

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

**Türkiye Garanti Bankası Anonim Şirketi
and Its Financial Subsidiaries
Publicly Announced Consolidated Financial Statements,
Related Disclosures and Independent Auditors’
Report Thereon
as of and for the Nine-Month Period Ended
30 September 2019**

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



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**Convenience Translation of the Review Report
Originally Prepared and Issued in Turkish to English**

Independent Auditors' Review Report on Consolidated Interim Financial Information

To the Board of Directors of Türkiye Garanti Bankası Anonim Şirketi

Introduction

We have reviewed the accompanying consolidated statement of financial position of Türkiye Garanti Bankası A.Ş. ("the Bank") and its consolidated financial subsidiaries (together "the Group") as at 30 September 2019 and the related 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 nine month period then ended and notes, comprising a summary of significant accounting policies and other explanatory information. The Bank Management is responsible for the preparation and fair presentation of these consolidated interim financial information in accordance with the "Banking Regulation and Supervision Agency ("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 published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and the requirements of Turkish Accounting Standard 34 "Interim Financial Reporting" principles for those matters not regulated by the aforementioned legislations. Our responsibility is to express a conclusion on these consolidated interim financial information based on our review.

Scope of Review

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



Basis for Qualified Conclusion

The accompanying consolidated interim financial information as at 30 September 2019 includes a general reserve of total TL 2,350,000 thousands, of which TL 100,000 thousands was recognized as expense in the current period, and TL 2,250,000 thousands had been recognized as expense in prior periods, for the possible effects of the negative circumstances which may arise in economy or market conditions which is not in line with the requirements of BRSA Accounting and Reporting Legislation.

Qualified Conclusion

Based on our review, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information do not present fairly, in all material respects, the consolidated financial position of Türkiye Garanti Bankası AŞ and its financial subsidiaries as at 30 September 2019, and its consolidated financial performance and its consolidated cash flows for the nine month period then ended in accordance with the BRSA Accounting and Reporting Legislation.

Report on Other Legal and Regulatory Requirements

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information provided in the interim activity report included in section seven of the accompanying consolidated interim financial information is not consistent, in all material respects, with the reviewed consolidated interim financial information and explanatory notes.

Additional paragraph for convenience translation to English:

The accounting principles summarized in Note 1 Section Three, differ from the accounting principles generally accepted in countries in which the accompanying consolidated interim financial information is to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying consolidated interim financial information is 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 consolidated interim financial information and IFRS.

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



Alper Güvengör SMMM
Partner

30 October 2019
İstanbul, Turkey

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

**TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ
AND ITS FINANCIAL SUBSIDIARIES
CONSOLIDATED FINANCIAL REPORT AS OF AND
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019**

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The consolidated financial report for the nine-month period ended 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. Limited Review Report
7. Interim Activity 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 for the nine-month period 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
Board of Directors
Chairman

Recep Baştuğ
General Manager

Aydın Güler
Executive Vice President
Responsible of Financial
Reporting

Hakan Özdemir
Financial Reporting and
Accounting Director

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

Ricardo Gomez Barredo
Audit Committee Member

Belkıs Sema Yurdum
Audit Committee Member

The authorized contact person for questions on this financial report:

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

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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 910 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 30 September 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 Doğu 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 Doğu Holding AŞ (the Doğu 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 Doğu 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 Doğu 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 Doğu 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 Doğu 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 76 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 125 thousand employees.

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	35 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-Asset /Liability Management, Capital, Investor Relations and Finance	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.

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Balance Sheet (Statement of Financial Position)
At 30 September 2019

ASSETS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD			PRIOR PERIOD		
			30 September 2019			31 December 2018		
			TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (Net)			35,719,819	80,454,487	116,174,306	25,196,642	83,036,609	108,233,251
1.1 Cash and Cash Equivalents	5.1.1		15,566,516	64,455,661	80,022,177	3,771,855	68,563,711	72,335,566
1.1.1 Cash and Balances with Central Bank			4,120,401	40,850,652	44,971,053	2,815,833	38,805,205	41,621,038
1.1.2 Banks			946,013	22,856,722	23,802,735	958,317	29,694,583	30,652,900
1.1.3 Money Market Placements			10,530,688	850,371	11,381,059	3,917	138,076	141,993
1.1.4 Expected Credit Losses (-)			30,586	102,084	132,670	6,212	74,153	80,365
1.2 Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	5.1.2		860,174	4,126,631	4,986,805	305,745	4,335,292	4,641,037
1.2.1 Government Securities			601,496	138,785	740,281	176,148	83,426	259,574
1.2.2 Equity Securities			240,213	35,726	275,939	97,797	102,529	200,326
1.2.3 Other Financial Assets			18,465	3,952,120	3,970,585	31,800	4,149,337	4,181,137
1.3 Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	5.1.3		17,542,368	10,030,160	27,572,528	18,254,325	8,908,628	27,162,953
1.3.1 Government Securities			17,475,228	6,052,781	23,528,009	18,174,639	4,657,172	22,831,811
1.3.2 Equity Securities			19,625	304,339	323,964	15,058	220,404	235,462
1.3.3 Other Financial Assets			47,515	3,673,040	3,720,555	64,628	4,031,052	4,095,680
1.4 Derivative Financial Assets	5.1.4		1,750,761	1,842,035	3,592,796	2,864,717	1,228,978	4,093,695
1.4.1 Derivative Financial Assets Measured at FVTPL			1,333,416	1,832,262	3,165,678	2,301,908	1,046,359	3,348,267
1.4.2 Derivative Financial Assets Measured at FVOCI			417,345	9,773	427,118	562,809	182,619	745,428
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST			171,776,425	106,748,664	278,525,089	167,902,027	109,165,560	277,067,587
2.1 Loans	5.1.5		157,768,576	102,032,029	259,800,605	153,460,388	102,549,167	256,009,555
2.2 Lease Receivables	5.1.6		1,397,970	4,646,015	6,043,985	1,674,838	5,291,202	6,966,040
2.3 Factoring Receivables	5.1.7		1,553,512	569,083	2,122,595	1,974,562	611,571	2,586,133
2.4 Other Financial Assets Measured at Amortised Cost	5.1.8		20,875,294	6,295,833	27,171,127	18,586,328	6,067,681	24,654,009
2.4.1 Government Securities			20,645,054	6,276,589	26,921,643	18,552,564	6,053,663	24,606,227
2.4.2 Other Financial Assets			230,240	19,244	249,484	33,764	14,018	47,782
2.5 Expected Credit Losses (-)			9,818,927	6,794,296	16,613,223	7,794,089	5,354,061	13,148,150
III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	5.1.9		1,489,414	24,344	1,513,758	828,631	29,064	857,695
3.1 Asset Held for Resale			1,489,414	24,344	1,513,758	828,631	29,064	857,695
3.2 Assets of Discontinued Operations			-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES			150,119	3,653	153,772	129,287	3,584	132,871
4.1 Associates (Net)	5.1.10		35,747	5	35,752	35,747	5	35,752
4.1.1 Associates Consolidated Under Equity Accounting			-	-	-	-	-	-
4.1.2 Unconsolidated Associates			35,747	5	35,752	35,747	5	35,752
4.2 Subsidiaries (Net)	5.1.11		114,372	3,648	118,020	93,540	3,579	97,119
4.2.1 Unconsolidated Financial Investments in Subsidiaries			-	-	-	-	-	-
4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries			114,372	3,648	118,020	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		5,092,265	333,810	5,426,075	4,246,180	248,738	4,494,918
VI. INTANGIBLE ASSETS (Net)	5.1.14		407,484	45,554	453,038	368,133	47,939	416,072
6.1 Goodwill			6,388	-	6,388	6,388	-	6,388
6.2 Others			401,096	45,554	446,650	361,745	47,939	409,684
VII. INVESTMENT PROPERTY (Net)	5.1.15		570,600	-	570,600	558,309	-	558,309
VIII. CURRENT TAX ASSET			27,821	70,689	98,510	89,774	85,492	175,266
IX. DEFERRED TAX ASSET	5.1.16		1,890,387	30,587	1,920,974	1,494,185	24,992	1,519,177
X. OTHER ASSETS (Net)	5.1.17		5,567,035	758,539	6,325,574	4,987,063	711,392	5,698,455
TOTAL ASSETS			222,691,369	188,470,327	411,161,696	205,800,231	193,353,370	399,153,601

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

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Balance Sheet (Statement of Financial Position)
At 30 September 2019

LIABILITIES AND SHAREHOLDERS' EQUITY		Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD			PRIOR PERIOD		
			30 September 2019			31 December 2018		
			TL	FC	Total	TL	FC	Total
I. DEPOSITS		5.2.1	104,909,289	152,932,911	257,842,200	104,075,640	140,940,706	245,016,346
II. FUNDS BORROWED		5.2.2	2,907,542	22,895,489	25,803,031	1,185,677	32,154,050	33,339,727
III. MONEY MARKET FUNDS		5.2.3	241,891	1,277,584	1,519,475	1,413,902	1,220,688	2,634,590
IV. SECURITIES ISSUED (Net)		5.2.4	4,192,894	18,570,824	22,763,718	4,099,201	22,812,262	26,911,463
4.1 Bills			2,970,466	-	2,970,466	1,926,060	27,087	1,953,147
4.2 Asset Backed Securities			-	-	-	-	-	-
4.3 Bonds			1,222,428	18,570,824	19,793,252	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	-	13,193,294	13,193,294	-	12,312,230	12,312,230
VII. DERIVATIVE FINANCIAL LIABILITIES		5.2.6	3,253,563	2,740,121	5,993,684	2,536,310	1,973,852	4,510,162
7.1 Derivative Financial Liabilities Measured at FVTPL			2,676,850	2,613,465	5,290,315	2,344,496	1,955,394	4,299,890
7.2 Derivative Financial Liabilities Measured at FVOCI			576,713	126,656	703,369	191,814	18,458	210,272
VIII. FACTORING PAYABLES		5.2.7	-	-	-	-	-	-
IX. LEASE PAYABLES (Net)		5.2.8	922,009	153,273	1,075,282	-	-	-
X. PROVISIONS		5.2.9	4,649,604	935,232	5,584,836	4,281,061	1,088,451	5,369,512
10.1 Restructuring Reserves			-	-	-	-	-	-
10.2 Reserve for Employee Benefits			1,072,736	105,810	1,178,546	988,225	138,877	1,127,102
10.3 Insurance Technical Provisions (Net)			493,975	47,428	541,403	403,175	41,645	444,820
10.4 Other Provisions			3,082,893	781,994	3,864,887	2,889,661	907,929	3,797,590
XI. CURRENT TAX LIABILITY		5.2.10	987,798	87,219	1,075,017	558,766	88,115	646,881
XII. DEFERRED TAX LIABILITY		5.2.10	-	28,643	28,643	-	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	-	4,303,764	4,303,764	-	3,977,018	3,977,018
14.1 Borrowings			-	-	-	-	-	-
14.2 Other Debt Instruments			-	4,303,764	4,303,764	-	3,977,018	3,977,018
XV. OTHER LIABILITIES		5.2.13	17,903,676	2,300,083	20,203,759	15,877,710	1,651,999	17,529,709
XVI. SHAREHOLDERS' EQUITY		5.2.14	51,560,600	214,393	51,774,993	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			1,338,616	210,076	1,548,692	1,334,963	138,431	1,473,394
16.4 Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss			707,611	(286,188)	421,423	813,913	(202,070)	611,843
16.5 Profit Reserves			39,334,255	290,505	39,624,760	32,626,814	351,159	32,977,973
16.5.1 Legal Reserves			1,546,353	40,644	1,586,997	1,540,985	40,717	1,581,702
16.5.2 Status Reserves			-	-	-	-	-	-
16.5.3 Extraordinary Reserves			37,555,326	-	37,555,326	30,856,685	-	30,856,685
16.5.4 Other Profit Reserves			232,576	249,861	482,437	229,144	310,442	539,586
16.6 Profit/Loss			4,938,235	-	4,938,235	6,641,652	-	6,641,652
16.6.1 Prior Periods' Profit/Loss			-	-	-	-	-	-
16.6.2 Current Period's Net Profit/Loss			4,938,235	-	4,938,235	6,641,652	-	6,641,652
16.7 Minority Interest			257,449	-	257,449	197,546	-	197,546
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			191,528,866	219,632,830	411,161,696	180,627,589	218,526,012	399,153,601

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

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Off-Balance Sheet Items
At 30 September 2019

	Footnotes	THOUSANDS OF TURKISH LIRA (TL.)					
		CURRENT PERIOD			PRIOR PERIOD		
		30 September 2019			31 December 2018		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		196,675,576	321,844,090	518,519,666	164,137,002	329,699,658	493,836,660
I. GUARANTEES AND SURETIES	5.3.1	23,228,194	36,529,692	59,757,886	22,813,515	44,901,913	67,715,428
1.1 Letters of guarantee		23,006,375	25,648,692	48,655,067	22,742,832	27,430,938	50,173,770
1.1.1 Guarantees subject to State Tender Law		-	1,202,726	1,202,726	-	981,914	981,914
1.1.2 Guarantees given for foreign trade operations		1,395,549	551,992	1,947,541	1,842,819	385,452	2,228,271
1.1.3 Other letters of guarantee		21,610,826	23,893,974	45,504,800	20,900,013	26,063,572	46,963,585
1.2 Bank acceptances		83,186	1,664,622	1,747,808	23,495	2,765,334	2,788,829
1.2.1 Import letter of acceptance		83,186	1,664,622	1,747,808	23,495	2,765,334	2,788,829
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		138,633	9,149,225	9,287,858	47,188	14,638,734	14,685,922
1.3.1 Documentary letters of credit		-	-	-	-	-	-
1.3.2 Other letters of credit		138,633	9,149,225	9,287,858	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		-	67,153	67,153	-	66,907	66,907
1.9 Other sureties		-	-	-	-	-	-
II. COMMITMENTS		65,231,519	18,142,834	83,374,353	52,698,904	12,841,024	65,539,928
2.1 Irrevocable commitments		65,015,028	16,280,118	81,295,146	52,490,826	9,539,003	62,029,829
2.1.1 Asset purchase and sale commitments		10,331,671	14,174,301	24,505,972	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		-	5,840	5,840	-	5,743	5,743
2.1.4 Loan granting commitments		15,749,656	1,404,026	17,153,682	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		3,214,117	-	3,214,117	2,719,279	-	2,719,279
2.1.8 Tax and fund obligations on export commitments		118,237	-	118,237	66,328	-	66,328
2.1.9 Commitments for credit card limits		35,598,047	639,781	36,237,828	31,989,568	553,338	32,542,906
2.1.10 Commitments for credit cards and banking services related promotions		3,300	-	3,300	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		-	56,170	56,170	-	52,667	52,667
2.2 Revocable commitments		216,491	1,862,716	2,079,207	208,078	3,302,021	3,510,099
2.2.1 Revocable loan granting commitments		72,878	1,468,004	1,540,882	118,805	3,040,576	3,159,381
2.2.2 Other revocable commitments		143,613	394,712	538,325	89,273	261,445	350,718
III. DERIVATIVE FINANCIAL INSTRUMENTS	5.3.2	108,215,863	267,171,564	375,387,427	88,624,583	271,956,721	360,581,304
3.1 Derivative financial instruments held for risk management		19,396,746	42,005,969	61,402,715	13,093,473	50,419,760	63,513,233
3.1.1 Fair value hedges		5,236,904	16,025,488	21,262,392	6,000,686	17,404,868	23,405,554
3.1.2 Cash flow hedges		14,159,842	25,980,481	40,140,323	7,092,787	33,014,892	40,107,679
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Trading derivatives		88,819,117	225,165,595	313,984,712	75,531,110	221,536,961	297,068,071
3.2.1 Forward foreign currency purchases/sales		7,304,038	11,223,246	18,527,284	11,559,409	13,254,851	24,814,260
3.2.1.1 Forward foreign currency purchases		3,680,385	5,480,198	9,160,583	4,765,141	7,545,258	12,310,399
3.2.1.2 Forward foreign currency sales		3,623,653	5,743,048	9,366,701	6,794,268	5,709,593	12,503,861
3.2.2 Currency and interest rate swaps		70,701,564	170,999,123	241,700,687	45,874,245	156,440,960	202,315,205
3.2.2.1 Currency swaps-purchases		11,596,808	78,278,022	89,874,830	10,649,363	63,055,771	73,705,134
3.2.2.2 Currency swaps-sales		53,064,986	33,214,689	86,279,675	33,809,288	36,121,829	69,931,117
3.2.2.3 Interest rate swaps-purchases		3,019,885	29,753,206	32,773,091	707,797	28,631,680	29,339,477
3.2.2.4 Interest rate swaps-sales		3,019,885	29,753,206	32,773,091	707,797	28,631,680	29,339,477
3.2.3 Currency, interest rate and security options		9,978,857	20,136,618	30,115,475	17,232,147	32,370,725	49,602,872
3.2.3.1 Currency call options		6,793,635	3,381,386	10,175,021	9,069,974	8,208,590	17,278,564
3.2.3.2 Currency put options		2,993,676	7,648,860	10,642,536	8,084,584	10,686,711	18,771,295
3.2.3.3 Interest rate call options		-	7,545,487	7,545,487	-	11,921,185	11,921,185
3.2.3.4 Interest rate put options		-	1,560,885	1,560,885	-	1,554,239	1,554,239
3.2.3.5 Security call options		95,046	-	95,046	24,665	-	24,665
3.2.3.6 Security put options		96,500	-	96,500	52,924	-	52,924
3.2.4 Currency futures		740,803	759,559	1,500,362	837,290	970,229	1,807,519
3.2.4.1 Currency futures-purchases		154,188	570,234	724,422	66,180	807,290	873,470
3.2.4.2 Currency futures-sales		586,615	189,325	775,940	771,110	162,939	934,049
3.2.5 Interest rate futures		-	43,395	43,395	-	18,066	18,066
3.2.5.1 Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sales		-	43,395	43,395	-	18,066	18,066
3.2.6 Others		93,855	22,003,654	22,097,509	28,019	18,482,130	18,510,149
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		770,345,347	809,925,467	1,580,270,814	734,970,642	779,705,808	1,514,676,450
IV. ITEMS HELD IN CUSTODY		52,845,939	42,057,612	94,903,551	47,679,289	45,204,129	92,883,418
4.1 Customers' securities held		20,975,184	-	20,975,184	16,549,359	-	16,549,359
4.2 Investment securities held in custody		12,892,494	13,449,541	26,342,035	11,117,076	15,329,484	26,446,560
4.3 Checks received for collection		15,574,352	5,321,666	20,896,018	16,598,765	5,317,179	21,915,944
4.4 Commercial notes received for collection		2,763,461	957,501	3,720,962	2,820,947	1,021,743	3,842,690
4.5 Other assets received for collection		203,090	19,247,316	19,450,406	189,845	19,210,946	19,400,791
4.6 Assets received through public offering		-	136,801	136,801	-	128,789	128,789
4.7 Other items under custody		437,358	2,944,787	3,382,145	403,297	4,195,988	4,599,285
4.8 Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		717,499,408	767,867,855	1,485,367,263	687,291,353	734,501,679	1,421,793,032
5.1 Securities		3,855,678	1,313,880	5,169,558	2,626,072	149,806	2,775,878
5.2 Guarantee notes		23,790,192	12,957,524	36,747,716	27,157,222	13,490,262	40,647,484
5.3 Commodities		1,681	-	1,681	13,913	-	13,913
5.4 Warranties		-	356,734	356,734	-	359,113	359,113
5.5 Real estates		172,913,200	140,651,649	313,564,849	169,974,426	135,795,357	305,769,783
5.6 Other pledged items		516,938,657	612,587,979	1,129,526,636	487,519,720	584,707,054	1,072,226,774
5.7 Pledged items-depository		-	89	89	-	87	87
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		967,020,923	1,131,769,557	2,098,790,480	899,107,644	1,109,405,466	2,008,513,110

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Statement of Profit or Loss
For the period ended at 30 September 2019

INCOME AND EXPENSE ITEMS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)			
			CURRENT PERIOD	PRIOR PERIOD	CURRENT PERIOD	PRIOR PERIOD
			1 January 2019- 30 September 2019	1 January 2018- 30 September 2018	1 July 2019- 30 September 2019	1 July 2018- 30 September 2018
I. INTEREST INCOME		5.4.1	32,583,287	27,886,969	10,484,665	11,230,403
1.1 Interest income on loans			25,956,080	22,434,127	8,416,250	8,763,029
1.2 Interest income on reserve deposits			232,031	238,419	74,688	80,738
1.3 Interest income on banks			757,271	420,097	234,593	182,793
1.4 Interest income on money market transactions			230,212	17,983	145,612	10,115
1.5 Interest income on securities portfolio			4,639,078	4,141,737	1,374,898	1,952,896
1.5.1 Financial assets measured at FVTPL			62,492	49,011	28,391	21,496
1.5.2 Financial assets measured at FVOCI			2,301,302	2,225,059	673,703	1,035,220
1.5.3 Financial assets measured at amortised cost			2,275,284	1,867,667	672,804	896,180
1.6 Financial lease income			386,626	400,973	124,995	154,441
1.7 Other interest income			381,989	233,633	113,629	86,391
II. INTEREST EXPENSE		5.4.2	17,493,332	13,912,713	5,292,871	5,856,001
2.1 Interest on deposits			13,658,586	9,411,479	4,210,862	4,075,237
2.2 Interest on funds borrowed			1,347,087	1,451,356	257,265	487,981
2.3 Interest on money market transactions			102,270	1,088,023	23,008	466,405
2.4 Interest on securities issued			2,163,107	1,911,290	739,003	822,417
2.5 Lease interest expense			140,315	664	47,013	644
2.6 Other interest expenses			81,967	49,901	15,720	3,317
III. NET INTEREST INCOME (I - II)			15,089,955	13,974,256	5,191,794	5,374,402
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES			4,637,015	3,752,240	1,662,125	1,326,890
4.1 Fees and commissions received			6,493,581	4,979,376	2,337,463	1,837,123
4.1.1 Non-cash loans			537,349	412,053	173,612	160,302
4.1.2 Others			5,956,232	4,567,323	2,163,851	1,676,821
4.2 Fees and commissions paid			1,856,566	1,227,136	675,338	510,233
4.2.1 Non-cash loans			11,396	10,173	3,788	3,573
4.2.2 Others			1,845,170	1,216,963	671,550	506,660
V. DIVIDEND INCOME		5.4.3	9,046	5,839	24	651
VI. NET TRADING INCOME/LOSSES (Net)		5.4.4	(1,877,715)	760,940	(898,278)	1,093,097
6.1 Trading account income/losses			220,636	1,011,314	(135,339)	274,279
6.2 Income/losses from derivative financial instruments			(3,013,423)	2,628,747	(598,237)	2,559,002
6.3 Foreign exchange gains/losses			915,072	(2,879,121)	(164,702)	(1,740,184)
VII. OTHER OPERATING INCOME		5.4.5	4,716,943	2,746,731	1,340,465	680,685
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)			22,575,244	21,240,006	7,296,130	8,475,725
IX. EXPECTED CREDIT LOSSES (-)		5.4.6	8,491,807	6,766,395	2,971,065	3,206,141
X. OTHER PROVISIONS (-)		5.4.6	323,937	831,904	119,226	796,375
XI. PERSONNEL EXPENSES (-)			3,137,761	2,593,185	1,043,087	875,077
XII. OTHER OPERATING EXPENSES (-)		5.4.7	4,259,423	3,643,942	1,464,862	1,231,395
XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)			6,362,316	7,404,580	1,697,890	2,366,737
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	6,362,316	7,404,580	1,697,890	2,366,737
XVIII. PROVISION FOR TAXES (±)		5.4.9	1,363,856	1,774,710	368,198	672,857
18.1 Current tax charge			1,675,751	1,754,043	451,700	686,505
18.2 Deferred tax charge (+)			326,128	805,909	(14,064)	390,310
18.3 Deferred tax credit (-)			(638,023)	(785,242)	(69,438)	(403,958)
XIX. NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)		5.4.10	4,998,460	5,629,870	1,329,692	1,693,880
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	4,998,460	5,629,870	1,329,692	1,693,880
25.1 Equity holders of the bank			4,938,235	5,575,233	1,309,864	1,673,819
25.2 Minority interest			60,225	54,637	19,828	20,061
Earnings per Share			0.01176	0.01327	0.00312	0.00399

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the period ended at 30 September 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD 1 January 2019 - 30 September 2019	PRIOR PERIOD 1 January 2018 - 30 September 2018
I.	CURRENT PERIOD PROFIT/LOSS	4,998,460	5,629,870
II.	OTHER COMPREHENSIVE INCOME	(114,764)	390,423
2.1	Other Income/Expense Items not to be Recycled to Profit or Loss	75,298	93,223
2.1.1	Revaluation Surplus on Tangible Assets	3,143	10,487
2.1.2	Revaluation Surplus on Intangible Assets	-	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	-	-
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	77,070	85,599
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(4,915)	(2,863)
2.2	Other Income/Expense Items to be Recycled to Profit or Loss	(190,062)	297,200
2.2.1	Translation Differences	48,939	1,910,057
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	366,273	(1,443,626)
2.2.3	Gains/losses from Cash Flow Hedges	(663,536)	375,051
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	(27,033)	(869,360)
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	85,295	325,078
III.	TOTAL COMPREHENSIVE INCOME (I+II)	4,883,696	6,020,293

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Statement of Changes in Shareholders' Equity
For the period ended at 30 September 2019

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)																
		Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss			Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	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 (01/01/2018-30/09/2018)																		
I. Balances at Beginning of Period	5.5	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		-	-	-	-	-	-	-	-	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)		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		-	-	-	-	10,783	-	81,850	1,910,057	(917,262)	(695,488)	590	-	5,575,233	5,965,763	54,530	6,020,293	
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		-	-	-	-	-	-	-	-	-	-	-	137,427	-	137,427	-	137,427	
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	1,530,658	(144,269)	142,708	3,493,850	(787,602)	(1,350,936)	33,022,889	-	5,575,233	46,466,965	187,346	46,654,311	
CURRENT PERIOD (01/01/2019-30/09/2019)																		
I. Balances at Beginning of Period	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	
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)		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		-	-	-	-	2,768	-	72,530	48,939	(217,733)	(21,626)	-	-	4,938,235	4,823,113	60,583	4,883,696	
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		-	-	-	-	-	-	-	-	-	-	-	5,135	-	5,135	-	5,135	
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	1,537,691	(160,891)	171,892	2,793,734	(1,275,944)	(1,096,367)	39,624,760	-	4,938,235	51,517,544	257,449	51,774,993	

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Statement of Cash Flows
For the period ended at 30 September 2019

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		1 January 2019- 30 September 2019	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	13,295,165	3,184,883
1.1.1 Interests received		29,261,619	23,099,374
1.1.2 Interests paid		(17,534,601)	(13,492,657)
1.1.3 Dividend received		9,046	5,839
1.1.4 Fees and commissions received		6,493,581	4,979,376
1.1.5 Other income		4,937,579	3,758,045
1.1.6 Collections from previously written-off receivables		538,149	297,560
1.1.7 Cash payments to personnel and service suppliers		(6,215,262)	(5,461,551)
1.1.8 Taxes paid		(1,555,552)	(2,101,762)
1.1.9 Others		(2,639,394)	(7,899,341)
1.2 Changes in operating assets and liabilities	5.6	(745,610)	20,006,915
1.2.1 Net (increase) decrease in financial assets measured at FVTPL		(515,099)	175,177
1.2.2 Net (increase) decrease in due from banks		783,503	(1,350,832)
1.2.3 Net (increase) decrease in loans		(7,212,779)	(56,508,930)
1.2.4 Net (increase) decrease in other assets		(649,031)	(1,897,929)
1.2.5 Net increase (decrease) in bank deposits		(2,226,111)	5,896,288
1.2.6 Net increase (decrease) in other deposits		15,159,564	67,270,388
1.2.7 Net increase (decrease) in financial liabilities measured at FVTPL		-	-
1.2.8 Net increase (decrease) in funds borrowed		(8,685,260)	2,514,387
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		2,599,603	3,908,366
I. Net cash flow from banking operations	5.6	12,549,555	23,191,798
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash flow from investing activities	5.6	(463,947)	1,733,292
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		(395,023)	(1,516,024)
2.4 Sales of tangible assets		292,398	1,207,497
2.5 Cash paid for purchase of financial assets measured at FVOCI		(5,255,932)	(10,227,049)
2.6 Cash obtained from sale of financial assets measured at FVOCI		5,783,762	10,930,663
2.7 Cash paid for purchase of financial assets measured at amortised cost		(998,457)	(665,770)
2.8 Cash obtained from sale of financial assets measured at amortised cost		109,305	2,003,975
2.9 Others		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		(3,572,661)	6,551,115
3.1 Cash obtained from funds borrowed and securities issued		16,338,258	21,265,015
3.2 Cash used for repayment of funds borrowed and securities issued		(19,637,820)	(12,963,900)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		(680)	(1,750,000)
3.5 Payments for leases		(272,419)	-
3.6 Others		-	-
IV. Effect of translation differences on cash and cash equivalents		(17,077)	5,693,079
V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)	5.6	8,495,870	37,169,284
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	46,193,474	52,121,796

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 405,469,580 (31 December 2018: EUR 366,635,075) is applied in total among investments in Garanti Bank International NV and Garanti Holding BV having capitals denominated in foreign currencies and long term foreign currency borrowings. Foreign exchange losses in the amount of TL 1,370,459 (31 December 2018: TL 1,343,425), arising from conversion of both foreign currency investments and long term foreign currency borrowings are accounted under capital reserves and other comprehensive income/expense items to be recycled to profit/loss, respectively under equity as of 30 September 2019. There is no ineffective portion arising from net investment hedge accounting.

3.3 Information on consolidated subsidiaries

As of 30 September 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 Doğu Holding AŞ in May 2010. As of 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 contracts.

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

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

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

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

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

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 2018 and the Bank continued to calculate expected credit losses provision based on the mentioned updated model in 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 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.

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. In the determination of the related asset and liability amounts, the lower of the fair value of the leased assets and the present value of leasing payments is considered. 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.

In cases where leased assets are impaired or the expected future benefits of the assets are less than their book values, the book values of such leased assets are reduced to their net realizable values. Depreciation for assets acquired through financial leases is calculated consistently with the same principle as for the tangible assets.

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.

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:

	30 September 2019	31 December 2018
Net Effective Discount Rate	3.38%	3.38%
Discount Rate	16.30%	16.30%
Expected Rate of Salary Increase	14.00%	14.00%
Inflation Rate	12.50%	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.

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:

	30 September 2019	
	Employer	Employee
Pension contributions	15.5%	10.0%
Medical benefit contributions	6.0%	5.0%

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

a) Benefits transferable to SSF

The first paragraph of the provisional article 23 of Banking Law no. 5411, published in the Official Gazette on 1 November 2005, no. 25983, which requires the transfer of the members of the funds subject to the provisional article 20 of the Social Security Law no.506, and the persons who are paid under insurance coverage for disablement, old-age and mortality and their right-holders to the SSF within three years following the effective date of the related article was cancelled with the decision of the Constitutional Court dated 22 March 2007, no. 2007/33. The reasoned ruling regarding the cancellation of the Constitutional Court was published in the Official Gazette no. 26731, dated 15 December 2007. The Constitutional Court stated that the reason behind this cancellation was the possible loss of antecedent rights of the fund members. Following the publication of the verdict, the Turkish Grand National Assembly ("Turkish Parliament") started to work on the new legal arrangements by taking the cancellation reasoning into account and the articles of the Law no.5754 regulating the principles related with such transfers were accepted and approved by Turkish Parliament on 17 April 2008, and enacted on 8 May 2008 after being published in the Official Gazette no.26870.

As per the Law, the present value of post-employment benefits as at the transfer date for the fund members to be transferred, are to be calculated by a commission composing from the representatives of the SSF, the Ministry of Finance, the Undersecretariat of Treasury, the Undersecretariat of State Planning Organisation, the BRSA, the Savings Deposit Insurance Fund ("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.

As of 1 January 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 deadline of the tax is 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.

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 Shares 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 30 September 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.

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:

<i>Current Period</i>	Retail Banking	Corporate / Commercial Banking	Investment Banking	Other	Total Operations
Total Operating Profit	9,457,818	8,152,123	(4,647,065)	9,603,322	22,566,198
Other	-	-	-	-	-
Total Operating Profit	9,457,818	8,152,123	(4,647,065)	9,603,322	22,566,198
Net Operating Profit	4,127,924	2,580,901	(4,898,864)	4,543,309	6,353,270
Dividend Income	-	-	-	9,046	9,046
Net Operating Profit	4,127,924	2,580,901	(4,898,864)	4,552,355	6,362,316
Provision for Taxes	-	-	-	1,363,856	1,363,856
Net Profit	4,127,924	2,580,901	(4,898,864)	3,188,499	4,998,460
Segment Assets	70,585,481	176,596,826	121,654,729	42,170,888	411,007,924
Investments in Associates and Subsidiaries	-	-	-	153,772	153,772
Total Assets	70,585,481	176,596,826	121,654,729	42,324,660	411,161,696
Segment Liabilities	180,835,400	85,336,669	68,784,825	24,429,809	359,386,703
Shareholders' Equity	-	-	(3,447)	51,778,440	51,774,993
Total Liabilities and Shareholders' Equity	180,835,400	85,336,669	68,781,378	76,208,249	411,161,696

<i>Prior Period</i>	Retail Banking	Corporate / Commercial Banking	Investment Banking	Other	Total Operations
Total Operating Profit	6,315,380	8,732,497	(1,684,394)	5,277,499	18,640,982
Other	-	-	-	-	-
Total Operating Profit	6,315,380	8,732,497	(1,684,394)	5,277,499	18,640,982
Net Operating Profit	3,207,972	4,409,560	(1,811,358)	1,592,567	7,398,741
Dividend Income	-	-	-	5,839	5,839
Net Operating Profit	3,207,972	4,409,560	(1,811,358)	1,598,406	7,404,580
Provision for Taxes	-	-	-	1,774,710	1,774,710
Net Profit	3,207,972	4,409,560	(1,811,358)	(176,304)	5,629,870
Segment Assets	71,774,112	177,264,163	109,415,617	40,566,838	399,020,730
Investments in Associates and Subsidiaries	-	-	-	132,871	132,871
Total Assets	71,774,112	177,264,163	109,415,617	40,699,709	399,153,601
Segment Liabilities	160,344,635	87,752,597	76,989,822	27,179,705	352,266,759
Shareholders' Equity	-	-	-	46,886,842	46,886,842
Total Liabilities and Shareholders' Equity	160,344,635	87,752,597	76,989,822	74,066,547	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 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.

	<i>Current Period</i>	<i>Prior Period</i>
Distributable net profit/loss	4,938,235	5,575,233
Average number of issued common shares (thousand)	420,000,000	420,000,000
Earnings per share (amounts presented full TL)	0.01176	0.01327

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.

3.29 Reclassifications

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

	<i>Note</i>	<i>31.12.2018</i>	<i>TFRS16 Reclassification Effect</i>	<i>TFRS16 Transition Effect</i>	<i>01.01.2019</i>
TANGIBLE ASSETS (Net)	(1),(2)	4,494,918	33,008	1,040,667	5,568,593
OTHER ASSETS (Net)	(2)	5,698,455	(33,008)	-	5,665,447
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

None.

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 ^()**

<i>Current Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 ^(*)</i>
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	39,624,760	
Other Comprehensive Income according to TAS	5,256,914	
Profit	4,938,235	
Current Period Profit	4,938,235	
Prior Period Profit	-	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	913	
Minority Interest	82,789	
Common Equity Tier I Capital Before Deductions	54,888,045	
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 (-)	2,851,220	-
Leasehold Improvements on Operational Leases (-)	184,370	-
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	425,550	425,550
Net Deferred Tax Asset/Liability (-)	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
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	3,461,140	
Total Common Equity Tier I Capital	51,426,905	
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)	51,426,905	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	4,213,125	
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)	3,511,272	
Total Deductions from Tier II Capital	7,724,397	
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	-	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
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	7,724,397	
Total Equity (Total Tier I and Tier II Capital)	59,151,302	
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	18	
Other items to be Defined by the BRSA (-)	8,692	
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)	59,142,592	-
Total Risk Weighted Assets	327,222,110	-
CAPITAL ADEQUACY RATIOS		
Consolidated CET1 Capital Ratio (%)	15.72	-
Consolidated Tier I Capital Ratio (%)	15.72	-
Consolidated Capital Adequacy Ratio (%)	18.07	-
BUFFERS		
Total Additional CET1 Capital Requirement Ratio (a+b+c)	4.614	-
a) Capital Conservation Buffer Ratio (%)	2.500	-
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.114	-
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 (%)	10.074	-
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	1,939,232	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 ^(*)</i>
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)	6,038,567	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3,511,272	-
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.

<i>Prior Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	32,977,973	
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 the 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
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	-	
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	-	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
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	-
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	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
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.

4.1.2 Items included in capital calculation

<i>Information about instruments included in total capital calculation</i>	
Issuer	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.
<i>Regulatory treatment</i>	
Subject to 10% deduction as of 1/1/2015	No
Eligible on unconsolidated and /or consolidated basis	Eligible on unconsolidated and consolidated
Instrument type	Subordinated debt instruments (Notes)
Amount recognized in regulatory capital (Currency in TL million, as of most recent reporting date)	4,213 (31 December 2018: 3,952)
Nominal value of instrument (TL million)	4,213 (31 December 2018: 3,952)
Accounting classification of the instrument	34701 – Secondary Subordinated Loans
Issuance date of instrument	23.05.2017
Maturity structure of the instrument (demand/time)	Time
Original maturity of the instrument	24.05.2027
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	24.05.2022 - USD750,000,000
Subsequent call dates, if applicable	-
<i>Interest/dividend payment</i>	
Fixed or floating coupon/dividend payments	Fixed
Coupon rate and any related index	6.1250%
Existence of any dividend payment restriction	None
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	None
Convertible into equity shares	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
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.
If bond can be written-down, full or partial	Partially or fully
If bond can be written-down, permanent or temporary	Continuously
If temporary write-down, description of write-up mechanism	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 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.
Details of incompliance 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.

4.1.3 Reconciliation of capital items to balance sheet

<i>Current Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value at capital report</i>	<i>Explanation of differences</i>
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	784,434	(772,554)	11,880	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
<i>Other Capital Reserves</i>	772,554	(772,554)	-	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
<i>Bonus Shares of Associates, Subsidiaries and Joint-Ventures</i>	-	-	-	
<i>Share Premium</i>	11,880	-	11,880	
Other Comprehensive Income/Expenses in Shareholders' Equity as per TMS	1,970,115	436,492	2,406,607	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
<i>Other Comprehensive Income/Expense Items not to be Recycled to Profit/Loss</i>	1,548,692	-	1,548,692	
<i>Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss</i>	421,423	436,492	857,915	Items not included in the calculation as per Regulation's Article 9-1-f
Profit Reserves	39,624,760	-	39,624,760	
Profit or Loss	4,938,235	-	4,938,235	
<i>Prior Periods' Profit/Loss</i>	-	-	-	
<i>Current Period Net Profit/Loss</i>	4,938,235	-	4,938,235	
Minority Interest	257,449	(174,660)	82,789	Items are calculated as per Regulation's Article 12
Deductions from Common Equity Tier I Capital (-)	-		609,920	Deductions from Common Equity Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	51,774,993		51,426,905	
Subordinated Debts			-	
Deductions from Tier I Capital (-)			-	Deductions from Tier 1 Capital as per the Regulation
Tier I Capital			51,426,905	
Subordinated Debts			4,213,125	
12 Month ECL (Stage 1) and Lifetime ECL Significant Increase in Credit Risk (Stage 2)			3,511,272	General Loan Provision added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
Tier II Capital			7,724,397	
Deductions from Total Capital (-)			8,710	Deductions from Capital as per the Regulation
Total			59,142,592	

<i>Prior Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value at capital report</i>	<i>Explanation of differences</i>
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	784,434	(772,554)	11,880	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
<i>Other Capital Reserves</i>	772,554	(772,554)	-	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
<i>Bonus Shares of Associates, Subsidiaries and Joint-Ventures</i>	-	-	-	
<i>Share Premium</i>	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
<i>Other Comprehensive Income/Expense Items not to be Recycled to Profit/Loss</i>	1,473,394	-	1,473,394	
<i>Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss</i>	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	
<i>Prior Periods' Profit/Loss</i>	-	-	-	
<i>Current Period Net Profit/Loss</i>	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	
General Provisions			3,586,565	General Loan Provision added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
Tier II Capital			7,538,990	
Deductions from Total Capital (-)			14,041	Deductions from Capital as per the Regulation
Total			53,558,774	

4.2 Consolidated credit risk

Not prepared in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

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 30 September 2019, the Bank and its financial subsidiaries’ net ‘on balance sheet’ foreign currency short position amounts to TL 26,854,890 (31 December 2018: TL 18,242,797), net ‘off-balance sheet’ foreign currency long position amounts to TL 29,590,435 (31 December 2018: TL 20,473,605), while net foreign currency long open position amounts to TL 2,735,545 (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.

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	5.6175	6.1231
<u>Foreign currency rates for the days before balance sheet date:</u>		
Day 1	5.6273	6.1613
Day 2	5.6455	6.1765
Day 3	5.6565	6.1990
Day 4	5.6733	6.2375
Day 5	5.7028	6.2699
Last 30-days arithmetical average rate	5.6789	6.2546

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	15,345,861	16,885,018	8,619,773	40,850,652
Banks	13,950,903	7,657,494	1,248,325	22,856,722
Financial Assets Measured at Fair Value through Profit/Loss	20,589	4,106,042	-	4,126,631
Money Market Placements	675,305	175,066	-	850,371
Financial Assets Measured at Fair Value through Other Comprehensive Income	3,147,309	5,490,848	1,392,003	10,030,160
Loans ^{(*)(**)}	49,765,647	51,439,796	7,403,165	108,608,608
Investments in Associates, Subsidiaries and Joint-Ventures	2,745	-	908	3,653
Financial Assets Measured at Amortised Cost	19,247	6,276,586	-	6,295,833
Derivative Financial Assets Held for Hedging Purpose	6,152	4,704	-	10,856
Tangible Assets	179,843	272	153,343	333,458
Intangible Assets ^(***)	-	-	-	-
Other Assets ^(****)	23,491	(1,940,949)	(42,074)	(1,959,532)
Total Assets	83,137,092	90,094,877	18,775,443	192,007,412
Liabilities				
Bank Deposits	3,172,358	175,045	13,578	3,360,981
Foreign Currency Deposits	50,582,655	83,474,980	10,644,355	144,701,990
Money Market Funds	787,197	490,249	138	1,277,584
Other Fundings	11,336,330	11,383,965	175,194	22,895,489
Securities Issued ^(*****)	1,534,942	34,532,940	-	36,067,882
Miscellaneous Payables	266,415	464,580	87,845	818,840
Derivative Financial Liabilities Held for Hedging Purpose	161,671	359,852	-	521,523
Other Liabilities ^(*****)	1,578,754	2,518,112	5,121,147	9,218,013
Total Liabilities	69,420,322	133,399,723	16,042,257	218,862,302
Net 'On Balance Sheet' Position	13,716,770	(43,304,846)	2,733,186	(26,854,890)
Net 'Off-Balance Sheet' Position	(11,103,303)	41,752,746	(1,059,008)	29,590,435
Derivative Assets	12,259,941	75,918,912	6,115,084	94,293,937
Derivative Liabilities	23,363,244	34,166,166	7,174,092	64,703,502
Non-Cash Loans	-	-	-	-
Prior Period				
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 1,355,884 included under TL loans in the accompanying consolidated financial statements are presented above under the related foreign currency code.

(**) The foreign currency indexed factoring receivables amounting TL 5,597 included under TL assets 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 4,869,940 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.

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

<i>Current Period</i>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing (*)	Total
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	23,049,383	-	-	-	-	21,921,670	44,971,053
Banks	8,834,759	484,956	894,693	140,274	49,230	13,398,823	23,802,735
Financial Assets Measured at Fair Value through Profit/Loss	9,717	3,546,444	212,735	496,434	75,188	646,287	4,986,805
Money Market Placements	11,201,379	174,795	-	-	-	4,885	11,381,059
Financial Assets Measured at Fair Value through Other Comprehensive Income	1,138,176	2,101,044	9,962,759	3,900,306	6,145,104	4,325,139	27,572,528
Loans	64,601,102	42,086,552	65,076,523	64,474,704	12,854,975	18,873,329	267,967,185
Financial Assets Measured at Amortised Cost	5,137,681	4,023,066	3,801,169	1,439,641	5,225,830	7,543,740	27,171,127
Other Assets (**)	54,903	35,707	25,136	156,719	7,754	3,028,985	3,309,204
Total Assets	114,027,100	52,452,564	79,973,015	70,608,078	24,358,081	69,742,858	411,161,696
Liabilities							
Bank Deposits	178,823	129,134	49,010	-	-	3,578,085	3,935,052
Other Deposits	134,981,851	31,086,450	15,877,320	2,830,857	153,496	68,977,174	253,907,148
Money Market Funds	143,629	49,049	455,672	787,197	75,932	7,996	1,519,475
Miscellaneous Payables	2,771	-	-	-	-	14,761,747	14,764,518
Securities Issued (***)	14,132,126	1,102,055	20,572	12,743,894	11,740,113	522,016	40,260,776
Other Fundings	2,274,406	14,883,730	5,194,619	2,847,631	565,142	37,503	25,803,031
Other Liabilities	17,066	54,196	152,368	534,913	206,985	70,006,168	70,971,696
Total Liabilities	151,730,672	47,304,614	21,749,561	19,744,492	12,741,668	157,890,689	411,161,696
On Balance Sheet Long Position	-	5,147,950	58,223,454	50,863,586	11,616,413	-	125,851,403
On Balance Sheet Short Position	(37,703,572)	-	-	-	-	(88,147,831)	(125,851,403)
Off-Balance Sheet Long Position	19,026,827	27,453,300	7,725,992	6,660,317	10,590,122	-	71,456,558
Off-Balance Sheet Short Position	(2,357,620)	(15,559,267)	(9,115,358)	(25,011,578)	(19,125,983)	-	(71,169,806)
Total Position	(21,034,365)	17,041,983	56,834,088	32,512,325	3,080,552	(88,147,831)	286,752

(*) 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.

<i>Prior Period</i>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing ^(*)	Total
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	20,879,371	-	-	-	-	20,741,667	41,621,038
Banks	8,153,390	669,287	687,016	240,065	22,905	20,880,237	30,652,900
Financial Assets 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	141,993	-	-	-	-	-	141,993
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 ^(**)	23,812	34,591	29,147	238,390	6,832	4,385,171	4,717,943
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	1,672,707	30,143	83,871	-	-	4,374,966	6,161,687
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	583	-	8,494	-	-	62,587,211	62,596,288
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 (%)

<i>Current Period</i>	EUR	USD	JPY	TL
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	0.59	-	8.13
Banks	0.05-4.50	0.01-5.25	-	10.00-23.50
Financial Assets at Fair Value through Profit/Loss	3.62	3.30-5.89	-	4.00-29.92
Money Market Placements	-	2.00	-	10.00-16.31
Financial Assets Measured at Fair Value through Other Comprehensive Income	0.62-7.38	3.25-11.88	-	16.27-24.14
Loans (*)	0.18-19.80	2.35-13.09	-	9.90-36.25
Financial Assets Measured at Amortised Cost	0.25	5.24	-	17.26-19.49
Liabilities				
Bank Deposits	0.20	1.80-2.30	-	12.10-14.50
Other Deposits	0.01-7.00	0.01-4.00	0.24	8.75-22.00
Money Market Fundings	0.06-0.18	2.62-4.02	-	7.06-25.50
Miscellaneous Payables	-	-	-	-
Securities Issued	5.27-5.54	4.21	-	17.01-24.25
Other Fundings	0.40-5.50	2.56-5.56	-	12.18-19.97

<i>Prior Period</i>	EUR	USD	JPY	TL
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	1.83	-	8.05
Banks	(0.34)-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

<i>Current Period</i>		Comparison		
Equity Securities (shares)		Carrying Value	Fair Value	Market Value
1	Investment in Shares- Grade A	126,333	-	-
	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	-	-	-

<i>Prior Period</i>		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	-	-	-

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		Gains/Losses in Current Period	Revaluation Surpluses		Unrealized Gains and Losses		
Portfolio			Total	Amount in Tier I Capital	Total	Amount in Core Capital	Amount in Tier I Capital
1	Private Equity Investments	-	-	-	-	-	-
2	Quoted Shares	-	-	-	12,107	-	12,107
3	Other Shares	-	168,196	168,196	-	-	-
	Total	-	168,196	168,196	12,107	-	12,107

Prior Period		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
Portfolio							
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

	<i>Current Period</i>			
	Portfolio	Carrying Value	RWA Total	Minimum Capital Requirement
1	Private Equity Investments	-	-	-
2	Quoted Shares	-	-	-
3	Other Shares	153,772	153,772	12,302
	Total	153,772	153,772	12,302

<i>Prior Period</i>				
	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 3.99% cash, 44.51% deposits in central banks and 51.50% 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 75.79% deposits, 8.03% funds borrowed and money market borrowings and 11.83% 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.

<i>Current Period</i>		Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
		TL+FC	FC	TL+FC	FC
High-Quality Liquid Assets				101,536,456	59,933,650
1	Total high-quality liquid assets (HQLA)	101,566,019	59,933,651	101,536,456	59,933,650
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:				
3	Stable deposits	192,343,420	109,353,369	17,743,061	10,899,388
4	Less stable deposits	29,825,618	718,982	1,491,281	35,949
5	Unsecured wholesale funding, of which:	162,517,802	108,634,387	16,251,780	10,863,439
6	Operational deposits	68,551,211	38,796,766	37,417,450	19,338,981
7	Non-operational deposits	-	-	-	-
8	Unsecured funding	51,273,247	34,217,870	24,223,012	15,887,549
9	Secured wholesale funding	17,277,964	4,578,896	13,194,438	3,451,432
10	Other cash outflows of which:	973,627	777,847	954,450	777,847
11	Outflows related to derivative exposures and other collateral requirements	82,145,510	20,709,153	12,137,161	9,949,632
12	Outflows related to restructured financial instruments	6,165,716	8,121,655	6,165,716	8,121,655
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	75,979,794	12,587,498	5,971,445	1,827,977
15	Other irrevocable or conditionally revocable off-balance sheet obligations	491,770	345,126	24,589	17,256
16	Total Cash Outflows	42,027,376	27,956,239	2,101,369	1,397,812
17	Cash Inflows	386,532,914	197,938,500	70,378,080	42,380,916
18	Secured receivables	20,149	-	-	-
19	Unsecured receivables	34,970,105	18,318,060	25,787,540	14,897,787
20	Other cash inflows	310,830	5,143,905	290,488	5,142,047
21	Total Cash Inflows	35,301,084	23,461,965	26,078,028	20,039,834
				Upper Limit Applied Values	
22	Total HQLA			101,536,456	59,933,650
23	Total Net Cash Outflows			44,300,052	22,341,082
24	Liquidity Coverage Ratio (%)			233.03%	289.70%

(*) 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 July 2019	264.35%	371.54%
31 August 2019	226.27%	271.55%
30 September 2019	208.48%	226.02%

<i>Prior Period</i>	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%

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	23,406,481	21,564,572	-	-	-	-	-	44,971,053
Banks	19,099,353	3,096,327	507,731	901,808	101,316	96,200	-	23,802,735
Financial Assets at Fair Value through Profit/Loss	267,379	65,368	3,893,599	55,359	611,390	93,710	-	4,986,805
Money Market Placements	-	11,206,264	174,795	-	-	-	-	11,381,059
Financial Assets Measured at Fair Value through Other Comprehensive Income	323,964	1,751	555,372	5,926,519	13,276,637	7,488,280	5	27,572,528
Loans	606,838	44,298,442	25,509,998	61,776,593	88,286,780	25,001,621	22,486,913	267,967,185
Financial Assets Measured at Amortised Cost	-	90,099	-	4,616,713	13,363,788	9,100,527	-	27,171,127
Other Assets (*)	3,594,984	1,747,992	488,948	971,594	894,220	1,040,781	(5,429,315)	3,309,204
Total Assets	47,298,999	82,070,815	31,130,443	74,248,586	116,534,131	42,821,119	17,057,603	411,161,696
Liabilities								
Bank Deposits	3,582,193	173,724	129,644	49,491	-	-	-	3,935,052
Other Deposits	76,575,378	128,649,046	32,173,661	14,055,408	2,293,337	160,318	-	253,907,148
Other Fundings	-	3,286,764	8,065,746	10,623,187	3,667,157	160,177	-	25,803,031
Money Market Funds	138	147,280	51,504	457,108	787,197	76,248	-	1,519,475
Securities Issued (**)	-	5,567,018	1,814,442	20,648	16,803,738	16,054,930	-	40,260,776
Miscellaneous Payables	13,942,097	566,799	12,463	35,778	-	317	207,064	14,764,518
Other Liabilities (***)	3,997,771	2,070,511	1,187,000	1,320,099	1,560,558	2,532,140	58,303,617	70,971,696
Total Liabilities	98,097,577	140,461,142	43,434,460	26,561,719	25,111,987	18,984,130	58,510,681	411,161,696
Liquidity Gap	(50,798,578)	(58,390,327)	(12,304,017)	47,686,867	91,422,144	23,836,989	(41,453,078)	-
Net Off-Balance Sheet Position	-	(567,225)	(209,426)	(184,198)	562,980	(370,907)	-	(768,776)
Derivative Financial Assets	-	69,885,295	17,595,256	25,817,503	8,097,662	1,735,752	-	123,131,468
Derivative Financial Liabilities	-	70,452,520	17,804,682	26,001,701	7,534,682	2,106,659	-	123,900,244
Non-Cash Loans	-	25,309,822	2,703,149	1,194,216	2,615,447	83,872	111,225,733	143,132,239
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.

4.6.3 Contractual maturity analysis of liabilities according to remaining maturities

Not prepared in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

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 8.91% (31 December 2018: 8.08%). While the capital increased by 10.72% as a result of increase in net profits, the balance sheet exposure increased by 2.08% and the off balance sheet exposure decreased by 7.84%. Therefore, the current period leverage ratio increased by 83 basis points compared to prior period.

		<i>Current Period^(***)</i>	<i>Prior Period^(***)</i>
1	Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards ^(*) ^(**)	422,989,662	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” ^(**)	(704,806)	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	(16,005,032)	(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	7,301,871	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	1,310,139	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	572,130,785	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 June 2019 for the current period and 31 December 2018 for the prior period, are considered.

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

		<i>Current Period^(*)</i>	<i>Prior Period^(*)</i>
On-balance sheet assets			
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	417,185,915	408,690,978
2	(Assets deducted in determining Tier I capital)	(611,270)	(618,179)
3	Total on-balance sheet risks (sum of lines 1 and 2)	416,574,645	408,072,799
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative financial instruments and credit derivatives	3,636,250	4,928,851
5	Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	16,036,178	12,017,739
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 and 5)	19,672,428	16,946,590
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	889,686	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)	889,686	991,391
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	136,304,165	147,904,095
11	(Adjustments for conversion to credit equivalent amounts)	(1,310,139)	(3,134,010)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	134,994,026	144,770,085
Capital and total risks			
13	Tier I capital	50,987,615	46,050,753
14	Total risks (sum of lines 3, 6, 9 and 12)	572,130,785	570,780,865
Leverage ratio			
15	Leverage ratio	8.91%	8.08%

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

4.8 Fair values of financial assets and liabilities

Not prepared in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

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.

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
		<i>Current Period</i>	<i>Prior Period</i>	<i>Current Period</i>
1	Credit risk (excluding counterparty credit risk) (CCR) ^(*)	275,669,159	281,730,318	22,053,533
2	Of which standardised approach (SA)	275,669,159	281,730,318	22,053,533
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	5,210,742	5,183,396	416,859
5	Of which standardised approach for counterparty credit risk (SA-CCR)	5,210,742	5,183,396	416,859
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	21,886	11,473	1,751
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	8,462,675	7,781,075	677,014
17	Of which standardised approach (SA)	8,462,675	7,781,075	677,014
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)	327,222,110	324,153,343	26,177,769

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

4.10.2 Linkages between financial statements and risk amounts

Not prepared in compliance with the “Regulation on Calculation of Risk Management Disclosures”.

4.10.3 Consolidated credit risk

Not prepared in compliance with the “Regulation on Calculation of Risk Management Disclosures”.

4.10.4 Consolidated counterparty credit risk

Not prepared in compliance with the “Regulation on Calculation of Risk Management Disclosures”.

4.10.5 Consolidated securitisations

Not prepared in compliance with the “Regulation on disclosures regarding risk management to be Announced to Public by Banks”.

4.10.6 Consolidated market risk

Not prepared in compliance with the “Regulation on Calculation of Risk Management Disclosures”.

4.10.7 Consolidated operational risk

Not prepared in compliance with the “Regulation on disclosures regarding risk management to be Announced to Public by Banks”.

4.10.8 Consolidated banking book interest rate risk

Not prepared in compliance with the “Regulation on disclosures regarding risk management to be Announced to Public by Banks”.

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1,631,853	2,496,934	1,562,395	2,510,393
Central Bank of Turkey	2,488,548	35,515,598	1,253,438	34,549,115
Others	-	2,838,120	-	1,745,697
Total	4,120,401	40,850,652	2,815,833	38,805,205

Balances with the Central Bank of Turkey

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Unrestricted Demand Deposits	2,488,548	13,951,026	1,253,438	13,261,434
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	21,564,572	-	21,287,681
Total	2,488,548	35,515,598	1,253,438	34,549,115

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

5.1.1.2 Banks

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Banks				
Domestic banks	648,368	1,541,778	655,552	1,015,795
Foreign banks	297,645	21,314,944	302,765	28,678,788
Foreign head office and branches	-	-	-	-
Total	946,013	22,856,722	958,317	29,694,583

The placements at foreign banks include blocked accounts amounting TL 10,603,674 (31 December 2018: TL 10,873,164) of which TL 2,449,241 (31 December 2018: TL 5,419,705) and TL 168,181 (31 December 2018: TL 146,033) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits and TL 7,986,252 (31 December 2018: TL 5,307,426) as collateral against funds borrowed at various banks.

Furthermore, there are restricted deposits at various domestic banks amounting TL 390,961 (31 December 2018: TL 418,844) as required for insurance activities

Due from foreign banks

Not prepared in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

5.1.1.3 Receivables from reserve repo transactions

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Domestic Transactions	10,529,759	-	3,701	-
Central Bank of Turkey	-	-	-	-
Banks	10,529,759	-	3,701	-
Others	-	-	-	-
Foreign Transactions	-	850,371	-	138,076
Central banks	-	-	-	-
Banks	-	850,371	-	138,076
Others	-	-	-	-
Total	10,529,759	850,371	3,701	138,076

5.1.1.4 Expected credit losses for cash and cash equivalents

<i>Current Period</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balances at End of Prior Period	80,251	114	-	80,365
Additions during the Period (+)	280,684	12	-	280,696
Disposal (-)	(232,096)	(35)	-	(232,131)
Transfer to Stage1	120	(120)	-	-
Transfer to Stage 2	(33)	33	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	3,740	-	-	3,740
Balances at End of Period	132,666	4	-	132,670

<i>Prior Period</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balances at Beginning of Period (1January 2018)	11,325	-	-	11,325
Additions during the Period (+)	164,127	101	-	164,228
Disposal (-)	(100,332)	(43)	-	(100,375)
Transfer to Stage1	7	(7)	-	-
Transfer to Stage 2	(45)	45	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	5,169	18	-	5,187
Balances at End of Period	80,251	114	-	80,365

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Collateralised/Blocked Assets	22,641	-	20,931	-
Assets Subject to Repurchase Agreements	1,977	-	1,605	-
Total	24,618	-	22,536	-

5.1.2.2 Financial assets measured at fair value through profit or loss

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Government Securities	601,496	138,785	176,148	83,426
Equity Securities	240,213	35,726	97,797	102,529
Other Financial Assets (*)	18,465	3,952,120	31,800	4,149,337
Total	860,174	4,126,631	305,745	4,335,292

(*) Financial assets measured at fair value through profit or loss include loan amounting to USD 628,742,832.80 (31 December 2018:USD 782,928,541) provided to a special purpose entity.As detailed in Note 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	3,997,170	2,390,293	4,499,538	887,649
Assets subject to Repurchase Agreements	-	563,812	-	1,160,491
Total	3,997,170	2,954,105	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	23,474,208	24,406,840
Quoted at Stock Exchange	23,474,208	24,397,449
Unquoted at Stock Exchange	-	9,391
Common Shares/Investment Fund	126,309	118,891
Quoted at Stock Exchange	4,491	4,491
Unquoted at Stock Exchange	121,818	114,400
Value Increase/Impairment Losses (-)	3,972,011	2,637,222
Total	27,572,528	27,162,953

Expected losses of TL 60,758 (31 December 2018: TL 46,834) is accounted under shareholders' equity for financial assets measured at fair value through other comprehensive income.

5.1.4 Derivative financial assets

5.1.4.1 Positive differences on derivative financial assets measured at FVTPL

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	336,276	34,995	448,841	7,594
Swap Transactions	815,933	1,511,349	1,276,047	675,303
Futures	24	795	351	2,235
Options	117,006	252,993	365,849	307,327
Others	-	504	-	8,825
Total	1,269,239	1,800,636	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	64,177	31,626	210,820	45,075
Cash Flow Hedges	417,345	9,773	562,809	182,619
Net Foreign Investment Hedges	-	-	-	-
Total	481,522	41,399	773,629	227,694

As of 30 September 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:

	<i>Current Period</i>			<i>Prior Period</i>		
	Face Value	Asset	Liability	Face Value	Asset	Liability
Interest Rate Swaps	56,774,893	72,230	1,120,483	57,826,116	457,835	233,155
-TL	18,666,919	67,526	608,953	10,771,181	230,145	112,222
-FC	38,107,974	4,704	511,530	47,054,935	227,690	120,933
Cross Currency Swaps	3,993,825	444,539	83,989	5,190,380	543,488	179,555
-TL	729,827	413,996	56,873	2,034,419	543,484	78,231
-FC	3,263,998	30,543	27,116	3,155,961	4	101,324
Currency Forwards	-	-	-	496,737	-	50,967
-TL	-	-	-	287,873	-	50,967
-FC	-	-	-	208,864	-	-
Interest Rate Options	633,997	6,152	-	-	-	-
-TL	-	-	-	-	-	-
-FC	633,997	6,152	-	-	-	-
Total	61,402,715	522,921	1,204,472	63,513,233	1,001,323	463,677

5.1.4.3 Fair value hedge accounting

<i>Current Period</i>						
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	203,688	11,101	(215,943)	(1,154)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	7,850	7,865	(13,804)	1,911
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	234,910	46,294	(266,965)	14,239
Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	10,281	30,543	(15,187)	25,637

<i>Prior Period</i>						
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)	(83,479)

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	1,202	(34,227)	(120,858)	45,972	(473)
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	5,768	(600,340)	(563,898)	171,859	(13,462)
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	413,996	(658)	(19,351)	(15,929)	-
Cross Currency Swaps	Fixed-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	-	(68,144)	(15,493)	15,493	-
Currency Forwards	Mail 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	6,152	-	-	-	-
Spot Position(*)	Operational Expenses	Cash flow risk resulted from foreign currency exchange rates	404,976	-	5,097	-	-

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

As of 30 September 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.

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	1	552,030	105	554,268
Corporates	1	552,030	105	554,268
Individuals	-	-	-	-
Indirect Lendings to Shareholders	27,408	38,914	83,167	33,234
Loans to Employees	393,994	52	356,605	95
Total	421,403	590,996	439,877	587,597

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	Performing Loans	Loans under Follow-up		
Cash Loans (*)		Non-restructured	Revised Contract Terms	Restructured Refinanced
Loans	205,742,656	28,399,435	3,637,371	5,097,062
Working Capital Loans	40,403,169	4,842,967	197,867	1,842,123
Export Loans	18,649,603	729,658	49,176	151,568
Import Loans	458,443	-	6,250	-
Loans to Financial Sector	4,241,320	240,723	-	-
Consumer Loans	43,187,751	6,610,152	997,074	49,988
Credit Cards	23,536,309	3,242,178	538,571	-
Others	75,266,061	12,733,757	1,848,433	3,053,383
Specialization Loans	-	-	-	-
Other Receivables	6,095,587	661,164	294,133	11,067
Total	211,838,243	29,060,599	3,931,504	5,108,129

(*) Non-performing loans are not included.

Prior Period	Performing Loans	Loans under Follow-up		
Cash Loans (*)		Non-restructured	Revised Contract Terms	Restructured 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)	68,831,157	74,482,042	57,948,741	4,480,717	775,744	3,553,369	1,380,681	385,792	128,936,323	82,901,920
Loans under Follow-up (Stage 2)	10,733,193	15,661,774	9,918,485	820,419	244,219	683,990	23,695	14,457	20,919,592	17,180,640
Total Stage 1 and 2 Loans	79,564,350	90,143,816	67,867,226	5,301,136	1,019,963	4,237,359	1,404,376	400,249	149,855,915	100,082,560
Expected Credit losses-Stage 1-2 (-)	1,394,739	2,571,441	1,128,473	56,029	39,586	94,768	5,582	3,786	2,568,380	2,726,024
Total Non-performing Loans	6,888,574	6,369,140	3,448,426	217,937	378,007	408,656	149,136	168,834	10,864,143	7,164,567
Expected Credit losses-Stage 3 (-)	4,559,644	3,537,055	2,328,183	159,532	182,590	188,629	121,460	160,888	7,191,877	4,046,104

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

	<i>Current Period</i>		<i>Prior Period</i>	
	Performing Loans	Loans Under Follow-Up	Performing Loans	Loans Under Follow-Up
12-Month ECL (Stage 1)	1,063,007	-	942,150	-
Significant Increase in Credit Risk (Stage 2)	-	4,231,397	-	4,027,289

As of 30 September 2019, loans amounting to TL 3,173,462 are benefited as collateral under funding transactions (31 December 2018: TL 9,470,147).

Collaterals received for loans under follow-up

<i>Current Period</i>	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	332,271	26,481	-	358,752
Loans Collateralized by Mortgages / Shares	13,142,302	3,373,071	-	16,515,373
Loans Collateralized by Pledged Assets	2,226,689	241,045	-	2,467,734
Loans Collateralized by Cheques and Notes	80,070	4,198	-	84,268
Loans Collateralized by Other Collaterals	7,764,891	3,327,353	-	11,092,244
Unsecured Loans	3,116,046	685,066	3,780,749	7,581,861
Total	26,662,269	7,657,214	3,780,749	38,100,232

<i>Prior Period</i>	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

<i>Current Period</i>	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	630,362	1,127,825	216,318	1,974,505
61-90 days	1,755,075	366,454	73,241	2,194,770
Other	24,276,832	6,162,935	3,491,190	33,930,957
Total	26,662,269	7,657,214	3,780,749	38,100,232

<i>Prior Period</i>	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

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

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

<i>Current Period</i>	Short-Term	Medium and Long-Term	Total
Consumer Loans – TL	1,490,532	42,059,969	43,550,501
Housing Loans	13,806	19,015,747	19,029,553
Automobile Loans	128,960	1,405,073	1,534,033
General Purpose Loans	1,347,115	21,639,149	22,986,264
Others	651	-	651
Consumer Loans – FC-indexed	-	153,375	153,375
Housing Loans	-	153,375	153,375
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Consumer Loans – FC	800,810	3,977,474	4,778,284
Housing Loans	128,991	2,419,525	2,548,516
Automobile Loans	-	18,920	18,920
General Purpose Loans	268,459	1,018,246	1,286,705
Others	403,360	520,783	924,143
Retail Credit Cards – TL	21,335,781	409,618	21,745,399
With Installment	9,865,704	409,618	10,275,322
Without Installment	11,470,077	-	11,470,077
Retail Credit Cards – FC	357,671	10,930	368,601
With Installment	-	-	-
Without Installment	357,671	10,930	368,601
Personnel Loans – TL	24,354	142,290	166,644
Housing Loan	-	767	767
Automobile Loans	-	59	59
General Purpose Loans	24,354	141,464	165,818
Others	-	-	-
Personnel Loans - FC-indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Personnel Loans – FC	8,034	68,292	76,326
Housing Loans	2,107	31,109	33,216
Automobile Loans	-	-	-
General Purpose Loans	4,801	27,867	32,668
Others	1,126	9,316	10,442
Personnel Credit Cards – TL	130,878	593	131,471
With Installment	49,902	593	50,495
Without Installment	80,976	-	80,976
Personnel Credit Cards – FC	5,998	114	6,112
With Installment	-	-	-
Without Installment	5,998	114	6,112
Deposit Accounts– TL (Real Persons)	2,106,394	-	2,106,394
Deposit Accounts– TL (Personnel)	13,441	-	13,441
Deposit Accounts– FC (Real Persons)	-	-	-
Total	26,273,893	46,822,655	73,096,548

<i>Prior Period</i>	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

5.1.5.5 Installment based commercial loans and corporate credit cards

<i>Current Period</i>	Short-Term	Medium and	Total
Installment-based Commercial Loans – TL	688,601	11,394,836	12,083,437
Real Estate Loans	3,077	546,952	550,029
Automobile Loans	86,827	1,625,483	1,712,310
General Purpose Loans	598,697	9,222,401	9,821,098
Others	-	-	-
Installment-based Commercial Loans - FC-indexed	-	914,304	914,304
Real Estate Loans	-	51,573	51,573
Automobile Loans	-	195,927	195,927
General Purpose Loans	-	666,804	666,804
Others	-	-	-
Installment-based Commercial Loans – FC	2,360,271	2,497,564	4,857,835
Real Estate Loans	-	-	-
Automobile Loans	-	36,334	36,334
General Purpose Loans	352	95,905	96,257
Others	2,359,919	2,365,325	4,725,244
Corporate Credit Cards – TL	4,924,545	105,029	5,029,574
With Installment	1,879,640	105,029	1,984,669
Without Installment	3,044,905	-	3,044,905
Corporate Credit Cards – FC	35,901	-	35,901
With Installment	-	-	-
Without Installment	35,901	-	35,901
Deposit Accounts– TL (Corporates)	1,594,938	-	1,594,938
Deposit Accounts– FC (Corporates)	-	-	-
Total	9,604,256	14,911,733	24,515,989

<i>Prior Period</i>	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans – TL	1,436,233	13,287,526	14,723,759
Real Estate Loans	3,975	671,981	675,956
Automobile Loans	145,927	1,936,508	2,082,435
General Purpose Loans	1,286,331	10,679,037	11,965,368
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

5.1.5.6 Allocation of loans by customers

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

5.1.5.7 Allocation of domestic and foreign loans (*)

	<i>Current Period</i>	<i>Prior Period</i>
Domestic Loans	228,345,378	228,921,453
Foreign Loans	21,593,097	22,886,891
Total	249,938,475	251,808,344

(*) Non-performing loans are not included.

5.1.5.8 Loans to associates and subsidiaries

	<i>Current Period</i>	<i>Prior Period</i>
Direct Lending	115,559	120,168
Indirect Lending	-	-
Total	115,559	120,168

5.1.5.9 Provision allocated for non-performing loans (Stage 3)

	<i>Current Period</i>	<i>Prior Period</i>
Substandard Loans- Limited Collectability	1,588,763	1,362,987
Doubtful Loans	1,816,833	2,366,903
Uncollectible Loans	7,832,385	4,394,699
Total	11,237,981	8,124,589

5.1.5.10 Non-performing loans (NPLs) (net)

Non-performing loans and loans restructured from this category

	Group III Substandard Loans	Group IV Doubtful Loans	Group V Uncollectible Loans
<i>Current Period</i>			
Gross amounts before provisions	636,507	1,115,688	4,303,640
Restructured Loans	636,507	1,115,688	4,303,640
<i>Prior Period</i>			
Gross amounts before provisions	561,524	2,662,588	1,672,351
Restructured Loans	561,524	2,662,588	1,672,351

Movements in non-performing loan groups

	Group III Substandard Loans	Group IV Doubtful Loans	Group V Uncollectible Loans
<i>Current Period</i>			
Balances at End of Prior Period	3,147,412	5,035,594	5,570,378
Additions during the Period (+)	5,955,720	704,477	151,169
Transfer from Other NPL Categories (+)	56,315	5,411,333	7,357,382
Transfer to Other NPL Categories (-)	5,422,004	7,346,836	56,190
Collections during the Period (-)	602,252	625,947	896,185
Write-offs (-) (*)	149	57	56,782
Debt Sale (-) (**)	-	4,100	699,422
Corporate and Commercial Loans	-	1,761	192,894
Retail Loans	-	1,652	296,498
Credit Cards	-	687	210,030
Other	-	-	-
Foreign Currency Differences	32,310	287,816	28,728
Balances at End of Period	3,167,352	3,462,280	11,399,078
Provisions (-)	1,588,763	1,816,833	7,832,385
Net Balance on Balance Sheet	1,578,589	1,645,447	3,566,693

	Group III	Group IV	Group V
<i>Prior Period</i>	Substandard Loans	Doubtful Loans	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).

Non-performing loans in foreign currencies

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
<i>Current Period</i>			
Balance at End of Period	808,279	1,221,398	6,059,570
Provisions (-)	391,251	645,275	3,747,948
Net Balance at Balance Sheet	417,028	576,123	2,311,622
<i>Prior Period</i>			
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 Substandard Loans	Group IV Doubtful Loans	Group V Uncollectible Loans
Current Period (Net)	1,578,589	1,645,447	3,566,693
Loans to Individuals and Corporates (Gross)	3,146,876	3,456,345	11,376,879
Specific Provision (-)	1,579,817	1,815,040	7,813,456
Loans to Individuals and Corporates (Net)	1,567,059	1,641,305	3,563,423
Banks (Gross)	-	-	-
Specific Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	20,476	5,935	22,199
Specific Provision (-)	8,946	1,793	18,929
Other Loans and Receivables (Net)	11,530	4,142	3,270
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
Specific 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)	-	-	-
Specific Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	24,820	13,691	8,775
Specific Provision (-)	11,635	8,596	8,755
Other Loans and Receivables (Net)	13,185	5,095	20

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

	Group III Substandard Loans	Group IV Doubtful Loans	Group V Uncollectible Loans
Current Period (Net)	24,028	35,049	153,923
Interest accruals and valuation differences	56,347	70,452	399,067
Provision (-)	32,319	35,403	245,144
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

<i>Current Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	13,331	414	-	13,745
Loans Collateralized by Mortgages	7,572,772	346,321	-	7,919,093
Loans Collateralized by Pledged Assets	1,327,314	65,970	-	1,393,284
Loans Collateralized by Cheques and Notes	184,238	6,115	-	190,353
Loans Collateralized by Other Collaterals	3,607,704	1,861,304	-	5,469,008
Unsecured Loans	1,373,763	371,355	1,298,109	3,043,227
Total	14,079,122	2,651,479	1,298,109	18,028,710

<i>Prior Period</i>	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

<i>Current Period</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balances at End of Prior Period	942,150	4,027,289	8,124,589	13,094,028
Additions during the Period (+)	1,329,583	4,291,524	3,234,617	8,855,724
Disposal (-)	(1,741,418)	(2,449,444)	(752,064)	(4,942,926)
Debt Sale (-)	-	-	(701,838)	(701,838)
Write-offs (-)	-	-	(55,810)	(55,810)
Transfer to Stage1	947,406	(943,398)	(4,008)	-
Transfer to Stage 2	(419,198)	446,179	(26,981)	-
Transfer to Stage 3	(5,298)	(1,276,485)	1,281,783	-
Foreign Currency Differences	9,782	135,732	137,693	283,207
Balances at End of Period	1,063,007	4,231,397	11,237,981	16,532,385

<i>Prior Period</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balances at Beginning of Period (1 January 2018)	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

Not prepared in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

5.1.5.13 Write-off policy

Not prepared in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

5.1.6 Lease receivable (Net)

5.1.6.1 Financial lease receivables according to remaining maturities

	<i>Current Period</i>		<i>Prior Period</i>	
	Gross	Net	Gross	Net
Less than 1 Year	2,355,289	2,047,756	3,084,367	2,706,741
Between 1-5 Years	3,366,385	3,047,760	3,546,631	3,158,637
Longer than 5 Years	169,005	161,806	213,731	202,846
Total	5,890,679	5,257,322	6,844,729	6,068,224

Non-performing loans are not included.

5.1.6.2 Net financial lease receivables

	<i>Current Period</i>	<i>Prior Period</i>
Gross Financial Lease Receivables	5,890,666	6,844,728
Unearned Income on Financial Lease Receivables (-)	(633,344)	(776,504)
Terminated Lease Contracts (-)	-	-
Net Financial Lease Receivables	5,257,322	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.

5.1.7 Factoring receivables

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

5.1.8 Financial assets measured at amortised cost

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Collateralised/Blocked Investments	4,212,419	4,629,151	3,176,487	3,387,284
Investments subject to Repurchase Agreements	19,643	383,797	46,120	-
Total	4,232,062	5,012,948	3,222,607	3,387,284

5.1.8.2 Government securities measured at amortised cost

	<i>Current Period</i>	<i>Prior Period</i>
Government Bonds	26,921,643	24,606,227
Treasury Bills	-	-
Other Government Securities	-	-
Total	26,921,643	24,606,227

5.1.8.3 Financial assets measured at amortised cost

	<i>Current Period</i>	<i>Prior Period</i>
Debt Securities	19,959,407	18,711,987
Quoted at Stock Exchange	19,915,176	18,672,987
Unquoted at Stock Exchange	44,231	39,000
Valuation Increase / (Decrease)	7,211,720	5,942,022
Total	27,171,127	24,654,009

5.1.8.4 Movement of financial assets measured at amortised cost

	<i>Current Period</i>	<i>Prior Period</i>
Balances at Beginning of Period	24,654,009	21,497,337
Foreign Currency Differences on Monetary Assets	410,671	1,775,282
Purchases during the Period	998,457	693,258
Disposals through Sales/Redemptions	(109,305)	(2,148,127)
Valuation Effect	1,217,295	2,836,259
Balances at End of Period	27,171,127	24,654,009

5.1.8.5 Expected credit loss for financial assets measured at amortised cost

<i>Current Period</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balances at End of Prior Period (1 January 2019)	54,125	-	-	54,125
Additions during the Period (+)	47,589	-	-	47,589
Disposal (-)	(22,218)	-	-	(22,218)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	1,342	-	-	1,342
Balances at End of Period	80,838	-	-	80,838

<i>Prior Period</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balances at Beginning of Period (1 January 2018)	16,907	-	-	16,907
Additions during the Period (+)	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

	<i>Current Period</i>	<i>Prior Period</i>
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	450,473	293,534
Disposals (Cost)	(170,199)	(219,124)
Disposals (Accumulated Depreciation)	982	1,463
Reversal of Impairment / Impairment Losses	(17,820)	(58,187)
Depreciation Expense for Current Period (-)	-	-
Currency Translation Differences on Foreign Operations	173	4,446
Cost	1,133,604	870,977
Accumulated Depreciation (-)	(12,311)	(13,293)
Net Book Value	1,121,293	857,684

5.1.9.2 Investments in subsidiaries and associates to be disposed

	<i>Current Period</i>	<i>Prior Period</i>
Balances at Beginning of Period	11	-
Additions (*)	881,129	11
Disposals (Cost)	-	-
Disposals (Accumulated Depreciation)	-	-
Impairment Losses (-)	(488,675)	-
Depreciation Expense for Current Period (-)	-	-
Cost	392,465	11
Accumulated Depreciation (-)	-	-
Net Book Value	392,465	11

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

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 ⁽¹⁾	İstanbul/Turkey	0.30	0.34
6	KKB Kredi Kayıt Bürosu AŞ ⁽¹⁾	İstanbul/Turkey	9.09	9.09
7	Türkiye Cumhuriyet Merkez Bankası AŞ ⁽²⁾	Ankara/ Turkey	2.48	2.48
8	Kredi Garanti Fonu AŞ ⁽¹⁾	Ankara/ Turkey	1.54	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	14,769	10,007	3,751	499	10	1,450	1,320	-
2	126,652	82,384	67,669	2,251	-	17,418	8,630	-
3	945,789	106,529	11,193	2,510	955	9,353	5,370	-
4	16,280,336	2,014,296	116,116	405,801	9,419	343,800	183,649	-
5	13,285,548	2,665,517	618,258	117,327	265,253	1,173,543	228,053	-
6	321,197	213,805	233,553	5,920	137	16,401	23,681	-
7	721,499,799	85,155,002	541,979	30,135,305	5,070,791	56,279,555	18,383,903	-
8	741,430	605,808	20,607	27,171	-	74,723	64,883	-

⁽¹⁾ Financial information is as of 30 June 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.

5.1.11 Investments in subsidiaries

Information on capital adequacy of major subsidiaries

<i>Current Period</i>	Garanti Bank International NV	Garanti Finansal Kiralama AŞ	Garanti Holding BV
COMMON EQUITY TIER I CAPITAL			
Paid-in Capital to be Entitled for Compensation after All Creditors	842,618	357,848	2,359,777
Share Premium	-	-	79,441
Share Cancellation Profits	-	-	-
Legal Reserves	1,014,029	545,995	(27,157)
Other Comprehensive Income according to TAS	1,735,807	-	113,835
Current and Prior Periods' Profits	33,639	94,109	169,167
Common Equity Tier I Capital Before Deductions	3,626,093	997,952	2,695,063
Deductions From Common Equity Tier I Capital			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	19,499	655	728,378
Leasehold Improvements on Operational Leases (-)	-	-	350
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	30,562	12,299	337,130
Net Deferred Tax Asset/Liability (-)	-	-	-
Total Deductions from Common Equity Tier I Capital	50,061	12,954	1,065,858
Total Common Equity Tier I Capital	3,576,032	984,998	1,629,205
Total Deductions From Tier I Capital	-	-	-
Total Tier I Capital	3,576,032	984,998	1,629,205
TIER II CAPITAL	306,155	-	61,303
TOTAL CAPITAL	3,882,187	984,998	1,690,508

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

The parent Bank does not have any capital requirement for its subsidiaries included in the calculation of its consolidated capital adequacy standard ratio.

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	100.00	100.00
4	Garanti Kültür AŞ	Istanbul/Turkey	100.00	100.00
5	Garanti Konut Finansmanı Danışmanlık Hiz. AŞ	Istanbul/Turkey	100.00	100.00
6	Trifoi Real Estate Company	Bucharest/Romania	-	100.00
7	Garanti Filo Yönetim Hizmetleri AŞ	Istanbul/Turkey	-	100.00
8	Garanti Filo Sigorta Aracılık Hizmetleri AŞ	Istanbul/Turkey	-	100.00

	Total 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	126,825	104,702	52	14,451	-	23,091	12,271	-	-
2	39,838	21,553	508	2,782	-	2,448	7,602	-	-
3	4,940	4,486	-	682	-	671	407	-	-
4	3,280	1,958	1,083	-	-	60	35	-	-
5	5,676	4,572	16	627	-	803	1,161	-	-
6	6,078	6,078	6,075	-	-	(3)	(2)	-	-
7	1,509,333	66,266	1,316,473	7,518	-	28,844	6,483	-	-
8	3,393	2,617	-	-	-	822	849	-	-

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

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.

5.1.11.2 Movement of consolidated investments in subsidiaries

	<i>Current Period</i>	<i>Prior Period</i>
Balances at Beginning of Period	6,942,044	6,081,445
Movements during the Period	894,150	860,599
Acquisitions and Capital Increases	-	-
Bonus Shares Received	-	-
Dividends from Current Year Profit	740,661	751,691
Sales/Liquidations	-	-
Reclassifications	-	833
Value Increase/Decrease ^(*) (^{**})	80,008	(1,037,918)
Currency Differences on Foreign Subsidiaries	73,481	1,145,993
Reversal of Impairment Losses / Impairment Losses (-)	-	-
Balance at End of Period	7,836,194	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

	<i>Current Period</i>	<i>Prior Period</i>
Valued at Cost	-	-
Valued at Fair Value	7,836,194	6,942,044

Sectoral distribution of consolidated investments in subsidiaries

	<i>Current Period</i>	<i>Prior Period</i>
Banks	3,581,635	3,499,491
Insurance Companies	1,057,488	764,722
Factoring Companies	140,148	114,151
Leasing Companies	1,007,398	902,555
Finance Companies	2,049,525	1,661,125
Other Subsidiaries	-	-

Quoted consolidated investments in subsidiaries

	<i>Current Period</i>	<i>Prior Period</i>
Quoted at Domestic Stock Exchanges	141,056	114,985
Quoted at International Stock Exchanges	-	-

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	İstanbul / 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	5,337,628	1,007,404	19,087	345,255	-	94,109	74,265	-
2	1,947,528	171,305	14,634	293,680	-	31,790	(9,523)	-
3	552,015	281,735	33,356	20,990	6,127	103,643	65,689	-
4	132,917	121,145	2,031	11,935	2,817	23,050	21,652	-
5	1,963,741	1,245,261	54,013	233,399	4,917	342,321	328,635	-
6	23,872,413	3,591,846	210,404	650,888	21,629	33,638	105,397	-
7	2,083,762	2,083,350	-	-	-	(400)	(364)	-
8	2,092,715	1,770,386	-	-	-	(24,577)	3,610	-
9	14,098,656	1,968,513	467,801	410,069	58,103	157,165	127,527	-
10	1,167,167	183,875	8,573	55,043	-	25,127	13,933	-
11	772,439	110,474	15,359	60,813	-	10,139	14,155	-
12	41,835	39,932	1,387	1,570	2,918	2,926	1,390	27,520

(**) 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

None.

Consolidated investments in subsidiaries acquired during the current period

None.

5.1.12 Investments in joint-ventures

None.

5.1.13 Tangible assets

Not prepared in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

5.1.14 Intangible assets

Not prepared in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

5.1.15 Investment property

	<i>Current Period</i>	<i>Prior Period</i>
Net Book Value at Beginning of Period	558,309	559,388
Additions	12,291	6,576
Disposals	-	(8,850)
Transfers to Tangible Assets	-	6,809
Fair Value Change	-	(5,614)
Net Currency Translation Differences on Foreign Subsidiaries	-	-
Net Book Value at End of Period	570,600	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 30 September 2019, on a consolidated basis the Bank has a deferred tax asset of TL 1,920,974 (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 30 September 2019, deferred tax assets of TL 2,515,443 (31 December 2018: TL 2,063,575) are reduced by deferred tax liabilities of TL 594,469 (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.

	<i>Current Period</i>		<i>Prior Period</i>	
	Tax Base	Deferred Tax Amount	Tax Base	Deferred Tax Amount
Provisions (*)	2,590,052	510,012	2,314,652	470,921
Stages 1&2 Credit Losses	5,855,777	1,285,804	5,296,956	1,162,439
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	1,739,095	301,429	(236,245)	(61,304)
Revaluation Differences on Real Estates	(1,857,926)	(185,793)	(1,857,926)	(185,793)
Other	60,434	9,522	581,357	132,914
Deferred Tax Asset	8,387,432	1,920,974	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 30 September 2019, TL 311,895 (30 September 2018: TL 20,667 of deferred tax expense) of deferred tax income and TL 80,380 (30 September 2018: TL 322,215) 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

	<i>Current Period</i>	<i>Prior Period</i>
Sale of Real Estates	108,197	148,819
Sale of Financial Assets Measured at Fair Value through Other Comprehensive Income	-	27,116
Sale of Other Assets	1,136	1,137
Total	109,333	177,072

5.1.17.2 Prepaid expenses, taxes and similar items

	<i>Current Period</i>	<i>Prior Period</i>
Prepaid Expenses	1,298,540	1,089,636
Prepaid Taxes	97,968	176,016

5.2 Consolidated liabilities

5.2.1 Maturity profile of deposits

<i>Current Period</i>	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	13,977,038	-	3,116,491	50,468,435	854,273	638,701	3,088,962	2,474	72,146,374
Foreign Currency Deposits	47,260,523	-	13,069,914	63,702,490	5,375,020	6,317,972	8,874,995	34,898	144,635,812
Residents in Turkey	35,219,802	-	11,959,687	59,048,099	2,426,515	2,527,172	1,354,293	33,765	112,569,333
Residents in Abroad	12,040,721	-	1,110,227	4,654,391	2,948,505	3,790,800	7,520,702	1,133	32,066,479
Public Sector Deposits	1,930,095	-	3,516	41,704	-	11	56	-	1,975,382
Commercial Deposits	9,104,206	-	6,386,778	7,797,414	471,319	210,608	1,233,686	-	25,204,011
Others	308,862	-	132,280	692,615	18,425	386,256	3,537,191	-	5,075,629
Precious Metal Deposits	3,994,654	-	-	132,429	211,863	30,063	500,931	-	4,869,940
Bank Deposits	3,582,193	-	112,427	32,350	129,130	68,191	10,761	-	3,935,052
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	9,942	-	-	-	2,052	6,977	-	-	18,971
Foreign Banks	777,821	-	112,427	32,350	127,078	61,214	10,761	-	1,121,651
Special Financial Institutions	2,794,430	-	-	-	-	-	-	-	2,794,430
Others	-	-	-	-	-	-	-	-	-
Total	80,157,571	-	22,821,406	122,867,437	7,060,030	7,651,802	17,246,582	37,372	257,842,200

<i>Prior Period</i>	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	10,392,601	-	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	4,477,785	-	1,507,045	72,544	39,935	58,485	5,893	-	6,161,687
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	2,771	-	650,427	-	-	2,076	-	-	655,274
Foreign Banks	1,240,267	-	856,618	72,544	39,935	56,409	5,893	-	2,271,666
Special Financial Institutions	3,234,747	-	-	-	-	-	-	-	3,234,747
Others	-	-	-	-	-	-	-	-	-
Total	64,177,215	-	24,417,835	110,968,343	12,728,009	12,634,426	20,042,813	47,705	245,016,346

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	36,853,236	28,827,533	34,676,941	40,144,845
Foreign Currency Saving Deposits	35,856,631	27,501,977	64,821,848	55,379,738
Other Saving Deposits	2,629,668	1,639,365	1,946,633	1,559,569
Foreign Branches' Deposits Under Foreign Insurance Coverage	1,204,320	1,131,547	41	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

Not prepared in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

5.2.1.3 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	43,020	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	153,757	160,214
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	-	798,173	-	502,342
Domestic Banks and Institutions	1,207,130	1,711,032	409,133	1,815,811
Foreign Banks, Institutions and Funds	1,700,412	20,386,284	776,544	29,835,897
Total	2,907,542	22,895,489	1,185,677	32,154,050

5.2.2.1 Maturities of funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	1,268,554	3,202,319	405,801	4,779,862
Medium and Long-Term	1,638,988	19,693,170	779,876	27,374,188
Total	2,907,542	22,895,489	1,185,677	32,154,050

5.2.2.2 Disclosures for concentration areas of bank's liabilities

Not prepared in compliance with the Article 25 of the communiqué "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

5.2.3 Money market funds

Information on obligations under repurchase agreements classified in money market funds is as follows;

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Domestic Transactions	50,473	-	68,144	-
Financial Institutions and Organizations	-	-	23,252	-
Other Institutions and Organizations	28,653	-	31,149	-
Individuals	21,820	-	13,743	-
Foreign Transactions	173	1,277,584	56	1,220,550
Financial Institutions and Organizations	-	1,277,584	-	1,220,550
Other Institutions and Organizations	-	-	-	-
Individuals	173	-	56	-
Total	50,646	1,277,584	68,200	1,220,550

5.2.4 Securities issued

<i>Current Period</i>	TL		FC	
	Short-Term	Medium and Long-Term	Short-Term	Medium and Long-Term
Nominal	2,945,259	2,032,018	-	19,338,655
Cost	2,908,295	2,030,144	-	19,263,928
Carrying Value (*)	2,970,466	1,222,428	-	18,570,824

<i>Prior Period</i>	TL		FC	
	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 842,301 and foreign currency securities with a total face value of TL 1,161,868 (31 December 2018: TL 1,089,446) and netted off such securities in the accompanying consolidated financial statements.

5.2.5 Information about financial liabilities measured at fair value through profit or loss

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Securities Issued	-	13,193,294	-	12,312,230
Total	-	13,193,294	-	12,312,230

In accordance with TFRS 9, the Bank classified a part of borrowings obtained through securitisations amounting to USD 2,519,791,667 (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 30 September 2019, the accumulated fair value change of the related financial liability amounted to TL 1,139,296 (31 December 2018: TL 930,827) and the corresponding gain recognised in the statement of profit or loss amounted to TL 208,469 (30 September 2018: TL 1,014,940). The carrying value of the related financial liability amounted to TL 13,193,294 (31 December 2018: TL 12,312,230).

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;

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Forward Transactions	334,935	56,479	384,022	18,382
Swap Transactions	2,084,739	2,049,650	1,580,258	1,470,826
Futures	-	1,640	811	164
Options	168,063	82,580	329,799	253,305
Others	-	330	-	8,918
Total	2,587,737	2,190,679	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;

Derivative Financial Liabilities Held for Hedging Purpose	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Fair Value Hedges	89,113	422,786	49,606	203,799
Cash Flow Hedges	576,713	126,656	191,814	18,458
Net Foreign Investment Hedges	-	-	-	-
Total	665,826	549,442	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

Not prepared in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

5.2.8 Lease payables

5.2.8.1 Financial lease payables

None.

5.2.8.2 Operational lease agreements

	<i>Current Period</i>	
	Gross	Net
Up to 1 Year	373,578	233,378
1-4 Years	823,156	519,242
More than 4 Years	540,936	322,662
Total	1,737,670	1,075,282

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

	<i>Current Period</i>	<i>Prior Period</i>
Balances at Beginning of Period	489,257	423,871
Provision for the Period	93,649	101,135
Actuarial Gain/Loss	-	16,630
Payments During the Period	(33,128)	(52,379)
Balances at End of Period	549,778	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 Provisions for non-cash loans that are not indemnified or converted into cash

Not prepared in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

5.2.9.4 Other provisions

	<i>Current Period</i>	<i>Prior Period</i>
Reserve for Employee Benefits	1,178,546	1,127,102
Insurance Technical Provisions, Net	541,403	444,820
Provision for Promotion Expenses of Credit Cards	170,585	132,272
Provision for Lawsuits	364,500	348,002
Provision for Non-Cash Loans	874,116	654,657
Other Provisions ^(*)	2,455,686	2,662,659
Total	5,584,836	5,369,512

(*) Includes total general reserve of TL 2,350,000 (31 December 2018: 2,250,000) consisting of TL 100,000 (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.

Recognized liability for defined benefit plan obligations

The Bank obtained an actuarial report dated 23 December 2018 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 3,747,984 at 31 December 2018 as details are given in the table below.

Furthermore, an actuarial report was prepared as of 31 December 2018 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 2018 dated report, the asset surplus over the fair value of the plan assets to be used for the payment of the obligations also fully covers the benefits not transferable and still a surplus of TL 1,693,744 remains as of 31 December 2018 as details are given in the table below.

The Bank’s management, acting prudently, did not consider the health premium surplus amounting TL 596,470 as stated above and resulted from the present value of medical benefits and health premiums transferable to SSF as of 31 December 2018. However, despite this treatment there are no excess obligation that needs to be provided against.

	31 December 2018
Transferable Pension and Medical Benefits:	
Net present value of pension benefits transferable to SSF	(1,408,961)
Net present value of medical benefits and health premiums transferable to SSF	596,470
General administrative expenses	(52,481)
Present Value of Pension and Medical Benefits Transferable to SSF (1)	(864,972)
Fair Value of Plan Assets (2)	4,612,956
Asset Surplus over Transferable Benefits ((2)-(1)=(3))	3,747,984
Non-Transferable Benefits:	
Other pension benefits	(920,128)
Other medical benefits	(1,134,112)
Total Non-Transferable Benefits (4)	(2,054,240)
Asset Surplus over Total Benefits ((3)-(4)=(5))	1,693,744
Net Present Value of Medical Benefits and Health Premiums Transferable to SSF – but not considered acting prudently (6)	(596,470)
Present Value of Asset Surplus/(Defined Benefit Obligation) ((5)-(6))	1,097,274

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

	31 December 2018
Balance at Beginning of Period	-
Actual contributions paid during the period	(77,036)
Total expense recognized in the income statement	72,731
Amount recognized in the shareholders' equity	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 2018
	%
Discount Rate (*)	16.30
Inflation Rate (*)	12.50
Future Real Salary Increase Rate	1.50
Medical Cost Trend Rate	16.70
Future Pension Increase Rate (*)	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 of the Bank are as follow:

Defined Benefit Obligation	Pension Benefits Effect	Medical Benefits Effect	Overall Effect
Assumption change	%	%	%
Discount rate +1%	(12.80)	(17.40)	(15.30)
Discount rate -1%	16.10	23.30	20.10
Medical inflation +1%	-	23.00	12.70
Medical inflation -1%	-	(17.40)	(9.60)

Retirement Indemnities	Sensitivity of Past Service Liability	Sensitivity of Normal Cost
Assumption change	%	%
Discount rate +1%	(11.20)	(15.20)
Discount rate -1%	13.50	18.80
Inflation rate +1%	12.20	19.20
Inflation rate -1%	(11.40)	(15.70)

5.2.10 Tax liability

5.2.10.1 Current tax liability

5.2.10.1.1 Tax liability

As of 30 September 2019, the corporate tax liability amounts to TL 476,558 (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	476,558	132,546
Taxation on Securities Income	231,068	162,703
Taxation on Real Estates Income	5,228	4,846
Banking Insurance Transaction Tax	184,856	229,702
Foreign Exchange Transaction Tax	5,959	100
Value Added Tax Payable	45,459	15,303
Others	111,291	88,430
Total	1,060,419	633,630

5.2.10.1.3 Premiums payable

	Current Period	Prior Period
Social Security Premiums-Employees	5,302	5,357
Social Security Premiums-Employer	3,030	3,372
Bank Pension Fund Premium-Employees	335	30
Bank Pension Fund Premium-Employer	518	30
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	1,753	1,446
Unemployment Insurance-Employer	3,591	2,986
Others	69	30
Total	14,598	13,251

5.2.10.2 Deferred tax liability

As of 30 September 2019, the deferred tax liability amounts to TL 28,643 (31 December 2018: TL 19,121).

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

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

5.2.12 Subordinated debts

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

5.2.13 Other liabilities

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Payables from credit card transactions	12,739,161	204,921	10,869,208	87,311
Payables from clearing transactions	3,872,696	72,126	3,780,969	59,285
Other	1,291,819	2,023,036	1,227,533	1,505,403
Total	17,903,676	2,300,083	15,877,710	1,651,999

5.2.14 Shareholders’ equity

5.2.14.1 Paid-in capital

	<i>Current Period</i>	<i>Prior Period</i>
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.

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;

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC		
Investments in Associates, Subsidiaries and Joint-Ventures	-	-	-	-
Valuation Difference	-	-	-	-
Exchange Rate Difference	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	(616,245)	(51,313)	(799,094)	(238,765)
Valuation Difference	(616,245)	(51,313)	(799,094)	(238,765)
Exchange Rate Difference	-	-	-	-
Total	(616,245)	(51,313)	(799,094)	(238,765)

5.2.14.9 Revaluation surplus

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC		
Movables	12,108	159,786	8,453	90,909
Real Estates	1,487,400	50,290	1,487,401	47,522
Gain on Sale of Investments in Associates and Subsidiaries and Real Estates allocated for Capital Increases	-	-	-	-
Other	(160,892)	-	(160,891)	-
Total	1,338,616	210,076	1,334,963	138,431

5.2.14.10 Bonus shares of associates, subsidiaries and joint-ventures

	<i>Current Period</i>	<i>Prior Period</i>
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

5.2.14.11 Legal reserves

	<i>Current Period</i>	<i>Prior Period</i>
I. Legal Reserve	1,079,733	1,074,438
II. Legal Reserve	507,264	507,264
Special Reserves	-	-
Total	1,586,997	1,581,702

5.2.14.12 Extraordinary reserves and other profit reserves

	<i>Current Period</i>	<i>Prior Period</i>
Legal Reserves allocated in compliance with the Decisions Made on the Annual General Assembly	38,037,763	31,396,271
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital	-	-
Total	38,037,763	31,396,271

5.2.14.13 Minority interest

	<i>Current Period</i>	<i>Prior Period</i>
Balance at Beginning of Period	197,546	314,340
Profit Share of Subsidiaries Net Profits	60,225	64,953
Prior Period Dividend Payment	(680)	(181,524)
Increase/(Decrease) in Minority Interest due to Sales	-	-
Others	358	(223)
Balance at End of Period	257,449	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 24,505,972 (31 December 2018: TL 12,101,326), commitments for cheque payments of TL 3,214,117 (31 December 2018: TL 2,719,279) and commitments for credit card limits of TL 36,237,828 (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	25,648,692	27,430,938
Letters of Guarantee in TL	23,006,375	22,742,832
Letters of Credit	9,287,858	14,685,922
Bills of Exchange and Acceptances	1,747,808	2,788,829
Prefinancings	-	-
Other Guarantees	67,153	66,907
Total	59,757,886	67,715,428

Expected losses for non-cash loans and irrevocable commitments

	Stage 1	Stage 2	Stage 3	Total
Current Period				
Balances at Beginning of Period	123,751	245,225	285,681	654,657
Additions during the Period (+)	172,102	342,573	114,557	629,232
Disposal (-)	(195,371)	(132,265)	(95,277)	(422,913)
Sales	-	-	-	-
Write-off	-	-	-	-
Transfer to Stage 1	61,581	(60,863)	(718)	-
Transfer to Stage 2	(20,282)	21,699	(1,417)	-
Transfer to Stage 3	(326)	(38,100)	38,426	-
Foreign Currency Differences	2,004	1,567	9,569	13,140
Balances at End of Period	143,459	379,836	350,821	874,116

	Stage 1	Stage 2	Stage 3	Total
Prior Period				
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 1,155,319 (31 December 2018: TL 285,681) is made for unliquidated non-cash loans of TL 350,821 (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

	<i>Current Period</i>	<i>Prior Period</i>
Non-Cash Loans against Cash Risks	11,046,382	12,434,212
<i>With Original Maturity of 1 Year or Less</i>	<i>1,594,380</i>	<i>2,339,515</i>
<i>With Original Maturity of More Than 1 Year</i>	<i>9,452,002</i>	<i>10,094,697</i>
Other Non-Cash Loans	48,711,504	55,281,216
Total	59,757,886	67,715,428

5.3.1.4 Other information on non-cash loans

Not prepared in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

5.3.1.5 Non-cash loans classified under Group I and II:

Not prepared in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

5.3.2 Financial derivative instruments

Not prepared in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

5.3.3 Credit derivatives and risk exposures on credit derivatives

Not prepared in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

5.3.4 Contingent liabilities and assets

Not prepared in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

5.3.5 Services rendered on behalf of third parties

Not prepared in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

5.4 Consolidated statement of profit or loss

5.4.1 Interest income

5.4.1.1 Interest income from loans (*)

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Interest Income from Loans				
Short-term loans	8,230,972	625,395	6,406,832	489,320
Medium and long-term loans	12,274,308	4,332,710	10,976,306	4,277,293
Loans under follow-up	389,322	103,373	270,056	14,320
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	20,894,602	5,061,478	17,653,194	4,780,933

(*) Includes also fees and commissions income on cash loans.

5.4.1.2 Interest income from banks

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Central Bank of Turkey	10,979	165,825	33,259	62,113
Domestic Banks	270,459	30,168	143,520	25,028
Foreign Banks	5,341	274,499	11,059	145,118
Foreign Head Offices and Branches	-	-	-	-
Total	286,779	470,492	187,838	232,259

5.4.1.3 Interest income from securities portfolio

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Financial Assets Measured at Fair Value through Profit or Loss	56,195	6,297	45,212	3,799
Financial Assets Measured at Fair Value through Other Comprehensive Income	1,893,738	407,564	1,778,489	446,570
Financial Assets Measured at Amortised Cost	2,064,585	210,699	1,771,634	96,033
Total	4,014,518	624,560	3,595,335	546,402

As disclosed in the accounting policies, the parent Bank values CPI-indexed government bonds in its securities portfolio according to the reference index on the issue date and the index that is calculated according to the expected inflation rate. The inflation rate used during the valuation is being updated during the year when it is considered necessary. The estimated inflation rate which was taken as 14% in the first two months of 2019, was updated to 13% as of 4 March 2019, was updated to 11% as of 11 June 2019, was updated to 10% as of 1 August 2019 and was updated to 9% as of 3 September 2019. If the valuation of such securities was performed according to the reference index valid as of 30 September 2019, the parent Bank's securities value increase fund under the equity would increase by TL 304,372 (net), whereas the interest income on securities portfolio would decrease by TL 892,775.

5.4.1.4 Interest income received from associates and subsidiaries

	<i>Current Period</i>	<i>Prior Period</i>
Interest Received from Investments in Associates and Subsidiaries	19,359	7,646

5.4.2 Interest expenses

5.4.2.1 Interest expenses on funds borrowed (*)

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Banks	179,104	399,560	89,534	786,150
Central Bank of Turkey	-	5,260	-	1,936
Domestic Banks	75,118	60,334	24,902	67,288
Foreign Banks	103,986	333,966	64,632	716,926
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	768,423	-	575,672
Total	179,104	1,167,983	89,534	1,361,822

(*) Includes also fees and commissions expenses on borrowings.

5.4.2.2 Interest expenses paid to associates and subsidiaries

	<i>Current Period</i>	<i>Prior Period</i>
Interest Paid to Investments in Associates and Subsidiaries	22,589	12,080

5.4.2.3 Interest expenses on securities issued

Not prepared in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

5.4.2.4 Maturity structure of interest expense on deposits

Current Period	Demand Deposits	Time Deposits						Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year	Accumulating Deposit Accounts	
Turkish Lira								
Bank Deposits	2,870	54,520	-	-	-	-	-	57,390
Saving Deposits	1,953	361,508	6,773,094	408,763	247,345	482,904	-	8,275,567
Public Sector Deposits	-	519	5,327	523	106	6	-	6,481
Commercial Deposits	275	1,167,865	1,330,259	73,460	63,458	131,963	-	2,767,280
Others	8	31,265	133,438	7,169	70,157	559,837	-	801,874
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Total TL	5,106	1,615,677	8,242,118	489,915	381,066	1,174,710	-	11,908,592
Foreign Currency								
Foreign Currency Deposits	17,855	190,848	1,126,579	85,019	116,256	188,341	346	1,725,244
Bank Deposits	4	3,016	689	2,895	6,614	6,239	-	19,457
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	52	173	89	4,979	-	5,293
Total FC	17,859	193,864	1,127,320	88,087	122,959	199,559	346	1,749,994
Grand Total	22,965	1,809,541	9,369,438	578,002	504,025	1,374,269	346	13,658,586

Prior Period	Demand Deposits	Time Deposits						Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year	Accumulating Deposit Accounts	
Turkish Lira								
Bank Deposits	459	69,876	6	231	56	-	-	70,628
Saving Deposits	1,776	244,940	4,622,052	227,221	57,024	100,172	-	5,253,185
Public Sector Deposits	-	1,277	2,614	543	51	-	-	4,485
Commercial Deposits	99	686,818	904,526	53,185	37,447	120,175	-	1,802,250
Others	14	44,481	90,715	10,365	38,009	262,769	-	446,353
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Total TL	2,348	1,047,392	5,619,913	291,545	132,587	483,116	-	7,576,901
Foreign Currency								
Foreign Currency Deposits	43,331	119,174	982,209	73,870	140,468	443,731	582	1,803,365
Bank Deposits	-	17,924	610	1,489	3,212	3,987	-	27,222
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	68	11	48	3,864	-	3,991
Total FC	43,331	137,098	982,887	75,370	143,728	451,582	582	1,834,578
Grand Total	45,679	1,184,490	6,602,800	366,915	276,315	934,698	582	9,411,479

5.4.2.5 *Interest expense on money market transactions*

Not prepared in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

5.4.2.6 *Financial lease expenses*

Not prepared in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

5.4.2.7 *Interest expenses on factoring payables*

Not prepared in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

5.4.3 **Dividend income**

Not prepared in compliance with the Article 25 of the communiqué “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

5.4.4 **Trading income/losses (net)**

	<i>Current Period</i>	<i>Prior Period</i>
Income	92,867,363	130,710,036
Trading Account Income	722,881	1,605,085
Derivative Financial Instruments	11,332,973	24,060,656
Foreign Exchange Gain	80,811,509	105,044,295
Losses (-)	94,745,078	129,949,096
Trading Account Losses	502,245	593,771
Derivative Financial Instruments	14,346,396	21,431,909
Foreign Exchange Losses	79,896,437	107,923,416
Total	(1,877,715)	760,940

TL 2,405,130 (30 September 2018: TL 6,909,820) of foreign exchange gains and TL 1,636,195 (30 September 2018: TL 7,228,260) 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 35,922,162 and EUR 26,315,789 and securitization borrowings amounting to EUR 52,705,257 by designating cross currency swaps with the same face values and terms and securitizations amounting to USD 590,548,782 and EUR 67,500,000 and deposits amounting to TL 6,750,000, USD 855,000,000 and forward EUR 350,000,000 by designating interest rate swaps with the same face values. Accordingly, in the current period, gain of TL 28,182 (30 September 2018: TL 109,417) and losses of TL (597,290) (30 September 2018: TL 375,880) 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 1,759,321, USD 419,023,736 and EUR 254,222,506, 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, in the current period, gains of TL 211,538 (30 September 2018: loss of TL 288,592) and TL 240,227 (30 September 2018: loss of TL 273,620) resulted from the related fair value calculations for the hedged loans and bonds were accounted for under net trading income/losses in the statement of profit or loss, respectively.

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 103,541,876 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 no amount accounted under shareholders' equity in the current period for interest rate swap transactions.

One of the Bank's consolidated subsidiaries enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the subsidiary applied fair value hedge accounting for fixed rate eurobonds with a total face value of USD 25,000,000 and EUR 20,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a net gain of TL 3,516 (30 September 2018: a net loss of TL 7,435) resulting from the related fair value calculations for the hedged bonds were accounted for under trading income/losses in the income statement.

One of the Bank's consolidated 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 net loss of TL 7,387 (30 September 2018: a net gain of TL 648) resulting from interest rate swap agreements were recognised under shareholders' equity.

One of the Bank's consolidated subsidiaries enters into foreign currency derivative contracts to hedge the foreign currency risk of its expected future cash flows. In this respect, the subsidiary applied cash flow hedge accounting for its loans granted in Turkish Lira by designating swaps with the same face value amount and similar terms; TL 323,059,822 sell and EUR 39,209,738 buy USD 32,600,000 sell and EUR 28,371,952 buy, RON 130,000,000 sell and EUR 26,633,833 buy. Accordingly, in the current period, a net loss of TL 11,620 (30 September 2018: a net loss of TL 9,604) 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 net gain of TL 13,952 (30 September 2018: 25,562) resulting from currency derivative contracts were recognized under shareholder's equity.

5.4.5 Other operating income

The items under "other operating income" generally consists of collection or reversals of prior year provisions, banking services related costs recharged to customers 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 703,522 (30 September 2018: None) were sold for a consideration of TL 45,454 (30 September 2018: None). Considering the related provision of TL 701,837 (30 September 2018: None) made in the financial statements, a gain of TL 43,769 (30 September 2018: None) is recognized under "Other Operating Income".

	<i>Current Period</i>	<i>Prior Period</i>
Prior Year Reversals	3,735,374	1,903,484
<i>Stage 1</i>	999,590	706,061
<i>Stage 2</i>	1,601,670	423,699
<i>Stage 3</i>	988,887	698,465
<i>Others</i>	145,227	75,259
Income from term sale of assets	64,608	140,876
Others (*)	916,961	702,371
Total	4,716,943	2,746,731

(*) Premium income from insurance business amounting to TL 666,029 (30 September 2018: TL 555,965) which is included in other operating income in the accompanying financial statements is presented in "others" line item.

5.4.6 Expected credit losses and other provisions

	<i>Current Period</i>	<i>Prior Period</i>
Expected Credit Losses	8,491,807	6,766,395
<i>12-Month ECL (Stage 1)</i>	<i>1,122,079</i>	<i>1,164,422</i>
<i>Significant Increase in Credit Risk (Stage 2)</i>	<i>2,783,179</i>	<i>2,716,057</i>
<i>Impaired Credits(Stage 3)</i>	<i>4,586,549</i>	<i>2,885,916</i>
Other Provisions	323,937	831,904
Impairment Losses on Securities	36,790	39,910
<i>Financial Assets Measured at Fair Value through Profit or Loss</i>	<i>12,753</i>	<i>39,910</i>
<i>Financial Assets Measured at Fair Value through Other Comprehensive Income</i>	<i>24,037</i>	-
Impairment Losses on Associates, Subsidiaries and Joint-ventures	-	-
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Joint-ventures (business partnership)</i>	-	-
Others	287,147	791,994
Total	8,815,744	7,598,299

5.4.7 Other operating expenses

	<i>Current Period</i>	<i>Prior Period</i>
Reserve for Employee Termination Benefits	90,920	66,499
Defined Benefit Plan Obligations	-	-
Impairment Losses on Tangible Assets	8	1,742
Depreciation Expenses of Tangible Assets	303,805	242,343
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortisation Expenses of Intangible Assets	103,645	92,580
Decrease in Value of Equity Accounting Shares		-
Impairment Losses on Assets to be Disposed	3,679	943
Depreciation Expenses of Right-of-use Assets	234,468	-
Impairment Losses on Assets Held for Sale and Discontinued Assets	581	-
Other Operating Expenses	2,652,803	2,606,586
<i>Operational Lease related Expenses (*)</i>	<i>129,649</i>	<i>392,022</i>
<i>Repair and maintenance expenses</i>	<i>65,241</i>	<i>58,047</i>
<i>Advertisement expenses</i>	<i>104,229</i>	<i>136,313</i>
<i>Other expenses</i>	<i>2,353,684</i>	<i>2,020,204</i>
Loss on Sale of Assets	8,015	3,922
Others (**)	861,499	629,327
Total	4,259,423	3,643,942

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

(**) Includes saving-deposits-insurance-fund related expenses of TL 328,880 (30 September 2018: TL 206,763) and insurance-business claim losses of TL 184,404 (30 September 2018: TL 155,290) in the current period.

5.4.8 Information on profit/loss before taxes from continued and discontinued operations

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

5.4.9 Information on provision for taxes for continued and discontinued operations

As of 30 September 2019, on a consolidated basis, the Bank recorded a current tax expense of TL 1,675,751 (30 September 2018: TL 1,754,043) and a deferred tax income of TL 311,895 (30 September 2018: TL 20,667 tax expense).

There is no amount from discontinued operations.

Deferred tax benefit/charge on timing differences

Deferred tax (benefit)/charge on timing differences	<i>Current Period</i>	<i>Prior Period</i>
Increase in Tax Deductible Timing Differences (+)	(533,383)	(771,033)
Decrease in Tax Deductible Timing Differences (-)	187,372	242,228
Increase in Taxable Timing Differences (-)	138,756	563,677
Decrease in Taxable Timing Differences (+)	(104,640)	(14,205)
Total	(311,895)	20,667

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)	(327,446)	(544,415)
(Increase)/Decrease in Taxable Timing Differences (net)	34,116	549,472
(Increase)/Decrease in Tax Losses (net)	(18,565)	15,610
(Increase)/Decrease in Tax Deductions and Exemptions (net)	-	-
Total	(311,895)	20,667

5.4.10 Net operating profit/loss after taxes including net profit/loss from discontinued operations

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

5.4.11 Net profit/loss

5.4.11.1 Any further explanation on operating results needed for better understanding of bank’s performance

None.

5.4.11.2 Any changes in estimations that might have a material effect on current and subsequent period results

None.

5.4.11.3 Minority interest’s profit/loss

	Current Period	Prior Period
Net Profit/(Loss) of Minority Interest	60,225	54,637

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

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

5.6 Consolidated statement of cash flows

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

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	191,683	3,964	159,681	976,031	27,595	42,256
Interest and Commission Income	20,739	7	6,486	-	7,267	41

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 (*)	8,870	7	13,878	150	181,326	5,318

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

5.7.1.2 Deposits

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
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	190,687	134,824	156,340	109,448	87,176	107,483
Interest Expenses (*)	22,589	12,080	321	3,150	6,190	20,746

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

5.7.1.3 Derivative transactions

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at Fair Value Through Profit/(Loss)						
Balance at beginning of period	34,363	7,239	33,860,021	39,433,377	9,479	792,918
Balance at end of period	49,161	34,363	49,723,995	33,860,021	32,217	9,479
Total Profit/(Loss)	408	(4)	138,446	86,935	-	(7,821)
Transactions for Hedging						
Balance at beginning of period	-	-	1,004,943	1,037,356	-	-
Balance at end of period	-	-	748,104	1,004,943	-	-
Total Profit/(Loss)	-	-	2,191	(1,466)	-	-

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 142,969 (31 December 2018: TL 4,329,526) compose 0.06% (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 378,959 (31 December 2018: TL 564,228) compose 0.09% (31 December 2018: 0.14%) of the Bank's total consolidated assets. The non-cash loans of the risk group amounting TL 1,022,251 (31 December 2018: TL 995,647) compose 1.71% (31 December 2018: 1.47%) of the Bank's total consolidated non-cash loans. The deposits of the risk group amounting TL 434,203 (31 December 2018: TL 351,755) compose 0.17% (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 3,616 (30 September 2018: TL 3,053) was recognized for the real estates rented to the related parties.

Operating expenses for TL 418 (30 September 2018: TL 3,416) as of 30 September 2019 were incurred for the IT services rendered by the related parties. Other income of TL 2,929 (30 September 2018: TL 3,226) for the IT services rendered and banking services fee income of TL 6,320 (30 September 2018: TL 32,288) were recognized from the related parties

There are no operating expenses for advertisement and broadcasting services (30 September 2018: TL 52) and travelling services (30 September 2018: TL 47,291). Operating expenses of TL 54,516 (30 September 2018: TL 14,286) 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 107,986 as of 30 September 2019 (30 September 2018: TL 113,260).

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

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks”.

5.9 Matters arising subsequent to the balance sheet date

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

5.10 Other disclosures on activities

5.10.1 Information on international risk ratings

5.10.1.1 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 (July 2019)

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

5.10.1.2 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

5.10.1.3 International risk ratings of Garanti Faktoring, a consolidated subsidiary

FITCH RATINGS (July 2019) (*)

Foreign Currency	
Long Term	B+
Short Term	B
Outlook	Negative
Turkish Lira	
Long Term	BB-
Short Term	B
Outlook	Negative
National	AA (tur)
Outlook	Stable
Support	4

(*) Latest date in risk ratings or outlooks

5.10.1.4 International risk ratings of Garanti Finansal Kiralama, a consolidated subsidiary

FITCH RATINGS (July 2019) (*)

Foreign Currency	
Long Term	B+
Short Term	B
Outlook	Negative
Turkish Lira	
Long Term	BB-
Short Term	B
Outlook	Negative
National	AA (tur)
Outlook	Stable
Support	4

(*) Latest date in risk ratings or outlooks

STANDARD AND POORS (April 2019) (*)

Foreign Currency	
Long Term	B+
Short Term	B
Outlook	Stable
Turkish Lira	
Long Term	B+
Short Term	B
Outlook	Stable

(*) Latest date in risk ratings or outlooks

5.10.1.5 International risk ratings of Garanti Bank SA, a consolidated subsidiary

FITCH RATINGS (February 2019) (*)

Foreign Currency	
Long - Term IDR	BB-
Short - Term IDR	B
Support Rating	3
Viability Rating	bb-
Outlook	Stable

(*) Latest date in risk ratings or outlooks

5.10.2 Dividend

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)	-

5.10.3 Other disclosures

None.

6 Limited Review Report

6.1 Disclosure on limited review report

The consolidated financial statements of the Bank and its financial subsidiaries as of 30 September 2019, have been reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member of KPMG International Cooperative) and a limited review report dated 30 October 2019, is presented before the accompanying consolidated financial statements.

6.2 Disclosures and footnotes prepared by independent auditors

None.

7 Interim Activity Report

(Amounts are expressed in Turkish Lira (TL))

7.1 Summary financial information regarding the operating results for the current period, the comments of the chairman of the board of directors and the CEO

Türkiye Garanti Bankası A.Ş., announced its financial statements dated September 30, 2019. Based on the consolidated financials, the Bank's **net income** in the first nine month of the year recorded as TL 4 billion 998 million 460 thousand. **Asset size** realized at TL 411 billion 161 million 696 thousand and the Bank's contribution to the economy through cash and non-cash **loans** was TL 302 billion 634 million 414 thousand. Actively managing the funding base, deposits continued to be the main funding source; 63% of assets are funded via deposits. Deposit base reached to TL 257 billion 842 million 200 thousand with 5% growth in the first 9 month of the year. Preserving the strong capital stance, Bank's capital adequacy ratio was realized at 18.07%. The Bank delivered an **ROAE** (Return on Average Equity) of 13.5% and an **ROAA** (Return on Average Assets) of 1.6%.

Commenting on the topic, **Garanti BBVA Chairman Süleyman Sözen** stated that: "The third quarter of 2019 marked the beginning of the improvement in the economic activity. Going forward, I strongly believe that Garanti BBVA will continue and increase its uninterrupted support to the economy."

Commenting on the important developments, **Sözen** said that: "We take great care to examine in detail the environmental and social impacts of our financing activities. We implemented the first "Gender Equality Credit" structure in Turkey. With this product, we aim to reward companies that perform well in gender equality and encourage others to improve their performance in this field." Sözen emphasized the Bank's achievements during the period and stated that: "At Garanti BBVA, we focus on creating common value through strategic social investment programs. As a result of the steps we have taken within this context, our bank was named as the best bank in "Corporate Responsibility" at the "Euromoney Excellence Awards."

Chairman **Sözen** closed his remarks by saying that: "Addressing the changing needs of our customers in the most effective way will continue to be our top priority. Taking this opportunity, I would like to thank my colleagues, our esteemed clients, shareholders, and all other stakeholders."

Commenting on the topic, **Garanti BBVA CEO Recep Baştuğ** stated that: "Third quarter of the year was a period that we observed the beginning of the recovery in loan demand, as a consequence of the significant improvement in inflation and its respective reflection on drop in interest rates. Going forward, the increase in loan demand will be even more visible. Committed to managing our balance sheet with sustainable growth strategy, we have further strengthened our capital base. With this confidence, we will continue to support the real economy by meeting the increasing demand. With our knowledge, experience and strong presence in the real sector, we will maintain our leadership amongst private banks in Turkish Lira lending."

Emphasizing that the principles of honesty, accountability and transparency are an integral part of Garanti BBVA culture and the assurance of its sustainable existence, **Baştuğ** said: "This year, we are once again entitled to be included in the **Dow Jones Sustainability Index**, which evaluates the sustainability performance of corporate firms worldwide. **We are the only Turkish company to be included in the index for five consecutive years.** Recognizing that our impact and the value we create is not limited to banking, we will keep working with our focus on sustainable development to create continuous value for our stakeholders."

7.1.1 Selected Figures of Consolidated Financial Statements

Selected Balance Sheet Items	Current Period 30.Sep.2019	Prior Period 31.Dec.2018	Change Δ %
Total Assets	411,161,696	399,153,601	3.0%
Loans*	259,800,605	256,009,555	1.5%
- Performing Loans	242,876,528	243,460,849	-0.2%
- Non-Performing Loans	16,924,077	12,548,706	34.9%
Deposits	257,842,200	245,016,346	5.2%
Shareholders' Equity	51,774,993	46,886,842	10.4%

* Excludes Leasing and Factoring receivables

Selected P&L Items	Current Period 30.Sep.2019	Prior Period 30.Sep.2018	Change Δ %
Net Interest Income	15,089,955	13,974,256	8.0%
Operating Expenses	7,397,184	6,237,127	18.6%
- HR Cost	3,137,761	2,593,185	21.0%
- Other Operating Expenses	4,259,423	3,643,942	16.9%
Net Fees&Commissions	4,637,015	3,752,240	23.6%
Net Income	4,998,460	5,629,870	-11.2%

Selected Financial Ratios	Current Period 30.Sep.2019	Prior Period 31.Dec.2018	Change Δ bps
Performing Loans/Assets	59.1%	61.0%	-192
Deposits/Assets	62.7%	61.4%	133
Return on Average Equity	13.5%	15.0%	-149
Return on Average Assets	1.6%	1.7%	-10
Cumulative Net Interest Margin (incl. swap costs)	5.0%	5.3%	-24
Non-Performing Loans Ratio*	6.7%	5.2%	155
Capital Adequacy Ratio	18.07%	16.52%	155

* Excludes Leasing and Factoring receivables

Market Shares*	Current Period 30.Sep.2019	Prior Period 31.Dec.2018	Change Δ bps
Performing Loans	9.9%	10.6%	-71
TL Performing Loans	10.2%	11.0%	-74
FC Performing Loans	9.4%	10.0%	-61
Deposits	8.7%	10.8%	-209
TL Deposits	9.5%	10.1%	-62
FC Deposits	8.3%	11.4%	-308

*Market Shares are calculated per bank-only financials, for fair comparison

Garanti with Numbers	Current Period 30.Sep.2019	Prior Period 31.Dec.2018	Change Δ %
Branch Network	920	936	-1.7%
Number of Employees	18,617	18,338	1.5%
ATM	5,234	5,258	-0.5%
POS*	706,176	669,435	5.5%
Number of Customers	17,319,236	16,378,164	5.7%
Number of Digital Customers**	8,037,322	7,256,168	10.8%
Number of Credit Card Customers	7,042,614	6,975,591	1.0%

*Includes shared and virtual POS.

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

You may access Garanti BBVA earnings presentations regarding the BRSA consolidated financial results from Garanti BBVA Investor Relations website at www.garantibbvainvestorrelations.com

7.2 The amendments in the articles of association during period of 01.07.2019-30.09.2019

There is no change during the period.

7.3 Announcements regarding important developments in the period of 01.07.2019-30.09.2019

Garanti BBVA's Annual Report, documents regarding ordinary general meeting of shareholders, information on board of directors and senior management, ratings and disclosures regarding important developments and other disclosures were announced and the disclosures were uploaded to the Public Disclosure Platform. Disclosures and all of the announcements are available at www.garantibbvainvestorrelations.com.

7.4 Assessment of financial information and risk management

You may find information regarding the assessment of financial position, profitability and debt payment capability, risk management explanations and ratings in the financial statements for the period ended 30 September 2019. Additionally, you may find detailed information in the earnings presentation regarding financial results of the related period published on Garanti BBVA Investor Relations website at www.garantibbvainvestorrelations.com.

You may find financial information on Garanti BBVA for the most recent five year period in the 2018 Integrated Annual Report that was published on the Public Disclosure Platform, the Bank's website, Garanti BBVA Investor Relations website and at www.garantibbvainvestorrelations.com/en/integrated-annual-report/.

7.5 Information regarding management and corporate governance practices

You may access information about the activities of the Board of Directors, the Audit Committee, the Credit Committee and the committees that are established pursuant to the Regulation on the Internal Systems of Banks under the framework of the risk management systems and are organized under the Board of Directors or to support the Board of Directors, chairman and members of the committees' names and surnames, fundamental duties and their attendance to the meetings from Garanti BBVA Investor Relations website at www.garantibbvainvestorrelations.com under the [Committees](#) section.

You may access the Corporate Governance Principles Compliance Report from Garanti BBVA Investor Relations website at www.garantibbvainvestorrelations.com under the [Corporate Governance](#) section.

7.6 Forward looking statements regarding the expectations

As per the Article 10 of the "Communiqué on Material Events Disclosure" (II-15.1) of Capital Markets Board, T. Garanti Bankası A.Ş has announced its forward looking statements regarding the expectations for the year 2019. You may access the related presentation that was published on the Public Disclosure Platform, the Bank's website and Garanti BBVA Investor Relations' website at www.garantibbvainvestorrelations.com in [Operating Plan Guidance Presentations](#) section. As of September 30, 2019, there are no revisions to the forward looking statements regarding the expectations for the year 2019.