4.5.1 EQUITY SHARES IN ASSOCIATES AND SUBSIDIARIES

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

(Thousands of Turkish Lira (TL))

4.5.2 COMPARISON OF CARRYING, FAIR AND MARKET VALUES OF EQUITY SHARES

	CURRENT PERIOD		COMPARISON	
	EQUITY SECURITIES (SHARES)	CARRYING VALUE	FAIR VALUE (*)	MARKET VALUE
1	**Investment in Shares- Grade A**	**8,495,606**	**8,383,709**	**154,964**
	Quoted Securities	70,191	70,191	154,964
2	**Investment in Shares- Grade B**	**89,548**	**63,991**	**152,701**
	Quoted Securities	63,991	63,991	152,701
3	**Investment in Shares- Grade C**	**662**	**-**	**-**
	Quoted Securities	-	-	-
4	**Investment in Shares- Grade D**	**-**	**-**	**-**
	Quoted Securities	-	-	-
5	**Investment in Shares- Grade E**	**1,014**	**-**	**-**
	Quoted Securities	-	-	-
6	**Investment in Shares- Grade F**	**48**	**-**	**-**
	Quoted Securities	-	-	-

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

	PRIOR PERIOD		COMPARISON	
	EQUITY SECURITIES (SHARES)	CARRYING VALUE	FAIR VALUE (*)	MARKET VALUE
1	**Investment in Shares- Grade A**	**6,978,190**	**6,886,773**	**79,284**
	Quoted Securities	59,713	59,713	79,284
2	**Investment in Shares- Grade B**	**79,995**	**54,438**	**78,126**
	Quoted Securities	54,438	54,438	78,126
3	**Investment in Shares- Grade C**	**662**	**-**	**-**
	Quoted Securities	-	-	-
4	**Investment in Shares- Grade D**	**-**	**-**	**-**
	Quoted Securities	-	-	-
5	**Investment in Shares- Grade E**	**1,014**	**-**	**-**
	Quoted Securities	-	-	-
6	**Investment in Shares- Grade F**	**48**	**-**	**-**
	Quoted Securities	-	-	-

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

4.5.3 REALISED GAINS/LOSSES, REVALUATION SURPLUSES AND UNREALISED GAINS/LOSSES ON EQUITY SECURITIES AND RESULTS INCLUDED IN CORE AND SUPPLEMENTARY CAPITALS

CURRENT PERIOD			REVALUATION SURPLUSES		UNREALISED GAINS AND LOSSES	
	PORTFOLIO	GAINS/LOSSES IN CURRENT PERIOD	TOTAL	AMOUNT IN TIER I CAPITAL(*)	TOTAL	AMOUNT IN TIER I CAPITAL(*)
1	Private Equity Investments	-	-	-	-	-
2	Quoted Shares	-	48,929	48,929	48,929	-
3	Other Shares	-	4,907,853	4,907,853	4,907,853	-
	Total	**-**	**4,956,782**	**4,956,782**	**4,956,782**	**-**

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

(Thousands of Turkish Lira (TL))

PRIOR PERIOD			REVALUATION SURPLUSES		UNREALISED GAINS AND LOSSES	
PORTFOLIO		GAINS/LOSSES IN CURRENT PERIOD	TOTAL	AMOUNT IN TIER I CAPITAL(*)	TOTAL	AMOUNT IN TIER I CAPITAL(*)
1	Private Equity Investments	-	-	-	-	-
2	Quoted Shares	-	28,899	28,899	28,899	-
3	Other Shares	-	3,696,926	3,696,926	3,696,926	-
	Total	**-**	**3,725,825**	**3,725,825**	**3,725,825**	**-**

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

4.5.4 CAPITAL REQUIREMENT AS PER EQUITY SHARES

	CURRENT PERIOD			
	PORTFOLIO	**CARRYING VALUE**	**RWA TOTAL**	**MINIMUM CAPITAL REQUIREMENT**
1	Private Equity Investments	-	-	-
2	Quoted Shares	134,182	134,182	10,735
3	Other Shares	8,452,696	8,452,696	676,216
	Total	**8,586,878**	**8,586,878**	**686,951**

	PRIOR PERIOD			
	PORTFOLIO	**CARRYING VALUE**	**RWA TOTAL**	**MINIMUM CAPITAL REQUIREMENT**
1	Private Equity Investments	-	-	-
2	Quoted Shares	114,151	114,151	9,132
3	Other Shares	6,945,758	6,945,758	555,661
	Total	**7,059,909**	**7,059,909**	**564,793**

4.6 LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO

Liquidity risk is managed by Asset and Liability Management Department (ALMD), Weekly Review Committee and Asset and Liability Committee (ALCO) in line with liquidity and funding policies and risk appetite approved by the board of directors in order to take the necessary measures in a timely and correct manner against possible liquidity shortages that may result from market conditions and balance sheet structure. Under stressed conditions, liquidity risk is managed within the contingency funding plan framework.

The Board of Directors reviews the liquidity risk management policy and approves the liquidity and funding risk policies, ensures the effective of practice of policies and integrations with the Bank's risk management system. The board of directors determines the basic metrics in liquidity risk measurement and monitoring. The board of directors establishes risk appetite of the Bank in liquidity risk management and identifies the risk limits in accordance with the risk appetite and reviews it regularly.

ALCO takes necessary decisions which will be executed by related departments by assessing the liquidity risk that the Bank is exposed to and considering the Bank's strategy and conditions of competition and pursues the implementations.

ALMD, performs daily liquidity management by ensuring compliance with regulatory and internal liquidity limits and monitoring related early warning indicators in case of probable liquidity squeezes. The medium and long term liquidity and funding management is performed by ALMD in accordance with ALCO decisions.

Head of Risk management defines the Bank's liquidity risk, measures and monitors the risks with liquidity risk measurement methods that are in compliance with international standards, presents measurement results periodically to related departments, committees and senior management. Head of Risk management coordinates related parties in order to ensure compliance of risk management process in accordance with the Bank's risk profile, operation environment and strategic plan with regulations. Head of Risk management analyses, develops and revises relevant liquidity risk measurement in accordance with changing market conditions and the Bank's structure. Head of Risk management reviews assumptions and parameters used in liquidity risk analysis.

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

Decentralized management approach is adopted in the Bank's liquidity management. Each subsidiary controlled by the Bank performs daily, medium and long term liquidity management independently from the Bank by the authorities in each subsidiary responsible for managing liquidity risk. In addition, within the scope of consolidated risk management, liquidity and funding risk of each subsidiary in control are monitored via the liquidity risk management methods identified by the Bank by considering the operations, risk profile and regulations of the related subsidiary.

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

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

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

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

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

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

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

There exists "Liquidity Contingency Plan" in the Bank approved by the Board or Directors, including mechanisms to prevent increase in liquidity risk scenarios for different conditions and levels. Available liquidity sources are determined by considering the liquidity squeezes. Within the framework of this plan, the Bank monitors liquidity risk in terms of early warning indicators and probable scenarios where liquidity risk crisis and possible actions that can be taken.

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

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

4.6.1 LIQUIDITY COVERAGE RATIO

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

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

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

The Bank's high quality liquid assets are composed of 3.77% cash, 47.46% deposits in central banks and 48.76% securities considered as high quality liquid assets. The Bank's main funding sources are deposits, funds borrowed, money market borrowings and securities issued. Funding source composition in report date is 77.46% deposits, 12.43% funds borrowed and money market borrowings, 6.58% securities issued and 3.53% other liabilities.

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

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

(Thousands of Turkish Lira (TL))

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

(*) The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

The table below presents highest, lowest and average liquidity coverage ratios of the third quarter of 2019:

CURRENT PERIOD	HIGHEST	DATE	LOWEST	DATE	AVERAGE
TL+FC	236.53	26.12.2019	172.10	02.12.2019	191.52
FC	242.41	26.12.2019	147.62	01.10.2019	181.08

(Thousands of Turkish Lira (TL))

PRIOR PERIOD		TOTAL UNWEIGHTED VALUE (AVERAGE) (*)		TOTAL WEIGHTED VALUE (AVERAGE) (*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS				81,615,892	45,394,420
1	Total high-quality liquid assets (HQLA)	81,615,892	45,394,420	81,615,892	45,394,420
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	152,114,076	74,282,591	13,923,882	7,428,259
3	Stable deposits	25,750,504	-	1,287,525	-
4	Less stable deposits	126,363,572	74,282,591	12,636,357	7,428,259
5	Unsecured wholesale funding, of which:	68,446,557	36,895,302	37,610,584	19,360,243
6	Operational deposits	-	-	-	-
7	Non-operational deposits	53,250,916	33,545,594	26,367,039	16,069,757
8	Unsecured funding	15,195,641	3,349,708	11,243,545	3,290,486
9	Secured wholesale funding			-	-
10	Other cash outflows of which:	72,216,417	23,386,847	25,285,751	22,527,664
11	Outflows related to derivative exposures and other collateral requirements	21,939,608	22,008,404	21,939,608	22,008,404
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	50,276,809	1,378,443	3,346,143	519,260
14	Other revocable off-balance sheet commitments and contractual obligations	1,536	1,536	77	77
15	Other irrevocable or conditionally revocable off-balance sheet obligations	72,563,669	49,635,649	3,628,183	2,481,781
16	**TOTAL CASH OUTFLOWS**			80.448.477	51.798.024
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	32,698,390	15,437,956	25,321,505	13,837,635
19	Other cash inflows	1,325,652	6,364,855	1,325,652	6,364,855
20	**TOTAL CASH INFLOWS**	**34,024,042**	**21,802,811**	**26,647,157**	**20,202,490**
				UPPER LIMIT APPLIED VALUES	
21	**TOTAL HQLA**			**81,615,892**	**45,394,420**
22	**TOTAL NET CASH OUTFLOWS**			**53,801,320**	**31,595,534**
23	**LIQUIDITY COVERAGE RATIO (%)**			**152.39**	**145.83**

(*) Haftalık basit aritmetik ortalama alınmak suretiyle hesaplanan likidite karşılama oranının son üç ay için hesaplanan ortalaması

The table below presents highest, lowest and average liquidity coverage ratios of the last three months of 2018:

PRIOR PERIOD	HIGHEST	DATE	LOWEST	DATE	AVERAGE
TL+FC	179.31	28.12.2018	131.08	04.11.2018	152.39
FC	220.49	05.10.2018	110.74	06.11.2018	145.83

(Thousands of Turkish Lira (TL))

4.6.2 CONTRACTUAL MATURITY ANALYSIS OF LIABILITIES ACCORDING TO REMAINING MATURITIES

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

	CARRYING VALUE	GROSS NOMINAL OUTFLOWS	DEMAND	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER
CURRENT PERIOD								
Bank Deposits	2,482,808	2,481,979	2,295,128	184,263	2,588	-	-	-
Other Deposits	246,268,283	245,493,652	74,079,431	140,489,564	18,789,208	11,900,975	229,142	5,332
Other Fundings	39,415,701	39,844,354	-	800,851	330,771	15,463,984	10,330,883	12,917,865
Interbank Money Market Takings	504,175	503,875	-	67,728	436,147	-	-	-
Securities Issued(*)	21,137,439	20,844,352	-	289,127	3,763,228	750,000	11,216,405	4,825,592
Lease payables (net)	1,006,148	1,646,031	-	34,962	84,260	229,129	926,980	370,700
Total	**310,814,554**	**310,814,243**	**76,374,559**	**141,866,495**	**23,406,202**	**28,344,088**	**22,703,410**	**18,119,489**

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

	CARRYING VALUE	GROSS NOMINAL OUTFLOWS	DEMAND	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER
PRIOR PERIOD								
Bank Deposits	4,567,005	4,565,908	3,665,980	897,928	-	2,000	-	-
Other Deposits	212,712,344	211,006,210	49,783,706	114,013,465	31,643,497	15,460,817	97,168	7,557
Other Fundings	44,226,520	44,861,368	-	900,256	644,112	21,863,061	9,207,629	12,246,310
Interbank Money Market Takings	45,416	45,378	-	45,369	9	-	-	-
Securities Issued(*)	23,984,376	23,583,735	-	524,111	1,301,507	6,997,686	10,293,085	4,467,346
Total	**285,535,661**	**284,062,599**	**53,449,686**	**116,381,129**	**33,589,125**	**44,323,564**	**19,597,882**	**16,721,213**

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

(Thousands of Turkish Lira (TL))

4.6.3 MATURITY ANALYSIS OF ASSETS AND LIABILITIES ACCORDING TO REMAINING MATURITIES:

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

(*) Includes expected credit losses in accordance with TFRS 9.
(**) Includes securities issued having qualification of subordinated loan presented under subordinated debts in balance sheet.
(***) Shareholders' equity is included in "other liabilities" line under "undistributed" column.

(Thousands of Turkish Lira (TL))

4.7 LEVERAGE RATIO

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

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

	ON-BALANCE SHEET ASSETS	CURRENT PERIOD (*)	PRIOR PERIOD (*)
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	383,691,696	369,577,864
2	(Assets deducted in determining Tier I capital)	(496,261)	(494,046)
3	Total on-balance sheet risks (sum of lines 1 and 2)	383,195,435	369,083,818
	DERIVATIVE FINANCIAL INSTRUMENTS AND CREDIT DERIVATIVES		
4	Replacement cost associated with all derivative instruments and credit derivatives	3,048,365	4,771,987
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	17,063,813	11,859,527
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	20,112,178	16,631,514
	SECURITIES OR COMMODITY FINANCING TRANSACTIONS (SCFT)		
7	Risks from SCFT assets (excluding on-balance sheet)	388,502	974,260
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	388,502	974,260
	OTHER OFF-BALANCE SHEET TRANSACTIONS		
10	Gross notional amounts of off-balance sheet transactions	144,057,717	144,014,237
11	(Adjustments for conversion to credit equivalent amounts)	(1,266,554)	(3,134,011)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	142,791,163	140,880,226
	CAPITAL AND TOTAL RISKS		
13	Tier I capital	53,030,842	46,105,283
14	Total risks (sum of lines 3, 6, 9 and 12)	546,487,278	527,569,818
	LEVERAGE RATIO		
15	Leverage ratio	9.70	8.76

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

4.8 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

(*) Including the balances at the Central Bank of Turkey
(**) Including subordinated securities issued and presented under subordinated debts in balance sheet.

(Thousands of Turkish Lira (TL))

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

(*) Including the balances at the Central Bank of Turkey
(**) Including subordinated securities issued and presented under subordinated debts in balance sheet.

Fair value of financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost are derived from market prices or in case of absence of such prices, market prices of other securities quoted in similar qualified markets and having substantially similar characteristics in terms of interest, maturity and other conditions.

Fair values of loans are calculated discounting future cash flows at current market interest rates for fixed-rate loans. The carrying values of floating-rate loans are deemed an approximation for their fair values.

Fair values of other financial assets and liabilities are measured at amortised cost of financial assets or liabilities calculating by effective interest method.

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

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

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

(Thousands of Turkish Lira (TL))

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

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

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

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

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

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

4.9 TRANSACTIONS CARRIED OUT ON BEHALF OF CUSTOMERS AND ITEMS HELD IN TRUST

None.

4.10 RISK MANAGEMENT OBJECTIVES AND POLICIES

The notes under this caption are prepared as per the "Regulation on Risk Management Disclosures" published in the Official Gazette no. 29511 dated 23 October 2015.

4.10.1 RISK MANAGEMENT STRATEGY AND WEIGHTED AMOUNTS

4.10.1.1 RISK MANAGEMENT STRATEGY

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

Policies and procedures regarding risk management are established for consolidated subsidiaries. Policies and procedures are prepared in compliance with applicable legislations that the subsidiaries subject to and the parent Bank's risk management strategy, reviewed regularly and revised if necessary. The parent Bank ensures that risk management system is applied in subsidiaries where risks are defined, measured, monitored and controlled.

Risk management activities are structured under the responsibility of the Board of Directors. Management of various risks that the Bank may be exposed to, including oversight of corporate risk management policies and practices, capital adequacy, planning and liquidity adequacy, is the responsibility of the Risk Committee, which consists of members of the Board of Directors. Accordingly, the Risk Management, which performs risk management functions, reports to the Board of Directors via the Risk Committee, whereas the Internal Audit Department, performing internal audit functions, the Internal Control Unit, performing internal control functions, and the Compliance Department, which implements compliance controls and performs activities to prevent laundering proceeds of crime, and financing of terrorism, report directly to the Board of Directors. Senior managements responsibility is to report to Board of Directors about the significant risk the Bank encounters, ensure the compliance with the risk management about own duties, eliminate the risks, deficiencies and errors occurring in the units responsible or take the necessary measures, participate in design and implementation of internal capital adequacy assessment process (ICAAP); participate in process of assessing the adequacy and appropriateness of the underlying assumptions, data sources and principles used to measure the assumptions and risks associated with the models. The Bank's main approach for the implementation of risk management model is establishing risk culture throughout the Bank, and aims that the importance of risk management for maintaining business operations is understood and risk awareness and sensitivity is ensured for decision making and implementation mechanisms process by all employees.

Compliant with legislation, the Bank measures and monitors risks that exposed to, considering methods suitable with international standards. Risk measuring and reporting are performed via advanced methods and risk management softwares. Risk based detailed reports are prepared for management of significant risks, in order to determine strategies and take decisions, in this scope, reports are prepared for board of directors, relevant committees and senior management.

The Bank's risk appetite framework determines the risk level that the board of directors is prepared to accept in order to accomplish the goals and strategies with the consideration of the capacity of the institution to safely absorbs those risks and the Bank monitors regularly risk appetite metrics regarding capital, liquidity, income recurrence and risk based limits.

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

The Risk Management function conducts the ICAAP report, to be sent to the BRSA by coordinating relevant parties. Stress test report is also reported to the BRSA, which evaluates how adverse effects on macroeconomic parameters, in the scope of determined scenarios, affect the Bank's three year budget plan and results, and certain ratios, including capital adequacy.

Training programs for employees, risk reports to the board of directors, senior management and committees, risk appetite framework established by the Bank and ICAAP generate significant inputs to ensure that risk management culture is widely embraced.

(Thousands of Turkish Lira (TL))

4.10.1.2 RISK WEIGHTED AMOUNTS

		RISK WEIGHTED AMOUNTS		MINIMUM CAPITAL REQUIREMENTS
		CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD
1	Credit risk (excluding counterparty credit risk) (CCR) (*)	269,298,816	253,300,775	21,543,905
2	Of which standardised approach (SA)	269,298,816	253,300,775	21,543,905
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	4,682,076	4,978,642	374,566
5	Of which standardised approach for counterparty credit risk (SA-CCR)	4,682,076	4,978,642	374,566
6	Of which internal model method (IMM)	-	-	-
7	Equity position in banking book under basic risk weighting or internal rating-based	-	-	-
8	Equity investments in funds – look-through approach	-	-	-
9	Equity investments in funds – mandate-based approach	-	-	-
10	Equity investments in funds – 1250% risk weighting Approach	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB supervisory formula approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	9,100,469	7,069,090	728,037
17	Of which standardised approach (SA)	9,100,469	7,069,090	728,037
18	Of which internal model approaches (IMM)		-	
19	Operational risk	33,070,929	25,574,313	2,645,674
20	Of which basic indicator approach	33,070,929	25,574,313	2,645,674
21	Of which standardised approach	-	-	-
22	Of which advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	**316,152,290**	**290,922,820**	**25,292,182**

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

(Thousands of Turkish Lira (TL))

4.10.2 LINKAGES BETWEEN FINANCIAL STATEMENTS AND RISK AMOUNTS

4.10.2.1 DIFFERENCES AND MATCHING BETWEEN ASSET AND LIABILITIES' CARRYING VALUES IN FINANCIAL STATEMENTS AND RISK AMOUNTS IN CAPITAL ADEQUACY CALCULATION

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

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

(Thousands of Turkish Lira (TL))

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

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

(Thousands of Turkish Lira (TL))

4.10.2.2 MAJOR ITEMS CAUSING DIFFERENCES BETWEEN ASSETS AND LIABILITIES' CARRYING VALUES IN FINANCIAL STATEMENTS AND RISK AMOUNTS IN CAPITAL ADEQUACY CALCULATION

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

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

(*) Disclosed based on gross position amounts subject to general market risk and specific risk.
(**) Off-balance sheet amounts subject to capital adequacy ratios.

4.10.2.3 EXPLANATIONS ON DIFFERENCES BETWEEN CARRYING VALUES IN FINANCIAL STATEMENTS AND RISK AMOUNTS IN CAPITAL ADEQUACY CALCULATION OF ASSETS AND LIABILITIES

There is no material differences between the carrying values in financial statements and the risk amounts in capital adequacy calculation of assets and liabilities.

4.10.3 CREDIT RISK

4.10.3.1 GENERAL INFORMATION ON CREDIT RISK

4.10.3.1.1 GENERAL QUALITATIVE INFORMATION ON CREDIT RISK

The Bank's credit risk management policies; under the relevant legislation in line with the Bank's credit strategy approved by the board of directors are created based on the prudence, sustainability and customer credit worthiness principles. Credit risk is managed on a portfolio basis considering the risk/return balance and asset quality of the Bank in the scope of the principles specified in the credit risk policy documents.

Credit risk management is a structured process where credit risks are consistently assessed, quantified and monitored. In order to take the right decision, during the credit process which begins with the application of the customer and includes the phases of determination of the customer's credibility, collateralization, loan configuration, approval and usage, monitoring and closing the exposure, all required financial and non-financial information and documents intended to identify the customer are collected in a centralized database, with this information the customer's financial strength is analyzed, credit risk analysis is done. The customers are graded according to their segment and activity fields and the information is kept updated by inquiring the customers. Thus before a loan is granted, it is ensured that risks are well-understood, sufficient evaluation has been done and after the loan is granted the loan is monitored, controlled and reported.

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

Loan based assessment, allocation and monitoring are carried out within the framework of related processes by related units in the credit group. Credit proposals, on the basis of the determined amount and in the framework of levels of authority, are concluded after being evaluated by the regional offices, loans units and committees of head office, if required by the credit committee and the board of directors. The credit approval authority can be transferred starting from the board of directors by notifying in written form.

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

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

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

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

The Risk Management measures, monitors and reports credit risks by using validated probability of defaults obtained from the Bank's rating models, loss that is caused by defaulted customer and credit conversion factors. The Bank's internal capital is calculated and adequacy is assessed by considering stress tests and scenario analysis. Also, by considering optimum risk return balance, expectations regarding economic outlook the limits are determined for credit portfolios. Risk based analyses are executed, credit concentrations are monitored and the results are presented to senior management.

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

(Thousands of Turkish Lira (TL))

4.10.3.1.2 CREDIT QUALITY OF ASSETS

	CURRENT PERIOD	GROSS CARRYING VALUE AS PER TAS		ALLOWANCES/AMORTISATION AND IMPAIRMENTS	NET VALUES
		DEFAULTED	NON-DEFAULTED EXPOSURES		
1	Loans	17,298,981	296,000,239	10,738,342	302,560,878
2	Debt securities	-	52,934,090	-	52,934,090
3	Off-balance sheet exposures	1,539,690	81,630,427	622,573	82,547,544
4	**Total**	**18,838,671**	**430,564,756**	**11,360,915**	**438,042,512**

	PRIOR PERIOD	GROSS CARRYING VALUE AS PER TAS		ALLOWANCES/AMORTISATION AND IMPAIRMENTS	NET VALUES
		DEFAULTED	NON-DEFAULTED EXPOSURES		
1	Loans	11,407,073	280,508,545	6,776,848	285,138,770
2	Debt securities	-	48,674,952	-	48,674,952
3	Off-balance sheet exposures	974,609	84,230,351	282,169	84,922,791
4	**Total**	**12,381,682**	**413,413,848**	**7,059,017**	**418,736,513**

4.10.3.1.3 CHANGES IN STOCK OF DEFAULT LOANS AND DEBT SECURITIES

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

4.10.3.1.4 ADDITIONAL DISCLOSURE RELATED TO THE CREDIT QUALITY OF ASSETS

4.10.3.1.4.1 QUALITATIVE DISCLOSURES RELATED TO THE CREDIT QUALITY OF ASSETS

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

A refinancing/restructuring refers to; extending a new loan with the purpose of repayment of a part or whole of the outstanding loans or related interest payments granted previously or, amending the conditions of such outstanding loans in order to facilitate the repayment capacity; due to current or foreseeable financial difficulties of the borrower or the related risk group.

4.10.3.1.4.2 BREAKDOWN OF EXPOSURES BY GEOGRAPHICAL AREAS, INDUSTRY AND AGEING

Disclosed under section 4.2 credit risk.

4.10.3.1.4.3 EXPOSURES PROVISIONED AGAINST BY MAJOR REGIONS AND SECTORS

	CURRENT PERIOD			PRIOR PERIOD		
	NON-PERFORMING LOANS	EXPECTED CREDIT LOSSES-STAGE 3	WRITE-OFFS	NON-PERFORMING LOANS	EXPECTED CREDIT LOSSES-STAGE 3	WRITE-OFFS
Domestic	16,953,029	10,524,489	1,594,835	11,022,271	6,533,201	2,349,296
European Union (EU) Countries	321,806	196,730	69,851	356,645	218,538	6
OECD Countries	15	2	7	10	3	1
Off-Shore Banking Regions	-	-	-	-	-	-
USA, Canada	177	20	-	-	-	15
Other Countries	23,954	17,101	844	28,147	25,106	94
Total	**17,298,981**	**10,738,342**	**1,665,537**	**11,407,073**	**6,776,848**	**2,349,412**

(Thousands of Turkish Lira (TL))

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

4.10.3.1.4.4 AGEING OF PAST-DUE EXPOSURES

CURRENT PERIOD	UP TO 3 MONTHS	3-12 MONTHS	1-3 YEARS	3-5 YEARS	5 YEARS AND OVER
Corporate and Commercial Loans	2,313,686	4,933,546	5,337,143	732,713	396,265
Retail Loans	326,296	937,091	673,500	236,559	154,312
Credit Cards	176,322	451,042	328,221	166,908	135,377
Others	-	-	-	-	-
Total	**2,816,304**	**6,321,679**	**6,338,864**	**1,136,180**	**685,954**

PRIOR PERIOD	UP TO 3 MONTHS	3-12 MONTHS	1-3 YEARS	3-5 YEARS	5 YEARS AND OVER
Corporate and Commercial Loans	1,933,451	4,138,862	1,300,740	493,494	421,109
Retail Loans	376,419	578,750	623,931	273,799	142,093
Credit Cards	-	123,383	556,333	179,589	265,120
Others	-	-	-	-	-
Total	**2,309,870**	**4,840,995**	**2,481,004**	**946,882**	**828,322**

4.10.3.2 CREDIT RISK MITIGATION

4.10.3.2.1 QUALITATIVE DISCLOSURE ON CREDIT RISK MITIGATION TECHNIQUES

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

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

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

(Thousands of Turkish Lira (TL))

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

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

4.10.3.2.2 CREDIT RISK MITIGATION TECHNIQUES

	CURRENT PERIOD	EXPOSURES UNSECURED: CARRYING AMOUNT AS PER TAS	EXPOSURES SECURED BY COLLATERAL	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY COLLATERAL	EXPOSURES SECURED BY FINANCIAL GUARANTEES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY FINANCIAL GUARANTEES	EXPOSURES SECURED BY CREDIT DERIVATIVES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY CREDIT DERIVATIVES
1	Loans	260,065,860	42,495,018	41,259,490	10,970,595	10,970,595	-	-
2	Debt securities	52,854,280	79,810	17,292	-	-	-	-
3	**Total**	**312,920,140**	**42,574,828**	**41,276,782**	**10,970,595**	**10,970,595**	**-**	**-**
4	Of which defaulted	17,298,953	28	583	-	-	-	-

	PRIOR PERIOD	EXPOSURES UNSECURED: CARRYING AMOUNT AS PER TAS	EXPOSURES SECURED BY COLLATERAL	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY COLLATERAL	EXPOSURES SECURED BY FINANCIAL GUARANTEES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY FINANCIAL GUARANTEES	EXPOSURES SECURED BY CREDIT DERIVATIVES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY CREDIT DERIVATIVES
1	Loans	250,578,436	34,560,334	30,905,796	10,664,702	10,664,702	-	-
2	Debt securities	48,674,952	-	-	-	-	-	-
3	**Total**	**299,253,388**	**34,560,334**	**30,905,796**	**10,664,702**	**10,664,702**	**-**	**-**
4	Of which defaulted	11,407,073	-	-	-	-	-	-

4.10.3.3 CREDIT RISK UNDER STANDARDISED APPROACH

4.10.3.3.1 QUALITATIVE DISCLOSURES ON BANKS' USE OF EXTERNAL CREDIT RATINGS UNDER THE STANDARDISED APPROACH FOR CREDIT RISK

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

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

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

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

(Thousands of Turkish Lira (TL))

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

		RISK CLASSES			
CREDIT QUALITY LEVEL	FITCH RATINGS LONG TERM CREDIT RATING	EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS	EXPOSURES TO BANKS AND BROKERAGE HOUSES: EXPOSURES WITH ORIGINAL MATURITIES LESS THAN 3 MONTHS	EXPOSURES TO BANKS AND BROKERAGE HOUSES: EXPOSURES WITH ORIGINAL MATURITIES MORE THAN 3 MONTHS	EXPOSURES TO CORPORATES
1	AAA to AA-	0%	20%	20%	20%
2	A+ to A-	20%	20%	50%	50%
3	BBB+ to BBB-	50%	20%	50%	100%
4	BB+ to BB-	100%	50%	100%	100%
5	B+ to B-	100%	50%	100%	150%
6	CCC+ and below	150%	150%	150%	150%

4.10.3.3.2 CREDIT RISK EXPOSURE AND CREDIT RISK MITIGATION TECHNIQUES

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

(Thousands of Turkish Lira (TL))

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

(Thousands of Turkish Lira (TL))

4.10.3.3.3 EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS

	REGULATORY PORTFOLIO CURRENT PERIOD	0%	10%	20%	35% SECURED BY PROPERTY MORTGAGE	50%	75%	100%	150%	200%	OTHERS	TOTAL RISK AMOUNT (POST-CCF AND CRM
1	Exposures to sovereigns and their central banks	85,757,928	-	19	-	70	-	18,585,265	-	-	-	104,343,282
2	Exposures to regional and local government	-	-	-	-	487,517	-	126,207	-	-	-	613,724
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	272,808	-	-	-	272,808
4	Exposures to multilateral development banks	1,403,169	-	-	-	-	-	0	-	-	-	1,403,169
5	Exposures to international organizations	-	-	-	-	-	-	0	-	-	-	-
6	Exposures to banks and brokerage houses	8,164	-	11,331,633	-	7,563,042	-	784,546	-	-	-	19,687,385
7	Exposures to corporates	1,129,757	-	1,121,761	-	2,852,922	-	137,631,863	-	-	-	142,736,303
8	Retail exposures	-	-	8,205	-	5,162	87,367,226	114	-	-	-	87,380,707
9	Exposures secured by residential property	-	-	-	13,560,474	-	-	-	-	-	-	13,560,474
10	Exposures secured by commercial property	-	-	-	-	10,752,905	-	4,215,466	-	-	-	14,968,371
11	Past-due items	-	-	-	-	3,823,040	-	2,411,225	-	-	-	6,234,265
12	Exposures in high-risk categories	-	-	-	-	5,376	-	379,022	410,679	-	-	795,077
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-
16	Shares	-	-	-	-	-	-	9,223,300	-	-	-	9,223,300
17	Other exposures	6,041,775	-	441	-	-	-	9,543,935	-	-	-	15,586,151
18	**Total**	**94,340,793**	**-**	**12,462,059**	**13,560,474**	**25,490,034**	**87,367,226**	**183,173,751**	**410,679**	**-**	**-**	**416,805,016**

	REGULATORY PORTFOLIO PRIOR PERIOD	0%	10%	20%	35% SECURED BY PROPERTY MORTGAGE	50%	75%	100%	150%	200%	OTHERS	TOTAL RISK AMOUNT (POST-CCF AND CRM
1	Exposures to sovereigns and their central banks	81,920,469	-	9	-	42	-	20,123,043	-	-	-	102,043,563
2	Exposures to regional and local government	-	-	-	-	100,894	-	129,747	-	-	-	230,641
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	382,368	-	-	-	382,368
4	Exposures to multilateral development banks	1,026,645	-	-	-	-	-	-	-	-	-	1,026,645
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	-	16,830,494	-	2,861,391	-	1,914,542	-	-	-	21,606,427
7	Exposures to corporates	7,586	-	504,369	-	3,922,983	-	131,145,055	-	-	-	135,579,993
8	Retail exposures	-	-	2	-	4,252	76,808,938	-	-	-	-	76,813,192
9	Exposures secured by residential property	-	-	-	16,190,916	-	-	-	-	-	-	16,190,916
10	Exposures secured by commercial property	-	-	-	-	11,921,301	-	4,291,727	-	-	-	16,213,028
11	Past-due items	-	-	-	-	1,254,959	-	2,886,359	-	-	-	4,141,318
12	Exposures in high-risk categories	-	-	-	-	7,545	-	69,879	812,789	-	-	890,213
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	40,542	-	-	-	-	-	-	-	-	-	40,542
16	Shares	-	-	-	-	-	-	7,273,469	-	-	-	7,273,469
17	Other exposures	5,326,831	-	455	-	-	-	7,088,128	-	-	-	12,415,414
18	**Total**	**88,322,073**	**-**	**17,335,329**	**16,190,916**	**20,073,367**	**76,808,938**	**175,304,317**	**812,789**	**-**	**-**	**394,847,729**

(Thousands of Turkish Lira (TL))

4.10.4 COUNTERPARTY CREDIT RISK

4.10.4.1 QUALITATIVE DISCLOSURE ON COUNTERPARTY CREDIT RISK

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

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

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

4.10.4.2 COUNTERPARTY CREDIT RISK (CCR) APPROACH ANALYSIS

	CURRENT PERIOD	REPLACEMENT COST	POTENTIAL FUTURE EXPOSURE	EEPE(EFFECTIVE EXPECTED POSITIVE EXPOSURE)	ALPHA USED FOR COMPUTING REGULATORY EAD	EAD POST-CRM	RWA
1	Standardised Approach -CCR (for derivatives)	2,792,795	1,720,489		1.4	4,494,306	2,930,300
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					565,325	203,959
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	**Total**						**3,134,259**

	PRIOR PERIOD	REPLACEMENT COST	POTENTIAL FUTURE EXPOSURE	EEPE(EFFECTIVE EXPECTED POSITIVE EXPOSURE)	ALPHA USED FOR COMPUTING REGULATORY EAD	EAD POST-CRM	RWA
1	Standardised Approach -CCR (for derivatives)	3,938,534	1,725,888		1.4	5,654,125	3,065,139
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					962,366	547
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	**Total**						**3,065,686**

(Thousands of Turkish Lira (TL))

4.10.4.3 CAPITAL REQUIREMENT FOR CREDIT VALUATION ADJUSTMENT (CVA)

		CURRENT PERIOD		PRIOR PERIOD	
		EAD POST-CRM	**RWA**	**EAD POST-CRM**	**RWA**
	Total portfolios subject to the Advanced CVA capital obligation	-	-	-	-
1	(i) VaR component (including the 3×multiplier)		-		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-		-
3	All portfolios subject to the Standardised CVA capital obligation	4,494,306	1,547,817	5,654,125	1,912,956
4	**Total subject to the CVA capital obligation**	**4,494,306**	**1,547,817**	**5,654,125**	**1,912,956**

4.10.4.4 CCR EXPOSURES BY RISK CLASS AND RISK WEIGHTS

CURRENT PERIOD	RISK WEIGHT								
REGULATORY PORTFOLIO	**0%**	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**OTHER**	**TOTAL CREDIT EXPOSURE**
Exposures to sovereigns and their central banks	-	-	-	-	-	26,543	-		26,543
Exposures to regional and local governments	-	-	-	-	-	-	-		-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	11,914	-		11,914
Exposures to multilateral development banks	-	-	-	-	-	-	-		-
Exposures to international organizations	-	-	-	-	-	-	-		-
Exposures to banks and brokerage houses	37	-	957,664	2,269,706	-	82,994	-		3,310,401
Exposures to corporates	14,310	-	8	16,009	-	1,672,324	-	-	1,702,651
Retail exposures	-	-	-	-	8,122	-	-	-	8,122
Exposures secured by mortgage property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	**14,347**	**-**	**957,672**	**2,285,715**	**8,122**	**1,793,775**	**-**	**-**	**5,059,631**

(Thousands of Turkish Lira (TL))

PRIOR PERIOD	RISK WEIGHT								
REGULATORY PORTFOLIO	**0%**	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**OTHER**	**TOTAL CREDIT EXPOSURE**
Exposures to sovereigns and their central banks	-	-	-	-	-	3,024	-		3,024
Exposures to regional and local governments	-	-	-	-	-	-	-		-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	6,266	-		6,266
Exposures to multilateral development banks	961,643	-	-	-	-	-	-		961,643
Exposures to international organizations	-	-	-	-	-	-	-		-
Exposures to banks and brokerage houses	-	-	946,688	3,396,225	-	29,262	-		4,372,175
Exposures to corporates	-	-	1,995	256,929	-	999,905	-	-	1,258,829
Retail exposures	-	-	-	-	14,554	-	-	-	14,554
Exposures secured by mortgage property	-	-	-	-	-	-	-		-
Past-due items	-	-	-	-	-	-	-		-
Exposures in high-risk categories	-	-	-	-	-	-	-		-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-		-
Securitization positions	-	-	-	-	-	-	-		-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-		-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-		-
Shares	-	-	-	-	-	-	-		-
Other exposures	-	-	-	-	-	-	-		-
Other assets	-	-	-	-	-	-	-		-
Total	**961,643**	**-**	**948,683**	**3,653,154**	**14,554**	**1,038,457**	**-**	**-**	**6,616,491**

4.10.4.5 COLLATERALS FOR CCR

	COLLATERAL FOR DERIVATIVE TRANSACTIONS				COLLATERAL FOR OTHER TRANSACTIONS	
CURRENT PERIOD	**FAIR VALUE OF COLLATERAL RECEIVED**		**FAIR VALUE OF COLLATERAL GIVEN**		**FAIR VALUE OF COLLATERAL RECEIVED**	**FAIR VALUE OF COLLATERAL GIVEN**
	SEGREGATED	**UNSEGREGATED**	**SEGREGATED**	**UNSEGREGATED**		
Cash-domestic currency	1,960	-	-	-	67,762	-
Cash-foreign currency	17,019	-	-	-	2,303,329	-
Domestic sovereign debts	-	-	-	-		2,177,535
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	**18,979**	**-**	**-**	**-**	**2,371,091**	**2,177,535**

	COLLATERAL FOR DERIVATIVE TRANSACTIONS				COLLATERAL FOR OTHER TRANSACTIONS	
PRIOR PERIOD	**FAIR VALUE OF COLLATERAL RECEIVED**		**FAIR VALUE OF COLLATERAL GIVEN**		**FAIR VALUE OF COLLATERAL RECEIVED**	**FAIR VALUE OF COLLATERAL GIVEN**
	SEGREGATED	**UNSEGREGATED**	**SEGREGATED**	**UNSEGREGATED**		
Cash-domestic currency	3,873	-	-	-	550,722	
Cash-foreign currency	6,423	-	-	-	1,252,241	
Domestic sovereign debts	-	-	-	-	-	2,503,891
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	**10,296**	**-**	**-**	**-**	**1,802,963**	**2,503,891**

(Thousands of Turkish Lira (TL))

4.10.4.6 CREDIT DERIVATIVES

	CURRENT PERIOD		PRIOR PERIOD	
	PROTECTION BOUGHT	PROTECTION SOLD	PROTECTION BOUGHT	PROTECTION SOLD
Notionals				
Single-name credit default swaps	-	-	-	-
Index credit default swaps	-	-	-	-
Total return swaps	-	14,870,724	-	13,092,251
Credit options	-	-	-	-
Other credit derivatives	-	-	-	-
Total Notionals	**-**	**14,870,724**	**-**	**13,092,251**
Fair Values		**(657,355)**	**-**	**(868,451)**
Positive fair values (asset)	-	94,891	-	10,527
Negative fair values (liability)	-	(752,246)	-	(878,978)

4.10.5 SECURITISATIONS

None.

4.10.6 MARKET RISK

4.10.6.1 QUALITATIVE DISCLOSURE ON MARKET RISK

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

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

The Market Risk function under Market and Structural Risk Department monitors the activities of Global Markets Trading Department via risk reports and the limits approved by the board of directors.

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

4.10.6.2 MARKET RISK UNDER STANDARDISED APPROACH

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

(Thousands of Turkish Lira (TL))

4.10.7 OPERATIONAL RISK

The value at operational risk is calculated according to the basic indicator approach as per the Article 14 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks".

The annual gross income is composed of net interest income and net non-interest income after deducting realised gains/losses from the sale of securities classified under financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost, extraordinary income and income derived from insurance claims.

CURRENT PERIOD BASIC INDICATOR APPROACH	31.12.2016	31.12.2017	31.12.2018	TOTAL/ NO. OF YEARS OF POSITIVE GROSS	RATE (%)	TOTAL
Gross Income	13,536,209	16,281,044	23,096,234	17,637,829	15	2,645,674
Value at Operational Risk						33,070,929

PRIOR PERIOD BASIC INDICATOR APPROACH	31.12.2015	31.12.2016	31.12.2017	TOTAL/ NO. OF YEARS OF POSITIVE GROSS	RATE (%)	TOTAL
Gross Income	11,101,647	13,536,209	16,281,044	13,639,633	15	2,045,945
Value at Operational Risk (Total x % 12.5)						25,574,313

4.10.8 BANKING BOOK INTEREST RATE RISK

4.10.8.1 NATURE OF INTEREST RATE RISK RESULTING FROM BANKING BOOK, MAJOR ASSUMPTIONS ON EARLY REPAYMENT OF LOANS AND MOVEMENTS IN DEPOSITS OTHER THAN TERM DEPOSITS AND FREQUENCY OF MEASURING INTEREST RATE RISK

The interest rate risk resulting from the banking book is assessed in terms of repricing risk, yield-curve risk, base risk and option risk, measured as per international standards and managed through limitations and mitigations through hedging transactions.

The interest sensitivity of assets, liabilities and off balance-sheet items are evaluated at the Weekly Review Committee and Monthly Asset-Liability meetings considering also the market developments.

The measurement process of interest rate risk resulting from the banking book, is designed and managed by the Bank on a bank-only basis to include the interest rate positions defined as banking book by the Bank and to consider the relevant repricing and maturity data.

Within the scope of monitoring the re-pricing risk arising from maturity mismatch, the sensitivity of the durations/gap, economic value, economic capital, net interest income, earnings at risk, market price of securities portfolio are measured and the internal early warning and limit levels in this context are monitored and reported regularly. Calculated risk metrics and generated reports are used in the management of the balance sheet interest risk under the supervision of the Asset and Liability Committee. In the said analyses, the present value and the net interest income are calculated over the cash flows of the sensitive assets and liability items by using the yield curves constructed by using the market interest rates. For non-matured products, maturity is determined based on interest rate determination frequency and customer behaviour. These results are supported by periodic sensitivities and scenario analyses against fluctuations that may be experienced in the markets.

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

The interest rate risk resulting from the banking book is measured legally as per the "Regulation on Measurement and Evaluation of Interest Rate Risk Resulting from Banking Book as per Standard Shock Method" published in the Official Gazette no.28034 dated

(Thousands of Turkish Lira (TL))

23 August 2011, and the legal limit as per this measurement is monitored and reported monthly. The capital level is maintained considering the interest rate risk resulting from the banking book.

The interest rate risk on the interest-rate-sensitive financial instruments of the trading portfolio is evaluated as part of the market risk.

Branches and lines of business are eliminated from interest rate risk through the transfer pricing system and these risks are transferred to the Asset and Liability Management Department (ALM) and managed by ALM in a central structure.

4.10.8.2 ECONOMIC VALUE DIFFERENCES RESULTED FROM INTEREST RATE INSTABILITIES CALCULATED ACCORDING TO REGULATION ON MEASUREMENT AND EVALUATION OF INTEREST RATE RISK RESULTED FROM BANKING BOOK AS PER STANDARD SHOCK METHOD

	CURRENT PERIOD TYPE OF CURRENCY	SHOCKS APPLIED (+/- BASIS POINTS)	GAINS/LOSSES	GAINS/EQUITY-LOSSES/EQUITY
1	TL	(+) 500bp	(4,463,035)	(7.21)%
2	TL	(-) 400bp	4,159,132	6.72%
3	USD	(+) 200bp	158,722	0.26%
4	USD	(-) 200bp	(124,234)	(0.20) %
5	EUR	(+) 200bp	65,395	0.11%
6	EUR	(-) 200bp	(46,952)	(0.08) %
	Total (of negative shocks)		**3,987,946**	**6.45%**
	Total (of positive shocks)		**(4,238,918)**	**(6.85) %**

	PRIOR PERIOD TYPE OF CURRENCY	SHOCKS APPLIED (+/- BASIS POINTS)	GAINS/LOSSES	GAINS/EQUITY-LOSSES/EQUITY
1	TL	(+) 500bp	(3,575,813)	(6.71) %
2	TL	(-) 400bp	3,313,745	6.22%
3	USD	(+) 200bp	125,277	0.24%
4	USD	(-) 200bp	(97,656)	(0.18) %
5	EUR	(+) 200bp	31,038	0.06%
6	EUR	(-) 200bp	9,549	0.02%
	Total (of negative shocks)		**3,225,638**	**6.06%**
	Total (of positive shocks)		**(3,419,498)**	**(6.41) %**

4.10.9 REMUNERATION POLICY

4.10.9.1 QUALITATIVE DISCLOSURES REGARDING REMUNERATION POLICIES

4.10.9.1.1 DISCLOSURES RELATED WITH REMUNERATION COMMITTEE

The Bank's Remuneration Committee is comprised of two non-executive members of the board. The committee convenes for seven times during the year. The duties and responsibilities of the Committee include the following:

- To conduct the necessary monitoring and audit process in order to ensure that the remuneration policy and practices are implemented in accordance with the related laws and regulations and risk management principles;
- To review and if necessary, revise the remuneration policy at least once a year in order to ensure its compliance with the laws and regulations or market practices in Turkey;
- To determine and approve remuneration packages of the executive and non-executive Board of Directors, Chief Executive Officer and Executive Vice Presidents;
- To follow up the revision requirements of the policies, procedures and regulations related with its areas of responsibility and to take actions in order to ensure that they are kept updated.

The Bank has received consultancy service for compliance with the Guidelines on Sound Remuneration Practices in Banks.

The fundamental principles of the remuneration policy are applicable for all bank employees.

The Bank board members, senior management and the Bank staff deemed to perform the functions having material impact on the Bank's risk profile are considered as identified staff; and by the end of 2019, the number of identified staff is 28.

4.10.9.1.2 INFORMATION ON THE DESIGN AND STRUCTURE OF REMUNERATION PROCESS

The Bank relies on the following values while managing its Remuneration Policy. These values are considered in all compensation practices.

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

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

The Remuneration Policy of 2019 is consistent with the previous period and no change was made in the Policy by the decision of Remuneration Committee. Increases in the remuneration of employees working in the units responsible for internal systems are determined depending on the basic rate of increase specified by the Bank and their personal performances. In the variable remuneration, only the performance criteria associated with their personal performance or the performance of the unit that they work in are taken into account independently of the performance of the business units that they control.

4.10.9.1.3 EVALUATION ABOUT HOW THE BANK'S REMUNERATION PROCESSES TAKE THE CURRENT AND FUTURE RISKS INTO ACCOUNT

The Bank follows the Risk Management Principles while implementing the remuneration processes. It adopts the remuneration policies that are in line with Bank's long-term objectives and risk management structures and avoiding excessive risk-taking.

4.10.9.1.4 EVALUATION ABOUT HOW THE BANK ASSOCIATES VARIABLE REMUNERATIONS WITH PERFORMANCE

In the association of variable remunerations with performance, various indicators considered among financial and non-financial performance criteria specified by the Bank such as return on regulatory capital, efficiency, profitability, customer satisfaction (NTS), digital sales are taken into account.

In the variable remuneration for the identified staff, personal performance criteria, the Bank's performance criteria and BBVA Group's performance criteria are collectively taken into account. The weightings of such performances taken into account as such may vary according to the position of the identified staff member.

In case of occurrence of risky situations regarding capital adequacy or if and when necessary, Bank may pursue a more conservative policy in relation to all remuneration issues, particularly regarding variable remunerations. In this context, methodological changes such as deferral, retention, malus and clawback may be applied in relation to variable remunerations in accordance with the principles set out by the applicable laws.

(Thousands of Turkish Lira (TL))

4.10.9.1.5 EVALUATION ABOUT THE BANK'S METHODS TO ADJUST REMUNERATIONS ACCORDING TO LONG-TERM PERFORMANCE

Regarding variable remunerations of identified staff, it has been adopted based on the principles in the "Guidelines on Sound Remuneration Practices in Banks" that at least 40% of variable remunerations will be deferred for at least 3 years and at least 50% of it will be paid in non-cash instruments.

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

4.10.9.1.6 EVALUATION ABOUT THE INSTRUMENTS USED BY THE BANK FOR VARIABLE REMUNERATIONS AND THE PURPOSES OF USE OF SUCH INSTRUMENTS

The variable remunerations of identified staff are paid using cash and share-linked non-cash instruments. Considering the principles in the "Guidelines on Sound Remuneration Practices in Banks" variable remunerations of identified staff are paid both with cash and non-cash(share-linked) instruments. Regarding variable remunerations of identified staff for the financial period of 2019, BBVA shares are taken as reference for payments based on non-cash instruments.

The type and weight of non-cash instruments used in payment of variable remuneration are same for all identified staff.

5 DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS

5.1 ASSETS

5.1.1 CASH AND CASH EQUIVALENTS

5.1.1.1 CASH AND BALANCES WITH CENTRAL BANK

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

Balances with the Central Bank of Turkey

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

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

5.1.1.2 BANKS

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

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

(Thousands of Turkish Lira (TL))

DUE FROM FOREIGN BANKS

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

5.1.1.3 RECEIVABLES FROM RESERVE REPO TRANSACTIONS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Domestic Transactions	**10,193,163**	**-**	**-**	**-**
Central Bank of Turkey	-	-	-	-
Banks	10,193,163	-	-	-
Others	-	-	-	-
Foreign Transactions	**-**	**183,283**	**-**	**-**
Central banks	-	-	-	-
Banks	-	183,283	-	-
Others	-	-	-	-
Total	**10,193,163**	**183,283**	**-**	**-**

5.1.1.4 EXPECTED CREDIT LOSSES FOR CASH AND CASH EQUIVALENTS

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

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

(Thousands of Turkish Lira (TL))

5.1.2 INFORMATION ON FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT/LOSS

5.1.2.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

None.

5.1.2.2 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

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

5.1.3 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

5.1.3.1 FINANCIAL ASSETS SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Collateralised/Blocked Assets	1,387,632	1,915,735	4,499,538	862,058
Assets subject to Repurchase Agreements	12,674	-	-	-
Total	**1,400,306**	**1,915,735**	**4,499,538**	**862,058**

5.1.3.2 DETAILS OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

(Thousands of Turkish Lira (TL))

5.1.4 DERIVATIVE FINANCIAL ASSETS

5.1.4.1 POSITIVE DIFFERENCES ON DERIVATIVE FINANCIAL ASSETS MEASURED AT FVTPL

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

5.1.4.2 DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING PURPOSE

DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING PURPOSE	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Fair Value Hedges	11,345	6,675	210,821	42,923
Cash Flow Hedges	412,412	9,349	521,497	181,242
Net Foreign Investment Hedges	-	-	-	-
Total	**423,757**	**16,024**	**732,318**	**224,165**

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

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

5.1.4.3 FAIR VALUE HEDGE ACCOUNTING

CURRENT PERIOD Hedging Item	HEDGED ITEM	TYPE OF RISK	FAIR VALUE CHANGE OF HEDGED ITEM	NET FAIR VALUE CHANGE OF HEDGING ITEM		STATEMENT OF PROFIT OR LOSS EFFECT (GAINS/ LOSSES FROM DERIVATIVE FINANCIAL INSTRUMENTS)
				Asset	Liability	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	147,422	6,224	(186,490)	(32,844)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	14,063	1,691	(15,774)	(20)
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	199,511	4,690	(227,168)	(22,967)
Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	6,809	5,415	(23,544)	(11,320)

(Thousands of Turkish Lira (TL))

PRIOR PERIOD Hedging Item	HEDGED ITEM	TYPE OF RISK	FAIR VALUE CHANGE OF HEDGED ITEM	NET FAIR VALUE CHANGE OF HEDGING ITEM		STATEMENT OF PROFIT OR LOSS EFFECT (GAINS/ LOSSES FROM DERIVATIVE FINANCIAL INSTRUMENTS)
				Aktif	Pasif	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	(14,818)	75,199	(79,246)	(18,865)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(39,668)	45,883	-	6,215
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(86,498)	132,662	(58,073)	(11,909)
Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	15,263	-	(98,516)	(83,253)

5.1.4.4 CASH FLOW HEDGE ACCOUNTING

CURRENT PERIOD Hedging Item	HEDGED ITEM	TYPE OF RISK	FAIR VALUE CHANGE OF HEDGED ITEM		GAINS/LOSSES ACCOUNTED UNDER SHAREHOLDERS' EQUITY IN THE PERIOD	GAINS/LOSSES ACCOUNTED UNDER STATEMENT OF PROFIT/LOSS IN THE PERIOD	INEFFECTIVE PORTION (NET) ACCOUNTED UNDER STATEMENT OF PROFIT/LOSS
			Asset	Liability			
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	7,075	(554)	(100,304)	47,483	831
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	5,171	(662,201)	(602,570)	417,372	(12,174)
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	409,515	-	(45,838)	(11,946)	-
Currency Forwards	Mile payments	Cash flow risk resulted from foreign currency exchange rates	-	-	50,967	-	-

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

(Thousands of Turkish Lira (TL))

PRIOR PERIOD Hedging Item	HEDGED ITEM	TYPE OF RISK	FAIR VALUE CHANGE OF HEDGED ITEM		GAINS/LOSSES ACCOUNTED UNDER SHAREHOLDERS' EQUITY IN THE PERIOD	GAINS/LOSSES ACCOUNTED UNDER STATEMENT OF PROFIT/LOSS IN THE PERIOD	INEFFECTIVE PORTION (NET) ACCOUNTED UNDER STATEMENT OF PROFIT/LOSS
			Asset	Liability			
Interest Rate Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates	-	-	(17)	17	-
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	110,294	(548)	45,842	32,396	1,439
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	90,272	(74,442)	(55,708)	9,665	(5,115)
Cross Currency Swaps	Mile payments	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	-	-	(1,094)	(248)	-
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	502,173	-	18,447	(31,509)	-
Spot Position	Mile payments	Cash flow risk resulted from foreign currency exchange rates	-	(50,968)	(50,968)	-	-

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

5.1.5 LOANS

5.1.5.1 LOANS AND ADVANCES TO SHAREHOLDERS AND EMPLOYEES OF THE BANK

	CURRENT PERIOD		PRIOR PERIOD	
	CASH LOANS	NON-CASH LOANS	CASH LOANS	NON-CASH LOANS
DIRECT LENDINGS TO SHAREHOLDERS	**62**	**591,046**	**105**	**542,442**
Corporates	62	591,046	105	542,442
Individuals	-	-	-	-
Indirect Lendings to Shareholders	**605**	**42,165**	**83,167**	**33,234**
Loans to Employees	**340,289**	**-**	**272,072**	**6**
Total	**340,956**	**633,211**	**355,344**	**575,682**

(Thousands of Turkish Lira (TL))

5.1.5.2 PERFORMING LOANS AND LOANS UNDER FOLLOW-UP INCLUDING RESTRUCTURED LOANS, AND PROVISIONS ALLOCATED FOR SUCH LOANS

CURRENT PERIOD		LOANS UNDER FOLLOW-UP		
			RESTRUCTURED	
CASH LOANS (*)	PERFORMING LOANS	NON-RESTRUCTURED	REVISED CONTRACT TERMS	REFINANCED
Loans	**198,547,804**	**24,054,827**	**2,490,160**	**8,773,601**
Working Capital Loans	35,637,880	3,816,315	154,395	2,693,560
Export Loans	15,544,542	1,127,858	68,174	166,605
Import Loans	-	-	-	-
Loans to Financial Sector	6,966,225	114	-	-
Consumer Loans	45,885,510	4,639,770	978,953	20,863
Credit Cards	23,725,641	2,976,009	476,277	0
Others	70,788,006	11,494,761	812,361	5,892,573
Specialization Loans	**-**	**-**	**-**	**-**
Other Receivables	**-**	**-**	**-**	**-**
Total	**198,547,804**	**24,054,827**	**2,490,160**	**8,773,601**

(*) Non-performing loans are not included.

PRIOR PERIOD		LOANS UNDER FOLLOW-UP		
			RESTRUCTURED	
CASH LOANS (*)	PERFORMING LOANS	NON-RESTRUCTURED	REVISED CONTRACT TERMS	REFINANCED
Loans	**183,085,227**	**27,972,349**	**5,125,206**	**3,021,609**
Working Capital Loans	30,893,745	3,957,408	159,842	1,248,084
Export Loans	13,126,152	974,531	34,143	53,584
Import Loans	-	-	-	-
Loans to Financial Sector	3,135,539	1,243,584	-	-
Consumer Loans	40,294,922	6,860,148	463,050	12,386
Credit Cards	21,325,626	3,295,069	524,453	-
Others	74,309,243	11,641,609	3,943,718	1,707,555
Specialization Loans	**-**	**-**	**-**	**-**
Other Receivables	**-**	**-**	**-**	**-**
Total	**183,085,227**	**27,972,349**	**5,125,206**	**3,021,609**

(*) Non-performing loans are not included.

(Thousands of Turkish Lira (TL))

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

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

	CURRENT PERIOD		PRIOR PERIOD	
	PERFORMING LOANS	LOANS UNDER FOLLOW-UP	PERFORMING LOANS	LOANS UNDER FOLLOW-UP
12-Month ECL (Stage 1)	1,088,983	-	769,085	-
Significant Increase in Credit Risk (Stage 2)	-	3,861,963	-	3,858,770

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

Collaterals received for loans under follow-up;

CURRENT PERIOD	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	419,168	18,009	-	437,177
Loans Collateralized by Mortgages/Shares	13,428,115	2,929,471	-	16,357,586
Loans Collateralized by Pledged Assets	1,855,642	186,050	-	2,041,692
Loans Collateralized by Cheques and Notes	104,960	3,402	-	108,362
Loans Collateralized by Other Collaterals	7,975,191	2,004,392	-	9,979,583
Unsecured Loans	2,443,640	498,262	3,452,286	6,394,188
Total	**26,226,716**	**5,639,586**	**3,452,286**	**35,318,588**

PRIOR PERIOD	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	436,212	30,031	-	466,243
Loans Collateralized by Mortgages/Shares	12,270,993	3,679,201	-	15,950,194
Loans Collateralized by Pledged Assets	1,323,769	280,990	-	1,604,759
Loans Collateralized by Cheques and Notes	160,108	5,465	-	165,573
Loans Collateralized by Other Collaterals	7,429,708	2,745,858	-	10,175,566
Unsecured Loans	3,343,268	594,039	3,819,522	7,756,829
Total	**24,964,058**	**7,335,584**	**3,819,522**	**36,119,164**

(Thousands of Turkish Lira (TL))

Delinquency periods of loans under follow-up;

CURRENT PERIOD	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
31-60 days	399,676	922,656	168,270	1,490,602
61-90 days	391,059	278,429	62,244	731,732
Others	25,435,981	4,438,501	3,221,772	33,096,254
Total	**26,226,716**	**5,639,586**	**3,452,286**	**35,318,588**

PRIOR PERIOD	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
31-60 days	2,635,779	1,151,680	247,891	4,035,350
61-90 days	436,718	358,987	82,845	878,550
Others	21,891,561	5,824,917	3,488,786	31,205,264
Total	**24,964,058**	**7,335,584**	**3,819,522**	**36,119,164**

5.1.5.3 MATURITY ANALYSIS OF CASH LOANS

	PERFORMING LOANS AND OTHER RECEIVABLES		LOANS UNDER FOLLOW-UP AND OTHER RECEIVABLES	
CURRENT PERIOD	LOANS AND OTHER RECEIVABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS	LOANS AND OTHER RECEIVABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS
Short-term Loans	**65,206,521**	**50,478**	**5,974,235**	**468,752**
Loans	65,206,521	50,478	5,974,235	468,752
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans	**128,422,822**	**4,867,983**	**17,926,021**	**10,949,580**
Loans	128,422,822	4,867,983	17,926,021	10,949,580
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-

	PERFORMING LOANS AND OTHER RECEIVABLES		LOANS UNDER FOLLOW-UP AND OTHER RECEIVABLES	
PRIOR PERIOD	LOANS AND OTHER RECEIV-ABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS	LOANS AND OTHER RECEIVABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS
Short-term Loans	**58,651,867**	**29,795**	**7,848,897**	**255,134**
Loans	58,651,867	29,795	7,848,897	255,134
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans	**120,104,586**	**4,298,979**	**19,675,199**	**8,339,934**
Loans	120,104,586	4,298,979	19,675,199	8,339,934
Specialization Loans	-	-		-
Other Receivables	-	-	-	-

(Thousands of Turkish Lira (TL))

5.1.5.4 CONSUMER LOANS, RETAIL CREDIT CARDS, PERSONNEL LOANS AND PERSONNEL CREDIT CARDS

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

(Thousands of Turkish Lira (TL))

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

(Thousands of Turkish Lira (TL))

5.1.5.5 INSTALLMENT BASED COMMERCIAL LOANS AND CORPORATE CREDIT CARDS

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

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

(Thousands of Turkish Lira (TL))

5.1.5.6 ALLOCATION OF LOANS BY CUSTOMERS

	CURRENT PERIOD	PRIOR PERIOD
Public Sector	293,742	681,926
Private Sector (*)	233,572,650	218,522,465
Total	**233,866,392**	**219,204,391**

5.1.5.7 ALLOCATION OF DOMESTIC AND FOREIGN LOANS (*)

	CURRENT PERIOD	PRIOR PERIOD
Domestic Loans	230,820,811	216,188,678
Foreign Loans	3,045,581	3,015,713
Total	**233,866,392**	**219,204,391**

(*) Non-performing loans are not included.

LOANS TO ASSOCIATES AND SUBSIDIARIES

	CURRENT PERIOD	PRIOR PERIOD
Direct Lending	2,100,490	1,601,778
Indirect Lending	-	-
Total	**2,100,490**	**1,601,778**

5.1.5.9 SPECIFIC PROVISIONS FOR LOANS

	CURRENT PERIOD	PRIOR PERIOD
Substandard Loans - Limited Collectibility	968,572	916,932
Doubtful Loans	3,153,609	2,145,545
Uncollectible Loans	6,616,161	3,714,371
Total	**10,738,342**	**6,776,848**

5.1.5.10 NON-PERFORMING (NPLS) (NET)

Non-performing loans and loans restructured from this category

	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS	DOUBTFUL LOANS	UNCOLLECTIBLE LOANS
CURRENT PERIOD			
(Gross Amounts before Specific Provisions)	928,003	2,888,626	3,568,699
Restructured Loans	928,003	2,888,626	3,568,699
PRIOR PERIOD			
(Gross Amounts before Specific Provisions)	384,401	2,502,782	1,299,731
Restructured Loans	384,401	2,502,782	1,299,731

(Thousands of Turkish Lira (TL))

Movements in non-performing loans groups

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

(*) Includes loans for which 100 % provision is provided during the corresponding period.
(**) All consists of sale of non-performing loans.

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

(*) Includes loans for which 100 % provision is provided during the corresponding period.
(**) Includes TL 316,908 from the sale of non-performing receivables.

(Thousands of Turkish Lira (TL))

Non-performing loans in foreign currencies

	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS AND RECEIVABLES	DOUBTFUL LOANS AND RECEIVABLES	UNCOLLECTIBLE LOANS AND RECEIVABLES
CURRENT PERIOD			
Balance at End of Period	**535,431**	**1,949,226**	**5,017,607**
Provisions (-)	267,427	1,103,723	2,635,324
Net Balance at Balance Sheet	**268,004**	**845,503**	**2,382,283**
PRIOR PERIOD			
Balance at End of Period	**1,000,977**	**3,280,698**	**764,303**
Provisions (-)	340,176	1,453,827	627,233
Net Balance at Balance Sheet	**660,801**	**1,826,871**	**137,070**

Gross and net non-performing loans as per customer categories

	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS	DOUBTFUL LOANS	UNCOLLECTIBLE LOANS
CURRENT PERIOD (NET)	**1,015,958**	**1,957,376**	**3,587,305**
Loans to Individuals and Corporates (Gross)	1,984,530	5,110,985	10,203,466
Provision (-)	968,572	3,153,609	6,616,161
Loans to Individuals and Corporates (Net)	1,015,958	1,957,376	3,587,305
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans (gross)	-	-	-
Provision (-)	-	-	-
Other Loans (Net)	-	-	-
PRIOR PERIOD (NET)	1,501,851	2,417,667	710,707
Loans to Individuals and Corporates (Gross)	2,418,783	4,563,212	4,425,078
Provision (-)	916,932	2,145,545	3,714,371
Loans to Individuals and Corporates (Net)	1,501,851	2,417,667	710,707
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans (gross)	-	-	-
Provision (-)	-	-	-
Other Loans (Net)	-	-	-

(Thousands of Turkish Lira (TL))

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

	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS	DOUBTFUL LOANS	UNCOLLECTIBLE LOANS
CURRENT PERIOD (NET)	**15,776**	**52,745**	**140,348**
Interest accruals and valuation differences	**35,966**	**126,106**	**318,442**
Provision (-)	20,190	73,361	178,094
Prior Period (Net)	**41,088**	**123,666**	**14,344**
Interest accruals and valuation differences	**68,489**	**231,716**	**40,635**
Provision (-)	27,401	108,050	26,291

Collaterals received for non-performing loans

CURRENT PERIOD	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	13,433	377	-	13,810
Loans Collateralized by Mortgages	8,640,536	322,843	-	8,963,379
Loans Collateralized by Pledged Assets	1,253,995	59,136	-	1,313,131
Loans Collateralized by Cheques and Notes	175,333	5,714	-	181,047
Loans Collateralized by Other Collaterals	2,579,926	1,666,624	-	4,246,550
Unsecured Loans	1,050,130	273,064	1,257,870	2,581,064
Total	**13,713,353**	**2,327,758**	**1,257,870**	**17,298,981**

PRIOR PERIOD	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	6,301	354	-	6,655
Loans Collateralized by Mortgages	5,286,612	240,027	-	5,526,639
Loans Collateralized by Pledged Assets	984,241	59,774	-	1,044,015
Loans Collateralized by Cheques and Notes	162,318	6,875	-	169,193
Loans Collateralized by Other Collaterals	1,760,475	1,397,686	-	3,158,161
Unsecured Loans	87,709	290,276	1,124,425	1,502,410
Total	**8,287,656**	**1,994,992**	**1,124,425**	**11,407,073**

5.1.5.11 EXPECTED CREDIT LOSS FOR LOANS

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

(Thousands of Turkish Lira (TL))

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

5.1.5.12 LIQUIDATION POLICY FOR UNCOLLECTIBLE LOANS AND RECEIVABLES

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

5.1.5.13 WRITE-OFF POLICY

5.1.5.13.1 DISCLOSURES ON WRITE DOWN POLICY

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

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

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

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

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

	CURRENT PERIOD	
Write down	**TL**	**FC**
Corporate/ Commercial Loans	376,458	336,069
Consumer Loans	-	-

5.1.5.13.2 DISCLOSURES ON WRITE-OFF POLICY

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

(Thousands of Turkish Lira (TL))

5.1.6 LEASE RECEIVABLE

None.

5.1.7 FINANCIAL ASSETS MEASURED AT AMORTISED COST

5.1.7.1 FINANCIAL ASSETS SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

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

5.1.7.2 GOVERNMENT SECURITIES MEASURED AT AMORTISED COST

	CURRENT PERIOD	PRIOR PERIOD
Government Bonds	27,558,636	24,585,789
Treasury Bills	-	-
Other Government Securities	-	-
Total	**27,558,636**	**24,585,789**

5.1.7.3 FINANCIAL ASSETS MEASURED AT AMORTISED COST

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

5.1.7.4 MOVEMENT OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

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

5.1.7.5 EXPECTED CREDIT LOSS FOR FINANCIAL ASSETS MEASURED AT AMORTISED COST

CURRENT PERIOD	STAGE 1	STAGE 2	STAGE 3	TOTAL
Balances at End of Prior Period (1 January 2019)	**56,141**	**-**	**-**	**56,141**
Additions during the Period (+)	87,544	-	-	87,544
Disposal (-)	(22,041)	-	-	(22,041)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-		-
Foreign Currency Differences	2,790	-	-	2,790
Balances at End of Period	**124,434**	**-**	**-**	**124,434**

(Thousands of Turkish Lira (TL))

PRIOR PERIOD	STAGE 1	STAGE 2	STAGE 3	TOTAL
Balances at Beginning of Period (1 January 2018)	**16,907**	**-**	**-**	**16,907**
Additions during the Period (+)	53,081	-	-	53,081
Disposal (-)	(15,193)	-	-	(15,193)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	1,346	-	-	1,346
Balances at End of Period	**56,141**	**-**	**-**	**56,141**

5.1.8 ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS

5.1.8.1 MOVEMENT OF ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS

	CURRENT PERIOD	PRIOR PERIOD
End of Prior Period		
Cost	**799,989**	**790,182**
Accumulated Depreciation (-)	**(13,291)**	**(14,754)**
Net Book Value	**786,698**	**775,428**
End of Current Period		
Additions	371,559	238,913
Disposals (Cost)	(183,350)	(170,214)
Disposals (Accumulated Depreciation)	1,120	1,463
Impairment Losses	22,047	(58,892)
Depreciation Expense for Current Period (-)	-	-
Cost	**1,010,245**	**799,989**
Accumulated Depreciation (-)	**(12,171)**	**(13,291)**
Net Book Value	**998,074**	**786,698**

5.1.8.2 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES TO BE DISPOSED

	CURRENT PERIOD	PRIOR PERIOD
Net Book Value at Beginning Period	**11**	**-**
Additions (*)	881,129	11
Disposals (Cost)	-	-
Disposals (Accumulated Depreciation)	-	-
Impairment Losses (-)	(587,940)	-
Depreciation Expense for Current Period (-)	-	-
Cost	**293,200**	**11**
Accumulated Depreciation (-)	**-**	**-**
Net Book Value	**293,200**	**11**

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

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

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

(Thousands of Turkish Lira (TL))

5.1.9 INVESTMENTS IN ASSOCIATES

5.1.9.1 INVESTMENTS IN ASSOCIATES

	ASSOCIATE	ADDRESS (CITY/ COUNTRY)	BANK'S SHARE – IF DIFFERENT, VOTING RIGHTS (%)	BANK'S RISK GROUP SHARE (%)
1	Bankalararası Kart Merkezi AŞ (1)	İstanbul/Turkey	10.15	10.15
2	Yatırım Finansman Menkul Değerler AŞ (1)	İstanbul/Turkey	0.77	0.77
3	İstanbul Takas ve Saklama Bankası AŞ (1)	İstanbul/Turkey	4.95	4.97
4	Borsa İstanbul AŞ (2)	İstanbul/Turkey	0.30	0.34
5	KKB Kredi Kayıt Bürosu AŞ (1)	İstanbul/Turkey	9.09	9.09
6	Türkiye Cumhuriyet Merkez Bankası AŞ (2)	Ankara /Turkey	2.48	2.48
7	Kredi Garanti Fonu AŞ (1)	Ankara /Turkey	1.54	1.54

	TOTAL ASSETS	SHAREHOLDERS' EQUITY	TOTAL FIXED ASSETS (*)	INTEREST INCOME	INCOME ON SECURITIES PORTFOLIO	CURRENT PERIOD PROFIT/LOSS	PRIOR PERIOD PROFIT/LOSS	COMPANY'S FAIR VALUE
1	147,868	93,468	73,688	3,852	-	28,503	15,603	-
2	1,306,055	110,543	10,457	3,533	1,371	12,626	8,887	-
3	14,878,333	2,176,680	114,859	584,078	19,708	506,418	323,776	-
4	13,285,548	2,665,517	618,258	117,327	265,253	1,173,543	228,053	-
5	348,965	224,008	234,333	8,774	249	26,579	34,818	-
6	721,499,799	85,155,002	541,979	30,135,305	5,070,791	56,279,555	18,383,903	-
7	672,050	627,215	22,866	27,171	-	96,130	101,243	-

(1) Financial information is as of 30 September 2019.
(2) Financial information is as of 31 December 2018.
(*) Total fixed assets include tangible and intangible assets.

5.1.9.2 MOVEMENT OF INVESTMENTS IN ASSOCIATES

	CURRENT PERIOD	PRIOR PERIOD
Balance at Beginning of Period	**35,158**	**35,158**
Movements during the Period	**-**	**-**
Acquisitions	-	-
Bonus Shares Received	-	-
Dividends from Current Year Profit	-	-
Sales	-	-
Increase in Market Values	-	-
Impairment Reversals/(Losses)	-	-
Balance at End of Period	**35,158**	**35,158**
Capital Commitments	**-**	**-**
Share Percentage at the End of Period (%)	**-**	**-**

5.1.9.3 SECTORAL DISTRIBUTION OF INVESTMENTS AND ASSOCIATES

Investments in Associates	CURRENT PERIOD	PRIOR PERIOD
Banks	25,557	25,557
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	5,935	5,935
Other Associates	3,666	3,666

(Thousands of Turkish Lira (TL))

5.1.9.4 QUOTED ASSOCIATES

None.

5.1.9.5 VALUATION METHODS OF INVESTMENTS IN ASSOCIATES

Investments in Associates	CURRENT PERIOD	PRIOR PERIOD
Valued at Cost	35,158	35,158
Valued at Fair Value	-	-

5.1.9.6 INVESTMENTS IN ASSOCIATES SOLD DURING THE CURRENT PERIOD

None.

5.1.9.7 INVESTMENTS IN ASSOCIATES ACQUIRED DURING THE CURRENT PERIOD

None.

5.1.10 INVESTMENTS IN SUBSIDIARIES

5.1.10.1 INFORMATION ON CAPITAL ADEQUACY OF MAJOR SUBSIDIARIES

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

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

(Thousands of Turkish Lira (TL))

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

5.1.10.2 INVESTMENTS IN SUBSIDIARIES

	SUBSIDIARY	ADDRESS (CITY/ COUNTRY)	BANK'S SHARE – IF DIFFERENT, VOTING RIGHTS (%)	BANK'S RISK GROUP SHARE (%)
1	Garanti Bilişim Teknolojisi ve Tic. TAŞ	Istanbul/Turkey	100.00	100.00
2	Garanti Ödeme Sistemleri AŞ	Istanbul/Turkey	99.96	100.00
3	Garanti Hizmet Yönetimi AŞ	Istanbul/Turkey	-	-
4	Garanti Kültür AŞ	Istanbul/Turkey	100.00	100.00
5	Garanti Konut Finansmanı Danışmanlık Hiz. AŞ	Istanbul/Turkey	100.00	100.00
6	Garanti Finansal Kiralama AŞ	Istanbul/Turkey	100.00	100.00
7	Garanti Faktoring AŞ	Istanbul/Turkey	81.84	81.84
8	Garanti Yatırım Menkul Kıymetler AŞ	Istanbul/Turkey	100.00	100.00
9	Garanti Portföy Yönetimi AŞ	Istanbul/Turkey	100.00	100.00
10	Garanti Emeklilik ve Hayat AŞ	Istanbul/Turkey	84.91	84.91
11	Garanti Bank International NV	Amsterdam/the Netherlands	100.00	100.00
12	Garanti Holding BV	Amsterdam/the Netherlands	100.00	100.00

(Thousands of Turkish Lira (TL))

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

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

5.1.10.3 MOVEMENT OF INVESTMENTS IN SUBSIDIARIES

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

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

5.1.10.4 SECTORAL DISTRIBUTION OF INVESTMENTS IN SUBSIDIARIES

Subsidiaries	CURRENT PERIOD	PRIOR PERIOD
Banks	3,921,883	3,499,491
Insurance Companies	1,153,607	764,722
Factoring Companies	134,182	114,151
Leasing Companies	1,018,498	902,555
Finance Companies	2,219,530	1,660,292
Other Subsidiaries	104,020	83,540

(Thousands of Turkish Lira (TL))

5.1.10.5 QUOTED CONSOLIDATED INVESTMENTS IN SUBSIDIARIES

	CURRENT PERIOD	PRIOR PERIOD
Quoted at Domestic Stock Exchange	134,182	114,151
Quoted at Foreign Stock Exchange	-	-

5.1.10.6 VALUATION METHODS OF INVESTMENTS IN SUBSIDIARIES

Subsidiaries	CURRENT PERIOD	PRIOR PERIOD
Valued at Cost	104,020	83,540
Valued at Fair Value (*)	8,447,700	6,941,211

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

5.1.10.7 INVESTMENTS IN SUBSIDIARIES DISPOSED DURING THE CURRENT PERIOD

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

5.1.10.8 INVESTMENTS IN SUBSIDIARIES ACQUIRED DURING THE CURRENT PERIOD

None.

5.1.11 INVESTMENTS IN JOINT-VENTURES

None.

5.1.12 TANGIBLE ASSETS

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

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

(Thousands of Turkish Lira (TL))

5.1.13 INTANGIBLE ASSETS

5.1.13.1 USEFUL LIVES AND AMORTISATION RATES

Intangible assets include softwares and other intangible assets. The estimated useful lives of such assets vary between 3 and 15 years.

5.1.13.2 AMORTISATION METHODS

Intangible assets are amortised on a straight-line basis from the date of capitalisation.

5.1.13.3 BALANCES AT END OF CURRENT PERIOD

	BEGINNING OF PERIOD		END OF PERIOD	
	Cost	Accumulated Amortisation	Cost	Accumulated Amortisation
Intangible Assets	793,134	442,252	664,762	364,211

5.1.13.4 MOVEMENTS OF INTANGIBLE ASSETS FOR CURRENT PERIOD

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

5.1.13.5 DETAILS FOR ANY INDIVIDUALLY MATERIAL INTANGIBLE ASSETS

None.

5.1.13.6 INTANGIBLE ASSETS CAPITALISED UNDER GOVERNMENT INCENTIVES AT FAIR VALUES

None.

5.1.13.7 REVALUATION METHOD OF INTANGIBLE ASSETS CAPITALISED UNDER GOVERNMENT INCENTIVES AND VALUED AT FAIR VALUES AT CAPITALISATION DATES

None.

5.1.13.8 NET BOOK VALUE OF INTANGIBLE ASSET THAT ARE RESTRICTED IN USAGE OR PLEDGED

None.

5.1.13.9 COMMITMENTS TO ACQUIRE INTANGIBLE ASSETS

None.

(Thousands of Turkish Lira (TL))

5.1.13.10 DISCLOSURE ON REVALUED INTANGIBLE ASSETS

None.

5.1.13.11 RESEARCH AND DEVELOPMENT COSTS EXPENSED DURING CURRENT PERIOD

None.

5.1.13.12 GOODWILL

None.

5.1.13.13 MOVEMENTS IN GOODWILL DURING CURRENT PERIOD

None.

5.1.14 INVESTMENT PROPERTY

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

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

5.1.15 DEFERRED TAX ASSET

As of 31 December 2019, the Bank has a deferred tax asset of TL 1,710,519 (31 December 2018: TL 1,305,446) calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences.

The Bank does not have any deferred tax assets on tax losses carried forward or tax deductions and exemptions as of 31 December 2019. However, there is a deferred tax asset of TL 2,036,051 (31 December 2018: TL 1,839,523) and deferred tax liability of TL 325,532 (31 December 2018: TL 534,077) presented as net in the accompanying financial statements on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

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

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

(*) Consists of reserve for employee benefits, provision for promotion expenses of credit cards and other provisions.
(**) Calculations are performed at the relevant tax rates applicable in the country of the foreign branches' financial assets.

(Thousands of Turkish Lira (TL))

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

5.1.16 OTHER ASSETS

5.1.16.1 RECEIVABLES FROM TERM SALE OF ASSETS

	CURRENT PERIOD	PRIOR PERIOD
Sale of Real Estates	114,592	148,819
Sale of Financial Assets Measured at Fair Value through Other Comprehensive Income	-	27,116
Sale of Other Assets	1,137	1,137
Total	**115,729**	**177,072**

5.1.16.2 PREPAID EXPENSES, TAXES AND SIMILAR ITEMS

	CURRENT PERIOD	PRIOR PERIOD
Prepaid Expenses	1,358,465	1,049,615
Prepaid Taxes	-	60,043

5.2 LIABILITIES

5.2.1 MATURITY PROFILE OF DEPOSIT

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

(Thousands of Turkish Lira (TL))

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

5.2.1.1 SAVING DEPOSITS INSURED BY SAVING DEPOSIT INSURANCE FUND

INFORMATION ON SAVING DEPOSITS COVERED BY DEPOSIT INSURANCE AND EXCEEDING INSURANCE COVERAGE LIMIT:

	COVERED BY DEPOSIT INSURANCE OVER DEPOSIT INSURANCE LIMIT		OVER DEPOSIT INSURANCE LIMIT	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
Saving Deposits	39,635,661	28,784,393	34,348,632	40,053,588
Foreign Currency Saving Deposits	20,431,430	12,646,522	59,516,383	48,242,453
Other Saving Deposits	3,179,119	1,639,365	2,560,389	1,499,769
Foreign Branches' Deposits Under Foreign Insurance Coverage	1,169,315	1,131,547	57	7
Off-Shore Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-

5.2.1.2 SAVING DEPOSITS AT DOMESTIC BRANCHES OF FOREIGN BANKS IN TURKEY UNDER THE COVERAGE OF FOREIGN INSURANCE

None.

5.2.1.3 SAVING DEPOSITS NOT COVERED BY INSURANCE LIMITSI

	CURRENT PERIOD	PRIOR PERIOD
Deposits and Other Accounts held at Foreign Branches	19,694	62,924
Deposits and Other Accounts held by Shareholders and their Relatives	-	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	154,297	148,387
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-	-

(Thousands of Turkish Lira (TL))

5.2.2 FUNDS BORROWED

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

5.2.2.1 MATURITIES OF FUNDS BORROWED

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

5.2.2.2 DISCLOSURES FOR CONCENTRATION AREAS OF BANK'S LIABILITIES

The Bank finances its ordinary banking activities through deposits and funds borrowed. Its deposit structure has a balanced TL and foreign currency concentration. The Bank's other funding sources specifically consist of foreign currency funds borrowed from abroad, TL funds obtained through repurchase transactions, and TL and foreign currency securities issued.

5.2.3 MONEY MARKET FUNDS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Domestic Transactions	**67,722**	**-**	**45,360**	**-**
Financial Institutions and Organizations	16,856	-	23,252	-
Other Institutions and Organizations	**15,124**	**-**	**10,007**	**-**
Individuals	35,742	-	12,101	-
Foreign Transactions	**81**	**436,372**	**56**	**-**
Financial Institutions and Organizations	-	436,372	-	-
Other Institutions and Organizations	-	-	-	-
Individuals	81	-	56	-
Total	**67,803**	**436,372**	**45,416**	**-**

5.2.4 SECURITIES ISSUED

CURRENT PERIOD	TL		FC	
	SHORT-TERM	MEDIUM AND LONG-TERM	SHORT-TERM	MEDIUM AND LONG-TERM
Nominal	4,832,937	2,032,018	-	11,400,440
Cost	4,822,428	2,030,144	-	11,327,075
Carrying Value (*)	4,825,540	1,210,544	-	10,371,648

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

(Thousands of Turkish Lira (TL))

PRIOR PERIOD	TL		FC	
	SHORT-TERM	MEDIUM AND LONG-TERM	SHORT-TERM	MEDIUM AND LONG-TERM
Nominal	1,137,906	2,032,018	26,970	17,563,365
Cost	1,106,078	2,030,144	26,970	17,476,120
Carrying Value (*)	1,128,901	2,071,940	27,087	16,779,430

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

5.2.5 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT/LOSS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC		
Funds Borrowed	-	14,292,878	-	12,285,838
Total	**-**	**14,292,878**	**-**	**12,285,838**

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

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

5.2.6 DERIVATIVE FINANCIAL LIABILITIES

5.2.6.1 NEGATIVE DIFFERENCES ON DERIVATIVE FINANCIAL LIABILITIES MEASURED AT FVTPL

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

5.2.6.2 DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING PURPOSE

DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING PURPOSE	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Fair Value Hedges	104,982	347,994	49,606	186,229
Cash Flow Hedges	593,860	68,895	113,583	12,375
Net Foreign Investment Hedges	-	-	-	-
Total	**698,842**	**416,889**	**163,189**	**198,604**

(Thousands of Turkish Lira (TL))

5.2.7 LEASE LIABILITIES (NET)

5.2.7.1 FINANCIAL LEASE LIABILITIES

	CURRENT PERIOD		PRIOR PERIOD	
	GROSS	NET	GROSS	NET
Up to 1 Year	-	-	19,252	16,464
1-4 Years	-	-	-	-
More than 4 Years	-	-	-	-
Total	**-**	**-**	**19,252**	**16,464**

5.2.7.2 OPERATIONAL LEASE LIABILITIES

	CURRENT PERIOD	
	GROSS	NET
Up to 1 Year	348,351	212,932
1-4 Years	756,435	462,377
More than 4 Years	541,245	330,839
Total	**1,646,031**	**1,006,148**

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

5.2.8 PROVISIONS

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

5.2.8.1 RESERVE FOR EMPLOYEE SEVERANCE INDEMNITY

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

5.2.8.2 PROVISIONS FOR FOREIGN EXCHANGE DIFFERENCES ON FOREIGN CURRENCY INDEXED LOANS AND FINANCIAL LEASE RECEIVABLES

None.

5.2.8.3 EXPECTED CREDIT LOSSES (STAGE 3) FOR NON-CASH LOANS THAT ARE NOT INDEMNIFIED OR CONVERTED INTO CASH

	CURRENT PERIOD	PRIOR PERIOD
Substandard Loans and Receivables - Limited Collectibility	50,032	112,375
Doubtful Loans and Receivables	186,431	31,789
Uncollectible Loans and Receivables	386,110	138,005
Total	**622,573**	**282,169**

(Thousands of Turkish Lira (TL))

5.2.8.4 OTHER PROVISIONS

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

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

Recognized liability for defined benefit plan obligations

The Bank obtained an actuarial report dated 23 December 2019 from an independent actuary reflecting the principles and procedures on determining the application of transfer transactions in accordance with the Law and it is determined that the assets of the Plan are above the amount that will be required to be paid to transfer the obligation and the asset surplus amounts to TL 4,634,662 at 31 December 2019 as details are given in the table below.

Furthermore, an actuarial report was prepared as of 31 December 2019 as per the requirements of the Law explained in Note 3.17, the accounting policies related with "employee benefits" for the benefits transferable to the SSF and as per TAS 19 for other benefits not transferable to the SSF and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees. Based on the actuary's 23 December 2019 dated report, the asset surplus over the fair value of the plan assets to be used for the payment of the obligations also fully covers the benefits not transferable and still a surplus of TL 2,238,125 remains as of 31 December 2019 as details are given in the table below.

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

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

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

(Thousands of Turkish Lira (TL))

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

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

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

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

DEFINED BENEFIT OBLIGATION	PENSION BENEFITS EFFECT	MEDICAL BENEFITS EFFECT	OVERALL EFFECT
Assumption change	%	%	%
Discount rate +1%	(12.30)	(17.00)	(15.00)
Discount rate -1%	15.40	22.80	19.70
Medical inflation rate +1%	-	22.60	13.10
Medical inflation rate -1%	-	(17.00)	(9.90)

RETIREMENT INDEMNITIES	SENSITIVITY OF PAST SERVICE LIABILITY	SENSITIVITY OF NORMAL COST
Assumption change	%	%
Discount rate +1%	(11.10)	(13.80)
Discount rate -1%	13.30	(17.00)
Inflation rate +1%	12.40	(3.70)
Inflation rate -1%	(11.40)	3.90

5.2.9 TAX LIABILITY

5.2.9.1 CURRENT TAX LIABILITY

5.2.9.1.1 TAX LIABILITY

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

5.2.9.1.2 TAXES PAYABLE

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

(Thousands of Turkish Lira (TL))

5.2.9.1.3 PREMIUMS

	CURRENT PERIOD	PRIOR PERIOD
Social Security Premiums-Employees	99	76
Social Security Premiums-Employer	121	93
Bank Pension Fund Premium-Employees	37	30
Bank Pension Fund Premium-Employer	37	30
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	1,653	1,357
Unemployment Insurance-Employer	3,331	2,739
Others	39	30
Total	**5,317**	**4,355**

5.2.9.2 DEFERRED TAX LIABILITY

None.

5.2.10 LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS

None.

5.2.11 SUBORDINATED DEBTS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Domestic Other Institutions	261,478	-	-	-
Foreign Banks	-	-	-	-
Foreign Other Institutions	-	4,468,229	-	3,977,018
Total	**261,478**	**4,468,229**	**-**	**3,977,018**

Disclosures on subordinated debts are reported in Note 4.1.2.

5.2.12 OTHER LIABILITIES

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

5.2.13 SHAREHOLDERS' EQUITY

5.2.13.1 PAID-IN CAPITAL

	CURRENT PERIOD	PRIOR PERIOD
Common Shares	4,200,000	4,200,000
Preference Shares	-	-

(Thousands of Turkish Lira (TL))

5.2.13.2 REGISTERED SHARE CAPITAL SYSTEM

CAPITAL	PAID-IN CAPITAL	CEILING PER REGISTERED SHARE CAPITAL
Registered Shares	4,200,000	10,000,000

5.2.13.3 CAPITAL INCREASES IN CURRENT PERIOD

None.

5.2.13.4 CAPITAL INCREASES FROM CAPITAL RESERVES IN CURRENT PERIOD

None.

5.2.13.5 CAPITAL COMMITMENTS FOR CURRENT AND FUTURE FINANCIAL PERIODS

None.

5.2.13.6 POSSIBLE EFFECT OF ESTIMATIONS MADE FOR THE PARENT BANK’S REVENUES, PROFITABILITY AND LIQUIDITY ON EQUITY CONSIDERING PRIOR PERIOD INDICATORS AND UNCERTAINTIES

None.

5.2.13.7 INFORMATION ON PRIVILEGES GIVEN TO STOCKS REPRESENTING THE CAPITAL

None.

5.2.13.8 SECURITIES VALUE INCREASE FUND

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

5.2.13.9 REVALUATION SURPLUS

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

(Thousands of Turkish Lira (TL))

5.2.13.10 BONUS SHARES OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

	CURRENT PERIOD	PRIOR PERIOD
Garanti Yatırım Menkul Değerler AŞ	942	942
Kredi Kartları Bürosu AŞ	481	481
Garanti Ödeme Sistemleri AŞ	401	401
Doğuş Gayrimenkul Yatırım Ortaklığı AŞ	22	22
Yatırım Finansman Menkul Değerler AŞ	9	9
Total	**1,855**	**1,855**

5.2.13.11 LEGAL RESERVES

	CURRENT PERIOD	PRIOR PERIOD
I. Legal Reserve	961,534	961,534
II. Legal Reserve	503,840	503,840
Special Reserves	-	-
Total	**1,465,374**	**1,465,374**

5.2.13.12 EXTRAORDINARY RESERVES AND OTHER PROFIT RESERVES

	CURRENT PERIOD	PRIOR PERIOD
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	37,705,498	30,643,540
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital	-	-
Total	**37,705,498**	**30,643,540**

5.3 OFF-BALANCE SHEET ITEMS

5.3.1 OFF-BALANCE SHEET CONTINGENCIES

5.3.1.1. IRREVOCABLE CREDIT COMMITMENTS

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

5.3.1.2 POSSIBLE LOSSES, COMMITMENTS AND CONTINGENCIES RESULTED FROM OFF-BALANCE SHEET ITEMS

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

(Thousands of Turkish Lira (TL))

Expected losses for non-cash loans and irrevocable commitments

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

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

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

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

5.3.1.3 NON-CASH LOANS

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

(Thousands of Turkish Lira (TL))

5.3.1.4 SECTORAL RISK CONCENTRATION OF NON-CASH LOANS

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

5.3.1.5 NON-CASH LOANS CLASSIFIED UNDER GROUP I AND II

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

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

(Thousands of Turkish Lira (TL))

5.3.2 FINANCIAL DERIVATIVE INSTRUMENTS

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

(Thousands of Turkish Lira (TL))

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

5.3.3 CREDIT DERIVATIVES AND RISK EXPOSURES ON CREDIT DERIVATIVES

As of 31 December 2019, there are total return swaps of the Bank with a total face value of USD 2,511,607,143 (31 December 2018: USD 2,484,345,238) classified under "other derivative financial instruments", where the Bank is on the selling side of the protection.

5.3.4 CONTINGENT LIABILITIES AND ASSETS

The Bank made a total provision amounting to TL 475,362 (31 December 2018: TL 339,012) for the lawsuits filed by various customers and institutions against the Bank which are likely to occur and for which cash outflow might be necessary, and disclosed it under Note 5.3.7.4, other provisions. The Bank has various other lawsuits which are unlikely to occur and for which cash outflow is not expected to incur.

It is possible that the Bank may be required to provide additional collateral for the derivative transactions involved due to changes in certain financials indicators such as CDS levels, currency exchange rates, interest rates etc.

5.3.5 SERVICES RENDERED ON BEHALF OF THIRD PARTIES

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

(Thousands of Turkish Lira (TL))

5.4 STATEMENT OF PROFIT OR LOSS

5.4.1 INTEREST INCOME

5.4.1.1 INTEREST INCOME FROM LOANS (*)

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

(*) Includes also the fee and commission income on cash loans

5.4.1.2 INTEREST INCOME FROM BANKS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Central Bank of Turkey	10,979	165,825	34,572	113,408
Domestic Banks	214,899	3,937	108,857	3,457
Foreign Banks	5,870	281,868	16,075	195,407
Foreign Head Offices and Branches	-	-	-	-
Total	**231,748**	**451,630**	**159,504**	**312,272**

5.4.1.3 INTEREST INCOME FROM SECURITIES PORTFOLIO

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

As disclosed in the accounting policies, the Bank values CPI-indexed government bonds in its securities portfolio according to the reference index on the issue date and the index that is calculated according to the expected inflation rate. The inflation rate used during the valuation is being updated during the year when it is considered necessary. As of 31 December 2019, the valuation of such securities was made according to annual inflation as of balance sheet date.

5.4.1.4 INTEREST INCOME RECEIVED FROM ASSOCIATES AND SUBSIDIARIES

	CURRENT PERIOD	PRIOR PERIOD
Interest Received from Investments in Associates and Subsidiaries	197,128	188,866

(Thousands of Turkish Lira (TL))

5.4.2 INTEREST EXPENSES

5.4.2.1 INTEREST EXPENSES ON FUNDS BORROWED (*)

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

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

5.4.2.2 INTEREST EXPENSES PAID TO ASSOCIATES AND SUBSIDIARIES

	CURRENT PERIOD	PRIOR PERIOD
Interest Paid to Investments in Associates and Subsidiaries	435,858	320,535

5.4.2.3 INTEREST EXPENSES ON SECURITIES ISSUED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Interest Paid on Securities Issued	896,683	1,117,673	852,183	1,169,330

5.4.2.4 MATURITY STRUCTURE OF INTEREST EXPENSE ON DEPOSITS

CURRENT PERIOD		TIME DEPOSITS						
ACCOUNT DESCRIPTION	DEMAND DEPOSITS	UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	1 YEAR AND OVER	ACCUMULATING DEPOSIT ACCOUNTS	TOTAL
Turkish Lira								
Bank Deposits	3,171	67,054	-	-	-	-	-	70,225
Saving Deposits	77	417,877	8,293,806	417,451	269,149	595,899	-	9,994,259
Public Sector Deposits	-	2,948	6,579	523	106	8	-	10,164
Commercial Deposits	248	1,421,329	1,712,154	84,491	86,575	199,088	-	3,503,885
Other	11	35,436	154,228	7,675	90,085	695,752	-	983,187
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Total TL	**3,507**	**1,944,644**	**10,166,767**	**510,140**	**445,915**	**1,490,747**	**-**	**14,561,720**
Foreign Currency								
Foreign Currency Deposits	38	155,761	1,314,122	65,148	101,458	171,575	441	1,808,543
Bank Deposits	-	4,761	-	-	-	-	-	4,761
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	23	244	129	6,813	-	7,209
Total FC	**38**	**160,522**	**1,314,145**	**65,392**	**101,587**	**178,388**	**441**	**1,820,513**
Grand Total	**3,545**	**2,105,166**	**11,480,912**	**575,532**	**547,502**	**1,669,135**	**441**	**16,382,233**

(Thousands of Turkish Lira (TL))

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

5.4.2.5 INTEREST EXPENSE ON MONEY MARKET TRANSACTIONS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Interest Paid on Repurchase Agreements	21,085	14,085	1,001,731	4,107

5.4.2.6 INTEREST EXPENSE ON LEASE LIABILITIES

5.4.2.6.1 INTEREST EXPENSE ON FINANCIAL LEASES

	CURRENT PERIOD	PRIOR PERIOD
Financial Lease Expenses	2,788	3,234

5.4.2.6.2 INTEREST EXPENSE ON OPERATIONAL LEASES

	CURRENT PERIOD
Operational lease expenses	182,867

5.4.2.7 INTEREST EXPENSES ON FACTORING PAYABLES

None.

5.4.3 DIVIDEND INCOME

	CURRENT PERIOD	PRIOR PERIOD
Financial Assets Valued at Fair Value through Profit or Loss	-	1,227
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	1,287
Others	8,893	2,446
Total	**8,893**	**4,960**

(Thousands of Turkish Lira (TL))

5.4.4 TRADING INCOME/LOSSES

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

TL 2,248,143 (31 December 2018: TL 2,597,679) of foreign exchange gains and TL 2,260,675 (31 December 2018: TL 2,597,679) of foreign exchange losses are resulted from the exchange rate changes of derivative financial transactions.

The Bank enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied fair value hedge accounting for the fixed rate eurobonds issued in 2011 with a total face value of USD 500,000,000, maturity of 10 years and maturity date of 20 April 2021 which were priced at 6.375% originally and had a coupon rate of 6.25%, by designating interest rate swaps with the same face values and terms. In June 2012, the Bank ceased to apply hedge accounting and accordingly fair value calculations for these bonds. The accumulated fair value differences incurred starting from the date of hedge accounting up to the date on which it was ceased, are amortized as per the effective interest-rate method in compliance with TFRS 9.

The Bank also enters into interest rate and cross currency swap agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied cash flow hedge accounting for funds borrowed amounting to USD 31,930,811 and EUR 23,684,211 and securitization borrowings amounting to EUR 48,963,151 by designating cross currency swaps with the same face values and terms and securitizations amounting to USD 552,276,424 and EUR 60,000,000 and deposits amounting to TL 8,300,000, USD 855,000,000 and forward EUR 350,000,000 by designating interest rate swaps with the same face values. Accordingly, in the current period, gain of TL 19,136 (31 December 2018: TL 64,973) and TL (623,240) (31 December 2018: TL 83,127) resulting from cross currency and interest rate swap were recognised under shareholders' equity, respectively.

The Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 1,557,332, USD 396,278,180 and EUR 245,564,425, for its fixed rate coupons with a total face value of TL 825,000 and USD 487,500,000 and fixed-rate coupons with a total face value of EUR 138,800,000 by designating interest rate swaps and cross currency swaps with the same face values and terms. Accordingly, the accumulated fair value gain for the hedged loans and bonds is TL 161,485 (31 December 2018: loss of TL 54,486) and TL 206,320 (31 December 2018: loss of TL 71,235) respectively. The part of the related amount that belongs to the current period is accounted for under net trading income/losses in the statement of profit or loss.

(Thousands of Turkish Lira (TL))

5.4.5 OTHER OPERATING INCOME

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

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

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

5.4.6 EXPECTED CREDIT LOSSES AND OTHER PROVISIONS

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

(Thousands of Turkish Lira (TL))

5.4.7 OTHER OPERATING EXPENSES

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

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

5.4.8 INFORMATION ON PROFIT/LOSS BEFORE TAXES FROM CONTINUED AND DISCONTINUED OPERATIONS

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

The Bank has no discontinued operations.

5.4.9 INFORMATION ON PROVISION FOR TAXES FROM CONTINUED AND DISCONTINUED OPERATIONS

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

Deferred tax benefit/charge on timing differences:

DEFERRED TAX BENEFIT/(CHARGE) ON TIMING DIFFERENCES	CURRENT PERIOD	PRIOR PERIOD
Increase in tax deductible timing differences (+)	260,729	321,520
Decrease in tax deductible timing differences (-)	(130,553)	(160,056)
Increase in taxable timing differences (-)	(87,299)	(470,789)
Decrease in taxable timing differences (+)	418,043	6,625
Total	**460,920**	**(302,700)**

(Thousands of Turkish Lira (TL))

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

DEFERRED TAX BENEFIT/(CHARGE) ARISING ON TIMING DIFFERENCES, TAX LOSSES AND TAX DEDUCTIONS AND EXEMPTIONS	CURRENT PERIOD	PRIOR PERIOD
Increase/(decrease) in tax deductible timing differences (net)	130,176	161,464
Increase/(decrease) in taxable timing differences (net)	330,744	(464,164)
Increase/(decrease) in tax losses (net)	-	-
Increase/(decrease) in tax deductions and exemptions (net)	-	-
Total	**460,920**	**(302,700)**

5.4.10 INFORMATION ON NET PROFIT/LOSS FROM CONTINUED AND DISCONTINUED OPERATIONS

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

The Bank has no discontinued operations (31 December 2018: None).

5.4.11 NET PROFIT/LOSS

5.4.11.1 ANY FURTHER EXPLANATION ON OPERATING RESULTS NEEDED FOR BETTER UNDERSTANDING OF THE BANK'S PERFORMANCE

None.

5.4.11.2 ANY CHANGES IN ESTIMATIONS THAT MIGHT HAVE A MATERIAL EFFECT ON CURRENT AND SUBSEQUENT PERIOD RESULTS

None.

5.4.12 COMPONENTS OF OTHER ITEMS IN STATEMENT OF PROFIT/LOSS

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

5.5 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

5.5.1 ANY INCREASES ARISING FROM APPLICATION OF ACCOUNTING FOR FINANCIAL INSTRUMENTS

5.5.1.1 INCREASES FROM VALUATION OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

None (31 December 2018: None).

5.5.1.2 INCREASES DUE TO CASH FLOW HEDGES

The Bank enters into swap contracts to convert variable interest rates on its borrowings to fixed interest rates for cash flow hedging purposes. After netting with the related deferred tax effect, a decrease of TL 553,739 (31 December 2018: TL 34,947) is presented in the shareholders' equity for such hedges assessed as effective.

5.5.1.3 RECONCILIATION OF FOREIGN EXCHANGE DIFFERENCES AT BEGINNING AND END OF CURRENT PERIOD

An increase of TL 502,294 (31 December 2018: TL 1,146,418) that was resulted from the foreign currency translation of the Bank, is presented under translation differences in the shareholders' equity

(Thousands of Turkish Lira (TL))

5.5.2 ANY DECREASES ARISING FROM APPLICATION OF ACCOUNTING FOR FINANCIAL INSTRU

5.5.2.1 DECREASES FROM VALUATION OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

5.5.2.2 DECREASES DUE TO CASH FLOW HEDGES

None (31 December 2018: None).

5.5.3 TRANSFERS TO LEGAL RESERVES

	CURRENT PERIOD	PRIOR PERIOD
Transfers to Legal Reserves from Prior Year Profits	-	154,000
Transfers to Extraordinary Reserves from Prior Year Profits	6,631,820	4,438,770

5.5.4 ISSUANCE OF SHARE CERTIFICATES

Please refer to Note 5.2.13.3.

5.5.5 EFFECTS OF PRIOR YEARS' CORRECTIONS TO BEGINNING BALANCES OF CURRENT PERIOD

Please refer to Note 3.28.

5.5.6 COMPENSATION OF PRIOR PERIOD LOSSES

None (31 December 2018: None).

5.6 STATEMENT OF CASH FLOWS

5.6.1 DISCLOSURES FOR "OTHER" ITEMS AND "EFFECT OF CHANGE IN FOREIGN CURRENCY RATES CASH AND CASH EQUIVALENTS" IN STATEMENT OF CASH FLOWS

The net cash inflows arising from banking operations amount to TL 10,897,227 (31 December 2018: TL 13,622,280). TL 4,979,356 (31 December 2018: TL 5,025,671 cash inflow) of the net cash outflow is generated from the cash inflows resulted from the change in operating assets and liabilities and TL 15,876,583 (31 December 2018: TL 8,596,609) from the cash inflows resulted from operating profit. The "net increase/(decrease) in other liabilities" under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to a net outflow of TL 2,046,096 (31 December 2018: TL 4,831,701 net cash inflow). The "others" item under operating income composes of fees and commissions paid, foreign exchange gains, other operating income and other operating expenses excluding employee costs, and amounts to TL 4,557,685 (31 December 2018: TL 5,638,510).

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

The effect of changes in foreign exchange rates on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 1,480,204 (31 December 2018: TL 1,433,478).

(Thousands of Turkish Lira (TL))

5.6.2 CASH OUTFLOWS FROM ACQUISITION OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

Please refer to Note 5.1.10.3 of investments in subsidiaries.

5.6.3 CASH INFLOWS FROM DISPOSAL OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

None (31 December 2018: None).

5.6.4 CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD

	CURRENT PERIOD 31 DECEMBER 2019	PRIOR PERIOD 31 DECEMBER 2018
Cash on Hand	**3,818,197**	**2,656,765**
Cash in TL	1,562,382	1,297,556
Cash in Foreign Currency	2,255,815	1,359,209
Cash Equivalents	**26,729,128**	**9,703,644**
Other	26,729,128	9,703,644
TOTAL	**30,547,325**	**12,360,409**

5.6.5 CASH AND CASH EQUIVALENTS AT END OF PERIOD

	CURRENT PERIOD 31 DECEMBER 2019	PRIOR PERIOD 31 DECEMBER 2018
Cash on Hand	**3,995,007**	**3,818,197**
Cash in TL	1,594,581	1,562,382
Cash in Foreign Currency	2,400,426	2,255,815
Cash Equivalents	**33,480,418**	**26,729,128**
Other	33,480,418	26,729,128
TOTAL	**37,475,425**	**30,547,325**

5.6.6 RESTRICTED CASH AND CASH EQUIVALENTS DUE TO LEGAL REQUIREMENTS OR OTHER REASONS

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

The blocked account at the Central Bank of Turkey with a principal of TL 19,425,196 (31 December 2018: TL 13,158,116) is for the reserve deposits in foreign currency and gold against the Banks' liabilities in Turkish Lira, foreign currencies and gold. The Bank also keeps a collateral of EUR 600,000 (31 December 2018: EUR 1,350,000) at the Central Bank of Turkey for borrowing activities in TL money market.

5.6.7 ADDITIONAL INFORMATION

5.6.7.1 RESTRICTIONS ON THE BANK'S POTENTIAL BORROWINGS

None (31 December 2018: None).

5.6.7.2 CASH INFLOWS PRESENTING INCREASE IN OPERATING CAPACITY OF THE BANK

None (31 December 2018: None).

(Thousands of Turkish Lira (TL))

5.7 RELATED PARTY RISKS

5.7.1 TRANSACTIONS WITH THE BANK'S RISK GROUP

5.7.1.1 LOANS AND OTHER RECEIVABLES

CURRENT PERIOD

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
LOANS AND OTHER RECEIVABLES	**CASH**	**NON-CASH**	**CASH**	**NON-CASH**	**CASH**	**NON-CASH**
Balance at beginning of period	5,638,055	1,498,526	108,221	942,442	83,353	36,351
Balance at end of period	7,260,837	1,576,370	1,628	991,046	791	45,586
Interest and Commission Income	**200,424**	**15,369**	**2,753**	**-**	**6,766**	**94**

PRIOR PERIOD

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
LOANS AND OTHER RECEIVABLES	**CASH**	**NON-CASH**	**CASH**	**NON-CASH**	**CASH**	**NON-CASH**
Balance at beginning of period	4,311,245	1,054,546	1,369,380	1,542,733	2,406,222	896,962
Balance at end of period	5,638,055	1,498,526	108,221	942,442	83,353	36,351
Interest and Commission Income (*)	**193,855**	**13,864**	**18,956**	**189**	**202,856**	**6,745**

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

5.7.1.2 DEPOSITS

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
Deposits	**CURRENT PERIOD**	**PRIOR PERIOD**	**CURRENT PERIOD**	**PRIOR PERIOD**	**CURRENT PERIOD**	**PRIOR PERIOD**
Balance at beginning of period	1,074,063	1,414,155	108,961	375,167	89,808	378,773
Balance at end of period	1,776,886	1,074,063	131,127	108,961	89,892	89,808
Interest Expense (*)	**244,763**	**258,689**	**457**	**3,712**	**6,192**	**31,348**

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

5.7.1.3 DERIVATIVE TRANSACTIONS

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
Transactions at Fair Value Through Profit/(Loss):	**CURRENT PERIOD**	**PRIOR PERIOD**	**CURRENT PERIOD**	**PRIOR PERIOD**	**CURRENT PERIOD**	**PRIOR PERIOD**
Balance at beginning of period	1,171,385	942,776	32,240,075	35,056,631	-	792,918
Balance at end of period	2,862,339	1,171,385	22,919,062	32,240,075	-	-
Total Profit/(Loss)	**37,698**	**(20,968)**	**(66,012)**	**(46,310)**	**-**	**(6,021)**
Transactions for Hedging:						
Balance at beginning of period	**-**	**-**	**1,004,943**	**1,037,356**	**-**	**-**
Balance at end of period	**-**	**-**	**643,552**	**1,004,943**	**-**	**-**
Total Profit/(Loss)	**-**	**-**	**1,272**	**(339)**	**-**	**-**

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

5.7.2 THE BANK'S RISK GROUP

5.7.2.1 RELATIONS WITH COMPANIES IN RISK GROUP OF/OR CONTROLLED BY THE BANK REGARDLESS OF NATURE OF CURRENT TRANSACTIONS

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

5.7.2.2 CONCENTRATION OF TRANSACTION VOLUMES AND BALANCES WITH RISK GROUP AND PRICING POLICY

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

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

The funds borrowed by the Bank from its risk group amounting TL 16,239,465 (31 December 2018: TL 18,689,922) compose 64.64% (31 December 2018: 58.51%) of the Bank's total funds borrowed. The pricing in transactions with the risk group companies is set on an arms-length basis.
The credit card (POS) payables to the related parties, amounted to TL 165,820 (31 December 2018: TL 146,110).

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

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

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

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

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

5.7.2.3 OTHER MATTERS NOT REQUIRED TO BE DISCLOSED

None (31 December 2018: None).

5.7.2.4 TRANSACTIONS ACCOUNTED FOR UNDER EQUITY METHOD

Please refer to Note 5.1.10 investments in subsidiaries.

(Thousands of Turkish Lira (TL))

5.7.2.5 ALL KIND OF AGREEMENTS SIGNED LIKE ASSET PURCHASES/SALES, SERVICE RENDERING, AGENCIES, LEASING, RESEARCH AND DEVELOPMENT, LICENSES, FUNDING, GUARANTEES, MANAGEMENT SERVICES

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

Purchase of equipments for the Bank's internal use are partly arranged through financial leasing.

5.8 DOMESTIC, FOREIGN AND OFF-SHORE BRANCHES OR EQUITY INVESTMENTS, AND FOREIGN REPRESENTATIVE OFFICES

5.8.1 DOMESTIC AND FOREIGN BRANCHES AND REPRESENTATIVE OFFICES

CURRENT PERIOD	NUMBER OF BRANCHES	NUMBER OF EMPLOYEES			
DOMESTIC BRANCHES	904	18.657			
			COUNTRY		
FOREIGN REPRESENTATIVE OFFICES	1	1	1-Germany		
	1	1	2- China		
				TOTAL ASSETS	LEGAL CAPITAL
FOREIGN BRANCHES	1	14	1- Malta	26,820,236	-
	7	111	2- NCTR	3,571,210	80,000

PRIOR PERIOD	NUMBER OF BRANCHES	NUMBER OF EMPLOYEES			
DOMESTIC BRANCHES	926	18.215			
			COUNTRY		
FOREIGN REPRESENTATIVE OFFICES	1	1	1-Germany		
	1	1	2- China		
				TOTAL ASSETS	LEGAL CAPITAL
FOREIGN BRANCHES	1	13	1- Malta	36,032,757	-
	7	107	2- NCTR	3,133,235	80,000

5.8.2 OPENING OR CLOSING OF DOMESTIC AND FOREIGN BRANCHES AND REPRESENTATIVE OFFICES AND SIGNIFICANT CHANGES IN ORGANISATIONAL STRUCTURE

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

5.9 MATTERS ARISING SUBSEQUENT TO BALANCE SHEET DATE

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

6 OTHER DISCLOSURES ON ACTIVITIES OF THE BANK

6.1 BANK'S LATEST INTERNATIONAL RISK RATINGS

MOODY'S (JUNE 2019)

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

(*) Under watch for possible downgrade

FITCH RATINGS (NOVEMBER 2019)

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

JCR EURASIA RATINGS (JUNE 2019)

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

(Thousands of Turkish Lira (TL))

6.2 DIVIDENDS

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

2018 PROFIT DISTRIBUTION TABLE

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

6.3 OTHER DISCLOSURES

None (31 December 2018: None).

7 DISCLOSURES ON INDEPENDENT AUDITORS' REPORT

7.1 DISCLOSURE ON INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements of the Bank as of 31 December 2019, have been audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member of KPMG International Cooperative) and the independent auditors' report dated 30 January 2020, is presented before the accompanying financial statements.

7.2 DISCLOSURES AND FOOTNOTES PREPARED BY INDEPENDENT AUDITORS

None.

CONSOLIDATED FINANCIAL STATEMENTS

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ AND ITS FINANCIAL SUBSIDIARIES

Publicly Announced Consolidated Financial Statements, Related Disclosures and Independent Auditors' Report Thereon as of and for the Year Ended 31 December 2019

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

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

To the General Assembly of Türkiye Garanti Bankası Anonim Şirketi

A) REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Qualified Opinion

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

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

Basis for Qualified Opinion

As stated in Note 2.9.4 of Section Five, the accompanying consolidated financial statements as at 31 December 2019 include a general reserve of total of TL 2,500,000 thousands, of which TL 250,000 thousands was recognized as expense in the current period and TL 2,250,000 thousands had been recognized as expense in prior periods, which does not meet the requirements of BRSA Accounting and Reporting Legislation. This general reserve is provided by the Bank management for the possible effects of the negative circumstances which may arise in economy or market conditions.

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

Key Audit Matters

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

Impairment of loans measured at amortised cost

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

KEY AUDIT MATTER	HOW THE MATTER IS ADDRESSED IN OUR AUDIT
As of 31 December 2019, loans measured at amortised cost comprise 65% of the Group's total assets. The Group recognizes its loans in accordance with the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside (the "Regulation") published on the Official Gazette No. 29750 dated 22 June 2016 and TFRS 9 Financial Instruments standard ("Standard"). The Group applies the "expected credit loss model" in determining the impairment of financial assets in accordance with the Regulation and Standard. The model which contains significant assumptions and estimates is reviewed by the Bank management annually. The significant assumptions and estimates of the Group's management are as follows: • significant increase in credit risk; • incorporating the forward looking macroeconomic information in calculation of credit risk; and • design and implementation of expected credit loss model. The determination of the impairment of loans measured at amortised cost depends on the (i) credit default status, (ii) the model based on the change in the credit risk at the first recognition date and (iii) the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets. The Group calculates expected credit losses on both an individual and a collective basis. Individual provisions consider the estimated future performance of the business and the fair value of the collateral provided for credit transactions. The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and expectations. The completeness and accuracy of data sets in the model are also considered and the forward looking expectations are reflected by macroeconomic models. Impairment on loans measured at amortised cost was considered to be a key audit matter, due to the significance of the estimates, assumptions, the level of judgements and its complex structure as explained above.	Our procedures for testing the impairment of loans included below: • We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the involvement of information risk management specialists. • We evaluated the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows and we tested the appropriateness of the loan agreements with the model by selecting samples. • We evaluated the adequacy of the subjective and objective criteria that is defined in the Group's impairment accounting policy compared with the Regulation and Standard. • We evaluated the Group's business model and methodology and the evaluation of the calculations were carried out with the control testing and detailed analysis by the involvement of specialist. • We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and testing their classification. In this context, the current status of the loan customer has been evaluated by including prospective information and macroeconomic variables. • We evaluated the accuracy of the expected credit loss calculations by selecting sample for the loans which are assessed on individual basis and discussed the assumptions and estimates with the Group management. • We tested the accuracy and completeness of the data in the calculation models for the loans which are assessed on collective basis. The expected credit loss calculation was tested through recalculation. The models used for the calculation of the risk parameters were examined and the risk parameters for the selected sample portfolios were recalculated. • We assessed the macroeconomic models which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method. • We evaluated the qualitative and quantitative assessments which are used in determining the significant increase in credit risk. Additionally, we also evaluated the adequacy of the consolidated financial statements' disclosures related to impairment provisions.

Measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3)

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

KEY AUDIT MATTER	HOW THE MATTER IS ADDRESSED IN OUR AUDIT
The classification of the financial assets is based on the Group's business model and characteristics of the contractual cash flows in accordance with TFRS 9. The fair value of the loan classified as financial assets measured at fair value through profit or loss according to business model is determined as Level 3 considering the significant unobservable inputs, assumptions and estimates used. Management assesses the significant unobservable inputs and uncertainties due to assumptions and estimates with the involvement of an independent valuation firm. The Group has also financial liabilities (securitization loans) which are accounted by using the fair value option on the initial recognition in order to eliminate any accounting mismatch in accordance with TFRS 9. The fair value of the securitization loans which are accounted as financial liabilities measured at fair value through profit or loss are determined as Level 3 considering the significant unobservable inputs, assumptions and estimates used. As mentioned above, the measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3) is determined as key audit matter considering high degree of judgements and assumptions.	Our procedures for testing the fair value hierarchy of the financial instruments (the fair value hierarchy of financial instruments determined as Level 3) included below: • We evaluated the design and implementation of the controls that the Group sets for the measurement of fair value of the relevant financial instruments • We assessed the policy of the measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3) based on TFRS 9 and compared with the requirements of TFRS 9. • We have involved our own valuation specialists to evaluate the significant unobservable inputs and assumptions used by the Group for the fair value calculation of the related instruments. Additionally, we also evaluated the adequacy of consolidated financial statements' disclosures related to the measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3).

Pension plan

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

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
The Parent Bank's defined benefit pension plan (the "Plan") is managed by "Türkiye Garanti Bankası A.Ş. Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı" (the "Fund") established as per the provisional article 20 of the Social Security Law No. 506 and the Parent Bank's employees are the members of this Fund. As disclosed in the Note 3.17 to the consolidated financial statements, the Plan is composed of benefits which are subject to transfer to Social Security Foundation ("SSF") as per the Social Security Law no.5510 provisional article 20, and other social rights and pension benefits provided by the Parent Bank that are not transferable to SSF. The Council of Ministers has been authorized to determine the transfer date. Following the transfer, the non-transferable social rights and pension benefits provided under the Plan will be covered by the funds and the institutions that employ the funds' members. As of 31 December 2019, the Parent Bank's transferrable liabilities are calculated by an independent actuary using the actuarial assumptions regulated by Law, and in accordance with the Decision of the Council of Ministers announced in the Official Gazette dated 15 December 2006 and No.26377. As of 31 December 2019, the Parent Bank's non-transferrable liabilities are also calculated by independent actuary in accordance with TAS 19 Employee Benefits Standard. The valuation of the Pension Fund liabilities requires judgement in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, inflation levels, demographic assumptions, and the impact of changes in Pension Plan. Management uses independent actuaries to assist in assessing the uncertainty around these assumptions. Considering the subjectivity of key judgements and assumptions, plus the uncertainty around the transfer date and basis of the transfer calculation given the fact that the technical interest rate is prescribed under the law, we considered this to be a key audit matter.	Our procedures for auditing calculations of the management's pension plan liability included below: • We evaluated the design and implementation of the controls that the Group has set for the liability calculations related to the pension plan was tested. • We have assessed whether there have been any significant changes in actuarial assumptions, methods and underlying regulations used in calculations. • Significant changes during the period in pension plan benefits, plan assets or membership profiles which affect liabilities have been evaluated. • We have involved our own actuarial specialist to assess the appropriateness of the actuarial assumptions and calculations. • We have evaluated whether the plan assets are adequate to cover the Pension Plan liabilities, under the methods and assumptions used. • Additionally, the adequacy of consolidated financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities have been evaluated.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

B) REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

Alper Güvenç, SMMM
Partner

30 January 2020
Istanbul, Turkey

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The consolidated financial report for the year-end prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

The consolidated subsidiaries and structured entities in the scope of this consolidated financial report are the followings:

SUBSIDIARIES

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

STRUCTURED ENTITIES

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

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

SÜLEYMAN SÖZEN	**RECEP BAŞTUĞ**	**AYDIN GÜLER**	**HAKAN ÖZDEMİR**	**JORGE SAENZ - AZCUNAGA CARRANZA**	**RICARDO GOMEZ BARREDO**	**BELKIS SEMA YURDUM**
Board of Directors Chairman	General Manager	Executive Vice President Responsible of Financial Reporting	Financial Reporting and Accounting Director	Audit Committee Member	Audit Committee Member	Audit Committee Member

The authorized contact person for questions on this financial report:
Name-Surname/Title: Handan SAYGIN/Director of Investor Relations
Phone no: 90 212 318 23 50
Fax no: 90 212 216 59 02

SECTION ONE - GENERAL INFORMATION

SAYFA NO

SECTION TWO - CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SECTION THREE - ACCOUNTING POLICIES

SECTION FOUR - CONSOLIDATED FINANCIAL POSITION AND RESULTS OF OPERATIONS AND RISK MANAGEMENT

SECTION FIVE - DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS

SECTION SIX - OTHER DISCLOSURES ON ACTIVITIES

SECTION SEVEN - INDEPENDENT AUDITORS' REPORT

1 GENERAL INFORMATION

1.1 HISTORY OF PARENT BANK INCLUDING ITS INCORPORATION DATE, INITIAL LEGAL STATUS, AMENDMENTS TO LEGAL STATUS

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

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

The Bank provides banking services through 904 domestic branches, 8 foreign branches and 2 representative offices (31 December 2018: 926 domestic branches, 8 foreign branches and 2 representative offices). The Bank's head office is located in Istanbul.

1.2 PARENT BANK'S SHAREHOLDER STRUCTURE, MANAGEMENT AND INTERNAL AUDIT, DIRECT AND INDIRECT SHAREHOLDERS, CHANGE IN SHAREHOLDER STRUCTURE DURING THE PERIOD AND INFORMATION ON ITS RISK GROUP

As of 31 December 2019, group of companies under BBVA that currently owns 49.85% shares of the Bank, is defined as the BBVA Group (the Group) and it is the main shareholder.

On 22 March 2011, BBVA had acquired; 78.120.000.000 shares of the Bank owned by GE Capital Corporation at a total nominal value of TL 781,200 representing 18.60% ownership, and 26.418.840.000 shares of the Bank owned by Doğuş Holding AŞ at a total nominal value of TL 264,188 representing 6.29% ownership. BBVA, purchasing 24.89% shares of the Bank, had joint control on the Bank's management together with group of companies under Doğuş Holding AŞ (the Doğuş Group).

Subsequently, on 7 April 2011, BBVA had acquired 503.160.000 shares at a nominal value of TL 5,032 and increased its ownership in the Bank's share capital to 25.01%.

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

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

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

BBVA GROUP

BBVA is operating for more than 150 years, providing variety of wide spread financial and non-financial services to 77 million retail and commercial customers.

The Group's headquarter is in Spain, where the Group has concrete leadership in retail and commercial markets. BBVA adopting innovative, and customer and community oriented management style, besides banking, operates in insurance sector in Europe and portfolio management, private banking and investment banking in global markets.

BBVA which is the largest financial institution in Mexico and also the market leader in South America, operates in more than 30 countries with more than 126 thousand employees.

(Thousands of Turkish Lira (TL))

1.3 INFORMATION ON PARENT BANK'S BOARD OF DIRECTORS CHAIRMAN AND MEMBERS, AUDIT COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER, EXECUTIVE VICE PRESIDENTS AND THEIR RESPONSIBILITIES AND, IF ANY, SHAREHOLDINGS IN THE BANK

BOARD OF DIRECTORS CHAIRMAN AND MEMBERS:

NAME AND SURNAME	RESPONSIBILITY	APPOINTMENT DATE	EDUCATION	EXPERIENCE IN BANKING AND BUSINESS ADMINISTRATION
Süleyman Sözen	Chairman	29.05.1997	University	39 years
Jorge Saenz Azcunaga Carranza	Vice Chairman Independent Member and Member of Audit Committee	24.03.2016	University	27 years
Recep Baştuğ	Member and CEO	06.09.2019	University	30 years
Sait Ergun Özen	Member	14.05.2003	University	33 years
Dr. Muammer Cüneyt Sezgin	Member	30.06.2004	PhD	32 years
Jaime Saenz de Tejada Pulido	Member	02.10.2014	University	28 years
Javier Bernal Dionis	Member	27.07.2015	Master	30 years
Rafael Salinas Martinez de Lecea	Member	08.05.2017	Master	29 years
Belkıs Sema Yurdum	Independent Member and Member of Audit Committee	30.04.2013	University	39 years
Ricardo Gomez Barredo	Independent Member and Member of Audit Committee	08.05.2017	Master	32 years
Mevhibe Canan Özsoy	Independent Member	04.04.2019	Master	31 years

CEO AND EXECUTIVE VICE PRESIDENTS:

NAME AND SURNAME	RESPONSIBILITY	APPOINTMENT DATE	EDUCATION	EXPERIENCE IN BANKING AND BUSINESS ADMINISTRATION
Recep Baştuğ	CEO	06.09.2019	University	30 years
Ilker Kuruöz	EVP-Engineering Services and Data	14.03.2018	Master	28 years
Avni Aydın Düren	EVP-Legal Services and Collection	01.02.2009	Master	28 years
Betül Ebru Edin	EVP-Corporate, Investment Banking and Global Markets	25.11.2009	University	26 years
Didem Başer	EVP- Customer Solutions and Digital Banking	20.03.2012	Master	25 years
Selahattin Güldü	EVP-Commercial Banking	20.04.2018	University	29 years
Osman Nuri Tüzün	EVP- Talent and Culture	19.08.2015	Master	27 years
Aydın Güler	EVP- Finance and Treasury	03.02.2016	University	29 years
Ali Temel	Head of Credit Risk Management	03.02.2016	University	29 years
Mahmut Akten	EVP-Retail Banking	17.01.2017	Master	20 years
Cemal Onaran	EVP-SME Banking	17.01.2017	University	29 years

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

1.4 INFORMATION ON PARENT BANK'S QUALIFIED SHAREHOLDERS

COMPANY	SHARES	OWNERSHIP	PAID-IN CAPITAL	UNPAID PORTION
Banco Bilbao Vizcaya Argentaria SA	2,093,700	49.85%	2,093,700	-

1.5 SUMMARY INFORMATION ON PARENT BANK'S ACTIVITIES AND SERVICES

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

- All banking operations,
- Participating in, establishing, and trading the shares of enterprises at various sectors within the limits set forth by the Banking Law;
- Providing attorneyship, insurance agency, brokerage and freight services in relation with banking activities,
- Purchasing/selling debt securities, treasury bills, government bonds and other share certificates issued by Turkish government and other official and private institutions on the condition that completion of the necessary approvals and permits by Capital Markets Board of Turkey,
- Developing economical and financial relations with foreign organizations,
- Dealing with all economic operations in compliance with the Banking Law.

The Bank's activities are not limited to those disclosed in that third clause, but whenever the Board of Directors deems any operations other than those stated above to be of benefit to the Bank, it is recommended in the general meeting, and the launching of the related project depends on the decision taken during the General Assembly which results in a change in the Articles of Association and on the approval of this decision by the Ministry of Industry and Commerce. Accordingly, the approved decision is added to the Articles of Association.

The Bank is not a specialized bank but deals with all kinds of banking activities. Deposits are the main sources of the lending to the customers. The Bank grants loans to companies operating in various sectors while aiming to maintain the required level of efficiency.

The Bank also grants non-cash loans to its customers; especially letters of guarantee, letters of credit and acceptance credits.

1.6 INFORMATION ON APPLICATION DIFFERENCES BETWEEN CONSOLIDATION PRACTICES AS PER THE REGULATION ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND AS PER THE TURKISH ACCOUNTING STANDARDS, AND ENTITIES SUBJECT TO FULL OR PROPORTIONAL CONSOLIDATION OR DEDUCTED FROM EQUITY OR NOT SUBJECT TO ANY OF THESE THREE METHODS

As per the Regulation on Preparation of Consolidated Financial Statements of Banks, the investments in financial subsidiaries are subject to consolidation whereas as per the Turkish Accounting Standards and Turkish Financial Reporting Standards, the investments in both financial and non-financial subsidiaries are subject to consolidation.

1.7 CURRENT OR LIKELY ACTUAL OR LEGAL BARRIERS TO IMMEDIATE TRANSFER OF EQUITY OR REPAYMENT OF DEBTS BETWEEN PARENT BANK AND ITS SUBSIDIARIES

None.

TÜRKİYE GARANTİ BANKASI AŞ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Balance Sheet (Statement of Financial Position)

At 31 December 2019

2 CONSOLIDATED FINANCIAL TABLES

			THOUSANDS OF TURKISH LIRA (TL)					
	ASSETS	FOOTNOTES	CURRENT PERIOD 31 DECEMBER 2019			PRIOR PERIOD 31 DECEMBER 2018		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	**FINANCIAL ASSETS (Net)**		**34,725,166**	**74,235,255**	**108,960,421**	**25,196,426**	**77,856,755**	**103,053,181**
I.I	**Cash and Cash Equivalents**	5.1.1	**14,200,209**	**57,897,826**	**72,098,035**	**3,771,639**	**63,383,857**	**67,155,496**
1.1.1	Cash and Balances with Central Bank		3,285,977	38,739,329	42,025,306	2,815,833	38,805,205	41,621,038
1.1.2	Banks		747,860	18,834,329	19,582,189	958,317	24,513,830	25,472,147
1.1.3	Money Market Placements		10,205,763	453,693	10,659,456	3,701	138,076	141,777
1.1.4	Expected Credit Losses (-)		39,391	129,525	168,916	6,212	73,254	79,466
1.2	**Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)**	5.1.2	**692,738**	**4,526,562**	**5,219,300**	**305,745**	**4,335,292**	**4,641,037**
1.2.1	Government Securities		370,765	91,126	461,891	176,148	83,426	259,574
1.2.2	Equity Securities		303,272	30,148	333,420	97,797	102,529	200,326
1.2.3	Other Financial Assets		18,701	4,405,288	4,423,989	31,800	4,149,337	4,181,137
1.3	**Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)**	5.1.3	**18,274,036**	**10,369,493**	**28,643,529**	**18,254,325**	**8,908,628**	**27,162,953**
1.3.1	Government Securities		18,192,222	6,627,521	24,819,743	18,174,639	4,657,172	22,831,811
1.3.2	Equity Securities		32,328	350,053	382,381	15,058	220,404	235,462
1.3.3	Other Financial Assets		49,486	3,391,919	3,441,405	64,628	4,031,052	4,095,680
1.4	**Derivative Financial Assets**	5.1.4	**1,558,183**	**1,441,374**	**2,999,557**	**2,864,717**	**1,228,978**	**4,093,695**
1.4.1	Derivative Financial Assets Measured at FVTPL		1,133,910	1,424,303	2,558,213	2,301,908	1,046,359	3,348,267
1.4.2	Derivative Financial Assets Measured at FVOCI		424,273	17,071	441,344	562,809	182,619	745,428
II.	**FINANCIAL ASSETS MEASURED AT AMORTIZED COST**		**180,738,392**	**115,539,328**	**296,277,720**	**167,902,027**	**109,165,560**	**277,067,587**
2.1	**Loans**	5.1.5	**166,976,048**	**110,530,551**	**277,506,599**	**153,460,388**	**102,549,167**	**256,009,555**
2.2	**Lease Receivables**	5.1.6	**1,326,634**	**4,857,520**	**6,184,154**	**1,674,838**	**5,291,202**	**6,966,040**
2.3	**Factoring Receivables**	5.1.7	**1,809,179**	**620,984**	**2,430,163**	**1,974,562**	**611,571**	**2,586,133**
2.4	**Other Financial Assets Measured at Amortised Cost**	5.1.8	**20,732,279**	**6,988,063**	**27,720,342**	**18,586,328**	**6,067,681**	**24,654,009**
2.4.1	Government Securities		**20,591,464**	**6,967,172**	**27,558,636**	**18,552,564**	**6,053,663**	**24,606,227**
2.4.2	Other Financial Assets		**140,815**	**20,891**	**161,706**	**33,764**	**14,018**	**47,782**
2.5	**Expected Credit Losses (-)**		**10,105,748**	**7,457,790**	**17,563,538**	**7,794,089**	**5,354,061**	**13,148,150**
III.	**ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)**	5.1.9	**1,424,822**	**27,436**	**1,452,258**	**828,631**	**29,064**	**857,695**
3.1	Asset Held for Resale		1,424,822	27,436	1,452,258	828,631	29,064	857,695
3.2	Assets of Discontinued Operations		-	-	-	-	-	-
IV.	**INVESTMENTS IN ASSOCIATES,SUBSIDIARIES AND JOINT VENTURES**		**149,767**	**4,087**	**153,854**	**129,287**	**3,584**	**132,871**
4.1	**Associates (Net)**	5.1.10	**35,747**	**6**	**35,753**	**35,747**	**5**	**35,752**
4.1.1	Associates Consolidated Under Equity Accounting		-	-	-	-	-	-
4.1.2	Unconsolidated Associates		35,747	6	35,753	35,747	5	35,752
4.2	**Subsidiaries (Net)**	5.1.11	**114,020**	**4,081**	**118,101**	**93,540**	**3,579**	**97,119**
4.2.1	Unconsolidated Financial Investments in Subsidiaries		-	-	-	-	-	-
4.2.2	Unconsolidated Non-Financial Investments in Subsidiaries		114,020	4,081	118,101	93,540	3,579	97,119
4.3	**Joint Ventures (Net)**	5.1.12	**-**	**-**	**-**	**-**	**-**	**-**
4.3.1	Joint-Ventures Consolidated Under Equity Accounting		-	-	-	-	-	-
4.3.2	Unconsolidated Joint-Ventures		-	-	-	-	-	-
V.	**TANGIBLE ASSETS (Net)**	5.1.13	**5,145,933**	**382,366**	**5,528,299**	**4,246,180**	**248,738**	**4,494,918**
VI.	**INTANGIBLE ASSETS (Net)**	5.1.14	**430,194**	**49,712**	**479,906**	**368,133**	**47,939**	**416,072**
6.1	Goodwill		6,388	-	6,388	6,388	-	6,388
6.2	Others		423,806	49,712	473,518	361,745	47,939	409,684
VII.	**INVESTMENT PROPERTY (Net)**	5.1.15	**569,719**	**-**	**569,719**	**558,309**	**-**	**558,309**
VIII.	**CURRENT TAX ASSET**		**7,649**	**78,568**	**86,217**	**89,774**	**85,492**	**175,266**
IX.	**DEFERRED TAX ASSET**	5.1.16	**1,861,118**	**20,892**	**1,882,010**	**1,494,185**	**24,992**	**1,519,177**
X.	**OTHER ASSETS (Net)**	5.1.17	**5,502,245**	**7,661,499**	**13,163,744**	**4,987,279**	**5,891,246**	**10,878,525**
	TOTAL ASSETS		**230,555,005**	**197,999,143**	**428,554,148**	**205,800,231**	**193,353,370**	**399,153,601**

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

TÜRKİYE GARANTİ BANKASI AŞ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Balance Sheet (Statement of Financial Position)

At 31 December 2019

			THOUSANDS OF TURKISH LIRA (TL)					
	LIABILITIES AND SHAREHOLDERS' EQUITY	FOOTNOTES	CURRENT PERIOD 31 DECEMBER 2019			PRIOR PERIOD 31 DECEMBER 2018		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	**DEPOSITS**	5.2.1	**113,245,513**	**164,031,812**	**277,277,325**	**104,075,640**	**140,162,137**	**244,237,777**
II.	**FUNDS BORROWED**	5.2.2	**2,687,955**	**22,934,104**	**25,622,059**	**1,185,677**	**32,154,050**	**33,339,727**
III.	**MONEY MARKET FUNDS**	5.2.3	**416,266**	**1,370,595**	**1,786,861**	**1,413,902**	**1,220,688**	**2,634,590**
IV.	**SECURITIES ISSUED (NET)**	5.2.4	**6,036,084**	**14,990,453**	**21,026,537**	**4,099,201**	**22,812,262**	**26,911,463**
4.1	Bills		4,825,540	-	4,825,540	1,926,060	27,087	1,953,147
4.2	Asset Backed Securities		-	-	-	-	-	-
4.3	Bonds		1,210,544	14,990,453	16,200,997	2,173,141	22,785,175	24,958,316
V.	**FUNDS**		-	-	-	-	-	-
5.1	Borrowers' Funds		-	-	-	-	-	-
5.2	Others		-	-	-	-	-	-
VI.	**FINANCIAL LIABILITIES MEASURED AT FVTPL**	5.2.5	-	**14,342,293**	**14,342,293**	-	**12,312,230**	**12,312,230**
VII.	**DERIVATIVE FINANCIAL LIABILITIES**	5.2.6	**1,945,271**	**2,294,394**	**4,239,665**	**2,536,310**	**1,973,852**	**4,510,162**
7.1	Derivative Financial Liabilities Measured at FVTPL		1,305,445	2,199,506	3,504,951	2,344,496	1,955,394	4,299,890
7.2	Derivative Financial Liabilities Measured at FVOCI		639,826	94,888	734,714	191,814	18,458	210,272
VIII.	**FACTORING LIABILITIES**	5.2.7	-	-	-	-	-	-
IX.	**LEASE LIABILITIES (Net)**	5.2.8	**969,316**	**165,454**	**1,134,770**	-	-	-
X.	**PROVISIONS**	5.2.9	**5,348,121**	**1,178,252**	**6,526,373**	**4,281,061**	**1,088,451**	**5,369,512**
10.1	Restructuring Reserves		-	-	-	-	-	-
10.2	Reserve for Employee Benefits		1,135,056	111,605	1,246,661	988,225	138,877	1,127,102
10.3	Insurance Technical Provisions (Net)		589,541	50,992	640,533	403,175	41,645	444,820
10.4	Other Provisions		3,623,524	1,015,655	4,639,179	2,889,661	907,929	3,797,590
XI.	**CURRENT TAX LIABILITY**	5.2.10	**1,149,548**	**102,427**	**1,251,975**	**558,766**	**88,115**	**646,881**
XII.	**DEFERRED TAX LIABILITY**	5.2.10	-	**29,480**	**29,480**	-	**19,121**	**19,121**
XIII.	**LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)**	5.2.11	-	-	-	-	-	-
13.1	Asset Held for Sale		-	-	-	-	-	-
13.2	Assets of Discontinued Operations		-	-	-	-	-	-
XIV.	**SUBORDINATED DEBTS**	5.2.12	**261,478**	**4,468,229**	**4,729,707**	-	**3,977,018**	**3,977,018**
14.1	Borrowings		-	-	-	-	-	-
14.2	Other Debt Instruments		261,478	4,468,229	4,729,707	-	3,977,018	3,977,018
XV.	**OTHER LIABILITIES**	5.2.13	**14,252,573**	**2,283,783**	**16,536,356**	**15,877,710**	**2,430,568**	**18,308,278**
XVI.	**SHAREHOLDERS' EQUITY**	5.2.14	**53,554,029**	**496,718**	**54,050,747**	**46,599,322**	**287,520**	**46,886,842**
16.1	Paid-in Capital		4,200,000	-	4,200,000	4,200,000	-	4,200,000
16.2	Capital Reserves		784,434	-	784,434	784,434	-	784,434
16.2.1	Share Premium		11,880	-	11,880	11,880	-	11,880
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		772,554	-	772,554	772,554	-	772,554
16.3	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss		1,375,110	267,474	1,642,584	1,334,963	138,431	1,473,394
16.4	Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		1,466,893	(94,917)	1,371,976	813,913	(202,070)	611,843
16.5	Profit Reserves		39,288,768	324,161	39,612,929	32,626,814	351,159	32,977,973
16.5.1	Legal Reserves		1,546,353	53,081	1,599,434	1,540,985	40,717	1,581,702
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		37,509,839	-	37,509,839	30,856,685	-	30,856,685
16.5.4	Other Profit Reserves		232,576	271,080	503,656	229,144	310,442	539,586
16.6	Profit/Loss		6,164,914	-	6,164,914	6,641,652	-	6,641,652
16.6.1	Prior Periods' Profit/Loss		-	-	-	-	-	-
16.6.2	Current Period's Net Profit/Loss		6,164,914	-	6,164,914	6,641,652	-	6,641,652
16.7	Minority Interest		273,910	-	273,910	197,546	-	197,546
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**199,866,154**	**228,687,994**	**428,554,148**	**180,627,589**	**218,526,012**	**399,153,601**

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

TÜRKİYE GARANTİ BANKASI AŞ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Off-Balance Sheet Items

At 31 December 2019

			THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD 31 DECEMBER 2019			PRIOR PERIOD 31 DECEMBER 2018		
		FOOTNOTES	TL	FC	TOTAL	TL	FC	TOTAL
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)			**187,129,637**	**307,620,161**	**494,749,798**	**164,137,002**	**329,699,658**	**493,836,660**
I.	**GUARANTEES AND SURETIES**	5.3.1	**23,655,572**	**39,101,523**	**62,757,095**	**22,813,515**	**44,901,913**	**67,715,428**
1.1	Letters of guarantee		23,555,242	26,872,148	50,427,390	22,742,832	27,430,938	50,173,770
1.1.1	Guarantees subject to State Tender Law		-	1,252,136	1,252,136	-	981,914	981,914
1.1.2	Guarantees given for foreign trade operations		1,408,118	620,356	2,028,474	1,842,819	385,452	2,228,271
1.1.3	Other letters of guarantee		22,147,124	24,999,656	47,146,780	20,900,013	26,063,572	46,963,585
1.2	Bank acceptances		35,845	1,543,198	1,579,043	23,495	2,765,334	2,788,829
1.2.1	Import letter of acceptance		35,395	1,521,807	1,557,202	23,495	2,765,334	2,788,829
1.2.2	Other bank acceptances		450	21,391	21,841	-	-	-
1.3	Letters of credit		64,485	10,611,998	10,676,483	47,188	14,638,734	14,685,922
1.3.1	Documentary letters of credit		-	-	-	-	-	-
1.3.2	Other letters of credit		64,485	10,611,998	10,676,483	47,188	14,638,734	14,685,922
1.4	Guaranteed prefinancings		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2	Other endorsements		-	-	-	-	-	-
1.6	Underwriting commitments		-	-	-	-	-	-
1.7	Factoring related guarantees		-	-	-	-	-	-
1.8	Other guarantees		-	74,179	74,179	-	66,907	66,907
1.9	Other sureties		-	-	-	-	-	-
II.	**COMMITMENTS**		**62,668,511**	**14,344,299**	**77,012,810**	**52,698,904**	**12,841,024**	**65,539,928**
2.1	Irrevocable commitments		62,458,341	12,568,282	75,026,623	52,490,826	9,539,003	62,029,829
2.1.1	Asset purchase and sale commitments		5,306,346	10,576,157	15,882,503	4,335,975	7,765,351	12,101,326
2.1.2	Deposit purchase and sale commitments		-	-	-	-	-	-
2.1.3	Share capital commitments to associates and subsidiaries		-	6,336	6,336	-	5,743	5,743
2.1.4	Loan granting commitments		16,305,168	1,273,729	17,578,897	13,372,364	1,161,904	14,534,268
2.1.5	Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7	Commitments for cheque payments		3,184,727	-	3,184,727	2,719,279	-	2,719,279
2.1.8	Tax and fund obligations on export commitments		137,121	-	137,121	66,328	-	66,328
2.1.9	Commitments for credit card limits		37,521,955	712,060	38,234,015	31,989,568	553,338	32,542,906
2.1.10	Commitments for credit cards and banking services related promotions		3,024	-	3,024	7,312	-	7,312
2.1.11	Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12	Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13	Other irrevocable commitments		-	-	-	-	52,667	52,667
2.2	Revocable commitments		210,170	1,776,017	1,986,187	208,078	3,302,021	3,510,099
2.2.1	Revocable loan granting commitments		15,045	1,446,989	1,462,034	118,805	3,040,576	3,159,381
2.2.2	Other revocable commitments		195,125	329,028	524,153	89,273	261,445	350,718
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	5.3.2	**100,805,554**	**254,174,339**	**354,979,893**	**88,624,583**	**271,956,721**	**360,581,304**
3.1	Derivative financial instruments held for risk management		22,373,314	43,574,257	65,947,571	13,093,473	50,419,760	63,513,233
3.1.1	Fair value hedges		4,835,016	16,607,942	21,442,958	6,000,686	17,404,868	23,405,554
3.1.2	Cash flow hedges		17,538,298	26,966,315	44,504,613	7,092,787	33,014,892	40,107,679
3.1.3	Net foreign investment hedges		-	-	-	-	-	-
3.2	Trading derivatives		78,432,240	210,600,082	289,032,322	75,531,110	221,536,961	297,068,071
3.2.1	Forward foreign currency purchases/sales		7,322,962	8,764,639	16,087,601	11,559,409	13,254,851	24,814,260
3.2.1.1	Forward foreign currency purchases		3,686,017	4,409,675	8,095,692	4,765,141	7,545,258	12,310,399
3.2.1.2	Forward foreign currency sales		3,636,945	4,354,964	7,991,909	6,794,268	5,709,593	12,503,861
3.2.2	Currency and interest rate swaps		60,617,121	160,582,646	221,199,767	45,874,245	156,440,960	202,315,205
3.2.2.1	Currency swaps-purchases		9,766,706	67,104,838	76,871,544	10,649,363	63,055,771	73,705,134
3.2.2.2	Currency swaps-sales		43,894,979	29,683,702	73,578,681	33,809,288	36,121,829	69,931,117
3.2.2.3	Interest rate swaps-purchases		3,477,718	31,897,053	35,374,771	707,797	28,631,680	29,339,477
3.2.2.4	Interest rate swaps-sales		3,477,718	31,897,053	35,374,771	707,797	28,631,680	29,339,477
3.2.3	Currency, interest rate and security options		10,170,756	20,898,894	31,069,650	17,232,147	32,370,725	49,602,872
3.2.3.1	Currency call options		5,408,521	5,945,014	11,353,535	9,069,974	8,208,590	17,278,564
3.2.3.2	Currency put options		4,573,863	7,416,639	11,990,502	8,084,584	10,686,711	18,771,295
3.2.3.3	Interest rate call options		-	6,649,121	6,649,121	-	11,921,185	11,921,185
3.2.3.4	Interest rate put options		-	888,120	888,120	-	1,554,239	1,554,239
3.2.3.5	Security call options		87,880	-	87,880	24,665	-	24,665
3.2.3.6	Security put options		100,492	-	100,492	52,924	-	52,924
3.2.4	Currency futures		131,926	534,975	666,901	837,290	970,229	1,807,519
3.2.4.1	Currency futures-purchases		128,032	208,060	336,092	66,180	807,290	873,470
3.2.4.2	Currency futures-sales		3,894	326,915	330,809	771,110	162,939	934,049
3.2.5	Interest rate futures		-	29,604	29,604	-	18,066	18,066
3.2.5.1	Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2	Interest rate futures-sales		-	29,604	29,604	-	18,066	18,066
3.2.6	Others		189,475	19,789,324	19,978,799	28,019	18,482,130	18,510,149
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)			**805,331,669**	**860,068,236**	**1,665,399,905**	**734,970,642**	**779,705,808**	**1,514,676,450**
IV.	**ITEMS HELD IN CUSTODY**		**61,688,136**	**42,938,926**	**104,627,062**	**47,679,289**	**45,204,129**	**92,883,418**
4.1	Customers' securities held		27,430,538	-	27,430,538	16,549,359	-	16,549,359
4.2	Investment securities held in custody		15,270,202	12,493,790	27,763,992	11,117,076	15,329,484	26,446,560
4.3	Checks received for collection		15,688,562	5,837,295	21,525,857	16,598,765	5,317,179	21,915,944
4.4	Commercial notes received for collection		2,702,936	938,150	3,641,086	2,820,947	1,021,743	3,842,690
4.5	Other assets received for collection		250,510	20,797,896	21,048,406	189,845	19,210,946	19,400,791
4.6	Assets received through public offering		-	144,496	144,496	-	128,789	128,789
4.7	Other items under custody		345,388	2,727,299	3,072,687	403,297	4,195,988	4,599,285
4.8	Custodians		-	-	-	-	-	-
V.	**PLEDGED ITEMS**		**743,643,533**	**817,129,310**	**1,560,772,843**	**687,291,353**	**734,501,679**	**1,421,793,032**
5.1	Securities		4,036,323	1,563,950	5,600,273	2,626,072	149,806	2,775,878
5.2	Guarantee notes		23,737,421	13,743,078	37,480,499	27,157,222	13,490,262	40,647,484
5.3	Commodities		3,371	-	3,371	13,913	-	13,913
5.4	Warranties		-	377,819	377,819	-	359,113	359,113
5.5	Real estates		175,430,786	148,434,218	323,865,004	169,974,426	135,795,357	305,769,783
5.6	Other pledged items		540,435,632	653,010,149	1,193,445,781	487,519,720	584,707,054	1,072,226,774
5.7	Pledged items-depository		-	96	96	-	87	87
VI.	**CONFIRMED BILLS OF EXCHANGE AND SURETIES**		**-**	**-**	**-**	**-**	**-**	**-**
	TOTAL OFF-BALANCE SHEET ITEMS (A+B)		**992,461,306**	**1,167,688,397**	**2,160,149,703**	**899,107,644**	**1,109,405,466**	**2,008,513,110**

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

TÜRKİYE GARANTİ BANKASI AŞ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Statement of Profit or Loss

At 31 December 2019

	INCOME AND EXPENSE ITEMS	FOOTNOTES	THOUSANDS OF TURKISH LIRA (TL) CURRENT PERIOD 1 JANUARY 2019-31 DECEMBER 2019	PRIOR PERIOD 1 JANUARY 2018-31 DECEMBER 2018
I.	**INTEREST INCOME**	5.4.1	**42,045,625**	**41,246,027**
1.1	Interest income on loans		33,866,206	30,971,635
1.2	Interest income on reserve deposits		233,541	324,582
1.3	Interest income on banks		855,208	629,799
1.4	Interest income on money market transactions		395,622	37,728
1.5	Interest income on securities portfolio		5,658,911	8,261,754
1.5.1	Financial assets measured at FVTPL		113,531	72,763
1.5.2	Financial assets measured at FVOCI		2,784,388	4,145,126
1.5.3	Financial assets measured at amortised cost		2,760,992	4,043,865
1.6	Financial lease income		511,531	539,811
1.7	Other interest income		524,606	480,718
II.	**INTEREST EXPENSE**	5.4.2	**21,372,200**	**20,369,094**
2.1	Interest on deposits		16,529,107	14,756,035
2.2	Interest on funds borrowed		1,799,135	1,965,032
2.3	Interest on money market transactions		117,758	1,193,709
2.4	Interest on securities issued		2,650,526	2,388,905
2.5	Lease interest expense		188,093	3,234
2.6	Other interest expenses		87,581	62,179
III.	**NET INTEREST INCOME (I - II)**		**20,673,425**	**20,876,933**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**6,273,573**	**5,102,687**
4.1	Fees and commissions received		8,643,797	6,944,272
4.1.1	Non-cash loans		721,434	587,647
4.1.2	Others		7,922,363	6,356,625
4.2	Fees and commissions paid		2,370,224	1,841,585
4.2.1	Non-cash loans		15,350	2,238
4.2.2	Others		2,354,874	1,839,347
V.	**DIVIDEND INCOME**	5.4.3	**11,276**	**7,691**
VI.	**NET TRADING INCOME/LOSSES (Net)**	5.4.4	**(1,806,062)**	**(1,145,747)**
6.1	Trading account income/losses		(157,084)	853,849
6.2	Income/losses from derivative financial instruments		(2,935,307)	839,627
6.3	Foreign exchange gains/losses		1,286,329	(2,839,223)
VII.	**OTHER OPERATING INCOME**	5.4.5	**5,676,784**	**3,517,425**
VIII.	**TOTAL OPERATING PROFIT (III+IV+V+VI+VII)**		**30,828,996**	**28,358,989**
IX.	**EXPECTED CREDIT LOSSES (-)**	5.4.6	**11,491,709**	**9,257,780**
X.	**OTHER PROVISIONS (-)**	5.4.6	**855,943**	**1,578,466**
XI.	**PERSONNEL EXPENSES (-)**		**4,187,991**	**3,645,278**
XII.	**OTHER OPERATING EXPENSES (-)**	5.4.7	**6,121,085**	**5,123,707**
XIII.	**NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)**		**8,172,268**	**8,753,758**
XIV.	**INCOME RESULTED FROM MERGERS**		**-**	**-**
XV.	**INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING**		**-**	**-**
XVI.	**GAIN/LOSS ON NET MONETARY POSITION**		**-**	**-**
XVII.	**PROFIT/LOSS BEFORE TAXES (XIII+...+XVI)**	5.4.8	**8,172,268**	**8,753,758**
XVIII.	**PROVISION FOR TAXES (±)**	5.4.9	**1,930,878**	**2,047,153**
18.1	Current tax charge		2,362,115	1,806,595
18.2	Deferred tax charge (+)		292,444	651,170
18.3	Deferred tax credit (-)		(723,681)	(410,612)
XIX.	**NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)**	5.4.10	**6,241,390**	**6,706,605**
XX.	**INCOME FROM DISCONTINUED OPERATIONS**		**-**	**-**
20.1	Income from assets held for sale		-	-
20.2	Income from sale of associates, subsidiaries and joint-ventures		-	-
20.3	Others		-	-
XXI.	**EXPENSES FROM DISCONTINUED OPERATIONS (-)**		**-**	**-**
21.1	Expenses on assets held for sale		-	-
21.2	Expenses on sale of associates, subsidiaries and joint-ventures		-	-
21.3	Others		-	-
XXII.	**PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XX-XXI)**	5.4.8	**-**	**-**
XXIII.	**PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)**	5.4.9	**-**	**-**
23.1	Current tax charge		-	-
23.2	Deferred tax charge (+)		-	-
23.3	Deferred tax credit (-)		-	-
XXIV.	**NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXII±XXIII)**	5.4.10	**-**	**-**
XXV.	**NET PROFIT/LOSS (XIX+XXIV)**	5.4.11	**6,241,390**	**6,706,605**
25.1	Equity holders of the bank		6,164,914	6,641,652
25.2	Minority interest		76,476	64,953
	Earnings per Share		**0.01468**	**0.01581**

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

TÜRKİYE GARANTİ BANKASI AŞ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Statement of Profit or Loss and Other Comprehensive Income

At 31 December 2019

		THOUSANDS OF TURKISH LIRA (TL)	
	STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	CURRENT PERIOD 1 JANUARY 2019- 31 DECEMBER 2019	PRIOR PERIOD 1 JANUARY 2018- 31 DECEMBER 2018
I.	**CURRENT PERIOD PROFIT/LOSS**	**6,241,390**	**6,706,605**
II.	**OTHER COMPREHENSIVE INCOME**	**892,971**	**(403,396)**
2.1	**Other Income/Expense Items not to be Recycled to Profit or Loss**	**132,740**	**42,887**
2.1.1	Revaluation Surplus on Tangible Assets	77,072	18,869
2.1.2	Revaluation Surplus on Intangible Assets	-	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	(14,279)	(20,906)
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	80,509	45,316
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(10,562)	(392)
2.2	**Other Income/Expense Items to be Recycled to Profit or Loss**	**760,231**	**(446,283)**
2.2.1	Translation Differences	465,491	1,161,002
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	1,296,692	(1,407,442)
2.2.3	Gains/losses from Cash Flow Hedges	(696,601)	(39,740)
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	(237,150)	(525,062)
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	-	-
2.2.6	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	(68,201)	364,959
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**7,134,361**	**6,303,209**

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

TÜRKİYE GARANTİ BANKASI AŞ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Statement of Changes in Shareholders' Equity At 31 December 2019

THOUSANDS OF TURKISH LIRA (TL)

	STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	FOOTNOTES	PAID-IN CAPITAL	SHARE PREMIUMI	SHARE CANCELLATION PROFITS	OTHER CAPITAL RESERVES	OTHER COMPREHENSIVE INCOME/EXPENSE ITEMS NOT TO BE RECYCLED TO PROFIT OR LOSS			OTHER COMPREHENSIVE INCOME/EXPENSE ITEMS TO BE RECYCLED TO PROFIT OR LOSS			PROFIT RESERVES	PRIOR PERIODS' PROFIT/LOSS	CURRENT PERIOD'S NET PROFIT/LOSS)	SHAREHOLDERS' EQUITY BEFORE MINORITY INTEREST	MINORITY INTEREST	TOTAL SHAREHOLDERS' EQUITY
							REVALUATION SURPLUS ON TANGIBLE AND INTANGIBLE ASSETS	DEFINED BENEFIT PLANS' ACTUARIAL GAINS/ LOSSES	OTHERS	TRANSLATION DIFFERENCES	INCOME/EXPENSES FROM VALUATION AND/OR RECLASSIFICATION OF FINANCIAL ASSETS MEASURED AT FVOCI	OTHERS						
	PRIOR PERIOD (01/01/2018-31/12/2018)																	
I.	**Balances at Beginning of Period**		**4,200,000**	**11,880**	**-**	**772,554**	**1,519,875**	**(144,269)**	**60,858**	**1,583,793**	**(266,597)**	**(655,448)**	**27,869,150**	**6,332,056**	**-**	**41,283,852**	**322,149**	**41,606,001**
II.	**Correction made as per TAS 8**	3.29	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**396,257**	**-**	**-**	**433,666**	**-**	**829,923**	**(7,809)**	**822,114**
2.1	Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	396,257	-	-	433,666	-	829,923	(7,809)	822,114
III.	**Adjusted Balances at Beginning of Period (I+II)**	5.9	**4,200,000**	**11,880**	**-**	**772,554**	**1,519,875**	**(144,269)**	**60,858**	**1,583,793**	**129,660**	**(655,448)**	**27,869,150**	**6,765,722**	**-**	**42,113,775**	**314,340**	**42,428,115**
IV.	**Total Comprehensive Income**		**-**	**-**	**-**	**-**	**15,048**	**(16,622)**	**38,504**	**1,161,002**	**(1,187,871)**	**(419,293)**	**6,059**	**-**	**6,641,652**	**6,238,479**	**64,851**	**6,303,330**
V.	**Capital Increase in Cash**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VI.	**Capital Increase from Internal Sources**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VII.	**Capital Reserves from Inflation Adjustments to Paid-in Capital**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**Convertible Bonds**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX.	**Subordinated Liabilities**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X.	**Others Changes**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**87,042**	**-**	**-**	**87,042**	**(121)**	**86,921**
XI.	**Profit Distribution**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,015,722**	**(6,765,722)**	**-**	**(1,750,000)**	**(181,524)**	**(1,931,524)**
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	(1,750,000)	-	(1,750,000)	(181,524)	(1,931,524)
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	5,014,572	(5,014,572)	-	-	-	-
11.3	Others		-	-	-	-	-	-	-	-	-	-	1,150	(1,150)	-	-	-	-
	Balances at end of the period (III+IV...+X+XI)		**4,200,000**	**11,880**	**-**	**772,554**	**1,534,923**	**(160,891)**	**99,362**	**2,744,795**	**(1,058,211)**	**(1,074,741)**	**32,977,973**	**-**	**6,641,652**	**46,689,296**	**197,546**	**46,886,842**
	CURRENT PERIOD (01/01/2019-31/12/2019)																	
I.	**Balances at Beginning of Period**		**4,200,000**	**11,880**	**-**	**772,554**	**1,534,923**	**(160,891)**	**99,362**	**2,744,795**	**(1,058,211)**	**(1,074,741)**	**32,977,973**	**6,641,652**	**-**	**46,689,296**	**197,546**	**46,886,842**
II.	**Correction made as per TAS 8**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1	Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted Balances at Beginning of Period (I+II)**	5.5	**4,200,000**	**11,880**	**-**	**772,554**	**1,534,923**	**(160,891)**	**99,362**	**2,744,795**	**(1,058,211)**	**(1,074,741)**	**32,977,973**	**6,641,652**	**-**	**46,689,296**	**197,546**	**46,886,842**
IV.	**Total Comprehensive Income**		**-**	**-**	**-**	**-**	**63,040**	**(11,583)**	**117,733**	**465,491**	**484,361**	**(189,719)**	**(36,920)**	**-**	**6,164,914**	**7,057,317**	**77,044**	**7,134,361**
V.	**Capital Increase in Cash**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VI.	**Capital Increase from Internal Sources**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VII.	**Capital Reserves from Inflation Adjustments to Paid-in Capital**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**Convertible Bonds**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX.	**Subordinated Liabilities**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X.	**Others Changes**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**30,224**	**-**	**-**	**30,224**	**-**	**30,224**
XI.	**Profit Distribution**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,641,652**	**(6,641,652)**	**-**	**-**	**(680)**	**(680)**
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(680)	(680)
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	6,641,652	(6,641,652)	-	-	-	-
11.3	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV...+X+XI)		**4,200,000**	**11,880**	**-**	**772,554**	**1,597,963**	**(172,474)**	**217,095**	**3,210,286**	**(573,850)**	**(1,264,460)**	**39,612,929**	**-**	**6,164,914**	**53,776,837**	**273,910**	**54,050,747**

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

TÜRKİYE GARANTİ BANKASI AŞ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Statement of Cash Flows

At 31 December 2019

		FOOTNOTES	THOUSANDS OF TURKISH LIRA (TL) CURRENT PERIOD 1 JANUARY 2019- 31 DECEMBER 2019	PRIOR PERIOD 1 JANUARY 2018 - 30 SEPTEMBER 2018
A.	**CASH FLOWS FROM BANKING OPERATIONS**			
1.1	**Operating profit before changes in operating assets and liabilities**	5.6	**18,011,088**	**10,454,777**
1.1.1	Interests received		40,681,115	34,769,428
1.1.2	Interests paid		(21,880,818)	(20,145,242)
1.1.3	Dividend received		11,276	7,691
1.1.4	Fees and commissions received		8,643,797	6,944,272
1.1.5	Other income		5,426,784	4,371,274
1.1.6	Collections from previously written-off receivables		702,180	388,778
1.1.7	Cash payments to personnel and service suppliers		(8,649,574)	(7,768,620)
1.1.8	Taxes paid		(1,889,092)	(2,710,369)
1.1.9	Others		(5,034,580)	(5,402,435)
1.2	**Changes in operating assets and liabilities**	5.6	**(3,572,118)**	**4,836,686**
1.2.1	Net (increase) decrease in financial assets measured at FVTPL		(1,110,263)	505,794
1.2.2	Net (increase) decrease in due from banks		5,256,848	(1,785,550)
1.2.3	Net (increase) decrease in loans		(28,502,718)	(30,127,463)
1.2.4	Net (increase) decrease in other assets		(2,296,756)	3,645,600
1.2.5	Net increase (decrease) in bank deposits		(3,491,287)	3,757,825
1.2.6	Net increase (decrease) in other deposits		37,470,410	38,772,304
1.2.7	Net increase (decrease) in financial liabilities measured at FVTPL		-	-
1.2.8	Net increase (decrease) in funds borrowed		(9,109,859)	(14,774,175)
1.2.9	Net increase (decrease) in matured payables		-	-
1.2.10	Net increase (decrease) in other liabilities		(1,788,493)	4,842,351
I.	**Net cash flow from banking operations**	5.6	**14,438,970**	**15,291,463**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net cash flow from investing activities**	5.6	**(1,550,313)**	**3,816,031**
2.1	Cash paid for purchase of associates, subsidiaries and joint-ventures		-	-
2.2	Cash obtained from sale of associates, subsidiaries and joint-ventures		-	-
2.3	Purchases of tangible assets		(606,785)	(1,794,001)
2.4	Sales of tangible assets		384,197	1,206,272
2.5	Cash paid for purchase of financial assets measured at FVOCI		(7,316,987)	(17,750,702)
2.6	Cash obtained from sale of financial assets measured at FVOCI		7,038,450	20,699,593
2.7	Cash paid for purchase of financial assets measured at amortised cost		(1,248,680)	(693,258)
2.8	Cash obtained from sale of financial assets measured at amortised cost		199,492	2,148,127
2.9	Others		-	-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net cash flow from financing activities**		**(4,052,169)**	**2,214,086**
3.1	Cash obtained from funds borrowed and securities issued		24,536,128	22,491,378
3.2	Cash used for repayment of funds borrowed and securities issued		(28,277,486)	(18,345,768)
3.3	Equity instruments issued		-	-
3.4	Dividends paid		(680)	(1,931,524)
3.5	Payments for leases		(310,131)	-
3.6	Others		-	-
IV.	**Effect of translation differences on cash and cash equivalents**		**1,472,401**	**1,423,512**
V.	**Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)**	5.6	**10,308,889**	**22,745,092**
VI.	**Cash and cash equivalents at beginning of period**	5.6	**37,697,604**	**14,952,512**
VII.	**Cash and cash equivalents at end of period (V+VI)**	5.6	**48,006,493**	**37,697,604**

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

3 ACCOUNTING POLICIES

3.1 BASIS OF PRESENTATION

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

The accompanying consolidated financial statements are prepared in accordance with the historical cost basis except for financial instruments at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and real estates which are presented on a fair value basis.

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

The accounting policies and the valuation principles applied in the preparation of the accompanying financial statements are explained in Notes 3.2 to 3.30.

3.1.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

3.1.1.1 MAJOR NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

3.1.1.2 THE STANDARDS WHICH ARE EFFECTIVE AS OF 1 JANUARY 2019

TFRS 16 Leases

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

This standard is applied with modified retrospective approach recognizing the cumulative effect of initially applying the standard at the date of initial application. In this context, comparative information is not restated.

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

3.2 STRATEGY FOR USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS

3.2.1 STRATEGY FOR USE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

3.2.2 FOREIGN CURRENCY TRANSACTIONS

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

During the consolidation of foreign subsidiaries, the assets and liabilities are translated into TL at exchange rates ruling at the balance sheet date, the income and expenses in income statement are translated into TL using monthly average exchange rates. Foreign exchange differences arising from the translation of income and expenses and other equity items, are recognized in "other comprehensive income/expense items to be recycled to profit or loss under the shareholders' equity.

In the current period, net investment hedge amounting to EUR 401,703,512 (31 December 2018: EUR 366,635,075) is applied in total among investments in Garanti Bank International NV and Garanti Holding BV having capitals denominated in foreign currencies and long term foreign currency borrowings. Foreign exchange losses in the amount of TL 1,580,575 (31 December 2018: TL 1,343,425), arising from conversion of both foreign currency investments and long term foreign currency borrowings are accounted under capital reserves and other comprehensive income/expense items to be recycled to profit/loss, respectively under equity as of 31 December 2019. There is no ineffective portion arising from net investment hedge accounting.

3.3 INFORMATION ON CONSOLIDATED SUBSIDIARIES

As of 31 December 2019, Türkiye Garanti Bankası Anonim Şirketi and the following financial subsidiaries are consolidated in the accompanying consolidated financial statements; Garanti Bank International (GBI), Garanti Finansal Kiralama AŞ (Garanti Finansal Kiralama), Garanti Yatırım Menkul Kıymetler AŞ (Garanti Yatırım), Garanti Portföy Yönetimi AŞ (Garanti Portföy), Garanti Emeklilik ve Hayat AŞ (Garanti Emeklilik), Garanti Faktoring AŞ (Garanti Faktoring) and Garanti Holding BV (Garanti Holding).

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

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

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

Garanti Yatırım was established in 1991 to perform brokerage activities for marketable securities, valuable papers and documents representing financial values or financial commitments of issuing parties other than securities. The company's head office is in Istanbul. It is wholly owned by the Bank. Garanti Yatırım Ortaklığı AŞ that Garanti Yatırım participated by 3.61%, has been consolidated in the accompanying consolidated financial statements due to the company's right to elect all the members of the board of directors as resulted from its privilege in election of board members.

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

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

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

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

3.4 FORWARDS, OPTIONS AND OTHER DERIVATIVE TRANSACTIONS

3.4.1 DERIVATIVE FINANCIAL ASSETS

Derivative financial assets measured at fair value through profit or loss

The derivative transactions mainly consist of foreign currency and interest rate swaps, foreign currency options and forward foreign currency purchase/sale contacts.

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

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

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

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

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

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

Credit default swap; is a contract, in which the protection seller commits to pay the protection value to the protection buyer in case of certain credit risk events in return for the premium paid by the buyer for the contract. Credit default swaps are valued daily at their fair values.

Total return swap; is a contract, in which the protection seller commits to make a certain payment and compensate the decreases in market values of the reference assets to the buyer under the condition that the protection buyer will transfer all the cash flows to be created by and the increases in market values of the reference asset. It is entered into total return swap contract for the purpose of generating long-term funding.

3.4.2 DERIVATIVE FINANCIAL INSTRUMENTS HELD FOR HEDGING PURPOSE

TFRS 9 permits to defer application of TFRS 9 hedge accounting and continue to apply hedge accounting in accordance with TAS 39 as a policy choice. Accordingly, the Bank and its consolidated financial subsidiaries continue to apply hedge accounting in accordance with TAS 39 in this context.

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

Derivative financial assets measured at fair value through other comprehensive income

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

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

The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. When discontinuing fair value hedge accounting, the cumulative fair value changes in carrying value of the hedged item arising from the hedged risk are amortised to income statement under trading account income/loss caption over the maturity of the hedged item from that date of the hedge accounting is discontinued. While expiring, sale, discontinuing cash flow hedge accounting or when no longer effective the cumulative gains/losses recognised in shareholders' equity and presented under "accumulated other comprehensive income or expense to be reclassified to profit or loss" are continued to be kept in this account. When the cash flows of hedged item incur, the gain/losses accounted for under shareholders' equity are recognised in income statement considering the original maturity.

3.5 INTEREST INCOME AND EXPENSES

General

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

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

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

If the expectations for the cash flows in the financial asset are revised for reasons other than the credit risk, the amendment is reflected in the carrying amount of the asset and in the related income statement line and is amortized over the estimated life of the financial asset.

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

Financial lease activities

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

3.6 FEES AND COMMISSIONS

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

3.7 FINANCIAL INSTRUMENTS

3.7.1 INITIAL RECOGNITION OF FINANCIAL INSTRUMENTS

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

3.7.2 INITIAL MEASUREMENT OF FINANCIAL INSTRUMENTS

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

3.7.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

3.7.3.1 ASSESSMENT OF THE BUSINESS MODEL

As per TFRS 9, the business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The business model does not depend on management's intentions for an individual instrument. Accordingly, this condition is not an instrument-by-instrument approach to classification and should be determined on a higher level of aggregation.

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

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

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

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

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

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

3.7.3.2 CONTRACTUAL CASH FLOWS THAT ARE SOLELY PAYMENTS OF PRINCIPAL AND INTEREST ON THE PRINCIPAL AMOUNT OUTSTANDING

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

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

3.7.4 MEASUREMENT CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

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

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

Financial investments and loans measured at amortised cost

Starting from 1 January 2018, financial investments and loans are 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.

Financial investments measured at amortised cost: subsequent to the initial recognition, financial investments measured at amortised cost are accounted at amortised cost calculated by using the effective interest rate method. The expected losses calculated for the relevant financial assets in accordance with TFRS 9 is presented in Note 5.1.8.5.

Loans: financial assets other than those held for trading in short term or generated through providing money, commodity and services to debtors. Loans are financial assets with fixed or determinable payments and not quoted in an active market.

Loans are recognized at cost and measured at amortized cost using the effective interest method. Duties paid, transaction costs and other similar expenses on assets received against such risks are considered as a part of transaction cost and charged to customers. The expected losses calculated for the relevant financial assets in accordance with TFRS 9 is presented in Note 5.1.5.11.

Financial assets measured at fair value through other comprehensive income

As per TFRS 9, financial investments are measured at fair value through other comprehensive income 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 fair value through other comprehensive income shall be recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. If the financial asset is reclassified as financial assets measured at fair value through profit or loss, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Financial assets measured at fair value through other comprehensive income are measured at their fair values subsequently. However, assets for which fair values could not be determined reliably are valued at amortized cost by using the discounting method with effective interest rate, that approximates to fair value, for floating-rate securities; and by using valuation models or discounted cash flow techniques for fixed-rate securities. Unrecognised gain/losses derived from the difference between their fair value and the discounted values are recorded in accumulated other comprehensive income or expense to be reclassified to profit or loss under the shareholders' equity. In case of sales, the gain/losses arising from fair value measurement accumulated under shareholders' equity are recognized in income statement.

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

The Bank also owns in its securities portfolio; consumer price indexed government bonds (CPI) reclassified as financial assets measured at fair value through other comprehensive income, financial assets measured at fair value through profit or loss and financial assets measured at amortised cost. CPI's are valued and accounted based on 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 guideline. The estimated inflation rate according to the Central Bank of Turkey and the Bank's expectations, maybe updated during the year when it is considered necessary.

Equity instruments measured at fair value through other comprehensive income

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 TFRS 9 that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which TFRS 3 applies. Such election is made on an instrument by instrument basis.

Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. However, the cumulative gain or loss shall be transferred 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. TFRS 9 impairment requirements are not applicable for equity instruments.

Financial assets and liabilities measured at fair value through profit or loss

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

It is classified certain loans and securities issued at their origination dates, as financial assets/liabilities, irrevocably at fair value through profit or loss in order to eliminate any accounting mismatch in compliance with TFRS 9.

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

3.8 DISCLOSURES ON IMPAIRMENT OF FINANCIAL INSTRUMENTS

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

At each reporting date, 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, it is measured loss allowance regarding such instrument 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 Note 3.8.3.

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

3.8.1 CALCULATION OF EXPECTED CREDIT LOSSES

Expected credit losses are calculated 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 TFRS 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 following the balance sheet date.
- Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument.

Internal rating systems are used 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%.

It is considered a debt as default on these two below conditions;

1. Objective Default Definition: It means debt having past due more than 90 days. Current definition of default in the Bank and its financial subsidiaries subject to consolidation is based on a more than 90 days past due definition. If a loan is exactly 90 days past due, it will not be considered as default. Default status starts on the 91st day.

2. Subjective Default Definition: It means it is considered that a debt is unlikely to be paid. Whenever it is considered that an obligor is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due.

For the purpose of determining significant increases in credit risk and recognising a loss allowance on a collective basis, 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 TFRS 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.

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

3.8.1.1 LOAN COMMITMENTS AND NON-CASH LOANS

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

3.8.1.2 DEBT INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

3.8.1.3 CREDIT CARDS AND OTHER REVOLVING LOANS

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

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

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

It is calculated expected credit losses on the revolving products of retail and corporate customers by considering 3 to 5 years.

It is made assessment of significant increase in credit risk of revolving loans by considering qualitative and quantitative criteria considered for other credit products as explained in disclosure 3.8.3.

3.8.2 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.

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.

3.8.3 SIGNIFICANT INCREASE IN CREDIT RISK

Qualitative and quantitative assessments are performed regarding assessment of significant increase in credit risk.

Qualitative assessment:

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

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

Quantitative assessment:

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

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

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

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

3.8.4 LOW CREDIT RISK

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

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

It is defined the definition of low credit risk based on the definition of High Quality Liquid Asset given in the Regulation on the Liquidity Coverage Ratio Calculation and the principles of the risk weight calculation based on the external rating note of the receivables from the Central Banks and the Central Governments in accordance with the Regulation on the Measurement and Assessment of Banks' Capital Adequacy.

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

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

3.9 DISCLOSURES ABOUT NETTING AND DERECOGNITION OF FINANCIAL INSTRUMENTS

3.9.1 NETTING OF FINANCIAL INSTRUMENTS

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

3.9.2 DERECOGNITION OF FINANCIAL INSTRUMENTS

3.9.2.1 DERECOGNITION OF FINANCIAL ASSETS DUE TO CHANGE IN THE CONTRACTUAL TERMS

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

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

Where all risks and rewards of ownership of the asset have not been transferred to another party and it is retained control of the asset, it is continued to recognize the remaining portion of the asset and liabilities arising from such asset.

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

3.9.2.2 DERECOGNITION OF A FINANCIAL ASSET WITHOUT ANY CHANGE IN THE CONTRACTUAL TERMS

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

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

3.9.2.3 DERECOGNITION OF FINANCIAL LIABILITIES

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

3.9.3 RECLASSIFICATION OF FINANCIAL INSTRUMENTS

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

3.9.4 RESTRUCTURING AND REFINANCING OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

- Recovery in debt service,
- At least 1 year should pass over the date of restructuring,
- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring /refinancing or the date when the debtor is classified as non-performing (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring /refinancing,
- Collection of all overdue amounts, disappearance of the reasons for classification as non-performing receivable (based on the conditions mentioned above) and having no overdue more than 30 days as of the date of reclassification.

During the follow-up period of at least two years following the date of restructuring / refinancing, if there is a new restructuring / refinancing or a delay of more than 30 days, the transactions which were non-performing at the beginning of the follow-up period are classified as non-performing loans again. The performing or non-performing retail loans being subject to restructuring shall be removed from the watchlist only if the debt is paid in full.

3.10 REPURCHASE AND RESALE AGREEMENTS AND SECURITIES LENDING

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

Securities purchased under resale agreements are classified under "Money Markets Placements" separately. An income accrual is accounted for the positive difference between the purchase and resale prices earned during the period on such securities.

Securities lending transactions are classified under "Money Markets" and the related expense accruals are accounted.

3.11 ASSETS HELD FOR SALE, ASSETS OF DISCONTINUED OPERATIONS AND RELATED LIABILITIES

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

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

3.12 GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

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

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

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

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

(Thousands of Turkish Lira (TL))

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

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

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

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

3.13 TANGIBLE ASSETS

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

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

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

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

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

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

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

TANGIBLE ASSETS	ESTIMATED USEFUL LIVES (YEARS)	DEPRECIATION RATES %
Buildings	50	2
Vaults	50	2
Motor Vehicles	5-7	15-20
Other Tangible Assets	4-20	5-25

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

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

Investment properties

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

Investment properties accounted at fair value are not depreciated.

Right-of-use assets

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

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

After the commencement date, the 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 TAS 16 Property, Plant and Equipment is applied in depreciating real assets considered as right-of-use asset.

TAS 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.

3.14 LEASING ACTIVITIES

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

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

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

(Thousands of Turkish Lira (TL))

After the commencement date, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

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

After the commencement date, the lease liability is remeasured to reflect changes to the lease payments.The amount of the remeasurement of the lease liability is recognised as an adjustment to the right-of-use asset.

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

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

3.15 PROVISIONS AND CONTINGENT LIABILITIES

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

3.16 CONTINGENT ASSETS

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

3.17 LIABILITIES FOR EMPLOYEE BENEFITS

Severance indemnities and short-term employee benefits

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

Accordingly, the Bank and its financial subsidiaries subject to the labor law, reserved for employee severance indemnities in the accompanying financial statements using actuarial method in compliance with the Turkish Accounting Standard 19 (TAS 19) "Employee Benefits" for all its employees who retired or whose employment is terminated, called up for military service or died.

The major actuarial assumptions used in the calculation of the total liability are as follows:

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

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

(Thousands of Turkish Lira (TL))

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

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

Retirement benefit obligations

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

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

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

	31 DECEMBER 2019		31 DECEMBER 2018	
	EMPLOYER	EMPLOYEE	EMPLOYER	EMPLOYEE
Pension contributions	15.5%	10.0%	15.5%	10.0%
Medical benefit contributions	6.0%	5.0%	6.0%	5.0%

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

a) Benefits transferable to SSF

The first paragraph of the provisional article 23 of Banking Law no. 5411, published in the Official Gazette on 1 November 2005, no. 25983, which requires the transfer of the members of the funds subject to the provisional article 20 of the Social Security Law no.506, and the persons who are paid under insurance coverage for disablement, old-age and mortality and their right-holders to the SSF within three years following the effective date of the related article was cancelled with the decision of the Constitutional Court dated 22 March 2007, no. 2007/33. The reasoned ruling regarding the cancellation of the Constitutional Court was published in the Official Gazette no. 26731, dated 15 December 2007. The Constitutional Court stated that the reason behind this cancellation was the possible loss of antecedent rights of the fund members. Following the publication of the verdict, the Turkish Grand National Assembly ("Turkish Parliament") started to work on the new legal arrangements by taking the cancellation reasoning into account and the articles of the Law no.5754 regulating the principles related with such transfers were accepted and approved by Turkish Parliament on 17 April 2008, and enacted on 8 May 2008 after being published in the Official Gazette no.26870.

As per the Law, the present value of post-employment benefits as at the transfer date for the fund members to be transferred, are to be calculated by a commission composing from the representatives of the SSF, the Ministry of Finance, the Undersecretariat of Treasury, the Undersecretariat of State Planning Organisation, the BRSA, the Savings Deposit Insurance Fund ("SDIF"), the banks and the funds, by using a technical discount rate of 9.80% taking into account the funds' income and expenses as per insurance classes and the transferable contributions and payments of the funds including any salary and income differences paid by the funds above the limits of SSF for such payments. The transfers are to take place within the three-year period starting from 1 January 2008.

Subsequently, the transfer of the contributors and the persons receiving monthly or regular income and their right-holders from such funds established for employees of the banks, insurance and reinsurance companies, trade chambers, stock markets and unions that are part of these organizations subject to the provisional article 20 of the Social Security Law no.506 to the SSF, has been postponed for two years. The decision was made by the Council of Ministers on 14 March 2011 and published in the Official Gazette no. 27900 dated 9 April 2011 as per the decision of the Council of Ministers no. 2011/1559, and as per the letter no. 150 of the Ministry of Labor and Social Security dated 24 February 2011 and according to the provisional article 20 of the Social Security and Public Health Insurance Law no.5510.

On 19 June 2008, Cumhuriyet Halk Partisi ("CHP") applied to the Constitutional Court for the cancellation of various articles of the Law including the first paragraph of the provisional Article 20. At the meeting of the Constitutional Court on 30 March 2011, it was decided that the article 73 and the first paragraph of the provisional Article 20 added to the law no. 5510 are not contradictory to the Constitutional Law, and accordingly the dismissal of the cancellation request has been denied with the majority of votes.

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

b) Other benefits not transferable to SSF

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

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

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

3.18 INSURANCE TECHNICAL RESERVES AND TECHNICAL INCOME AND EXPENSE

3.18.1 INSURANCE TECHNICAL RESERVES

The Group's insurance subsidiaries adopted TFRS 4, Insurance Contracts ("TFRS 4"). TFRS 4 requires that all contracts issued by insurance companies be classified as either insurance contracts or investment contracts. Contracts with significant insurance risk are considered insurance contracts. Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. TFRS 4 permits a company to continue with its previously adopted accounting policies with regard to recognition and measurement of insurance contracts. Only in case of presentation of more reliable figures a change in accounting policy shall be carried out. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TFRS 9 Financial Instruments standard. Insurance technical provisions on the consolidated financial statements consist of, reserve for unearned premiums, reserve for unexpired risk, and provision for outstanding claims and mathematical provisions.

3.18.2 INSURANCE TECHNICAL INCOME AND EXPENSE

In insurance companies, premium income is obtained subsequent to the share of reinsurers in policy income is diminished.

Claims are recorded in expense on accrual basis. Outstanding loss provisions are recognized for the claims reported but not paid yet and for the claims that incurred but not reported. Reinsurers' share of claims paid and outstanding loss are offset in these provisions.

3.19 TAXATION

3.19.1 CORPORATE TAX

While the corporate tax rate was at the rate of 20% since 1 January 2006, for all companies, such rate has been set as 22% for the tax bases of the years 2018, 2019, and 2020 based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down to 20%. This rate is applied to tax base which is calculated by adding certain non-deductible expenses for tax purposes and deducting certain exemptions (like dividend income) and other deductions on accounting income. If there is no dividend distribution, no further tax charges are made.

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

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

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

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

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

Tax applications for foreign branches

NORTHERN CYPRUS

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

MALTA

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

Tax applications for foreign financial subsidiaries

THE NETHERLANDS

In the Netherlands, corporate income tax is levied at the rate of 20% for tax profits up to EUR 200,000 and 25% for the excess part over this amount on the worldwide income of resident companies, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the related year. These rates will be applied as 19% and 25% in 2019, as 16.50% and 22.55% in 2020 and as 15% and 20.50% in 2021. Based on the unilateral decree for the avoidance of double taxation between Turkey and The Netherlands, the dividend taxation is nil as of 1 January 2018. Under the Dutch taxation system, tax losses can be carried forward to offset against future taxable income for nine years. Tax losses can be carried back to the prior year. Companies must file their tax returns within nine months following the end of the tax year to which they relate, unless the company applies for an extension (normally an additional nine months). Tax returns are open for five years from the date of final assessment of the tax return during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. The corporate income tax for the Germany branch is 30%.

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

Effective for 2019 based on the Emergency Ordinance no. 114/2018 ("the Ordinance"), as modified by the Emergency Ordinance no. 19/2019, banking institutions defined as credit institutions, Romanian legal entities and Romanian branches of nonresident credit institutions became subject to the tax on certain financial asset groups starting from 1 January 2019. The tax on financial assets is computed by applying a tax rate on the total value of the taxpayer's certain financial asset groups, existing at the end of the computation semester, recorded as per the applicable accounting regulations. The tax rate applied shall be 0.4% or 0.2% per annum, depending on the bank's market share greater than or equal, or lower than 1%, respectively. At the same time, the value of the tax may not exceed the accounting profit realized by the bank before calculating the tax on assets. In addition, no tax shall be due by the bank incurring accounting loss before calculating the tax on assets. The first computation and payment of the tax was realised on 25 August 2019. The Ordinance provides the possibility of reducing the tax due by up to 100%, depending on certain indicators aimed at increasing financial intermediation and /or diminishing the net interest margin for RON denominated loans and deposits.

3.19.2 DEFERRED TAXES

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

As explained in note 3.19.1, this rate is determined as 22% to be applied to corporate earnings for the taxation periods of 2018, 2019 and 2020. In addition, the Council of Ministers is authorized to reduce the corresponding rate 22% to 20%. As deferred tax assets or liabilities within the scope of TAS 12, are calculated by using the tax rates based on the effective tax rates or tax rates (and tax laws) expected to enter into force as of the reporting period (balance sheet date), to be applied in the periods when the assets turn into income or the debts are paid, the Bank made deferred tax calculation according to the rates of 22% or 20% corresponding to the maturity of the assets and liabilities as of 31 December 2019.

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

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

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

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

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

3.19.3 TRANSFER PRICING

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

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

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

3.20 FUNDS BORROWED

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

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

3.21 SHARE AND SHARE ISSUANCES

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

3.22 CONFIRMED BILLS OF EXCHANGE AND ACCEPTANCES

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

3.23 GOVERNMENT INCENTIVES

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

3.24 SEGMENT REPORTING

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

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

(Thousands of Turkish Lira (TL))

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

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

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

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

CURRENT PERIOD	RETAIL BANKING	CORPORATE / COMMERCIAL BANKING	INVESTMENT BANKING	OTHER	TOTAL OPERATIONS
Total Operating Profit	12,757,644	10,445,677	(4,620,619)	12,235,018	30,817,720
Other	-	-	-	-	-
Total Operating Profit	**12,757,644**	**10,445,677**	**(4,620,619)**	**12,235,018**	**30,817,720**
Net Operating Profit	5,729,997	2,137,789	(5,166,364)	5,459,570	8,160,992
Dividend Income	-	-	-	11,276	11,276
Net Operating Profit	**5,729,997**	**2,137,789**	**(5,166,364)**	**5,470,846**	**8,172,268**
Provision for Taxes	-	-	-	1,930,878	1,930,878
Net Profit	**5,729,997**	**2,137,789**	**(5,166,364)**	**3,539,968**	**6,241,390**
Segment Assets	76,596,027	184,036,880	117,882,897	49,884,490	428,400,294
Investments in Associates and Subsidiaries	-	-	-	153,854	153,854
Total Assets	**76,596,027**	**184,036,880**	**117,882,897**	**50,038,344**	**428,554,148**
Segment Liabilities	187,757,054	94,836,117	67,163,417	24,746,813	374,503,401
Shareholders' Equity	-	-	-	54,050,747	54,050,747
Total Liabilities and Shareholders' Equity	**187,757,054**	**94,836,117**	**67,163,417**	**78,797,560**	**428,554,148**

PRIOR PERIOD	RETAIL BANKING	CORPORATE / COMMERCIAL BANKING	INVESTMENT BANKING	OTHER	TOTAL OPERATIONS
Total Operating Profit	11,834,572	11,465,130	(3,424,223)	8,475,819	28,351,298
Other	-	-	-	-	-
Total Operating Profit	**11,834,572**	**11,465,130**	**(3,424,223)**	**8,475,819**	**28,351,298**
Net Operating Profit	5,918,441	4,391,316	(3,810,916)	2,247,226	8,746,067
Dividend Income	-	-	-	7,691	7,691
Net Operating Profit	**5,918,441**	**4,391,316**	**(3,810,916)**	**2,254,917**	**8,753,758**
Provision for Taxes	-	-	-	2,047,153	2,047,153
Net Profit	**5,918,441**	**4,391,316**	**(3,810,916)**	**207,764**	**6,706,605**
Segment Assets	71,774,112	177,276,104	109,415,617	40,554,897	399,020,730
Investments in Associates and Subsidiaries	-	-	-	132,871	132,871
Total Assets	**71,774,112**	**177,276,104**	**109,415,617**	**40,687,768**	**399,153,601**
Segment Liabilities	160,344,635	87,437,090	76,989,822	27,495,212	352,266,759
Shareholders' Equity	-	-	-	46,886,842	46,886,842
Total Liabilities and Shareholders' Equity	**160,344,635**	**87,437,090**	**76,989,822**	**74,382,054**	**399,153,601**

3.25 PROFIT RESERVES AND PROFIT APPROPRIATION

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

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

In the ordinary General Assembly Meeting dated 4 April 2019, a decision is made regarding distribution of the unconsolidated net profit of the Bank in 2018 amounting to TL 6,638,236, and the table considering the distribution made based on the decision is presented in Note 5.10.2.

3.26 EARNINGS PER SHARE

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

	CURRENT PERIOD	PRIOR PERIOD
Distributable net profit/loss	6,164,914	6,641,652
Average number of issued common shares (thousand)	420,000,000	420,000,000
Earnings per share (amounts presented full TL)	0.01468	0.01581

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

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

3.27 RELATED PARTIES

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

3.28 CASH AND CASH EQUIVALENTS

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

(Thousands of Turkish Lira (TL))

3.29 RECLASSIFICATIONS

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

	NOTE	31.12.2018	TFRS16 RECLASSIFICATION EFFECTI	TFRS16 TRANSITION EFFECT	01.01.2019
TANGIBLE ASSETS (Net)	(1),(2)	**4,494,918**	**33,008**	**1,040,667**	**5,568,593**
OTHER ASSETS (Net)	(2)	**10,878,526**	**(33,008)**	**-**	**10,845,518**
LEASE PAYABLES (Net)	(1),(3)	**-**	**-**	**1,040,667**	**1,040,667**

(1) In accordance with TFRS 16 a lease liability and a right-of-use asset amounting to TL 1,040,667 are recognised as of 1 January 2019 for leases previously classified as an operating lease applying TAS 17.

(2) In accordance with TFRS 16 prepaid rent payments amounting to TL 33,008 are reclassified under tangible assets as right-of-use which were previously classified under other assets.

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

3.30 OTHER DISCLOSURES

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

(Thousands of Turkish Lira (TL))

4 CONSOLIDATED FINANCIAL POSITION AND RESULTS OF OPERATIONS AND RISK MANAGEMENT

4.1 CONSOLIDATED TOTAL CAPITAL

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

4.1.1 COMPONENTS OF CONSOLIDATED TOTAL CAPITAL (**)

CURRENT PERIOD	AMOUNT	AMOUNT AS PER THE REGULATION BEFORE 1/1/2014 (*)
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	39,612,929	
Other Comprehensive Income according to TAS	5,868,434	
Profit	6,164,914	
Current Period Profit	6,164,914	
Prior Period Profit	-	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	913	
Minority Interest	78,543	
Common Equity Tier I Capital Before Deductions	**56,710,167**	
DEDUCTIONS FROM COMMON EQUITY TIER I CAPITAL		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	2,382,649	-
Leasehold Improvements on Operational Leases (-)	169,881	-
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	449,529	449,529
Net Deferred Tax Asset/Liability (-)	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Excess Amount arising from Mortgage Servicing Rights (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)		
Total Deductions from Common Equity Tier I Capital	**3,002,059**	
Total Common Equity Tier I Capital	**53,708,108**	

(Thousands of Turkish Lira (TL))

	AMOUNT	AMOUNT AS PER THE REGULATION BEFORE 1/1/2014 (*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Shares of Third Parties in Additional Tier I Capital		
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-	
Additional Tier I Capital before Deductions	**-**	
DEDUCTIONS FROM ADDITIONAL TIER I CAPITAL		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
ITEMS TO BE DEDUCTED FROM TIER I CAPITAL DURING THE TRANSITION PERIOD		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	**-**	**-**
Total Additional Tier I Capital	**-**	**-**
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	**53,708,108**	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	4,693,480	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	3,756,696	
Total Deductions from Tier II Capital	**8,450,176**	
DEDUCTIONS FROM TIER II CAPITAL		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	**-**	**-**
Total Tier II Capital	**8,450,176**	
Total Equity (Total Tier I and Tier II Capital)	**62,158,284**	
TOTAL TIER I CAPITAL AND TIER II CAPITAL (TOTAL EQUITY)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	109	
Other items to be Defined by the BRSA (-)	7,821	

(Thousands of Turkish Lira (TL))

	AMOUNT	AMOUNT AS PER THE REGULATION BEFORE 1/1/2014 (*)
ITEMS TO BE DEDUCTED FROM THE SUM OF TIER I AND TIER II CAPITAL (CAPITAL) DURING THE TRANSITION PERIOD	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)		
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	**62,150,354**	**-**
Total Risk Weighted Assets	**349,007,519**	**-**
CAPITAL ADEQUACY RATIOS		
Consolidated CET1 Capital Ratio (%)	**15.39**	**-**
Consolidated Tier I Capital Ratio (%)	**15.39**	**-**
Consolidated Capital Adequacy Ratio (%)	**17.81**	**-**
BUFFERS		
Total Additional CET1 Capital Requirement Ratio (a+b+c)	4.636	-
a) Capital Conservation Buffer Ratio (%)	2.500	-
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.135	-
c) Systemically Important Banks Buffer Ratio (%)	2.000	
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	9.808	-
AMOUNTS LOWER THAN EXCESSES AS PER DEDUCTION RULES		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	1,903,531	-
LIMITS FOR PROVISIONS USED IN TIER II CAPITAL CALCULATION		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	6,235,618	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3,756,696	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
DEBT INSTRUMENTS COVERED BY TEMPORARY ARTICLE 4 (EFFECTIVE BETWEEN 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

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

(**) According to "Bank Capital Regulation" article 10 paragraph 4, which published on Official Gazette dated 5th September 2013 and numbered 28756, banks also calculate their consolidated capital with their consolidated insurance company investments as unconsolidated financial institutions if 9th article's 4th paragraph's (c) and (ç) items apply. Lesser of consolidated capital calculated according to 1st and 4th paragraphs is considered the consolidated capital according to this regulation. As the consolidated capital calculated including the insurance subsidiary is lesser, the consolidated capital is calculated according to consolidated financial statements including the insurance subsidiary.

(Thousands of Turkish Lira (TL))

PRIOR PERIOD	AMOUNT	AMOUNT AS PER THE REGULATION BEFORE 1/1/2014 (*)
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	32,977,973	
Other Comprehensive Income according to TAS	5,010,422	
Profit	6,641,652	
Current Period Profit	6,641,652	
Prior Period Profit	-	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Period's Profit	913	
Minority Interest	66,813	
Common Equity Tier I Capital Before Deductions	**49,682,207**	
DEDUCTIONS FROM COMMON EQUITY TIER I CAPITAL		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Period's and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	3,005,106	-
Leasehold Improvements on Operational Leases (-)	245,927	-
Goodwill Netted with Deferred Tax Liabilities	6,388	6,388
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	383,444	383,444
Net Deferred Tax Asset/Liability (-)	5,845	5,845
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	1,672	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Excess Amount arising from Mortgage Servicing Rights (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	-
Total Deductions from Common Equity Tier I Capital	**3,648,382**	
Total Common Equity Tier I Capital	**46,033,825**	
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Shares of Third Parties in Additional Tier I Capital		
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	

	AMOUNT	AMOUNT AS PER THE REGULATION BEFORE 1/1/2014 (*)
DEDUCTIONS FROM ADDITIONAL TIER I CAPITAL		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
ITEMS TO BE DEDUCTED FROM TIER I CAPITAL DURING THE TRANSITION PERIOD		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	-	**-**
Total Additional Tier I Capital	-	**-**
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	**46,033,825**	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	3,952,425	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	3,586,565	
Total Deductions from Tier II Capital	**7,538,990**	
DEDUCTIONS FROM TIER II CAPITAL		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	**-**	**-**
Total Tier II Capital	**7,538,990**	
Total Equity (Total Tier I and Tier II Capital)	**53,572,815**	
TOTAL TIER I CAPITAL AND TIER II CAPITAL (TOTAL EQUITY)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	1	
Other items to be Defined by the BRSA (-)	14,040	
ITEMS TO BE DEDUCTED FROM THE SUM OF TIER I AND TIER II CAPITAL (CAPITAL) DURING THE TRANSITION PERIOD	-	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	**53,558,774**	**-**
Total Risk Weighted Assets	**324,153,343**	**-**

(Thousands of Turkish Lira (TL))

	AMOUNT	AMOUNT AS PER THE REGULATION BEFORE 1/1/2014 (*)
CAPITAL ADEQUACY RATIOS		
Consolidated CET1 Capital Ratio (%)	**14.20**	**-**
Consolidated Tier I Capital Ratio (%)	**14.20**	**-**
Consolidated Capital Adequacy Ratio (%)	**16.52**	**-**
BUFFERS		
Total Additional CET1 Capital Requirement Ratio (a+b+c)	3.468	-
a) Capital Conservation Buffer Ratio (%)	1.875	-
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.093	-
c) Systemically Important Banks Buffer Ratio (%)	1.500	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	8.523	
AMOUNTS LOWER THAN EXCESSES AS PER DEDUCTION RULES		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	1,542,382	-
LIMITS FOR PROVISIONS USED IN TIER II CAPITAL CALCULATION		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	5,478,236	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3,586,565	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	
DEBT INSTRUMENTS COVERED BY TEMPORARY ARTICLE 4 (EFFECTIVE BETWEEN 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

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

(**) According to "Bank Capital Regulation" article 10 paragraph 4, which published on Official Gazette dated 5th September 2013 and numbered 28756, banks also calculate their consolidated capital with their consolidated insurance company investments as unconsolidated financial institutions if 9th article's 4th paragraph's (c) and (ç) items apply. Lesser of consolidated capital calculated according to 1st and 4th paragraphs is considered the consolidated capital according to this regulation. As the consolidated capital calculated including the insurance subsidiary is lesser, the consolidated capital is calculated according to consolidated financial statements including the insurance subsidiary.

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

(Thousands of Turkish Lira (TL))

4.1.2 ITEMS INCLUDED IN CAPITAL CALCULATION

CURRENT PERIOD	INFORMATION ABOUT INSTRUMENTS INCLUDED IN TOTAL CAPITAL CALCULATION	
Issuer	T. Garanti Bankası A.Ş.	T. Garanti Bankası A.Ş.
Identifier (CUSIP, ISIN vb.)	Reg S: ISIN: XS1617531063 Common Code: 161753106 144A: CUSIP: 900148 AE7 ISIN: US900148AE73 Common Code: 161752479	
Governing law (s) of the instrument	Subject to English Law and in terms of certain articles to Turkish Regulations. It is issued within the scope of the Communiqué VII-128.8 on Debt Instruments of the Capital Markets Board and the Regulation on Bank Capital of the BRSA.	It is subject to English Law and in terms of certain articles to Turkish Regulations. It is also issued within the scope of the "Regulation on Equities of Banks" and "the Communique Regarding the Capital Instruments that will be included in own funds of banks" within the legislation of Capital Markets Board of Turkey.
REGULATORY TREATMENT		
Subject to 10% deduction as of 1/1/2015	No	No
Eligible on unconsolidated and /or consolidated basis	Eligible on unconsolidated and consolidated	Eligible on unconsolidated and consolidated
Instrument type	Subordinated debt instruments (Notes)	Subordinated debt instruments (Notes)
Amount recognized in regulatory capital (Currency in TL million, as of most recent reporting date)	4,441 (31 December 2018: 3,952)	253
Nominal value of instrument (TL million)	4,441 (31 December 2018: 3,952)	253
Accounting classification of the instrument	34701 – Secondary Subordinated Loans	34601– Secondary Subordinated Loans
Issuance date of instrument	23.05.2017	09.10.2019
Maturity structure of the instrument (demand/time)	Time	Time
Original maturity of the instrument	24.05.2027	07.10.2029
Issuer call subject to prior supervisory (BRSA) approval	Yes	Yes
Optional call date, contingent call dates and redemption amount	24.05.2022 – USD 750,000,000.00	07.10.2024 – TL 252,880,000.00
Subsequent call dates, if applicable	-	
INTEREST/DIVIDEND PAYMENT		
Fixed or floating coupon/dividend payments	Fixed	Floating
Coupon rate and any related index	6.1250%	TLREF + 130 bps
Existence of any dividend payment restriction	None	None
Fully discretionary, partially discretionary or mandatory	-	-
Existence of step up or other incentive to redeem	None	None
Noncumulative or cumulative	None	None
Convertible into equity shares	None	None
If convertible, conversion trigger (s)	-	-
If convertible, fully or partially	-	-
If convertible, conversion rate	-	-
If convertible, mandatory or optional conversion	-	-
If convertible, type of instrument convertible into	-	-
If convertible, issuer of instrument to be converted into	-	-
Write-down feature	Yes	Yes
If bonds can be written-down, write-down trigger(s)	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked and the Bank is liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable), or (iii) it is probable that the Issuer will become non-viable; then the bonds can be written-down.	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked or(ii) to be determined the probability of transfer to the SDIF Turkey, the bonds can be written off.
If bond can be written-down, full or partial	Partially or fully	Partially or fully
If bond can be written-down, permanent or temporary	Continuously	Continuously
If temporary write-down, description of write-up mechanism	There are no any temporary write-up mechanisms.	There are no any temporary write-up mechanisms.

Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	In priority of receivables, it comes after the senior obligations of the Issuer.	In priority of receivables, it comes after the senior obligations of the Issuer.
In compliance with article number 7 and 8 of Regulation on Bank Capital	Instrument is in compliant with Article 8 of the Regulation on Bank Capital.	Instrument is in compliant with Article 8 of the Regulation on Bank Capital.
Details of incompliances with article number 7 and 8 of Regulation on Bank Capital	Instrument is not in compliant with Article 7 of the Regulation on Bank Capital.	Instrument is not in compliant with Article 7 of the Regulation on Bank Capital.

4.1.3 RECONCILIATION OF CAPITAL ITEMS TO BALANCE SHEET

CURRENT PERIOD	CARRYING VALUE	AMOUNT OF CORRECTION	VALUE AT CAPITAL REPORT	EXPLANATION OF DIFFERENCES
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	784,434	(772,554)	11,880	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Other Capital Reserves	772,554	(772,554)	-	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	-	-	-	
Share Premium	11,880	-	11,880	
Other Comprehensive Income/Expenses in Shareholders' Equity as per TMS	3,014,560	472,138	3,486,698	Items not included in the calculation as per Regulation's Article 9-1-f and Gain on sale of associate/subsidiaries' shares and real estate classified as different in the value of the capital report
Other Comprehensive Income/Expense Items not to be Recycled to Profit/Loss	1,642,584	-	1,642,584	
Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss	1,371,976	472,138	1,844,114	Items not included in the calculation as per Regulation's Article 9-1-f
Profit Reserves	39,612,929	-	39,612,929	
Profit or Loss	6,164,914	-	6,164,914	
Prior Periods' Profit/Loss	-	-	-	
Current Period Net Profit/Loss	6,164,914	-	6,164,914	
Minority Interest	273,910	(195,367)	78,543	Items are calculated as per Regulation's Article 12
Deductions from Common Equity Tier I Capital (-)	-		619,410	Deductions from Common Equity Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	**54,050,747**		**53,708,108**	
Subordinated Debts			-	
Deductions from Tier I Capital (-)			-	Deductions from Tier 1 Capital as per the Regulation
Tier I Capital			**53,708,108**	
Subordinated Debts			4,693,480	
12 Month ECL (Stage 1) and Lifetime ECL Significant Increase in Credit Risk (Stage 2)			3,756,696	Stage 1 and Stage 2 evpected credit losses added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
Tier II Capital			**8,450,176**	
Deductions from Total Capital (-)			7,930	Deductions from Capital as per the Regulation
Total			**62,150,354**	

(Thousands of Turkish Lira (TL))

PRIOR PERIOD	CARRYING VALUE	AMOUNT OF CORRECTION	VALUE AT CAPITAL REPORT	EXPLANATION OF DIFFERENCES
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	784,434	(772,554)	11,880	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Other Capital Reserves	772,554	(772,554)	-	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	-	-	-	
Share Premium	11,880	-	11,880	
Other Comprehensive Income/Expenses in Shareholders' Equity as per TMS	2,085,237	(79,008)	2,006,229	Items not included in the calculation as per Regulation's Article 9-1-f and Gain on sale of associate/subsidiaries' shares and real estate classified as different in the value of the capital report
Other Comprehensive Income/Expense Items not to be Recycled to Profit/Loss	1,473,394	-	1,473,394	
Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss	611,843	(79,008)	532,835	Items not included in the calculation as per Regulation's Article 9-1-f
Profit Reserves	32,977,973	-	32,977,973	
Profit or Loss	6,641,652	-	6,641,652	
Prior Periods' Profit/Loss	-	-	-	
Current Period Net Profit/Loss	6,641,652	-	6,641,652	
Minority Interest	197,546	(130,733)	66,813	Items are calculated as per Regulation's Article 12
Deductions from Common Equity Tier I Capital (-)	-		643,276	Deductions from Common Equity Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	**46,886,842**		**46,033,825**	
Subordinated Debts			-	
Deductions from Tier I Capital (-)			-	Deductions from Tier 1 Capital as per the Regulation
Tier I Capital			**46,033,825**	
Subordinated Debts			3,952,425	
12 Month ECL (Stage 1) and Lifetime ECL Significant Increase in Credit Risk (Stage 2)			3,586,565	Stage 1 and Stage 2 evpected credit losses added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
Tier II Capital			**7,538,990**	
Deductions from Total Capital (-)			14,041	Deductions from Capital as per the Regulation
Total			**53,558,774**	

(Thousands of Turkish Lira (TL))

4.2 CONSOLIDATED CREDIT RISK

Credit risk is defined as risks and losses that may occur if the counterparty that the Bank or its consolidated financial affiliates work with, fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set. In compliance with the legislation, the credit limits are set for the financial position and credit requirements of customers within the authorization limits assigned for Branches, Lending Departments, Executive Vice President responsible of Lending, General Manager, Credit Committee and Board of Directors. The limits are subject to revision if necessary.

The debtors or group of debtors are subject to credit risk limits. Sectoral risk concentrations are reviewed on a monthly basis.

Credit worthiness of debtors is periodically reviewed in compliance with the legislation and in case that the risk level of debtor deteriorates, the credit limits are revised and further collateral is required by risk rating models developed and optimized for this purpose. For unsecured loans, the necessary documentation is gathered in compliance with the legislation.

Geographical concentration of credit customers is reviewed monthly. This is in line with the concentration of industrial and commercial activities in Turkey.

In accordance with the lending policies, the debtor's creditworthiness is analysed and the adequate collateral is obtained based on the financial position of the company and the type of loan; like cash collateral, bank guarantees, mortgages, pledges, bills and personal or corporate guarantees.

There are control limits on the position held through forwards, options and other similar agreements. Credit risk of such instruments is managed together with the risk from market fluctuations. The risk arising from such instruments are followed up and when necessary, the actions to decrease it are taken.

The liquidated non-cash loans are subject to the same risk weight with the overdue loans.

Foreign trade finance and other interbank credit transactions are performed through widespread correspondents network. Accordingly, limits are assigned to domestic and foreign banks and other financial institutions based on review of their credit worthiness, periodically.

The Bank developed a statistical-based internal risk rating model for its credit portfolio of corporate/commercial/medium-size companies. This internal risk rating model has been in use for customer credibility assessment since 2003. Risk rating has become a requirement for loan applications, and ratings are used both to determine branch managers' credit authorization limits and in credit assessment process.

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

	CURRENT PERIOD	PRIOR PERIOD
	%	%
Above Average	5.85	41.47
Average	21.93	46.41
Below Average	72.22	12.12
Total	**100.00**	**100.00**

(Thousands of Turkish Lira (TL))

EXPOSURE CATEGORIES	CURRENT PERIOD (*)	AVERAGE (**)	PRIOR PERIOD (*)	AVERAGE (**)
Conditional and unconditional exposures to central governments or central banks	103,734,118	107,513,717	102,141,286	91,087,611
Conditional and unconditional exposures to regional governments or local authorities	647,572	390,746	240,817	187,570
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	301,778	324,717	398,258	363,022
Conditional and unconditional exposures to multilateral development banks	2,081,605	3,194,797	3,485,069	2,263,373
Conditional and unconditional exposures to international organisations	-	26,322	-	-
Conditional and unconditional exposures to banks and brokerage houses	52,716,456	47,888,934	42,787,600	45,716,162
Conditional and unconditional exposures to corporates	175,631,925	170,758,248	173,257,128	163,402,311
Conditional and unconditional retail exposures	102,306,150	95,801,876	89,316,489	88,968,571
Conditional and unconditional exposures secured by real estate property	31,029,824	34,273,054	34,653,489	39,322,330
Past due items	6,511,249	5,593,172	4,547,633	2,807,506
Items in regulatory high-risk categories	1,336,572	1,544,602	1,516,595	1,222,216
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Exposures in the form of collective investment undertakings	25,340	25,229	52,015	44,480
Shares	816,500	473,480	373,437	317,880
Other items	17,134,759	17,170,650	13,400,906	13,337,413

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

(**) Average risk amounts are the arithmetical averages of the amounts in monthly reports prepared as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

The parent Bank and its financial affiliates' largest 100 and 200 cash loan customers compose 24.56% (31 December 2018: 26.29%) and 30.59% (31 December 2018 : 32.49%) of the total cash loan portfolio except factoring and lease receivables, respectively.

The parent Bank and its financial affiliates' largest 100 and 200 non-cash loan customers compose 38.01% (31 December 2018: 42.19%) and 49.43% (31 December 2018: 53.01%) of the total non-cash loan portfolio, respectively.

The parent Bank and its financial affiliates' largest 100 ve 200 cash and non-cash loan customers represent 8.17% (31 December 2018: 16.25%) and 9.94% (31 December 2018: 20.71%) of the total "on and off balance sheet" assets except factoring and lease receivables, respectively.

Stage 1 and Stage 2 expected losses for consolidated credit risk amount to TL 6,149,560 (31 December 2018: TL 5,478,236).

(Thousands of Turkish Lira (TL))

4.2.1 PROFILE OF SIGNIFICANT EXPOSURES IN MAJOR REGIONS

	EXPOSURE CATEGORIES							
CURRENT PERIOD (*)	**CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS**	**CONDITIONAL AND UNCONDITIONAL EXPOSURES TO BANKS AND BROKERAGE HOUSES**	**CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CORPORATES**	**CONDITIONAL AND UNCONDITIONAL RETAIL EXPOSURES**	**CONDITIONAL AND UNCONDITIONAL EXPOSURES SECURED BY REAL ESTATE PROPERTY**	**PAST DUE RECEIVABLES**	**OTHER**	**TOTAL**
Domestic	90,064,059	16,312,602	155,069,266	96,819,453	28,486,576	6,281,533	18,950,489	411,983,978
European Union (EU) Countries	12,255,848	30,147,934	13,512,231	5,047,772	2,486,662	221,750	3,151,857	66,824,054
OECD Countries(**)	72	1,182,782	3,663,532	13,065	11,541	2	29,170	4,900,164
Off-Shore Banking Regions	-	15,327	583,472	55	1,135	-	310	600,299
USA, Canada	766	4,385,742	1,164,442	7,758	12,492	4,116	155	5,575,471
Other Countries	1,413,373	631,809	1,565,732	418,047	31,418	3,848	58,291	4,122,518
Associates, Subsidiaries and Joint –Ventures	-	40,260	73,250	-	-	-	153,854	267,364
Unallocated Assets/ Liabilities (***)	-	-	-	-	-	-	-	-
Total	**103,734,118**	**52,716,456**	**175,631,925**	**102,306,150**	**31,029,824**	**6,511,249**	**22,344,126**	**494,273,848**

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversion.
(**) Includes OECD countries other than EU countries, USA and Canada.
(***) Includes assets and liability items that cannot be allocated on a consistent basis

	EXPOSURE CATEGORIES							
PRIOR PERIOD (*)	**CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS**	**CONDITIONAL AND UNCONDITIONAL EXPOSURES TO BANKS AND BROKERAGE HOUSES**	**CONDITIONAL AND UNCONDITIONAL EXPOSURES TO CORPORATES**	**CONDITIONAL AND UNCONDITIONAL RETAIL EXPOSURES**	**CONDITIONAL AND UNCONDITIONAL EXPOSURES SECURED BY REAL ESTATE PROPERTY**	**PAST DUE RECEIVABLES**	**OTHER**	**TOTAL**
Domestic	85,267,585	7,148,195	151,384,300	84,851,164	32,448,935	4,252,646	17,192,990	382,545,815
European Union (EU) Countries	15,366,443	28,365,144	13,201,879	4,034,624	2,158,541	288,380	2,040,487	65,455,498
OECD Countries(**)	37	1,295,475	3,893,194	6,407	8,392	7	25,562	5,229,074
Off-Shore Banking Regions	-	79,737	480,706	31	718	-	29,555	590,747
USA, Canada	20,362	5,437,850	2,012,469	10,863	6,244	4,100	27,499	7,519,387
Other Countries	1,486,859	444,222	2,283,536	413,400	30,659	2,500	18,133	4,679,309
Associates, Subsidiaries and Joint –Ventures	-	16,977	1,044	-	-	-	132,871	150,892
Unallocated Assets/ Liabilities (***)	-	-	-	-	-	-	-	-
Total	**102,141,286**	**42,787,600**	**173,257,128**	**89,316,489**	**34,653,489**	**4,547,633**	**19,467,097**	**466,170,722**

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversion.
(**) Includes OECD countries other than EU countries, USA and Canada.
(***) Includes assets and liability items that cannot be allocated on a consistent basis

(Thousands of Turkish Lira (TL))

4.2.2 RISK PROFILE BY SECTORS OR COUNTERPARTIES

	EXPOSURE CATEGORIES																			
CURRENT PERIOD (*)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	TL	FC	Total
Agriculture	-	-	-	-	-	-	**2,790,140**	**710,802**	**265,869**	**35,218**	**38,727**	-	-	-	-	-	-	**1,214,002**	**2,626,754**	**3,840,756**
Farming and Stockbreeding	-	-	-	-	-	-	2,249,853	550,837	229,105	28,043	37,714	-	-	-	-	-	-	998,077	2,097,475	3,095,552
Forestry	-	-	-	-	-	-	134,339	127,605	33,926	5,069	570	-	-	-	-	-	-	121,394	180,115	301,509
Fishery	-	-	-	-	-	-	405,948	32,360	2,838	2,106	443	-	-	-	-	-	-	94,531	349,164	443,695
Manufacturing	-	-	**49,437**	-	-	-	**82,461,537**	**10,349,897**	**5,933,945**	**2,470,144**	**233,548**	-	-	-	-	-	-	**37,124,903**	**64,373,605**	**101,498,508**
Mining and Quarrying	-	-	-	-	-	-	2,828,766	412,407	62,688	11,746	4,001	-	-	-	-	-	-	1,284,214	2,035,394	3,319,608
Production	-	-	17	-	-	-	47,627,228	9,666,329	3,975,122	774,126	120,797	-	-	-	-	-	-	29,180,623	32,982,996	62,163,619
Electricity, Gas and Water	-	-	49,420	-	-	-	32,005,543	271,161	1,896,135	1,684,272	108,750	-	-	-	-	-	-	6,660,066	29,355,215	36,015,281
Construction	-	-	**16**	-	-	-	**8,232,966**	**3,777,972**	**1,314,919**	**484,739**	**342,684**	-	-	-	-	-	-	**7,762,427**	**6,390,869**	**14,153,296**
Services	**2,011,057**	-	**1,804**	**2,081,605**	-	**52,716,456**	**69,549,131**	**79,129,650**	**20,549,540**	**3,305,265**	**483,325**	-	-	-	**25,340**	**32,328**	-	**177,202,852**	**52,682,649**	**229,885,501**
Wholesale and Retail Trade	-	-	338	-	-	-	34,084,713	71,496,706	15,775,083	1,592,131	267,004	-	-	-	-	-	-	100,772,483	22,443,492	123,215,975
Accommodation and Dining	-	-	264	-	-	-	4,743,124	2,072,042	2,977,650	158,950	41,108	-	-	-	-	-	-	3,804,757	6,188,381	9,993,138
Transportation and Telecommunication	-	-	171	-	-	-	12,659,002	3,373,201	541,212	641,571	101,205	-	-	-	-	-	-	5,428,657	11,887,705	17,316,362
Financial Institutions	2,010,011	-	-	2,081,605	-	52,716,456	8,918,826	210,775	43,488	10,478	41,786	-	-	-	25,340	32,328	-	62,282,440	3,808,653	66,091,093
Real Estate and Rental Services	-	-	-	-	-	-	4,399,211	1,244,258	781,231	874,518	23,116	-	-	-	-	-	-	2,792,457	4,529,877	7,322,334
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	-	-	993	-	-	-	549,161	250,725	246,737	18,722	6,947	-	-	-	-	-	-	888,752	184,533	1,073,285
Health and Social Services	1,046	-	38	-	-	-	4,195,094	481,943	184,139	8,895	2,159	-	-	-	-	-	-	1,233,306	3,640,008	4,873,314
Others	**101,723,061**	**647,572**	**250,521**	-	-	-	**12,598,151**	**8,337,829**	**2,965,551**	**215,883**	**238,288**	-	-	-	-	**784,172**	**17,134,759**	**57,898,180**	**86,997,607**	**144,895,787**
Total	**103,734,118**	**647,572**	**301,778**	**2,081,605**	-	**52,716,456**	**175,631,925**	**102,306,150**	**31,029,824**	**6,511,249**	**1,336,572**	-	-	-	**25,340**	**816,500**	**17,134,759**	**281,202,364**	**213,071,484**	**494,273,848**

TÜRKİYE GARANTİ BANKASI AŞ AND ITS FINANCIAL SUBSIDIARIES

Consolidated Financial Report as of and for the Year Ended 31 December 2019

(Thousands of Turkish Lira (TL))

	EXPOSURE CATEGORIES																			
PRIOR PERIOD (*)	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**TL**	**FC**	**Total**
Agriculture	**-**	**-**	**-**	**-**	**-**	**-**	**2,506,837**	**840,006**	**351,642**	**22,093**	**39,951**	**-**	**-**	**-**	**-**	**-**	**-**	**1,446,962**	**2,313,567**	**3,760,529**
Farming and Stockbreeding	-	-	-	-	-	-	2,122,594	740,786	318,736	20,313	37,661	-	-	-	-	-	-	1,349,838	1,890,252	3,240,090
Forestry	-	-	-	-	-	-	141,752	70,287	28,038	803	590	-	-	-	-	-	-	42,662	198,808	241,470
Fishery	-	-	-	-	-	-	242,491	28,933	4,868	977	1,700	-	-	-	-	-	-	54,462	224,507	278,969
Manufacturing	**-**	**-**	**75,413**	**-**	**-**	**-**	**80,110,719**	**9,011,412**	**7,067,081**	**2,085,664**	**196,146**	**-**	**-**	**-**	**-**	**-**	**-**	**33,341,689**	**65,204,746**	**98,546,435**
Mining and Quarrying	-	-	-	-	-	-	2,620,065	443,754	64,702	2,820	5,818	-	-	-	-	-	-	906,645	2,230,514	3,137,159
Production	-	-	9	-	-	-	46,627,218	8,330,573	4,430,181	435,019	146,553	-	-	-	-	-	-	26,371,116	33,598,437	59,969,553
Electricity, Gas and Water	-	-	75,404	-	-	-	30,863,436	237,085	2,572,198	1,647,825	43,775	-	-	-	-	-	-	6,063,928	29,375,795	35,439,723
Construction	**-**	**-**	**31**	**-**	**-**	**-**	**9,617,385**	**4,553,046**	**1,880,485**	**164,980**	**457,065**	**-**	**-**	**-**	**-**	**-**	**-**	**9,965,836**	**6,707,156**	**16,672,992**
Services	**842**	**-**	**1,360**	**3,485,069**	**-**	**42,787,600**	**72,939,741**	**19,686,044**	**7,985,184**	**1,472,036**	**429,280**	**-**	**-**	**-**	**52,015**	**55,324**	**-**	**92,597,391**	**56,297,104**	**148,894,495**
Wholesale and Retail Trade	-	-	181	-	-	-	34,228,802	15,141,542	3,964,712	340,107	196,606	-	-	-	-	-	-	31,165,639	22,706,311	53,871,950
Accommodation and Dining	-	-	62	-	-	-	4,606,766	1,062,470	2,429,928	137,056	31,465	-	-	-	-	-	-	2,494,343	5,773,404	8,267,747
Transportation and Telecommunication	-	-	74	-	-	-	15,373,049	2,350,118	432,860	306,801	151,567	-	-	-	-	-	-	4,285,727	14,328,742	18,614,469
Financial Institutions	-	-	-	3,485,069	-	42,787,600	9,005,778	109,171	71,569	19,462	35,008	-	-	-	52,015	55,324	-	51,373,609	4,247,387	55,620,996
Real Estate and Rental Services	-	-	-	-	-	-	4,710,410	334,839	669,801	645,561	9,626	-	-	-	-	-	-	1,285,390	5,084,847	6,370,237
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	9	-	967	-	-	-	631,455	211,387	240,380	8,248	3,268	-	-	-	-	-	-	885,593	210,121	1,095,714
Health and Social Services	833	-	76	-	-	-	4,383,481	476,517	175,934	14,801	1,740	-	-	-	-	-	-	1,107,090	3,946,292	5,053,382
Others	**102,140,444**	**240,817**	**321,454**	**-**	**-**	**-**	**8,082,446**	**55,225,981**	**17,369,097**	**802,860**	**394,153**	**-**	**-**	**-**	**-**	**318,113**	**13400,906**	**58,552,203**	**139,744,068**	**198,296,271**
Total	**102,141,286**	**240,817**	**398,258**	**3,485,069**	**-**	**42,787,600**	**173,257,128**	**89,316,489**	**34,653,489**	**4,547,633**	**1,516,595**	**-**	**-**	**-**	**52,015**	**373,437**	**13,400,906**	**195,904,081**	**270,266,641**	**466,170,722**

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

(Thousands of Turkish Lira (TL))

4.2.3 ANALYSIS OF MATURITY-BEARING EXPOSURES ACCORDING TO REMAINING MATURITIES

CURRENT PERIOD		TERM TO MATURITY						
EXPOSURE CATEGORIES (*)		**UP TO 1 MONTH**	**1-3 MONTHS**	**3-6 MONTHS**	**6-12 MONTHS**	**OVER 1 YEAR**	**DEMAND**	**TOTAL**
1	Conditional and unconditional exposures to central governments or central banks	Over 1 Year	7,824,647	5,423,010	1,138,353	47,636,593	18,934,476	**103,734,118**
2	Conditional and unconditional exposures to regional governments or local authorities	5,480	12,526	2,265	142,531	483,727	1,043	**647,572**
3	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	16,619	51,701	51,914	60,462	111,681	9,401	**301,778**
4	Conditional and unconditional exposures to multilateral development banks	51,446	49,486	-	54,663	1,926,010	-	**2,081,605**
5	Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	**-**
6	Conditional and unconditional exposures to banks and brokerage houses	15,314,177	9,533,021	1,367,441	1,645,015	23,314,232	1,542,570	**52,716,456**
7	Conditional and unconditional exposures to corporates	14,447,939	13,764,977	13,220,277	25,224,129	101,672,613	7,301,990	**175,631,925**
8	Conditional and unconditional retail exposures	10,370,469	6,318,500	4,342,706	7,261,717	54,189,362	19,823,396	**102,306,150**
9	Conditional and unconditional exposures secured by real estate property	789,281	614,427	892,761	1,745,698	25,744,072	1,243,585	**31,029,824**
10	Past due items	-	-	-	-	-	6,511,249	**6,511,249**
11	Items in regulatory high-risk categories	397,831	12,251	63,363	95,068	441,686	326,373	**1,336,572**
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	**-**
13	Securitisation positions	-	-	-	-	-	-	**-**
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	**-**
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	25,340	**25,340**
16	Shares	12,501	-	-	-	-	803,999	**816,500**
17	Other items	58,118	985,573	-	-	-	16,091,068	**17,134,759**
	Total	**64,240,900**	**39,167,109**	**25,363,737**	**37,367,636**	**255,519,976**	**72,614,490**	**494,273,848**

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

PRIOR PERIOD		TERM TO MATURITY						
EXPOSURE CATEGORIES (*)		**UP TO 1 MONTH**	**1-3 MONTHS**	**3-6 MONTHS**	**6-12 MONTHS**	**OVER 1 YEAR**	**DEMAND**	**TOTAL**
1	Conditional and unconditional exposures to central governments or central banks	23,370,810	6,182,274	1,415,146	1,333,468	48,389,529	21,450,059	**102,141,286**
2	Conditional and unconditional exposures to regional governments or local authorities	4,130	-	-	6,995	229,219	473	**240,817**
3	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	7,286	42,451	21,520	56,049	255,598	15,354	**398,258**
4	Conditional and unconditional exposures to multilateral development banks	1,249,182	982,305	-	-	44,340	1,209,242	**3,485,069**
5	Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	**-**
6	Conditional and unconditional exposures to banks and brokerage houses	5,259,195	14,361,512	1,542,337	2,314,112	17,810,271	1,500,173	**42,787,600**
7	Conditional and unconditional exposures to corporates	10,641,536	15,094,116	14,840,459	24,196,401	99,266,150	9,218,466	**173,257,128**
8	Conditional and unconditional retail exposures	9,829,764	5,501,203	3,309,470	6,447,635	44,045,467	20,182,950	**89,316,489**
9	Conditional and unconditional exposures secured by real estate property	288,092	574,791	929,363	1,739,412	29,251,016	1,870,815	**34,653,489**
10	Past due items	-	-	-	-	-	4,547,633	**4,547,633**
11	Items in regulatory high-risk categories	511,871	35,490	62,124	174,407	243,798	488,905	**1,516,595**
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	**-**
13	Securitisation positions	-	-	-	-	-	-	**-**
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	**-**
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	52,015	**52,015**
16	Shares	-	-	-	-	-	373,437	**373,437**
17	Other items	106,675	-	786,698	-	-	12,507,533	**13,400,906**
	Total	**51,268,541**	**42,774,142**	**22,907,117**	**36,268,479**	**239,535,388**	**73,417,055**	**466,170,722**

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

(Thousands of Turkish Lira (TL))

4.2.4 EXPOSURE CATEGORIES

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

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

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

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

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

		EXPOSURE CATEGORIES			
			EXPOSURES TO BANKS AND BROKERAGE HOUSES		
CREDIT QUALITY GRADE	FITCH RATINGS LONG TERM CREDIT RATING	EXPOSURES TO CENTRAL GOVERNMENTS OR CENTRAL BANKS	EXPOSURES WITH ORIGINAL MATURITIES LESS THAN 3 MONTHS	EXPOSURES WITH ORIGINAL MATURITIES MORE THAN 3 MONTHS	EXPOSURES TO CORPORATES
1	AAA to AA-	0%	20%	20%	20%
2	A+ to A-	20%	20%	50%	50%
3	BBB+ to BBB-	50%	20%	50%	100%
4	BB+ to BB-	100%	50%	100%	100%
5	B+ to B-	100%	50%	100%	150%
6	CCC+ and below	150%	150%	150%	150%

4.2.5 EXPOSURES BY RISK WEIGHTS

The total amount of exposures corresponding to each class of risk weight before and after credit risk mitigation and the deductions from equity as defined in the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks Appendix-1 are presented below:

CURRENT PERIOD Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	DEDUCTIONS FROM EQUITY
Exposures before Credit Risk Mitigation	93,195,155	-	26,229,507	15,929,461	48,435,216	102,290,270	207,565,704	628,535	-	-	627,340
Exposures after Credit Risk Mitigation	102,857,143	-	15,526,009	15,920,719	28,300,000	93,859,384	204,820,246	601,341	-	-	627,340

PRIOR PERIOD Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	DEDUCTIONS FROM EQUITY
Exposures before Credit Risk Mitigation	90,572,286	-	19,369,613	18,270,578	26,420,042	93,613,795	216,840,465	1,083,943	-	-	657,317
Exposures after Credit Risk Mitigation	98,991,192	-	19,245,430	18,262,355	24,677,032	82,394,324	198,954,632	1,078,636	-	-	657,317

(Thousands of Turkish Lira (TL))

4.2.6 INFORMATION BY MAJOR SECTORS AND TYPE OF COUNTERPARTIES

Financial assets are assessed in 3 stages based on TFRS 9 as explained in accounting policy note 3.8.1 "Calculation of expected credit losses". In this respect, the life time expected credit losses are recognized for impaired loans (Stage 3) and the probability of default is considered to be 100%.

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

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

CURRENT PERIOD	LOANS		TFRS 9 EXPECTED CREDIT LOSSES
	SIGNIFICANT INCREASE IN CREDIT RISK (STAGE 2)	DEFAULTED (STAGE 3))	
Agriculture	**366,167**	**177,328**	**138,114**
Farming and Stockbreeding	114,963	153,694	101,550
Forestry	61,310	15,805	15,003
Fishery	189,894	7,829	21,561
Manufacturing	**17,007,393**	**6,797,971**	**6,213,572**
Mining and Quarrying	227,898	115,228	126,180
Production	8,234,096	2,342,806	2,560,093
Electricity, Gas and Water	8,545,399	4,339,937	3,527,299
Construction	**2,569,085**	**2,331,665**	**1,436,934**
Services	**11,790,454**	**7,110,982**	**5,474,728**
Wholesale and Retail Trade	5,475,815	2,629,435	2,091,796
Accommodation and Dining	1,182,052	421,037	325,130
Transportation and Telecommunication	1,539,810	1,958,880	1,384,040
Financial Institutions	657,537	98,337	243,355
Real Estate and Rental Services	2,437,043	1,804,054	1,235,475
Professional Services	5,549	1,820	1,669
Educational Services	292,545	145,438	140,531
Health and Social Services	200,103	51,981	52,732
Others	**13,676,163**	**4,632,130**	**3,929,198**
Total	**45,409,262**	**21,050,076**	**17,192,546**

(Thousands of Turkish Lira (TL))

CURRENT PERIOD	LOANS		TFRS 9 EXPECTED CREDIT LOSSES
	SIGNIFICANT INCREASE IN CREDIT RISK (STAGE 2)	DEFAULTED (STAGE 3))	
Agriculture	**173,407**	**141,211**	**94,184**
Farming and Stockbreeding	112,747	131,028	83,137
Forestry	28,713	3,769	5,685
Fishery	31,947	6,414	5,362
Manufacturing	**16,151,922**	**4,392,281**	**4,063,276**
Mining and Quarrying	129,122	108,936	107,049
Production	6,378,848	1,795,035	1,992,635
Electricity, Gas and Water	9,643,952	2,488,310	1,963,592
Construction	**2,178,793**	**1,579,034**	**945,696**
Services	**11,282,845**	**4,530,753**	**3,618,569**
Wholesale and Retail Trade	4,954,019	1,667,671	1,446,210
Accommodation and Dining	1,262,599	333,340	257,994
Transportation and Telecommunication	1,524,341	1,210,443	1,004,599
Financial Institutions	2,316,333	108,665	194,482
Real Estate and Rental Services	837,447	1,123,708	614,167
Professional Services	-	750	726
Educational Services	312,425	43,336	61,016
Health and Social Services	75,681	42,840	39,375
Others	**15,162,133**	**4,111,433**	**3,961,059**
Total	**44,949,100**	**14,754,712**	**12,682,784**

4.2.7 MOVEMENTS IN VALUE ADJUSTMENTS AND PROVISIONS

	CURRENT PERIOD	OPENING BALANCE	PROVISION FOR PERIODI	PROVISION REVERSALS	OTHER ADJUSTMENTS(*)	CLOSING BALANCE
1	Stage 3. Provisions	8,455,948	7,788,449	1,261,229	2,129,818	12,853,350
2	Stage 1 and Stage 2 Provisions	5,478,236	3,596,195	2,889,352	37,023	6,148,056

	PRIOR PERIOD	OPENING BALANCE	PROVISION FOR PERIODI	PROVISION REVERSALS	OTHER ADJUSTMENTS(*)	CLOSING BALANCE
1	Stage 3. Provisions	4,650,987	8,281,403	2,074,346	2,402,096	8,455,948
2	Stage 1 and Stage 2 Provisions	4,792,207	8,630,443	8,015,024	(70,610)	5,478,236

(*) Includes foreign exchange differences, mergers, acquisitions and disposals of subsidiaries.

(Thousands of Turkish Lira (TL))

4.2.8 EXPOSURES SUBJECT TO COUNTERCYCLICAL CAPITAL BUFFER

CURRENT PERIOD

COUNTRY	RWAS OF BANKING BOOK FOR PRIVATE SECTOR LENDING	RWAS OF TRADING BOOK	TOTAL
Turkey	231,916,453	1,583,698	**233,500,151**
Romania	8,858,687	-	**8,858,687**
the Netherlands	3,253,422	-	**3,253,422**
Switzerland	2,121,740	-	**2,121,740**
Germany	2,038,508	-	**2,038,508**
Malta	1,645,722	117,613	**1,763,335**
United Kingdom	1,222,374	-	**1,222,374**
United States of America	1,149,890	-	**1,149,890**
United Arab Emirates	808,530	-	**808,530**
Other	4,850,616	-	**4,850,616**
Total	**257,865,942**	**1,701,311**	**259,567,253**

PRIOR PERIOD

COUNTRY	RWAS OF BANKING BOOK FOR PRIVATE SECTOR LENDING	RWAS OF TRADING BOOK	TOTAL
Turkey	221,729,777	1,097,072	**222,826,849**
Romania	8,079,783	-	**8,079,783**
the Netherlands	2,671,113	-	**2,671,113**
Switzerland	2,493,427	-	**2,493,427**
Germany	1,761,517	-	**1,761,517**
Malta	1,104,778	-	**1,104,778**
United Kingdom	993,412	54,814	**1,048,226**
United States of America	877,261	-	**877,261**
United Arab Emirates	657,669	-	**657,669**
Other	3,997,235	-	**3,997,235**
Total	**244,365,972**	**1,151,886**	**245,517,858**

4.3 CONSOLIDATED CURRENCY RISK

Foreign currency open position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 31 December 2019, the Bank and its financial subsidiaries' net 'on balance sheet' foreign currency short position amounts to TL 25,733,470 (31 December 2018: TL 18,242,797), net 'off-balance sheet' foreign currency long position amounts to TL 29,974,139 (31 December 2018: TL 20,473,605), while net foreign currency close position amounts to TL 4,240,669 (31 December 2018: TL 2,230,808 long open position).

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

(Thousands of Turkish Lira (TL))

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

	USD	EUR
The Bank's foreign currency purchase rate at balance sheet date	5.9208	6.6431
Foreign currency rates for the days before balance sheet date;		
Day 1	5.9138	6.6272
Day 2	5.9285	6.6150
Day 3	5.9103	6.5551
Day 4	5.9130	6.5602
Day 5	5.9225	6.5633
Last 30-days arithmetical average rate	**5.8311**	**6.4782**

The Bank's consolidated currency risk

	EUR	USD	OTHER FCS	TOTAL
CURRENT PERIOD				
Assets				
Cash (Cash on Hand, Money in Transit,Purchased Cheques) and Balances with the Central Bank of Turkey	15,328,474	14,524,316	8,886,539	**38,739,329**
Banks	10,214,975	4,319,366	4,299,988	**18,834,329**
Financial Assets Measured at Fair Value throughProfit/Loss	252,426	4,274,136	-	**4,526,562**
Money Market Placements	270,410	183,283	-	**453,693**
Financial Assets Measured at Fair Value through Other Comprehensive Income	3,412,122	5,465,486	1,491,885	**10,369,493**
Loans (*)	55,215,104	53,583,880	8,264,928	**117,063,912**
Investments in Associates, Subsidiaries and Joint-Ventures	3,110	-	977	**4,087**
Financial Assets Measured at Amortised Cost	286,749	6,701,314	-	**6,988,063**
Derivative Financial Assets Held for Hedging Purpose	3,858	22,323	-	**26,181**
Tangible Assets	214,855	271	167,074	**382,200**
Intangible Assets (**)	-	-	-	**-**
Other Assets (***)	1,976,361	2,561,045	(149,736)	**4,387,670**
Total Assets	**87,178,444**	**91,635,420**	**22,961,655**	**201,775,519**
Liabilities				
Bank Deposits	2,076,060	124,658	45,327	**2,246,045**
Foreign Currency Deposits	56,098,186	88,521,222	11,033,060	**155,652,468**
Money Market Funds	853,166	517,280	149	**1,370,595**
Other Fundings	12,121,746	10,592,068	220,290	**22,934,104**
Securities Issued (****)	1,524,813	32,276,162	-	**33,800,975**
Miscellaneous Payables	504,221	384,822	79,491	**968,534**
Derivative Financial Liabilities Held for Hedging Purpose	140,835	293,708	-	**434,543**
Other Liabilities (*****)	1,511,458	2,206,745	6,383,522	**10,101,725**
Total Liabilities	**74,830,485**	**134,916,665**	**17,761,839**	**227,508,989**
Net 'On Balance Sheet' Position	**12,347,959**	**(43,281,245)**	**5,199,816**	**(25,733,470)**
Net 'Off-Balance Sheet' Position	**(9,993,898)**	**43,385,166**	**(3,417,129)**	**29,974,139**
Derivative Assets	11,786,083	69,718,270	2,243,021	83,747,374
Derivative Liabilities	21,779,981	26,333,104	5,660,150	53,773,235
Non-Cash Loans	-	-	-	-

PRIOR PERIOD	EUR	USD	OTHER FCS	TOTAL
Total Assets	**88,489,422**	**91,968,102**	**18,991,753**	**199,449,277**
Total Liabilities	**68,282,583**	**135,473,030**	**13,936,461**	**217,692,074**
Net 'On Balance Sheet' Position	**20,206,839**	**(43,504,928)**	**5,055,292**	**(18,242,797)**
Net 'Off-Balance Sheet' Position	**(16,682,628)**	**40,753,037**	**(3,596,804)**	**20,473,605**
Derivative Assets	12,368,328	69,684,392	2,544,802	84,597,522
Derivative Liabilities	29,050,956	28,931,355	6,141,606	64,123,917
Non-Cash Loans	-	-	-	-

(*) The foreign currency-indexed loans amounting TL 1,054,857 included under TL loans in the accompanying consolidated financial statements are presented above under the related foreign currency code.
(**) As per the principles of "Regulation on the Calculation and Implementation of Foreign Currency Net General Position/Equity Standard Ratio by Banks on Consolidated and Non-Consolidated Basis", Intangible Assets have not been included in the currency risk measurement.
(***) Includes expected credit losses in accordance with TFRS 9.
(****) Includes securities issued having qualification of subordinated loan presented under subordinated debts and financial liabilities measured at FVTPL in the balance sheet.
(*****) The gold deposits of TL 6,133,299 included under deposits in the accompanying consolidated financial statements are presented above under other liabilities.

4.4 CONSOLIDATED INTEREST RATE RISK

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

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

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

(Thousands of Turkish Lira (TL))

4.4.1 INTEREST RATE SENSITIVITY OF ASSETS, LIABILITIES AND OFF BALANCE SHEET ITEMS (BASED ON REPRICING DATES)

CURRENT PERIOD	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER	NON-INTEREST BEARING (*)	TOTAL
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	18,669,286	-	-	-	-	23,356,020	**42,025,306**
Banks	7,607,129	204,673	38,001	-	49,666	11,682,720	**19,582,189**
Financial Assets Measured at Fair Value through Profit/ Loss	162,932	2,122	4,559,767	115,734	47,443	331,302	**5,219,300**
Money Market Placements	10,473,078	-	183,057	-	-	3,321	**10,659,456**
Financial Assets Measured at Fair Value through Other Comprehensive Income	1,836,846	8,269,584	3,779,897	3,814,246	6,329,726	4,613,230	**28,643,529**
Loans	67,919,914	30,635,241	84,522,740	75,044,373	13,170,396	14,828,252	**286,120,916**
Financial Assets Measured at Amortised Cost	1,705,276	2,031,797	9,178,118	1,719,979	5,550,466	7,534,706	**27,720,342**
Other Assets (**)	53,957	57,055	140,555	50,327	5,246	8,275,970	**8,583,110**
Total Assets	**108,428,418**	**41,200,472**	**102,402,135**	**80,744,659**	**25,152,943**	**70,625,521**	**428,554,148**
Liabilities							
Bank Deposits	288,927	53,348	3,981	-	-	2,322,495	**2,668,751**
Other Deposits	153,121,106	22,127,458	19,178,055	3,062,930	153,616	76,965,409	**274,608,574**
Money Market Funds	356,594	480,547	475,017	388,149	80,041	6,513	**1,786,861**
Miscellaneous Payables	-	-	-	-	-	12,120,716	**12,120,716**
Securities Issued (***)	11,574,256	2,785,827	444,060	12,166,439	12,748,182	379,773	**40,098,537**
Other Fundings	2,382,353	7,074,999	12,603,169	3,162,191	399,347	-	**25,622,059**
Other Liabilities	21,599	51,352	154,743	569,144	223,363	70,628,449	**71,648,650**
Total Liabilities	**167,744,835**	**32,573,531**	**32,859,025**	**19,348,853**	**13,604,549**	**162,423,355**	**428,554,148**
On Balance Sheet Long Position	**-**	**8,626,941**	**69,543,110**	**61,395,806**	**11,548,394**	**-**	**151,114,251**
On Balance Sheet Short Position	**(59,316,417)**	**-**	**-**	**-**	**-**	**(91,797,834)**	**(151,114,251)**
Off-Balance Sheet Long Position	**18,673,764**	**27,453,300**	**7,880,591**	**6,934,931**	**11,888,589**	**-**	**72,831,175**
Off-Balance Sheet Short Position	**(2,004,557)**	**(15,559,267)**	**(9,269,957)**	**(23,424,918)**	**(20,239,414)**	**-**	**(70,498,113)**
Total Position	**(42,647,210)**	**20,520,974**	**68,153,744**	**44,905,819**	**3,197,569**	**(91,797,834)**	**2,333,062**

(*) Interest accruals are included in non-interest bearing column.
(**) Includes expected credit losses in accordance with TFRS 9.
(***) Includes securities issued having qualification of subordinated loan presented under subordinated debts and financial liabilities measured at FVTPL in the balance sheet.

(Thousands of Turkish Lira (TL))

PRIOR PERIOD	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER	NON-INTEREST BEARING (*)	TOTAL
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	20,879,371	-	-	-	-	20,741,667	**41,621,038**
Banks	8,153,390	669,287	687,016	240,065	22,905	15,699,484	**25,472,147**
Financial Assets Measured at Fair Value through Profit/Loss	45,922	36,429	4,160,628	136,176	65,002	196,880	**4,641,037**
Money Market Placements	141,777	-	-	-	-	-	**141,777**
Financial Assets Measured at Fair Value through Other Comprehensive Income	1,830,044	6,285,422	5,256,065	4,089,487	6,351,864	3,350,071	**27,162,953**
Loans	63,028,059	30,559,237	74,547,732	64,740,502	14,037,637	18,648,561	**265,561,728**
Financial Assets Measured at Amortised Cost	1,663,712	1,301,732	9,161,540	342,427	6,050,201	6,134,397	**24,654,009**
Other Assets (**)	24,028	34,591	29,147	238,390	6,832	9,565,924	**9,898,912**
Total Assets	**95,766,303**	**38,886,698**	**93,842,128**	**69,787,047**	**26,534,441**	**74,336,984**	**399,153,601**
Liabilities							
Bank Deposits	894,138	30,143	83,871	-	-	4,374,966	**5,383,118**
Other Deposits	128,497,970	35,298,304	20,435,031	2,134,307	5,065	52,483,982	**238,854,659**
Money Market Funds	1,357,567	286,818	98,466	782,847	71,255	37,637	**2,634,590**
Miscellaneous Payables	-	-	-	-	-	12,365,939	**12,365,939**
Securities Issued (***)	18,700,790	1,440,011	7,662,128	10,680,521	4,072,822	644,439	**43,200,711**
Other Fundings	2,359,221	16,415,486	12,073,933	1,355,279	926,869	208,939	**33,339,727**
Other Liabilities	779,152	-	8,494	-	-	62,587,211	**63,374,857**
Total Liabilities	**152,588,838**	**53,470,762**	**40,361,923**	**14,952,954**	**5,076,011**	**132,703,113**	**399,153,601**
On Balance Sheet Long Position	**-**	**-**	**53,480,205**	**54,834,093**	**21,458,430**	**-**	**129,772,728**
On Balance Sheet Short Position	**(56,822,535)**	**(14,584,064)**	**-**	**-**	**-**	**(58,366,129)**	**(129,772,728)**
Off-Balance Sheet Long Position	**16,970,347**	**14,745,285**	**20,201,735**	**5,225,464**	**10,080,996**	**-**	**67,223,827**
Off-Balance Sheet Short Position	**(1,551,698)**	**(4,835,220)**	**(19,471,866)**	**(22,043,425)**	**(18,964,432)**	**-**	**(66,866,641)**
Total Position	**(41,403,886)**	**(4,673,999)**	**54,210,074**	**38,016,132**	**12,574,994**	**(58,366,129)**	**357,186**

(*) Interest accruals are included in non-interest bearing column.
(**) Includes expected credit losses in accordance with TFRS 9.
(***) Includes subordinated securities issued and presented under subordinated debts in balance sheet.

4.4.2 AVERAGE INTEREST RATES ON MONETARY FINANCIAL INSTRUMENTS (%)

CURRENT PERIOD	EUR	USD	JPY	TL
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	0.01-4.50	1.53-5.25	-	8.64-13.00
Financial Assets at Fair Value through Profit/Loss	1.74	3.30-5.50	-	3.00-20.40
Money Market Placements	-	1.62	-	8.94-11.38
Financial Assets Measured at Fair Value through Other Comprehensive Income	0.63-11.88	3.25-11.88	-	11.59-24.14
Loans (*)	0.12-15.00	1.84-15.00	-	9.90-33.35
Financial Assets Measured at Amortised Cost	1.41	5.19	-	16.22
Liabilities				
Bank Deposits	(0.46)	1.70-1.75	-	8.68-14.50
Other Deposits	0.05-7.00	0.75-3.75	0.17	7.00-22.00
Money Market Fundings	0.06-0.18	2.62-3.68	-	6.50-22.20
Miscellaneous Payables	-	-	-	-
Securities Issued	5.27	5.83	-	12.16
Other Fundings	0.30-5.50	2.41-5.08	-	10.50-19.97

(Thousands of Turkish Lira (TL))

PRIOR PERIOD	EUR	USD	JPY	TL
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	1.83	-	8.05
Banks	(0.34)-8.00	2.15-4.90	-	15.60-30.00
Financial Assets at Fair Value through Profit/Loss	3.52	3.30-6.94	-	3.12-27.94
Money Market Placements	-	-	-	18.00-25.48
Financial Assets Measured at Fair Value through Other Comprehensive Income	0.65-4.63	3.46-11.88	-	20.37
Loans (*)	0.27-15.00	1.50-21.88	-	13.13-43.50
Financial Assets Measured at Amortised Cost	0.25	5.26	-	19.49
Liabilities				
Bank Deposits	(0.34)-0.05	2.40-3.10	-	22.86
Other Deposits	0.01-7.00	0.01-4.27	0.93	8.75-29.00
Money Market Fundings	0.05-0.15	2.62-3.75	-	7.06-30.00
Miscellaneous Payables	-	-	-	-
Securities Issued	3.65	5.64	-	17.79-27.00
Other Fundings	0.40-6.25	0.63-11.55	-	10.50-33.60

(*) Lease receivables and factoring receivables are included.

4.5 CONSOLIDATED POSITION RISK OF EQUITY SECURITIES

4.5.1 EQUITY SHARES IN ASSOCIATES AND SUBSIDIARIES

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

4.5.2 COMPARISON OF CARRYING, FAIR AND MARKET VALUES OF EQUITY SHARES

CURRENT PERIOD		COMPARISON	
EQUITY SECURITIES (SHARES)	**CARRYING VALUE**	**FAIR VALUE**	**MARKET VALUE**
1 Investment in Shares- Grade A	**126,415**	**-**	**-**
Quoted Securities	-	-	-
2 Investment in Shares- Grade B	**25,555**	**-**	**-**
Quoted Securities	-	-	-
3 Investment in Shares- Grade C	**822**	**-**	**-**
Quoted Securities	-	-	-
4 Investment in Shares- Grade D	**-**	**-**	**-**
Quoted Securities	-	-	-
5 Investment in Shares- Grade E	**1,014**	**-**	**-**
Quoted Securities	-	-	-
6 Investment in Shares- Grade F	**48**	**-**	**-**
Quoted Securities	-	-	-

PRIOR PERIOD		COMPARISON	
EQUITY SECURITIES (SHARES)	**CARRYING VALUE**	**FAIR VALUE**	**MARKET VALUE**
1 Investment in Shares- Grade A	**105,432**	**-**	**-**
Quoted Securities	-	-	-
2 Investment in Shares- Grade B	**25,555**	**-**	**-**
Quoted Securities	-	-	-
3 Investment in Shares- Grade C	**822**	**-**	**-**
Quoted Securities	-	-	-
4 Investment in Shares- Grade D	**-**	**-**	**-**
Quoted Securities	-	-	-
5 Investment in Shares- Grade E	**1,014**	**-**	**-**
Quoted Securities	-	-	-
6 Investment in Shares- Grade F	**48**	**-**	**-**
Quoted Securities	-	-	-

(Thousands of Turkish Lira (TL))

4.5.3 REALISED GAINS/LOSSES, REVALUATION SURPLUSES AND UNREALISED GAINS/LOSSES ON EQUITY SECURITIES AND RESULTS INCLUDED IN CORE AND SUPPLEMENTARY CAPITALS

CURRENT PERIOD

	PORTFOLIO	GAINS/LOSSES IN CURRENT PERIOD	REVALUATION SURPLUSES		UNREALIZED GAINS AND LOSSES		
			TOTAL	AMOUNT IN TIER I CAPITAL	TOTAL	AMOUNT IN CORE CAPITAL	AMOUNT IN TIER I CAPITAL
1	Private Equity Investments	-	-	-	-	-	-
2	Quoted Shares	-	-	-	22,270	-	22,270
3	Other Shares	-	205,079	205,079	-	-	-
	Total	**-**	**205,079**	**205,079**	**22,270**	**-**	**22,270**

PRIOR PERIOD

	PORTFOLIO	GAINS/LOSSES IN CURRENT PERIOD	REVALUATION SURPLUSES		UNREALIZED GAINS AND LOSSES		
			TOTAL	AMOUNT IN TIER I CAPITAL	TOTAL	AMOUNT IN CORE CAPITAL	AMOUNT IN TIER I CAPITAL
1	Private Equity Investments	-	-	-	-	-	-
2	Quoted Shares	-	-	-	8,454	-	8,454
3	Other Shares	-	95,693	95,693	-	-	-
	Total	**-**	**95,693**	**95,693**	**8,454**	**-**	**8,454**

4.5.4 CAPITAL REQUIREMENT AS PER EQUITY SHARES

CURRENT PERIOD

	PORTFOLIO	CARRYING VALUE	RWA TOTAL	MINIMUM CAPITAL REQUIREMENT
1	Private Equity Investments	-	-	-
2	Quoted Shares	-	-	-
3	Other Shares	153,854	153,854	12,308
	Total	**153,854**	**153,854**	**12,308**

PRIOR PERIOD

	PORTFOLIO	CARRYING VALUE	RWA TOTAL	MINIMUM CAPITAL REQUIREMENT
1	Private Equity Investments	-	-	-
2	Quoted Shares	-	-	-
3	Other Shares	132,871	132,871	10,630
	Total	**132,871**	**132,871**	**10,630**

4.6 LIQUIDITY RISK MANAGEMENT AND CONSOLIDATED LIQUIDITY COVERAGE RATIO

Liquidity risk is managed by Asset and Liability Management department (ALMD), Weekly Review Committee and Asset and Liability Committee (ALCO) in line with liquidity and funding policies and risk appetite approved by the board of directors in order to take the necessary measures in a timely and correct manner against possible liquidity shortages that may result from market conditions and balance sheet structure. Under stressed conditions, liquidity risk is managed within the contingency funding plan framework.

The Board of Directors reviews the liquidity risk management policy and approves the liquidity and funding policies, ensures the effective of practice of policies and integrations with the Bank's risk management system. The Board of Directors determines the basic metrics in liquidity risk measurement and monitoring. The Board of Directors establishes risk appetite of the Bank in liquidity risk management and identifies the risk limits in accordance with the risk appetite and reviews it regularly.

ALCO takes necessary decisions which will be executed by related departments by assessing the liquidity risk that the Bank is exposed to and considering the Bank's strategy and conditions of competition and pursues the implementations.

ALMD, performs daily liquidity management by ensuring compliance with regulatory and internal liquidity limits and monitoring related early warning indicators in case of probable liquidity squeezes. The medium and long term liquidity and funding management is performed by ALMD in accordance with ALCO decisions.

Head of Risk management defines the Bank's liquidity risk, measures and monitors the risks with liquidity risk measurement methods that are in compliance with international standards, presents measurement results periodically to related departments, committees and senior management. Head of Risk management coordinates related parties in order to ensure compliance of risk management process in accordance with the Bank's risk profile, operation environment and strategic plan with regulations. Head of Risk management analyses, develops and revises relevant liquidity risk measurement in accordance with changing market conditions and the Bank's structure. Risk management department reviews assumptions and parameters used in liquidity risk analysis.

The liquidity risk analysis and the important liquidity indicators are reported monthly to related senior management. Additionally, analysis and monitored internal ratios related to liquidity risk are presented 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's funding management is carried out in compliance with the ALCO decisions. Funding and placement strategies are developed by assessing liquidity.

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

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

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

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

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

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

There exists "Liquidity Contingency Plan" in the Bank approved by the Board of Directors including mechanisms to prevent increase in liquidity risk scenarios for different conditions and levels. Available liquidity sources are determined by considering the liquidity squeezes. Within the framework of this plan, the Bank monitors liquidity risk in terms of early warning indicators, and probable scenarios where liquidity risk crisis and possible actions that can be taken.

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

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

4.6.1 LIQUIDITY COVERAGE RATIO

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

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

High quality liquid assets consist of cash, deposits in central banks and securities considered as high quality liquid assets. Reserve deposits are included in high quality liquid assets, limited by the amount that is allowed by central bank to use in liquidity shortages. High quality liquid assets are composed of 3.71% cash, 41.55% deposits in central banks and 54.74% securities considered as high quality liquid assets.

The Bank's main funding sources are deposits, funds borrowed, money market borrowings and securities issued. Consolidated funding source composition as of report date is 77.69% deposits, 7.68% funds borrowed and money market borrowings and 7.22% securities issued.

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

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

(Thousands of Turkish Lira (TL))

	CURRENT PERIOD	TOTAL UNWEIGHTED VALUE (AVERAGE) (*)		TOTAL WEIGHTED VALUE (AVERAGE) (*)	
		TL+FC	FC	TL+FC	FC
	HIGH-QUALITY LIQUID ASSETS			**102,661,331**	**58,434,851**
1	Total high-quality liquid assets (HQLA)	102,726,999	58,434,851	102,661,331	58,434,851
	CASH OUTFLOWS				
2	Retail deposits and deposits from small business customers, of which:	198,936,623	112,578,951	18,090,913	11,218,920
3	Stable deposits	36,054,970	779,512	1,802,748	38,976
4	Less stable deposits	162,881,653	111,799,439	16,288,165	11,179,944
5	Unsecured wholesale funding, of which:	70,651,966	42,091,670	38,814,766	21,585,616
6	Operational deposits	-	-	-	-
7	Non-operational deposits	53,075,112	36,215,435	25,042,213	16,891,126
8	Unsecured funding	17,576,854	5,876,235	13,772,553	4,694,490
9	Secured wholesale funding	117,697	-	99,823	-
10	Other cash outflows of which:	113,273,786	35,261,409	14,940,052	10,840,072
11	Outflows related to derivative exposures and other collateral requirements	5,207,995	6,681,664	5,207,995	6,681,664
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	108,065,791	28,579,745	9,732,057	4,158,408
14	Other revocable off-balance sheet commitments and contractual obligations	640,495	477,354	32,025	23,868
15	Other irrevocable or conditionally revocable off-balance sheet obligations	11,864,302	11,635,436	593,215	581,772
16	**Total Cash Outflows**	**395,484,869**	**202,044,820**	**72,570,794**	**44,250,248**
	CASH INFLOWS				
17	Secured receivables	29,136	-	-	-
18	Unsecured receivables	32,700,272	15,165,901	22,708,645	11,362,322
19	Other cash inflows	204,131	4,450,127	178,217	4,446,090
20	**Total Cash Inflows**	**32,933,539**	**19,616,028**	**22,886,862**	**15,808,412**
				UPPER LIMIT APPLIED VALUES	
21	**Total HQLA**			**102,661,331**	**58,434,851**
22	**Total Net Cash Outflows**			**49,683,933**	**28,441,834**
23	**Liquidity Coverage Ratio (%)**			**%207,25**	**%207,18**

(*) The average of last three months'simple averages of daily figures.

The table below presents the last three months' consolidated Liquidity Ratios:

PERIOD	TL+FC	FC
31 October 2019	206.61%	220.36%
30 November 2019	202.15%	193.72%
31 December 2019	212.98%	207.47%

(Thousands of Turkish Lira (TL))

PRIOR PERIOD		TOTAL UNWEIGHTED VALUE (AVERAGE) (*)		TOTAL WEIGHTED VALUE (AVERAGE) (*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS				**90,168,173**	**53,913,275**
1	Total high-quality liquid assets (HQLA)	90,168,173	53,913,275	90,168,173	53,913,275
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	170,724,981	91,272,314	15,763,919	9,106,152
3	Stable deposits	26,171,577	421,581	1,308,579	21,079
4	Less stable deposits	144,553,404	90,850,733	14,455,340	9,085,073
5	Unsecured wholesale funding, of which:	75,774,158	45,491,573	42,406,606	23,913,305
6	Operational deposits	-	-	-	-
7	Non-operational deposits	57,958,065	38,974,499	28,071,155	18,524,043
8	Unsecured funding	17,816,093	6,517,074	14,335,451	5,389,262
9	Secured wholesale funding			-	-
10	Other cash outflows of which:	73,954,470	24,243,210	25,838,426	22,983,621
11	Outflows related to derivative exposures and other collateral requirements	22,357,173	22,411,751	22,357,173	22,411,751
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	51,597,297	1,831,459	3,481,253	571,870
14	Other revocable off-balance sheet commitments and contractual obligations	617,976	486,250	30,899	24,313
15	Other irrevocable or conditionally revocable off-balance sheet obligations	72,516,107	49,587,853	3,625,805	2,479,392
16	**Total Cash Outflows**			**87,665,655**	**58,506,783**
CASH INFLOWS					
17	Secured receivables	968	-	-	-
18	Unsecured receivables	39,244,362	20,635,316	29,638,064	17,244,172
19	Other cash inflows	1,234,990	6,424,300	1,219,136	6,423,779
20	**Total Cash Inflows**	**40,480,320**	**27,059,616**	**30,857,200**	**23,667,951**
				UPPER LIMIT APPLIED VALUES	
21	**Total HQLA**			**90,168,173**	**53,913,275**
22	**Total Net Cash Outflows**			**56,808,455**	**34,838,832**
23	**Liquidity Coverage Ratio (%)**			**%159,53**	**%157,37**

(*) The average of last three months'simple averages of daily figures.

The table below presents the last three months' consolidated Liquidity Ratios of the year 2018:

PERIOD	TL+FC	FC
31 October 2018	166.20%	175.63%
30 November 2018	149.33%	138.61%
31 December 2018	163.06%	157.88%

(Thousands of Turkish Lira (TL))

4.6.2 MATURITY ANALYSIS OF LIABILITIES ACCORDING TO REMAINING MATURITIES

	DEMAND	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER	UNDISTRIBUTED	TOTAL
CURRENT PERIOD								
Assets								
Cash (Cash on Hand, Money in Transit, Purchased Cheques) And Balances with the Central Bank	18,614,250	23,411,056	-	-	-	-	-	**42,025,306**
Banks	16,818,240	2,469,246	205,043	39,820	60	49,780	-	**19,582,189**
Financial Assets at Fair Value through Profit/Loss	319,045	4,368	7,005	4,560,960	278,547	49,375	-	**5,219,300**
Money Market Placements	-	10,476,172	-	183,284	-	-	-	**10,659,456**
Financial Assets Measured at Fair Value through Other Comprehensive Income	382,381	1,153	4,648,975	1,874,637	13,881,337	7,855,046	-	**28,643,529**
Loans	427,392	46,373,820	21,320,941	70,593,967	98,342,517	25,657,814	23,404,465	**286,120,916**
Financial Assets Measured at Amortised Cost	-	51,447	102,113	4,779,442	13,251,602	9,535,738	-	**27,720,342**
Other Assets (*)	10,575,499	1,487,069	322,813	835,725	687,244	954,239	(6,279,479)	**8,583,110**
Total Assets	**47,136,807**	**84,274,331**	**26,606,890**	**82,867,835**	**126,441,307**	**44,101,992**	**17,124,986**	**428,554,148**
Liabilities								
Bank Deposits	2,322,684	288,505	53,584	3,978	-	-	-	**2,668,751**
Other Deposits	86,548,154	144,855,691	22,704,949	18,017,053	2,323,065	159,662	-	**274,608,574**
Other Fundings	-	2,941,730	692,547	18,151,066	3,694,435	142,281	-	**25,622,059**
Money Market Funds	-	360,892	481,673	469,264	394,122	80,910	-	**1,786,861**
Securities Issued (**)	-	293,118	3,869,466	752,673	17,682,477	17,500,803	-	**40,098,537**
Miscellaneous Payables	11,421,140	389,549	94,517	24,743	5,839	317	184,611	**12,120,716**
Other Liabilities (***)	3,074,835	1,221,428	763,813	1,076,074	1,536,023	2,112,356	61,864,121	**71,648,650**
Total Liabilities	**103,366,813**	**150,350,913**	**28,660,549**	**38,494,851**	**25,635,961**	**19,996,329**	**62,048,732**	**428,554,148**
Liquidity Gap	**(56,230,006)**	**(66,076,582)**	**(2,053,659)**	**44,372,984**	**100,805,346**	**24,105,663**	**(44,923,746)**	**-**
Net Off-Balance Sheet Position	**-**	**287,376**	**(858,366)**	**359,378**	**1,070,563**	**207,299**	**-**	**1,066,250**
Derivative Financial Assets	-	51,261,495	28,040,734	19,898,125	8,708,458	2,186,048	-	110,094,860
Derivative Financial Liabilities	-	50,974,119	28,899,100	19,538,747	7,637,895	1,978,749	-	109,028,610
Non-Cash Loans	**-**	**16,323,278**	**1,895,379**	**2,290,557**	**2,677,487**	**78,732**	**116,504,472**	**139,769,905**
PRIOR PERIOD								
Total Assets	**51,262,723**	**69,826,849**	**25,815,249**	**69,639,702**	**120,133,177**	**47,496,970**	**14,978,931**	**399,153,601**
Total Liabilities	**68,771,747**	**139,028,942**	**39,593,243**	**55,390,792**	**25,244,997**	**17,868,153**	**53,255,727**	**399,153,601**
Liquidity Gap	**(17,509,024)**	**(69,202,093)**	**(13,777,994)**	**14,248,910**	**94,888,180**	**29,628,817**	**(38,276,796)**	**-**
Net Off-Balance Sheet Position	**-**	**(776,698)**	**25,123**	**121,141**	**641,570**	**135,722**	**-**	**146,858**
Derivative Financial Assets	-	62,930,044	12,213,678	29,817,513	10,938,125	2,785,895	-	118,685,255
Derivative Financial Liabilities	-	63,706,742	12,188,555	29,696,372	10,296,555	2,650,173	-	118,538,397
Non-Cash Loans	**-**	**14,464,568**	**4,584,345**	**3,048,644**	**1,635,298**	**95,658**	**109,426,843**	**133,255,356**

(*) Includes expected credit losses in accordance with TFRS 9.
(**) Includes subordinated securities issued and financial liabilities measured at FVTPL.
(***) Shareholders' Equity is included in "Other liabilities" line under "Undistributed" column.

(Thousands of Turkish Lira (TL))

Contractual maturity analysis of liabilities according to remaining maturities

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

CURRENT PERIOD	CARRYING VALUE	NOMINAL PRINCIPAL OUTFLOW	DEMAND	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVERI
Bank Deposits	2,668,751	2,667,979	2,322,684	287,966	53,348	3,981	-	-
Other Deposits	274,608,574	273,746,756	86,547,925	144,422,534	22,616,210	17,691,904	2,309,235	158,948
Other Fundings	25,622,059	24,022,628	-	2,758,287	692,547	16,704,420	3,716,428	150,946
Interbank Money Market Takings	1,786,861	1,790,934	149	356,594	480,547	469,044	404,559	80,041
Securities Issued (*)	40,098,537	40,345,307	-	289,127	3,763,227	750,000	17,481,987	18,060,966
Lease payables	1,134,770	1,774,652	-	34,962	84,260	263,593	1,015,206	376,631
Total	**345,919,552**	**344,348,256**	**88,870,758**	**148,149,470**	**27,690,139**	**35,882,942**	**24,927,415**	**18,827,532**

(*) Includes subordinated securities issued and financial liabilities measured at FVTPL.

PRIOR PERIOD	CARRYING VALUE	NOMINAL PRINCIPAL OUTFLOW	DEMAND	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVERI
Bank Deposits	5,383,118	5,359,184	3,679,122	1,566,048	30,143	83,871	-	-
Other Deposits	238,854,659	237,076,430	59,699,430	119,495,743	35,284,409	20,352,961	2,231,265	12,622
Other Fundings	33,339,727	33,117,190	-	2,061,795	1,237,006	25,032,559	4,785,830	-
Interbank Money Market Ta-kings	2,634,590	2,597,090	138	1,357,567	286,818	98,466	782,847	71,254
Securities Issued (*)	43,200,711	43,486,690	-	980,255	1,440,011	8,033,535	16,550,606	16,482,283
Total	**323,412,805**	**321,636,584**	**63,378,690**	**125,461,408**	**38,278,387**	**53,601,392**	**24,350,548**	**16,566,159**

(*) Includes subordinated securities issued and financial liabilities measured at FVTPL.

4.7 CONSOLIDATED LEVERAGE RATIO

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

The Bank's consolidated leverage ratio calculated by taking simple average of end of month leverage ratios for the last three-month periods, is 9.00% (31 December 2018: 8.08%). While the capital increased by 15.07% as a result of increase in net profits, the balance sheet exposure increased by 3.04% and the off balance sheet exposure increased by 0.45%. Therefore, the current period leverage ratio increased by 92 basis points compared to prior period.

		CURRENT PERIOD(***)	PRIOR PERIOD(***)
1	Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards (*) (**)	411,699,259	396,570,504
2	The difference between total assets prepared in accordance with Turkish Accounting Standards (*) and total assets in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" (**)	(537,563)	2,583,097
3	The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such instruments	(17,115,298)	(11,984,226)
4	The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts	8,459,363	4,706,876
5	The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such items	1,266,554	3,134,011
6	Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such items	-	-
7	Total risk amount	588,511,215	570,780,865

(*) Consolidated financial statements prepared in compliance with the paragraph 6 of article 5 of the communiqué "Preparation of Consolidated Financial Statements."
(**) The consolidated financial statements prepared in accordance with Turkish Accounting Standards as of 30 September 2019 for the current period and 31 December 2018 for the prior period, are considered.
(***) Amounts in the table are three-month average amounts.

(Thousands of Turkish Lira (TL))

	ON-BALANCE SHEET ASSETS	CURRENT PERIOD(*)	PRIOR PERIOD(*)
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	421,127,587	408,690,978
2	(Assets deducted in determining Tier I capital)	(620,064)	(618,179)
3	Total on-balance sheet risks (sum of lines 1 and 2)	420,507,523	408,072,799
	DERIVATIVE FINANCIAL INSTRUMENTS AND CREDIT DERIVATIVES		
4	Replacement cost associated with all derivative financial instruments and credit derivatives	3,098,333	4,928,851
5	Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	17,151,727	12,017,739
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 and 5)	20,250,060	16,946,590
	SECURITIES OR COMMODITY FINANCING TRANSACTIONS (SCFT)		
7	Risks from SCFT assets (excluding on-balance sheet)	451,081	991,391
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 and 8)	451,081	991,391
	OTHER OFF-BALANCE SHEET TRANSACTIONS		
10	Gross notional amounts of off-balance sheet transactions	148,569,105	147,904,095
11	(Adjustments for conversion to credit equivalent amounts)	(1,266,554)	(3,134,010)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	147,302,551	144,770,085
	CAPITAL AND TOTAL RISKS		
13	Tier I capital	52,990,193	46,050,753
14	Total risks (sum of lines 3, 6, 9 and 12)	588,511,215	570,780,865
	LEVERAGE RATIO		
15	Leverage ratio	9.00%	8.08%

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

4.8 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

	CARRYING VALUE		FAIR VALUE	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
Financial Assets	**413,580,024**	**383,436,204**	**408,480,667**	**381,837,939**
Interbank Money Market Placements	10,659,456	141,777	10,659,456	141,777
Banks (*)	55,216,481	61,274,700	55,216,481	61,274,700
Financial Assets Measured at Fair Value Through Profit/Loss	5,219,300	4,641,037	5,219,300	4,641,037
Financial Assets Measured at Fair Value through Other Comprehensive Income	28,643,529	27,162,953	28,643,529	27,162,953
Financial Assets Measured at Amortised Cost	27,720,342	24,654,009	27,505,451	24,392,782
Loans	286,120,916	265,561,728	281,236,450	264,224,690
Financial Liabilities	**361,321,138**	**341,721,083**	**361,321,138**	**341,721,083**
Bank Deposits	2,668,751	5,383,118	2,668,751	5,383,118
Other Deposits	274,608,574	238,854,659	274,608,574	238,854,659
Other Fundings from Financial Institutions	27,408,920	35,974,317	27,408,920	35,974,317
Securities Issued (**)	40,098,537	43,200,711	40,098,537	43,200,711
Other Liabilities	16,536,356	18,308,278	16,536,356	18,308,278

(*) Including the balances at the Central Bank of Turkey.
(**) Includes subordinated securities issued and financial liabilities measured at FVTPL.

(Thousands of Turkish Lira (TL))

Fair value of financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost are derived from market prices or in case of absence of such prices, market prices of other securities quoted in similar qualified markets and having substantially similar characteristics in terms of interest, maturity and other conditions.

Fair values of loans are calculated discounting future cash flows at current market interest rates for fixed-rate loans. The carrying values of floating-rate loans are deemed an approximation for their fair values.

Fair values of other financial assets and liabilities represent the total acquisition costs and accrued interest.

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

CURRENT PERIOD	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial Assets Measured at Fair Value through Other Comprehensive Income	26,966,465	1,671,300	5,764	28,643,529
Financial Assets Measured at Fair Value through Profit/Loss	747,415	44,979	4,426,906	5,219,300
Derivative Financial Assets Held for Trading	8,978	2,386,909	144,306	2,540,193
Derivative Financial Assets Held for Hedging Purpose	-	459,364	-	459,364
Financial Assets at Fair Value	**27,722,858**	**4,562,552**	**4,576,976**	**36,862,386**
Derivative Financial Liabilities Held for Trading	156	2,291,845	752,246	3,044,247
Funds Borrowed (*)	-	-	14,342,293	14,342,293
Derivative Financial Liabilities Held for Hedging Pupose	-	1,195,418	-	1,195,418
Financial Liabilities at Fair Value	**156**	**3,487,263**	**15,094,539**	**18,581,958**

(*) Includes financial liabilities measured at FVTPL.

PRIOR PERIOD	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial Assets Measured at Fair Value through Other Comprehensive Income	26,952,771	195,377	14,805	27,162,953
Financial Assets Measured at Fair Value through Profit/Loss	460,893	-	4,180,144	4,641,037
Derivative Financial Assets Held for Trading	2,235	3,053,218	36,919	3,092,372
Derivative Financial Assets Held for Hedging Purpose	-	1,001,323	-	1,001,323
Financial Assets at Fair Value	**27,415,899**	**4,249,918**	**4,231,868**	**35,897,685**
Derivative Financial Liabilities Held for Trading	216	3,167,291	878,978	4,046,485
Funds Borrowed (*)	-	-	12,312,230	12,312,230
Derivative Financial Liabilities Held for Hedging Pupose	-	463,677	-	463,677
Financial Liabilities at Fair Value	**216**	**3,630,968**	**13,191,208**	**16,822,392**

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

	CURRENT PERIOD	PRIOR PERIOD
Balances at Beginning of Period	**4,231,868**	**181,356**
Purchases During the Period	185,909	18,172
Disposals Through Sale/Redemptions	(68,179)	(31,345)
Valuation Effect	227,378	(17,476)
Transfers	-	4,081,161
Balances at End of Period	**4,576,976**	**4,231,868**

The loans measured at fair value through profit or loss include the loan granted to the special purpose entity as detailed in notes 5.1.2.2 and 5.1.9.2. The fair value of this loan is determined by the independent valuation company by considering different methodologies (discounted cash flows, peer market multipliers, similar transaction multipliers in the same sector etc.). Accordingly, the loan is classified as Level 3. In the case that the growth rate in the assumptions used in the discounted cash flow method in the valuation report increased by 0.25% / (decreased by 0.25%) and the risk-free return on investment rate decreased by 0.25% / (increased by 0.25%), assuming all other variables remain constant ,the assets and current period profit before tax in the financial statements will increase by approximately TL 106 million TL / (TL 93 million will decrease).

Based on TFRS 9, in order to eliminate the accounting mismatch, the securitized 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.

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

4.9 TRANSACTIONS CARRIED OUT ON BEHALF OF CUSTOMERS AND ITEMS HELD IN TRUST

None.

4.10 RISK MANAGEMENT OBJECTIVES AND POLICIES

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

4.10.1 RISK MANAGEMENT STRATEGY AND WEIGHTED AMOUNTS

4.10.1.1 RISK MANAGEMENT STRATEGY

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

Policies and procedures regarding risk management are established for consolidated subsidiaries. Policies and procedures are prepared in compliance with applicable legislations that the subsidiaries subject to and the parent Bank's risk management strategy, reviewed regularly and revised if necessary. The parent Bank ensures that risk management system is applied in subsidiaries where risks are defined, measured, monitored and controlled.

Risk management activities are structured under the responsibility of the Board of Directors. Management of various risks that the Bank may be exposed to, including oversight of corporate risk management policies and practices, capital adequacy, planning and liquidity adequacy, is the responsibility of the Risk Committee, which consists of members of the Board of Directors. Accordingly, the Risk Management, which performs risk management functions, reports to the Board of Directors via the Risk Committee, whereas the Internal Audit Department, performing internal audit functions, the Internal Control Unit, performing internal control functions, and the Compliance Department, which implements compliance controls and performs activities to prevent laundering proceeds of crime, and financing of terrorism, report directly to the Board of Directors. Senior managements responsibility is to report to Board of Directors about the significant risk the Bank encounters, ensure the compliance with the risk management about own duties, eliminate the risks, deficiencies and errors occurring in the units responsible or take the necessary measures, participate in design and implementation of internal capital adequacy assessment process (ICAAP); participate in process of assessing the adequacy and appropriateness of the underlying assumptions, data sources and principles used to measure the assumptions and risks associated with the models.

(Thousands of Turkish Lira (TL))

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

Compliant with legislation, the Bank measures and monitors risks that exposed to, considering methods suitable with international standards. Risk measuring and reporting are performed via advanced methods and risk management softwares. Risk based detailed reports are prepared for management of significant risks, in order to determine strategies and take decisions, in this scope, reports are prepared for board of directors, relevant committees and senior management.

The Bank's risk appetite framework determines the risk level that the board of directors is prepared to accept in order to accomplish the goals and strategies with the consideration of the capacity of the institution to safely absorbs those risks and the Bank monitors regularly risk appetite metrics regarding capital, liquidity, income recurrence and risk based limits. Risks that the Bank is exposed is managed by providing effective control environment and 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 function conducts the ICAAP report, to be sent to the BRSA by coordinating relevant parties. Stress test report is also reported to the BRSA, which evaluates how adverse effects on macroeconomic parameters, in the scope of determined scenarios, affect the Bank's three year budget plan and results, and certain ratios, including capital adequacy.

Training programs for employees, risk reports to the board of directors, senior management and committees, risk appetite framework established by the Bank and ICAAP generate significant inputs to ensure that risk management culture is widely embraced.

4.10.1.2 RISK WEIGHTED AMOUNTS

		RISK WEIGHTED AMOUNTS		MINIMUM CAPITAL REQUIREMENTS
		CURRENT PERIOD	**PRIOR PERIOD**	**CURRENT PERIOD**
1	Credit risk (excluding counterparty credit risk) (CCR) (*)	295,632,577	281,730,318	23,650,606
2	Of which standardised approach (SA)	295,632,577	281,730,318	23,650,606
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	4,877,729	5,183,396	390,218
5	Of which standardised approach for counterparty credit risk (SA-CCR)	4,877,729	5,183,396	390,218
6	Of which internal model method (IMM)	-	-	-
7	Equity position in banking book under basic risk weighting or internal rating-based	-	-	-
8	Equity investments in funds – look-through approach	-	-	-
9	Equity investments in funds – mandate-based approach	25,340	11,473	2,027
10	Equity investments in funds – 1250% risk weighting approach	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB supervisory formula approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	10,614,225	7,781,075	849,138
17	Of which standardised approach (SA)	10,614,225	7,781,075	849,138
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	37,857,648	29,447,081	3,028,612
20	Of which basic indicator approach	37,857,648	29,447,081	3,028,612
21	Of which standardised approach	-	-	-
22	Of which advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	**Total (1+4+7+8+9+10+11+12+16+19+23+24)**	**349,007,519**	**324,153,343**	**27,920,601**

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

(Thousands of Turkish Lira (TL))

4.10.2 LINKAGES BETWEEN FINANCIAL STATEMENTS AND RISK AMOUNTS

4.10.2.1 DIFFERENCES AND MATCHING BETWEEN ASSET AND LIABILITIES' CARRYING VALUES IN FINANCIAL STATEMENTS AND RISK AMOUNTS IN CAPITAL ADEQUACY CALCULATION

		CARRYING VALUES OF ITEMS IN ACCORDANCE WITH TURKISH ACCOUNTING STANDARDS					
CURRENT PERIOD	CARRYING VALUES IN FINANCIAL STATEMENTS PREPARED AS PER TAS (*)	CARRYING VALUES IN CONSOLIDATED FINANCIAL STATEMENTS PREPARED AS PER TAS BUT IN COMPLIANCE WITH THE COMMUNIQUÉ "PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS"	SUBJECT TO CREDIT RISK	SUBJECT TO COUNTERPARTY CREDIT RISK	SUBJECT TO MARKET RISK (**)	SUBJECT TO CAPITAL CALCULATION	NOT SUBJECT TO CAPITAL REQUIREMENTS OR SUBJECT TO DEDUCTION FROM CAPITAL
ASSETS							
Financial assets (net)	**116,894,623**	**108,960,421**	**104,985,393**	**5,434,237**	**2,681,644**	**(168,916)**	**-**
Cash and cash equivalents	80,829,479	72,098,035	71,983,941	283,010	-	(168,916)	-
Financial assets measured at fair value through profit/loss (FVTPL)	4,899,816	5,219,300	4,263,032	106,378	876,752	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	27,572,532	28,643,529	28,643,529	2,189,935	-	-	-
Derivative financial assets	3,592,796	2,999,557	94,891	2,854,914	1,804,892	-	-
Loans (net)	**277,072,426**	**296,277,720**	**301,696,603**	**720,035**	**-**	**(5,372,783)**	**(46,100)**
Loans	258,517,474	277,506,599	277,544,878	-	-	7,821	(46,100)
Lease receivables	5,988,804	6,184,154	6,184,154	-	-	-	-
Factoring receivables	2,122,595	2,430,163	2,430,163	-	-	-	-
Non performing receivables	27,171,132	27,720,342	27,720,342	720,035	-	-	-
Expected credit losses (-)	16,727,579	17,563,538	12,182,934	-	-	5,380,604	-
Assets held for sale and assets of discontinued operations (net)	1,513,758	1,452,258	1,452,258	-	-	-	-
Ownership investments (net)	39,369	153,854	153,854	-	-	-	-
Tangible assets (net)	6,984,768	5,528,299	5,358,417	-	-	169,882	-
Intangible assets (net)	471,527	479,906	30,379	-	-	449,527	-
Investment property (net)	336,620	569,719	569,719	-	-	-	-
Current tax asset	102,420	86,217	86,217	-	-	-	-
Deferred tax asset	1,935,644	1,882,010	1,882,010	-	-	-	-
Other assets	6,348,104	13,163,744	13,992,566	-	-	(8,630)	(820,192)
TOTAL ASSETS	**411,699,259**	**428,554,148**	**430,207,416**	**6,154,272**	**2,681,644**	**(4,930,920)**	**(866,292)**
LIABILITIES							
Deposits	257,651,518	277,277,325	-	-	-	-	277,277,325
Funds borrowed	26,878,976	25,622,059	-	1,867,232	-	-	23,754,827
Money market funds	1,519,475	1,786,861	-	1,464,991	26,741	-	321,870
Securities issued (net)	22,763,718	21,026,537	-	-	-	-	21,026,537
Funds	-	-	-	-	-	-	-
Financial liabilities measured at fvtpl	13,193,294	14,342,293	-	-	-	-	14,342,293
Derivative financial liabilities	5,994,293	4,239,665	-	-	-	-	4,239,665
Factoring payables	-	-	-	-	-	-	-
Lease payables (net)	1,066,907	1,134,770	-	-	-	-	1,134,770
Provisions	5,621,578	6,526,373	622,573	-	-	588,581	5,315,219
Current tax liability	477,024	1,251,975	-	--	-		1,251,975
Deferred tax liability	69,970	29,480	-	--	-		29,480
Liabilities for assets held for sale and assets of discontinued operations (net)	-	-	-	-	-	-	-
Subordinated debts	4,303,764	4,729,707	-	--		4,693,480	36,227
Other liabilities	20,343,735	16,536,356	-		-34,163	-	16,502,193
Shareholders' equity	51,815,007	54,050,747	-	--		54,327,516	(276,769)
TOTAL LIABILITIES	**411,699,259**	**428,554,148**	**622,573**	**3,332,223**	**60,904**	**59,609,577**	**364,955,612**

(*) As per financial statements prepared in compliance with the paragraph 6 of article 5 of the communiqué "Preparation of Consolidated Financial Statements" as of 30 September 2019.

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

(Thousands of Turkish Lira (TL))

PRIOR PERIOD	CARRYING VALUES IN FINANCIAL STATEMENTS PREPARED AS PER TAS (*)	CARRYING VALUES OF ITEMS IN ACCORDANCE WITH TURKISH ACCOUNTING STANDARDS					
		CARRYING VALUES IN CONSOLIDATED FINANCIAL STATEMENTS PREPARED AS PER TAS BUT IN COMPLIANCE WITH THE COMMUNIQUÉ "PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS"	SUBJECT TO CREDIT RISK	SUBJECT TO COUNTERPARTY CREDIT RISK	SUBJECT TO MARKET RISK (**)	SUBJECT TO CAPITAL CALCULATION	NOT SUBJECT TO CAPITAL REQUIREMENTS OR SUBJECT TO DEDUCTION FROM CAPITAL
ASSETS							
Financial assets (net)	**108,834,581**	**103,053,180**	**98,514,982**	**7,964,013**	**2,434,700**	**(77,794)**	**-**
Cash and cash equivalents	72,964,715	67,155,495	67,093,182	141,777	-	(79,464)	-
Financial assets measured at fair value through profit/loss (FVTPL)	4,613,218	4,641,037	4,245,447	101,226	362,016	1,670	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	27,162,953	27,162,953	27,162,953	3,668,811	-	-	-
Derivative financial assets	4,093,695	4,093,695	13,400	4,052,199	2,072,684	-	-
Loans (net)	**275,680,403**	**277,067,587**	**282,077,108**	**45,482**	**-**	**(5,009,521)**	**-**
Loans	254,728,875	256,009,555	255,995,515	-	-	14,040	-
Lease receivables	6,921,294	6,966,040	6,966,040	-	-	-	-
Factoring receivables	2,586,133	2,586,133	2,586,133	-	-	-	-
Non performing receivables	24,654,009	24,654,009	24,654,009	45,482	-	-	-
Expected credit losses (-)	13,209,908	13,148,150	8,124,589	-	-	5,023,561	-
Assets held for sale and assets of discontinued operations (net)	857,695	857,695	857,695	-	-	-	-
Ownership investments (net)	39,298	132,871	132,871	-	-	-	-
Tangible assets (net)	6,191,989	4,494,918	4,248,990	-	-	245,928	-
Intangible assets (net)	435,989	416,072	26,241	-	-	389,831	-
Investment property (net)	324,329	558,309	558,309	-	-	-	-
Current tax asset	204,898	175,266	175,266	-	-	-	-
Deferred tax asset	1,532,924	1,519,177	1,513,332	-	-	5,845	-
Other assets	5,872,838	10,878,526	10,887,209	-	-	-8,683	-
TOTAL ASSETS	**399,974,944**	**399,153,601**	**398,992,003**	**8,009,495**	**2,434,700**	**(4,454,394)**	**-**
LIABILITIES							
Deposits	244,892,173	244,237,777	-	-	-	-	244,237,777
Funds borrowed	34,629,291	33,339,727	-	1,757,546	-	-	31,582,181
Money market funds	2,634,590	2,634,590	-	1,288,750	22,783	-	1,345,840
Securities issued (net)	27,002,214	26,911,463	-	-	-	-	26,911,463
Funds	-	-	-	-	-	-	-
Financial liabilities measured at fvtpl	12,312,230	12,312,230	-	-	-	-	12,312,230
Derivative financial liabilities	4,518,660	4,510,162	-	-	-	-	4,510,162
Factoring payables	-	-	-	-	-	-	-
Lease payables (net)	-	-	-	-	-	-	-
Provisions	5,398,882	5,369,512	282,170	-	-	366,164	4,721,179
Current tax liability	133,670	646,881	-	--	-		646,881
Deferred tax liability	49,975	19,121	-	--	-		19,121
Liabilities for assets held for sale and assets of discontinued operations (net)	-	-	-	-	-	-	-
Subordinated debts	3,977,018	3,977,018	-	--	-		3,977,018
Other liabilities	17,530,818	18,308,278	-	-19,757	-		18,288,521
Shareholders' equity	46,895,423	46,886,842	-	--		46,677,099	209,743
TOTAL LIABILITIES	**399,974,944**	**399,153,601**	**282,170**	**3,046,296**	**42,540**	**47,043,263**	**348,762,116**

(*) As per financial statements prepared in compliance with the paragraph 6 of article 5 of the communiqué "Preparation of Consolidated Financial Statements" as of 30 September 2018.
(**) Disclosed based on gross position amounts subject to general market risk and specific risk.

(Thousands of Turkish Lira (TL))

4.10.2.2 MAJOR ITEMS CAUSING DIFFERENCES BETWEEN ASSETS AND LIABILITIES' CARRYING VALUES IN FINANCIAL STATEMENTS AND RISK AMOUNTS IN CAPITAL ADEQUACY CALCULATION

	CURRENT PERIOD	TOTAL	CREDIT RISK	COUNTERPARTY CREDIT RISK	MARKET RISK (*)
1	Carrying Value of Assets in Accordance with Communiqué "Preparation of Consolidated Financial Statements" " (as per 4.10.2.1)	431,414,530	427,270,586	3,217,442	2,681,644
2	Carrying Value of Debt Instruments Subject Counterparty Credit Risk in Accordance with Communiqué "Preparation of Consolidated Financial Statements" " (as per 4.10.2.1)	2,936, 830	2,936,830	2,936,830	-
3	Carrying Value of Liabilities Subject to Counterparty Credit Risk in Accordance with Communiqué "Preparation of Consolidated Financial Statements" " (as per 4.10.2.1)	3,332,223	-	3,332,223	26,741
4	Carrying Value of Other Liabilities in Accordance with Communiqué "Preparation of Consolidated Financial Statements" " (as per 4.10.2.1)	34,163	-	-	34,163
5	**Total Net Amount Under Regulatory Consolidation**	**430,984,974**	**430,207,416**	**2,822,049**	**2,620,740**
6	Off-balance Sheet Amounts (**)	480,158,072	56,106,149	1,806,015	144,608,563
7	Credit Risk Mitigation		(29,804,265)	(18,979)	-
8	Repurchase Transactions Valuation Adjustments		-	766,454	-
9	**Risk Amounts**		**456,509,300**	**5,375,539**	**147,229,303**

(*) Disclosed based on gross position amounts subject to general market risk and specific risk.
(**) The amounts present the balances of the off-balance sheet items subject to capital adequacy regulation.

	PRIOR PERIOD	TOTAL	CREDIT RISK	COUNTERPARTY CREDIT RISK	MARKET RISK (*)
1	Carrying Value of Assets in Accordance with Communiqué "Preparation of Consolidated Financial Statements" " (as per 4.10.2.1)	399,824,375	395,208,383	4,225,875	2,434,700
2	Carrying Value of Debt Instruments Subject Counterparty Credit Risk in Accordance with Communiqué "Preparation of Consolidated Financial Statements" " (as per 4.10.2.1)	3,783,620	3,783,620	3,783,620	-
3	Carrying Value of Liabilities Subject to Counterparty Credit Risk in Accordance with Communiqué "Preparation of Consolidated Financial Statements" " (as per 4.10.2.1)	3,046,296	-	3,046,296	22,784
4	Carrying Value of Other Liabilities in Accordance with Communiqué "Preparation of Consolidated Financial Statements" " (as per 4.10.2.1)	19,756	-	-	19,756
5	**Total Net Amount Under Regulatory Consolidation**	**400,541,943**	**398,992,003**	**4,963,199**	**2,392,160**
6	Off-balance Sheet Amounts (**)	477,934,782	57,418,091	1,850,801	174,424,862
7	Credit Risk Mitigation		(19,720,920)	(10,296)	-
8	Repurchase Transactions Valuation Adjustments		-	110,722	-
9	**Risk Amounts**		**436,689,174**	**6,914,426**	**176,817,022**

(*) Disclosed based on gross position amounts subject to general market risk and specific risk.
(**) The amounts present the balances of the off-balance sheet items subject to capital adequacy regulation.

4.10.2.3 EXPLANATIONS ON DIFFERENCES BETWEEN CARRYING VALUES IN FINANCIAL STATEMENTS AND RISK AMOUNTS IN CAPITAL ADEQUACY CALCULATION OF ASSETS AND LIABILITIES

There is no material differences between the carrying values in financial statements and the risk amounts in capital adequacy calculation of assets and liabilities.

4.10.3 CONSOLIDATED CREDIT RISK

4.10.3.1 GENERAL INFORMATION ON CONSOLIDATED CREDIT RISK

4.10.3.1.1 GENERAL QUALITATIVE INFORMATION ON CONSOLIDATED CREDIT RISK

The parent Bank's credit risk management policies; under the relevant legislation in line with the Bank's credit strategy approved by the board of directors are created based on the prudence, sustainability and customer credit worthiness principles. Credit risk is managed on a portfolio basis considering the risk/return balance and asset quality of the Bank in the scope of the principles specified in the credit risk policy documents.

Credit risk management is a structured process where credit risks are consistently assessed, quantified and monitored. In order to take the right decision, during the credit process which begins with the application of the customer and includes the phases of determination of the customer's credibility, collateralization, loan configuration, approval and usage, monitoring and closing the exposure, all required financial and non-financial information and documents intended to identify the customer are collected in a centralized database, with this information the customer's financial strength is analyzed, credit risk analysis is done. The customers are graded according to their segment and activity fields and the information is kept updated by inquiring the customers. Thus before a loan is granted, it is ensured that risks are well-understood, sufficient evaluation has been done and after the loan is granted the loan is monitored, controlled and reported.

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

Loan based assessment, allocation and monitoring are carried out within the framework of related processes by related units in the credit group. Credit proposals, on the basis of the determined amount and in the framework of levels of authority, are concluded after being evaluated by the regional offices, loans units and committees of headoffice, if required by the credit committee and the board of directors. The credit approval authority can be transferred starting from the board of directors by notifying in written.

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

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

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

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

(Thousands of Turkish Lira (TL))

The Risk Management measures, monitors and reports credit risks by using validated probability of defaults obtained from the Bank's rating models, loss that is caused by defaulted customer and credit conversion factors. The Bank's internal capital is calculated and adequacy is assessed by considering stress tests and scenario analysis. Also, by considering optimum risk return balance, expectations regarding economic outlook the limits are determined for credit portfolios. Risk based analyses are executed, credit concentrations are monitored and the results are presented to senior management.

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

4.10.3.1.2 CREDIT QUALITY OF CONSOLIDATED ASSETS

	CURRENT PERIOD	GROSS CARRYING VALUE IN CONSOLIDATED FINANCIAL STATEMENTS PREPARED AS PERTAS		ALLOWANCES/ AMORTISATION AND IMPAIRMENTS	NET VALUES
		DEFAULTED	NON-DEFAULTED EXPOSURES		
1	Loans	19,510,386	336,457,080	12,182,934	343,784,532
2	Debt securities	-	55,981,493	-	55,981,493
3	Off-balance sheet exposures	1,544,164	83,681,738	624,572	84,601,330
4	**Total**	**21,054,550**	**476,120,311**	**12,807,506**	**484,367,355**

	PRIOR PERIOD	GROSS CARRYING VALUE IN CONSOLIDATED FINANCIAL STATEMENTS PREPARED AS PERTAS		ALLOWANCES/ AMORTISATION AND IMPAIRMENTS	NET VALUES
		DEFAULTED	NON-DEFAULTED EXPOSURES		
1	Loans	13,753,384	322,331,133	8,124,589	327,959,928
2	Debt securities	-	51,633,493	-	51,633,493
3	Off-balance sheet exposures	979,474	86,108,509	285,681	86,802,302
4	**Total**	**14,732,858**	**460,073,135**	**8,410,270**	**466,395,723**

4.10.3.1.3 CHANGES IN STOCK OF DEFAULT LOANS AND DEBT SECURITIES

		CURRENT PERIOD	PRIOR PERIOD
1	**Defaulted loans and debt securities at end of the previous reporting period**	**13,753,384**	**6,865,295**
2	Loans and debt securities defaulted since the last reporting period	9,838,615	12,133,538
3	Receivables back to non-defaulted status	-	-
4	Amounts written off (-)	1,903,007	2,609,320
5	Other changes (-)	2,178,606	2,636,129
6	**Defaulted loans and debt securities at end of the reporting period**	**19,510,386**	**13,753,384**

(Thousands of Turkish Lira (TL))

4.10.3.1.4 ADDITIONAL INFORMATION ON CREDIT QUALITY OF CONSOLIDATED ASSETS

4.10.3.1.4.1 QUALITATIVE DISCLOSURES RELATED TO THE CREDIT QUALITY OF ASSETS

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

A refinancing/restructuring refers to; extending a new loan for the purpose of repayment of a part or whole of the outstanding loans or related interest payments granted previously or, amending the conditions of such outstanding loans in order to facilitate the repayment capacity; due to current or foreseeable financial difficulties of the borrower or the related risk group.

4.10.3.1.4.2 BREAKDOWN OF EXPOSURES BY GEOGRAPHICAL AREAS, INDUSTRY AND AGEING

Disclosed under section 4.2 credit risk.

4.10.3.1.4.3 EXPOSURES PROVISIONED AGAINST BY MAJOR REGIONS AND SECTORS

	CURRENT PERIOD			PRIOR PERIOD		
	NON-PERFORMING LOANS	EXPECTED CREDIT LOSSES-STAGE 3	WRITE-OFFS	NON-PERFORMING LOANS	EXPECTED CREDIT LOSSES-STAGE 3	WRITE-OFFS
Domestic	18,204,326	11,262,907	1,670,768	12,025,758	7,054,030	2,350,117
European Union (EU) Countries	1,161,426	818,276	231,389	1,547,119	982,460	166,087
OECD Countries	46,393	17,526	7	45,261	17,189	93,007
Off-Shore Banking Regions	-	-	-	-	-	-
USA, Canada	7,026	4,060	-	50,648	21,892	15
Other Countries	91,215	80,165	843	84,598	49,018	94
Total	**19,510,386**	**12,182,934**	**1,903,007**	**13,753,384**	**8,124,589**	**2,609,320**

	CURRENT PERIOD		
	NON-PERFORMING LOANS	EXPECTED CREDIT LOSSES-STAGE 3	WRITE-OFFS
Agriculture	**171,893**	**99,542**	**8,649**
Farming and Stockbreeding	151,106	85,803	6,340
Forestry	13,701	8,677	2,241
Fishery	7,086	5,062	68
Manufacturing	**6,313,153**	**3,854,728**	**442,533**
Mining and Quarrying	115,180	98,189	801
Production	2,044,190	1,291,843	441,314
Electricity, Gas and Water	4,153,783	2,464,696	418
Construction	**1,321,524**	**773,176**	**244,662**
Services	**7,118,963**	**4,141,173**	**412,512**
Wholesale and Retail Trade	2,290,225	1,407,738	86,400
Accomodation and Dining	387,631	204,996	8,909
Transportation and Telecommunication	1,893,857	1,182,924	185,971
Financial Institutions	96,706	59,855	20,413
Real Estate and Rental Services	1,756,759	895,016	7,558
Professional Services	528,735	251,383	42,336
Educational Services	126,925	110,749	747
Health and Social Services	38,125	28,512	60,178
Others	**4,584,853**	**3,314,315**	**794,651**
Total	**19,510,386**	**12,182,934**	**1,903,007**

(Thousands of Turkish Lira (TL))

	PRIOR PERIOD		
	NON-PERFORMING LOANS	EXPECTED CREDIT LOSSES-STAGE 3	WRITE-OFFS
Agriculture	**139,855**	**86,370**	**85,151**
Farming and Stockbreeding	130,388	79,212	85,151
Forestry	3,624	2,807	-
Fishery	5,843	4,351	-
Manufacturing	**4,266,207**	**2,069,273**	**10,274**
Mining and Quarrying	106,649	100,269	-
Production	1,743,563	1,227,837	10,273
Electricity, Gas and Water	2,415,995	741,167	1
Construction	**977,191**	**693,935**	**8,784**
Services	**4,376,855**	**2,628,436**	**2,113,824**
Wholesale and Retail Trade	1,560,857	1,104,859	13,442
Accomodation and Dining	322,257	162,696	29
Transportation and Telecommunication	1,193,783	761,676	2,100,224
Financial Institutions	108,514	54,039	53
Real Estate and Rental Services	1,112,740	437,669	43
Professional Services	750	43,151	-
Educational Services	40,513	32,262	-
Health and Social Services	37,441	32,084	33
Others	**3,993,276**	**2,646,575**	**391,287**
Total	**13,753,384**	**8,124,589**	**2,609,320**

4.10.3.1.4.4 AGEING OF PAST-DUE EXPOSURES

CURRENT PERIOD	UP TO 3 MONTHS	3-12 MONTHS	1-3 YEARS	3-5 YEARS	5 YEARS AND OVER
Corporate and Commercial Loans	2,425,793	4,944,776	5,729,489	939,885	430,422
Retail Loans	380,287	948,255	688,501	285,761	177,931
Credit Cards	176,998	453,560	330,431	166,908	135,380
Others	864,602	40,993	381,065	7,831	1,518
Total	**3,847,680**	**6,387,584**	**7,129,486**	**1,400,385**	**745,251**

PRIOR PERIOD	UP TO 3 MONTHS	3-12 MONTHS	1-3 YEARS	3-5 YEARS	5 YEARS AND OVER
Corporate and Commercial Loans	2,183,178	4,607,446	1,976,670	759,216	507,332
Retail Loans	377,469	579,340	630,798	278,965	296,336
Credit Cards	571	123,909	558,243	179,601	265,120
Others	41,021	78,435	298,477	6,084	5,173
Total	**2,602,239**	**5,389,130**	**3,464,188**	**1,223,866**	**1,073,961**

(Thousands of Turkish Lira (TL))

4.10.3.2 CONSOLIDATED CREDIT RISK MITIGATION

4.10.3.2.1 QUALITATIVE DISCLOSURE ON CONSOLIDATED CREDIT RISK MITIGATION TECHNIQUES

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

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

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

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

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

4.10.3.2.2 CONSOLIDATED CREDIT RISK MITIGATION TECHNIQUES

	CURRENT PERIOD	EXPOSURES UNSECURED: CARRYING AMOUNT AS PER TAS	EXPOSURES SECURED BY COLLATERAL	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY COLLATERAL	EXPOSURES SECURED BY FINANCIAL GUARANTEES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY FINANCIAL GUARANTEES	EXPOSURES SECURED BY CREDIT DERIVATIVES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY CREDIT DERIVATIVES
1	Loans	297,831,309	45,953,223	43,951,673	10,970,595	10,970,595	-	-
2	Debt securities	55,901,683	79,810	17,292	-	-	-	-
3	**Total**	**353,732,992**	**46,033,033**	**43,968,965**	**10,970,595**	**10,970,595**	**-**	**-**
4	Of which defaulted	19,398,646	111,740	5,731	-	-	-	-

	PRIOR PERIOD	EXPOSURES UNSECURED: CARRYING AMOUNT AS PER TAS	EXPOSURES SECURED BY COLLATERAL	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY COLLATERAL	EXPOSURES SECURED BY FINANCIAL GUARANTEES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY FINANCIAL GUARANTEES	EXPOSURES SECURED BY CREDIT DERIVATIVES	COLLATERALIZED AMOUNT OF EXPOSURES SECURED BY CREDIT DERIVATIVES
1	Loans	290,208,872	37,751,056	33,161,024	10,664,702	10,664,702	-	-
2	Debt securities	51,633,493	-	-	-	-	-	-
3	**Total**	**341,842,365**	**37,751,056**	**33,161,024**	**10,664,702**	**10,664,702**	**-**	**-**
4	Of which defaulted	13,626,817	126,567	9,388	-	-	-	-

4.10.3.3 CONSOLIDATED CREDIT RISK UNDER STANDARDISED APPROACH

4.10.3.3.1 QUALITATIVE DISCLOSURES ON BANKS' USE OF EXTERNAL CREDIT RATINGS UNDER THE STANDARDISED APPROACH FOR CREDIT RISK

An international rating firm, Fitch Ratings' external risk ratings are used to determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks".

(Thousands of Turkish Lira (TL))

The international risk ratings are used for the exposures to central governments and central banks, whereas for central governments and central banks that are not rated by Fitch Ratings, the published country ratings as announced by the Organisation for Economic Cooperation and Development (OECD) are used.

According to the regulation on capital adequacy, external risk ratings are used only for the exposures to banks and brokerage houses and to corporates where the counterparties are resident in abroad, to determine their risk weights. Where the counterparties are domestic, the related exposures are included in the calculation of capital adequacy as unrated.

In the determination of risk weights; if a relevant rating is available then such rating, but if it is an unrated exposure then the rating available for the issuer is used.

Rating notes issued by Fitch Ratings are presented in the table below, as per credit quality levels and risk weights per risk classes:

		RISK CLASSES			
			EXPOSURES TO BANKS AND BROKERAGE HOUSES		
CREDIT QUALITY LEVEL	FITCH RATINGS LONG TERM CREDIT RATING	EXPOSURES TO CENTRAL GOVERNMENTS ORCENTRAL BANKS	EXPOSURES WITH ORIGINAL MATURITIES LESS THAN 3 MONTHS	EXPOSURES WITH ORIGINAL MATURITIES MORE THAN 3 MONTHS	EXPOSURES TO CORPORATES
1	AAA to AA-	0%	20%	20%	20%
2	A+ to A-	20%	20%	50%	50%
3	BBB+ to BBB-	50%	20%	50%	100%
4	BB+ to BB-	100%	50%	100%	100%
5	B+ to B-	100%	50%	100%	150%
6	CCC+ and below	150%	150%	150%	150%

4.10.3.3.2 CONSOLIDATED CREDIT RISK EXPOSURE AND CREDIT RISK MITIGATION TECHNIQUES

	CURRENT PERIOD	EXPOSURES BEFORE CCF AND CRM		EXPOSURES POST-CCF AND CRM		RWA AND RWA DENSITY	
	RISK CLASSES	ON-BALANCE SHEET AMOUNT	OFF-BALANCE SHEET AMOUNT	ON-BALANCE SHEET AMOUNT	OFF-BALANCE SHEET AMOUNT	RWA	RWA DENSITY
1	Exposures to sovereigns and their central banks	102,976,748	256,199	113,930,805	117,192	19,015,101	17%
2	Exposures to regional and local governments	623,819	23,765	618,338	23,753	384,150	60%
3	Exposures to administrative bodies and non-commercial entities	267,082	93,617	262,882	10,130	273,011	100%
4	Exposures to multilateral development banks	1,403,169	-	1,403,169	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	30,161,709	30,700,483	19,719,715	2,898,979	8,069,749	36%
7	Exposures to corporates	143,583,873	58,599,769	137,643,390	29,328,457	164,766,656	99%
8	Retail exposures	96,258,605	61,125,831	88,261,395	5,605,377	70,393,763	75%
9	Exposures secured by residential property	15,920,281	9,737	15,911,557	9,162	5,572,251	35%
10	Exposures secured by commercial property	13,657,076	2,287,332	13,532,233	1,436,139	9,591,919	64%
11	Past-due items	6,511,248	-	6,511,069	-	4,519,279	69%
12	Exposures in high-risk categories	867,207	919,319	840,511	468,451	1,486,360	114%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	25,340	-	25,340	-	25,340	100%
16	Shares	816,500	-	816,500	-	816,500	100%
17	Other exposures	17,134,759	-	17,134,759	-	10,743,838	63%
18	**Total**	**430,207,416**	**154,016,052**	**416,611,663**	**39,897,640**	**295,657,917**	

(Thousands of Turkish Lira (TL))

	PRIOR PERIOD	EXPOSURES BEFORE CCF AND CRM		EXPOSURES POST-CCF AND CRM		RWA AND RWA DENSITY	
	RISK CLASSES	ON-BALANCE SHEET AMOUNT	OFF-BALANCE SHEET AMOUNT	ON-BALANCE SHEET AMOUNT	OFF-BALANCE SHEET AMOUNT	RWA	RWA DENSITY
1	Exposures to sovereigns and their central banks	101,281,521	276,670	111,908,918	140,012	20,672,098	18%
2	Exposures to regional and local governments	240,817	-	237,051	-	183,399	77%
3	Exposures to administrative bodies and non-commercial entities	364,005	58,762	364,004	19,126	383,130	100%
4	Exposures to multilateral development banks	1,026,645	-	1,026,645	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	21,268,683	26,050,247	21,137,322	3,237,374	8,260,285	34%
7	Exposures to corporates	138,338,899	61,484,116	131,834,885	30,039,376	159,741,340	99%
8	Retail exposures	83,923,010	52,083,964	77,301,528	5,082,863	61,786,740	75%
9	Exposures secured by residential property	18,263,477	7,416	18,255,253	7,102	6,391,824	35%
10	Exposures secured by commercial property	14,820,162	2,353,873	14,652,949	1,560,078	10,252,377	63%
11	Past-due items	4,547,633	354	4,547,424	-	3,841,354	84%
12	Exposures in high-risk categories	1,090,793	716,514	1,086,417	424,490	2,025,215	134%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	52,015	-	52,015	-	11,473	22%
16	Shares	373,437	-	373,437	-	373,437	100%
17	Other exposures	13,400,906	-	13,400,906	-	7,819,119	58%
18	**Total**	**398,992,003**	**143,031,916**	**396,178,754**	**40,510,421**	**281,741,791**	

4.10.3.3.3 CONSOLIDATED EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS

	CURRENT PERIOD REGULATORY PORTFOLIO	0%	10%	20%	35% SECURED BY PROPERTY MORTGAGE	50%	75%	100%	150%	200%	OTHERS	TOTAL RISK AMOUNT (POST-CCF AND CRM)
1	Exposures to sovereigns and their central banks	95,014,139	-	19	-	37,481	-	18,996,358	-	-	-	114,047,997
2	Exposures to regional and local government	-	-	-	-	515,884	-	126,207	-	-	-	642,091
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	273,012	-	-	-	273,012
4	Exposures to multilateral development banks	1,403,169	-	-	-	-	-	-	-	-	-	1,403,169
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	4,700	-	13,431,285	-	7,598,434	-	1,584,275	-	-	-	22,618,694
7	Exposures to corporates	43,913	-	1,061,121	-	2,624,762	-	163,242,051	-	-	-	166,971,847
8	Retail exposures	-	-	8,205	-	7,561	93,850,892	114	-	-	-	93,866,772
9	Exposures secured by residential property	-	-	-	15,920,719	-	-	-	-	-	-	15,920,719
10	Exposures secured by commercial property	-	-	-	-	10,752,906	-	4,215,466	-	-	-	14,968,372
11	Past-due items	-	-	-	-	3,983,581	-	2,527,488	-	-	-	6,511,069
12	Exposures in high-risk categories	-	-	-	-	246,422	-	461,199	601,341	-	-	1,308,962
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-	25,340	-	-	-	25,340
16	Shares	-	-	-	-	-	-	816,500	-	-	-	816,500
17	Other exposures	6,390,573	-	441	-	-	-	10,743,745	-	-	-	17,134,759
18	**Total**	**102,856,494**	**-**	**14,501,071**	**15,920,719**	**25,767,031**	**93,850,892**	**203,011,755**	**601,341**	**-**	**-**	**456,509,303**

(Thousands of Turkish Lira (TL))

	PRIOR PERIOD REGULATORY PORTFOLIO	0%	10%	20%	35% SECURED BY PROPERTY MORTGAGE	50%	75%	100%	150%	200%	OTHERS	TOTAL RISK AMOUNT (POST-CCF AND CRM)
1	Exposures to sovereigns and their central banks	91,368,335	-	9	-	16,980	-	20,663,606	-	-	-	112,048,930
2	Exposures to regional and local government	-	-	-	-	107,304	-	129,747	-	-	-	237,051
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	383,130	-	-	-	383,130
4	Exposures to multilateral development banks	1,026,645	-	-	-	-	-	-	-	-	-	1,026,645
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	-	17,733,616	-	3,855,035	-	2,786,045	-	-	-	24,374,696
7	Exposures to corporates	7,586	-	504,307	-	3,443,783	-	157,918,585	-	-	-	161,874,261
8	Retail exposures	-	-	2	-	6,204	82,378,185	-	-	-	-	82,384,391
9	Exposures secured by residential property	-	-	-	18,262,355	-	-	-	-	-	-	18,262,355
10	Exposures secured by commercial property	-	-	-	-	11,921,300	-	4,291,727	-	-	-	16,213,027
11	Past-due items	-	-	-	-	1,412,142	-	3,135,282	-	-	-	4,547,424
12	Exposures in high-risk categories	-	-	-	-	50,020	-	382,251	1,078,636	-	-	1,510,907
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	40,542	-	-	-	-	-	11,473	-	-	-	52,015
16	Shares	-	-	-	-	-	-	373,437	-	-	-	373,437
17	Other exposures	5,581,424	-	455	-	-	-	7,819,027	-	-	-	13,400,906
18	**Total**	**98,024,532**	**-**	**18,238,389**	**18,262,355**	**20,812,768**	**82,378,185**	**197,894,310**	**1,078,636**	**-**	**-**	**436,689,175**

4.10.4 CONSOLIDATED COUNTERPARTY CREDIT RISK

4.10.4.1 QUALITATIVE DISCLOSURE ON CONSOLIDATED COUNTERPARTY CREDIT RISK

Counterparty credit risk management policies include evaluating and monitoring risk developments, taking necessary measures, setting risk limits, ensuring that the risks remain within the limits, and establishing required reporting, control and audit mechanisms by using the methods aligned with both international standards and local regulations. The policies regarding counterparty credit risk measurement, monitoring, and limit settings are defined by the board of directors.

Counterparty credit risk arising from derivative transactions is periodically being monitored and reported by the Market and Structural Risk Department on product, country, counterparty and counterparty type basis.

International framework agreements (ISDA, CSA, GMRA, etc.) are being used through collateral and margin call mechanisms in order to mitigate the counterparty credit risk.

(Thousands of Turkish Lira (TL))

4.10.4.2 CONSOLIDATED COUNTERPARTY CREDIT RISK (CCR) APPROACH ANALYSIS

	CURRENT PERIOD	REPLACEMENT COST	POTENTIAL FUTURE EXPOSURE	EEPE(EFFECTIVE EXPECTED POSITIVE EXPOSURE)	ALPHA USED FOR COMPUTING REGULATORY EAD	EAD POST-CRM	RWA
1	Standardised Approach -CCR (for derivatives)	2,854,914	1,806,014		1,4	4,641,950	2,998,145
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					733,589	288,188
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	**Total**						**3,286,333**

	PRIOR PERIOD	REPLACEMENT COST	POTENTIAL FUTURE EXPOSURE	EEPE(EFFECTIVE EXPECTED POSITIVE EXPOSURE)	ALPHA USED FOR COMPUTING REGULATORY EAD	EAD POST-CRM	RWA
1	Standardised Approach -CCR (for derivatives)	4,052,199	1,850,802		1,4	5,892,703	3,178,238
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					1,021,723	27,727
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	**Total**						**3,205,965**

4.10.4.3 CONSOLIDATED CAPITAL REQUIREMENT FOR CREDIT VALUATION ADJUSTMENT (CVA)

		CURRENT PERIOD		PRIOR PERIOD	
		EAD POST-CRM	RWA	EAD POST-CRM	RWA
	Total portfolios subject to the Advanced CVA capital obligation	-	-	-	-
1	(i) VaR component (including the 3×multiplier)		-		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-		-
3	All portfolios subject to the Standardised CVA capital obligation	4,641,950	1,591,396	5,971,031	1,977,431
4	**Total subject to the CVA capital obligation**	**4,641,950**	**1,591,396**	**5,971,031**	**1,977,431**

(Thousands of Turkish Lira (TL))

4.10.4.4 CONSOLIDATED CCR EXPOSURES BY RISK CLASS AND RISK WEIGHTS

CURRENT PERIOD					RISK WEIGHT				
REGULATORY PORTFOLIO	**0%**	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**OTHER**	**TOTAL CREDIT EXPOSURE**
Exposures to sovereigns and their central banks	-	-	-	-	-	26,545	-	-	26,545
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	11,914	-	-	11,914
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	37	-	1,024,929	2,516,960	-	69,022	-	-	3,610,948
Exposures to corporates	611	-	9	16,009	-	1,701,011	-	-	1,717,640
Retail exposures	-	-	-	-	8,492	-	-	-	8,492
Exposures secured by property mortgages	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-		-	-	
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-		-	-	
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-		-	-	
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-		-	-	
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-		-	-	
Total	**648**	**-**	**1,024,938**	**2,532,969**	**8,492**	**1,808,492**	**-**	**-**	**5,375,539**

PRIOR PERIOD					RISK WEIGHT				
REGULATORY PORTFOLIO	**0%**	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**OTHER**	**TOTAL CREDIT EXPOSURE**
Exposures to sovereigns and their central banks	5,018	-	-	-	-	3,026	-	-	8,044
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	6,267	-	-	6,267
Exposures to multilateral development banks	961,643	-	-	-	-	-	-	-	961,643
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	1,005,050	3,612,386	-	31,991	-	-	4,649,427
Exposures to corporates	-	-	1,991	251,878	-	1,019,037	-	-	1,272,906
Retail exposures	-	-	-	-	16,139	-	-	-	16,139
Exposures secured by property mortgages	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-		-	-	
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-		-	-	
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-		-	-	
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-		-	-	
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-		-	-	
Total	**966,661**	**-**	**1,007,041**	**3,864,264**	**16,139**	**1,060,321**	**-**	**-**	**6,914,426**

(Thousands of Turkish Lira (TL))

4.10.4.5 COLLATERALS FOR CONSOLIDATED CCR

	COLLATERAL FOR DERIVATIVE TRANSACTIONS				COLLATERAL FOR OTHER TRANSACTIONS	
CURRENT PERIOD	FAIR VALUE OF COLLATERAL RECEIVED		FAIR VALUE OF COLLATERAL GIVEN		FAIR VALUE OF COLLATERAL RECEIVED	FAIR VALUE OF COLLATERAL GIVEN
	SEGREGATED	UNSEGREGATED	SEGREGATED	UNSEGREGATED		
Cash-domestic currency	1,960	-	-	-	94,504	92,118
Cash-foreign currency	17,019	-	-	-	3,237,404	270,410
Domestic sovereign debts	-	-	-	-	12,600	2,204,395
Other sovereign debts	-	-	-	-	262,238	387,471
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	335,983
Equity securities	-	-	-	-	79,518	-
Other collateral	-	-	-	-	-	-
Total	**18,979**	**-**	**-**	**-**	**3,686,264**	**3,290,377**

	COLLATERAL FOR DERIVATIVE TRANSACTIONS				COLLATERAL FOR OTHER TRANSACTIONS	
PRIOR PERIOD	FAIR VALUE OF COLLATERAL RECEIVED		FAIR VALUE OF COLLATERAL GIVEN		FAIR VALUE OF COLLATERAL RECEIVED	FAIR VALUE OF COLLATERAL GIVEN
	SEGREGATED	UNSEGREGATED	SEGREGATED	UNSEGREGATED		
Cash-domestic currency	3,873	-	-	-	573,506	35,601
Cash-foreign currency	6,423	-	-	-	2,472,790	138,078
Domestic sovereign debts	-	-	-	-	35,601	2,523,445
Other sovereign debts	-	-	-	-	133,470	1,160,491
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	**10,296**	**-**	**-**	**-**	**3,215,367**	**3,857,615**

4.10.4.6 CONSOLIDATED CREDIT DERIVATIVES

	CURRENT PERIOD		PRIOR PERIOD	
Notionals	PROTECTION BOUGHT	PROTECTION SOLD	PROTECTION BOUGHT	PROTECTION SOLD
Single-name credit default swaps	-	-	-	-
Index credit default swaps	-	-	-	-
Total return swaps	-	14,870,724	-	13,092,251
Credit options	-	-	-	-
Other credit derivatives	-	-	-	-
Total Notionals	**-**	**14,870,724**	**-**	**13,092,251**
Fair Values	**-**	**(657,355)**	**-**	**(868,451)**
Positive fair values (asset)	-	94,891	-	10,527
Negative fair values (liability)	-	(752,246)	-	(878,978)

4.10.5 CONSOLIDATED SECURITISATIONS

None.

(Thousands of Turkish Lira (TL))

4.10.6 CONSOLIDATED MARKET RISK

4.10.6.1 QUALITATIVE DISCLOSURE ON CONSOLIDATED MARKET RISK

Market risk is managed in accordance with the strategy and policies defined by the Parent Bank. The Bank takes economic climate, market and liquidity conditions and their effects on market risk, the structure of portfolio subject to market risk, the sufficiency of the Bank's definition, measurement, evaluation, monitoring, reporting, control and mitigation of market risk and the availability of the related processes into account while defining the market risk management. Market risk strategy and policies are reviewed by the board of directors and related top management by considering financial performance, capital required for market risk, and the existing market developments. Market risk policy and procedures are being developed on bank-only and consolidated level in consideration of the size and complexity of the operations.

Market risk is managed through measuring the risks in parallel with the international standards, setting the limits, capital reserving and additionally through mitigating via hedging transactions.

The Market Risk function under Market and Structural Risk Department monitors the activities of Global Markets Trading Department via risk reports and the limits approved by the board of directors.

Market Risk, which is defined as the risk arising from the price fluctuations in balance sheet and off-balance sheet trading positions, is being calculated and reported daily via Value at Risk (VaR) Model.

4.10.6.2 CONSOLIDATED MARKET RISK UNDER STANDARDISED APPROACH

		RWA (*)	
		CURRENT PERIOD	**PRIOR PERIOD**
	Outright products	**10,576,137**	**7,539,925**
1	Interest rate risk (general and specific)	1,643,961	1,550,224
2	Equity risk (general and specific)	663,888	228,988
3	Foreign exchange risk	8,105,350	5,589,925
4	Commodity risk	162,938	170,788
	Options	**38,088**	**241,150**
5	Simplified approach	-	-
6	Delta-plus method	38,088	241,150
7	Scenario approach	-	-
8	Securitisation	-	-
9	**Total**	**10,614,225**	**7,781,075**

(*) According to "Bank Capital Regulation" article 10 paragraph 4, which published on Official Gazette dated 5th September 2013 and numbered 28756, banks calculated their consolidated capital with their consolidated insurance company investments as unconsolidated financial institutions if 9th article's 4th paragraph's (c) and (ç) items apply. Lesser of consolidated capital calculated according to 1st and 4th paragraphs is considered the consolidated capital according to this regulation. As the consolidated capital calculated including the insurance affiliate is lesser, consolidated equity and the amounts subject to the market risk are calculated based on the consolidated financial statements including the insurance affiliate.

4.10.7 CONSOLIDATED OPERATIONAL RISK

The value at consolidated operational risk is calculated according to the basic indicator approach as per the Article 14 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks".

The annual gross income is composed of net interest income and net non-interest income after deducting realised gains/losses from the sale of securities classified under financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost, extraordinary income and income derived from insurance claims.

(Thousands of Turkish Lira (TL))

CURRENT PERIOD	31.12.2016	31.12.2017	31.12.2018	TOTAL/ NO. OF YEARS OF POSITIVE GROSS INCOME	RATE (%)	TOTAL
Gross Income	15,526,497	18,659,707	26,386,033	20,190,746	15	3,028,612
Value at Operational Risk (Total x % 12.5)						**37,857,648**

PRIOR PERIOD	31.12.2015	31.12.2016	31.12.2017	TOTAL/ NO. OF YEARS OF POSITIVE GROSS INCOME	RATE (%)	TOTAL
Gross Income	12,929,126	15,526,497	18,659,707	15,705,110	15	2,355,766
Value at Operational Risk (Total x % 12.5)						**29,447,081**

4.10.8 CONSOLIDATED BANKING BOOK INTEREST RATE RISK

4.10.8.1 NATURE OF INTEREST RATE RISK RESULTING FROM BANKING BOOK, MAJOR ASSUMPTIONS ON EARLY REPAYMENT OF LOANS AND MOVEMENTS IN DEPOSITS OTHER THAN TERM DEPOSITS AND FREQUENCY OF MEASURING INTEREST RATE RISK

The interest rate risk resulting from the banking book is assessed in terms of repricing risk, yield-curve risk, base risk and option risk, measured as per international standards and managed through limitations and mitigations through hedging transactions.

The interest sensitivity of assets, liabilities and off balance-sheet items are evaluated at the Weekly Review Committee and Monthly Asset-Liability Committee meetings considering also the market developments.

The measurement process of interest rate risk resulting from the banking book, is designed and managed by the Bank on a bank-only basis to include the interest rate positions defined as banking book by the Bank and to consider the relevant repricing and maturity data.

Within the scope of monitoring the re-pricing risk arising from maturity mismatch, the sensitivity of the durations/gap, economic value, economic capital, net interest income, earnings at risk, market price of securities portfolio are measured and the internal early warning and limit levels in this context are monitored and reported regularly. Calculated risk metrics and generated reports are used in the management of the balance sheet interest risk under the supervision of the Asset and Liability Committee. In the said analyses, the present value and the net interest income are calculated over the cash flows of the sensitive assets and liability items by using the yield curves constructed by using the market interest rates. For non-matured products, maturity is determined based on interest rate determination frequency and customer behaviour. These results are supported by periodic sensitivities and scenario analyses against fluctuations that may be experienced in the markets.

Early loan payments under the option risk are considered as unusual payments affecting the repayment of the principal above the regular payment plan, which changes the number and amount of the current payment plan. Within the scope of the early payment model studies, early payment data is based on total early payment and partial early payment distinction. Within the framework of internal net interest income and economic value calculations, early payment option is reflected in monthly reports considering the early payment assumption.

The interest rate risk resulting from the banking book is measured legally as per the "Regulation on Measurement and Evaluation of Interest Rate Risk Resulting from the Banking Book as per Standard Shock Method" published in the Official Gazette no.28034 dated 23 August 2011, and the legal limit as per this measurement is monitored and reported monthly. The capital level is maintained considering the interest rate risk resulting from the banking book.

The interest rate risk on the interest-rate-sensitive financial instruments of the trading portfolio is evaluated as part of the market risk.

Branches and lines of business are eliminated from interest rate risk through the transfer pricing system and these risks are transferred to the Asset and Liability Management Department (ALM) and managed by ALM in a central structure.

(Thousands of Turkish Lira (TL))

4.10.8.2 ECONOMIC VALUE DIFFERENCES RESULTED FROM INTEREST RATE INSTABILITIES CALCULATED ON A BANK-ONLY BASIS ACCORDING TO REGULATION ON MEASUREMENT AND EVALUATION OF INTEREST RATE RISK RESULTED FROM BANKING BOOK AS PER STANDARD SHOCK METHOD

CURRENT PERIOD TYPE OF CURRENCY		SHOCKS APPLIED (+/- BASIS POINTS)	GAINS/LOSSES	GAINS/EQUITY-LOSSES/EQUITY
1	TL	(+) 500 bps	(4,463,035)	(7.21)%
2	TL	(-) 400 bps	4,159,132	6.72%
3	USD	(+) 200 bps	158,722	0.26%
4	USD	(-) 200 bps	(124,234)	(0.20) %
5	EURO	(+) 200 bps	65,395	0.11%
6	EURO	(-) 200 bps	(46,952)	(0.08)%
	Total (of negative shocks)		**3,987,946**	**6.45%**
	Total (of positive shocks)		**(4,238,918)**	**(6.85)%**

PRIOR PERIOD TYPE OF CURRENCY		SHOCKS APPLIED (+/- BASIS POINTS)	GAINS/LOSSES	GAINS/EQUITY-LOSSES/EQUITY
1	TL	(+) 500 bps	(3,575,813)	(6.71)%
2	TL	(-) 400 bps	3,313,745	6.22%
3	USD	(+) 200 bps	125,277	0.24%
4	USD	(-) 200 bps	(97,656)	(0.18)%
5	EURO	(+) 200 bps	31,038	0.06%
6	EURO	(-) 200 bps	9,549	0.02%
	Total (of negative shocks)		**3,225,638**	**6.06%**
	Total (of positive shocks)		**(3,419,498)**	**(6.41)%**

4.10.9 REMUNERATION POLICY

4.10.9.1 QUALITATIVE DISCLOSURES REGARDING REMUNERATION POLICIES

4.10.9.1.1 DISCLOSURES RELATED WITH REMUNERATION COMMITTEE

The Bank's Remuneration Committee is comprised of two non-executive members of the board. The committee convenes for seven times during the year. The duties and responsibilities of the Committee include the following:

- To conduct the necessary monitoring and audit process in order to ensure that the remuneration policy and practices are implemented in accordance with the related laws and regulations and risk management principles;
- To review and if necessary, revise the remuneration policy at least once a year in order to ensure its compliance with the laws and regulations or market practices in Turkey;
- To determine and approve remuneration packages of the executive and non-executive Board of Directors, Chief Executive Officer and Executive Vice Presidents;
- To follow up the revision requirements of the policies, procedures and regulations related with its areas of responsibility and to take actions in order to ensure that they are kept updated.

The Bank has received consultancy service for compliance with the Guidelines on Sound Remuneration Practices in Banks.

The fundamental principles of the remuneration policy are applicable for all bank employees.

The Bank board members, senior management and the Bank staff deemed to perform the functions having material impact on the Bank's risk profile are considered as identified staff; and by the end of 2019, the number of identified staff is 28.

4.10.9.1.2 INFORMATION ON THE DESIGN AND STRUCTURE OF REMUNERATION PROCESS

The Bank relies on the following values while managing its Remuneration Policy. These values are considered in all compensation practices.

a. Fair
b. Transparent
c. Based on measurable and balanced performance targets
d. Encouraging sustainable success
e. In line with the Bank Risk Management Principles

The main objective of the Remuneration Policy is to maintain the internal and external balances in the remuneration structure. Internal balance is ensured with the principles of "equal pay for equal work" and performance-based remuneration". As for external balance, the data obtained from employee reward and benefit researches conducted by independent research organizations are taken into account.

The Remuneration Policy of 2019 is consistent with the previous period and no change was made in the Policy by the decision of Remuneration Committee.

Increases in the remuneration of employees working in the units responsible for internal systems are determined depending on the basic rate of increase specified by the Bank and their personal performances. In the variable remuneration, only the performance criteria associated with their personal performance or the performance of the unit that they work in are taken into account independently of the performance of the business units that they control.

4.10.9.1.3 EVALUATION ABOUT HOW THE BANK'S REMUNERATION PROCESSES TAKE THE CURRENT AND FUTURE RISKS INTO ACCOUNT

The Bank follows the Risk Management Principles while implementing the remuneration processes. It adopts the remuneration policies that are in line with Bank's long-term objectives and risk management structures and avoiding excessive risk-taking.

4.10.9.1.4 EVALUATION ABOUT HOW THE BANK ASSOCIATES VARIABLE REMUNERATIONS WITH PERFORMANCE

In the association of variable remunerations with performance, various indicators considered among financial and non-financial performance criteria specified by the Bank such as return on regulatory capital, efficiency, profitability, customer satisfaction (NTS), digital sales are taken into account.

In the variable remuneration for the identified staff, personal performance criteria, the Bank's performance criteria and BBVA Group's performance criteria are collectively taken into account. The weightings of such performances taken into account as such may vary according to the position of the identified staff member.

In case of occurrence of risky situations regarding capital adequacy or if and when necessary, Bank may pursue a more conservative policy in relation to all remuneration issues, particularly regarding variable remunerations. In this context, methodological changes such as deferral, retention, malus and clawback may be applied in relation to variable remunerations in accordance with the principles set out by the applicable laws.

4.10.9.1.5 EVALUATION ABOUT THE BANK'S METHODS TO ADJUST REMUNERATIONS ACCORDING TO LONG-TERM PERFORMANCE

Regarding variable remunerations of identified staff, it has been adopted based on the principles in the "Guidelines on Sound Remuneration Practices in Banks" that at least 40% of variable remunerations will be deferred for at least 3 years and at least 50% of it will be paid in non-cash instruments.

Remuneration Committee decided on that variable remuneration of identified staff is subject to cancellation and clawback.

(Thousands of Turkish Lira (TL))

4.10.9.1.6 EVALUATION ABOUT THE INSTRUMENTS USED BY THE BANK FOR VARIABLE REMUNERATIONS AND THE PURPOSES OF USE OF SUCH INSTRUMENTS

The variable remunerations of identified staff are paid using cash and share-linked non-cash instruments. Considering the principles in the "Guidelines on Sound Remuneration Practices in Banks" variable remunerations of identified staff are paid both with cash and non-cash(share-linked) instruments. Regarding variable remunerations of identified staff for the financial period of 2019, BBVA shares are taken as referance for payments based on non-cash instruments.

The type and weight of non-cash instruments used in payment of variable remuneration are same for all identified staff.

5 DISCLOSURES AND FOOTNOTES ON CONSOLIDATED FINANCIAL STATEMENTS

5.1 CONSOLIDATED ASSETS

5.1.1 CASH AND CASH EQUIVALENTS

5.1.1.1 CASH AND BALANCES WITH CENTRAL BANK

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1,594,582	2,749,223	1,562,395	2,510,393
Central Bank of Turkey	1,691,395	33,942,897	1,253,438	34,549,115
Others	-	2,047,209	-	1,745,697
Total	**3,285,977**	**38,739,329**	**2,815,833**	**38,805,205**

Balances with the Central Bank of Turkey	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Unrestricted Demand Deposits	1,691,395	10,531,841	1,253,438	13,261,434
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	23,411,056	-	21,287,681
Total	**1,691,395**	**33,942,897**	**1,253,438**	**34,549,115**

The reserve deposits kept as per the Communique no. 2005/1 "Reserve Deposits" of the Central Bank of Turkey in Turkish Lira, foreign currencies and gold, are included in the table above.

5.1.1.2 BANKS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Banks				
Domestic banks	502,368	41,583	655,552	1,015,795
Foreign banks	245,492	18,792,746	302,765	23,498,035
Foreign head office and branches	-	-	-	-
Total	**747,860**	**18,834,329**	**958,317**	**24,513,830**

Due from foreign banks	CURRENT PERIOD		PRIOR PERIOD	
	RESTRICTED BALANCES	UNRESTRICTED BALANCES	RESTRICTED BALANCES	UNRESTRICTED BALANCES
EU Countries	10,385,577	2,657,254	11,175,826	5,419,705
USA, Canada	4,354,767	-	5,323,276	-
OECD Countries (1)	45,459	-	111,401	-
Off-shore Banking Regions	-	-	-	-
Others	1,434,039	161,142	1,624,559	146,033
Total	**16,219,842**	**2,818,396**	**18,235,062**	**5,565,738**

(1) OECD countries other than the EU countries, USA and Canada

(Thousands of Turkish Lira (TL))

The placements at foreign banks include blocked accounts amounting TL 2,818,396 (31 December 2018: TL 5,565,738) of which TL 2,657,254 (31 December 2018: TL 5,419,705) and TL 161,142 (31 December 2018: TL 146,033) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits.

Furthermore, there are restricted deposits at various domestic banks amounting TL 413,230 (31 December 2018: TL 418,844) as required for insurance activities.

5.1.1.3 RECEIVABLES FROM RESERVE REPO TRANSACTIONS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Domestic Transactions	**10,205,763**	**-**	**3,701**	**-**
Central Bank of Turkey	-	-	-	-
Banks	10,205,763	-	3,701	-
Others	-	-	-	-
Foreign Transactions	**-**	**453,693**	**-**	**138,076**
Central banks	-	-	-	-
Banks	-	453,693	-	138,076
Others	-	-	-	-
Total	**10,205,763**	**453,693**	**3,701**	**138,076**

5.1.1.4 EXPECTED CREDIT LOSSES FOR CASH AND CASH EQUIVALENTS

CURRENT PERIOD	STAGE 1	STAGE 2	STAGE 3	TOTAL
Balances at End of Prior Period	**79,352**	**114**	**-**	**79,466**
Additions during the Period (+)	424,971	3	-	424,974
Disposal (-)	(346,430)	(115)	-	(346,545)
Transfer to Stage1	2	(2)	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	11,021	-	-	11,021
Balances at End of Period	**168,916**	**-**	**-**	**168,916**

PRIOR PERIOD	STAGE 1	STAGE 2	STAGE 3	TOTAL
Balances at Beginning of Period (1January 2018)	**11,181**	**-**	**-**	**11,181**
Additions during the Period (+)	162,942	101	-	163,043
Disposal (-)	(99,888)	(10)	-	(99,898)
Transfer to Stage1	5	(5)	-	-
Transfer to Stage 2	(10)	10	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	5,122	18	-	5,140
Balances at End of Period	**79,352**	**114**	**-**	**79,466**

(Thousands of Turkish Lira (TL))

5.1.2 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS

5.1.2.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Collateralised/Blocked Assets	1,411,344	1,915,735	20,931	-
Assets Subject to Repurchase Agreements	39,534	-	1,605	-
Total	**1,450,878**	**1,915,735**	**22,536**	**-**

5.1.2.2 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Government Securities	370,765	91,126	176,148	83,426
Equity Securities	303,272	30,148	97,797	102,529
Other Financial Assets (*)	18,701	4,405,288	31,800	4,149,337
Total	**692,738**	**4,526,562**	**305,745**	**4,335,292**

(*) Financial assets measured at fair value through profit or loss include loan amounting to USD 710,982,828 (31 December 2018:USD 782,928,541) provided to a special purpose entity. As detailed in Note 5.1.9.2, according to the decision made at the 2018 annual general assembly of related special purpose entity, it was decided to increase the capital of the special purpose entity by TL 3,982,230, all of which will be covered by common receivables. After the capital increase, USD 154,885,708 of the related loan, which corresponds to the share of receivables in the Bank, has been paid off.

This loan is classified under financial assets measured at fair value through profit/loss as per TFRS 9.The fair value of this loan is determined by the independent valuation company based on the average of different methodologies (discounted cash flows, similar market multipliers, same sector transaction multipliers, market value and analyst reports). The corresponding loan is considered as Level 3 based on TFRS 13 "Fair Value Measurement" standard.

Valuation techniques considered in the valuation work and any possible changes in the basic assumptions may affect the carrying value of the related asset.For discounted cash flows method, significant unobservable inputs are EBITDA, growth rate and weighted average cost of capital. The estimated fair value of the asset would increase if growth rate and EBITDA are higher and decrease if the weighted average cost of capital is higher. Trading multiples and transaction multiples for the companies operating in the same sector are the other valuation techniques for pricing the assets. Transaction multiples for the companies operating in the same sector are based on similar transactions based on geographical features, industry, size, target market and other factors. Transaction multiples are derived by dividing the enterprise values of the companies to EBITDAs. The estimated fair value of the asset would increase if the multiples were higher and decrease if multiples were lower.

5.1.3 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

5.1.3.1 FINANCIAL ASSETS SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Collateralised/Blocked Assets	1,528,597	1,947,081	4,499,538	887,649
Assets subject to Repurchase Agreements	12,674	1,115,469	-	1,160,491
Total	**1,541,271**	**3,062,550**	**4,499,538**	**2,048,140**

5.1.3.2 DETAILS OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	CURRENT PERIOD	PRIOR PERIOD
Debt Securities	**24,083,685**	**24,406,840**
Quoted at Stock Exchange	24,083,685	24,397,449
Unquoted at Stock Exchange	-	9,391
Common Shares/Investment Fund	**132,968**	**118,891**
Quoted at Stock Exchange	4,491	4,491
Unquoted at Stock Exchange	128,477	114,400
Value Increase/Impairment Losses (-)	**4,426,876**	**2,637,222**
Total	**28,643,529**	**27,162,953**

Expected losses of TL 86,057 (31 December 2018: TL 46,834) is accounted under shareholders' equity for financial assets measured at fair value through other comprehensive income.

(Thousands of Turkish Lira (TL))

5.1.4 DERIVATIVE FINANCIAL ASSETS

5.1.4.1 POSITIVE DIFFERENCES ON DERIVATIVE FINANCIAL ASSETS MEASURED AT FVTPL

Information on positive differences on derivative financial assets measured at FVTPL classified in derivative financial assets is as follows;

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Forward Transactions	182,769	15,947	448,841	7,594
Swap Transactions	848,634	1,123,196	1,276,047	675,303
Futures	-	8,488	351	2,235
Options	91,162	269,828	365,849	307,327
Others	-	169	-	8,825
Total	**1,122,565**	**1,417,628**	**2,091,088**	**1,001,284**

5.1.4.2 POSITIVE DIFFERENCES ON DERIVATIVE FINANCIAL INSTRUMENTS HELD FOR HEDGING PURPOSE

DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING PURPOSE	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Fair Value Hedges	11,345	6,675	210,820	45,075
Cash Flow Hedges	424,273	17,071	562,809	182,619
Net Foreign Investment Hedges	-	-	-	-
Total	**435,618**	**23,746**	**773,629**	**227,694**

As of 31 December 2019, the face values and the net fair values, recognised in the balance sheet, of the derivative financial instruments held for hedging purpose, are summarized below:

	CURRENT PERIOD			PRIOR PERIOD		
	FACE VALUE	ASSET	LIABILITY	FACE VALUE	ASSET	LIABILITY
Interest Rate Swaps	60,262,126	24,851	1,123,464	57,826,116	457,835	233,155
-TL	21,365,030	14,243	698,842	10,771,181	230,145	112,222
-FC	38,897,096	10,608	424,622	47,054,935	227,690	120,933
Cross Currency Swaps	5,003,466	430,655	71,954	5,190,380	543,488	179,555
-TL	1,008,284	421,375	45,966	2,034,419	543,484	78,231
-FC	3,995,182	9,280	25,988	3,155,961	4	101,324
Currency Forwards	-	-	-	496,737	-	50,967
-TL	-	-	-	287,873	-	50,967
-FC	-	-	-	208,864	-	-
Interest Rate Options	681,979	3,858	-	-	-	-
-TL	-	-	-	-	-	-
-FC	681,979	3,858	-	-	-	-
Total	**65,947,571**	**459,364**	**1,195,418**	**63,513,233**	**1,001,323**	**463,677**

(Thousands of Turkish Lira (TL))

5.1.4.3 FAIR VALUE HEDGE ACCOUNTING

CURRENT PERIOD

HEDGING ITEM	HEDGED ITEM	TYPE OF RISK	FAIR VALUE CHANGE OF HEDGED ITEM	NET FAIR VALUE CHANGE OF HEDGING ITEM		INCOME STATEMENT EFFECT (GAINS/LOSSES FROM DERIVATIVE FINANCIAL INSTRUMENTS)
				ASSET	LIABILITY	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	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)

PRIOR PERIOD

HEDGING ITEM	HEDGED ITEM	TYPE OF RISK	FAIR VALUE CHANGE OF HEDGED ITEM	NET FAIR VALUE CHANGE OF HEDGING ITEM		INCOME STATEMENT EFFECT (GAINS/LOSSES FROM DERIVATIVE FINANCIAL INSTRUMENTS)
				ASSET	LIABILITY	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	(14,818)	75,199	(79,246)	(18,865)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(39,668)	45,883	-	6,215
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(73,898)	134,813	(75,643)	(14,728)
Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	15,263	-	(98,516)	(83,253)

5.1.4.4 CASH FLOW HEDGE ACCOUNTING

CURRENT PERIOD

HEDGING ITEM	HEDGED ITEM	TYPE OF RISK	FAIR VALUE CHANGE OF HEDGED ITEM		GAINS/LOSSES ACCOUNTED UNDER SHAREHOLDERS' EQUITY IN THE PERIOD	GAINS/LOSSES ACCOUNTED UNDER INCOME STATEMENT IN THE PERIOD	INEFFECTIVE PORTION (NET) ACCOUNTED UNDER INCOME STATEMENT
			ASSET	LIABILITY			
Interest Rate Swaps	Floating-rate funds borrowed	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 funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	419,346	(82)	(22,982)	(11,946)	-
Cross Currency Swaps	Fixed-rate funds borrowed	Cash flow risk resulted from change in market interest rates and 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 funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	3,858	-	535	-	-

As of 31 December 2019, there is not any reclassified amounts from the shareholders' equity to the profit or loss due to the ceased hedging transactions during the current period.

(Thousands of Turkish Lira (TL))

PRIOR PERIOD

HEDGING ITEM	HEDGED ITEM	TYPE OF RISK	FAIR VALUE CHANGE OF HEDGED ITEM		GAINS/LOSSES ACCOUNTED UNDER SHAREHOLDERS' EQUITY IN THE PERIOD	GAINS/LOSSES ACCOUNTED UNDER INCOME STATEMENT IN THE PERIOD	INEFFECTIVE PORTION (NET) ACCOUNTED UNDER INCOME STATEMENT
			ASSET	LIABILITY			
Interest Rate Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates	-	-	(17)	17	-
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	111,668	(3,821)	44,614	33,260	913
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	90,272	(74,443)	(55,708)	9,665	(5,115)
Cross Currency Swaps	Mile payments	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	-	-	(1,094)	(248)	-
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	502,173	-	18,447	(31,509)	-
Cross Currency Swaps	Fixed-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	41,315	(58,695)	4,455	(4,380)	-
Currency Swaps	Foreign currency lease receivables	Cash flow risk resulted from foreign currency exchange rates	-	(22,345)	531	-	(22,876)
Currency Forwards	Mile payments	Cash flow risk resulted from foreign currency exchange rates	-	(50,968)	(50,968)	-	-

There is no reclassified amount from the shareholders' equity to the statement of profit or loss due to the ceased hedging transactions.

5.1.5 LOANS

5.1.5.1 LOANS AND ADVANCES TO SHAREHOLDERS AND EMPLOYEES OF THE BANK

	CURRENT PERIOD		PRIOR PERIOD	
	CASH LOANS	NON-CASH LOANS	CASH LOANS	NON-CASH LOANS
Direct Lendings to Shareholders	**62**	**603,746**	**105**	**554,268**
Corporates	62	603,746	105	554,268
Individuals	-	-	-	-
Indirect Lendings to Shareholders	**28,717**	**42,166**	**83,167**	**33,234**
Loans to Employees	**423,432**	**56**	**356,605**	**95**
Total	**452,211**	**645,968**	**439,877**	**587,597**

(Thousands of Turkish Lira (TL))

5.1.5.2 PERFORMING LOANS AND LOANS UNDER FOLLOW-UP INCLUDING RESTRUCTURED LOANS, AND PROVISIONS ALLOCATED FOR SUCH LOANS

Loans measured at amortised cost

CURRENT PERIOD		LOANS UNDER FOLLOW-UP		
	PERFORMING LOANS	NON-RESTRUCTURED	RESTRUCTURED	
CASH LOANS (*)			REVISED CONTRACT TERMS	REFINANCED
Loans	**221,544,221**	**26,191,796**	**2,609,325**	**8,861,675**
Working Capital Loans	41,870,625	3,948,376	202,613	2,703,923
Export Loans	19,656,411	1,127,858	68,174	166,605
Import Loans	675,825	-	-	-
Loans to Financial Sector	6,258,761	836,425	-	-
Consumer Loans	50,240,567	5,375,456	986,483	51,573
Credit Cards	23,994,909	2,985,436	476,277	-
Others	78,847,123	11,918,245	875,778	5,939,574
Specialization Loans	**-**	**-**	**-**	**-**
Other Receivables	**6,595,395**	**520,932**	**275,128**	**12,058**
Total	**228,139,616**	**26,712,728**	**2,884,453**	**8,873,733**

(*) Non-performing loans are not included.

PRIOR PERIOD		LOANS UNDER FOLLOW-UP		
	PERFORMING LOANS	NON-RESTRUCTURED	RESTRUCTURED	
CASH LOANS (*)			REVISED CONTRACT TERMS	REFINANCED
Loans	**205,720,350**	**29,217,404**	**5,290,795**	**3,232,300**
Working Capital Loans	36,568,395	4,235,931	160,115	1,325,619
Export Loans	16,681,358	994,464	34,143	78,698
Import Loans	1,138,195	-	-	-
Loans to Financial Sector	3,549,441	1,413,828	-	-
Consumer Loans	44,497,212	7,536,368	466,539	26,230
Credit Cards	21,560,045	3,313,539	524,453	-
Others	81,725,704	11,723,274	4,105,545	1,801,753
Specialization Loans	**-**	**-**	**-**	**-**
Other Receivables	**7,375,813**	**724,252**	**234,738**	**12,692**
Total	**213,096,163**	**29,941,656**	**5,525,533**	**3,244,992**

(*) Non-performing loans are not included.

CURRENT PERIOD	CORPORATE/ COMMERCIAL LOANS		CONSUMER LOANS		FINANCIAL LEASE		FACTORING		TOTAL	
	TL	FC	TL	FC	TL	FC	TL	FC	TL	FC
Performing Loans (Stage 1)	71,676,204	79,963,458	64,992,132	4,912,432	765,055	3,755,861	1,642,376	432,098	139,075,767	89,063,849
Loans under Follow-up (Stage 2)	11,401,413	17,141,657	8,326,340	793,386	143,247	648,940	15,931	0	19,886,931	18,583,983
Total Stage 1 and 2 Loans	**83,077,617**	**97,105,115**	**73,318,472**	**5,705,818**	**908,302**	**4,404,801**	**1,658,307**	**432,098**	**158,962,698**	**107,647,832**
Expected Credit losses-Stage 1-2 (-)	1,525,196	2,728,834	811,465	55,351	25,517	102,513	11,582	257	2,373,760	2,886,955
Total Non-performing Loans	7,287,770	7,476,032	3,292,189	243,586	418,332	452,719	150,872	188,886	11,149,163	8,361,223
Expected Credit losses-Stage 3 (-)	5,056,944	3,961,370	2,230,907	179,310	232,217	208,618	127,929	185,639	7,647,997	4,534,937

(Thousands of Turkish Lira (TL))

PRIOR PERIOD	CORPORATE/ COMMERCIAL LOANS		CONSUMER LOANS		FINANCIAL LEASE		FACTORING		TOTAL	
	TL	FC	TL	FC	TL	FC	TL	FC	TL	FC
Performing Loans (Stage 1)	69,575,459	74,116,848	57,414,753	4,613,293	1,105,331	3,999,866	1,817,298	453,315	129,912,841	83,183,322
Loans under Follow-up (Stage 2)	8,669,110	17,821,344	10,529,284	720,758	228,786	734,241	8,658	-	19,435,838	19,276,343
Total Stage 1 and 2 Loans	**78,244,569**	**91,938,192**	**67,944,037**	**5,334,051**	**1,334,117**	**4,734,107**	**1,825,956**	**453,315**	**149,348,679**	**102,459,665**
Expected Credit losses-Stage 1-2 (-)	1,230,302	2,432,105	1,100,859	57,337	31,561	109,961	6,705	609	2,369,427	2,600,012
Total Non-performing Loans	4,341,405	5,031,667	2,930,377	245,257	340,721	557,095	148,606	158,256	7,761,109	5,992,275
Expected Credit losses-Stage 3 (-)	3,029,864	2,199,468	2,061,222	171,449	172,879	225,874	120,855	142,978	5,384,820	2,739,769

	CURRENT PERIOD		PRIOR PERIOD	
	PERFORMING LOANS	LOANS UNDER FOLLOW-UP	PERFORMING LOANS	LOANS UNDER FOLLOW-UP
12-Month ECL (Stage 1)	1,227,132	-	942,150	-
Significant Increase in Credit Risk (Stage 2)	-	4,033,583	-	4,027,289

As of 31 December 2019, loans amounting to TL 3,873,550 are benefited as collateral under funding transactions (31 December 2018: TL 9,470,147).

Collaterals received for loans under follow-up

CURRENT PERIOD	CORPORATE / COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	419,617	18,009	-	437,626
Loans Collateralized by Mortgages / Shares	13,590,835	2,929,497	-	16,520,332
Loans Collateralized by Pledged Assets	2,167,317	186,050	-	2,353,367
Loans Collateralized by Cheques and Notes	104,960	3,402	-	108,362
Loans Collateralized by Other Collaterals	8,567,017	2,680,188	-	11,247,205
Unsecured Loans	3,745,943	596,366	3,461,713	7,804,022
Total	**28,595,689**	**6,413,512**	**3,461,713**	**38,470,914**

PRIOR PERIOD	CORPORATE / COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	457,023	30,031	-	487,054
Loans Collateralized by Mortgages / Shares	12,572,700	3,679,534	-	16,252,234
Loans Collateralized by Pledged Assets	1,591,381	280,990	-	1,872,371
Loans Collateralized by Cheques and Notes	160,108	5,465	-	165,573
Loans Collateralized by Other Collaterals	8,137,907	3,386,065	-	11,523,972
Unsecured Loans	3,925,933	647,052	3,837,992	8,410,977
Total	**26,845,052**	**8,029,137**	**3,837,992**	**38,712,181**

Delinquency periods of loans under follow-up

CURRENT PERIOD	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
Other	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**

(Thousands of Turkish Lira (TL))

PRIOR PERIOD	CORPORATE / COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
31-60 days	3,730,224	1,803,644	264,827	5,798,695
61-90 days	680,448	389,255	83,782	1,153,485
Other	22,434,380	5,836,238	3,489,383	31,760,001
Total	**26,845,052**	**8,029,137**	**3,837,992**	**38,712,181**

5.1.5.3 MATURITY ANALYSIS OF CASH LOANS

	PERFORMING LOANS AND OTHER RECEIVABLES		LOANS UNDER FOLLOW-UP AND OTHER RECEIVABLES	
CURRENT PERIOD	LOANS AND OTHER RECEIVABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS	LOANS AND OTHER RECEIVABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS
Short-Term Loans	**79,163,645**	**53,417**	**6,952,751**	**709,023**
Loans	75,387,931	53,417	6,797,191	572,109
Specialization Loans	-	-	-	-
Other Receivables	3,775,714	-	155,560	136,914
Medium and Long-Term Loans	**144,046,629**	**4,875,925**	**19,605,401**	**11,203,739**
Loans	141,226,948	4,875,925	19,240,029	11,053,467
Specialization Loans	-	-	-	-
Other Receivables	2,819,681	-	365,372	150,272
Total	**223,210,274**	**4,929,342**	**26,558,152**	**11,912,762**

	PERFORMING LOANS AND OTHER RECEIVABLES		LOANS UNDER FOLLOW-UP AND OTHER RECEIVABLES	
PRIOR PERIOD	LOANS AND OTHER RECEIVABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS	LOANS AND OTHER RECEIVABLES	LOANS AND RECEIVABLES WITH REVISED CONTRACT TERMS
Short-Term Loans	**72,388,841**	**35,376**	**8,546,097**	**533,079**
Loans	69,155,450	34,962	8,283,690	428,910
Specialization Loans	-	-	-	-
Other Receivables	3,233,391	414	262,407	104,169
Medium and Long-Term Loans	**136,357,600**	**4,314,346**	**20,947,306**	**8,685,699**
Loans	132,216,011	4,313,927	20,485,461	8,542,438
Specialization Loans	-	-	-	-
Other Receivables	4,141,589	419	461,845	143,261
Total	**208,746,441**	**4,349,722**	**29,493,403**	**9,218,778**

(Thousands of Turkish Lira (TL))

5.1.5.4 CONSUMER LOANS, RETAIL CREDIT CARDS, PERSONNEL LOANS AND PERSONNEL CREDIT CARDS

CURRENT PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
Consumer Loans – TL	**1,594,709**	**47,435,809**	**49,030,518**
Housing Loans	16,384	19,452,893	19,469,277
Automobile Loans	148,863	1,675,140	1,824,003
General Purpose Loans	1,427,774	26,307,776	27,735,550
Others	1,688	-	1,688
Consumer Loans – FC-indexed	**-**	**153,013**	**153,013**
Housing Loans	-	153,013	153,013
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Consumer Loans – FC	**840,787**	**4,282,561**	**5,123,348**
Housing Loans	141,006	2,623,272	2,764,278
Automobile Loans	185	18,319	18,504
General Purpose Loans	291,602	1,089,953	1,381,555
Others	407,994	551,017	959,011
Retail Credit Cards – TL	**21,363,651**	**370,358**	**21,734,009**
With Installment	9,822,361	370,358	10,192,719
Without Installment	11,541,290	-	11,541,290
Retail Credit Cards – FC	**397,299**	**15,602**	**412,901**
With Installment	-	-	-
Without Installment	397,299	15,602	412,901
Personnel Loans – TL	**36,453**	**156,398**	**192,851**
Housing Loan	-	724	724
Automobile Loans	-	19	19
General Purpose Loans	36,453	155,655	192,108
Others	-	-	-
Personnel Loans - FC-indexed	**-**	**-**	**-**
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Personnel Loans – FC	**8,321**	**70,228**	**78,549**
Housing Loans	2,204	32,571	34,775
Automobile Loans	-	-	-
General Purpose Loans	4,759	27,611	32,370
Others	1,358	10,046	11,404
Personnel Credit Cards – TL	**131,752**	**529**	**132,281**
With Installment	46,745	529	47,274
Without Installment	85,007	-	85,007
Personnel Credit Cards – FC	**6,233**	**193**	**6,426**
With Installment	-	-	-
Without Installment	6,233	193	6,426
Deposit Accounts– TL (Real Persons)	**2,062,475**	**-**	**2,062,475**
Deposit Accounts– TL (Personnel)	**13,325**	**-**	**13,325**
Deposit Accounts– FC (Real Persons)	**-**	**-**	**-**
Total	**26,455,005**	**52,484,691**	**78,939,696**

(Thousands of Turkish Lira (TL))

PRIOR PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
Consumer Loans – TL	**1,295,735**	**44,106,240**	**45,401,975**
Housing Loans	18,821	21,441,927	21,460,748
Automobile Loans	313,159	2,003,166	2,316,325
General Purpose Loans	962,761	20,661,147	21,623,908
Others	994	-	994
Consumer Loans – FC-indexed	**-**	**187,534**	**187,534**
Housing Loans	-	187,529	187,529
Automobile Loans	-	-	-
General Purpose Loans	-	5	5
Others	-	-	-
Consumer Loans – FC	**508,295**	**4,384,838**	**4,893,133**
Housing Loans	8,262	2,546,300	2,554,562
Automobile Loans	69	20,371	20,440
General Purpose Loans	23,127	1,298,365	1,321,492
Others	476,837	519,802	996,639
Retail Credit Cards – TL	**19,855,372**	**418,644**	**20,274,016**
With Installment	8,950,810	418,644	9,369,454
Without Installment	10,904,562	-	10,904,562
Retail Credit Cards – FC	**175,423**	**179,648**	**355,071**
With Installment	-	-	-
Without Installment	175,423	179,648	355,071
Personnel Loans – TL	**20,871**	**118,191**	**139,062**
Housing Loan	-	1,566	1,566
Automobile Loans	-	41	41
General Purpose Loans	20,871	116,584	137,455
Others	-	-	-
Personnel Loans - FC-indexed	**-**	**-**	**-**
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Personnel Loans – FC	**1,898**	**78,404**	**80,302**
Housing Loans	131	33,383	33,514
Automobile Loans	-	-	-
General Purpose Loans	487	34,307	34,794
Others	1,280	10,714	11,994
Personnel Credit Cards – TL	**116,405**	**702**	**117,107**
With Installment	41,469	702	42,171
Without Installment	74,936	-	74,936
Personnel Credit Cards – FC	**1,904**	**3,640**	**5,544**
With Installment	-	-	-
Without Installment	1,904	3,640	5,544
Deposit Accounts– TL (Real Persons)	**1,809,753**	**-**	**1,809,753**
Deposit Accounts– TL (Personnel)	**14,590**	**-**	**14,590**
Deposit Accounts– FC (Real Persons)	**-**	**-**	**-**
Total	**23,800,246**	**49,477,841**	**73,278,087**

(Thousands of Turkish Lira (TL))

5.1.5.5 INSTALLMENT BASED COMMERCIAL LOANS AND CORPORATE CREDIT CARDS

CURRENT PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
Installment-based Commercial Loans – TL	**698,237**	**10,937,099**	**11,635,336**
Real Estate Loans	1,532	541,123	542,655
Automobile Loans	128,728	2,008,812	2,137,540
General Purpose Loans	567,977	8,387,164	8,955,141
Others	-	-	-
Installment-based Commercial Loans - FC-indexed	**-**	**768,231**	**768,231**
Real Estate Loans	-	48,785	48,785
Automobile Loans	-	155,719	155,719
General Purpose Loans	-	563,727	563,727
Others	-	-	-
Installment-based Commercial Loans – FC	**2,544,604**	**2,728,533**	**5,273,137**
Real Estate Loans	-	-	-
Automobile Loans	-	140,909	140,909
General Purpose Loans	222	102,257	102,479
Others	2,544,382	2,485,367	5,029,749
Corporate Credit Cards – TL	**5,002,179**	**135,481**	**5,137,660**
With Installment	1,830,025	135,481	1,965,506
Without Installment	3,172,154	-	3,172,154
Corporate Credit Cards – FC	**33,345**	**-**	**33,345**
With Installment	-	-	-
Without Installment	33,345	-	33,345
Deposit Accounts– TL (Corporates)	**1,336,839**	**-**	**1,336,839**
Deposit Accounts– FC (Corporates)	**-**	**-**	**-**
Total	**9,615,204**	**14,569,344**	**24,184,548**

PRIOR PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	TOTAL
Installment-based Commercial Loans – TL	**1,436,233**	**13,287,526**	**14,723,759**
Real Estate Loans	3,975	671,981	675,956
Automobile Loans	145,927	1,936,508	2,082,435
General Purpose Loans	1,286,331	10,679,037	11,965,368
Others	-	-	-
Installment-based Commercial Loans - FC-indexed	**59,349**	**2,042,190**	**2,101,539**
Real Estate Loans	-	65,534	65,534
Automobile Loans	346	779,742	780,088
General Purpose Loans	59,003	1,196,914	1,255,917
Others	-	-	-
Installment-based Commercial Loans – FC	**1,553,276**	**3,024,785**	**4,578,061**
Real Estate Loans	-	-	-
Automobile Loans	-	18,993	18,993
General Purpose Loans	81	84,424	84,505
Others	1,553,195	2,921,368	4,474,563
Corporate Credit Cards – TL	**4,584,616**	**38,066**	**4,622,682**
With Installment	1,813,744	38,066	1,851,810
Without Installment	2,770,872	-	2,770,872
Corporate Credit Cards – FC	**23,617**	**-**	**23,617**
With Installment	-	-	-
Without Installment	23,617	-	23,617
Deposit Accounts– TL (Corporates)	**1,460,204**	**-**	**1,460,204**
Deposit Accounts– FC (Corporates)	**-**	**-**	**-**
Total	**9,117,295**	**18,392,567**	**27,509,862**

(Thousands of Turkish Lira (TL))

5.1.5.6 ALLOCATION OF LOANS BY CUSTOMERS

	CURRENT PERIOD	PRIOR PERIOD
Public Sector	300,854	688,405
Private Sector (*)	266,309,676	251,119,939
Total	**266,610,530**	**251,808,344**

(*)Includes loans measured at fair value through profit or loss.

5.1.5.7 ALLOCATION OF DOMESTIC AND FOREIGN LOANS (*)

	CURRENT PERIOD	PRIOR PERIOD
Domestic Loans	241,117,177	228,921,453
Foreign Loans	25,493,353	22,886,891
Total	**266,610,530**	**251,808,344**

(*) Non-performing loans are not included.

5.1.5.8 LOANS TO ASSOCIATES AND SUBSIDIARIES

	CURRENT PERIOD	PRIOR PERIOD
Direct Lending	118,232	120,168
Indirect Lending	-	-
Total	**118,232**	**120,168**

5.1.5.9 PROVISION ALLOCATED FOR NON-PERFORMING LOANS (STAGE 3)

	CURRENT PERIOD	PRIOR PERIOD
Substandard Loans- Limited Collectability	1,274,532	1,362,987
Doubtful Loans	3,227,456	2,366,903
Uncollectible Loans	7,680,946	4,394,699
Total	**12,182,934**	**8,124,589**

5.1.5.10 NON-PERFORMING LOANS (NPLS) (NET)

Non-performing loans and loans restructured from this category

	GROUP III	GROUP IV	GROUP V
CURRENT PERIOD	**SUBSTANDARD LOANS**	**DOUBTFUL LOANS**	**UNCOLLECTIBLE LOANS**
Gross amounts before provisions	1,120,990	2,980,250	3,922,263
Restructured Loans	1,120,990	2,980,250	3,922,263
PRIOR PERIOD			
Gross amounts before provisions	561,524	2,662,588	1,672,351
Restructured Loans	561,524	2,662,588	1,672,351

(Thousands of Turkish Lira (TL))

Movements in non-performing loan groups

CURRENT PERIOD	GROUP III SUBSTANDARD LOANS	GROUP IV DOUBTFUL LOANS	GROUP V UNCOLLECTIBLE LOANS
Balances at End of Prior Period	**3,147,412**	**5,035,594**	**5,570,378**
Additions during the Period (+)	8,276,247	1,308,238	254,130
Transfer from Other NPL Categories (+)	78,808	8,148,723	8,735,761
Transfer to Other NPL Categories (-)	8,164,400	8,723,026	75,866
Collections during the Period (-)	833,163	879,932	1,279,552
Write-offs (-) (*)	149	57	875,986
Debt Sale (-) (**)	-	4,101	1,022,714
Corporate and Commercial Loans	-	1,762	221,039
Retail Loans	-	1,652	489,301
Credit Cards	-	687	312,374
Other	-	-	-
Foreign Currency Differences	99,048	361,410	353,583
Balances at End of Period	**2,603,803**	**5,246,849**	**11,659,734**
Provisions (-)	1,274,532	3,227,456	7,680,946
Net Balance on Balance Sheet	**1,329,271**	**2,019,393**	**3,978,788**

PRIOR PERIOD	GROUP III SUBSTANDARD LOANS	GROUP IV DOUBTFUL LOANS	GROUP V UNCOLLECTIBLE LOANS
Balances at Beginning of Period (1 January 2018)	**1,048,935**	**1,382,104**	**4,457,417**
Additions during the Period (+)	11,022,449	163,817	615,992
Transfer from Other NPL Categories (+)	376,173	6,717,224	2,303,877
Transfer to Other NPL Categories (-)	6,659,001	2,368,310	369,963
Collections during the Period (-)	654,760	726,032	1,278,498
Write-offs (-)(*)	2,110,584	31	144,955
Debt Sale (-) (**)	-	5,251	348,499
Corporate and Commercial Loans	-	330	16,142
Retail Loans	-	3,181	189,623
Credit Cards	-	1,740	142,734
Other	-	-	-
Foreign Currency Differences	124,200	(127,927)	335,007
Balances at End of Period	**3,147,412**	**5,035,594**	**5,570,378**
Provisions (-)	1,362,987	2,366,903	4,394,699
Net Balance on Balance Sheet	**1,784,425**	**2,668,691**	**1,175,679**

(*) includes loans for which 100 % provision is provided during the corresponding period.
(**) all consists of sale of non-performing loans (31 December 2018: TL 353,750).

(Thousands of Turkish Lira (TL))

Non-performing loans in foreign currencies

	GROUP III	GROUP IV	GROUP V
CURRENT PERIOD	**SUBSTANDARD LOANS AND RECEIVABLES**	**DOUBTFUL LOANS AND RECEIVABLES**	**UNCOLLECTIBLE LOANS AND RECEIVABLES**
Balance at End of Period	**1,051,988**	**2,041,425**	**6,040,133**
Provisions (-)	517,941	1,152,914	3,420,322
Net Balance at Balance Sheet	**534,047**	**888,511**	**2,619,811**
PRIOR PERIOD			
Balance at End of Period	**1,801,141**	**3,686,282**	**1,415,535**
Provisions (-)	**746,311**	**1,641,343**	**1,087,589**
Net Balance at Balance Sheet	**1,054,830**	**2,044,939**	**327,946**

Gross and net non-performing loans as per customer categories

	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS	**DOUBTFUL LOANS**	**UNCOLLECTIBLE LOANS**
Current Period (Net)	**1,329,271**	**2,019,393**	**3,978,788**
Loans to Individuals and Corporates (Gross)	2,586,430	5,240,991	11,635,103
Provision (-)	1,266,314	3,225,700	7,658,978
Loans to Individuals and Corporates (Net)	1,320,116	2,015,291	3,976,125
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	17,373	5,858	24,631
Provision (-)	8,218	1,756	21,968
Other Loans and Receivables (Net)	9,155	4,102	2,663
Prior Period (Net)	**1,784,425**	**2,668,691**	**1,175,679**
Loans to Individuals and Corporates (Gross)	3,122,592	5,021,903	5,561,603
Provision (-)	1,351,352	2,358,307	4,385,944
Loans to Individuals and Corporates (Net)	1,771,240	2,663,596	1,175,659
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	24,820	13,691	8,775
Provision (-)	11,635	8,596	8,755
Other Loans and Receivables (Net)	13,185	5,095	20

(Thousands of Turkish Lira (TL))

Interest accruals, valuation differences and related provisions calculated for non-performing loans

	GROUP III	GROUP IV	GROUP V
	SUBSTANDARD LOANS	DOUBTFUL LOANS	UNCOLLECTIBLE LOANS
Current Period (Net)	**22,465**	**54,653**	**163,511**
Interest accruals and valuation differences	60,203	130,332	402,983
Provision (-)	37,738	75,679	239,472
Prior Period (Net)	**47,554**	**126,534**	**39,151**
Interest accruals and valuation differences	79,590	238,856	115,799
Provision (-)	32,036	112,322	76,648

Collaterals received for non-performing loans

CURRENT PERIOD	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	14,230	377	-	14,607
Loans Collateralized by Mortgages	9,196,005	322,843	-	9,518,848
Loans Collateralized by Pledged Assets	1,432,716	59,136	-	1,491,852
Loans Collateralized by Cheques and Notes	200,985	5,714	-	206,699
Loans Collateralized by Other Collaterals	3,307,065	1,818,635	-	5,125,700
Unsecured Loans	1,530,171	359,234	1,263,275	3,152,680
Total	**15,681,172**	**2,565,939**	**1,263,275**	**19,510,386**

PRIOR PERIOD	CORPORATE/ COMMERCIAL LOANS	CONSUMER LOANS	CREDIT CARDS	TOTAL
Loans Collateralized by Cash	13,272	354	-	13,626
Loans Collateralized by Mortgages	5,789,032	240,063	-	6,029,095
Loans Collateralized by Pledged Assets	1,180,931	59,774	-	1,240,705
Loans Collateralized by Cheques and Notes	187,107	6,875	-	193,982
Loans Collateralized by Other Collaterals	2,565,655	1,564,239	-	4,129,894
Unsecured Loans	725,261	293,375	1,127,446	2,146,082
Total	**10,461,258**	**2,164,680**	**1,127,446**	**13,753,384**

5.1.5.11 EXPECTED CREDIT LOSS FOR LOANS

CURRENT PERIOD	STAGE 1	STAGE 2	STAGE 3	TOTAL
Balances at End of Prior Period	**942,150**	**4,027,289**	**8,124,589**	**13,094,028**
Additions during the Period (+)	2,011,898	5,584,149	4,713,858	12,309,905
Disposal (-)	(2,511,214)	(3,178,773)	(1,080,557)	(6,770,544)
Debt Sale (-)	-	-	(1,025,130)	(1,025,130)
Write-offs (-)	(133)	(8)	(874,821)	(874,962)
Transfer to Stage1	1,276,145	(1,270,029)	(6,116)	-
Transfer to Stage 2	(520,603)	552,520	(31,917)	-
Transfer to Stage 3	(7,050)	(1,957,492)	1,964,542	-
Foreign Currency Differences	35,939	275,927	398,486	710,352
Balances at End of Period	**1,227,132**	**4,033,583**	**12,182,934**	**17,443,649**

(Thousands of Turkish Lira (TL))

PRIOR PERIOD	STAGE 1	STAGE 2	STAGE 3	TOTAL
Balances at Beginning of Period (1 January 2018)	**908,210**	**3,531,388**	**4,512,355**	**8,951,953**
Additions during the Period (+)	1,665,196	5,005,345	3,111,983	9,782,524
Disposal (-)	(2,365,129)	(1,117,884)	(952,422)	(4,435,435)
Debt Sale (-)	(649)	-	(351,667)	(352,316)
Write-offs (-)	-	-	(2,254,607)	(2,254,607)
Transfer to Stage1	1,234,803	(1,227,561)	(7,242)	-
Transfer to Stage 2	(570,081)	612,034	(41,953)	-
Transfer to Stage 3	(5,805)	(3,920,918)	3,926,723	-
Foreign Currency Differences	75,605	1,144,885	181,419	1,401,909
Balances at End of Period	**942,150**	**4,027,289**	**8,124,589**	**13,094,028**

5.1.5.12 LIQUIDATION POLICY FOR UNCOLLECTIBLE LOANS

Such loans and receivables are collected through legal follow-up and liquidation of collaterals.

5.1.5.13 WRITE-OFF POLICY

5.1.5.13.1 DISCLOSURES ON WRITE DOWN POLICY

The amendment with respect to the regulation on the Principles and Procedures Regarding the Classification of Loans and Reserves Set Aside for These Loans entered into force with its publication in the Official Gazette No.30961 on November 27, 2019. Pursuant to the regulation, the banks are enabled to write down and move off the balance sheet the portion of a loan which is classified as "Group V Loan" (Loans Classified as Loss) if it cannot reasonably be expected to be recovered. The Bank performs objective and subjective assessments whether there is reasonable expectation.

In accordance with TFRS9, a provision is provided for the portions of the loans, that are not expected to be recovered as explained in the accounting policies 3.8 Disclosures on impairment of financial instruments and 3.8.1 Calculation of expected credit losses. Accordingly, the loans which cannot be reasonably expected to be recovered regarding the opinions of the related department responsible from the collection and the portion up to the provision amount of the loans, that are classified as "Group V Loan" (Loans Classified as Loss), can be subject to write-down operation.

In addition, all of the loans that meet the conditions in the below are assessed by the Bank as having completely lost their ability to collect and can be written down based on the positive opinion of the related departments.

i. Being monitored as a non-performing loan at least for 2 years,
ii. Not having any collection in the last 6 months,
iii. Not having any tangible collaterals other than a pledge over movable assets.

As of 31 December 2019, in accordance with the relevant accounting policy the Bank has written down "Group V Loan" (Loans Classified as Loss) amounting to TL 712,527.

CURRENT PERIOD	TL	FC
Write down		
Corporate/ Commercial Loans	376,458	336,069
Consumer Loans	-	-

As of 31 December 2019,one of the Bank's consolidated subsidiaries, in accordance with the relevant accounting policy has written down "Group V Loan" (Loans Classified as Loss) amounting to TL 20,950.

CURRENT PERIOD	TL	FC
Write down		
Corporate/ Commercial Loans	-	17,075
Consumer Loans	-	3,875

(Thousands of Turkish Lira (TL))

5.1.5.13.2 DISCLOSURES ON WRITE-OFF POLICY

The genaral policy of the Bank regarding write-off process for loans under follow-up is to write-off the loans which are documented as uncollectible during the legal follow-up process. As of 31 December 2019, total loans written-off from assets are TL 142,715 (31 December 2018: TL 2,255,570).

5.1.6 LEASE RECEIVABLE (NET)

5.1.6.1 FINANCIAL LEASE RECEIVABLES ACCORDING TO REMAINING MATURITIES

	CURRENT PERIOD		PRIOR PERIOD	
	GROSS	NET	GROSS	NET
Less than 1 Year	2,338,813	2,036,260	3,084,367	2,706,741
Between 1-5 Years	3,444,202	3,128,201	3,546,631	3,158,637
Longer than 5 Years	155,520	148,642	213,731	202,846
Total	**5,938,535**	**5,313,103**	**6,844,729**	**6,068,224**

Non-performing loans are not included.

5.1.6.2 NET FINANCIAL LEASE RECEIVABLES

	CURRENT PERIOD	PRIOR PERIOD
Gross Financial Lease Receivables	5,938,537	6,844,728
Unearned Income on Financial Lease Receivables (-)	(625,434)	(776,504)
Terminated Lease Contracts (-)	-	-
Net Financial Lease Receivables	**5,313,103**	**6,068,224**

Non-performing loans are not included.

5.1.6.3 FINANCIAL LEASE AGREEMENTS

Criteria applied for financial lease agreements

The customer applied for a financial lease is evaluated based on the lending policies and criteria taking into account the legal legislation. A "customer analysis report" according to the type and amount of the application is prepared for the evaluation of the customer by the Credit Committee and certain risk rating models such as "customer risk rating" and "equipment rating/scoring" are applied.

In compliance with the legal legislation and the authorization limits of the general manager, credit committee and board of directors, it is decided whether the loan will be granted considering the financial position and the qualitative characteristics of the customer and the criterias mentioned above, if yes, which conditions will be applied. At this stage, collateral such as bank guarantees, mortgages, asset pledges, promissory notes or the personal or corporate guarantees, may be required depending on the creditworthiness of the customer and the characteristics of the product to be sold.

The sectoral, equipment type and pledged asset concentration of the customers are monitored regularly.

Details monitored subsequent to signing of financial lease agreements

Subsequent to granting of loan, the fulfillment of monetary aspects such as lending procedures, timely collection of rental payments are monitored. Furthermore, updated information on the performance of companies is reported by the credit monitoring unit even for the performing customers.

The reports prepared by the credit monitoring unit for the performing companies and the assessments made by the administration follow-up and the legal units for the problematic companies, are presented to the top management following the assessments made by the related internal committees and the necessary actions are taken.

(Thousands of Turkish Lira (TL))

5.1.7 FACTORING RECEIVABLES

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Short-Term	1,641,030	616,255	849,019	453,059
Medium and Long-Term	168,149	4,729	1,125,543	158,512
Total	**1,809,179**	**620,984**	**1,974,562**	**611,571**

5.1.8 FINANCIAL ASSETS MEASURED AT AMORTISED COST

5.1.8.1 FINANCIAL ASSETS SUBJECT TO REPURCHASE AGREEMENTS AND PROVIDED AS COLLATERAL/BLOCKED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Collateralised/Blocked Investments	3,380,677	4,856,290	3,176,487	3,387,284
Investments subject to Repurchase Agreements	55,581	679,218	46,120	-
Total	**3,436,258**	**5,535,508**	**3,222,607**	**3,387,284**

5.1.8.2 GOVERNMENT SECURITIES MEASURED AT AMORTISED COST

	CURRENT PERIOD	PRIOR PERIOD
Government Bonds	27,558,636	24,606,227
Treasury Bills	-	-
Other Government Securities	-	-
Total	**27,558,636**	**24,606,227**

5.1.8.3 FINANCIAL ASSETS MEASURED AT AMORTISED COST

	CURRENT PERIOD	PRIOR PERIOD
Debt Securities	**20,404,822**	**18,711,987**
Quoted at Stock Exchange	20,358,959	18,672,987
Unquoted at Stock Exchange	45,863	39,000
Valuation Increase / (Decrease)	**7,315,520**	**5,942,022**
Total	**27,720,342**	**24,654,009**

5.1.8.4 MOVEMENT OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

	CURRENT PERIOD	PRIOR PERIOD
Balances at Beginning of Period	**24,654,009**	**21,497,337**
Foreign Currency Differences on Monetary Assets	772,371	1,775,282
Purchases during the Period	1,248,680	693,258
Disposals through Sales/Redemptions	(199,492)	(2,148,127)
Valuation Effect	1,244,774	2,836,259
Balances at End of Period	**27,720,342**	**24,654,009**

(Thousands of Turkish Lira (TL))

5.1.8.5 EXPECTED CREDIT LOSS FOR FINANCIAL ASSETS MEASURED AT AMORTISED COST

CURRENT PERIOD	STAGE 1	STAGE 2	STAGE 3	TOTAL
Balances at End of Prior Period (1 January 2019)	**54,125**	**-**	**-**	**54,125**
Additions during the Period (+)	85,056	-	-	85,056
Disposal (-)	(22,083)	-	-	(22,083)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	2,791	-	-	2,791
Balances at End of Period	**119,889**	**-**	**-**	**119,889**

PRIOR PERIOD	STAGE 1	STAGE 2	STAGE 3	TOTAL
Balances at Beginning of Period (1 January 2018)	**16,907**	**-**	**-**	**16,907**
Additions during the Period (+)	51,066	-	-	51,066
Disposal (-)	(15,193)	-	-	(15,193)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	1,345	-	-	1,345
Balances at End of Period	**54,125**	**-**	**-**	**54,125**

5.1.9 ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS

5.1.9.1 MOVEMENT OF ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS

	CURRENT PERIOD	PRIOR PERIOD
Balances at Beginning of Period		
Cost	**870,977**	**850,308**
Accumulated Depreciation	**(13,293)**	**(14,756)**
Net Book Value	**857,684**	**835,552**
End of Current Period		
Additions	542,907	293,534
Disposals (Cost)	(265,683)	(219,124)
Disposals (Accumulated Depreciation)	1,120	1,463
Reversal of Impairment / Impairment Losses	21,053	(58,187)
Depreciation Expense for Current Period (-)	-	-
Currency Translation Differences on Foreign Operations	1,977	4,446
Cost	**1,171,231**	**870,977**
Accumulated Depreciation (-)	**(12,173)**	**(13,293)**
Net Book Value	**1,159,058**	**857,684**

(Thousands of Turkish Lira (TL))

5.1.9.2 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES TO BE DISPOSED

	CURRENT PERIOD	PRIOR PERIOD
Balances at Beginning of Period	**11**	**-**
Additions (*)	881,129	11
Disposals (Cost)	-	-
Disposals (Accumulated Depreciation)	-	-
Impairment Losses (-)	(587,940)	-
Depreciation Expense for Current Period (-)	-	-
Cost	**293,200**	**11**
Accumulated Depreciation (-)	**-**	**-**
Net Book Value	**293,200**	**11**

(*) Within the context of the existing loan agreements, all creditors including the Bank have reached an agreement on restructuring the loans granted to Ojer Telekomünikasyon A.Ş. (OTAŞ) who is the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) and it is contemplated that Türk Telekom's number of 192.500.000.000 A group shares owned by OTAŞ, representing 55% of its issued share capital corresponding to A group shares have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. As per the agreed structure, it is agreed on the corresponding agreements, completed all required corporate and administrative permissions and the transaction is concluded by a transfer of the aforementioned shares to the special purpose entity incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. In this context, the Bank owned 22.1265% of the founded special purpose entity and the related investment is considered within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operations".

As per the decision made at the 2018 annual general assembly of related special purpose entity, it was decided to increase the capital of the special purpose entity by TL 3.982.230, all of which will be covered by common receivables. The Entity's paid-in capital after the general assembly had been TL 3.982.280. The Bank's shareholding ratios in the Entity's capital did not change as a result of the increase, and the nominal value of the direct shares increased from TL 11 to TL 881.140 and the number of shares increased from 1.106.325 to 88.114.036.863. As explained the details before the capital increase in Note 5.1.2.2 , valuation differences recorded on the financial asset are presented as impairment in Assets Held for Sale and Discontinued Operations after capital increase.

The main purpose of the lending banks is to transfer the shares of Türk Telekom to an expert investor after the necessary conditions are met. For this purpose, on 19 September 2019, an international investment bank was authorized as a sales consultant, and in this context necessary actions related to sales will be taken and negotiations with potential investors started within the framework of an active sales plan.

5.1.10 INVESTMENTS IN ASSOCIATES

5.1.10.1 UNCONSOLIDATED INVESTMENTS IN ASSOCIATES

	ASSOCIATES	ADDRESS (CITY/ COUNTRY)	PARENT BANK'S SHARE – IF DIFFERENT, VOTING RIGHTS (%)	BANK RISK GROUP'S SHARE (%)
1	Emeklilik Gözetim Merkezi AŞ (1)	İstanbul/Turkey	-	5.26
2	Bankalararası Kart Merkezi AŞ (1)	İstanbul/Turkey	10.15	10.15
3	Yatırım Finansman Menkul Değerler AŞ (1)	İstanbul/Turkey	0.77	0.77
4	İstanbul Takas ve Saklama Bankası AŞ (1)	İstanbul/Turkey	4.95	4.97
5	Borsa İstanbul AŞ (2)	İstanbul/Turkey	0.30	0.34
6	KKB Kredi Kayıt Bürosu AŞ (1)	İstanbul/Turkey	9.09	9.09
7	Türkiye Cumhuriyet Merkez Bankası AŞ (2)	Ankara/ Turkey	2.48	2.48
8	Kredi Garanti Fonu AŞ (1)	Ankara/ Turkey	1.54	1.54

	TOTAL ASSETS	SHAREHOLDERS' EQUITY	TOTAL FIXED ASSETS (*)	INTEREST INCOME	INCOME ON SECURITIES PORTFOLIOI	CURRENT PERIOD PROFIT/LOSS	PRIOR PERIOD PROFIT/LOSS	COMPANY'S FAIR VALUE
1	14,810	11,267	3,897	786	16	2,709	662	-
2	147,868	93,468	73,688	3,852	-	28,503	15,603	-
3	1,306,055	110,543	10,457	3,533	1,371	12,626	8,887	-
4	14,878,333	2,176,680	114,859	584,078	19,708	506,418	323,776	-
5	13,285,548	2,665,517	618,258	117,327	265,253	1,173,543	228,053	-
6	348,965	224,008	234,333	8,774	249	26,579	34,818	-
7	721,499,799	85,155,002	541,979	30,135,305	5,070,791	56,279,555	18,383,903	-
8	672,050	627,215	22,866	27,171	-	96,130	101,243	-

(1) Financial information is as of 30 September 2019.
(2) Financial information is as of 31 December 2018.
(*) Total fixed assets include tangible and intangible assets.

Unconsolidated investments in associates sold during the current period

None.

Unconsolidated investments in associates acquired during the current period

None.

5.1.10.2 CONSOLIDATED INVESTMENTS IN ASSOCIATES

None.

5.1.10.3 MOVEMENT OF CONSOLIDATED INVESTMENTS IN ASSOCIATES

None.

Valuation methods of consolidated investments in associates

None.

Sectoral distribution of consolidated investments and associates

None.

Quoted consolidated investments in associates

None.

Investments in associates sold during the current period

None.

Investments in associates acquired during the current period

None.

(Thousands of Turkish Lira (TL))

5.1.11 INVESTMENTS IN SUBSIDIARIES

Information on capital adequacy of major subsidiaries

CURRENT PERIOD	GARANTI BANK INTERNATIONAL NV	GARANTI FINANSAL KIRALAMA AŞ	GARANTI HOLDING BV
COMMON EQUITY TIER I CAPITAL			
Paid-in Capital to be Entitled for Compensation after All Creditors	913,772	357,848	2,560,180
Share Premium	-	-	86,188
Share Cancellation Profits	-	-	-
Legal Reserves	1,014,013	545,995	(23,430)
Other Comprehensive Income according to TAS	1,990,215	-	115,005
Current and Prior Periods' Profits	40,326	100,436	163,815
Common Equity Tier I Capital Before Deductions	**3,958,326**	**1,004,279**	**2,901,758**
Deductions From Common Equity Tier I Capital			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	13,067	668	795,952
Leasehold Improvements on Operational Leases (-)	-	-	164
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	35,037	13,004	361,254
Net Deferred Tax Asset/Liability (-)	-	-	-
Total Deductions from Common Equity Tier I Capital	**48,104**	**13,672**	**1,157,370**
Total Common Equity Tier I Capital	**3,910,222**	**990,607**	**1,744,388**
Total Deductions From Tier I Capital	**-**	**-**	**-**
Total Tier I Capital	**3,910,222**	**990,607**	**1,744,388**
TIER II CAPITAL	**332,155**	**-**	**66,346**
TOTAL CAPITAL	**4,242,377**	**990,607**	**1,810,734**

PRIOR PERIOD	GARANTI BANK INTERNATIONAL NV	GARANTI FINANSAL KIRALAMA AŞ	GARANTI HOLDING BV
COMMON EQUITY TIER I CAPITAL			
Paid-in Capital to be Entitled for Compensation after All Creditors	828,770	357,848	2,320,775
Share Premium	-	-	78,128
Share Cancellation Profits	-	-	-
Legal Reserves	943,565	455,967	(173,836)
Other Comprehensive Income according to TAS	1,707,964	-	27,396
Current and Prior Periods' Profits	70,447	90,029	146,750
Common Equity Tier I Capital Before Deductions	**3,550,746**	**903,844**	**2,399,213**
Deductions From Common Equity Tier I Capital			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	45,089	655	691,154
Leasehold Improvements on Operational Leases (-)	-	39	2,664
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	28,917	10,995	341,733
Net Deferred Tax Asset/Liability (-)	-	-	5,845
Total Deductions from Common Equity Tier I Capital	**74,006**	**11,689**	**1,041,396**
Total Common Equity Tier I Capital	**3,476,740**	**892,155**	**1,357,817**
Total Deductions From Tier I Capital	**-**	**-**	**-**
Total Tier I Capital	**3,476,740**	**892,155**	**1,357,817**
TIER II CAPITAL	**301,095**	**-**	**60,286**
TOTAL CAPITAL	**3,777,835**	**892,155**	**1,418,103**

The parent Bank does not have any capital requirement for its subsidiaries included in the calculation of its consolidated capital adequacy standard ratio

(Thousands of Turkish Lira (TL))

5.1.11.1 UNCONSOLIDATED INVESTMENTS IN SUBSIDIARIES

	SUBSIDIARIES	ADDRESS (CITY/ COUNTRY)	PARENT BANK'S SHARE – IF DIFFERENT, VOTING RIGHTS (%)	BANK RISK GROUP'S SHARE (%)
1	Garanti Bilişim Teknolojisi ve Tic. TAŞ	Istanbul/Turkey	100.00	100.00
2	Garanti Ödeme Sistemleri AŞ	Istanbul/Turkey	99.96	100.00
3	Garanti Hizmet Yönetimi AŞ (**)	Istanbul/Turkey	-	-
4	Garanti Kültür AŞ	Istanbul/Turkey	100.00	100.00
5	Garanti Konut Finansmanı Danışmanlık Hız. AŞ	Istanbul/Turkey	100.00	100.00
6	Trifoi Real Estate Company	Bucharest/Romania	-	100.00
7	Garanti Filo Yönetim Hizmetleri AŞ	Istanbul/Turkey	-	100.00
8	Garanti Filo Sigorta Aracılık Hizmetleri AŞ	Istanbul/Turkey	-	100.00

	TOTAL ASSETS	SHAREHOLDERS' EQUITY	TOTAL FIXED ASSETS (*)	INTEREST INCOME	INCOME ON SECURITIES PORTFOLIO	CURRENT PERIOD PROFIT/LOSS	PRIOR PERIOD PROFIT/LOSS	COMPANY'S FAIR VALUE	AMOUNT OF EQUITY REQUIREMENT
1	128,490	104,697	53	17,253	-	24,950	10,166	-	-
2	43,551	19,495	497	3,439	-	(394)	3,272	-	-
3	-	-	-	-	-	-	-	-	-
4	3,231	1,797	1,251	-	-	(101)	55	-	-
5	5,610	4,361	13	768	-	596	1,047	-	-
6	6,539	6,539	6,536	-	-	(3)	(3)	-	-
7	1,578,720	67,831	1,443,562	7,680	-	33,887	6,584	-	-
8	3,933	3,056	-	-	-	1,259	1,936	-	-

(*) Total fixed assets include tangible and intangible assets.
(**) The liquidation process of Garanti Hizmet Yönetimi A.Ş. was completed on 26 December 2019 by the Istanbul Chamber of Commerce by registering the end of the liquidation of the company.

Unconsolidated subsidiaries, reasons for not consolidating such investments and accounting treatments applied for such investments

The companies which are not included within the scope of consolidation due to not being financial subsidiaries are measured at cost less impairment, if any.

(Thousands of Turkish Lira (TL))

5.1.11.2 MOVEMENT OF CONSOLIDATED INVESTMENTS IN SUBSIDIARIES

	CURRENT PERIOD	PRIOR PERIOD
Balances at Beginning of Period	**6,942,044**	**6,081,445**
Movements during the Period	**1,506,797**	**860,599**
Acquisitions and Capital Increases	-	-
Bonus Shares Received	-	-
Dividends from Current Year Profit	893,943	751,691
Sales/Liquidations	(352)	-
Reclassifications	-	833
Value Increase/Decrease (*) (**)	110,834	(1,037,918)
Currency Differences on Foreign Subsidiaries	502,372	1,145,993
Reversal of Impairment Losses / Impairment Losses (-)	-	-
Balance at End of Period	**8,448,841**	**6,942,044**
Capital Commitments	**-**	**-**
Share Percentage at the End of Period (%)	**-**	**-**

(*) Except for quoted subsidiaries, value increases / (decreases) are based on the results of equity accounting application.
(**) TL 1,018,959 of Prior Period's Value Decrease amount is due to the dividend distribution of Garanti Emeklilik AŞ as per the decision made at its Annual General Assembly meeting held on 9 April 2018.

Valuation methods of consolidated investments in subsidiaries

	CURRENT PERIOD	PRIOR PERIOD
Valued at Cost	-	-
Valued at Fair Value (*)	8,448,841	6,942,044

(*) The amounts recognized in the equity accounting application are included in the unconsolidated financial statement of the Bank.

Sectoral distribution of consolidated investments in subsidiaries

	CURRENT PERIOD	PRIOR PERIOD
Banks	3,921,884	3,499,491
Insurance Companies	1,153,607	764,722
Factoring Companies	134,182	114,151
Leasing Companies	1,018,498	902,555
Finance Companies	2,220,670	1,661,125
Other Subsidiaries	-	-

Quoted consolidated investments in subsidiaries

	CURRENT PERIOD	PRIOR PERIOD
Quoted at Domestic Stock Exchanges	135,322	114,985
Quoted at International Stock Exchanges	-	-

(Thousands of Turkish Lira (TL))

Other information on consolidated investments in subsidiaries

	SUBSIDIARIES	ADDRESS (CITY/ COUNTRY)	PARENT BANK'S SHARE – IF DIFFERENT, VOTING RIGHTS (%)	SHARES OF OTHER CONSOLIDATED SUBSIDIARIES (%)	METHOD OF CONSOLIDATION
1	Garanti Finansal Kiralama AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
2	Garanti Faktoring AŞ	Istanbul/Turkey	81.84	-	Full Consolidation
3	Garanti Yatırım Menkul Kıymetler AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
4	Garanti Portföy Yönetimi AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
5	Garanti Emeklilik ve Hayat AŞ	Istanbul/Turkey	84.91	-	Full Consolidation
6	Garanti Bank International NV	Amsterdam/the Netherlands	100.00	-	Full Consolidation
7	Garanti Holding BV	Amsterdam/the Netherlands	100.00	-	Full Consolidation
8	G Netherlands BV (*)	Amsterdam/the Netherlands	-	100.00	Full Consolidation
9	Garanti Bank SA	Bucharest/Romania	-	100.00	Full Consolidation
10	Motoractive IFN SA	Bucharest/Romania	-	100.00	Full Consolidation
11	Ralfi IFN SA	Bucharest/Romania	-	100.00	Full Consolidation
12	Garanti Yatırım Ortaklığı AŞ	Istanbul / Turkey	-	3.61	Full Consolidation

(*) The financial information presented in the below table does not include elimination and adjustment entries.

	TOTAL ASSETS	SHAREHOLDERS' EQUITY	TOTAL FIXED ASSETS (**)	INTEREST INCOME	INCOME ON SECURITIES PORTFOLIO	CURRENT PERIOD PROFIT/LOSS	PRIOR PERIOD PROFIT/LOSS	COMPANY'S FAIR VALUE
1	4,948,377	1,018,506	20,626	454,313	-	100,436	80,616	-
2	2,201,627	163,984	14,678	370,149	-	24,438	(57,376)	-
3	667,150	322,358	31,388	26,350	8,532	144,173	60,665	-
4	147,560	135,329	1,685	15,480	3,292	37,222	26,995	-
5	2,170,857	1,358,590	53,652	306,439	8,042	454,295	454,189	-
6	24,028,269	3,932,686	249,892	810,927	24,543	40,327	70,447	-
7	2,262,044	2,260,174	-	-	-	(537)	(441)	-
8	2,243,911	1,907,670	-	42	-	(24,577)	3,610	-
9	15,199,153	2,118,647	504,326	410,069	58,103	157,165	127,527	-
10	1,180,454	185,945	8,673	55,043	-	25,127	16,457	-
11	835,626	116,954	16,106	60,813	-	10,139	14,155	-
12	42,583	40,622	1,285	2,040	3,617	3,639	2,322	34,560

(**) Total fixed assets include tangible and intangible assets.

Garanti Yatırım Ortaklığı AŞ that Garanti Yatırım participated by 3.61%, is consolidated in the accompanying consolidated financial statements under full consolidation method due to the company's right to elect all the members of the board of directors as resulted from its privilege in election of board members.

Consolidated investments in subsidiaries disposed during the current period

The liquidation process of Garanti Hizmet Yönetimi A.Ş. was completed on 26 December 2019 by the Istanbul Chamber of Commerce by registering the end of the liquidation of the company.

Consolidated investments in subsidiaries acquired during the current period

None.

5.1.12 INVESTMENTS IN JOINT-VENTURES

None.

(Thousands of Turkish Lira (TL))

5.1.13 TANGIBLE ASSETS

		LEASES				
	REAL ESTATES	LEASED TANGIBLE ASSETS	RIGHT-OF-USE ASSETS	VEHICLES	OTHER TANGIBLE ASSETS	TOTAL
Cost	3,441,729	-	-	30,372	3,249,334	6,721,435
Accumulated Depreciation	(36,449)	-	-	(20,693)	(2,169,375)	(2,226,517)
Net Book Value	**3,405,280**	**-**	**-**	**9,679**	**1,079,959**	**4,494,918**
Balances at End of Current Period						
Net Book Value at Beginning of Current Period	3,405,280	-	-	9,679	1,079,959	4,494,918
Additions	126,770	-	1,595,125	5,097	273,251	2,000,243
Revaluation Model Difference	24,974	-	-	-	-	24,974
Transfers from Investment Property	1,031	-	-	-	-	1,031
Disposals (Net)	(60,555)	-	(179,815)	(183)	(55,615)	(296,168)
Disposals (Cost)	(66,358)	-	(190,299)	(3,060)	(93,559)	(353,276)
Disposals (Accumulated Depreciation)	5,803	-	10,484	2,877	37,944	57,108
Reversal of/Impairment Losses (-)	3,797	-	-	-	-	3,797
Depreciation Expense for Current Period	(43,000)	-	(327,302)	(3,332)	(353,854)	(727,488)
Currency Translation Differences on Foreign Operations, Net	22,109	-	640	223	4,020	26,992
Currency Translation Differences on Foreign Operations (Cost)	22,815	-	1,621	883	24,299	49,618
Currency Translation Differences on Foreign Operations (Accumulated Depreciation)	(706)	-	(981)	(660)	(20,279)	(22,626)
Net Book Values at End of Current Period	**3,480,406**	**-**	**1,088,648**	**11,484**	**947,761**	**5,528,299**
Cost at End of Current Period	3,554,758	-	1,406,447	33,292	3,453,325	8,447,822
Accumulated Depreciation at End of Current Period	(74,352)	-	(317,799)	(21,808)	(2,505,564)	(2,919,523)
Net Book Values at End of Current Period	**3,480,406**	**-**	**1,088,648**	**11,484**	**947,761**	**5,528,299**

The Bank and its financial subsidiaries account their real estates recorded under tangible assets based on the revaluation model in accordance with the Turkish Accounting Standard 16 (TAS 16) "Property, Plant and Equipment". Accordingly, for all real estates registered in the ledger, valuation studies are performed by independent expertise firms.

5.1.14 INTANGIBLE ASSETS

5.1.14.1 USEFUL LIVES AND AMORTISATION RATES

The consolidation goodwill classified under intangible assets is not amortized. The estimated useful lives of softwares and other intangible assets vary between 3 and 15 years.

5.1.14.2 AMORTISATION METHODS

Intangible assets are amortised on a straight-line basis from the date of capitalisation. The consolidation goodwill is not amortized, however is subject to impairment testing regularly and if there is any impairment, a provision is made.

(Thousands of Turkish Lira (TL))

5.1.14.3 BALANCES AT END OF CURRENT PERIOD

	CURRENT PERIOD		PRIOR PERIOD	
	COST	ACCUMULATED AMORTIZATION	COST	ACCUMULATED AMORTIZATION
Intangible Assets	1,227,876	747,970	1,043,523	627,451

5.1.14.4 MOVEMENTS OF INTANGIBLE ASSETS FOR CURRENT PERIOD

	CURRENT PERIOD	PRIOR PERIOD
Net Book Value at Beginning Period	**416,072**	**379,308**
Internally Generated Intangibles	31	-
Additions due to Mergers, Transfers and Acquisition	201,667	152,061
Disposals (-)	(3,281)	(6,335)
Impairment Losses/Reversals to/from Revaluation Surplus	-	-
Impairment Losses Recorded in Income Statement	-	-
Impairment Losses Reversed from Income Statement	-	-
Amortisation Expense for Current Period (-)	(140,804)	(127,014)
Currency Translation Differences on Foreign Operations	4,234	10,868
Other Movements	1,987	7,184
Net Book Value at End of Current Period	**479,906**	**416,072**

5.1.14.5 DETAILS FOR ANY INDIVIDUALLY MATERIAL INTANGIBLE ASSETS

None.

5.1.14.6 INTANGIBLE ASSETS CAPITALISED UNDER GOVERNMENT INCENTIVES AT FAIR VALUES

None.

5.1.14.7 REVALUATION METHOD OF INTANGIBLE ASSETS CAPITALISED UNDER GOVERNMENT INCENTIVES AND VALUED AT FAIR VALUES AT CAPITALISATION DATES

None.

5.1.14.8 NET BOOK VALUE OF INTANGIBLE ASSET THAT ARE RESTRICTED IN USAGE OR PLEDGED

None.

5.1.14.9 COMMITMENTS TO ACQUIRE INTANGIBLE ASSETS

None.

5.1.14.10 DISCLOSURE ON REVALUED INTANGIBLE ASSETS

None.

5.1.14.11 RESEARCH AND DEVELOPMENT COSTS EXPENSED DURING CURRENT PERIOD

None.

(Thousands of Turkish Lira (TL))

5.1.14.12 GOODWILL

GOODWILL	SHARES %	CARRYING VALUE
Garanti Yatırım Menkul Kıymetler AŞ	100.00	2,778
Garanti Finansal Kiralama AŞ	100.00	2,119
Garanti Faktoring AŞ	55.40	1,491
Total		**6,388**

5.1.14.13 MOVEMENTS IN GOODWILL DURING CURRENT PERIOD

	CURRENT PERIOD	PRIOR PERIOD
Net Book Value at Beginning Period	**6,388**	**6,388**
Movements in Current Period	-	-
Additions	-	-
Adjustments due to the Changes in Value of Assets and Liabilities	-	
Disposals in Current Period due to a Discontinued Operation Or Partial or Complete Disposal of an Asset (-)	-	
Amortisation Expense for Current Period (-)	-	-
Impairment Losses (-)	-	-
Reversal of Impairment Losses (-)	-	-
Other changes in Book Values	-	-
Net Book Value at End of Current Period	**6,388**	**6,388**

5.1.15 INVESTMENT PROPERTY

	CURRENT PERIOD	PRIOR PERIOD
Net Book Value at Beginning of Period	**558,309**	**559,388**
Additions	35,343	6,576
Disposals	(268)	(8,850)
Transfers to Tangible Assets	-	6,809
Fair Value Change	(23,665)	(5,614)
Net Currency Translation Differences on Foreign Subsidiaries	-	-
Net Book Value at End of Period	**569,719**	**558,309**

The investment property is held for operational leasing purposes. The Bank and its financial subsidiaries account their investment property based on the fair value model in accordance with the Turkish Accounting Standard 40 (TAS 40) "Investment Property". Accordingly, for all investment properties registered in the ledger, valuation studies are performed by independent expertise firms every year.

5.1.16 DEFERRED TAX ASSET

As of 31 December 2019, on a consolidated basis the Bank has a deferred tax asset of TL 1,882,010 (31 December 2018: TL 1,519,177) calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences in its consolidated financial statements.

As of 31 December 2019, deferred tax assets of TL 2,232,124 (31 December 2018: TL 2,063,575) are reduced by deferred tax liabilities of TL 350,114 (31 December 2018: TL 544,398)with offsetting characteristics and presented as net in the accompanying consolidated financial statements, on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

For the cases where the differences between the carrying values and the taxable values of assets subject to tax are related with certain items on the shareholders' equity accounts, the deferred taxes are charged or credited directly to these accounts.

(Thousands of Turkish Lira (TL))

	CURRENT PERIOD		PRIOR PERIOD	
	TAX BASE	DEFERRED TAX AMOUNT	TAX BASE	DEFERRED TAX AMOUNT
Provisions (*)	2,839,430	549,331	2,314,652	470,921
Stages 1&2 Credit Losses	5,794,132	1,213,642	5,296,956	1,162,439
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	1,075,265	178,924	(236,245)	(61,304)
Revaluation Differences on Real Estates	(1,870,033)	(187,155)	(1,857,926)	(185,793)
Other	581,831	127,268	581,357	132,914
Deferred Tax Asset	**8,420,625**	**1,882,010**	**6,098,794**	**1,519,177**

(*) Consists of reserve for employee benefits, provision for promotion expenses of credit cards and other provisions.
(**) Calculations are performed at the relevant tax rates applicable in the country of the foreign branches and subsidiaries' financial assets.

As of 31 December 2019, TL 431,237 (31 December 2018: TL 240,558 of deferred tax expense) of deferred tax expense and TL 78,763 (31 December 2018: TL 364,567 tax income) of deferred tax income were recognised in the income statement and the shareholders' equity, respectively.

5.1.17 OTHER ASSETS

5.1.17.1 RECEIVABLES FROM TERM SALE OF ASSETS

	CURRENT PERIOD	PRIOR PERIOD
Sale of Real Estates	114,592	148,819
Sale of Financial Assets Measured at Fair Value through Other Comprehensive Income	-	27,116
Sale of Other Assets	1,137	1,137
Total	**115,729**	**177,072**

5.1.17.2 PREPAID EXPENSES, TAXES AND SIMILAR ITEMS

	CURRENT PERIOD	PRIOR PERIOD
Prepaid Expenses	1,394,564	1,089,636
Prepaid Taxes	84,750	176,016

(Thousands of Turkish Lira (TL))

5.2 CONSOLIDATED LIABILITIES

5.2.1 MATURITY PROFILE OF DEPOSITS

CURRENT PERIOD	DEMAND	7 DAYS NOTICE	UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	1 YEAR AND OVER	ACCUMULATING DEPOSIT ACCOUNTS	TOTAL
Saving Deposits	**17,433,837**	**-**	**3,116,931**	**51,677,816**	**571,816**	**383,980**	**1,585,582**	**2,370**	**74,772,332**
Foreign Currency Deposits	**51,062,394**	**-**	**14,477,678**	**69,825,350**	**5,051,064**	**5,186,890**	**9,913,217**	**34,608**	**155,551,201**
Residents in Turkey	37,397,146	-	12,952,855	64,791,799	2,293,257	1,974,114	1,811,661	33,422	121,254,254
Residents in Abroad	13,665,248	-	1,524,823	5,033,551	2,757,807	3,212,776	8,101,556	1,186	34,296,947
Public Sector Deposits	**1,283,224**	**-**	**19,396**	**39,676**	**-**	**11**	**58**	**-**	**1,342,365**
Commercial Deposits	**11,489,191**	**-**	**8,625,643**	**10,217,039**	**129,187**	**88,491**	**1,216,056**	**-**	**31,765,607**
Others	**320,716**	**-**	**142,512**	**601,501**	**2,407**	**246,285**	**3,730,349**	**-**	**5,043,770**
Precious Metal Deposits	**4,958,792**	**-**	**2,342**	**179,827**	**343,121**	**36,038**	**613,179**	**-**	**6,133,299**
Bank Deposits	**2,322,684**	**-**	**169,266**	**51,014**	**116,070**	**4,753**	**4,964**	**-**	**2,668,751**
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	30,924	-	-	-	-	4,753	-	-	35,677
Foreign Banks	330,928	-	169,266	51,014	116,070	-	4,964	-	672,242
Special Financial Institutions	1,960,832	-	-	-	-	-	-	-	1,960,832
Others	-	-	-	-	-	-	-	-	-
Total	**88,870,838**	**-**	**26,553,768**	**132,592,223**	**6,213,665**	**5,946,448**	**17,063,405**	**36,978**	**277,277,325**

PRIOR PERIOD	DEMAND	7 DAYS NOTICE	UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	1 YEAR AND OVER	ACCUMULATING DEPOSIT ACCOUNTS	TOTAL
Saving Deposits	**10,392,601**	**-**	**2,789,332**	**44,035,108**	**7,338,680**	**2,226,529**	**2,750,586**	**2,925**	**69,535,761**
Foreign Currency Deposits	**37,630,017**	**-**	**11,622,976**	**56,608,217**	**4,848,737**	**9,484,338**	**12,470,861**	**44,780**	**132,709,926**
Residents in Turkey	27,145,860	-	10,039,604	51,338,494	2,342,906	3,320,384	1,008,280	43,262	95,238,790
Residents in Abroad	10,484,157	-	1,583,372	5,269,723	2,505,831	6,163,954	11,462,581	1,518	37,471,136
Public Sector Deposits	**1,148,423**	**-**	**1,252**	**26,429**	**4,968**	**1,024**	**-**	**-**	**1,182,096**
Commercial Deposits	**7,487,587**	**-**	**8,336,846**	**9,333,787**	**346,049**	**466,923**	**667,804**	**-**	**26,638,996**
Others	**246,290**	**-**	**160,384**	**816,004**	**135,756**	**387,369**	**3,761,840**	**-**	**5,507,643**
Precious Metal Deposits	**2,794,512**	**-**	**-**	**76,254**	**13,884**	**9,758**	**385,829**	**-**	**3,280,237**
Bank Deposits	**3,699,216**	**-**	**1,507,045**	**72,544**	**39,935**	**58,485**	**5,893**	**-**	**5,383,118**
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	2,771	-	650,427	-	-	2,076	-	-	655,274
Foreign Banks	461,698	-	856,618	72,544	39,935	56,409	5,893	-	1,493,097
Special Financial Institutions	3,234,747	-	-	-	-	-	-	-	3,234,747
Others	-	-	-	-	-	-	-	-	-
Total	**63,398,646**	**-**	**24,417,835**	**110,968,343**	**12,728,009**	**12,634,426**	**20,042,813**	**47,705**	**244,237,777**

(Thousands of Turkish Lira (TL))

5.2.1.1 SAVING DEPOSITS INSURED BY SAVING DEPOSIT INSURANCE FUND

Information on saving deposits covered by deposit insurance and exceeding insurance coverage limit:

	COVERED BY DEPOSIT INSURANCE OVER DEPOSIT INSURANCE LIMIT		OVER DEPOSIT INSURANCE LIMIT	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
Saving Deposits	39,677,571	28,827,533	34,453,878	40,144,845
Foreign Currency Saving Deposits	37,004,702	27,501,977	70,678,418	55,379,738
Other Saving Deposits	3,179,119	1,639,365	2,565,718	1,559,569
Foreign Branches' Deposits Under Foreign Insurance Coverage	1,169,315	1,131,547	57	7
Off-Shore Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-

5.2.1.2 SAVING DEPOSITS AT DOMESTIC BRANCHES OF FOREIGN BANKS IN TURKEY UNDER THE COVERAGE OF FOREIGN INSURANCE

None.

5.2.1.3 SAVING DEPOSITS NOT COVERED BY INSURANCE LIMITS

5.2.1.3.1 SAVING DEPOSITS OF INDIVIDUALS NOT COVERED BY INSURANCE LIMITS:

	CURRENT PERIOD	PRIOR PERIOD
Deposits and Other Accounts held at Foreign Branches	19,694	62,924
Deposits and Other Accounts held by Shareholders and their Relatives	-	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	-	-
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-	-

5.2.2 FUNDS BORROWED

Information on funds borrowed is as follows;

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Central Bank of Turkey	-	860,923	-	502,342
Domestic Banks and Institutions	1,326,874	1,320,690	409,133	1,815,811
Foreign Banks, Institutions and Funds	1,361,081	20,752,491	776,544	29,835,897
Total	**2,687,955**	**22,934,104**	**1,185,677**	**32,154,050**

5.2.2.1 MATURITIES OF FUNDS BORROWED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Short-Term	1,326,881	2,991,738	405,801	4,779,862
Medium and Long-Term	1,361,074	19,942,366	779,876	27,374,188
Total	**2,687,955**	**22,934,104**	**1,185,677**	**32,154,050**

(Thousands of Turkish Lira (TL))

5.2.2.2 DISCLOSURES FOR CONCENTRATION AREAS OF BANK'S LIABILITIES

The Bank finances its ordinary banking activities through deposits and funds borrowed. Its deposit structure has a balanced TL and foreign currency concentration. The Bank's other funding sources specifically consist of foreign currency funds borrowed from abroad, TL funds obtained through repurchase transactions, and TL and foreign currency securities issued.

5.2.3 MONEY MARKET FUNDS

Information on obligations under repurchase agreements classified in money market funds is as follows;

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Domestic Transactions	**94,463**	**-**	**68,144**	**-**
Financial Institutions and Organizations	16,856	-	23,252	-
Other Institutions and Organizations	38,539	-	31,149	-
Individuals	39,068	-	13,743	-
Foreign Transactions	**81**	**1,370,446**	**56**	**1,220,550**
Financial Institutions and Organizations	-	1,370,446	-	1,220,550
Other Institutions and Organizations	-	-	-	-
Individuals	81	-	56	-
Total	**94,544**	**1,370,446**	**68,200**	**1,220,550**

5.2.4 SECURITIES ISSUED

	TL		FC	
CURRENT PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	SHORT-TERM	MEDIUM AND LONG-TERM
Nominal	4,832,936	2,032,018	-	15,882,842
Cost	4,822,428	2,030,144	-	15,809,477
Carrying Value (*)	4,825,540	1,210,544	-	14,990,453

	TL		FC	
PRIOR PERIOD	SHORT-TERM	MEDIUM AND LONG-TERM	SHORT-TERM	MEDIUM AND LONG-TERM
Nominal	1,968,185	2,127,018	26,970	23,411,508
Cost	1,874,850	2,125,144	26,970	23,323,918
Carrying Value (*)	1,926,060	2,173,141	27,087	22,785,175

(*) The Bank and/or its financial subsidiaries repurchased the Bank's own TL securities with a total face value of TL 863,079 and foreign currency securities with a total face value of USD 206,943,000 (31 December 2018: USD 206,943,000) and netted off such securities in the accompanying consolidated financial statements.

(Thousands of Turkish Lira (TL))

5.2.5 INFORMATION ABOUT FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Securities Issued	-	14,342,293	-	12,312,230
Total	**-**	**14,342,293**	**-**	**12,312,230**

In accordance with TFRS 9, the Bank classified a part of borrowings obtained through securitisations amounting to USD 2,511,607,143 (31 December 2018: USD 2,484,345,238) as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch.

As of 31 December 2019, the accumulated fair value change of the related financial liability amounted to TL 725,306 (31 December 2018: TL 930,827) and the corresponding gain recognised in the statement of loss amounted to TL 205,521 (31 December 2018: TL 886,879). The carrying value of the related financial liability amounted to TL 14,342,293 (31 December 2018: TL 12,312,230).

5.2.6 DERIVATIVE FINANCIAL LIABILITIES

5.2.6.1 NEGATIVE DIFFERENCES ON DERIVATIVE FINANCIAL LIABILITIES MEASURED AT FVTPL

Information on negative differences on derivative financial liabilities measured at FVTPL classified in derivative financial liabilities is as follows;

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Forward Transactions	155,718	7,065	384,022	18,382
Swap Transactions	931,412	1,730,884	1,580,258	1,470,826
Futures	6	-	811	164
Options	113,327	105,537	329,799	253,305
Others	-	298	-	8,918
Total	**1,200,463**	**1,843,784**	**2,294,890**	**1,751,595**

5.2.6.2 DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING PURPOSE

Information on negative differences on derivative financial liabilities held for hedging purposes classified in derivative financial liabilities is as follows;

RISKTEN KORUNMA AMAÇLI TÜREV FINANSAL YÜKÜMLÜLÜKLER	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Fair Value Hedges	104,982	355,722	49,606	203,799
Cash Flow Hedges	639,826	94,888	191,814	18,458
Net Foreign Investment Hedges	-	-	-	-
Total	**744,808**	**450,610**	**241,420**	**222,257**

Please refer to Note 5.1.4.2 for financial liabilities resulted from derivatives held for hedging purpose.

5.2.7 FACTORING PAYABLES

None.

(Thousands of Turkish Lira (TL))

5.2.8 LEASE PAYABLES

5.2.8.1 FINANCIAL LEASE PAYABLES

None.

5.2.8.2 OPERATIONAL LEASE AGREEMENTS

	CURRENT PERIOD	
	TOTAL	NET
Less than 1 Year	383,053	247,396
Between 1-5 Years	846,977	550,604
Longer than 5 Years	547,238	336,770
Total	**1,777,268**	**1,134,770**

Asof 31 December 2019, the weighted average of the incremental borrowing interest rates applied to TL , EUR, USD and RON lease liabilities presented in the statement of financial position of the Group are 21.2%, 2.5%, 7% and 8% respectively.

5.2.9 PROVISIONS

The movement of reserve for employee severance indemnity classified in reserve for employee benefits line of Note 5.2.9.4 is presented as below:

5.2.9.1 RESERVE FOR EMPLOYEE SEVERANCE INDEMNITY

	CURRENT PERIOD	PRIOR PERIOD
Balances at Beginning of Period	**489,257**	**423,871**
Provision for the Period	142,503	101,135
Actuarial Gain/Loss	(4,293)	16,630
Payments During the Period	(69,182)	(52,379)
Balances at End of Period	**558,285**	**489,257**

5.2.9.2 PROVISIONS FOR FOREIGN EXCHANGE DIFFERENCES ON FOREIGN CURRENCY INDEXED LOANS AND FINANCIAL LEASE RECEIVABLES

None.

5.2.9.3 EXPECTED CREDIT LOSSES (STAGE 3) FOR NON-CASH LOANS THAT ARE NOT INDEMNIFIED OR CONVERTED INTO CASH

	CURRENT PERIOD	PRIOR PERIOD
Substandard Loans and Receivables - Limited Collectibility	52,031	115,890
Doubtful Loans and Receivables	186,431	31,789
Uncollectible Loans and Receivables	386,110	138,005
Total	**624,572**	**285,684**

5.2.9.4 OTHER PROVISIONS

	CURRENT PERIOD	PRIOR PERIOD
Reserve for Employee Benefits	1,246,661	1,127,102
Insurance Technical Provisions, Net	640,533	444,820
Provision for Promotion Expenses of Credit Cards	172,525	132,272
Provision for Lawsuits	488,730	348,002
Provision for Non-Cash Loans	1,214,480	654,657
Other Provisions (*)	2,763,444	2,662,659
Total	**6,526,373**	**5,369,512**

(*) Includes total general reserve of TL 2,500,000 (31 December 2018: 2,250,000) consisting of TL 250,000 (31 December 2018: TL 1,090,000) and TL 2,250,000 (31 December 2018: TL 1,160,000) recognized as expense in the current period and prior periods, respectively.

(Thousands of Turkish Lira (TL))

Recognized liability for defined benefit plan obligations

The Bank obtained an actuarial report dated 23 December 2019 from an independent actuary reflecting the principles and procedures on determining the application of transfer transactions in accordance with the Law and it is determined that the assets of the Plan are above the amount that will be required to be paid to transfer the obligation and the asset surplus amounts to TL 4,634,662 at 31 December 2019 as details are given in the table below.

Furthermore, an actuarial report was prepared as of 31 December 2019 as per the requirements of the Law explained in Note 3.17, the accounting policies related with "employee benefits" for the benefits transferable to the SSF and as per TAS 19 for other benefits not transferable to the SSF and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees. Based on the actuary's 23 December 2019 dated report, the asset surplus over the fair value of the plan assets to be used for the payment of the obligations also fully covers the benefits not transferable and still a surplus of TL 2,238,125 remains as of 31 December 2019 as details are given in the table below.

	31 DECEMBER 2019	31 DECEMBER 2018
Transferable Pension and Medical Benefits:		
Net present value of pension benefits transferable to SSF	(1,846,213)	(1,408,961)
Net present value of medical benefits and health premiums transferable to SSF	556,956	596,470
General administrative expenses	(64,962)	(52,481)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	**(1,354,219)**	**(864,972)**
Fair Value of Plan Assets (2)	**5,988,881**	**4,612,956**
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	**4,634,662**	**3,747,984**
Non-Transferable Benefits:		
Other pension benefits	(1,002,495)	(920,128)
Other medical benefits	(1,394,042)	(1,134,112)
Total Non-Transferable Benefits (4)	**(2,396,537)**	**(2,054,240)**
Asset Surplus over Total Benefits ((3)-(4))	**2,238,125**	**1,693,744**

Movement of recognized liability for asset shortage over the Bank's defined benefit plan

	31 DECEMBER 2019	31 DECEMBER 2018
Balance at Beginning of Period	-	-
Actual contributions paid during the period	(91,969)	(77,036)
Total expense recognized in the income statement	73,334	72,731
Amount recognized in the shareholders' equity	18,635	4,305
Balance at End of Period	-	-

The major actuarial assumptions used in the calculation of other benefits not transferable to SSF in compliance with TAS 19 are as follows:

	31 DECEMBER 2019	31 DECEMBER 2018
	%	%
Discount Rate (*)	12.50	16.30
Inflation Rate (*)	8.20	12.50
Future Real Salary Increase Rate	1.50	1.50
Medical Cost Trend Rate	12.40	16.70
Future Pension Increase Rate (*)	8.20	12.50

(*)The above rates are effective rates, whereas the rates applied for the calculation differ according to the employees' years in service.

(Thousands of Turkish Lira (TL))

The sensitivity analysis of defined benefit obligation of excess liabilities and retirement indemnities of the Bank are as follow:

DEFINED BENEFIT OBLIGATION	PENSION BENEFITS EFFECT	MEDICAL BENEFITS EFFECT	OVERALL EFFECT
Assumption change	**%**	**%**	**%**
Discount rate +1%	(12.30)	(17.00)	(15.00)
Discount rate -1%	15.40	22.80	19.70
Medical inflation +1%	-	22.60	13.10
Medical inflation -1%	-	(17.00)	(9.90)

RETIREMENT INDEMNITIES	SENSITIVITY OF PAST SERVICE LIABILITY	SENSITIVITY OF NORMAL COST
Assumption change	**%**	**%**
Discount rate +1%	(11.10)	(13.80)
Discount rate -1%	13.30	(17.00)
Inflation rate +1%	12.40	(3.70)
Inflation rate -1%	(11.40)	3.90

5.2.10 TAX LIABILITY

5.2.10.1 CURRENT TAX LIABILITY

5.2.10.1.1 TAX LIABILITY

As of 31 December 2019, the corporate tax liability amounts to TL 683,990 (31 December 2018: TL 132,546) after offsetting with prepaid taxes.

5.2.10.1.2 TAXES PAYABLE

	CURRENT PERIOD	PRIOR PERIOD
Corporate Taxes Payable	683,990	132,546
Taxation on Securities Income	190,677	162,703
Taxation on Real Estates Income	5,321	4,846
Banking Insurance Transaction Tax	209,765	229,702
Foreign Exchange Transaction Tax	10,997	100
Value Added Tax Payable	35,049	15,303
Others	101,866	88,430
Total	**1,237,665**	**633,630**

5.2.10.1.3 PREMIUMS PAYABLE

	CURRENT PERIOD	PRIOR PERIOD
Social Security Premiums-Employees	5,411	5,357
Social Security Premiums-Employer	3,438	3,372
Bank Pension Fund Premium-Employees	37	30
Bank Pension Fund Premium-Employer	37	30
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	1,752	1,446
Unemployment Insurance-Employer	3,586	2,986
Others	49	30
Total	**14,310**	**13,251**

(Thousands of Turkish Lira (TL))

5.2.10.2 DEFERRED TAX LIABILITY

As of 31 December 2019, the deferred tax liability amounts to TL 29,480 (31 December 2018: TL 19,121).

5.2.11 LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS

None.

5.2.12 SUBORDINATED DEBTS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Domestic Other Institutions	261,478	-	-	-
Foreign Banks	-	4,468,229	-	3,977,018
Foreign Other Institutions	-	-	-	-
Total	**261,478**	**4,468,229**	**-**	**3,977,018**

Disclosures on subordinated debts are reported in Note 4.1.2.

5.2.13 OTHER LIABILITIES

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Payables from credit card transactions	9,955,158	136,071	10,869,208	87,311
Payables from clearing transactions	2,978,282	74,119	3,780,969	59,285
Other	1,319,133	2,073,593	1,227,533	2,283,972
Total	**14,252,573**	**2,283,783**	**15,877,710**	**2,430,568**

5.2.14 SHAREHOLDERS' EQUITY

5.2.14.1 PAID-IN CAPITAL

	CURRENT PERIOD	PRIOR PERIOD
Common shares	4,200,000	4,200,000
Preference shares	-	-

5.2.14.2 REGISTERED SHARE CAPITAL SYSTEM

CAPITAL SYSTEM	PAID-IN CAPITAL	CEILING PER REGISTERED SHARE CAPITAL
Registered Shares	4,200,000	10,000,000

5.2.14.3 CAPITAL INCREASES IN CURRENT PERIOD

None.

5.2.14.4 CAPITAL INCREASES FROM CAPITAL RESERVES IN CURRENT PERIOD

None.

(Thousands of Turkish Lira (TL))

5.2.14.5 CAPITAL COMMITMENTS FOR CURRENT AND FUTURE FINANCIAL PERIODS

None.

5.2.14.6 POSSIBLE EFFECT OF ESTIMATIONS MADE FOR THE PARENT BANK'S REVENUES, PROFITABILITY AND LIQUIDITY ON EQUITY CONSIDERING PRIOR PERIOD INDICATORS AND UNCERTAINTIES

None.

5.2.14.7 INFORMATION ON PRIVILEGES GIVEN TO STOCKS REPRESENTING THE CAPITAL

None.

5.2.14.8 SECURITIES VALUE INCREASE FUND

Information on securities value increase fund classified as a part of income/expenses from valuation and/or reclassification of financial assets measured at FVOCI in the statement of changes in shareholders' equity, is as follows;

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Investments in Associates, Subsidiaries and Joint-Ventures	**-**	**-**	**-**	**-**
Valuation Difference	-	-	-	-
Exchange Rate Difference	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	**(40,429)**	**155,810**	**(799,094)**	**(238,765)**
Valuation Difference	(40,429)	155,810	(799,094)	(238,765)
Exchange Rate Difference	-	-	-	-
Total	**(40,429)**	**155,810**	**(799,094)**	**(238,765)**

5.2.14.9 REVALUATION SURPLUS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Movables	22,270	194,826	8,453	90,909
Real Estates	1,525,315	72,648	1,487,401	47,522
Gain on Sale of Investments in Associates and Subsidiaries and Real Estates allocated for Capital Increases	-	-	-	-
Other	(172,475)	-	(160,891)	-
Total	**1,375,110**	**267,474**	**1,334,963**	**138,431**

5.2.14.10 BONUS SHARES OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

	CURRENT PERIOD	PRIOR PERIOD
Kredi Kartları Bürosu AŞ	481	481
Garanti Ödeme Sistemleri AŞ	401	401
Doğuş Gayrimenkul Yatırım Ortaklığı AŞ	22	22
Yatırım Finansman Menkul Değerler AŞ	9	9
Total	**913**	**913**

(Thousands of Turkish Lira (TL))

5.2.14.11 LEGAL RESERVES

	CURRENT PERIOD	PRIOR PERIOD
I. Legal Reserve	1,092,170	1,074,438
II. Legal Reserve	507,264	507,264
Special Reserves	-	-
Total	**1,599,434**	**1,581,702**

5.2.14.12 EXTRAORDINARY RESERVES AND OTHER PROFIT RESERVES

	CURRENT PERIOD	PRIOR PERIOD
Legal Reserves allocated in compliance with the Decisions Made on the Annual General Assembly	38,013,495	31,396,271
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital	-	-
Total	**38,013,495**	**31,396,271**

5.2.14.13 MINORITY INTEREST

	CURRENT PERIOD	PRIOR PERIOD
Balance at Beginning of Period	**197,546**	**314,340**
Profit Share of Subsidiaries Net Profits	76,476	64,953
Prior Period Dividend Payment	(680)	(181,524)
Increase/(Decrease) in Minority Interest due to Sales	-	-
Others	568	(223)
Balance at End of Period	**273,910**	**197,546**

5.3 CONSOLIDATED OFF-BALANCE SHEET ITEMS

5.3.1 OFF-BALANCE SHEET CONTINGENCIES

5.3.1.1 IRREVOCABLE CREDIT COMMITMENTS

The Bank and its consolidated financial subsidiaries have term asset purchase and sale commitments of TL 15,882,503 (31 December 2018: TL 12,101,326), commitments for cheque payments of TL 3,184,727 (31 December 2018: TL 2,719,279) and commitments for credit card limits of TL 38,234,015 (31 December 2018: TL 32,542,906).

5.3.1.2 POSSIBLE LOSSES AND COMMITMENTS RESULTED FROM OFF-BALANCE SHEET ITEMS

	CURRENT PERIOD	PRIOR PERIOD
Letters of Guarantee in Foreign Currency	26,872,148	27,430,938
Letters of Guarantee in TL	23,555,242	22,742,832
Letters of Credit	10,676,483	14,685,922
Bills of Exchange and Acceptances	1,579,043	2,788,829
Prefinancings	-	-
Other Guarantees	74,179	66,907
Total	**62,757,095**	**67,715,428**

(Thousands of Turkish Lira (TL))

Expected losses for non-cash loans and irrevocable commitments

CURRENT PERIOD	STAGE 1	STAGE 2	STAGE 3	TOTAL
Balances at Beginning of Period	**123,751**	**245,225**	**285,681**	**654,657**
Additions during the Period (+)	309,983	457,568	342,817	1,110,368
Disposal (-)	(268,789)	(180,334)	(148,924)	(598,047)
Sales	-	-	-	-
Write-off	-	-	-	-
Transfer to Stage 1	92,434	(91,370)	(1,064)	-
Transfer to Stage 2	(25,400)	26,879	(1,479)	-
Transfer to Stage 3	(401)	(119,500)	119,901	-
Foreign Currency Differences	6,873	12,989	27,640	47,502
Balances at End of Period	**238,451**	**351,457**	**624,572**	**1,214,480**

PRIOR PERIOD	STAGE 1	STAGE 2	STAGE 3	TOTAL
Balances at Beginning of Period	**115,145**	**205,417**	**118,820**	**439,382**
Additions during the Period (+)	215,981	369,581	157,008	742,570
Disposal (-)	(325,023)	(202,021)	(60,410)	(587,454)
Sales	-	-	-	-
Write-off	-	-	-	-
Transfer to Stage 1	150,260	(135,371)	(14,889)	-
Transfer to Stage 2	(39,066)	47,408	(8,342)	-
Transfer to Stage 3	(752)	(81,092)	81,844	-
Foreign Currency Differences	7,206	41,303	11,650	60,159
Balances at End of Period	**123,751**	**245,225**	**285,681**	**654,657**

Lifetime expected credit loss (Stage 3) of TL 624,572 (31 December 2018: TL 285,681) is made for unliquidated non-cash loans of TL 1,544,164 (31 December 2018: TL 842,292) recorded under the off-balance sheet items.

The detailed information for commitments, guarantees and sureties are provided under the statement of "off-balance sheet items".

5.3.1.3 NON-CASH LOANS

	CURRENT PERIOD	PRIOR PERIOD
Non-Cash Loans against Cash Risks	11,045,938	12,434,212
With Original Maturity of 1 Year or Less	1,673,837	2,339,515
With Original Maturity of More Than 1 Year	9,372,101	10,094,697
Other Non-Cash Loans	51,711,157	55,281,216
Total	**62,757,095**	**67,715,428**

(Thousands of Turkish Lira (TL))

5.3.1.4 OTHER INFORMATION ON NON-CASH LOANS

	CURRENT PERIOD			
	TL	(%)	FC	(%)
Agriculture	**82,088**	**0.35**	**82,438**	**0.21**
Farming and Stockbreeding	57,843	0.24	71,349	0.18
Forestry	18,383	0.09	2,861	0.01
Fishery	5,862	0.02	8,228	0.02
Manufacturing	**6,260,335**	**26.46**	**19,436,019**	**49.71**
Mining and Quarrying	206,972	0.87	165,395	0.42
Production	3,979,058	16.82	12,962,588	33.15
Electricity, Gas, Water	2,074,305	8.77	6,308,036	16.13
Construction	**3,559,594**	**15.05**	**4,895,904**	**12.52**
Services	**11,603,232**	**49.05**	**12,030,732**	**30.77**
Wholesale and Retail Trade	7,574,284	32.02	4,744,647	12.13
Accomodation and Dining	508,837	2.15	437,836	1.12
Transportation and Telecommunication	939,459	3.97	2,414,923	6.18
Financial Institutions	1,989,264	8.41	4,065,094	10.40
Real Estate and Rental Services	361,873	1.53	253,606	0.65
Professional Services	-	-	-	-
Educational Services	48,806	0.21	1,756	0.00
Health and Social Services	180,709	0.76	112,870	0.29
Others	**2,150,323**	**9.09**	**2,656,430**	**6.79**
Total	**23,655,572**	**100.00**	**39,101,523**	**100.00**

	PRIOR PERIOD			
	TL	(%)	FC	(%)
Agriculture	**92,784**	**0.41**	**98,334**	**0.21**
Farming and Stockbreeding	78,863	0.35	86,784	0.19
Forestry	11,839	0.05	9,838	0.02
Fishery	2,082	0.01	1,712	-
Manufacturing	**6,402,123**	**28.06**	**23,375,005**	**52.06**
Mining and Quarrying	195,265	0.85	316,247	0.70
Production	4,110,566	18.02	16,499,405	36.75
Electricity, Gas, Water	2,096,292	9.19	6,559,353	14.61
Construction	**3,581,106**	**15.70**	**5,346,304**	**11.91**
Services	**11,281,804**	**49.45**	**14,529,746**	**32.36**
Wholesale and Retail Trade	6,971,975	30.56	7,039,982	15.68
Accomodation and Dining	435,652	1.91	621,394	1.38
Transportation and Telecommunication	847,939	3.72	2,095,880	4.67
Financial Institutions	2,580,794	11.31	4,401,708	9.80
Real Estate and Rental Services	231,402	1.01	253,998	0.57
Professional Services	-	-	-	-
Educational Services	48,133	0.21	1,586	-
Health and Social Services	165,909	0.73	115,198	0.26
Others	**1,455,698**	**6.38**	**1,552,524**	**3.46**
Total	**22,813,515**	**100.00**	**44,901,913**	**100.00**

(Thousands of Turkish Lira (TL))

5.3.1.5 NON-CASH LOANS CLASSIFIED UNDER GROUP I AND II:

CURRENT PERIOD	GROUP I		GROUP II	
	TL	FC	TL	FC
Non-Cash Loans	**20,778,770**	**35,247,709**	**2,544,787**	**2,840,202**
Letters of Guarantee	20,678,440	23,279,141	2,544,787	2,580,875
Bills of Exchange and Bank Acceptances	35,845	1,533,885	-	7,833
Letters of Credit	64,485	10,362,227	-	249,771
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	-	72,456	-	1,723

PRIOR PERIOD	GROUP I		GROUP II	
	TL	FC	TL	FC
Non-Cash Loans	**20,162,865**	**42,281,850**	**2,430,768**	**1,997,653**
Letters of Guarantee	20,093,217	24,969,336	2,430,533	1,852,536
Bills of Exchange and Bank Acceptances	22,460	2,755,966	235	8,050
Letters of Credit	47,188	14,489,641	-	137,067
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	-	66,907	-	-

5.3.2 FINANCIAL DERIVATIVE INSTRUMENTS

CURRENT PERIOD	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER	TOTAL
Derivative Financial Instruments held for Risk Management						
A. Total Derivative Financial Instruments held for Risk Management	**207,286**	**1,516,182**	**11,785,096**	**37,103,482**	**15,335,525**	**65,947,571**
Fair Value Hedges	-	678,102	1,869,214	7,967,628	10,928,014	21,442,958
Cash Flow Hedges	207,286	838,080	9,915,882	29,135,854	4,407,511	44,504,613
Net Foreign Investment Hedges	-	-	-	-	-	-
Trading Derivatives	**-**	**-**	**-**	**-**	**-**	**-**
Foreign Currency related Derivative Transactions (I)	**97,200,426**	**53,632,581**	**32,425,811**	**5,683,643**	**1,606,303**	**190,548,764**
Currency Forwards – Purchases	2,904,428	1,880,546	3,153,314	157,404	-	8,095,692
Currency Forwards – Sales	2,886,386	1,842,199	3,091,346	171,978	-	7,991,909
Currency Swaps – Purchases	43,219,380	21,251,093	9,755,852	1,903,604	741,615	76,871,544
Currency Swaps – Sales	39,490,564	21,412,012	9,929,830	1,881,587	864,688	73,578,681
Currency Options – Purchases	4,257,046	3,149,744	3,182,866	763,879	-	11,353,535
Currency Options – Sales	4,415,113	3,578,695	3,240,735	755,959	-	11,990,502
Currency Futures – Purchases	14,441	259,759	36,343	25,549	-	336,092
Currency Futures – Sales	13,068	258,533	35,525	23,683	-	330,809
Interest Rate related Derivative Transactions (II)	**336,068**	**332,016**	**9,615,576**	**15,905,078**	**52,316,021**	**78,504,759**
Interest Rate Swaps – Purchases	140,040	91,784	1,870,976	7,952,539	25,319,432	35,374,771
Interest Rate Swaps – Sales	140,040	91,784	1,870,976	7,952,539	25,319,432	35,374,771
Interest Rate Options – Purchases	-	-	4,971,964	-	1,677,157	6,649,121
Interes Rate Options – Sales	-	-	888,120	-	-	888,120
Securities Options – Purchases	21,084	58,396	8,400	-	-	87,880
Securities Options – Sales	34,904	60,448	5,140	-	-	100,492
Interest Rate Futures – Purchases	-	-	-	-	-	-
Interest Rate Futures – Sales	-	29,604	-	-	-	29,604
Other Trading Derivatives (III)	**4,074,028**	**693,099**	**159,893**	**3,950,269**	**11,101,510**	**19,978,799**
B. Total Trading Derivatives (I+II+III)	**101,610,522**	**54,657,696**	**42,201,280**	**25,538,990**	**65,023,834**	**289,032,322**
Total Derivative Transactions (A+B)	**101,817,808**	**56,173,878**	**53,986,376**	**62,642,472**	**80,359,359**	**354,979,893**

(Thousands of Turkish Lira (TL))

PRIOR PERIOD	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	5 YEARS AND OVER	TOTAL
Derivative Financial Instruments held for Risk Management						
A. Total Derivative Financial Instruments held for Risk Management	**1,493,893**	**2,625,613**	**7,401,282**	**35,043,632**	**16,948,813**	**63,513,233**
Fair Value Hedges	-	8,280	759,806	10,346,055	12,291,413	23,405,554
Cash Flow Hedges	1,493,893	2,617,333	6,641,476	24,697,577	4,657,400	40,107,679
Net Foreign Investment Hedges	-	-	-	-	-	-
Trading Derivatives	**-**	**-**	**-**	**-**	**-**	**-**
Foreign Currency related Derivative Transactions (I)	**119,672,087**	**22,637,453**	**54,080,417**	**9,439,469**	**478,463**	**206,307,889**
Currency Forwards – Purchases	4,778,628	2,597,978	3,890,219	1,043,574	-	12,310,399
Currency Forwards – Sales	4,866,469	2,603,462	3,880,671	1,153,259	-	12,503,861
Currency Swaps – Purchases	53,922,874	4,695,508	13,544,474	1,304,957	237,321	73,705,134
Currency Swaps – Sales	50,248,211	4,809,217	13,322,305	1,310,242	241,142	69,931,117
Currency Options – Purchases	2,524,903	3,377,420	9,077,849	2,298,392	-	17,278,564
Currency Options – Sales	2,678,573	3,525,312	10,238,365	2,329,045	-	18,771,295
Currency Futures – Purchases	318,386	488,316	66,768	-	-	873,470
Currency Futures – Sales	334,043	540,240	59,766	-	-	934,049
Interest Rate related Derivative Transactions (II)	**18,541**	**1,540,576**	**6,966,130**	**20,425,252**	**43,299,534**	**72,250,033**
Interest Rate Swaps – Purchases	4,680	727,298	770,193	7,137,572	20,699,734	29,339,477
Interest Rate Swaps – Sales	4,680	727,298	770,193	7,137,572	20,699,734	29,339,477
Interest Rate Options – Purchases	-	-	5,197,126	5,057,001	1,667,058	11,921,185
Interes Rate Options – Sales	-	-	228,124	1,093,107	233,008	1,554,239
Securities Options – Purchases	-	24,252	413	-	-	24,665
Securities Options – Sales	9,181	43,662	81	-	-	52,924
Interest Rate Futures – Purchases	-	-	-	-	-	-
Interest Rate Futures – Sales	-	18,066	-	-	-	18,066
Other Trading Derivatives (III)	**4,604,345**	**393,942**	**893,894**	**2,736,897**	**9,881,071**	**18,510,149**
B. Total Trading Derivatives (I+II+III)	**124,294,973**	**24,571,971**	**61,940,441**	**32,601,618**	**53,659,068**	**297,068,071**
Total Derivative Transactions (A+B)	**125,788,866**	**27,197,584**	**69,341,723**	**67,645,250**	**70,607,881**	**360,581,304**

5.3.3 CREDIT DERIVATIVES AND RISK EXPOSURES ON CREDIT DERIVATIVES

As of 31 December 2019, there are total return swaps of the Bank with a total face value of USD 2,511,607,143 (31 December 2018: USD 2,484,345,238) classified under "other derivative financial instruments", where the Bank is on the selling side of the protection.

5.3.4 CONTINGENT LIABILITIES AND ASSETS

The Bank and its consolidated financial affiliates made a total provision amounting to TL 488,730 (31 December 2018: TL 348,002) for the lawsuits filed by various customers and institutions which are likely to occur and for which cash outflow might be necessary, and disclosed it under Note 5.2.9.4, other provisions. There are various other lawsuits which are unlikely to occur and for which cash outflow is not expected to incur.

It is possible that the parent Bank or its consolidated financial affiliates may be required to provide additional collateral for the derivative transactions involved due to changes in certain financials indicators such as CDS levels, currency exchange rates, interest rates etc.

5.3.5 SERVICES RENDERED ON BEHALF OF THIRD PARTIES

The Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

(Thousands of Turkish Lira (TL))

5.4 CONSOLIDATED STATEMENT OF PROFIT OR LOSS

5.4.1 INTEREST INCOME

5.4.1.1 INTEREST INCOME FROM LOANS (*)

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Interest Income from Loans				
Short-term loans	10,167,361	860,747	9,539,785	704,695
Medium and long-term loans	16,499,113	5,707,374	14,842,536	5,526,575
Loans under follow-up	503,825	127,786	331,209	26,835
Premiums Received from Resource Utilization Support Fund	-	-		
Total	**27,170,299**	**6,695,907**	**24,713,530**	**6,258,105**

(*) Includes also fees and commissions income on cash loans.

5.4.1.2 INTEREST INCOME FROM BANKS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Central Bank of Turkey	10,979	165,825	34,572	113,408
Domestic Banks	325,094	49,001	214,980	38,540
Foreign Banks	5,936	298,373	13,100	215,199
Foreign Head Offices and Branches	-	-	-	-
Total	**342,009**	**513,199**	**262,652**	**367,147**

5.4.1.3 INTEREST INCOME FROM SECURITIES PORTFOLIO

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Financial Assets Measured at Fair Value through Profit or Loss	103,938	9,593	67,586	5,177
Financial Assets Measured at Fair Value through Other Comprehensive Income	2,286,211	498,177	3,582,978	562,148
Financial Assets Measured at Amortised Cost	2,483,331	277,661	3,834,360	209,505
Total	**4,873,480**	**785,431**	**7,484,924**	**776,830**

As disclosed in the accounting policies, the Bank values CPI-indexed government bonds in its securities portfolio according to the reference index on the issue date and the index that is calculated according to the expected inflation rate. The inflation rate used during the valuation is being updated during the year when it is considered necessary. As of 31 December 2019, the valuation of such securities was made according to annual inflation as of balance sheet date.

5.4.1.4 INTEREST INCOME RECEIVED FROM ASSOCIATES AND SUBSIDIARIES

	CURRENT PERIOD	PRIOR PERIOD
Interest Received from Investments in Associates and Subsidiaries	25,224	32,693

(Thousands of Turkish Lira (TL))

5.4.2 INTEREST EXPENSES

5.4.2.1 INTEREST EXPENSES ON FUNDS BORROWED (*)

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Banks	275,545	515,094	154,092	1,017,387
Central Bank of Turkey	-	4,672	-	1,912
Domestic Banks	122,706	75,575	63,237	76,760
Foreign Banks	152,839	434,847	90,855	938,715
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	1,008,496	-	793,553
Total	**275,545**	**1,523,590**	**154,092**	**1,810,940**

(*) Includes also fees and commissions expenses on borrowings.

5.4.2.2 INTEREST EXPENSES PAID TO ASSOCIATES AND SUBSIDIARIES

	CURRENT PERIOD	PRIOR PERIOD
Interest Paid to Investments in Associates and Subsidiaries	26,576	18,638

5.4.2.3 INTEREST EXPENSES ON SECURITIES ISSUED

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Interest Expenses on Securities Issued	1,049,102	1,601,424	1,013,827	1,375,078

5.4.2.4 MATURITY STRUCTURE OF INTEREST EXPENSE ON DEPOSITS

		TIME DEPOSITS						
CURRENT PERIOD	DEMAND DEPOSITS	UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	OVER 1 YEAR	ACCUMULATING DEPOSIT ACCOUNTS	TOTAL
Turkish Lira								
Bank Deposits	3,059	65,200	-	-	-	-	-	68,259
Saving Deposits	2,347	421,487	8,302,030	429,739	270,841	595,899	-	10,022,343
Public Sector Deposits	-	2,948	6,579	523	106	8	-	10,164
Commercial Deposits	298	1,335,174	1,606,867	79,599	81,946	186,794	-	3,290,678
Others	11	35,436	154,228	7,675	90,085	695,752	-	983,187
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Total TL	**5,715**	**1,860,245**	**10,069,704**	**517,536**	**442,978**	**1,478,453**	**-**	**14,374,631**
Foreign Currency								
Foreign Currency Deposits	21,787	215,367	1,396,566	120,225	138,699	225,963	441	2,119,048
Bank Deposits	-	5,162	846	3,910	9,342	8,959	-	28,219
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	23	244	129	6,813	-	7,209
Total FC	**21,787**	**220,529**	**1,397,435**	**124,379**	**148,170**	**241,735**	**441**	**2,154,476**
Grand Total	**27,502**	**2,080,774**	**11,467,139**	**641,915**	**591,148**	**1,720,188**	**441**	**16,529,107**

(Thousands of Turkish Lira (TL))

PRIOR PERIOD	DEMAND DEPOSITS	TIME DEPOSITS UP TO 1 MONTH	1-3 MONTHS	3-6 MONTHS	6-12 MONTHS	OVER 1 YEAR	ACCUMULATING DEPOSIT ACCOUNTS	TOTAL
Turkish Lira								
Bank Deposits	431	115,623	36	233	57	-	-	116,380
Saving Deposits	2,726	386,448	7,185,152	472,232	130,738	203,923	-	8,381,219
Public Sector Deposits	-	1,327	4,113	797	96	-	-	6,333
Commercial Deposits	180	1,158,340	1,432,293	85,415	51,504	172,675	-	2,900,407
Others	17	54,366	159,523	15,608	49,856	441,545	-	720,915
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Total TL	**3,354**	**1,716,104**	**8,781,117**	**574,285**	**232,251**	**818,143**	**-**	**12,125,254**
Foreign Currency								
Foreign Currency Deposits	54,567	184,960	1,527,120	95,687	200,970	521,231	657	2,585,192
Bank Deposits	-	21,005	1,410	2,671	7,388	7,817	-	40,291
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	28	48	38	5,184	-	5,298
Total FC	**54,567**	**205,965**	**1,528,558**	**98,406**	**208,396**	**534,232**	**657**	**2,630,781**
Grand Total	**57,921**	**1,922,069**	**10,309,675**	**672,691**	**440,647**	**1,352,375**	**657**	**14,756,035**

5.4.2.5 INTEREST EXPENSE ON MONEY MARKET TRANSACTIONS

	CURRENT PERIOD		PRIOR PERIOD	
	TL	FC	TL	FC
Interest Paid on Repurchase Agreements	25,012	18,837	1,006,927	8,090

5.4.2.6 LEASE EXPENSES

5.4.2.6.1 FINANCIAL LEASE EXPENSES

	CURRENT PERIOD	PRIOR PERIOD
Financial Lease Expenses	2,788	3,234

5.4.2.6.2 OPERATIONEL LEASE EXPENSES

	CURRENT PERIOD	PRIOR PERIOD
Operationel lease expenses	185,305	-

5.4.2.7 INTEREST EXPENSES ON FACTORING PAYABLES

None.

5.4.3 DIVIDEND INCOME

	CURRENT PERIOD	PRIOR PERIOD
Financial Assets Valued at Fair Value through Profit or Loss	2,291	3,903
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	1,287
Others	8,985	2,501
Total	**11,276**	**7,691**

(Thousands of Turkish Lira (TL))

5.4.4 TRADING INCOME/LOSSES (NET)

	CURRENT PERIOD	PRIOR PERIOD
Income	**133,364,923**	**163,742,329**
Trading Account Income	492,021	1,591,473
Derivative Financial Instruments	28,315,997	21,709,326
Foreign Exchange Gain	104,556,905	140,441,530
Losses (-)	**135,170,985**	**164,888,076**
Trading Account Losses	649,105	737,624
Derivative Financial Instruments	31,251,304	20,869,699
Foreign Exchange Losses	103,270,576	143,280,753
Total	**(1,806,062)**	**(1,145,747)**

TL 2,448,840 (31 December 2018: TL 2,845,451) of foreign exchange gains and TL (2,538,991) (31 December 2018: TL 3,469,698) of foreign exchange losses are resulted from the exchange rate changes of derivative transactions.

The Bank enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied fair value hedge accounting for the fixed rate eurobonds issued in 2011 with a total face value of USD 500,000,000 maturity of 10 years and maturity date of 20 April 2021 which were priced at 6.375% originally and had a coupon rate of 6.25%, by designating interest rate swaps with the same face values and terms. In June 2012, the Bank ceased to apply hedge accounting and accordingly fair value calculations for these bonds. The accumulated fair value differences incurred starting from the date of hedge accounting up to the date on which it was ceased, are amortized as per the effective interest-rate method in compliance with TFRS 9.

The Bank also enters into interest rate and cross currency swap agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied cash flow hedge accounting for funds borrowed amounting to USD 31,930,811 and EUR 23,684,211 and securitization borrowings amounting to EUR 48,963,151 by designating cross currency swaps with the same face values and terms and securitizations amounting to USD 552,276,424 and EUR 60,000,000 and deposits amounting to TL 8,300,000, USD 855,000,000 and forward EUR 350,000,0000 by designating interest rate swaps with the same face values. Accordingly, in the current period, gain of TL 19,136 (31 December 2018: TL 64,973) and losses of TL (623,240) (31 December 2018: TL 83,127) resulting from cross currency and interest rate swap were recognised under shareholders' equity, respectively.

The Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 396,278,180, USD 1,557,332 and EUR 245,564,425, for its fixed rate coupons with a total face value of TL 825,000 and USD 487,500,000 and fixed-rate coupons with a total face value of EUR 138,800,000 by designating interest rate swaps and cross currency swaps with the same face values and terms. Accordingly, the accumulated fair value gain for the hedged loans and bonds is TL 161,485 (31 December 2018: loss of TL 54,486) and TL 206,320 (31 December 2018: loss of TL 71,235) respectively. The part of the related amount that belongs to the current period is accounted for under net trading income/losses in the statement of profit or loss.

In the consolidated financial statements, the Bank applies cash flow hedge accounting by designating floating rate funds borrowed used by the one of the Bank's subsidiary with interest rate swap transactions of the Bank,in order to hedge the cash flow risk arising from fluctuations in market interest rates of these funds borrowed by the subsidiary, starting from 30 September 2019.In this respect, cash flow hedge accounting is applied for funds borrowed amounting to EUR 102,659,877 by designating interest rate swaps that include floor option with the same nominal value and interest rate swaps of USD 7,000,000 with the same nominal value and terms. In this respect, there is TL 334 amount accounted under shareholders'equity in the current period for interest rate swap transactions.

(Thousands of Turkish Lira (TL))

One of the Bank's consolidated subsidiaries enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the subsidiary applied fair value hedge accounting for fixed rate eurobonds with a total face value of USD 25,000,000 and EUR 20,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, the accumulated fair value gain for the hedged loans and bonds is TL 819 (31 December 2018: gain of TL 4,755). The part of the related amount that belongs to the current period is accounted for under net trading income/losses in the statement of profit or loss.

One of the Bank's consolidated subsidiaries enters into interest rate agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the subsidiary applied cash flow hedge accounting for its funds borrowed amounting to EUR 35,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a loss of TL 7,917 (31 December 2018: a loss of TL 2,818) resulting from interest rate swap agreements were recognised under shareholders' equity.

One of the Bank's consolidated subsidiaries enters into foreign currency derivative contracts to hedge the foreign currency risk of its expected future cash flows. In this respect, the subsidiary applied cash flow hedge accounting for its loans granted in Turkish Lira by designating swaps with the same face value amount and similar terms; TL 614,429,166 sell and EUR 83,326,487 buy, USD 77,844,000 sell and EUR 69,138,113 buy, SEK 19,341,615 sell and EUR 1,831,588 buy, PLN 339,890 sell and EUR 78,459 buy, HUF 1,200,000,000 sell and EUR 3,607,203 buy, DKK 21,421,150 sell and EUR 2,868,983 buy. Accordingly, in the current period, a loss of TL 8,848 (31 December 2018: a gain of TL 6,996) resulting from currency derivative contracts were recognized 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 value amount and similar terms; EUR 15,000,000 sell and TL 139,095,000 buy, USD 29,000,000 sell and TL 209,090,000 buy. Accordingly, in the current period, a loss of TL 5,622 (31 December 2018: a loss of TL 1,375) resulting from interest rate swap agreements and a gain of TL 23,386 (31 December 2018: a gain of TL 530) from currency derivative contracts were recognized under shareholder's equity.

5.4.5 OTHER OPERATING INCOME

The items under "other operating income" generally consists of collection or reversals of prior year expected credit loseses, banking services related costs recharged to customers and income on custody services.

In the current period, a part of non-performing receivables of the Bank's one of its consolidated subsidiaries amounting to TL 1,026,813 (31 December 2018: 353,750) were sold for a consideration of TL 70,566 (31 December 2018: 30,734). Considering the related provision of TL 1,025,129 (31 December 2018: 351,667) made in the financial statements, a gain of TL 68,882 (31 December 2018: 28,651) is recognized under "Other Operating Income".

	CURRENT PERIOD	PRIOR PERIOD
Prior Year Reversals	**4,166,567**	**2,464,810**
Stage 1	1,156,539	998,259
Stage 2	1,731,371	587,115
Stage 3	1,129,416	641,597
Others	149,241	237,839
Income from term sale of assets	**103,562**	**179,793**
Others (*)	**1,406,655**	**872,822**
Total	**5,676,784**	**3,517,425**

(*) Premium income from insurance business amounting to TL 1,037,739 (31 December 2018: TL 718,908) which is included in other operating income in the accompanying financial statements is presented in "others" line item.

(Thousands of Turkish Lira (TL))

5.4.6 EXPECTED CREDIT LOSSES AND OTHER PROVISIONS

	CURRENT PERIOD	PRIOR PERIOD
Expected Credit Losses	**11,491,709**	**9,257,780**
12-Month ECL (Stage 1)	1,567,920	1,062,942
Significant Increase in Credit Risk (Stage 2)	3,005,735	3,182,234
Impaired Credits(Stage 3)	6,918,054	5,012,604
Other Provisions	**855,943**	**1,578,466**
Impairment Losses on Securities	16,569	39,699
Financial Assets Measured at Fair Value through Profit or Loss	12,752	37,125
Financial Assets Measured at Fair Value through Other Comprehensive Income	3,817	2,574
Impairment Losses on Associates, Subsidiaries and Joint-ventures	-	20,832
Associates	-	-
Subsidiaries	-	20,832
Joint-ventures (business partnership)	-	-
Others	839,374	1,517,935
Total	**12,347,652**	**10,836,246**

5.4.7 OTHER OPERATING EXPENSES

	CURRENT PERIOD	PRIOR PERIOD
Reserve for Employee Termination Benefits	103,721	75,965
Defined Benefit Plan Obligations	-	-
Impairment Losses on Tangible Assets	24,104	3,975
Depreciation Expenses of Tangible Assets	400,186	339,986
Impairment Losses on Intangible Assets	328	-
Impairment Losses on Goodwill	-	-
Amortisation Expenses of Intangible Assets	140,883	127,014
Decrease in Value of Equity Accounting Shares	-	-
Impairment Losses on Assets to be Disposed	23,167	79,524
Depreciation Expenses of Right-of-use Assets	327,302	-
Impairment Losses on Assets Held for Sale and Discontinued Assets	1,578	-
Other Operating Expenses	3,816,051	3,632,622
Operational Lease related Expenses (*)	177,721	534,796
Repair and maintenance expenses	92,014	91,374
Advertisement expenses	183,420	225,277
Other expenses	3,362,896	2,781,175
Loss on Sale of Assets	9,273	7,119
Others (**)	1,274,492	857,502
Total	**6,121,085**	**5,123,707**

(*) Includes lease related expenses out of the scope of TFRS 16.
(**) Includes saving-deposits-insurance-fund related expenses of TL 456,362 (31 December 2018: TL 277,207) and insurance-business claim losses of TL 346,165 (31 December 2018: TL 169,307) in the current period.

(Thousands of Turkish Lira (TL))

5.4.8 INFORMATION ON PROFIT/LOSS BEFORE TAXES FROM CONTINUED AND DISCONTINUED OPERATIONS

TL 20,673,425 (31 December 2018: TL 20,876,933) of the profit before taxes is derived from net interest income and TL 6,273,573 (31 December 2018: TL 5,102,687) from net fees and commissions income. The total operating expenses amounted to TL 6,121,085 (31 December 2018: TL 5,123,707). The profit before taxes reached to TL 8,172,268 (31 December 2018: TL 8,753,758) decreasing by 6.64% (31 December 2018: 4.84%) as compared to the prior year.

There is no amount from discontinued operations.

5.4.9 INFORMATION ON PROVISION FOR TAXES FOR CONTINUED AND DISCONTINUED OPERATIONS

As of 31 December 2019, on a consolidated basis, the Bank recorded a current tax expense of TL 2,362,115 (31 December 2018: TL 1,806,595) and a deferred tax income of TL 431,237 (31 December 2018: TL 240,558 tax expense).

There is no amount from discontinued operations.

Deferred tax benefit/charge on timing differences

DEFERRED TAX (BENEFIT)/CHARGE ON TIMING DIFFERENCES	CURRENT PERIOD	PRIOR PERIOD
Increase in Tax Deductible Timing Differences (+)	(303,287)	(397,874)
Decrease in Tax Deductible Timing Differences (-)	202,528	179,226
Increase in Taxable Timing Differences (-)	89,916	471,944
Decrease in Taxable Timing Differences (+)	(420,394)	(12,738)
Total	**(431,237)**	**240,558**

Deferred tax benefit/charge in the income statement arising on timing differences, tax losses and tax deductions and exemptions

DEFERRED TAX (BENEFIT)/CHARGE ARISING ON TIMING DIFFERENCES, TAX LOSSES AND TAX DEDUCTIONS AND EXEMPTIONS	CURRENT PERIOD	PRIOR PERIOD
(Increase)/Decrease in Tax Deductible Timing Differences (net)	(72,195)	(234,253)
(Increase)/Decrease in Taxable Timing Differences (net)	(330,478)	459,206
(Increase)/Decrease in Tax Losses (net)	(28,564)	15,605
(Increase)/Decrease in Tax Deductions and Exemptions (net)	-	-
Total	**(431,237)**	**240,558**

5.4.10 NET OPERATING PROFIT/LOSS AFTER TAXES INCLUDING NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS

The Bank's net operating profit after taxes is TL 6,241,390 (31 December 2018: TL 6,706,605).
There is no amount from discontinued operations.

5.4.11 NET PROFIT/LOSS

5.4.11.1 ANY FURTHER EXPLANATION ON OPERATING RESULTS NEEDED FOR BETTER UNDERSTANDING OF BANK'S PERFORMANCE

None.

5.4.11.2 ANY CHANGES IN ESTIMATIONS THAT MIGHT HAVE A MATERIAL EFFECT ON CURRENT AND SUBSEQUENT PERIOD RESULTS

None.

(Thousands of Turkish Lira (TL))

5.4.11.3 MINORITY INTEREST'S PROFIT/LOSS

	CURRENT PERIOD	PRIOR PERIOD
Net Profit/(Loss) of Minority Interest	76,476	64,953

5.4.12 COMPONENTS OF OTHER ITEMS IN INCOME STATEMENT

The items in others under "Fees and commissions received" and "Fees and commissions paid" in the consolidated income statement include mainly fees and commissions related with credit card transactions and other banking services.

5.5 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

5.5.1 ANY INCREASES ARISING FROM APPLICATION OF ACCOUNTING FOR FINANCIAL INSTRUMENTS IN CURRENT PERIOD

5.5.1.1 INCREASES FROM VALUATION OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

None.

5.5.1.2 INCREASES DUE TO CASH FLOW HEDGES

The Bank enters into swap contracts to convert variable interest rates on its borrowings to fixed interest rates for cash flow hedging purposes. After netting with the related deferred tax effect, an decrease of TL 551,145 (31 December 2018: TL 32,154) is presented in the shareholders' equity for such hedges assessed as effective.

5.5.1.3 RECONCILIATION OF FOREIGN EXCHANGE DIFFERENCES AT BEGINNING AND END OF CURRENT PERIOD

As of 31 December 2019, an increase of TL 465,491 (31 December 2018: TL 1,161,002) that was resulted from the foreign currency translation of consolidated foreign affiliates performances, is presented under translation differences in the shareholders' equity.

5.5.2 ANY DECREASES ARISING FROM APPLICATION OF ACCOUNTING FOR FINANCIAL INSTRUMENTS

5.5.2.1 DECREASES FROM VALUATION OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As of 31 December 2019, an increase of TL 462,508 (31 December 2018: TL 1,117,217) resulted from the revaluation of financial assets measured at fair value through other comprehensive income at fair value after being netted with the related deferred tax liability effect and a gain of TL 186,760 (31 December 2018: TL 11,799) that was transferred to the income statement from "securities value increase fund" are presented as the current period movements in income / expenses from valuation and / or reclassification of financial assets measured at FVOCI in shareholders' equity.

5.5.2.2 DECREASES DUE TO CASH FLOW HEDGES

None.

(Thousands of Turkish Lira (TL))

5.5.3 TRANSFERS TO LEGAL AND EXTRAORDINARY RESERVES

	CURRENT PERIOD	PRIOR PERIOD
Transfers to Legal Reserves from Prior Year Profits	14,076	179,310
Transfers to Extraordinary Reserves from Prior Year Profits	6,627,576	4,835,262

5.5.4 ISSUANCE OF SHARE CERTIFICATES

Please refer to Note 5.2.14.3.

5.5.5 EFFECTS OF PRIOR YEARS' CORRECTIONS TO BEGINNING BALANCES OF CURRENT PERIOD

Please refer to Note 3.29.

5.5.6 COMPENSATION OF PRIOR PERIOD LOSSES

None (31 December 2018: TL None).

5.6 CONSOLIDATED STATEMENT OF CASH FLOWS

5.6.1 DISCLOSURES FOR "OTHER" ITEMS AND "EFFECT OF TRANSLATION DIFFERENCES CASH AND CASH EQUIVALENTS" IN STATEMENT OF CASH FLOWS

The net cash inflows arising from banking operations amount to TL 14,438,970 (31 December 2018: TL 15,291,463). TL 3,572,118 (31 December 2018: TL 4,836,686 cash inflows) of these net cash outflows is generated from the cash inflow resulted from the change in operating assets and liabilities and TL 18,011,088 (31 December 2018: TL 10,454,777) from the cash inflows resulted from operating profit. The "net increase (decrease) in other liabilities" under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to an decrease of TL 1,788,493 (31 December 2018: TL 4,842,351 increase). The net cash outflows from financing activities amount to TL 4,052,169 (31 December 2018: TL 2,214,086 net cash inflows).

The effect of translation differences on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 1,472,401 (31 December 2018: TL 1,423,512).

5.6.2 CASH OUTFLOWS FROM ACQUISITION OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

Please refer to Notes 5.1.10 and 5.1.11.

5.6.3 CASH INFLOWS FROM DISPOSAL OF ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES

None (31 December 2018: TL None).

5.6.4 CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD

	CURRENT PERIOD	PRIOR PERIOD
Cash on Hand	**4,072,788**	**2,847,903**
Cash in TL	1,562,395	1,297,568
Cash in Foreign Currency	2,510,393	1,550,335
Cash Equivalents	**33,624,816**	**12,104,609**
Others	33,624,816	12,104,609
Total	**37,697,604**	**14,952,512**

(Thousands of Turkish Lira (TL))

5.6.5 CASH AND CASH EQUIVALENTS AT END OF PERIOD

	CURRENT PERIOD	PRIOR PERIOD
Cash on Hand	**4,343,805**	**4,072,788**
Cash in TL	1,594,582	1,562,395
Cash in Foreign Currency	2,749,223	2,510,393
Cash Equivalents	**43,662,688**	**33,624,816**
Others	43,662,688	33,624,816
Total	**48,006,493**	**37,697,604**

5.6.6 RESTRICTED CASH AND CASH EQUIVALENTS DUE TO LEGAL REQUIREMENTS OR OTHER REASONS

The placements at foreign banks include blocked accounts amounting TL 2,818,396 (31 December 2018: TL 5,565,738) of which TL 2,657,254 (31 December 2018: TL 5,419,705) and TL 161,142 (31 December 2018: TL 146,033) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits.

Furthermore, there are restricted deposits at various domestic banks amounting TL 413,230 (31 December 2018: TL 418,844) as required for insurance activities.

The blocked account at the Central Bank of Turkey with a principal of TL 19,425,196 (31 December 2018: TL 13,158,116) is for the reserve deposits in foreign currency and gold against the Banks' liabilities in Turkish Lira, foreign currencies and gold. The Bank also keeps a collateral of EUR 600,000 (31 December 2018: EUR 1,350,000) at the Central Bank of Turkey for borrowing activities in TL money market.

5.6.7 ADDITIONAL INFORMATION

5.6.7.1 RESTRICTIONS ON THE BANK'S POTENTIAL BORROWINGS

None (31 December 2018: TL None).

5.6.7.2 CASH INFLOWS PRESENTING INCREASE IN BANKING ACTIVITY RELATED CAPACITY

None (31 December 2018: TL None).

(Thousands of Turkish Lira (TL))

5.7 RELATED PARTY RISKS

5.7.1 TRANSACTIONS WITH PARENT BANK'S RISK GROUP;

5.7.1.1 LOANS AND OTHER RECEIVABLES

CURRENT PERIOD

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
LOANS AND OTHER RECEIVABLES	**CASH**	**NON-CASH**	**CASH**	**NON-CASH**	**CASH**	**NON-CASH**
Balance at beginning of period	300,597	5,024	116,428	954,272	147,203	36,351
Balance at end of period	192,177	4,064	38,598	1,003,750	28,717	45,561
Interest and Commission Income	**28,972**	**7**	**10,351**	**-**	**7,384**	**94**

PRIOR PERIOD

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
LOANS AND OTHER RECEIVABLES	**CASH**	**NON-CASH**	**CASH**	**NON-CASH**	**CASH**	**NON-CASH**
Balance at beginning of period	84,052	3,530	1,398,195	1,548,939	2,710,219	896,963
Balance at end of period	300,597	5,024	116,428	954,272	147,203	36,351
Interest and Commission Income (*)	**22,848**	**7**	**18,955**	**189**	**223,548**	**6,745**

(*) Doğuş Group Companies have not been considered as related party, as they do not meet the required criteria under TAS 24 Related Party Disclosures standard. The interest and commissions received due to the transactions with these companies between the dates 1 January 2018 - 20 December 2018 are included in the related party disclosures.

5.7.1.2 DEPOSITS

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
DEPOSITS	**CURRENT PERIOD**	**PRIOR PERIOD**	**CURRENT PERIOD**	**PRIOR PERIOD**	**CURRENT PERIOD**	**PRIOR PERIOD**
Balance at beginning of period	134,824	97,361	109,448	375,171	107,483	409,424
Balance at end of period	137,563	134,824	133,851	109,448	107,955	107,483
Interest Expenses (*)	**26,576**	**18,638**	**467**	**6,005**	**6,574**	**41,104**

(*) Doğuş Group Companies have not been considered as related party, as they do not meet the required criteria under TAS 24 Related Party Disclosures standard. The interest paid due to the transactions with these companies between the dates 1 January 2018 - 20 December 2018 are included in the related party disclosures.

(Thousands of Turkish Lira (TL))

5.7.1.3 DERIVATIVE TRANSACTIONS

BANK'S RISK GROUP	ASSOCIATES, SUBSIDIARIES AND JOINT-VENTURES		BANK'S DIRECT AND INDIRECT SHAREHOLDERS		OTHER COMPONENTS IN RISK GROUP	
	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
TRANSACTIONS AT FAIR VALUE THROUGH PROFIT/(LOSS)						
Balance at beginning of period	34,363	7,239	33,860,021	39,433,377	9,479	792,918
Balance at end of period	116,223	34,363	23,854,032	33,860,021	-	9,479
Total Profit/(Loss)	**542**	**45**	**(72,707)**	**(53,256)**	**-**	**(6,001)**
Transactions for Hedging						
Balance at beginning of period	-	-	1,004,943	1,037,356	-	-
Balance at end of period	-	-	643,552	1,004,943	-	-
Total Profit/(Loss)	**-**	**-**	**1,272**	**(339)**	**-**	**-**

Based on the decision of the Banking Regulation and Supervision Agency dated 22 June 2018 and numbered 7855, the special purpose entity and Türk Telekom A.Ş. have not been included in the risk group in accordance with the articles 3 and 49 of the Banking Law No. 5411.

5.7.2 BANK'S RISK GROUP

5.7.2.1 RELATIONS WITH COMPANIES IN RISK GROUP OF/OR CONTROLLED BY THE BANK REGARDLESS OF NATURE OF CURRENT TRANSACTIONS

Transactions with the risk group, are held under arm's-length conditions; terms are set according to the market conditions and in compliance with the Banking Law. The Bank's policy is to keep the balances and transaction volumes with the risk group at reasonable levels preventing any high concentration risk on balance sheet.

5.7.2.2 CONCENTRATION OF TRANSACTION VOLUMES AND BALANCES WITH RISK GROUP AND PRICING POLICY

The cash loans of the risk group amounting TL 147,011 (31 December 2018: TL 4,329,526) compose 0.05% (31 December 2018: 1.69%) of the Bank's total consolidated cash loans and 0.03% (31 December 2018: 1.08%) of the Bank's total consolidated assets. The total loans and similar receivables amounting TL 259,492 (31 December 2018: TL 564,228) compose 0.06% (31 December 2018: 0.14%) of the Bank's total consolidated assets. The non-cash loans of the risk group amounting TL 1,053,375 (31 December 2018: TL 995,647) compose 1.68% (31 December 2018: 1.47%) of the Bank's total consolidated non-cash loans. The deposits of the risk group amounting TL 379,369 (31 December 2018: TL 351,755) compose 0.14% (31 December 2018: 0.14%) of the Bank's total consolidated deposits. There are no funds borrowed by the Bank and its consolidated financial subsidiaries from their risk group of the Bank's total consolidated funds borrowed. The pricing in transactions with the risk group companies is set on an arms-length basis.

A total rent income of TL 5,415 (31 December 2018: TL 4,311) was recognized for the real estates rented to the related parties.

Operating expenses for TL 414 (31 December 2018: TL 5,068) as of 31 December 2019 were incurred for the IT services rendered by the related parties. Other income of TL 3,905 (31 December 2018: TL 4,336) for the IT services rendered and banking services fee income of TL 12,513 (31 December 2018: TL 42,618) were recognized from the related parties.

There are no operating expenses for advertisement and broadcasting services (31 December 2018: TL 115) and travelling services (31 December 2018: TL 23,983). Operating expenses of TL 66,569 (31 December 2018: TL 53,736) for operational leasing services rendered by the related parties were recognized as expenses.

Including the payments related to resigners, the net payment provided or to be provided to the key management of the Bank and its consolidated financial subsidiaries amounts to TL 132,363 as of 31 December 2019 (30 September 2018: TL 134,010).

(Thousands of Turkish Lira (TL))

5.7.2.3 OTHER MATTERS NOT REQUIRED TO BE DISCLOSED

None.

5.7.2.4 TRANSACTIONS ACCOUNTED FOR UNDER EQUITY METHOD

None.

5.7.2.5 ALL KIND OF AGREEMENTS SIGNED LIKE ASSET PURCHASES/SALES, SERVICE RENDERING, AGENCIES, LEASING, RESEARCH AND DEVELOPMENT, LICENSES, FUNDING, GUARANTEES, MANAGEMENT SERVICES

The Bank has agency contracts with Garanti Yatırım Menkul Kıymetler AŞ and Garanti Emeklilik ve Hayat AŞ. Accordingly, all the branches of the Bank serve as agencies to sell the insurance products to customers. Agency services for trading of securities on behalf of the Bank's customers are rendered by specialized branches (Investment Centers).

Purchase of equipments for internal use are partly arranged through financial leasing.

5.8 DOMESTIC, FOREIGN AND OFF-SHORE BRANCHES OR EQUITY INVESTMENTS, AND FOREIGN REPRESENTATIVE OFFICES OF PARENT BANK

5.8.1 DOMESTIC AND FOREIGN BRANCHES AND REPRESENTATIVE OFFICES OF PARENT BANK

	PARENT BANK				
	NUMBER OF BRANCHES	NUMBER OF EMPLOYEES			
DOMESTIC BRANCHES	904	18,657	COUNTRY		
FOREIGN REPRESENTATIVE OFFICES	1	1	1- Germany		
	1	1	2- China		
				TOTAL ASSETS	LEGAL CAPITAL
FOREIGN BRANCHES	1	14	1- Malta	26,820,236	-
	7	111	2- KKTC	3,571,210	80,000

5.8.2 OPENING OR CLOSING OF DOMESTIC AND FOREIGN BRANCHES AND REPRESENTATIVE OFFICES AND SIGNIFICANT CHANGES IN ORGANISATIONAL STRUCTURE OF PARENT BANK

In 2019, 2 domestic branches were opened and 24 branches were closed. (In 2018, 16 domestic branches were opened and 27 branches were closed.)

5.8.3 INFORMATION ON CONSOLIDATED FINANCIAL SUBSIDIARIES OF PARENT BANK

	GARANTI BANK INTERNATIONAL NV				
	NUMBER OF BRANCHES	NUMBER OF EMPLOYEES	COUNTRY		
FOREIGN REPRESENTATIVE OFFICES	1	13	1- Turkey		
	1	-	2- Switzerland		
				TOTAL ASSETS	LEGAL CAPITAL
HEAD OFFICE-THE NETHERLANDS			1- Netherlands	23,478,107	EUR 136,836,000
FOREIGN BRANCHES	1	18	2- Germany	572,649	-

	GARANTİ BANK SA				
	NUMBER OF BRANCHES	NUMBER OF EMPLOYEES	COUNTRY	TOTAL ASSETS	LEGAL CAPITAL
ROMANIA HEAD OFFICE AND BRANCHES	75	1,031	Romania	15,199,153	RON 1,208,086,946

(Thousands of Turkish Lira (TL))

Other consolidated foreign financial subsidiaries

	NUMBER OF EMPLOYEES	COUNTRY	TOTAL ASSETS	LEGAL CAPITAL
GARANTI HOLDING BV	-	Netherlands	2,262,044	EUR 385,388,600
G NETHERLANDS BV	-	Netherlands	2,243,911	EUR 120,682,821
MOTORACTIVE IFN SA	80	Romania	1,180,454	RON 40,138,655
RALFI IFN SA	154	Romania	835,626	RON 10,661,500

Consolidated domestic financial subsidiaries

	NUMBER OF EMPLOYEES	TOTAL ASSETS	LEGAL CAPITAL
GARANTİ FİNANSAL KİRALAMA AŞ	102	4,948,377	350,000
GARANTİ FAKTORİNG AŞ	129	2,201,627	79,500
GARANTİ EMEKLİLİK VE HAYAT AŞ	743	2,170,857	50,000
GARANTİ YATIRIM MENKUL KIYMETLER AŞ	298	667,150	8,328
GARANTİ PORTFÖY YÖNETİMİ AŞ	42	147,560	25,000
GARANTİ YATIRIM ORTAKLIĞI AŞ	9	42,583	35,000

5.9 MATTERS ARISING SUBSEQUENT TO THE BALANCE SHEET DATE

The Bank recorded JCR Avrasya Derecelendirme Anonim Şirketi as non-financial subsidiary on 17 January 2020 based on the share transfer agreement.

6 OTHER DISCLOSURES ON ACTIVITIES

6.1 INFORMATION ON INTERNATIONAL RISK RATINGS

6.1.1 PARENT BANK'S INTERNATIONAL RISK RATINGS

MOODY'S (JUNE 2019)

Outlook	Negative
Long Term FC Deposit	B3(Negative)
Long Term TL Deposit	B2(Negative)
Short Term FC Deposit	Not Prime
Short Term TL Deposit	Not Prime
Basic Loan Assessment	b3
Adjusted Loan Assessment	b3
Long Term National Scale Rating (NSR)	A1.tr
Short Term NSR	TR-1

FITCH RATINGS (NOVEMBER 2019)

Long Term FC	B+ / Stable Outlook
Short Term FC	B
Long Term TL	BB-/ Stable Outlook
Short Term TL	B
Financial Capacity	b+
Support	4
NSR	AA(tur)
Long Term National Scale Rating (NSR)	Stable
Senior Unsecured Long Term Notes	B+
Senior Unsecured Short Term Notes	B
Subordinated Notes	B

JCR EURASIA RATINGS (JUNE 2019)

International FC Outlook	Negative
Long Term International FC	BBB(Negative)
Short Term International FC	A-3(Negative)
International TL Outlook	Negative
Long Term International TL	BBB+ (Negative)
Short Term International TL	A-2(Negative)
Long Term NSR	AAA(Trk)(Stable)
Short Term NSR	A-1+(Trk)(Stable)
Independency from Shareholders	A
Support	1

6.1.2 INTERNATIONAL RISK RATINGS OF GARANTI BANK INTERNATIONAL NV, A CONSOLIDATED SUBSIDIARY

MOODY'S (JUNE 2019) (*)

Long Term FC Deposit	Ba1
Short Term FC Deposit	NP
Baseline Credit Assessment	ba2
Adjusted Baseline Credit Assessment	ba1
Outlook	Negative
Long Term Counterparty Risk Assessment	Baa2(cr)
Short Term Counterparty Risk Assessment	P-2(cr)
Long Term Counterparty Risk Rating	Baa3
Short Term Counterparty Risk Rating	P-3

(*) Latest date in risk ratings or outlooks

6.1.3 INTERNATIONAL RISK RATINGS OF GARANTI FAKTORING, A CONSOLIDATED SUBSIDIARY

FITCH RATINGS (NOVEMBER 2019) (*)

Foreign Currency	
Long Term	B+
Short Term	B
Outlook	Stable
Turkish Lira	
Long Term	BB-
Short Term	B
Outlook	Negative
National	AA (tur)
Outlook	Stable
Support	4

(*) Latest date in risk ratings or outlooks

6.1.4 INTERNATIONAL RISK RATINGS OF GARANTI FINANSAL KIRALAMA, A CONSOLIDATED SUBSIDIARY

FITCH RATINGS (NOVEMBER 2019) (*)

Foreign Currency	
Long Term	B+
Short Term	B
Outlook	Stable
Turkish Lira	
Long Term	BB-
Short Term	B
Outlook	Stable
National	AA (tur)
Outlook	Stable
Support	4

(*) Latest date in risk ratings or outlooks

(Thousands of Turkish Lira (TL))

6.1.5 INTERNATIONAL RISK RATINGS OF GARANTI BANK SA, A CONSOLIDATED SUBSIDIARY

FITCH RATINGS (AUGUST 2019) (*)

Foreign Currency	
Long - Term IDR	BB-
Short - Term IDR	B
Support Rating	4
Viability Rating	bb-
Outlook	Stable

(*) Latest date in risk ratings or outlooks

6.2 DIVIDENDS

As per the decision made at the annual general assembly of shareholders of the parent Bank on 4 April 2019, the distribution of the net profit of the year 2018, was as follows;

2018 PROFIT DISTRIBUTION TABLE	
2018 Net Profit	**6,638,236**
A – I. Legal reserve (Turkish Commercial Code 519/1) at 5%	-
Undistributable funds	(6,416)
B – First dividend at 5% of the paid-in capital	-
C – Extraordinary reserves at 5% after above deductions	(331,912)
D – Second dividend to the shareholders	-
E – Extraordinary reserves	(6,299,908)
F – II. Legal reserve (Turkish Commercial Code 519/2)	-

6.3 OTHER DISCLOSURES

None (31 December 2018: None).

7 INDEPENDENT AUDITORS' REPORT

7.1 DISCLOSURE ON INDEPENDENT AUDITORS' REPORT

The consolidated financial statements of the Bank and its financial subsidiaries as of 31 December 2019, have been audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member of KPMG International Cooperative) and the independent auditors' report dated 30 January 2020, is presented before the accompanying consolidated financial statements.

7.2 DISCLOSURES AND FOOTNOTES PREPARED BY INDEPENDENT AUDITORS

None.

APPENDIX

APPENDIX A.1: REPORTING GUIDELINES FOR THE NON-FINANCIAL DISCLOSURES

This section is the guidelines applied for the indicators in scope of limited assurance as explained in the table below. The data reported for each indicator is for the year ended on December 31, 2019. The reporting covers Garanti BBVA's operations in Turkey, including Garanti Payment Systems, Garanti BBVA Mortgage and Garanti BBVA Technology, unless specifically mentioned in the relevant indicator definition. The operational control approach was chosen for the reporting scope.

INDICATOR	GUIDANCE NOTES
Materiality Analysis	Our Materiality Analysis is based on two key criteria. First phase is desk study, where we gathered the available information shaped by the opinions of all our key internal and external stakeholders, and studied the trends, sectoral reports, reports of global banks, and advice by international professional organizations such as the UN Environment Program Finance Initiative (UNEP FI), Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB). On another front, we identified the topics taking into consideration the outputs from the task force that included the Strategic Planning and Responsible Banking Unit at the BBVA Group. Then as a second phase, we conducted a comprehensive stakeholder analysis by reaching all key stakeholder groups via questionnaires and phone calls to gather their opinion. AA1000SE Stakeholder Engagement Standard (2015) was used as a reference to conduct the stakeholder engagement process. Each relevant topic was evaluated through a four-step assessment called "Four Factor Impact Analysis". Assurance indicator for this topic is the issues assessed as material to the Bank based on the Bank's methodology for materiality and the feedback received from the Bank's main stakeholder groups. For details, please see Our Material Matters section on pages 42.
Sustainability Governance	Sustainability Governance at Garanti BBVA is mentioned in the Risk Management section on page 167. Sustainability Governance refers to the policies and mechanisms in place for decision-making on economic, environmental and social impacts. Sustainability Governance is reported following the guidance in GRI 102-18, 102-19, 102-20
Total Yearly Energy Consumption by Source	This indicator is defined as the energy consumption from fossil fuel sources for heating, generators, leased vehicle fleet in commercial use, and purchased electricity by Garanti BBVA's operations (Headquarters, service buildings, branches and ATMs) in Turkey. Universal energy conversion factors provided by the IPCC are used to convert source data in cubic meters, litres and tonnes to MWh. Total Energy consumption is reported following the guidance in GRI 302-1 Energy consumption within the organization and can be found in Appendix A.3: Environmental Performance Data.
Total Yearly Water Consumption by Source	This indicator is defined as the total water consumption mainly coming from municipality by Garanti BBVA's operations Turkey. Reported following the guidance in GRI 303-3 (2018) Total water withdrawal by source in the Appendix A.3: Environmental Performance Data.
Total Yearly Waste Generated Recycled hazardous waste Recycled non-hazardous waste	Hazardous recycled waste (i.e. cartridges and batteries), are collected centrally by TAP (Portable Battery Producers and Importers Association) and HP (Hewlett Packard Enterprise). The total weight of these are calculated based on the data received from these two organizations. Since there is no central collection system for the non-hazardous recycled waste (i.e. paper, plastic, etc.), we rely on an assumption based on waste generation from Garanti BBVA's Headquarters Building. In 2019, the total recycled non-hazardous waste collected from our headquarters building was calculated as 39,758 kg based on the statement provided from Beşiktaş Municipality. Monthly totals of Headquarters building occupants were used to calculate the average monthly recycled non-hazardous waste generation per person. The average of these monthly figures was taken to calculate the annual non-hazardous recycled waste generation per person (20 kg). The total yearly amount of non-hazardous recycled waste collected from all buildings in the scope was estimated by multiplying the unit waste generation with the total number of employees present in all buildings. Please see Appendix A.3: Environmental Performance Data.

Total Yearly GHG Emissions in tCO_2e reported under scope 1 and 2 of the GHG Protocol (2015)	This indicator is defined as the GHG emissions (CO_2, CH4 and N_2O and f-gases) from energy consumption from fossil fuel sources for heating, generators, leased vehicle fleet in commercial use and refrigerants for Scope 1, and purchased electricity by Garanti BBVA's operations in Turkey (Headquarters, service buildings, branches and ATMs) for Scope 2. IPCC Fifth Assessment Report factors are used for global warming potentials and emission factors. Grid Emission Factor is calculated based on the most recent data available by TEİAŞ for 2018. GHG emissions are reported following the guidance in GRI 305-1 Direct greenhouse gas (GHG) emissions (Scope 1), GRI 305-2 Energy indirect greenhouse gas (GHG) emissions (Scope 2) and the GHG Protocol - Location-based approach and can be found in Appendix A.3: Environmental Performance Data.
Total Yearly GHG emissions from business air travel – Scope 3 & Air Travel in Kilometres	Scope 3 emissions related to business air travel by Garanti BBVA employees is reported following the guidance in GRI 305-3 and the GHG Protocol (2015). Average passenger DEFRA 2019 emission factors (without RF) are used for air travel emissions calculations. Flights are classified as Short Haul (less than 500 km), Medium Haul (between 500 km and 1,600 km), and Long Haul (over 1,600). Please see Appendix A.3: Environmental Performance Data.
GHG Emissions Intensity in the Reporting Period	Total Scope 1 and Scope 2 GHG emissions divided by total assets of the Bank as of calendar year end in billion TL terms. The total assets are based on the Bank's audited financial statements. Reported following the guidance in GRI 305-4 and can be found in Appendix A.3: Environmental Performance Data.
Annual percentage change in GHG Emission Intensity	The percentage change in the GHG Emissions Intensity compared to the previous year's GHG emissions intensity. The total assets are based on the Bank's audited financial statements. Reported following the guidance in GRI 305-4 and can be found in Appendix A.3: Environmental Performance Data.
Total Yearly Avoided Emissions due to operational renewable energy projects under loan from Garanti BBVA	Emissions avoided by the electricity generation based on the operational capacity of solar, wind and hydropower plants during the reporting period are calculated. The projects Garanti BBVA has participated in financing which were operational in the reporting period are taken into consideration for the calculations. Grid Emission Factor is calculated based on the most recent data available by TEİAŞ for 2018. Please see Responsible and Sustainable Development Section, pages 132.
E&S Impact Assessment Process related to projects financed by Garanti BBVA • # of assessed projects in 2019 • Risk rating of the assessed projects in 2019 • # of project site visits conducted in 2019	The Bank has an internal methodology based on international good practice for environmental and social risk assessment. Please see Risk Management section on page 167. Detailed information on the Environmental and Social Impact Assessment Process (ESIAP) is available on Garanti BBVA Sustainability website. The assurance indicators in the scope include; - the total number of projects that were subjected to ESIAP in the reporting period - risk ratings of the projects that were subjected to the ESIAP project in the reporting period - total number of site visits conducted as per ESIAP purposes in the reporting period The project list includes both projects in and out of scope of the ESIAP. Out of scope projects are subjected to ESIAP voluntarily. The number of projects until 2017 has been re-stated due to the following two methodological changes. 1) The project list includes only financed projects, whereas all projects subjected to ESIAP were included in previous years. 2) The number of projects are calculated based on a new project definition. In this definition, some additional criteria such as sector, type of project (greenfield/brownfield), geographical location are taken into consideration. This change increases the number of projects, as previously several projects under the same agreement were considered as one whereas currently they are counted separately. https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/material-issues/environmental-and-social-risk-management/

Renewable Energy Portfolio • Amount of investments in renewable energy projects by type as of the reporting period end. • Installed capacity of renewable energy projects by type as of the reporting period end. • Garanti BBVA's market share of operational installed wind capacity in Turkey as of the reporting period end	Amount of investments in renewable energy projects by type as of the reporting period end. Installed capacity of renewable energy projects by type as of the reporting period end. Garanti BBVA's market share of operational installed wind capacity in Turkey as of the reporting period end. The loan amounts committed, the installed capacity of renewable energy projects that were signed by Garanti BBVA and Garanti BBVA's market share of operational installed wind capacity in Turkey as of the reporting period end. For the market share of operational installed wind capacity calculations the total installed capacity of wind energy projects in Turkey are taken from the General Directorate of Energy Affairs website (http://www.eigm.gov.tr/tr-TR/Sayfalar/Enerji-Yatirimlari). Garanti BBVA's share in installed capacity in a project is calculated by multiplying Garanti BBVA's share in the committed loan amount with the total installed capacity of a project.
Cardless Transactions from Garanti BBVA ATMs • Total number of cardless transaction from Garanti BBVA ATMs in the reporting period • Total volume of cardless transactions from Garanti BBVA ATMs in the reporting period	Total number of cardless transaction from Garanti BBVA ATMs in the reporting period Total volume of cardless transactions from Garanti BBVA ATMs in the reporting period For the number and the total volume of the cardless transactions from Garanti BBVA ATMs, Garanti BBVA's Northern Cyprus Turkish Republic operations are also included within the scope of disclosure. For the volume calculations, realtime TL equivalents of the transactions in foreign currencies are taken into consideration and the total volume of the cardless transactions is disclosed in TL.
Community Investments • Total monetary amount of community investments in the reporting period	Community Investments refer to the total monetary amount, including VAT, contributed to programmes which create social impact and aligned with the bank's business strategy and the stakeholder's priorities. The programmes are based on a shared value principle by Garanti BBVA's internal 'Sponsorship and Corporate Responsibility Policy'. The total monetary amount contributed to these community investments in the reporting period is disclosed under this indicator. Please see the Responsible and Sustainable Development section, page 132.
Women employee ratio: - Senior+Middle Management - Total Women Employees • # of maternity leaves • # of paternity leaves • Ratio of women employees returned to work after maternity leave • # of employees registered to Gender Equality trainings in 2019 • # of employees attended the Female Leadership Trainings in 2019	In the calculations of women employee ratios monthly average values of the reporting period is taken into consideration. Senior management includes the CEO and the EVPs. Middle management includes Regional Manager, Credit Regional Manager, Director, Branch Manager, Manager and Consultant. The number of maternity leaves is defined as the female employees who took maternity leaves in the reporting period. The number of paternity leaves is defined as the male employees who took paternity leaves in the reporting period. The ratio of women employees returned to work after maternity leave is defined as the female employees who used maternity leave and were still working at Garanti BBVA after their maternity leaves as of the reporting period end, and calculated & reported for the previous year instead of the reporting period in order to capture the most accurate data on returns. Includes the Female Leadership Trainings developed in collaboration with UN Women, which was offered to women branch managers, regional managers, regional credit managers, SVPs, and managers and the Gender Equality Training Program developed by Garanti BBVA and focuses on the gender roles imposed by the society and their effects on the work environment, and compulsory for all Garanti BBVA employees. For further details please see Investing in Human Capital section on page 122.
Absentee Rate	The total lost working days in the reporting period were collected on the basis of medical reports of sickness leave and injuries, which were submitted to the Bank's system as of 17.02.2020, divided by total working days. For detail information, please see Investing in Human Capital section on page 122 and Social Performance Data stated in Garanti BBVA Investor Relations web site. https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/material-issues/social-performance-data/
Number of Clients • # of total customers • # of digital banking customers • # of mobile banking customers	Total customers are defined as the number of customers who have at least 1 open product as of the end of reporting period. Number of digital banking customers represent the total active customers who have conducted at least one login within the last quarter of the reporting period. Number of mobile banking customers represent the total active customers who have conducted at least one call within the last quarter of the reporting period.

APPENDIX A.2: SCOPE AND BOUNDARIES OF THE MATERILAITY ANALYSIS

MATERIAL ISSUE	INTERNAL AND EXTERNAL IMPACTS	RELEVANT SECTION	PAGE
Solvency and sustainable results	Having good and sustainable financial performance is important for both the Bank and external stakeholders and This has an impact on Garanti BBVA and persons and institutions that Garanti BBVA attributes economic value.	Financial Performance	82
Corporate Governance	These points out that internal operations and management mechanisms work in an efficient, accountable and responsible way, and are efficient for Garanti BBVA and its external stakeholders.	Corporate Governance and Risk Management	142
Ethical behavior & consumer protection	Transparent reporting informs all stakeholders about Garanti BBVA. Banking with honest and ethical values is important for Garanti BBVA's reputation and all stakeholders.	Corporate Governance and Risk Management	142
Adequate and timely advice to customers	Properly advises clients, offers customized solutions and treats them well, customers' ability to take healthy financial decisions and make savings has an impact on Garanti BBVA and its customers.	Customer Experience	96
Easy, fast & DIY	Digitalization of internal processes and services offered to customers and also allows customers to perform any operation in an easy and agile way while making use of digital platforms and state-of-the-art technology has importance for customers and Garanti BBVA.	Digital Transformation	108
Cybersecurity & responsible use of data	Cyber risks, use of personal data, data security and privacy of customer information are important to all customers. Security violations have financial and reputational impacts on Garanti BBVA.	Digital Transformation	108
Talent attraction, development and retention	Be capable of attracting, developing and retaining the best professionals, investing in employees and increase of engagement and well-being is important for Garanti BBVA's performance.	Investing in Human Capital	122
Diversity and conciliation	Respects and promotes diversity (gender, age, religion, race ...) and balance between personal and working life is important for Garanti BBVA's reputation and all stakeholders.	Investing in Human Capital	122
Environmental and climate change impact	It covers the effects of Garanti BBVA both due to its own activities and the climate change caused by the activities of its customers. Considering environmental impacts and climate change impacts in financing processes affects the Bank and all its stakeholders, and implies Garanti BBVA's sector leadership and transformation of the sector in the field of sustainable finance.	Corporate Governance and Risk Management Responsible and Sustainable Development	142 132
Human Rights	Respect for human rights is both important for both the Bank and its external stakeholders.	Responsible and Sustainable Development	132
Financial Health and Inclusion	Providing financial literacy trainings to the economically challenged population for their integration into the banking system affects both the Bank and its stakeholders.	Customer Experience Responsible and Sustainable Development	96 132
Contribution to societies' development	Contributes to the economic development of the country and society compliance with the legislation, creating employment and social programs affect Garanti BBVA and individuals & institutions that Garanti BBVA attribustes economic value.	Responsible and Sustainable Development	132

APPENDIX A.3. ENVIRONMENTAL PERFORMANCE DATA

ENERGY CONSUMPTION WITHIN THE ORGANIZATION

ENERGY SOURCE	TOTAL CONSUMPTION (2016)	TOTAL CONSUMPTION (2017)	TOTAL CONSUMPTION (2018)	TOTAL CONSUMPTION (2019)
Electricity (MWh)	116,502	114,479	107,743	107,447
Natural Gas for Heating (m^3)	2,810,199	3,396,123	3,918,686	5,270,775
Natural Gas for Heating (MWh)	26,945	32,563	37,574	50,538
Diesel for Heating (liter)	167,372	151,656	119,184	51,642
Diesel for Heating (MWh)	1,646	1,492	1,173	508
Coal for Heating (ton)	117	102	88	21
Coal for Heating (MWh)	409	354	307	73
Diesel Consumption in Generators (liter)	163,237	142,857	137,597	129,347
Diesel Consumption in Generators (MWh)	1,606	1,405	1,354	1,273
Fuel Oil (liter)	7,703	28,306	0	6,120
Fuel Oil (MWh)	82	300	0	65
Diesel Consumption in Vehicle* (liter)	1,123,289	1,110,128	1,110,982	1,091,907
Diesel Consumption in Vehicle* (MWh)	11,052	10,922	10,931	10,743
Gasoline Consumption in Vehicle* (liter)	0	0	26,686	59,098
Gasoline Consumption in Vehicle* (MWh)	0	0	237	525
Total Energy Consumption (MWh)	158,243	161,515	158,758	171,172

** Only in commercial use.*

GHG EMISSIONS (TONNES OF CO_2 EQUIVALENT)

YEAR	SCOPE 1 (tCO_2e)	SCOPE 2** (tCO_2r)	SCOPE 3*** (tCO_2e)	TOTAL tCO_2e (SCOPE 1 & 2)	GHG EMISSIONS INTENSITY**** (TCO2E /TOTAL ASSETS)	% CHANGE IN GHG EMISSIONS INTENSITY
2019	14,923	55,198	2,196	70,121	164	-3%
2018	12,933	54,300*	3,111	67,233*	168*	-15*%
2017	11,835	58,628	2,494	70,463	198	-9%
2016	10,924	57,259	3,181	68,183	218	-20%
2015	11,763	63,874	3,571	75,637	271	0.4%
2014	8,698	57,378	3,709	66,077	274	-22%

WATER CONSUMPTION[1]

	TOTAL CONSUMPTION (2016)	TOTAL CONSUMPTION (2017)	TOTAL CONSUMPTION (2018)	TOTAL CONSUMPTION (2019)
Water (1,000 m^3)	264	287	284	260

WASTE MANAGEMENT[2]

TYPE	TOTAL CONSUMPTION (2017)	TOTAL CONSUMPTION (2018)	TOTAL CONSUMPTION (2019)
Domestic (ton)	704	N/A	N/A
Hazardous (ton)	11	7	6
Recycled (ton)	709	560	368

PAPER CONSUMPTION

	TOTAL CONSUMPTION (2016)	TOTAL CONSUMPTION (2017)	TOTAL CONSUMPTION (2018)	TOTAL CONSUMPTION (2019)
Paper (1.000 ton)	1.8	1.5	1.1	0.9

** Numbers published in 2018 are restated in 2019.*

*** Location based*

**** Stated Scope 3 emissions are due to the business flights.*

***** Scope 3 is not included in the intensity calculations*

1 99.7% of Garanti BBVA officies in Turkey use the water supplied by the municipality.

2 Disclosure of waste indicators began in 2017.

APPENDIX A.4: ENVIRONMENTAL & SOCIAL IMPACT ASSESSMENT PROCESS INDICATORS IN 2018

RISK ASSESSMENT BREAKDOWN OF PROJECTS WHCIH WERE SUBJECTED TO ESIAP IN 2019

ASSESSMENT RESULT BREAKDOWN		NUMBER OF PROJECTS	LOAN LIMIT (USD, MILLION)
Category	Category A	3	4.479
	Category B	0	-
	Category C	1	6
Risk Rating	R1	2	4.435
	R2	0	-
	R3	2	50
	R4	0	-
Final Grade	1	2	4.435
	2	1	44
	3	1	6

APPENDIX A.5: TCFD DISCLOSURE TABLE

THEMATIC AREA	RECOMMENDED DISCLOSURES	REFERENCE LINKS
Governance	Describe the board's oversight of climate-related risks and opportunities	Sustainability Committee, Committees section page 155 2019 CDP Climate Change Report, page 4
	Describe management's role assessing and managing climate-related risks and opportunities	Sustainability Committee, Committees section page 155 2019 CDP Climate Change Report, page 14 Garanti BBVA Sustainability Governance
Strategy	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	Risk and Opportunities section, page 54 2019 CDP Climate Change Report, page 8 2019 CDP Water Report, pages 18-29
	Describe the impact of climate-related risks and opportunities on the organization's business, strategy and financial planning	Risk and Opportunities section, page 54 2019 CDP Climate Change Report, pages 26 and 28 2019 CDP Water Report, page 16
	Describe the resilience of the organization's strategy, taking into consideration different scenarios, including a 2°C or lower scenario	Responsible and Sustainable Development section, page 132 2019 CDP Climate Change Report, page 31 2019 CDP Water Report, page 49 Garanti BBVA Climate Change Action Plan Science Based Target Commitment 2018-19 Carbon Pricing Leadership Report, pages 50 and 51 Garanti BBVA Case Study
Risk Management	Describe the organization's processes for identifying and assessing climate-related risks	Garanti BBVA Environmental & Social Loan Policies Garanti BBVA Environmental & Social Risk Management Garanti BBVA Climate Change Action Plan Declaration 2019 CDP Climate Change Report, page 14 2019 CDP Water Report, pages 17, 26, 27 and 48 Sustainable Finance Declaration
	Describe the organization's processes for managing climate-related risks	Garanti BBVA Environmental & Social Loan Policies Garanti BBVA Environmental & Social Risk Management Garanti BBVA Climate Change Action Plan 2019 CDP Climate Change Report, page 14 2019 CDP Water Report, pages 17, 27 and 51 Sustainable Finance Declaration
	Describe how processes for identifying, assessing, and managing these risks are integrated into the organization's overall risk management	Garanti BBVA Environmental & Social Risk Management 2019 CDP Climate Change Report, page 14 2019 CDP Water Report, page 17 Sustainable Finance Declaration
Metrics and Targets	Disclose the metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process	Appendix A.3: Environmental Performance Data, page 522 Appendix A.4:Environmental & Social Impact Assessment Process Indicators, page 524 2019 CDP Climate Change Report, pages 26 and 28 2019 CDP Water Report, pages 50, 51 and 57
	Disclose Scope 1, Scope 2, and if appropriate Scope 3 greenhouse gas (GHG) emissions	Appendix A.3: Environmental Performance Data, page 522 2019 CDP Climate Change Report, page 38
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	Risk and Opportunities section, page 54 Responsible and Sustainable Development section, page 132 2019 CDP Climate Change Report, page 31 2019 CDP Water Report, pages 50 and 52

EK A.6. UNGC AND WEPS PRINCIPLES ANALYSIS ACCORDING TO GRI STANDARDS CONTENT

A. UN GLOBAL COMPACT PRINCIPLES

UNGC REQUIREMENTS – ACTIVE LEVEL	GRI STANDARDS DISCLOSURES	PAGE REFERENCES
High Level Commitment and Strategy	GRI 102-14	Messages from the Chairman and CEO, page 11
Governance	GRI 102-14, GRI 102-18, GRI 102-19, GRI 102-20	Messages from the Chairman and CEO, page 11, Corporate Governance and Risk Management, page 141
Stakeholder Engagement	GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44	Stakeholder Engagement, page 45
Describe Practical Actions	GRI 103: Management Approach 2016	GRI Standards Content Index, page 527
Disclose Results and Outcomes	GRI Standards Content Index	GRI Standards Content Index, page 527
UNGC FOUR ISSUE AREA	**GRI STANDARDS DISCLOSURES**	**PAGE REFERENCES**
Human Rights	GRI 412-1; GRI 412-2; GRI 412-3; GRI 410-1; GRI 103-2; GRI 413-1; GRI 413-2	GRI Standards Content Index, page 527; Investing in Human Capital, page 122; Responsible and Sustainable Development, page 132
Labor	GRI 102-8; GRI 102-41; GRI 202-1; GRI 202-2; GRI 401-1; GRI 401-3; GRI 402-1; GRI 404-1; GRI 404-3; GRI 405-1; GRI 405-2; GRI 406-1; GRI 407-1	GRI Standards Content Index, pages 527; Investing in Human Capital, page 122
Environment	GRI 301-2; GRI 301-3; GRI 302-1; GRI 302-2; GRI 302-4; GRI 302-5; GRI 303-3; GRI 305-1; GRI 305-2; GRI 305-3; GRI 305-4; GRI 305-5; GRI 305-6; GRI 305-7; GRI 307-1	Responsible and Sustainable Development, page 132; Environmental Performance Data, Appendix A.3, page 522
Anti-Corruption	GRI 102-16; GRI 102-17; GRI 205-1; GRI 205-2; GRI 205-3	GRI Standards Content Index, page 527; Corporate Governance & Risk Management, page 141

B. WOMEN'S EMPOWERMENT PRINCIPLES (WEPS) PROGRESS REPORT

WEPS	GRI STANDARDS DISCLOSURES
Principle 1 - Leadership Promotes Gender Equality	GRI 405-1, GRI 405-2
Principle 2 - Equal Opportunity, Inclusion & Non-discrimination	GRI 202-1; GRI 401-1; GRI 401-3; GRI 405-1; GRI 405-2; GRI 406-1
Principle 3 - Health, Safety and Freedom from Violence	GRI 406-1; GRI 403-9
Principle 4 - Education and Training	GRI 404-1; GRI 404-3
Principle 5 - Enterprise Development, Supply Chain and Marketing Practices	GRI 204-1; GRI 103-1; GRI 103-2; GRI 103-3
Principle 6 - Community Leadership and Engagement	GRI 413-1
Principle 7 - Measure and publicly report on gender equality	GRI 405-1; GRI 405-2; GRI 103-1; GRI 103-2; GRI 103-3

GRI STANDARDS CONTENT INDEX "IN ACCORDANCE"- CORE OPTION

GRI STANDARDS	DISCLOSURES	PAGE NUMBERS, URLs AND/OR DIRECT ANSWERS	OMISSIONS
GRI 101: FOUNDATION 2016	GRI 101 does not consist of indicators		
	ORGANIZATIONAL PROFILE		
	102-1	T.C. Garanti Bankası A.Ş.	
GRI 102: GENERAL DISCLOSURES 2016	102-2	20, 22-23, 24-25, 26-27, 28-29	
	102-3	Nispetiye Mah. Aytar Cad. No: 2, 34340 Levent/İstanbul/ Türkiye	
	102-4	20, 21, 28-29	
	102-5	20, 21, 28-29	
	102-6	22-23, 24-25, 26-27, 28-29, 82-93, 122-123, 205	
	102-7	20, 22-23, 26-27, 28-29, 31	
	102-8	83, 97, 109, 123, 133	
	102-9	67, 72-75	
	102-10	There has not been any in the shareholder structure of the Company.	

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. The service was performed on the English version of the report.

GRI 102: GENERAL DISCLOSURES 2016	102-11	32-33, 34-35, 149-174
	102-12	https://www.garantibbvainvestorrelations.com/en/sustainability/detail/Supported-Initiatives/880/3744/0
	102-13	https://www.garantibbvainvestorrelations.com/en/sustainability/detail/Supported-Initiatives/880/3744/0
	STRATEGY	
	102-14	9-13
	102-15	16-19, 38-39, 42-75, 78-79, 82, 97, 109, 123, 133, 167-174, 178-180
	ETHICS AND INTEGRITY	
	102-16	66, 68 https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/ethics-and-integrity-principles/
	102-17	126, 157, 166, 192, 197, 198, 199 https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/ethics-and-integrity-principles/
	GOVERNANCE	
	102-18	31-37
	102-19	31-39, 182-187
	102-20	31-39, 182-187
	STAKEHOLDER ENGAGEMENT	
	102-40	45
	102-41	As clearly stated in our Human Rights Declaration; "Garanti BBVA respects the constitutional right regarding unionization and collective labor contracts. All employees are free with respect to union membership and act of their own free will." https://www.garantiinvestorrelations.com/en/corporate-governance/detay/Declaration-of-Human-Rights/584/1866/0 All employees are covered by collective bargaining agreements.
	102-42	45
	102-43	45-53
	102-44	46-53
	REPORTING PRACTICE	
	102-45	2-3
	102-46	42-44, 45, 54-65, 72-75, 518-521
	102-47	42-44, 521

GRI 102: GENERAL DISCLOSURES 2016	102-48	123, 523
	102-49	There is not any change in the scope and aspect boundaries for non-financial information.
	102-50	2-3
	102-51	01.01.2018 - 31.12.2018 https://www.garantibbvainvestorrelations.com/en/images/entegre-faaliyet-raporu-2018/GB18_ENG.pdf
	102-52	2 / Annual
	102-53	3
	102-54	2
	102-55	527-536
	102-56	2, 206-211, 518-520
GRI 200: ECONOMIC PERFORMANCE SERIES 2016		
	ECONOMIC PERFORMANCE	
GRI 103: MANAGEMENT APPROACH 2016	103-1	67, 72-75, 79, 82-93, 205, 521
	103-2	54-55, 79, 82-93, 521
	103-3	204-211
GRI 201: ECONOMIC PERFORMANCE 2016	201-1	74, 79, 82-93, 205
	201-2	56-58, 525 https://surdurulebilirlik.garantibbva.com.tr/media/1442/climate-change-2019.pdf
	201-3	82-93
	201-4	Garanti BBVA did not receive any financial assistance from government during the reporting period.
	MARKET PRESENCE	
GRI 103: MANAGEMENT APPROACH 2016	103-1	122-129, 521
	103-2	122-129
	103-3	122-129
GRI 202: MARKET PRESENCE 2016	202-1	All Garanti BBVA employees are paid above the minimum wage.
	202-2	The senior management, including the CEO, EVPs and Coordinators, is Turkish. By doing this the Bank is better able to understand and serve an increasingly wide range of customers across Turkey. In Garanti BBVA's overseas operations, local talent is also hired at various levels of the organizations.

	INDIRECT ECONOMIC IMPACTS	
GRI 103: MANAGEMENT APPROACH 2016	103-1	67, 72-75, 132-139, 521
	103-2	58, 132-139
	103-3	132-139
GRI 203: INDIRECT ECONOMIC IMPACTS 2016	203-1	74-75, 132-139
	203-2	74-75, 132-139
	PROCUREMENT PRACTICES	
GRI 103: MANAGEMENT APPROACH 2016	103-1	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/environmental-impact-of-our-operations/supply-chain-management/
	103-2	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/environmental-impact-of-our-operations/supply-chain-management/
	103-3	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/environmental-impact-of-our-operations/supply-chain-management/
GRI 204: PROCUREMENT PRACTICES 2016	204-1	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/garanti-bbva-code-of-conduct-for-suppliers/ https://www.garantibbvainvestorrelations.com/tr/images/pdf/Garanti_Surdurulebilirlik_Raporu_2015.pdf (p.101, 102) https://www.garantibbvainvestorrelations.com/tr/images/pdf/garanti_surdurulebilirlik2016_tr.pdf (p.127)
	ANTI-CORRUPTION	
GRI 103: MANAGEMENT APPROACH 2016	103-1	30, 150, 521
	103-2	38, 62, 117-119, 150, 174, 192, 197, 198, 199 https://www.garantibbvainvestorrelations.com/en/corporate-governance/detay/Code-of-Conduct/94/405/0 https://www.garantibbvainvestorrelations.com/en/corporate-governance/detail/Anti-Corruption-Policy-Statement/1713/7947/0
	103-3	158, 165, 166, 168, 178-180
GRI 205: ANTI CORRUPTION 2016	205-1	191-192 https://www.garantibbvainvestorrelations.com/en/corporate-governance/detay/Code-of-Conduct/94/405/0
	205-2	33 https://www.garantibbvainvestorrelations.com/en/corporate-governance/detail/Anti-Corruption-Policy-Statement/1713/7947/0
	205-3	There are no cases about corruption.
	ANTI-COMPETITIVE BEHAVIOR	
GRI 103: MANAGEMENT APPROACH 2016	103-1	30, 521
	103-2	30, 191, 197-199
	103-3	30, 158, 165, 168, 178
GRI 206: ANTI-COMPETITIVE BEHAVIOR 2016	206-1	There has been no new case regarding anti-competitive behavior in the reporting period

GRI 300: ENVIRONMENTAL STANDARDS SERIES 2016			
	ENERGY		
GRI 103: MANAGEMENT APPROACH 2016	103-1	158, 165, 168, 178 https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/environmental-impact-of-our-operations/environmental-management-system/	
	103-2	154-155	
	103-3	206-211	
GRI 302: ENERGY 2016	302-1	522	
	302-2	518-520, 522-523	
	302-4	135-136	
	302-5		Disclosure is not material because the Bank's business activities and operations do not generate significant emissions of these substances.
	WATER AND EFFLUENTS		
GRI 103: MANAGEMENT APPROACH 2016	103-1	54-55	
	103-2	54, 55, 133, 135, 518-521, 525	
	103-3	49 https://surdurulebilirlik.garantibbva.com.tr/media/1441/water-security-report-2019.pdf	
GRI 303: WATER AND EFFLUENTS 2018	303-1	523 https://surdurulebilirlik.garantibbva.com.tr/media/1441/water-security-report-2019.pdf	
	303-2	523 https://surdurulebilirlik.garantibbva.com.tr/media/1441/water-security-report-2019.pdf	
	303-3	523 https://surdurulebilirlik.garantibbva.com.tr/media/1441/water-security-report-2019.pdf	
	EMISSIONS		
GRI 103: MANAGEMENT APPROACH 2016	103-1	56-58 https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/climate-change-action-plan-declaration/	
	103-2	56-58 https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/climate-change-action-plan-declaration/	
	103-3	56-58, 135-136 https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/climate-change-action-plan-declaration/	
GRI 305: EMISSIONS 2016	305-1	519-523	
	305-2	519-523	
	305-3	74, 519-523	
	305-4	136, 519-523	
	305-5	133, 135-136, 519-523	
	305-6		Disclosure is not material because the Bank's business activities and operations do not generate significant emissions of these substances.

GRI 305: EMISSIONS 2016	305-7		Disclosure is not material because the Bank's business activities and operations do not generate significant emissions of these substances.
	WATER AND EFFLUENTS		
GRI 103: MANAGEMENT APPROACH 2016	103-1	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/environmental-impact-of-our-operations/waste-management/	
	103-2	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/environmental-impact-of-our-operations/waste-management/	
	103-3	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/environmental-impact-of-our-operations/waste-management/	
GRI 306: EFFLUENTS AND WASTE 2016	306-2	518-523	
	ENVIRONMENTAL COMPLIANCE		
GRI 103: MANAGEMENT APPROACH 2016	103-1	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-policy/	
	103-2	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-policy/	
	103-3	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-policy/	
GRI 307: ENVIRONMENTAL COMPLIANCE 2016	307-1	There have not been any significant fines or incidents of noncompliance with environmental laws and regulations during the reporting period.	
GRI 400 SOCIAL STANDARDS SERIES 2016			
	EMPLOYMENT		
GRI 103: MANAGEMENT APPROACH 2016	103-1	122-123	
	103-2	122-123	
	103-3	122-123	
GRI 401: EMPLOYMENT 2016	401-1	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/material-issues/social-performance-data/	
	401-2	126	
	401-3	128	
	LABOR/MANAGEMENT RELATIONS		
GRI 103: MANAGEMENT APPROACH 2016	103-1	89-93, 96-97 https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/material-issues/social-performance-data/	
	103-2		
	103-3		
GRI 402: LABOR/MANAGEMENT RELATIONS 2016	402-1	Garanti BBVA recruitment and dismissal processes are based on the Labor Law. The notice periods are implemented as stated in the Law.	

	OCCUPATIONAL HEALTH AND SAFETY		
GRI 103: MANAGEMENT APPROACH 2016	103-1	128-129	
	103-2	128-129	
	103-3	128-129	
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018	403-1	128, 129, 199	
	403-2	129	
	403-3	128, 129, 199	
	403-4	129 https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/material-issues/social-performance-data/	
	403-5	129	
	403-6	129	
	403-7	126	
	403-9	129	
	403-10	There is no employee who has diagnosis of occupational disease because of bank activities in 2019.	
	TRAINING AND EDUCATION		
GRI 103: MANAGEMENT APPROACH 2016	103-1	122-123, 128-129	
	103-2	122-123, 128-129	
	103-3	122-123, 128-129	
GRI 404: TRAINING AND EDUCATION 2016	404-1	123 https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/material-issues/social-performance-data/	
	404-2	122-125	
	404-3	128	
	DIVERSITY AND EQUAL OPPORTUNITY		
GRI 103: MANAGEMENT APPROACH 2016	103-1	59-60, 97	
	103-2	92	
	103-3	97	
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016	405-1	59-60, 74, 97	
	405-2	128	Garanti BBVA’s compensation system is totally genderneutral and based entirely on performance. Salary variations result from relative experience levels of employees.

HUMAN RIGHTS		
	INVESTMENT	
GRI 103: MANAGEMENT APPROACH 2016	103-1	39, 69, 72, 122-129
	103-2	39, 69, 72, 122-129
	103-3	39, 69, 72, 122-129
GRI 412: HUMAN RIGHTS ASSESSMENT 2016	412-2	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-and-social-loan-policies/
	412-3	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/material-issues/responsible-and-sustainable-development/community-investment-programs/
	NON-DISCRIMINATION	
GRI 103: MANAGEMENT APPROACH 2016	103-1	39, 59-60, 122-128
	103-2	39, 59-60, 122-128
	103-3	39, 59-60, 122-128
GRI 406: NON-DISCRIMINATION 2016	406-1	No complaints were made in the reporting period.
	FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING	
GRI 103: MANAGEMENT APPROACH 2016	103-1	191
	103-2	191
	103-3	191
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016	407-1	191, Garanti BBVA respects the constitutional right regarding unionization and collective labor contracts. All employees are free with respect to union membership and act of their own free will. During the reporting period.
	HUMAN RIGHTS ASSESSMENT	
GRI 103: MANAGEMENT APPROACH 2016	103-1	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-and-social-loan-policies/
	103-2	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-and-social-loan-policies/
	103-3	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-and-social-loan-policies/

GRI 412: HUMAN RIGHTS ASSESSMENT 2016	412-1	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-and-social-loan-policies/
	LOCAL COMMUNITIES	
GRI 103: MANAGEMENT APPROACH 2016	103-1	132-133
	103-2	132-133
	103-3	132-139
GRI 413: LOCAL COMMUNITIES 2016	413-1	27, 96-97, 132-133, 138-139
	413-2	96-97, 132-133
	MARKETING AND LABELING	
GRI 103: MANAGEMENT APPROACH 2016	103-1	96-104
	103-2	96-105
	103-3	96-105
GRI 417: MARKETING AND LABELING 2016	417-1	27-97
	417-2	There were no incidents of significant non-compliance reported in the reporting period.
	417-3	There were no incidents of significant non-compliance reported in the reporting period.
	CUSTOMER PRIVACY	
GRI 103: MANAGEMENT APPROACH 2016	103-1	47-49, 53, 108, 117-118
	103-2	108, 117-118, https://www.garantibbva.com.tr/en/sme_banking/delivery_channels/internet_banking/security/privacy_and_confidentiality_policy.page
	103-3	72-73, 109, 118-119
GRI 418: CUSTOMER PRIVACY 2016	418-1	109
	SOCIOECONOMIC COMPLIANCE	
GRI 103: MANAGEMENT APPROACH 2016	103-1	52, 163-203
	103-2	163-203
	103-3	163-203
GRI 419: SOCIOECONOMIC COMPLIANCE 2016	419-1	175

FINANCIAL SERVICES SUPPLEMENT		
	PRODUCT PORTFOLIO	
GRI 103: MANAGEMENT APPROACH 2016	103-1	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-and-social-loan-policies/
	103-2	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-and-social-loan-policies/
	103-3	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-and-social-loan-policies/
GRI FINANCIAL SERVICES SUPPLEMENT PRODUCT PORFOLIO	FS6	50, 52
	FS7	50, 52
	FS8	52, 100, 108, 201
	ACTIVE OWNERSHIP	
GRI 103: MANAGEMENT APPROACH 2016	103-1	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-and-social-loan-policies/
	103-2	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-and-social-loan-policies/
	103-3	https://surdurulebilirlik.garantibbva.com.tr/garanti-bbva-sustainability-approach/garanti-bbva-and-sustainability/other-esg-policies/environmental-and-social-loan-policies/
GRI FINANCIAL SERVICES SUPPLEMENT LOCAL COMMUNITIES	FS10	52, 57,58, 100-108,201
	FS11	52, 57,58, 100-108,201
	LOCAL COMMUNITIES	
GRI 103: MANAGEMENT APPROACH 2016	103-1	57-65, 78-79
	103-2	67, 96-97
	103-3	67, 96-97
GRI FINANCIAL SERVICES SUPPLEMENT LOCAL COMMUNITIES	FS13	78-79
	FS14	57, 58, 78-79,100-101, 104-105,108 Cardless transactions options through ATMs and Community Investments for people with disabilities.

ORGANIZATIONAL CHANGES

Organizational changes made in 2019 are summarized below to reflect the final structure at year-end.

The Head Office organization moved to a new organizational model where agile methods and principles will be adopted in a bid to offer the correct solutions with the highest quality services to our customers, to introduce the optimum value to the market in the fastest manner, to produce more outputs using the same resources in line with the changing priorities, and to flexibly plan our competencies and expertise to respond to changing circumstances by increasing initiative-taking and ownership. The job families mentioned below were restructured:

→ Human Resources and Support Services job family as Talent and Culture,
→ Internal Audit Department,
→ Engineering Services and Data job family,
→ Assets and Liabilities Management, Capital, Investor Relations and Finance job family as Finance and Treasury,
→ Compliance Department, and
→ Credit Risk Management job family.

The position of Corporate and Investment Banking Executive Vice President was renamed as Corporate, Investment Banking and Global Markets Executive Vice President.

The position of Investment Banking and Finance Manager was created under Corporate and Investment Banking Executive Vice President, and took over portfolio management and supervision, sustainability and integrated reporting activities which were being handled by the Project Finance Department.

The Project Finance Department was renamed as Project and Acquisition Finance Department. The new organization will report to Investment Banking and Finance Department and handle infrastructure finance, procurement finance, energy projects finance and syndication activities.

The Call Center Department was renamed as Customer Contact Center Department.

The Corporate Security organization was renamed as Corporate Physical Security and now reports to Engineering and Data Executive Vice President.

Within the scope of Operational Risk and Control model, the following changes were made to fulfill the second line of defense responsibilities of the model in connection with the revision needs that arose from the efforts to switch to agile organization.

→ Engineering Operational Risk and Control Expert organization was created, which reports to Engineering and Data Executive Vice President.
→ Talent and Culture Operational Risk and Control Expert organization was set up, which reports to Talent and Culture Executive Vice President.

Purchasing Department that previously reported to Talent and Culture Executive Vice President now reports to Finance and Treasury Executive Vice President.

Abacus Card and Member Merchants Services Department was renamed as Abacus Payment Systems and Real Estate Appraisal Department.

Anti-Fraud Monitoring Department was renamed as Customer Security and Transaction Risk Management Department.

Global Markets Business Solutions Department now reports directly to the Executive Vice President responsible for Corporate and Investment Banking.

BBVA Finance Coordination Department and Consolidation and International Accounting Departments were abolished and their functions were transferred to Financial Management Business Execution organization.

Cash Management and Transaction Banking Department was renamed as Cash Management Department.

Corporate Credits and Project Finance Restructuring Department was abolished and its functions were transferred to Commercial Credits Restructuring Department. Accordingly, Commercial Loans Restructuring Department was renamed as Corporate and Commercial Loans Restructuring Department.

SUPPORT SERVICES PROVIDERS

SERVICE PROVIDER	SERVICE DETAIL
GARANTİ KONUT FİNANSMANI DANIŞMANLIK HİZMETLERİ A.Ş.	Marketing and consulting services for mortgage products
GARANTİ ÖDEME SİSTEMLERİ A.Ş.	Marketing, promotion, product development and consulting for payment systems, primarily for debit and credit cards, and marketing of retail products including retail loans
GARANTİ ÖDEME SİSTEMLERİ A.Ş.	Reminder calls, technical support help desk, overdue debt notification, provision of account information to customers, updating customers' personal data, credit card cancellation, closure and activation; receiving limit increase or decrease requests, forwarding customer requests to the Bank
LOOMİS GÜVENLİK HİZMETLERİ A.Ş.	Delivery of cash, commercial papers and gold within the scope of Law No. 5188
YÖN İNSAN KAYNAKLARI DESTEK HİZMETLERİ LTD. ŞTİ.	Call center, executive assistant and data entry services
IBM GLOBAL SERVİCES İŞ VE TEKNOLOJİ HİZMETLERİ VE TİC. LTD. ŞTİ.	Disaster recovery center back-up service
HOBİM BİLGİ İŞLEM	Safekeeping of the Bank's archive boxes
MATRİKS BİLGİ DAĞITIM HİZMETLERİ A.Ş.	Software/software maintenance/update services
INGENİCO ÖDEME SİSTEM ÇÖZÜMLERİ A.Ş.	POS software development and upgrading services
VERİFONE ELEKTRONİK VE DANIŞMANLIK LTD. ŞTİ.	POS software development and upgrading services
AUSTURIA CARD TURKEY KART	Card printing and personalization services
KURYE NET MOTORLU KURYECİLİK VE DAĞITIM HİZMETLERİ A.Ş.	Credit/debit card delivery
AKTİF İLETİ VE KURYE HİZMETLERİ A.Ş.	Credit/debit card delivery
KONUT KREDİSİ COM TR DANIŞMANLIK ANONİM ŞTİ.	Online marketing of mortgage products
ENUYGUN COM İNTERNET BİLGİ HİZMETLERİ TEKNOLOJİ VE TİC. A.Ş.	Online marketing of mortgage products
HANGİSİ İNTERNET VE BİLGİ HİZMETLERİ A.Ş.	Online marketing of mortgage products
VERKATA LLC	Online marketing of mortgage products

COLLECTURK ALACAK YÖNETİMİ VE DANIŞMANLIK A.Ş.	Declaration of liability and reminder calls services
SESTEK SES VE İLETİŞİM BİLGİSAYAR TEK. SAN. VE TİC. A.Ş.	Forwarding customer requests related to marketing of payment systems and particularly of credit and debit cards and credit card limit increase to the Bank
ATOS BİLİŞİM DANIŞMANLIK VE MÜŞTERİ HİZMETLERİ SANAYİ VE TİC. A.Ş.	Credit card sales, business place verification, credit card limit increase, address update and similar other calls via the Call Center
WEBHELP ÇAĞRI MERKEZİ VE MÜŞTERİ HİZMETLERİ A.Ş.	Credit card sales, debt notification and reminder calls via the Call Center
WEBHELP ÇAĞRI MERKEZİ VE MÜŞTERİ HİZMETLERİ A.Ş.	Data entry and filing of customer requests received by the Bank, giving feedback to customers regarding their requests
CMC İLETİŞİM BİLGİSAYAR REKLAM VE DANIŞMANLIK HİZMETLERİ SAN. TİC. A.Ş.	Credit card sales, declaration of liability and reminder calls services via the Call Center
DER POS ÖDEME SİSTEMLERİ VE PAZARLAMA TİC. LTD. ŞTİ.	Merchant acquisition and marketing of retail products including retail loans
KAYRAGRUP PAZARLAMA DANIŞMANLIK VE DESTEK HİZMETLERİ TİC. A.Ş.	Merchant acquisition and marketing of retail products including retail loans
TEMPO ÇAĞRI MERKEZİ VE İŞ SÜREÇLERİ DIŞ KAYNAK HİZMETLERİ TİC. A.Ş	Declaration of liability and reminder calls services
FU GAYRİMENKUL DANIŞMANLIK A.Ş.	Pledge formalities
GLOBAL BİLGİ PAZARLAMA DANIŞMA VE ÇAĞRI SERVİSİ HİZMETLERİ A.Ş.	Declaration of liability and reminder calls services
BRİNK'S GÜVENLİK HİZMETLERİ A.Ş.	Delivery of cash, commercial papers, precious metals and other precious assets within the scope of Law No. 5188
MT BİLGİ TEKNOLOJİLERİ VE DIŞ TİCARET ANONİM ŞİRKETİ	POS software development and upgrading services
WİN BİLGİ İLETİŞİM HİZMETLERİ A.Ş.	Declaration of liability and reminder calls services
CRİF ALACAK YÖNETİM VE DANIŞMANLIK HİZMETLERİ A.Ş.	Declaration of liability and reminder calls services
GÜZEL SANATLAR ÇEK BASIM LİMİTED ŞİRKETİ	Cheque printing service
IRON MOUNTAİN ARŞİVLEME HİZMETLERİ A.Ş.	Archive services
VERİSOFT BİLGİ İŞLEM TİC. VE SAN. A.Ş.	POS software development and upgrading services
BİLGE ADAM BİLGİSAYAR VE EĞİTİM SAN. TİC. A.Ş.	Call center / declaration of liability and reminder calls services
ZİNGAT GAYRİMENKUL BİLGİ SİSTEMLERİ A.Ş.	Online marketing of mortgage products
KOZA GÜVENLİK HİZMETLERİ SAN. TİC. LTD. ŞTİ.	Private Security Services within the scope of Law No. 5188
KEREM ÇAĞRI MERKEZİ VE MÜŞTERİ HİZMETLERİ LTD. ŞTİ.	Call center / declaration of liability and reminder calls services

SECURITAS GÜVENLİK HİZMETLERİ A.Ş.	Private Security Services within the scope of Law No. 5188
PROCAT DANIŞMANLIK YAZILIM TELEKOMÜNİKASYON PAZARLAMA TİCARET A.Ş.	Call center service
TULU YAPI MÜŞAVİRLİK SANAYİ VE TİCARET A.Ş.	Pledge formalities
ARAS KARGO A.Ş.	Internal mail transportation from/to branches
TROYA TRADING LTD.	Online marketing of auto loan products
KREDİ KAYIT BÜROSU A.Ş.	Disaster recovery center back-up service
TEPE SAVUNMA VE GÜVENLİK SİSTEMLERİ SANAYİ A.Ş.	Private Security Services within the scope of Law No. 5188
DHL WORLDWIDE EXPRESS TAŞIMACILIK VE TİCARET A.Ş.	Delivery of documents for export transactions to correspondent banks
CMC İLETİŞİM VE ÇAĞRI MERKEZİ HİZMETLERİ A.Ş.	Call center service
WEBHELP ÇAĞRI MERKEZİ VE MÜŞTERİ HİZMETLERİ A.Ş.	Call center service
BDH BİLİŞİM VE DESTEK HİZMETLERİ A.Ş.	Business place contract and document provision
HOBİM BİLGİ İŞLEM	Printing and enveloping service
DATAFAKS KAĞIT MAMÜLLERİ SANAYİ VE TİCARET LTD. ŞTİ.	Cheque printing service
WEBHELP ÇAĞRI MERKEZİ VE MÜŞTERİ HİZMETLERİ A.Ş.	Issuing FC buying documents

** In addition to the companies and services listed above, support service has been procured from 707 dealers for retail loan marketing.*

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DOMESTIC BRANCHES
Garanti BBVA has 904 domestic branches in 81 cities as of 2019 year end. Information on domestic branches is available on the Bank's website.

INFORMATION ON SOCIAL MEDIA
You may follow Garanti BBVA on Facebook, Twitter, Instagram, YouTube and LinkedIn.

www.facebook.com/GarantiBBVA
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www.instagram.com/garantibbva
www.linkedin.com/company/garanti-bbva/
www.youtube.com/garantibbva
www.twitter.com/garantiyesor

OVERSEAS BRANCHES

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Mete Adanır Caddesi No:18
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Fax: +90 392 650 53 20

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