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 Six-Month Period Ended

30 June 2020

(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 Auditor's Report on Review of 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 June 2020 and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the six 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" for the matters not regulated by the aforementioned legislations (together referred as "BRSA Accounting and Financial Reporting Legislation"). 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, "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 and accounting matters, 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.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., a Turkish corporation and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity.

Basis for Qualified Conclusion

As stated in Note 2.9.4 of Section Five, the accompanying consolidated interim financial information as at 30 June 2020 includes a general reserve of TL 3,100,000 thousand which TL 600,000 thousands was recognized as expense in the current period and TL 2,500,000 thousands had been recognized as expense in prior periods, which does not meet the requirements of BRSA Accounting and Reporting Legislation. This general provision is provided by the Bank management for the possible effects of the negative circumstances which may arise in economy or market conditions.

Qualified Conclusion

Based on our review, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information do not present fairly, in all material respects, the consolidated financial position of Türkiye Garanti Bankası A.Ş. and its financial subsidiaries as at 30 June 2020, and its consolidated financial performance and its consolidated cash flows for the six 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

Murat Alsan, SMMM
Partner

29 July 2020
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 SIX-MONTH PERIOD ENDED 30 JUNE 2020

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The consolidated financial report for the six-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 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	**Avni Aydın Düren** Audit Committee Member	**Belkıs Sema Yurdum** Audit Committee Member

The authorized contact person for questions on this financial report:

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SECTION FIVE
Disclosures and Footnotes on Consolidated Financial Statements

SECTION SIX
Limited Review Report

SECTION SEVEN
Interim Activity Report

1 General Information

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

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

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

The Bank provides banking services through 901 domestic branches, 8 foreign branches and 2 representative offices (31 December 2019: 904 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 June 2020, group of companies under BBVA that currently owns 49.85% shares of the Bank, is defined as the BBVA Group (the Group) and it is the main shareholder.

On 22 March 2011, BBVA had acquired; 78.120.000.000 shares of the Bank owned by GE Capital Corporation at a total nominal value of TL 781,200 representing 18.60% ownership, and 26.418.840.000 shares of the Bank owned by Doğuş Holding AŞ at a total nominal value of TL 264,188 representing 6.29% ownership. BBVA, purchasing 24.89% shares of the Bank, had joint control on the Bank's management together with group of companies under Doğuş Holding AŞ (the Doğuş Group).

Subsequently, on 7 April 2011, BBVA had acquired 503.160.000 shares at a nominal value of TL 5,032 and increased its ownership in the Bank's share capital to 25.01%.

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

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

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

BBVA Group

BBVA is operating for more than 160 years, providing variety of widespread financial and non-financial services to 78 million retail and commercial customers.

The Group's headquarter is in Spain, where the Group has concrete leadership in retail and commercial markets. BBVA adopting innovative, and customer and community oriented management style, besides banking, operates in insurance sector in Europe and portfolio management, private banking and investment banking in global markets.

BBVA which is the largest financial institution in Mexico and also the market leader in South America, operates in more than 30 countries with more than 126 thousand employees.

(Thousands of Turkish Lira (TL))

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

Board of Directors Chairman and Members:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Süleyman Sözen	Chairman	29.05.1997	University	40 years
Jorge Saenz Azcunaga Carranza	Vice Chairman Independent Member and Member of Audit Committee	24.03.2016	University	28 years
Recep Baştuğ	Member and CEO	06.09.2019	University	31 years
Sait Ergun Özen	Member	14.05.2003	University	34 years
Dr. Muammer Cüneyt Sezgin	Member	30.06.2004	PhD	33 years
Jaime Saenz de Tejada Pulido	Member	02.10.2014	University	29 years
Javier Bernal Dionis	Member	27.07.2015	Master	31 years
Rafael Salinas Martinez de Lecea	Member	08.05.2017	Master	30 years
Belkıs Sema Yurdum	Independent Member and Member of Audit Committee	30.04.2013	University	40 years
Avni Aydın Düren	Independent Member and Member of Audit Committee	17.06.2020	Master	29 years
Mevhibe Canan Özsoy	Independent Member	04.04.2019	Master	32 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	31 years
İlker Kuruöz	EVP-Engineering Services and Data	14.03.2018	Master	29 years
Betül Ebru Edin	EVP-Corporate, Investment Banking and Global Markets	25.11.2009	University	27 years
Işıl Akdemir Evlioğlu	EVP- Customer Solutions and Digital Banking	01.03.2020	Master	15 years
Selahattin Güldü	EVP-Commercial Banking	20.04.2018	University	30 years
Didem Başer	EVP- Talent and Culture	01.03.2020	Master	26 years
Aydın Güler	EVP- Finance and Treasury	03.02.2016	University	30 years
Ali Temel	Head of Credit Risk Management	03.02.2016	University	30 years
Mahmut Akten	EVP-Retail Banking	17.01.2017	Master	21 years
Cemal Onaran	EVP-SME Banking	17.01.2017	University	30 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 June 2020

	ASSETS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD 30 June 2020			**PRIOR PERIOD 31 December 2019**		
			TL	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**FINANCIAL ASSETS (Net)**		**33,308,705**	**79,014,890**	**112,323,595**	**34,725,166**	**74,235,255**	**108,960,421**
1.1	**Cash and Cash Equivalents**	**5.1.1**	**8,429,793**	**58,679,776**	**67,109,569**	**14,200,209**	**57,897,826**	**72,098,035**
1.1.1	Cash and Balances with Central Bank		7,455,577	37,211,689	44,667,266	3,285,977	38,739,329	42,025,306
1.1.2	Banks		1,028,961	21,228,037	22,256,998	747,860	18,834,329	19,582,189
1.1.3	Money Market Placements		-	430,747	430,747	10,205,763	453,693	10,659,456
1.1.4	Expected Credit Losses (-)		54,745	190,697	245,442	39,391	129,525	168,916
1.2	**Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)**	**5.1.2**	**1,346,455**	**6,193,257**	**7,539,712**	**692,738**	**4,526,562**	**5,219,300**
1.2.1	Government Securities		711,849	1,562,353	2,274,202	370,765	91,126	461,891
1.2.2	Equity Securities		585,478	25,310	610,788	303,272	30,148	333,420
1.2.3	Other Financial Assets		49,128	4,605,594	4,654,722	18,701	4,405,288	4,423,989
1.3	**Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI**	**5.1.3**	**21,993,886**	**11,933,916**	**33,927,802**	**18,274,036**	**10,369,493**	**28,643,529**
1.3.1	Government Securities		21,847,536	7,616,975	29,464,511	18,192,222	6,627,521	24,819,743
1.3.2	Equity Securities		42,319	410,028	452,347	32,328	350,053	382,381
1.3.3	Other Financial Assets		104,031	3,906,913	4,010,944	49,486	3,391,919	3,441,405
1.4	**Derivative Financial Assets**	**5.1.4**	**1,538,571**	**2,207,941**	**3,746,512**	**1,558,183**	**1,441,374**	**2,999,557**
1.4.1	Derivative Financial Assets Measured at FVTPL		1,074,032	2,197,249	3,271,281	1,133,910	1,424,303	2,558,213
1.4.2	Derivative Financial Assets Measured at FVOCI		464,539	10,692	475,231	424,273	17,071	441,344
II.	**FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net)**		**212,748,190**	**133,382,959**	**346,131,149**	**180,738,392**	**115,539,328**	**296,277,720**
2.1	**Loans**	**5.1.5**	**199,646,065**	**127,351,363**	**326,997,428**	**166,976,048**	**110,530,551**	**277,506,599**
2.2	**Lease Receivables**	**5.1.6**	**1,352,577**	**5,379,482**	**6,732,059**	**1,326,634**	**4,857,520**	**6,184,154**
2.3	**Factoring Receivables**	**5.1.7**	**2,107,023**	**642,341**	**2,749,364**	**1,809,179**	**620,984**	**2,430,163**
2.4	**Other Financial Assets Measured at Amortised Cost**	**5.1.8**	**21,324,471**	**9,799,259**	**31,123,730**	**20,732,279**	**6,988,063**	**27,720,342**
2.4.1	Government Securities		21,229,884	9,771,269	31,001,153	20,591,464	6,967,172	27,558,636
2.4.2	Other Financial Assets		94,587	27,990	122,577	140,815	20,891	161,706
2.5	**Expected Credit Losses (-)**		**11,681,946**	**9,789,486**	**21,471,432**	**10,105,748**	**7,457,790**	**17,563,538**
III.	**ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)**	**5.1.9**	**1,136,471**	**26,336**	**1,162,807**	**1,424,822**	**27,436**	**1,452,258**
3.1	Asset Held for Resale		1,136,471	26,336	1,162,807	1,424,822	27,436	1,452,258
3.2	Assets of Discontinued Operations		-	-	-	-	-	-
IV.	**INVESTMENTS IN ASSOCIATES,SUBSIDIARIES AND JOINT VENTURES**		**159,014**	**4,942**	**163,956**	**149,767**	**4,087**	**153,854**
4.1	**Associates (Net)**	**5.1.10**	**44,994**	**6**	**45,000**	**35,747**	**6**	**35,753**
4.1.1	Associates Consolidated Under Equity Accounting		-	-	-	-	-	-
4.1.2	Unconsolidated Associates		44,994	6	45,000	35,747	6	35,753
4.2	**Subsidiaries (Net)**	**5.1.11**	**114,020**	**4,936**	**118,956**	**114,020**	**4,081**	**118,101**
4.2.1	Unconsolidated Financial Investments in Subsidiaries		-	-	-	-	-	-
4.2.2	Unconsolidated Non-Financial Investments in Subsidiaries		114,020	4,936	118,956	114,020	4,081	118,101
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**	**5,029,190**	**418,500**	**5,447,690**	**5,145,933**	**382,366**	**5,528,299**
VI.	**INTANGIBLE ASSETS (Net)**	**5.1.14**	**494,728**	**69,871**	**564,599**	**430,194**	**49,712**	**479,906**
6.1	Goodwill		6,388	-	6,388	6,388	-	6,388
6.2	Others		488,340	69,871	558,211	423,806	49,712	473,518
VII.	**INVESTMENT PROPERTY (Net)**	**5.1.15**	**575,143**	**-**	**575,143**	**569,719**	**-**	**569,719**
VIII.	**CURRENT TAX ASSET**		**67**	**76,837**	**76,904**	**7,649**	**78,568**	**86,217**
IX.	**DEFERRED TAX ASSET**	**5.1.16**	**2,797,041**	**25,476**	**2,822,517**	**1,861,118**	**20,892**	**1,882,010**
X.	**OTHER ASSETS (Net)**	**5.1.17**	**6,942,505**	**10,455,476**	**17,397,981**	**5,502,245**	**7,661,499**	**13,163,744**
	TOTAL ASSETS		**263,191,054**	**223,475,287**	**486,666,341**	**230,555,005**	**197,999,143**	**428,554,148**

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 June 2020

	LIABILITIES AND SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD 30 June 2020			PRIOR PERIOD 31 December 2019		
			TL	FC	Total	TL	FC	Total
I.	**DEPOSITS**	**5.2.1**	**128,906,024**	**177,977,087**	**306,883,111**	**113,245,513**	**164,031,812**	**277,277,325**
II.	**FUNDS BORROWED**	**5.2.2**	**1,756,607**	**24,442,164**	**26,198,771**	**2,687,955**	**22,934,104**	**25,622,059**
III.	**MONEY MARKET FUNDS**	**5.2.3**	**15,338,408**	**1,391,881**	**16,730,289**	**416,266**	**1,370,595**	**1,786,861**
IV.	**SECURITIES ISSUED (NET)**	**5.2.4**	**6,184,208**	**16,247,971**	**22,432,179**	**6,036,084**	**14,990,453**	**21,026,537**
4.1	Bills		4,952,309	-	4,952,309	4,825,540	-	4,825,540
4.2	Asset Backed Securities		-	-	-	-	-	-
4.3	Bonds		1,231,899	16,247,971	17,479,870	1,210,544	14,990,453	16,200,997
V.	**FUNDS**		**-**	**-**	**-**	**-**	**-**	**-**
5.1	Borrowers' Funds		-	-	-	-	-	-
5.2	Others		-	-	-	-	-	-
VI.	**FINANCIAL LIABILITIES MEASURED AT FVTPL**	**5.2.5**	**-**	**14,453,088**	**14,453,088**	**-**	**14,342,293**	**14,342,293**
VII.	**DERIVATIVE FINANCIAL LIABILITIES**	**5.2.6**	**1,314,655**	**5,143,938**	**6,458,593**	**1,945,271**	**2,294,394**	**4,239,665**
7.1	Derivative Financial Liabilities Measured at FVTPL		1,118,010	4,845,008	5,963,018	1,305,445	2,199,506	3,504,951
7.2	Derivative Financial Liabilities Measured at FVOCI		196,645	298,930	495,575	639,826	94,888	734,714
VIII.	**FACTORING LIABILITIES**	**5.2.7**	**-**	**-**	**-**	**-**	**-**	**-**
IX.	**LEASE LIABILITIES (Net)**	**5.2.8**	**990,690**	**178,441**	**1,169,131**	**969,316**	**165,454**	**1,134,770**
X.	**PROVISIONS**	**5.2.9**	**6,311,859**	**1,510,210**	**7,822,069**	**5,348,121**	**1,178,252**	**6,526,373**
10.1	Restructuring Reserves		-	-	-	-	-	-
10.2	Reserve for Employee Benefits		1,077,207	138,763	1,215,970	1,135,056	111,605	1,246,661
10.3	Insurance Technical Provisions (Net)		703,140	76,121	779,261	589,541	50,992	640,533
10.4	Other Provisions		4,531,512	1,295,326	5,826,838	3,623,524	1,015,655	4,639,179
XI.	**CURRENT TAX LIABILITY**	**5.2.10**	**1,857,772**	**47,478**	**1,905,250**	**1,149,548**	**102,427**	**1,251,975**
XII.	**DEFERRED TAX LIABILITY**	**5.2.10**	**769**	**22,737**	**23,506**	**-**	**29,480**	**29,480**
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**	**1,018,644**	**5,152,711**	**6,171,355**	**261,478**	**4,468,229**	**4,729,707**
14.1	Borrowings		-	-	-	-	-	-
14.2	Other Debt Instruments		1,018,644	5,152,711	6,171,355	261,478	4,468,229	4,729,707
XV.	**OTHER LIABILITIES**	**5.2.13**	**15,726,000**	**2,323,757**	**18,049,757**	**14,252,573**	**2,283,783**	**16,536,356**
XVI.	**SHAREHOLDERS' EQUITY**	**5.2.14**	**58,482,481**	**(113,239)**	**58,369,242**	**53,554,029**	**496,718**	**54,050,747**
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		1,465,524	314,219	1,779,743	1,376,965	267,474	1,644,439
16.4	Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		2,898,964	(716,413)	2,182,551	1,465,038	(94,917)	1,370,121
16.5	Profit Reserves		39,367,464	288,955	39,656,419	39,288,768	324,161	39,612,929
16.5.1	Legal Reserves		1,546,353	60,587	1,606,940	1,546,353	53,081	1,599,434
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		37,583,098	-	37,583,098	37,509,839	-	37,509,839
16.5.4	Other Profit Reserves		238,013	228,368	466,381	232,576	271,080	503,656
16.6	Profit/Loss		9,454,589	-	9,454,589	6,164,914	-	6,164,914
16.6.1	Prior Periods' Profit/Loss		6,159,477	-	6,159,477	-	-	-
16.6.2	Current Period's Net Profit/Loss		3,295,112	-	3,295,112	6,164,914	-	6,164,914
16.7	Minority Interest		311,506	-	311,506	273,910	-	273,910
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**237,888,117**	**248,778,224**	**486,666,341**	**199,866,154**	**228,687,994**	**428,554,148**

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 June 2020

			THOUSANDS OF TURKISH LIRA (TL)					
		Footnotes	CURRENT PERIOD 30 June 2020			PRIOR PERIOD 31 December 2019		
			TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)			**207,824,740**	**345,555,159**	**553,379,899**	**187,129,637**	**307,620,161**	**494,749,798**
I.	**GUARANTEES AND SURETIES**	**5.3.1**	**26,920,379**	**40,943,152**	**67,863,531**	**23,655,572**	**39,101,523**	**62,757,095**
1.1	Letters of guarantee		26,571,260	30,591,574	57,162,834	23,555,242	26,872,148	50,427,390
1.1.1	Guarantees subject to State Tender Law		-	1,137,535	1,137,535	-	1,252,136	1,252,136
1.1.2	Guarantees given for foreign trade operations		1,775,356	767,757	2,543,113	1,408,118	620,356	2,028,474
1.1.3	Other letters of guarantee		24,795,904	28,686,282	53,482,186	22,147,124	24,999,656	47,146,780
1.2	Bank acceptances		93,724	1,705,867	1,799,591	35,845	1,543,198	1,579,043
1.2.1	Import letter of acceptance		93,724	1,705,867	1,799,591	35,395	1,521,807	1,557,202
1.2.2	Other bank acceptances		-	-	-	450	21,391	21,841
1.3	Letters of credit		255,395	8,536,717	8,792,112	64,485	10,611,998	10,676,483
1.3.1	Documentary letters of credit		-	-	-	-	-	-
1.3.2	Other letters of credit		255,395	8,536,717	8,792,112	64,485	10,611,998	10,676,483
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		-	108,994	108,994	-	74,179	74,179
1.9	Other sureties		-	-	-	-	-	-
II.	**COMMITMENTS**		**68,762,162**	**12,162,915**	**80,925,077**	**62,668,511**	**14,344,299**	**77,012,810**
2.1	Irrevocable commitments		68,365,284	9,815,282	78,180,566	62,458,341	12,568,282	75,026,623
2.1.1	Asset purchase and sale commitments		1,963,578	7,720,093	9,683,671	5,306,346	10,576,157	15,882,503
2.1.2	Deposit purchase and sale commitments		-	-	-	-	-	-
2.1.3	Share capital commitments to associates and subsidiaries		-	3,553	3,553	-	6,336	6,336
2.1.4	Loan granting commitments		18,570,070	1,210,453	19,780,523	16,305,168	1,273,729	17,578,897
2.1.5	Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7	Commitments for cheque payments		3,146,828	-	3,146,828	3,184,727	-	3,184,727
2.1.8	Tax and fund obligations on export commitments		151,481	-	151,481	137,121	-	137,121
2.1.9	Commitments for credit card limits		44,531,999	881,183	45,413,182	37,521,955	712,060	38,234,015
2.1.10	Commitments for credit cards and banking services related promotions		1,328	-	1,328	3,024	-	3,024
2.1.11	Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12	Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13	Other irrevocable commitments		-	-	-	-	-	-
2.2	Revocable commitments		396,878	2,347,633	2,744,511	210,170	1,776,017	1,986,187
2.2.1	Revocable loan granting commitments		12,388	1,933,900	1,946,288	15,045	1,446,989	1,462,034
2.2.2	Other revocable commitments		384,490	413,733	798,223	195,125	329,028	524,153
III.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**5.3.2**	**112,142,199**	**292,449,092**	**404,591,291**	**100,805,554**	**254,174,339**	**354,979,893**
3.1	Derivative financial instruments held for risk management		8,374,738	38,001,576	46,376,314	22,373,314	43,574,257	65,947,571
3.1.1	Fair value hedges		1,210,000	10,471,492	11,681,492	4,835,016	16,607,942	21,442,958
3.1.2	Cash flow hedges		7,164,738	27,530,084	34,694,822	17,538,298	26,966,315	44,504,613
3.1.3	Net foreign investment hedges		-	-	-	-	-	-
3.2	Trading derivatives		103,767,461	254,447,516	358,214,977	78,432,240	210,600,082	289,032,322
3.2.1	Forward foreign currency purchases/sales		5,275,986	6,630,411	11,906,397	7,322,962	8,764,639	16,087,601
3.2.1.1	Forward foreign currency purchases		3,746,125	2,224,611	5,970,736	3,686,017	4,409,675	8,095,692
3.2.1.2	Forward foreign currency sales		1,529,861	4,405,800	5,935,661	3,636,945	4,354,964	7,991,909
3.2.2	Currency and interest rate swaps		91,417,580	198,904,000	290,321,580	60,617,121	160,582,646	221,199,767
3.2.2.1	Currency swaps-purchases		5,152,471	71,906,244	77,058,715	9,766,706	67,104,838	76,871,544
3.2.2.2	Currency swaps-sales		38,366,745	41,525,104	79,891,849	43,894,979	29,683,702	73,578,681
3.2.2.3	Interest rate swaps-purchases		23,949,376	42,736,326	66,685,702	3,477,718	31,897,053	35,374,771
3.2.2.4	Interest rate swaps-sales		23,948,988	42,736,326	66,685,314	3,477,718	31,897,053	35,374,771
3.2.3	Currency, interest rate and security options		5,481,992	10,840,301	16,322,293	10,170,756	20,898,894	31,069,650
3.2.3.1	Currency call options		3,027,135	2,643,808	5,670,943	5,408,521	5,945,014	11,353,535
3.2.3.2	Currency put options		2,344,237	3,429,389	5,773,626	4,573,863	7,416,639	11,990,502
3.2.3.3	Interest rate call options		-	3,640,517	3,640,517	-	6,649,121	6,649,121
3.2.3.4	Interest rate put options		-	1,126,587	1,126,587	-	888,120	888,120
3.2.3.5	Security call options		59,067	-	59,067	87,880	-	87,880
3.2.3.6	Security put options		51,553	-	51,553	100,492	-	100,492
3.2.4	Currency futures		1,308,705	1,685,037	2,993,742	131,926	534,975	666,901
3.2.4.1	Currency futures-purchases		1,308,508	169,633	1,478,141	128,032	208,060	336,092
3.2.4.2	Currency futures-sales		197	1,515,404	1,515,601	3,894	326,915	330,809
3.2.5	Interest rate futures		-	-	-	-	29,604	29,604
3.2.5.1	Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2	Interest rate futures-sales		-	-	-	-	29,604	29,604
3.2.6	Others		283,198	36,387,767	36,670,965	189,475	19,789,324	19,978,799
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)			**860,585,195**	**1,011,175,033**	**1,871,760,228**	**805,331,669**	**860,068,236**	**1,665,399,905**
IV.	**ITEMS HELD IN CUSTODY**		**68,100,976**	**53,974,651**	**122,075,627**	**61,688,136**	**42,938,926**	**104,627,062**
4.1	Customers' securities held		35,166,326	-	35,166,326	27,430,538	-	27,430,538
4.2	Investment securities held in custody		15,950,983	19,816,621	35,767,604	15,270,202	12,493,790	27,763,992
4.3	Checks received for collection		14,107,972	6,044,639	20,152,611	15,688,562	5,837,295	21,525,857
4.4	Commercial notes received for collection		2,326,218	1,010,753	3,336,971	2,702,936	938,150	3,641,086
4.5	Other assets received for collection		229,196	23,845,222	24,074,418	250,510	20,797,896	21,048,406
4.6	Assets received through public offering		-	166,645	166,645	-	144,496	144,496
4.7	Other items under custody		320,281	3,090,771	3,411,052	345,388	2,727,299	3,072,687
4.8	Custodians		-	-	-	-	-	-
V.	**PLEDGED ITEMS**		**792,484,219**	**957,200,382**	**1,749,684,601**	**743,643,533**	**817,129,310**	**1,560,772,843**
5.1	Securities		6,341,544	1,565,771	7,907,315	4,036,323	1,563,950	5,600,273
5.2	Guarantee notes		23,651,878	18,881,304	42,533,182	23,737,421	13,743,078	37,480,499
5.3	Commodities		6,081	-	6,081	3,371	-	3,371
5.4	Warranties		-	426,901	426,901	-	377,819	377,819
5.5	Real estates		182,857,403	170,431,640	353,289,043	175,430,786	148,434,218	323,865,004
5.6	Other pledged items		579,627,313	765,894,655	1,345,521,968	540,435,632	653,010,149	1,193,445,781
5.7	Pledged items-depository		-	111	111	-	96	96
VI.	**CONFIRMED BILLS OF EXCHANGE AND SURETIES**		**-**	**-**	**-**	**-**	**-**	**-**
	TOTAL OFF-BALANCE SHEET ITEMS (A+B)		**1,068,409,935**	**1,356,730,192**	**2,425,140,127**	**992,461,306**	**1,167,688,397**	**2,160,149,703**

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

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Statement of Profit or Loss
At 30 June 2020

	INCOME AND EXPENSE ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL) CURRENT PERIOD 1 January 2020- 30 June 2020	PRIOR PERIOD 1 January 2019- 30 June 2019	CURRENT PERIOD 1 April 2020- 30 June 2020	PRIOR PERIOD 1 April 2019- 30 June 2019
I.	**INTEREST INCOME**	**5.4.1**	**18,318,520**	**22,098,622**	**8,916,572**	**11,191,642**
1.1	Interest income on loans		15,010,092	17,539,830	7,369,060	8,898,066
1.2	Interest income on reserve deposits		511	259,694	234	140,955
1.3	Interest income on banks		110,224	420,327	41,625	227,573
1.4	Interest income on money market transactions		102,913	84,600	45,085	51,650
1.5	Interest income on securities portfolio		2,646,522	3,264,180	1,261,130	1,619,937
1.5.1	Financial assets measured at FVTPL		57,628	34,101	29,660	20,148
1.5.2	Financial assets measured at FVOCI		1,245,874	1,627,599	614,830	791,440
1.5.3	Financial assets measured at amortised cost		1,343,020	1,602,480	616,640	808,349
1.6	Financial lease income		239,076	261,631	111,276	131,246
1.7	Other interest income		209,182	268,360	88,162	122,215
II.	**INTEREST EXPENSE (-)**	**5.4.2**	**6,636,079**	**12,200,461**	**3,088,738**	**6,203,238**
2.1	Interest on deposits		4,159,824	9,447,724	1,935,136	4,719,438
2.2	Interest on funds borrowed		825,769	1,089,822	261,163	606,287
2.3	Interest on money market transactions		194,317	79,262	155,420	41,645
2.4	Interest on securities issued		1,118,310	1,424,104	575,323	773,575
2.5	Lease interest expense		83,466	93,302	36,907	46,881
2.6	Other interest expenses		254,393	66,247	124,789	15,412
III.	**NET INTEREST INCOME (I - II)**		**11,682,441**	**9,898,161**	**5,827,834**	**4,988,404**
IV.	**NET FEES AND COMMISSIONS INCOME/EXPENSES**		**3,187,384**	**2,974,890**	**1,409,439**	**1,475,787**
4.1	Fees and commissions received		3,932,250	4,156,118	1,745,164	2,108,361
4.1.1	Non-cash loans		358,570	363,737	180,909	185,943
4.1.2	Others		3,573,680	3,792,381	1,564,255	1,922,418
4.2	Fees and commissions paid (-)		744,866	1,181,228	335,725	632,574
4.2.1	Non-cash loans		9,833	7,608	5,509	3,957
4.2.2	Others		735,033	1,173,620	330,216	628,617
V.	**DIVIDEND INCOME**	**5.4.3**	**18,661**	**9,022**	**17,828**	**8,454**
VI.	**NET TRADING INCOME/LOSSES (Net)**	**5.4.4**	**1,073,936**	**(979,437)**	**256,347**	**(836,672)**
6.1	Trading account income/losses		1,685,396	355,975	(361,495)	(133,816)
6.2	Income/losses from derivative financial instruments		(2,940,215)	(2,415,186)	(1,046,352)	(3,238,195)
6.3	Foreign exchange gains/losses		2,328,755	1,079,774	1,664,194	2,535,339
VII.	**OTHER OPERATING INCOME**	**5.4.5**	**3,551,872**	**3,376,478**	**1,096,032**	**1,350,398**
VIII.	**TOTAL OPERATING PROFIT (III+IV+V+VI+VII)**		**19,514,294**	**15,279,114**	**8,607,480**	**6,986,371**
IX.	**EXPECTED CREDIT LOSSES (-)**	**5.4.6**	**7,540,582**	**5,520,742**	**2,502,808**	**2,134,125**
X.	**OTHER PROVISIONS (-)**	**5.4.6**	**1,739,979**	**204,711**	**1,000,916**	**(40,169)**
XI.	**PERSONNEL EXPENSES (-)**		**2,173,885**	**2,094,674**	**1,112,455**	**1,069,584**
XII.	**OTHER OPERATING EXPENSES (-)**	**5.4.7**	**3,462,151**	**2,794,561**	**1,595,242**	**1,402,448**
XIII.	**NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)**		**4,597,697**	**4,664,426**	**2,396,059**	**2,420,383**
XIV.	**INCOME RESULTED FROM MERGERS**		**-**	**-**	**-**	**-**
XV.	**INCOME/LOSS FROM INVESTMENTS UNDER EQUITY**		**-**	**-**	**-**	**-**
XVI.	**GAIN/LOSS ON NET MONETARY POSITION**		**-**	**-**	**-**	**-**
XVII.	**PROFIT/LOSS BEFORE TAXES (XIII+...+XVI)**	**5.4.8**	**4,597,697**	**4,664,426**	**2,396,059**	**2,420,383**
XVIII.	**PROVISION FOR TAXES (±)**	**5.4.9**	**1,266,818**	**995,658**	**745,371**	**509,024**
18.1	Current tax charge		2,257,006	1,224,051	1,409,633	941,205
18.2	Deferred tax charge (+)		297,712	340,192	(17,994)	(195,574)
18.3	Deferred tax credit (-)		(1,287,900)	(568,585)	(646,268)	(236,607)
XIX.	**NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)**	**5.4.10**	**3,330,879**	**3,668,768**	**1,650,688**	**1,911,359**
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 OPERAT**	**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 OPER**	**5.4.10**	**-**	**-**	**-**	**-**
XXV.	**NET PROFIT/LOSS (XIX+XXIV)**	**5.4.11**	**3,330,879**	**3,668,768**	**1,650,688**	**1,911,359**
25.1	Equity holders of the bank		3,295,112	3,628,371	1,632,338	1,891,845
25.2	Minority interest		35,767	40,397	18,350	19,514
	Earnings per Share		**0.00785**	**0.00864**	**0.00389**	**0.00450**

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

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Statement of Profit or Loss and Other Comprehensive Income
At 30 June 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD 1 January 2020 - 30 June 2020	**PRIOR PERIOD 1 January 2019 - 30 June 2019**
I.	**CURRENT PERIOD PROFIT/LOSS**	**3,330,879**	**3,668,768**
II.	**OTHER COMPREHENSIVE INCOME**	**949,563**	**(23,514)**
2.1	**Other Income/Expense Items not to be Recycled to Profit or Loss**	**135,304**	**82,388**
2.1.1	Revaluation Surplus on Tangible Assets	94,331	6,665
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	53,149	80,272
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(12,176)	(4,549)
2.2	**Other Income/Expense Items to be Recycled to Profit or Loss**	**814,259**	**(105,902)**
2.2.1	Translation Differences	727,154	404,610
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	468,397	(272,599)
2.2.3	Gains/losses from Cash Flow Hedges	58,141	(178,995)
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	(404,310)	(197,574)
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	(3,592)	-
2.2.6	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	(31,531)	138,656
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**4,280,442**	**3,645,254**

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
At 30 June 2020

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)															
						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								
		Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	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	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Shareholders' Equity Before Minority Interest	Minority Interest	Total Shareholders' Equity
PRIOR PERIOD (01/01/2019-30/06/2019)																	
I. Balances at Beginning of Period		**4,200,000**	**11,880**	**-**	**772,554**	**1,534,923**	**(160,891)**	**99,362**	**2,744,795**	**(1,058,211)**	**(1,074,741)**	**32,977,973**	**6,641,652**	**-**	**46,689,296**	**197,546**	**46,886,842**
II. Correction made as per TAS 8		**-**	**-**	**-**	**-**	**-**	**-**	**1,855**	**-**	**(80,864)**	**79,009**	**-**	**-**	**-**	**-**	**-**	**-**
2.1. Effect of Corrections		-	-	-	-	-	-	1,855	-	(80,864)	79,009	-	-	-	-	-	-
2.2. Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Balances at Beginning of Period (I+II)	5.5	**4,200,000**	**11,880**	**-**	**772,554**	**1,534,923**	**(160,891)**	**101,217**	**2,744,795**	**(1,139,075)**	**(995,732)**	**32,977,973**	**6,641,652**	**-**	**46,689,296**	**197,546**	**46,886,842**
IV. Total Comprehensive Income		**-**	**-**	**-**	**-**	**6,290**	**-**	**76,098**	**404,610**	**(214,117)**	**(296,502)**	**-**	**-**	**3,628,371**	**3,604,750**	**40,504**	**3,645,254**
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		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**25,440**	**-**	**-**	**25,440**	**-**	**25,440**
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**	**1,541,213**	**(160,891)**	**177,315**	**3,149,405**	**(1,353,192)**	**(1,292,234)**	**39,645,065**	**-**	**3,628,371**	**50,319,486**	**237,370**	**50,556,856**
CURRENT PERIOD (01/01/2020-30/06/2020)																	
I. Balances at Beginning of Period		**4,200,000**	**11,880**	**-**	**772,554**	**1,597,962**	**(172,474)**	**217,096**	**3,210,286**	**(573,850)**	**(1,264,460)**	**39,612,929**	**6,164,914**	**-**	**53,776,837**	**273,910**	**54,050,747**
II. Correction made as per TAS 8		**-**	**-**	**-**	**-**	**-**	**-**	**1,855**	**-**	**470,282**	**(472,137)**	**-**	**-**	**-**	**-**	**-**	**-**
2.1. Effect of Corrections		-	-	-	-	-	-	1,855	-	470,282	(472,137)	-	-	-	-	-	-
2.2. Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Balances at Beginning of Period (I+II)	5.5	**4,200,000**	**11,880**	**-**	**772,554**	**1,597,962**	**(172,474)**	**218,951**	**3,210,286**	**(103,568)**	**(1,736,597)**	**39,612,929**	**6,164,914**	**-**	**53,776,837**	**273,910**	**54,050,747**
IV. Total Comprehensive Income		**-**	**-**	**-**	**-**	**86,022**	**-**	**49,282**	**727,154**	**366,050**	**(280,774)**	**-**	**-**	**3,295,112**	**4,242,846**	**37,596**	**4,280,442**
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		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**38,053**	**-**	**-**	**38,053**	**-**	**38,053**
XI. Profit Distribution		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,437**	**(5,437)**	**-**	**-**	**-**	**-**
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3 Others		-	-	-	-	-	-	-	-	-	-	5,437	(5,437)	-	-	-	-
Balances at end of the period (III+IV…+X+XI)		**4,200,000**	**11,880**	**-**	**772,554**	**1,683,984**	**(172,474)**	**268,233**	**3,937,440**	**262,482**	**(2,017,371)**	**39,656,419**	**6,159,477**	**3,295,112**	**58,057,736**	**311,506**	**58,369,242**

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Statement of Cash Flows
At 30 June 2020

	STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL) CURRENT PERIOD 1 January 2020- 30 June 2020	PRIOR PERIOD 1 January 2019 - 30 June 2019
A.	**CASH FLOWS FROM BANKING OPERATIONS**			
1.1	**Operating profit before changes in operating assets and liabilities**	**5.6**	**11,666,795**	**8,508,088**
1.1.1	Interests received		18,289,366	19,436,161
1.1.2	Interests paid		(6,830,610)	(12,075,082)
1.1.3	Dividend received		18,661	9,022
1.1.4	Fees and commissions received		3,932,250	4,156,118
1.1.5	Other income		3,551,872	3,732,453
1.1.6	Collections from previously written-off receivables		425,981	354,309
1.1.7	Cash payments to personnel and service suppliers		(4,621,123)	(4,081,182)
1.1.8	Taxes paid		(1,529,822)	(675,568)
1.1.9	Others		(1,569,780)	(2,348,143)
1.2	**Changes in operating assets and liabilities**	**5.6**	**(19,367,144)**	**(10,292,364)**
1.2.1	Net (increase) decrease in financial assets measured at FVTPL		(2,789,912)	(174,556)
1.2.2	Net (increase) decrease in due from banks		(2,698,170)	(9,889,364)
1.2.3	Net (increase) decrease in loans		(52,847,200)	(12,291,977)
1.2.4	Net (increase) decrease in other assets		(9,418,662)	771,657
1.2.5	Net increase (decrease) in bank deposits		(419,752)	(2,655,257)
1.2.6	Net increase (decrease) in other deposits		29,914,244	17,578,140
1.2.7	Net increase (decrease) in financial liabilities measured at FVTPL		-	-
1.2.8	Net increase (decrease) in funds borrowed		17,438,111	(2,462,438)
1.2.9	Net increase (decrease) in matured payables		-	-
1.2.10	Net increase (decrease) in other liabilities		1,454,197	(1,168,569)
I.	**Net cash flow from banking operations**	**5.6**	**(7,700,349)**	**(1,784,276)**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
II.	**Net cash flow from investing activities**	**5.6**	**(8,829,742)**	**(1,895,930)**
2.1	Cash paid for purchase of associates, subsidiaries and joint-ventures		(3,588)	-
2.2	Cash obtained from sale of associates, subsidiaries and joint-ventures		-	-
2.3	Purchases of tangible assets		(200,345)	(255,037)
2.4	Sales of tangible assets		184,282	164,689
2.5	Cash paid for purchase of financial assets measured at FVOCI		(14,948,753)	(5,130,615)
2.6	Cash obtained from sale of financial assets measured at FVOCI		9,990,416	4,173,069
2.7	Cash paid for purchase of financial assets measured at amortised cost		(6,469,522)	(932,340)
2.8	Cash obtained from sale of financial assets measured at amortised cost		2,617,768	84,304
2.9	Others		-	-
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
III.	**Net cash flow from financing activities**		**2,087,967**	**4,916,987**
3.1	Cash obtained from funds borrowed and securities issued		13,811,784	12,633,796
3.2	Cash used for repayment of funds borrowed and securities issued		(11,513,092)	(7,560,300)
3.3	Equity instruments issued		-	-
3.4	Dividends paid		-	(680)
3.5	Payments for leases		(210,725)	(155,829)
3.6	Others		-	-
IV.	**Effect of translation differences on cash and cash equivalents**		**1,611,240**	**1,115,018**
V.	**Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)**	**5.6**	**(12,830,884)**	**2,351,799**
VI.	**Cash and cash equivalents at beginning of period**	**5.6**	**48,006,493**	**37,697,604**
VII.	**Cash and cash equivalents at end of period (V+VI)**	**5.6**	**35,175,609**	**40,049,403**

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 assets and liabilities 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.

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

3.1.1 Changes in Accounting policies and disclosures

New and revised Turkish Accounting Standards effective for annual periods beginning on or after 1 January 2020 have no material effect on the consolidated financial statements, consolidated financial performance and on the Bank's accounting policies. New and revised Turkish Accounting Standards issued but not yet effective as of the finalization date of the consolidated financial statements have no material effect on the consolidated financial statements, consolidated financial performance and on the Bank's accounting policies.

3.1.2 Other

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

While preparing the interim financial statements dated 30 June 2020, the Bank reflected the possible effects of the COVID-19 outbreak on the estimates and judgments used in the preparation of the financial statements.

The Bank has reviewed the expected credit losses including the estimations and judgements used in the calculations together with the fair value measurements within the scope of TFRS 13 Fair Value Measurement standard. The estimates and judgements used in the calculating expected credit losses explained in footnote 3.8.

As of 30 June 2020, the Bank has no assets or liabilities that would require any adjustment in the fair value hierarchy.

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 400,672,672 (31 December 2019: EUR 401,703,512) is applied in total among investments in Garanti Bank International NV and Garanti Holding BV having capitals denominated in foreign currencies and long term foreign currency borrowings. Foreign exchange losses in the amount of TL 1,984,885 (31 December 2019: TL 1,580,575), 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 June 2020. There is no ineffective portion arising from net investment hedge accounting.

3.3 Information on consolidated subsidiaries

As of 30 June 2020, Türkiye Garanti Bankası Anonim Şirketi and the following financial subsidiaries are consolidated in the accompanying consolidated financial statements; Garanti Bank International (GBI), Garanti Finansal Kiralama AŞ (Garanti Finansal Kiralama), Garanti Yatırım Menkul Kıymetler AŞ (Garanti Yatırım), Garanti Portföy Yönetimi AŞ (Garanti Portföy), Garanti Emeklilik ve Hayat AŞ (Garanti Emeklilik), Garanti Faktoring AŞ (Garanti Faktoring) and Garanti Holding BV (Garanti Holding).

Garanti Finansal Kiralama was established in 1990 to perform financial lease activities and all related transactions and contracts. The company's head office is in Istanbul. The Bank increased its shareholding to 100% through a further acquisition of 0.04% of the company's shares on 21 October 2014.

Garanti Faktoring was established in 1990 to perform import, export and domestic factoring activities. The company's head office is in Istanbul. The Bank owns 81.84% of Garanti Faktoring shares including the shares acquired in the market, T. İhracat Kredi Bankası AŞ owns 9.78% of the company's shares and the remaining 8.38% shares are held by public.

GBI was established in October 1990 to perform banking activities abroad. The head office of this bank is in Amsterdam. It is wholly owned by the Bank.

Garanti Yatırım was established in 1991 to perform brokerage activities for marketable securities, valuable papers and documents representing financial values or financial commitments of issuing parties other than securities. The company's head office is in Istanbul. It is wholly owned by the Bank. Garanti Yatırım Ortaklığı AŞ that Garanti Yatırım participated by 3.61%, has been consolidated in the accompanying consolidated financial statements due to the company's right to elect all the members of the board of directors as resulted from its privilege in election of board members.

In 1992, it was decided to operate life and health branches under a different company and accordingly Garanti Hayat Sigorta AŞ was established. Garanti Hayat Sigorta AŞ was converted into a private pension company in compliance with the legislation early in 2003 and its name was changed as Garanti Emeklilik ve Hayat AŞ. Following the sale transactions that took place on 21 June 2007, the Bank's ownership in Garanti Emeklilik decreased to 84.91%. The head office of this company is in Istanbul.

Garanti Portföy was established in June 1997 to manage the customer portfolios by using the capital market products in compliance with the principles and rules of the regulations regarding the company's purpose of establishment and the portfolio management agreements signed with the customers. The company's head office is in Istanbul. It is wholly owned by the Bank.

Garanti Holding was established in December 2007 in Amsterdam and all its shares was purchased by the Bank from Doğuş Holding AŞ in May 2010. On 27 January 2011 the consolidated subsidiary's legal named changed to Garanti Holding BV from D Netherlands BV.

Garanti Diversified Payment Rights Finance Company and RPV Company are structured entities established for the parent Bank's securitization transactions, and consolidated in the accompanying consolidated financial statements. The Bank or any of its subsidiaries does not have any shareholding interests in these companies.

3.4 Forwards, options and other derivative transactions

3.4.1 Derivative financial assets

Derivative financial assets measured at fair value through profit or loss

The derivative transactions mainly consist of foreign currency and interest rate swaps, foreign currency options and forward foreign currency purchase/sale contacts.

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

Within the scope of TFRS 13 Fair Value Measurement standard; (i) if there is a significant decrease in the volume or level of activity for that asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities); (ii) when the transaction or quoted price does not represent fair value; and / or (iii) when a price for a similar asset requires significant adjustment to make it comparable to the asset being measured, or (iv) when the price is stale, 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. As of 30 June 2020, the Bank started to use TLREF OIS ("Overnight Indexed Swap") curves to reflect its fair valuation more accurately for the CBRT swap transactions and made the necessary fair value measurement adjustments.

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 statement of profit or loss.

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 statement of profit or loss 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 statement of profit or loss under trading account income/loss caption over the maturity of the hedged item from that date of the hedge accounting is discontinued.

While expiring, sale, discontinuing cash flow hedge accounting or when no longer effective the cumulative gains/losses recognised in shareholders' equity and presented under "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 statement of profit or loss 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

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

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.

As of 30 June 2020, due to adverse effects of the COVID-19 outbreak, the Bank has reviewed the valuation of its financial assets whose fair value difference is reflected in other comprehensive income, and deemed that no change is required in the fair valuation measurement as of the reporting date.

Equity instruments measured at 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.

As of 30 June 2020, due to the adverse effects of the COVID-19 outbreak, the Bank has reviewed the valuation of its equity instruments whose fair value difference is recognized in other comprehensive income, and no change is required in the fair valuation measurement as of the reporting date.

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.

As of 30 June 2020, due to the adverse effects of the COVID-19 outbreak, the Bank has reviewed the valuation of its financial assets and liabilities which are measured at fair value through profit or loss, and deemed that no change is required in the fair valuation measurement as of the reporting date.

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

3.8 Disclosures on impairment of financial instruments

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

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

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

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

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

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

3.8.1 Calculation of expected credit losses

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

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

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

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

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

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

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

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

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

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

In accordance with the BRSA Decision numbered 8970 dated 27 March 2020, the Bank records a loss allowance for loans which have days past due between 30 to 90 days and classified under Stage 1 at an amount equal to 12-month expected credit losses until 31 December 2020. However, according to the Bank's risk models, since the number of days past due in such loans exceed 30 days, higher probability of default and loss given default parameters are taken into consideration compared to other loans in Stage 1.

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.

In accordance with the BRSA Decision numbered 8948 dated 17 March 2020, starting from 17 March 2020, the Bank records a loss allowance for loans which have days past due between 90-180 days and classified under Stage 2 at an amount equal to their lifetime expected credit losses where the probability of default is taken into account as 100% until 31 December 2020. According to Bank’s risk models, as loss given default is an increasing parameter with aging for Stage 3 loans is considered the same as other loans in Stage 2.

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 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. Moreover, in accordance with the BRSA Decision numbered 8948 dated 17 March 2020, starting from 17 March 2020, current definition of default in the Bank is based on a more than 180 days past due instead of a 90 days past due until 31 December 2020.
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 deficits from the individual financial instrument to its present value using the effective interest rate.

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

As of 30 June 2020, the Bank has revised the cash flow expectations and scenario weights for its commercial and corporate loans, due to the negative effects of the COVID-19 outbreak, and reflected the related effects in its expected credit losses with the best estimation approach.

In accordance with the Bank’s internal policies, TFRS 9 models are updated once a year. The related model update was made in the 4th quarter of 2019 and the Bank continues to calculate expected credit losses provision based on the mentioned updated model during 2020.

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

In accordance with TFRS 9 ,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 shall be applied. 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.

The Bank updates its macroeconomic parameters incorporated into significant increase in credit risk and expected credit loss assessments in every three months, in February, May, August and November. The Bank has assessed the adverse impacts of the COVID-19 outbreak in its models by updating the macroeconomic parameters as of 31 March 2020 in addition to the February period.

After March, the Bank is carried out its quarterly routine procedure and the Bank has assessed the adverse impacts of the COVID-19 outbreak in its models by updating the macroeconomic parameters for the second quarter. The macroeconomic deterioration expectations are incorporated in the significant increase in credit risk assessments and expected credit loss calculations as of 30 June 2020.

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 (In accordance with the BRSA Decision numbered 8970 dated 27 March 2020, as of the reporting date loans with an overdue more than 90 days instead of 30 days are taken into consideration until 31 December 2020.)
- 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.

3.8.5 Write-off policy

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

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

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

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

Write-off is an accounting policy for a loan which is not expected to be recovered, this does not result in the waiver of the right to receivable.

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—i.e. when the obligation specified in the contract is discharged or cancelled or expires.

3.9.3 Reclassification of financial instruments

Based on TFRS 9, 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.
In accordance with the BRSA Decision numbered 8970 dated 27 March 2020, The Bank will not apply the above-mentioned 30 days past due rule until 31 December 2020.

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

3.10 Repurchase and resale agreements and securities lending

Securities sold under repurchase agreements are recorded on the balance sheet in compliance with the Uniform Chart of Accounts. Accordingly, government bonds and treasury bills sold to customers under repurchase agreements are classified as "Investments Subject to Repurchase Agreements" and valued based on the management's future intentions, either at market prices or using discounting method with internal rate of return. Funds received through repurchase agreements are classified separately under liability accounts and the related interest expenses are accounted for on an accrual basis.

Securities purchased under resale agreements are classified under "Money Markets Placements" separately. An income accrual is accounted for the positive difference between the purchase and resale prices earned during the period on such securities.

Securities lending transactions are classified under "Money Markets" and the related expense accruals are accounted.

3.11 Assets held for sale, assets of discontinued operations and related liabilities

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

A discontinued operation is a part of the business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in income statement. The Bank or its financial subsidiaries have no discontinued operations.

3.12 Goodwill and other intangible assets

The intangible assets consist of goodwill, softwares, intangible rights and other intangible assets.

Goodwill and other intangible assets are recorded at cost in accordance with the Turkish Accounting Standard 38 (TAS 38) "Intangible Assets".

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

As per TAS 38, internally-generated software should be recognised as intangible assets if they meet the below listed criteria:

- The technical feasibility of completing the intangible asset so that it will be available for use,

- Availability of the Bank and its financial subsidiaries' intention to complete and use the intangible asset,

- The ability to use the intangible asset,

- Clarity in probable future economic benefits to be generated from the intangible asset,

- The availability of adequate technical, financial and other resources to complete the development phase and to start using the intangible asset,

- The availability to measure reliably the expenditure attributable to the intangible asset during the development phase.

The directly attributable development costs of intangible asset are included in the cost of such assets, however the research costs are recognised as expense as incurred.

The intangible assets are amortised over their estimated useful lives based on their inflation adjusted costs on a straight-line basis.

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%.

(Thousands of Turkish Lira (TL))

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

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". Within this framework, the revaluation difference arising from the valuations performed by independent expertise firms for all real estates registered in the ledger is accounted under revaluation surplus on tangible and intangible assets under equity. The Bank has reviewed the valuation of its real estate properties, which have significant changes in their fair value, considering the current market conditions and the changes are recognized in financial statements.

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. As of the reporting period, the Bank has reviewed the valuation of its investment properties which have significant changes in their fair value, considering the current market conditions and the changes are recognized in financial statements.

Investment properties accounted at fair value are not depreciated.

Right-of-use assets

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

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

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

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

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

3.14 Leasing activities

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

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

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

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.

(Thousands of Turkish Lira (TL))

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 June 2020	31 December 2019
Net Effective Discount Rate	3.97%	3.97%
Discount Rate	12.50%	12.50%
Expected Rate of Salary Increase	9.70%	9.70%
Inflation Rate	8.20%	8.20%

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.

(Thousands of Turkish Lira (TL))

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 June 2020		31 December 2019	
	Employer	Employee	Employer	Employee
Pension contributions	15.5%	10.0%	15.5%	10.0%
Medical benefit contributions	6.0%	5.0%	6.0%	5.0%

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

a) Benefits transferable to SSF

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

As per the Law, the present value of post-employment benefits as at the transfer date for the fund members to be transferred, are to be calculated by a commission composing from the representatives of the SSF, the Ministry of Finance, the Undersecretariat of Treasury, the Undersecretariat of State Planning Organisation, the BRSA, the Savings Deposit Insurance Fund ("SDIF"), the banks and the funds, by using a technical discount rate of 9.80% taking into account the funds' income and expenses as per insurance classes and the transferable contributions and payments of the funds including any salary and income differences paid by the funds above the limits of SSF for such payments. The transfers are to take place within the three-year period starting from 1 January 2008.

Subsequently, the transfer of the contributors and the persons receiving monthly or regular income and their right-holders from such funds established for employees of the banks, insurance and reinsurance companies, trade chambers, stock markets and unions that are part of these organizations subject to the provisional article 20 of the Social Security Law no.506 to the SSF, has been postponed for two years. The decision was made by the Council of Ministers on 14 March 2011 and published in the Official Gazette no. 27900 dated 9 April 2011 as per the decision of the Council of Ministers no. 2011/1559, and as per the letter no. 150 of the Ministry of Labor and Social Security dated 24 February 2011 and according to the provisional article 20 of the Social Security and Public Health Insurance Law no.5510.

On 19 June 2008, Cumhuriyet Halk Partisi ("CHP") applied to the Constitutional Court for the cancellation of various articles of the Law including the first paragraph of the provisional Article 20. At the meeting of the Constitutional Court on 30 March 2011, it was decided that the article 73 and the first paragraph of the provisional Article 20 added to the law no. 5510 are not contradictory to the Constitutional Law, and accordingly the dismissal of the cancellation request has been denied with the majority of votes.

Before the completion of two-years period set by the Council of Ministers on 14 March 2011 as explained above, as per the Article no. 51 of the law no. 6645, published in the Official Gazette no. 29335 dated 23 April 2015, the Article no. 20 of the law no. 5510 was amended giving the Council of Ministers the authority to determine the date of transfer without defining any timeline.

b) Other benefits not transferable to SSF

Other social rights and payments provided in the existing trust indenture but not covered through the transfer of the funds' members and their right-holders to the SSF, are to be covered by the funds and the institutions that employ the funds' members.

The actuarial gains/losses are recognised under shareholders' equity as per the revised TAS19.

The consolidated subsidiaries do not have retirement benefit plans for their employees. The retirement related benefits of the employees of the consolidated subsidiaries are subject to the Social Security Institution in case of domestic investees and to the legislations of the related countries in case of foreign investee companies. There are no obligations not reflected in the accompanying consolidated financial statements.

3.18 Insurance technical reserves and technical income and expense

3.18.1 Insurance technical reserves

The Group's insurance subsidiaries adopted TFRS 4, Insurance Contracts ("TFRS 4"). TFRS 4 requires that all contracts issued by insurance companies be classified as either insurance contracts or investment contracts. Contracts with significant insurance risk are considered insurance contracts. Insurance risk is defined as risk, other than financial risk, transferred from the holder of a contract to the issuer. TFRS 4 permits a company to continue with its previously adopted accounting policies with regard to recognition and measurement of insurance contracts. Only in case of presentation of more reliable figures a change in accounting policy shall be carried out. Contracts issued by insurance companies without significant insurance risk are considered investment contracts. Investment contracts are accounted for in accordance with TFRS 9 Financial Instruments standard.

Insurance technical provisions on the consolidated financial statements consist of, reserve for unearned premiums, reserve for unexpired risk, and provision for outstanding claims and mathematical provisions.

3.18.2 Insurance technical income and expense

In insurance companies, premium income is obtained subsequent to the share of reinsurers in policy income is diminished.

Claims are recorded in expense on accrual basis. Outstanding loss provisions are recognized for the claims reported but not paid yet and for the claims that incurred but not reported. Reinsurers' share of claims paid and outstanding loss are offset in these provisions.

3.19 Taxation

3.19.1 Corporate tax

While the corporate tax rate was at the rate of 20% since 1 January 2006, for all companies, such rate has been set as 22% for the tax bases of the years 2018, 2019, and 2020 based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down to 20%. This rate is applied to tax base which is calculated by adding certain non-deductible expenses for tax purposes and deducting certain exemptions (like dividend income) and other deductions on accounting income. If there is no dividend distribution, no further tax charges are made.

Dividends paid to the resident institutions and the institutions working through local offices or representatives in Turkey are not subject to withholding tax. As per the decisions no. 2009/14593 and 2009/14594 of the Council of Ministers published in the Official Gazette no. 27130 dated 3 February 2009, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no.5520 are revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the nonresident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%. In applying the withholding tax rates on dividend payments to the nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The prepayments can be deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with the Turkish tax legislation, the tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

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

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

Tax applications for foreign branches

NORTHERN CYPRUS

According to the Corporate Tax Law of the Turkish Republic of Northern Cyprus no.41/1976 as amended, the corporate earnings (including foreign corporations) are subject to a 10% corporate tax and 15% income tax. This tax is calculated based on the income that the taxpayers earn in an accounting period. Tax base is determined by modifying accounting income for certain exclusions and allowances for tax purposes. The corporations cannot benefit from the rights of offsetting losses, investment incentives and amortisation unless they prepare and have certified their balance sheets, income statements and accounting records used for tax calculations by an auditor authorized by the Ministry of Finance. In cases where it is revealed that the earnings of a corporation were not subject to taxation in prior years or the tax paid on such earnings are understated, additional taxes can be charged in the next seven 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. According to the Decision of the TRNC Council of Ministers dated 25 March 2020, the prepaid taxes are calculated and paid at the rate of 15% tax on their commercial earnings of the related year. The prepayments can be deducted from the annual corporate tax calculated for the whole year earnings.

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 16.5% 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 16.5% and 25% in 2020, as 15% and 21.7% 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 certain conditions. Under the Dutch taxation system, tax losses can be carried forward to offset against future taxable income for six years. Tax losses can be carried back to the prior year. Companies must file their tax returns within five months following the end of the tax year to which they relate, unless the company applies for an extension (normally an additional eleven 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.

Starting form 1 January 2019, based on the Government Emergency Ordinance no. 114/2018 (“GEO”), as modified by the GEO 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. The tax on financial assets is computed by applying a tax rate on the total value of the taxpayer’s certain financial asset groups, existing at the end of the computation semester, recorded as per the applicable accounting regulations. The tax rate applied shall be 0.4% or 0.2% per annum, depending on the bank's market share greater than or equal, or lower than 1%, respectively. At the same time, the value of the tax may not exceed the accounting profit realized by the bank before calculating the tax on assets. In addition, no tax shall be due by the bank incurring accounting loss before calculating the tax on assets. The first computation and payment of the tax was realised on 25 August 2019. The Ordinance provides the possibility of reducing the tax due by up to 100%, depending on certain indicators aimed at increasing financial intermediation and /or diminishing the net interest margin for RON denominated loans and deposits.

Starting from 1 January 2020, based on the GEO no. 1/2020, the tax on financial assets ceased to be effective. According to Romanian legislation, a GEO should be approved by the Parliament through a Law within 2 years since the GEO issuing.

3.19.2 Deferred taxes

According to the Turkish Accounting Standard 12 (TAS 12) “Income Taxes”; deferred tax assets and liabilities are recognized, using the balance sheet method, on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

As explained in note 3.19.1, this rate is determined as 22% to be applied to corporate earnings for the taxation periods of 2018, 2019 and 2020. In addition, the Council of Ministers is authorized to reduce the corresponding rate 22% to 20%. As deferred tax assets or liabilities within the scope of TAS 12, are calculated by using the tax rates based on the effective tax rates or tax rates (and tax laws) expected to enter into force as of the reporting period (balance sheet date), to be applied in the periods when the assets turn into income or the debts are paid, the Bank made deferred tax calculation according to the rates of 22% or 20% corresponding to the maturity of the assets and liabilities as of 30 June 2020.

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 statement of profit or loss and the difference between the fair values and the amortized costs of the financial liabilities are recorded under trading account income/losses.

3.21 Share and share issuances

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

3.22 Confirmed bills of exchange and acceptances

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

3.23 Government incentives

As of 30 June 2020, the Bank or its financial subsidiaries do not have any government incentives or grants (2019: 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.

(Thousands of Turkish Lira (TL))

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:

Current Period	**Retail Banking**	**Corporate / Commercial Banking**	**Investment Banking**	**Other**	**Total Operations**
Total Operating Profit	5,645,543	5,272,866	3,267,385	5,309,839	19,495,633
Other	-	-	-	-	-
Total Operating Profit	**5,645,543**	**5,272,866**	**3,267,385**	**5,309,839**	**19,495,633**
Net Operating Profit	1,966,436	171,197	2,768,633	(327,230)	4,579,036
Dividend Income	-	-	-	18,661	18,661
Net Operating Profit	**1,966,436**	**171,197**	**2,768,633**	**(308,569)**	**4,597,697**
Provision for Taxes	-	-	-	1,266,818	1,266,818
Net Profit	**1,966,436**	**171,197**	**2,768,633**	**(1,575,387)**	**3,330,879**
Segment Assets	82,217,921	225,105,820	121,280,404	57,898,240	486,502,385
Investments in Associates and Subsidiaries	-	-	-	163,956	163,956
Total Assets	**82,217,921**	**225,105,820**	**121,280,404**	**58,062,196**	**486,666,341**
Segment Liabilities	209,265,946	100,848,612	88,354,608	29,827,933	428,297,099
Shareholders' Equity	-	-	-	58,369,242	58,369,242
Total Liabilities and Shareholders' Equity	**209,265,946**	**100,848,612**	**88,354,608**	**88,197,175**	**486,666,341**

(Thousands of Turkish Lira (TL))

Prior Period	**Retail Banking**	**Corporate / Commercial Banking**	**Investment Banking**	**Other**	**Total Operations**
Total Operating Profit	6,554,519	5,913,397	(3,513,428)	6,315,604	15,270,092
Other	-	-	-	-	-
Total Operating Profit	**6,554,519**	**5,913,397**	**(3,513,428)**	**6,315,604**	**15,270,092**
Net Operating Profit	3,273,674	2,661,925	(3,685,756)	2,405,561	4,655,404
Dividend Income	-	-	-	9,022	9,022
Net Operating Profit	**3,273,674**	**2,661,925**	**(3,685,756)**	**2,414,583**	**4,664,426**
Provision for Taxes	-	-	-	995,658	995,658
Net Profit	**3,273,674**	**2,661,925**	**(3,685,756)**	**1,418,925**	**3,668,768**
Segment Assets	76,596,027	184,036,880	117,882,897	49,884,490	428,400,294
Investments in Associates and Subsidiaries	-	-	-	153,854	153,854
Total Assets	**76,596,027**	**184,036,880**	**117,882,897**	**50,038,344**	**428,554,148**
Segment Liabilities	187,757,054	94,836,117	67,163,417	24,746,813	374,503,401
Shareholders' Equity	-	-	-	54,050,747	54,050,747
Total Liabilities and Shareholders' Equity	**187,757,054**	**94,836,117**	**67,163,417**	**78,797,560**	**428,554,148**

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 17 July 2020, a decision is made regarding distribution of the unconsolidated net profit of the Bank amounting to TL 6,158,841 thousands, and the table considering the distribution made based on the decision is presented in note 5.9.

3.26 Earnings per share

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

	Current Period	*Prior Period*
Distributable net profit/loss	3,295,112	3,628,371
Average number of issued common shares (thousand)	420,000,000	420,000,000
Earnings per share (amounts presented full TL)	0.00785	0.00864

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 2020 (2019: 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 Other disclosures

The Bank classified the amounts related to gains / losses on cash flow hedges and also the shares of investments valued by equity method recognized in other comprehensive income in the previous period financial statements, in accordance with Accounting Policies, Turkish Accounting Standards (“TAS 8”) Regarding Changes and Errors in Accounting Estimates. The effect of the related adjustments is presented in the second section, Equity Change Table for the dates of 31 December 2019, 31 December 2018 and 30 June 2019.

The related classification has no effect on the consolidated statement of profit or loss and consolidated statement of other comprehensive income in current and previous periods.

(Thousands of Turkish Lira (TL))

4 Consolidated Financial Position and Results of Operations and Risk Management

4.1 Consolidated total capital

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

4.1.1 Components of consolidated total capital (*)

	Current Period	*Prior Period*
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	4,972,554
Share Premium	11,880	11,880
Reserves	39,656,419	39,612,929
Other Comprehensive Income according to TAS	7,462,305	5,868,434
Profit	9,454,589	6,164,914
Current Period Profit	3,295,112	6,164,914
Prior Period Profit	6,159,477	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	6,694	913
Minority Interest	88,186	78,543
Common Equity Tier I Capital Before Deductions	**61,652,627**	**56,710,167**
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	3,077,239	2,382,649
Leasehold Improvements on Operational Leases (-)	138,613	169,881
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	538,828	449,529
Net Deferred Tax Asset/Liability (-)	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-

(Thousands of Turkish Lira (TL))

	Current Period	*Prior Period*
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	**3,754,680**	**3,002,059**
Total Common Equity Tier I Capital	**57,897,947**	**53,708,108**
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)	**57,897,947**	**53,708,108**
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	6,123,730	4,693,480
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	4,163,553	3,756,696
Total Deductions from Tier II Capital	**10,287,283**	**8,450,176**
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-	-

(Thousands of Turkish Lira (TL))

	Current Period	*Prior Period*
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	**10,287,283**	**8,450,176**
Total Equity (Total Tier I and Tier II Capital)	**68,185,230**	**62,158,284**
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	60	109
Other items to be Defined by the BRSA (-)	2,635	7,821
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) during the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	**68,182,535**	**62,150,354**
Total Risk Weighted Assets	**391,482,683**	**349,007,519**
CAPITAL ADEQUACY RATIOS		
Consolidated CET1 Capital Ratio (%)	**14.79**	**15.39**
Consolidated Tier I Capital Ratio (%)	**14.79**	**15.39**
Consolidated Capital Adequacy Ratio (%)	**17.42**	**17.81**
BUFFERS		
Total Additional CET1 Capital Requirement Ratio (a+b+c)	4.159	4.635
a) Capital Conservation Buffer Ratio (%)	2.500	2.500
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.159	0.135
c) Systemically Important Banks Buffer Ratio (%)	1.500	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 (%)	8.789	9.808
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	2,855,932	1,903,531

(Thousands of Turkish Lira (TL))

	Current Period	*Prior Period*
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)	9,507,508	6,235,618
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	4,163,553	3,756,696
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

(*) 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.

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

The Bank does not take into consideration the related measures in regulatory capital adequacy ratio calculation as of 30 June 2020. In case of applying the measures, consolidated capital adequacy ratio rises to 18.39% as of 30 June 2020.

The Bank plans its Common Equity Tier 1 (CET1) Capital by considering 10% as the minimum target while considering its additional CET 1 requirements during the phase-in period due to aforementioned regulations.

(Thousands of Turkish Lira (TL))

4.1.2 Items included in capital calculation

Current Period	***Information about instruments included in total capital calculation***		
Issuer	T. Garanti Bankası A.Ş.	T. Garanti Bankası A.Ş.	T. Garanti Bankası A.Ş.
Identifier (CUSIP, ISIN vb.)	Reg S: ISIN: XS1617531063 Common Code: 161753106 144A: CUSIP: 900148 AE7 ISIN: US900148AE73 Common Code: 161752479	ISIN: TRSGRANE2915	ISIN: TRSGRAN23013
Governing law (s) of the instrument	Subject to English Law and in terms of certain articles to Turkish Regulations. It is issued within the scope of the Communiqué VII-128.8 on Debt Instruments of the Capital Markets Board and the Regulation on Bank Capital of the BRSA.	It is subject to English Law and in terms of certain articles to Turkish Regulations. It is also issued within the scope of the "Regulation on Equities of Banks" and "the Communique Regarding the Capital Instruments that will be included in own funds of banks" within the legislation of Capital Markets Board of Turkey.	It is subject to English Law and in terms of certain articles to Turkish Regulations. It is also issued within the scope of the "Regulation on Equities of Banks" and "the Communique Regarding the Capital Instruments that will be included in own funds of banks" within the legislation of Capital Markets Board of Turkey.
Regulatory treatment			
Subject to 10% deduction as of 1/1/2015	No	No	No
Eligible on unconsolidated and /or consolidated basis	Eligible on unconsolidated and consolidated	Eligible on unconsolidated and consolidated	Eligible on unconsolidated and consolidated
Instrument type	Subordinated debt instruments (Notes)	Subordinated debt instruments (Notes)	Subordinated debt instruments (Notes)
Amount recognized in regulatory capital (Currency in TL million, as of most recent reporting date)	5,121 (31 December 2019: 4,441)	253 (31 December 2019: 253)	750
Nominal value of instrument (TL million)	5,121 (31 December 2019: 4,441)	253 (31 December 2019: 253)	750
Accounting classification of the instrument	34701 – Secondary Subordinated Loans	34601– Secondary Subordinated Loans	34601– Secondary Subordinated Loans
Issuance date of instrument	23.05.2017	09.10.2019	14.02.2020
Maturity structure of the instrument (demand/time)	Time	Time	Time
Original maturity of the instrument	24.05.2027	07.10.2029	14.02.2030
Issuer call subject to prior supervisory (BRSA) approval	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	24.05.2022 – USD 750,000,000	07.10.2024 – TL 252,880,000	14.02.2025 – TL 750,000,000
Subsequent call dates, if applicable	-	-	-
Interest/dividend payment			
Fixed or floating coupon/dividend payments	Fixed	Floating	Floating
Coupon rate and any related index	6.1250%	TLREF + 130 bps	TLREF + 250 bps
Existence of any dividend payment restriction	None	None	None
Fully discretionary, partially discretionary or mandatory	-	-	-

Existence of step up or other incentive to redeem	None	None	None
Noncumulative or cumulative	None	None	None
Convertible into equity shares	None	None	None
If convertible, conversion trigger (s)	-	-	-
If convertible, fully or partially	-	-	-
If convertible, conversion rate	-	-	-
If convertible, mandatory or optional conversion	-	-	-
If convertible, type of instrument convertible into	-	-	-
If convertible, issuer of instrument to be converted into	-	-	-
Write-down feature	Yes	Yes	Yes
If bonds can be written-down, write-down trigger(s)	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked and the Bank is liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable), or (iii) it is probable that the Issuer will become non-viable; then the bonds can be written-down.	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked or(ii) to be determined the probability of transfer to the SDIF Turkey, the bonds can be written off.	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked or(ii) to be determined the probability of transfer to the SDIF Turkey, the bonds can be written off.
If bond can be written-down, full or partial	Partially or fully	Partially or fully	Partially or fully
If bond can be written-down, permanent or temporary	Continuously	Continuously	Continuously
If temporary write-down, description of write-up mechanism	There are no any temporary write-up mechanisms.	There are no any temporary write-up mechanisms.	There are no any temporary write-up mechanisms.
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	In priority of receivables, it comes after the senior obligations of the Issuer.	In priority of receivables, it comes after the senior obligations of the Issuer.	In priority of receivables, it comes after the senior obligations of the Issuer.
In compliance with article number 7 and 8 of Regulation on Bank Capital	Instrument is in compliant with Article 8 of the Regulation on Bank Capital.	Instrument is in compliant with Article 8 of the Regulation on Bank Capital.	Instrument is in compliant with Article 8 of the Regulation on Bank Capital.
Details of incompliances with article number 7 and 8 of Regulation on Bank Capital	Instrument is not in compliant with Article 7 of the Regulation on Bank Capital.	Instrument is not in compliant with Article 7 of the Regulation on Bank Capital.	Instrument is not in compliant with Article 7 of the Regulation on Bank Capital.

(Thousands of Turkish Lira (TL))

4.1.3 Reconciliation of capital items to balance sheet

Current Period	*Carrying value*	*Amount of correction*	*Value at capital report*	*Explanation of differences*
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	784,434	(772,554)	11,880	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Other Capital Reserves	*772,554*	*(772,554)*	-	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	-	-	-	
Share Premium	*11,880*	-	*11,880*	
Other Comprehensive Income/Expenses in Shareholders' Equity as per TMS	3,962,294	429,466	4,391,760	Items not included in the calculation as per Regulation's Article 9-1-f and Gain on sale of associate/subsidiaries' shares and real estate classified as different in the value of the capital report
Other Comprehensive Income/Expense Items not to be Recycled to Profit/Loss	*1,779,743*	-	*1,779,743*	
Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss	*2,182,551*	*429,466*	*2,612,017*	Items not included in the calculation as per Regulation's Article 9-1-f
Profit Reserves	39,656,419	-	39,656,419	
Profit or Loss	9,454,589	-	9,454,589	
Prior Periods' Profit/Loss	*6,159,477*	-	*6,159,477*	
Current Period Net Profit/Loss	*3,295,112*	-	*3,295,112*	
Minority Interest	311,506	(223,320)	88,186	Items are calculated as per Regulation's Article 12
Deductions from Common Equity Tier I Capital (-)	-		677,441	Deductions from Common Equity Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	**58,369,242**		**57,897,947**	
Subordinated Debts			-	
Deductions from Tier I Capital (-)			-	Deductions from Tier 1 Capital as per the Regulation
Tier I Capital			**57,897,947**	
Subordinated Debts			6,123,730	
12 Month ECL (Stage 1) and Lifetime ECL Significant Increase in Credit Risk (Stage 2)			4,163,553	Stage 1 and Stage 2 expected credit losses added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
Tier II Capital			**10,287,283**	
Deductions from Total Capital (-)			2,695	Deductions from Capital as per the Regulation
Total			**68,182,535**	

(Thousands of Turkish Lira (TL))

Prior Period	***Carrying value***	***Amount of correction***	***Value at capital report***	***Explanation of differences***
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	784,434	(772,554)	11,880	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Other Capital Reserves	*772,554*	*(772,554)*	-	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	-	-	-	
Share Premium	*11,880*	-	*11,880*	
Other Comprehensive Income/Expenses in Shareholders' Equity as per TMS	3,014,560	472,138	3,486,698	Items not included in the calculation as per Regulation's Article 9-1-f and Gain on sale of associate/subsidiaries' shares and real estate classified as different in the value of the capital report
Other Comprehensive Income/Expense Items not to be Recycled to Profit/Loss	*1,644,439*	-	*1,644,439*	
Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss	*1,370,121*	*472,138*	*1,842,259*	Items not included in the calculation as per Regulation's Article 9-1-f
Profit Reserves	39,612,929	-	39,612,929	
Profit or Loss	6,164,914	-	6,164,914	
Prior Periods' Profit/Loss	-	-	-	
Current Period Net Profit/Loss	*6,164,914*	-	*6,164,914*	
Minority Interest	273,910	(195,367)	78,543	Items are calculated as per Regulation's Article 12
Deductions from Common Equity Tier I Capital (-)	-		619,410	Deductions from Common Equity Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	**54,050,747**		**53,708,108**	
Subordinated Debts			-	
Deductions from Tier I Capital (-)			-	Deductions from Tier 1 Capital as per the Regulation
Tier I Capital			**53,708,108**	
Subordinated Debts			4,693,480	
12 Month ECL (Stage 1) and Lifetime ECL Significant Increase in Credit Risk (Stage 2)			3,756,696	Stage 1 and Stage 2 expected credit losses added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
Tier II Capital			**8,450,176**	
Deductions from Total Capital (-)			7,930	Deductions from Capital as per the Regulation
Total			**62,150,354**	

(Thousands of Turkish Lira (TL))

4.2 Consolidated credit risk

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".

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 June 2020, the Bank and its financial subsidiaries' net 'on balance sheet' foreign currency short position amounts to TL 19,388,210 (31 December 2019: TL 25,733,470), net 'off-balance sheet' foreign currency long position amounts to TL 27,768,605 (31 December 2019: TL 29,974,139), while net foreign currency close position amounts to TL 8,380,395 (31 December 2019: TL 4,240,669).

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:

	EUR	**USD**
The Bank's foreign currency purchase rate at balance sheet date	7.6689	6.8278
Foreign currency rates for the days before balance sheet date;		
Day 1	7.6793	6.8285
Day 2	7.6493	6.8283
Day 3	7.6571	6.8285
Day 4	7.6978	6.8255
Day 5	7.7323	6.8238
Last 30-days arithmetical average rate	7.6495	6.7977

(Thousands of Turkish Lira (TL))

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	14,787,469	13,946,723	8,477,497	37,211,689
Banks	9,855,115	9,875,632	1,497,290	21,228,037
Financial Assets Measured at Fair Value through Profit/Loss	199,155	5,994,102	-	6,193,257
Money Market Placements	215,054	215,693	-	430,747
Financial Assets Measured at Fair Value through Other Comprehensive Income	3,488,032	6,731,160	1,714,724	11,933,916
Loans (*)	65,979,005	58,873,748	9,325,969	134,178,722
Investments in Associates, Subsidiaries and Joint-Ventures	3,828	-	1,114	4,942
Financial Assets Measured at Amortised Cost	411,607	9,387,652	-	9,799,259
Derivative Financial Assets Held for Hedging Purpose	5,622	10,133	-	15,755
Tangible Assets	244,137	276	172,929	417,342
Intangible Assets (**)	-	-	-	-
Other Assets (***)	1,256,553	6,168,949	(92,831)	7,332,671
Total Assets	**96,445,577**	**111,204,068**	**21,096,692**	**228,746,337**
Liabilities				
Bank Deposits	1,410,783	47,118	87,997	1,545,898
Foreign Currency Deposits	60,272,982	91,056,515	12,222,276	163,551,773
Money Market Funds	996,861	93,691	301,329	1,391,881
Other Fundings	12,387,601	11,807,409	247,154	24,442,164
Securities Issued (****)	1,443,128	34,410,642	-	35,853,770
Miscellaneous Payables	493,692	363,385	149,216	1,006,293
Derivative Financial Liabilities Held for Hedging Purpose	83,871	682,769	-	766,640
Other Liabilities (*****)	1,600,089	4,772,667	13,203,372	19,576,128
Total Liabilities	**78,689,007**	**143,234,196**	**26,211,344**	**248,134,547**
Net 'On Balance Sheet' Position	**17,756,570**	**(32,030,128)**	**(5,114,652)**	**(19,388,210)**
Net 'Off-Balance Sheet' Position	**(13,935,621)**	**35,648,263**	**6,055,963**	**27,768,605**
Derivative Assets	13,506,460	62,677,592	7,605,150	83,789,202
Derivative Liabilities	27,442,081	27,029,329	1,549,187	56,020,597
Non-Cash Loans	-	-	-	-
Prior Period				
Total Assets	**87,178,444**	**91,635,420**	**22,961,655**	**201,775,519**
Total Liabilities	**74,830,485**	**134,916,665**	**17,761,839**	**227,508,989**
Net 'On Balance Sheet' Position	**12,347,959**	**(43,281,245)**	**5,199,816**	**(25,733,470)**
Net 'Off-Balance Sheet' Position	**(9,993,898)**	**43,385,166**	**(3,417,129)**	**29,974,139**
Derivative Assets	11,786,083	69,718,270	2,243,021	83,747,374
Derivative Liabilities	21,779,981	26,333,104	5,660,150	53,773,235
Non-Cash Loans	-	-	-	-

(*) The foreign currency-indexed loans amounting TL 805,536 included under TL loans in the accompanying consolidated financial statements are presented above under the related foreign currency code.

(**) As per the principles of "Regulation on the Calculation and Implementation of Foreign Currency Net General Position/Equity Standard Ratio by Banks on Consolidated and Non-Consolidated Basis", Intangible Assets have not been included in the currency risk measurement.

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

(****) Includes securities issued having qualification of subordinated loan presented under subordinated debts and financial liabilities measured at FVTPL in the balance sheet.

(*****) The gold deposits of TL 12,879,416 included under deposits in the accompanying consolidated financial statements are presented above under other liabilities.

4.4 Consolidated interest rate risk

The interest rate risk resulting from balance sheet maturity mismatch presents the possible losses that may arise due to the changes in interest rates of interest sensitive assets and liabilities in the on- and off-balance sheet. Interest sensitivity of assets, liabilities and off-balance sheet items is evaluated during the Weekly Assessment Committee and Assets-Liabilities Committee meetings taking into consideration the developments in market conditions.

The Bank's interest rate risk is measured by using, economic value, economic capital, net interest income, income at risk, market price sensitivity of marketable securities portfolio, duration-gap and sensitivity analysis.

The results are supported by the sensitivity and scenario analysis performed periodically against the possible instabilities in the markets. Furthermore, the interest rate risk is monitored according to the limits approved by the board of directors.

(Thousands of Turkish Lira (TL))

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing (*)	Total
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	16,091,433	-	-	-	-	28,575,833	44,667,266
Banks	7,032,235	146,931	61,565	-	77,875	14,938,392	22,256,998
Financial Assets Measured at Fair Value through Profit/Loss	116,299	106,107	5,804,601	622,331	113,245	777,129	7,539,712
Money Market Placements	215,054	-	215,680	-	-	13	430,747
Financial Assets Measured at Fair Value through Other Comprehensive Income	2,983,621	5,257,543	5,348,667	8,938,604	6,482,257	4,917,110	33,927,802
Loans	68,187,385	36,188,151	116,401,232	86,408,032	13,924,975	15,369,076	336,478,851
Financial Assets Measured at Amortised Cost	2,522,204	2,134,135	9,635,424	7,881,477	4,168,144	4,782,346	31,123,730
Other Assets (**)	12,617	164,211	161,031	56,598	3,600	9,843,178	10,241,235
Total Assets	**97,160,848**	**43,997,078**	**137,628,200**	**103,907,042**	**24,770,096**	**79,203,077**	**486,666,341**
Liabilities							
Bank Deposits	669,034	1,304	-	-	-	1,578,301	2,248,639
Other Deposits	131,147,403	24,276,664	15,216,607	2,227,380	163,473	131,602,945	304,634,472
Money Market Funds	13,750,366	2,798,645	52,500	82,263	-	46,515	16,730,289
Miscellaneous Payables	-	-	-	-	-	12,581,907	12,581,907
Securities Issued (***)	8,930,225	968,641	4,087,289	12,792,753	15,773,831	503,883	43,056,622
Other Fundings	3,144,290	8,261,341	11,894,508	2,517,080	381,552	-	26,198,771
Other Liabilities	26,756	60,299	166,620	581,342	207,141	80,173,483	81,215,641
Total Liabilities	**157,668,074**	**36,366,894**	**31,417,524**	**18,200,818**	**16,525,997**	**226,487,034**	**486,666,341**
On Balance Sheet Long Position	**-**	**7,630,184**	**106,210,676**	**85,706,224**	**8,244,099**	**-**	**207,791,183**
On Balance Sheet Short Position	**(60,507,226)**	**-**	**-**	**-**	**-**	**(147,283,957)**	**(207,791,183)**
Off-Balance Sheet Long Position	**26,058,784**	**21,006,281**	**28,815,961**	**7,335,470**	**14,820,954**	**-**	**98,037,450**
Off-Balance Sheet Short Position	**(7,599,219)**	**(15,114,194)**	**(28,269,043)**	**(22,573,431)**	**(21,987,121)**	**-**	**(95,543,008)**
Total Position	**(42,047,661)**	**13,522,271**	**106,757,594**	**70,468,263**	**1,077,932**	**(147,283,957)**	**2,494,442**

(*) Interest accruals are included in non-interest bearing column.
(**) Includes expected credit losses in accordance with TFRS 9.
(***) Includes securities issued having qualification of subordinated loan presented under subordinated debts and financial liabilities measured at FVTPL in the balance sheet.

(Thousands of Turkish Lira (TL))

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing (*)	Total
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	18,669,286	-	-	-	-	23,356,020	42,025,306
Banks	7,607,129	204,673	38,001	-	49,666	11,682,720	19,582,189
Financial Assets at Fair Value through Profit/Loss	162,932	2,122	4,559,767	115,734	47,443	331,302	5,219,300
Money Market Placements	10,473,078	-	183,057	-	-	3,321	10,659,456
Financial Assets Measured at Fair Value through Other Comprehensive Income	1,836,846	8,269,584	3,779,897	3,814,246	6,329,726	4,613,230	28,643,529
Loans	67,919,914	30,635,241	84,522,740	75,044,373	13,170,396	14,828,252	286,120,916
Financial Assets Measured at Amortised Cost	1,705,276	2,031,797	9,178,118	1,719,979	5,550,466	7,534,706	27,720,342
Other Assets (**)	53,957	57,055	140,555	50,327	5,246	8,275,970	8,583,110
Total Assets	**108,428,418**	**41,200,472**	**102,402,135**	**80,744,659**	**25,152,943**	**70,625,521**	**428,554,148**
Liabilities							
Bank Deposits	288,927	53,348	3,981	-	-	2,322,495	2,668,751
Other Deposits	153,121,106	22,127,458	19,178,055	3,062,930	153,616	76,965,409	274,608,574
Money Market Funds	356,594	480,547	475,017	388,149	80,041	6,513	1,786,861
Miscellaneous Payables	-	-	-	-	-	12,120,716	12,120,716
Securities Issued (***)	11,574,256	2,785,827	444,060	12,166,439	12,748,182	379,773	40,098,537
Other Fundings	2,382,353	7,074,999	12,603,169	3,162,191	399,347	-	25,622,059
Other Liabilities	21,599	51,352	154,743	569,144	223,363	70,628,449	71,648,650
Total Liabilities	**167,744,835**	**32,573,531**	**32,859,025**	**19,348,853**	**13,604,549**	**162,423,355**	**428,554,148**
On Balance Sheet Long Position	**-**	**8,626,941**	**69,543,110**	**61,395,806**	**11,548,394**	**-**	**151,114,251**
On Balance Sheet Short Position	**(59,316,417)**	**-**	**-**	**-**	**-**	**(91,797,834)**	**(151,114,251)**
Off-Balance Sheet Long Position	**18,673,764**	**27,453,300**	**7,880,591**	**6,934,931**	**11,888,589**	**-**	**72,831,175**
Off-Balance Sheet Short Position	**(2,004,557)**	**(15,559,267)**	**(9,269,957)**	**(23,424,918)**	**(20,239,414)**	**-**	**(70,498,113)**
Total Position	**(42,647,210)**	**20,520,974**	**68,153,744**	**44,905,819**	**3,197,569**	**(91,797,834)**	**2,333,062**

(*) Interest accruals are included in non-interest bearing column.
(**) Includes expected credit losses in accordance with TFRS 9.
(***) Includes subordinated securities issued and financial liabilities measured at FVTPL and presented under subordinated debts in balance sheet .

(Thousands of Turkish Lira (TL))

4.4.2 Average interest rates on monetary financial instruments (%)

Current Period	**EUR**	**USD**	**JPY**	**TL**
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	(0.13)	(1.54)	-	-
Banks	(0.46)-3.60	0.06-5.00	-	5.85-10.60
Financial Assets at Fair Value through Profit/Loss	2.22	3.30-5.51	-	3.00-13.18
Money Market Placements	-	0.08	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	0.63-4.63	3.25-11.88	-	11.59-14.90
Loans (*)	0.12-15.00	0.27-15.00	-	9.80-29.15
Financial Assets Measured at Amortised Cost	1.36	5.43	-	11.95
Liabilities				
Bank Deposits	(0.01)-0.01	-	-	6.96
Other Deposits	0.11-5.00	0.05-3.50	0.06	5.16-13.00
Money Market Fundings	(0.50)	2.62	-	4.00-11.50
Miscellaneous Payables	-	-	-	-
Securities Issued	5.27	5.77	-	9.63-10.90
Other Fundings	0.30-5.50	1.00-5.56	-	5.40-19.97

Prior Period	**EUR**	**USD**	**JPY**	**TL**
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	0.01-4.50	1.53-5.25	-	8.64-13.00
Financial Assets at Fair Value through Profit/Loss	1.74	3.30-5.50	-	3.00-20.40
Money Market Placements	-	1.62	-	8.94-11.38
Financial Assets Measured at Fair Value through Other Comprehensive Income	0.63-11.88	3.25-11.88	-	11.59-24.14
Loans	0.12-15.00	1.84-15.00	-	9.90-33.35
Financial Assets Measured at Amortised Cost	1.41	5.19	-	16.22
Liabilities				
Bank Deposits	(0.46)	1.70-1.75	-	8.68-14.50
Other Deposits	0.05-7.00	0.75-3.75	0.17	7.00-22.00
Money Market Fundings	0.06-0.18	2.62-3.68	-	6.50-22.20
Miscellaneous Payables	-	-	-	-
Securities Issued	5.27	5.83	-	12.16
Other Fundings	0.30-5.50	2.41-5.08	-	10.50-19.97

(*) Lease receivables and factoring receivables are included.

(Thousands of Turkish Lira (TL))

4.5 Consolidated position risk of equity securities

4.5.1 Equity shares in associates and subsidiaries

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

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

Current Period		Comparison		
Equity Securities (shares)		**Carrying Value**	**Fair Value**	**Market Value**
1	**Investment in Shares- Grade A**	**136,641**	**-**	**-**
	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**	**896**	**-**	**-**
	Quoted Securities	-	-	-
6	**Investment in Shares- Grade F**	**42**	**-**	**-**
	Quoted Securities	-	-	-

Prior Period		Comparison		
Equity Securities (shares)		**Carrying Value**	**Fair Value**	**Market Value**
1	**Investment in Shares- Grade A**	**126,415**	**-**	**-**
	Quoted Securities	-	-	-
2	**Investment in Shares- Grade B**	**25,555**	**-**	**-**
	Quoted Securities	-	-	-
3	**Investment in Shares- Grade C**	**822**	**-**	**-**
	Quoted Securities	-	-	-
4	**Investment in Shares- Grade D**	**-**	**-**	**-**
	Quoted Securities	-	-	-
5	**Investment in Shares- Grade E**	**1,014**	**-**	**-**
	Quoted Securities	-	-	-
6	**Investment in Shares- Grade F**	**48**	**-**	**-**
	Quoted Securities	-	-	-

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

Current Period			Revaluation Surpluses		Unrealized Gains and Losses		
Portfolio		**Gains/Losses in Current Period**	**Total**	**Amount in Tier I Capital**	**Total**	**Amount in Core Capital**	**Amount in Tier I Capital**
1	Private Equity Investments	-	-	-	-	-	-
2	Quoted Shares	-	-	-	30,263	-	30,263
3	Other Shares	-	242,456	242,456	-	-	-
	Total	**-**	**242,456**	**242,456**	**30,263**	**-**	**30,263**

(Thousands of Turkish Lira (TL))

	Prior 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	-	-	-	22,270	-	22,270
3	Other Shares	-	205,079	205,079	-	-	-
	Total	**-**	**205,079**	**205,079**	**22,270**	**-**	**22,270**

4.5.4 Capital requirement as per equity shares

	Current Period			
	Portfolio	**Carrying Value**	**RWA Total**	**Minimum Capital Requirement**
1	Private Equity Investments	-	-	-
2	Quoted Shares	-	-	-
3	Other Shares	163,956	163,956	13,116
	Total	**163,956**	**163,956**	**13,116**

	Prior Period			
	Portfolio	**Carrying Value**	**RWA Total**	**Minimum Capital Requirement**
1	Private Equity Investments	-	-	-
2	Quoted Shares	-	-	-
3	Other Shares	153,854	153,854	12,308
	Total	**153,854**	**153,854**	**12,308**

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, in order to have a healthy liquidity buffer, most of the 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 in liquidity and funding risk procedure, situations requiring the activation of contingency plan and indicating an intraday liquidity stress, and intraday liquidity metrics are monitored and intraday liquidity risk stress testing is performed.

The Bank's liabilities consist of TL and foreign currency funding, of which a large portion is USD/EUR. Deposits and capital constitute most of TL funding. For the reasons like real person customers 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 assests. Unused portion of USD and EUR foreign currency funding is turned to TL via currency swap transactions and used in TL funding. In the recent period, swap deals are made in domestic market and in order to have more healthy cash flow structure swap transactions are made in various maturity dates. On the other hand, repo lines by open market operations and Borsa Istanbul ("OMO / 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.

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

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

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 6.43% cash, 44.83% deposits in central banks and 48.74% securities considered as high quality liquid assets.

The Bank's main funding sources are deposits, funds borrowed, money market borrowings and securities issued. Consolidated funding source composition as of report date is 75.69% deposits, 10.59% funds borrowed and money market borrowings and 10.62% securities issued.

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

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

(Thousands of Turkish Lira (TL))

Current Period		**Total Unweighted Value (Average) (*)**		**Total Weighted Value (Average) (*)**	
		TL+FC	**FC**	**TL+FC**	**FC**
High-Quality Liquid Assets				99,483,852	61,669,853
1	Total high-quality liquid assets (HQLA)	99,552,997	61,669,853	99,483,852	61,669,853
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:	224,240,600	127,790,614	20,291,545	12,732,819
3	Stable deposits	42,650,297	924,851	2,132,515	46,243
4	Less stable deposits	181,590,303	126,865,763	18,159,030	12,686,576
5	Unsecured wholesale funding, of which:	81,090,448	48,296,989	42,526,251	23,132,232
6	Operational deposits	-	-	-	-
7	Non-operational deposits	63,336,553	42,134,460	28,687,963	18,242,719
8	Unsecured funding	17,753,895	6,162,529	13,838,288	4,889,513
9	Secured wholesale funding	4,076,794	75,635	401,967	-
10	Other cash outflows of which:	136,007,481	46,798,593	21,563,943	18,766,087
11	Outflows related to derivative exposures and other collateral requirements	10,487,996	14,139,087	10,487,996	14,139,087
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	125,519,485	32,659,506	11,075,947	4,627,000
14	Other revocable off-balance sheet commitments and contractual obligations	868,235	513,582	43,412	25,679
15	Other irrevocable or conditionally revocable off-balance sheet obligations	12,455,630	12,203,620	622,782	610,181
16	**Total Cash Outflows**	**458,739,188**	**235,679,033**	**85,449,900**	**55,266,998**
Cash Inflows					
17	Secured receivables	70,855	-	-	-
18	Unsecured receivables	31,346,320	16,673,936	22,199,148	12,554,433
19	Other cash inflows	620,147	19,064,668	568,024	19,041,658
20	**Total Cash Inflows**	**32,037,322**	**35,738,604**	**22,767,172**	**31,596,091**
				Upper Limit Applied Values	
21	**Total HQLA**			**99,483,852**	**61,669,853**
22	**Total Net Cash Outflows**			**62,682,727**	**23,670,908**
23	**Liquidity Coverage Ratio (%)**			**159.17%**	**276.15%**

(*) 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**
30 April 2020	168.93%	260.09%
31 May 2020	152.94%	263.43%
30 June 2020	155.64%	304.94%

(Thousands of Turkish Lira (TL))

Prior Period		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
High-Quality Liquid Assets				102,661,331	58,434,851
1	Total high-quality liquid assets (HQLA)	102,726,999	58,434,851	102,661,331	58,434,851
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:	198,936,623	112,578,951	18,090,913	11,218,920
3	Stable deposits	36,054,970	779,512	1,802,748	38,976
4	Less stable deposits	162,881,653	111,799,439	16,288,165	11,179,944
5	Unsecured wholesale funding, of which:	70,651,966	42,091,670	38,814,766	21,585,616
6	Operational deposits	-	-	-	-
7	Non-operational deposits	53,075,112	36,215,435	25,042,213	16,891,126
8	Unsecured funding	17,576,854	5,876,235	13,772,553	4,694,490
9	Secured wholesale funding	117,697	-	99,823	-
10	Other cash outflows of which:	113,273,786	35,261,409	14,940,052	10,840,072
11	Outflows related to derivative exposures and other collateral requirements	5,207,995	6,681,664	5,207,995	6,681,664
12	Outflows related to restructured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	108,065,791	28,579,745	9,732,057	4,158,408
14	Other revocable off-balance sheet commitments and contractual obligations	640,495	477,354	32,025	23,868
15	Other irrevocable or conditionally revocable off-balance sheet obligations	11,864,302	11,635,436	593,215	581,772
16	**Total Cash Outflows**	**395,484,869**	**202,044,820**	**72,570,794**	**44,250,248**
Cash Inflows					
17	Secured receivables	29,136	-	-	-
18	Unsecured receivables	32,700,272	15,165,901	22,708,645	11,362,322
19	Other cash inflows	204,131	4,450,127	178,217	4,446,090
20	**Total Cash Inflows**	**32,933,539**	**19,616,028**	**22,886,862**	**15,808,412**
				Upper Limit Applied Values	
21	**Total HQLA**			**102,661,331**	**58,434,851**
22	**Total Net Cash Outflows**			**49,683,933**	**28,441,834**
23	**Liquidity Coverage Ratio (%)**			**207.25%**	**207.18%**

(*) The average of last three months' simple averages of daily figures.

The table below presents the last three months' consolidated Liquidity Ratios of the year 2019 :

Period	**TL+FC**	**FC**
31 October 2019	206.61%	220.36%
30 November 2019	202.15%	193.72%
31 December 2019	212.98%	207.47%

(Thousands of Turkish Lira (TL))

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	21,722,205	22,945,061	-	-	-	-	-	**44,667,266**
Banks	19,704,639	2,262,444	150,212	61,824	57,062	20,817	-	**22,256,998**
Financial Assets at Fair Value through Profit/Loss	610,789	53,695	18,530	5,988,807	752,063	115,828	-	**7,539,712**
Money Market Placements	-	215,054	-	215,693	-	-	-	**430,747**
Financial Assets Measured at Fair Value through Other Comprehensive Income	452,347	126,852	468,952	3,816,980	20,756,487	8,306,184	-	**33,927,802**
Loans	891,864	36,982,029	25,847,614	106,128,016	112,473,663	29,867,445	24,288,220	**336,478,851**
Financial Assets Measured at Amortised Cost	-	76,707	-	2,948,509	19,550,384	8,548,130	-	**31,123,730**
Other Assets (*)	14,295,420	1,783,428	447,779	323,875	875,695	1,602,548	(9,087,510)	**10,241,235**
Total Assets	**57,677,264**	**64,445,270**	**26,933,087**	**119,483,704**	**154,465,354**	**48,460,952**	**15,200,710**	**486,666,341**
Liabilities								
Bank Deposits	1,578,107	669,226	1,306	-	-	-	-	**2,248,639**
Other Deposits	133,544,486	130,286,080	24,537,154	14,584,486	1,512,912	169,354	-	**304,634,472**
Other Fundings	-	4,073,543	986,472	19,615,649	533,674	989,433	-	**26,198,771**
Money Market Funds	-	13,775,239	2,808,151	53,208	93,691	-	-	**16,730,289**
Securities Issued (**)	-	3,044,346	1,271,998	3,621,351	16,159,610	18,959,317	-	**43,056,622**
Miscellaneous Payables	11,903,706	188,418	97,500	151,122	6,064	317	234,780	**12,581,907**
Other Liabilities (***)	3,892,293	1,291,032	734,771	691,325	1,674,787	4,669,902	68,261,531	**81,215,641**
Total Liabilities	**150,918,592**	**153,327,884**	**30,437,352**	**38,717,141**	**19,980,738**	**24,788,323**	**68,496,311**	**486,666,341**
Liquidity Gap	**(93,241,328)**	**(88,882,614)**	**(3,504,265)**	**80,766,563**	**134,484,616**	**23,672,629**	**(53,295,601)**	**-**
Net Off-Balance Sheet Position	**-**	**(178,199)**	**(590,354)**	**(166,145)**	**1,253,221**	**386,393**	**-**	**704,916**
Derivative Financial Assets	-	47,651,750	27,649,216	19,596,079	6,258,277	2,007,488	-	**103,162,810**
Derivative Financial Liabilities	-	47,829,949	28,239,570	19,762,224	5,005,056	1,621,095	-	**102,457,894**
Non-Cash Loans	**-**	**9,787,600**	**2,634,055**	**669,090**	**2,946,378**	**109,361**	**132,642,124**	**148,788,608**
Prior Period								
Total Assets	**47,136,807**	**84,274,331**	**26,606,890**	**82,867,835**	**126,441,307**	**44,101,992**	**17,124,986**	**428,554,148**
Total Liabilities	**103,366,813**	**150,350,913**	**28,660,549**	**38,494,851**	**25,635,961**	**19,996,329**	**62,048,732**	**428,554,148**
Liquidity Gap	**(56,230,006)**	**(66,076,582)**	**(2,053,659)**	**44,372,984**	**100,805,346**	**24,105,663**	**(44,923,746)**	**-**
Net Off-Balance Sheet Position	**-**	**287,376**	**(858,366)**	**359,378**	**1,070,563**	**207,299**	**-**	**1,066,250**
Derivative Financial Assets	-	51,261,495	28,040,734	19,898,125	8,708,458	2,186,048	-	**110,094,860**
Derivative Financial Liabilities	-	50,974,119	28,899,100	19,538,747	7,637,895	1,978,749	-	**109,028,610**
Non-Cash Loans	**-**	**16,323,278**	**1,895,379**	**2,290,557**	**2,677,487**	**78,732**	**116,504,472**	**139,769,905**

(*) Includes expected credit losses in accordance with TFRS 9.
(**) Includes subordinated securities issued and financial liabilities measured at FVTPL.
(***) Shareholders' Equity is included in "Other liabilities" line under "Undistributed" column.

(Thousands of Turkish Lira (TL))

4.6.3 Contractual maturity analysis of liabilities according to remaining maturities

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".

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 average of end of month leverage ratios for the last three-month periods, is 8.70% (31 December 2019: 9.00%). While the capital increased by 7.31% mainly as a result of increase in net profits, total risk amount increased by 11.00%. Therefore, the current period leverage ratio decreased by 30 basis points compared to prior period.

		Current Period (***)	***Prior Period*** (***)
1	Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards (*) (**)	456,830,447	429,195,982
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" (**)	(662,824)	(641,834)
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	(18,292,380)	(17,115,298)
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	15,101,071	8,459,363
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	1,953,344	1,266,554
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	653,237,248	588,511,215

(*) 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 2020 for the current period and 31 December 2019 for the prior period, are considered.

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

(Thousands of Turkish Lira (TL))

		Current Period (*)	***Prior Period*** (*)
On-balance sheet assets			
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	483,222,834	421,127,587
2	(Assets deducted in determining Tier I capital)	(676,181)	(620,064)
3	Total on-balance sheet risks (sum of lines 1 and 2)	482,546,653	420,507,523
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative financial instruments and credit derivatives	4,229,421	3,098,333
5	Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	18,422,404	17,151,727
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 and 5)	22,651,825	20,250,060
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	448,886	451,081
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 and 8)	448,886	451,081
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	149,543,228	148,569,105
11	(Adjustments for conversion to credit equivalent amounts)	(1,953,344)	(1,266,554)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	147,589,884	147,302,551
Capital and total risks			
13	Tier I capital	56,864,572	52,990,193
14	Total risks (sum of lines 3, 6, 9 and 12)	653,237,248	588,511,215
Leverage ratio			
15	Leverage ratio	8.70%	9.00%

(*) 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 communique "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.

The Bank manages all exposed crisis situations within the framework of business continuity policy and business continuity program formed by strategic goals which designate The Bank's business continuity vision and principles; takes necessary actions.

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.

The effects of developments in COVID-19 on Bank's risk profile and risk appetite framework are closely monitored within risk measurement, reporting and management processes.

(Thousands of Turkish Lira (TL))

4.10.1.2 Risk weighted amounts

		Risk Weighted Amounts		**Minimum Capital Requirements**
		Current Period	***Prior Period***	***Current Period***
1	Credit risk (excluding counterparty credit risk) (CCR) (*)	326,711,012	295,632,577	26,136,881
2	Of which standardised approach (SA)	326,711,012	295,632,577	26,136,881
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	6,344,965	4,877,729	507,597
5	Of which standardised approach for counterparty credit risk (SA-CCR)	6,344,965	4,877,729	507,597
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	28,257	25,340	2,261
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	13,401,513	10,614,225	1,072,121
17	Of which standardised approach (SA)	13,401,513	10,614,225	1,072,121
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	44,996,936	37,857,648	3,599,755
20	Of which basic indicator approach	44,996,936	37,857,648	3,599,755
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)**	**391,482,683**	**349,007,519**	**31,318,615**

(*) 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

4.10.3.1 General information on consolidated credit risk

4.10.3.1.1 General qualitative information on consolidated credit risk

The parent Bank's credit risk management policies; under the relevant legislation in line with the Bank's credit strategy approved by the board of directors are created based on the prudence, sustainability and customer credit worthiness principles. Credit risk is managed on a portfolio basis considering the risk/return balance and asset quality of the Bank in the scope of the principles specified in the credit risk policy documents.

Credit risk management is a structured process where credit risks are consistently assessed, quantified and monitored. In order to take the right decision, during the credit process which begins with the application of the customer and includes the phases of determination of the customer's credibility, collateralization, loan configuration, approval and usage, monitoring and closing the exposure, all required financial and non-financial information and documents intended to identify the customer are collected in a centralized database, with this information the customer's financial strength is analyzed, credit risk analysis is done. The customers are graded according to their segment and activity fields and the information is kept updated by inquiring the customers. Thus before a loan is granted, it is ensured that risks are well-understood, sufficient evaluation has been done and after the loan is granted the loan is monitored, controlled and reported.

Diversification to avoid concentrations are performed while determining the Bank's credit risk profile. Credit portfolios are evaluated depending upon the credit type, managed aggregately during their life cycle. Customer selection is made in accordance with the policies and strategies, affordability of the borrower to fulfil on a timely basis all financial obligations with his expected cash flows from foreseeable specific transactions or from its regular operations; without depending upon guarantors, bails or pledged assets is predicated. Necessary risk rating/scoring models are developed, reviewed and validated for the different portfolios of the Bank. These models are created by ensuring the best separation of the customers in terms of their credibility and grading them using the objective criteria. The outputs of the internal rating and scoring models that developed based on the each portfolio are an important part of the loan approval process.

Loan based assessment, allocation and monitoring are carried out within the framework of related processes by related units in the credit group. Credit proposals, on the basis of the determined amount and in the framework of levels of authority, are concluded after being evaluated by the regional offices, loans units and committees of head office, if required by the credit committee and the board of directors. The credit approval authority can be transferred starting from the board of directors by notifying in written.

Each unit operating in credit risk management is responsible for identifying risks arising from its own process, activities and systems, informing senior management and taking necessary action to reduce risk level.

The general risk policy including the risk appetite and indicators is determined by the board of directors. Risk management is handled, in order to reach the determined targets, by carrying out a continuous monitoring process with a proper classification of risks and customers in scope of the effective management mentality. The limit framework and delegation rules are specified by establishing proper decision systems in order to assess the risks correctly. Optimum limit levels are determined by taking into account the loss and returns during the limit setting process.

Organizational structure related to credit risk management and control functions is detailed below: Units within the scope of Credit Risk Management; Corporate and Specialized Loans, Commercial Loans, Corporate and Specialized Loans Restructuring, Specialized Collections, Commercial Products Collection, Bank and Country Risk, Retail and SME Loans Risk Management, Retail Loans Risk Strategies, SME Loans Risk Strategies, Retail and SME Loans Evaluation, Retail Products Collection, Risk Planning Monitoring and Reporting, Risk Analytics, Technology and Innovation, Validation, Market Risk and Credit Risk Control and Region Coordination.

(Thousands of Turkish Lira (TL))

In addition, decisions regarding the credit policy in the corporate governance framework are taken by the relevant committees. In this context, there are Wholesale Credit, Risk Committee, Retail Credit, Risk Committee, Risk Management Committee, Risk Technology and Analytics, Committee, Credit Admission Committee and Board of Risk Committee. Allocated limits and conditions that exceeding the limits with their usage, evaluations regarding major risks and non-performing loans with high risk, information regarding NPLs, the data regarding the portfolios of subsidiaries are reported to senior management on a regular basis.

The Risk Management measures, monitors and reports credit risks by using validated probability of defaults obtained from the Bank's rating models, loss that is caused by defaulted customer and credit conversion factors. The Bank's internal capital is calculated and adequacy is assessed by considering stress tests and scenario analysis. Also, by considering optimum risk return balance, expectations regarding economic outlook the limits are determined for credit portfolios. Risk based analyses are executed, credit concentrations are monitored and the results are presented to senior management.

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

4.10.3.1.2 Credit quality of consolidated assets

	Current Period	*Gross carrying value in consolidated financial statements prepared as per TAS*		*Allowances/amortisation and impairments*	*Net values*
		Defaulted	*Non-defaulted*		
1	Loans	19,904,791	379,088,736	13,253,235	385,740,292
2	Debt securities	-	65,708,264	-	65,708,264
3	Off-balance sheet exposures	1,457,452	88,992,983	693,341	89,757,094
4	**Total**	**21,362,243**	**533,789,983**	**13,946,576**	**541,205,650**

	Prior Period	*Gross carrying value in consolidated financial statements prepared as perTAS*		*Allowances/amortisation and impairments*	*Net values*
		Defaulted	*Non-defaulted*		
1	Loans	19,510,386	336,457,080	12,182,934	343,784,532
2	Debt securities	-	55,981,493	-	55,981,493
3	Off-balance sheet exposures	1,544,164	83,681,738	624,572	84,601,330
4	**Total**	**21,054,550**	**476,120,311**	**12,807,506**	**484,367,355**

(Thousands of Turkish Lira (TL))

4.10.3.1.3 Changes in stock of default loans and debt securities

		Current Period	*Prior Period*
1	**Defaulted loans and debt securities at end of the previous reporting period**	**19,510,386**	**13,753,384**
2	Loans and debt securities defaulted since the last reporting period	1,064,970	9,838,615
3	Receivables back to non-defaulted status	-	-
4	Amounts written off	(360,108)	(1,903,007)
5	Other changes	(310,457)	(2,178,606)
6	**Defaulted loans and debt securities at end of the reporting period**	**19,904,791**	**19,510,386**

4.10.3.1.4 Additional information on credit quality of consolidated assets

4.10.3.1.4.1 General qualitative information on credit quality of consolidated assets

Not prepared in compliance with the communique "Risk Management Related Disclosures to be Announced to Public by Banks".

4.10.3.2 Consolidated credit risk mitigation

4.10.3.2.1 Qualitative disclosure on consolidated credit risk mitigation techniques

Parent bank assesses the cash flow of the activity or investment subject to credit as the primary repayment source during the credit assignment process.

Calculating the value of the collateral depends on margins determined according to market and FX risks. Standard margins in use throughout the Bank are specific to type of the collateral and changes according to the currency of the collateral.

If credit assignment is conditioned to a collateral extension, the data of the collaterals must be entered to the banking information system. Operational transactions are handled by centralized Operation unit (ABACUS). During the credit utilization, compliance of all conditions between credit decision and credit utilization (such as collateral conditions) are controlled systematically.

The Bank monitors up to date value of the collaterals by type. Credit monitoring process involves the control of the balance between the value of the collateral and risk besides creditworthiness of the customer.

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

4.10.3.2.2 Consolidated credit risk mitigation techniques

	Current Period	*Exposures unsecured: carrying amount as per TAS*	*Exposures secured by collateral*	*Collateralized amount of exposures secured by collateral*	*Exposures secured by financial guarantees*	*Collateralized amount of exposures secured by financial guarantees*	*Exposures secured by credit derivatives*	*Collateralized amount of exposures secured by credit derivatives*
1	Loans	345,381,618	40,358,674	38,982,892	12,132,675	12,132,675	-	-
2	Debt securities	65,523,299	184,965	14,107	-	-	-	-
3	**Total**	**410,904,917**	**40,543,639**	**38,996,999**	**12,132,675**	**12,132,675**	**-**	**-**
4	Of which defaulted	19,776,665	128,126	5,779	-	-	-	-

(Thousands of Turkish Lira (TL))

	Prior Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	297,831,309	45,953,223	43,951,673	10,970,595	10,970,595	-	-
2	Debt securities	55,901,683	79,810	17,292	-	-	-	-
3	**Total**	**353,732,992**	**46,033,033**	**43,968,965**	**10,970,595**	**10,970,595**	**-**	**-**
4	Of which defaulted	19,398,646	111,740	5,731	-	-	-	-

4.10.3.3 Consolidated credit risk under standardised approach

4.10.3.3.1 Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

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

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

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

In the determination of risk weights; if a relevant rating is available then such rating, but if it is an unrated exposure then the rating available for the issuer is used.

Rating notes issued by Fitch Ratings are presented in the table below, as per credit quality levels and risk weights per risk classes:

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

(Thousands of Turkish Lira (TL))

4.10.3.3.2 Consolidated credit risk exposure and credit risk mitigation techniques

	Current Period	*Exposures before CCF and CRM*		*Exposures post-CCF and CRM*		*RWA and RWA density*	
	Risk Classes	*On-balance sheet amount*	*Off-balance sheet amount*	*On-balance sheet amount*	*Off-balance sheet amount*	*RWA*	*RWA density*
1	Exposures to sovereigns and their central banks	113,359,325	230,067	125,482,413	101,249	1,917,040	2%
2	Exposures to regional and local governments	1,239,995	17,453	1,239,995	17,155	628,576	50%
3	Exposures to administrative bodies and non-commercial entities	229,481	80,934	228,668	11,094	239,763	100%
4	Exposures to multilateral development banks	447,911	698	447,911	698	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	26,919,087	29,326,404	26,738,005	3,217,721	11,048,494	37%
7	Exposures to corporates	179,338,457	61,429,186	172,551,120	32,853,128	202,104,500	98%
8	Retail exposures	106,471,187	70,491,838	97,900,786	5,566,791	77,594,730	75%
9	Exposures secured by residential property	17,489,611	11,325	17,476,758	9,885	6,120,325	35%
10	Exposures secured by commercial property	15,565,771	2,217,632	15,485,683	1,331,281	10,792,516	64%
11	Past-due items	6,056,682	82	6,056,641	-	4,010,988	66%
12	Exposures in high-risk categories	614,311	831,799	583,402	420,187	1,108,651	110%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	28,257	-	28,257	-	28,257	100%
16	Shares	575,434	-	575,434	-	575,434	100%
17	Other exposures	22,666,143	-	20,285,012	-	10,569,995	52%
18	**Total**	**491,001,652**	**164,637,418**	**485,080,085**	**43,529,189**	**326,739,269**	**62%**

(Thousands of Turkish Lira (TL))

	Prior Period	***Exposures before CCF and CRM***		***Exposures post-CCF and CRM***		***RWA and RWA density***	
	Risk Classes	***On-balance sheet amount***	***Off-balance sheet amount***	***On-balance sheet amount***	***Off-balance sheet amount***	***RWA***	***RWA density***
1	Exposures to sovereigns and their central banks	102,976,748	256,199	113,930,805	117,192	19,015,101	17%
2	Exposures to regional and local governments	623,819	23,765	618,338	23,753	384,150	60%
3	Exposures to administrative bodies and non-commercial entities	267,082	93,617	262,882	10,130	273,011	100%
4	Exposures to multilateral development banks	1,403,169	-	1,403,169	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	30,161,709	30,700,483	19,719,715	2,898,979	8,069,749	36%
7	Exposures to corporates	143,583,873	58,599,769	137,643,390	29,328,457	164,766,656	99%
8	Retail exposures	96,258,605	61,125,831	88,261,395	5,605,377	70,393,763	75%
9	Exposures secured by residential property	15,920,281	9,737	15,911,557	9,162	5,572,251	35%
10	Exposures secured by commercial property	13,657,076	2,287,332	13,532,233	1,436,139	9,591,919	64%
11	Past-due items	6,511,248	-	6,511,069	-	4,519,279	69%
12	Exposures in high-risk categories	867,207	919,319	840,511	468,451	1,486,360	114%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	25,340	-	25,340	-	25,340	100%
16	Shares	816,500	-	816,500	-	816,500	100%
17	Other exposures	17,134,759	-	17,134,759	-	10,743,838	63%
18	**Total**	**430,207,416**	**154,016,052**	**416,611,663**	**39,897,640**	**295,657,917**	**65%**

(Thousands of Turkish Lira (TL))

4.10.3.3.3 Consolidated exposures by asset classes and risk weights

	Regulatory portfolio ***Current Period***	***0%***	***10%***	***20%***	***35% secured by property mortgage***	***50%***	***75%***	***100%***	***150%***	***200%***	***Others***	***Total risk amount (post-CCF and CRM)***
1	Exposures to sovereigns and their central banks	123,645,082	-	29	-	43,028	-	1,895,523	-	-	-	125,583,662
2	Exposures to regional and local government	-	-	-	-	1,257,149	-	1	-	-	-	1,257,150
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	239,762	-	-	-	239,762
4	Exposures to multilateral development banks	448,609	-	-	-	-	-	-	-	-	-	448,609
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	5,483	-	16,878,809	-	10,797,407	-	2,274,027	-	-	-	29,955,726
7	Exposures to corporates	20,854	-	495,590	-	5,764,844	-	199,122,960	-	-	-	205,404,248
8	Retail exposures	-	-	9,464	-	2,989	103,455,124	-	-	-	-	103,467,577
9	Exposures secured by residential property	-	-	-	17,486,643	-	-	-	-	-	-	17,486,643
10	Exposures secured by commercial property	-	-	-	-	12,048,896	-	4,768,068	-	-	-	16,816,964
11	Past-due items	-	-	-	-	4,091,310	-	1,965,331	-	-	-	6,056,641
12	Exposures in high-risk categories	-	-	-	-	179,544	-	434,376	389,669	-	-	1,003,589
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-	28,257	-	-	-	28,257
16	Shares	-	-	-	-	-	-	575,434	-	-	-	575,434
17	Other exposures	9,714,539	-	595	-	-	-	10,569,878	-	-	-	20,285,012
18	**Total**	**133,834,567**	**-**	**17,384,487**	**17,486,643**	**34,185,167**	**103,455,124**	**221,873,617**	**389,669**	**-**	**-**	**528,609,274**

(Thousands of Turkish Lira (TL))

	Regulatory portfolio ***Prior Period***	***0%***	***10%***	***20%***	***35% secured by property mortgage***	***50%***	***75%***	***100%***	***150%***	***200%***	***Others***	***Total risk amount (post-CCF and CRM)***
1	Exposures to sovereigns and their central banks	95,014,139	-	19	-	37,481	-	18,996,358	-	-	-	114,047,997
2	Exposures to regional and local government	-	-	-	-	515,884	-	126,207	-	-	-	642,091
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	273,012	-	-	-	273,012
4	Exposures to multilateral development banks	1,403,169	-	-	-	-	-	-	-	-	-	1,403,169
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	4,700	-	13,431,285	-	7,598,434	-	1,584,275	-	-	-	22,618,694
7	Exposures to corporates	43,913	-	1,061,121	-	2,624,762	-	163,242,051	-	-	-	166,971,847
8	Retail exposures	-	-	8,205	-	7,561	93,850,892	114	-	-	-	93,866,772
9	Exposures secured by residential property	-	-	-	15,920,719	-	-	-	-	-	-	15,920,719
10	Exposures secured by commercial property	-	-	-	-	10,752,906	-	4,215,466	-	-	-	14,968,372
11	Past-due items	-	-	-	-	3,983,581	-	2,527,488	-	-	-	6,511,069
12	Exposures in high-risk categories	-	-	-	-	246,422	-	461,199	601,341	-	-	1,308,962
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-	25,340	-	-	-	25,340
16	Shares	-	-	-	-	-	-	816,500	-	-	-	816,500
17	Other exposures	6,390,573	-	441	-	-	-	10,743,745	-	-	-	17,134,759
18	**Total**	**102,856,494**	-	**14,501,071**	**15,920,719**	**25,767,031**	**93,850,892**	**203,011,755**	**601,341**	-	-	**456,509,303**

4.10.4 Consolidated counterparty credit risk

4.10.4.1 Qualitative disclosure on consolidated counterparty credit risk

Counterparty credit risk management policies include evaluating and monitoring risk developments, taking necessary measures, setting risk limits, ensuring that the risks remain within the limits, and establishing required reporting, control and audit mechanisms by using the methods aligned with both international standards and local regulations. The policies regarding counterparty credit risk measurement, monitoring, and limit settings are defined by the board of directors.

Counterparty credit risk arising from derivative transactions is periodically being monitored and reported by the Market Risk and Credit Risk Control units on product, country, counterparty and counterparty type basis.

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

4.10.4.2 Consolidated counterparty credit risk (CCR) approach analysis

	Current Period	*Replacement cost*	*Potential future exposure*	*EEPE(Effective Expected Positive Exposure)*	*Alpha used for computing regulatory EAD*	*EAD post-CRM*	*RWA*
1	Standardised Approach - CCR (for derivatives)	3,587,557	1,782,128		1.4	5,354,094	4,146,316
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					521,700	114,839
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	**Total**						**4,261,155**

(Thousands of Turkish Lira (TL))

	Prior Period	*Replacement cost*	*Potential future exposure*	*EEPE(Effective Expected Positive Exposure)*	*Alpha used for computing regulatory EAD*	*EAD post-CRM*	*RWA*
1	Standardised Approach - CCR (for derivatives)	2,854,914	1,806,014		1.4	4,641,950	2,998,145
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					733,589	288,188
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	**Total**						**3,286,333**

4.10.4.3 Consolidated capital requirement for credit valuation adjustment (CVA)

		Current Period		*Prior Period*	
		EAD post-CRM	*RWA*	*EAD post-CRM*	*RWA*
	Total portfolios subject to the Advanced CVA capital obligation	-	-	-	-
1	(i) VaR component (including the 3×multiplier)		-		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-		-
3	All portfolios subject to the Standardised CVA capital obligation	5,354,094	2,083,810	4,641,950	1,591,396
4	**Total subject to the CVA capital obligation**	**5,354,094**	**2,083,810**	**4,641,950**	**1,591,396**

(Thousands of Turkish Lira (TL))

4.10.4.4 Consolidated CCR exposures by risk class and risk weights

Current Period	**Risk weight**								
Regulatory portfolio	***0%***	***10%***	***20%***	***50%***	***75%***	***100%***	***150%***	***Other***	***Total credit exposure***
Exposures to sovereigns and their central banks	81,210	-	-	-	-	517,295	-	-	598,505
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	3,375	-	-	3,375
Exposures to multilateral development banks	818	-	-	-	-	-	-	-	818
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	1,184	-	1,007,690	1,364,615	-	18,182	-	-	2,391,671
Exposures to corporates	3,030	-	1,975	72,701	-	2,795,691	-	-	2,873,397
Retail exposures	-	-	-	-	8,028	-	-	-	8,028
Exposures secured by property mortgages	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	**86,242**	**-**	**1,009,665**	**1,437,316**	**8,028**	**3,334,543**	**-**	**-**	**5,875,794**

(Thousands of Turkish Lira (TL))

Prior Period	**Risk weight**								
Regulatory portfolio	***0%***	***10%***	***20%***	***50%***	***75%***	***100%***	***150%***	***Other***	***Total credit exposure***
Exposures to sovereigns and their central banks	-	-	-	-	-	26,545	-	-	26,545
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	11,914	-	-	11,914
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	37	-	1,024,929	2,516,960	-	69,022	-	-	3,610,948
Exposures to corporates	611	-	9	16,009	-	1,701,011	-	-	1,717,640
Retail exposures	-	-	-	-	8,492	-	-	-	8,492
Exposures secured by property mortgages	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-		-	-	
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-		-	-	
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-		-	-	
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-		-	-	
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-		-	-	
Total	**648**	**-**	**1,024,938**	**2,532,969**	**8,492**	**1,808,492**	**-**	**-**	**5,375,539**

(Thousands of Turkish Lira (TL))

4.10.4.5 Collaterals for consolidated CCR

	Collateral for derivative transactions				*Collateral for other transactions*	
Current Period	*Fair value of collateral received*		*Fair value of collateral given*		*Fair value of collateral received*	*Fair value of collateral given*
	Segregated	*Unsegregated*	*Segregated*	*Unsegregated*		
Cash-domestic currency	9,029	-	-	-	14,711,869	-
Cash-foreign currency	6,562	-	-	-	3,468,448	215,054
Domestic sovereign debts	-	-	-	-	-	15,379,779
Other sovereign debts	-	-	-	-	205,222	401,278
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	892,938
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	**15,591**	**-**	**-**	**-**	**18,385,539**	**16,889,049**

	Collateral for derivative transactions				*Collateral for other transactions*	
Prior Period	*Fair value of collateral received*		*Fair value of collateral given*		*Fair value of collateral received*	*Fair value of collateral given*
	Segregated	*Unsegregated*	*Segregated*	*Unsegregated*		
Cash-domestic currency	1,960	-	-	-	94,504	92,118
Cash-foreign currency	17,019	-	-	-	3,237,404	270,410
Domestic sovereign debts	-	-	-	-	12,600	2,204,395
Other sovereign debts	-	-	-	-	262,238	387,471
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	335,983
Equity securities	-	-	-	-	79,518	-
Other collateral	-	-	-	-	-	-
Total	**18,979**	**-**	**-**	**-**	**3,686,264**	**3,290,377**

4.10.4.6 Consolidated credit derivatives

	Current Period		*Prior Period*	
Notionals	*Protection bought*	*Protection sold*	*Protection bought*	*Protection sold*
Single-name credit default swaps	-	-	-	-
Index credit default swaps	-	-	-	-
Total return swaps	-	16,541,971	-	14,870,724
Credit options	-	-	-	-
Other credit derivatives	-	-	-	-
Total Notionals	**-**	**16,541,971**	**-**	**14,870,724**
Fair Values	**-**	**(2,279,881)**	**-**	**(657,355)**
Positive fair values (asset)	-	-	-	94,891
Negative fair values (liability)	-	(2,279,881)	-	(752,246)

4.10.5 Consolidated securitisations

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

(Thousands of Turkish Lira (TL))

4.10.6 Consolidated market risk

4.10.6.1 Qualitative disclosure on consolidated market risk

Market risk is managed in accordance with the strategy and policies defined by the Parent Bank. The Bank takes economic climate, market and liquidity conditions and their effects on market risk, the structure of portfolio subject to market risk, the sufficiency of the Bank's definition, measurement, evaluation, monitoring, reporting, control and mitigation of market risk and the availability of the related processes into account while defining the market risk management. Market risk strategy and policies are reviewed by the board of directors and related top management by considering financial performance, capital required for market risk, and the existing market developments. Market risk policy and procedures are being developed on bank-only and consolidated level in consideration of the size and complexity of the operations.

Market risk is managed through measuring the risks in parallel with the international standards, setting the limits, capital reserving and additionally through mitigating via hedging transactions.

The Market Risk function under Market Risk and Structural Risk Control Unit monitors the activities of Treasury Unit via risk reports and the limits approved by the board of directors.

Market Risk, which is defined as the risk arising from the price fluctuations in balance sheet and off-balance sheet trading positions, is being calculated and reported daily via Value at Risk (VaR) Model.

4.10.6.2 Consolidated market risk under standardised approach

		RWA (*)	
		Current Period	*Prior Period*
	Outright products	**13,377,175**	**10,576,137**
1	Interest rate risk (general and specific)	2,082,625	1,643,961
2	Equity risk (general and specific)	1,163,325	663,888
3	Foreign exchange risk	9,966,400	8,105,350
4	Commodity risk	164,825	162,938
	Options	**24,338**	**38,088**
5	Simplified approach	-	-
6	Delta-plus method	24,338	38,088
7	Scenario approach	-	-
8	Securitisation	-	-
9	**Total**	**13,401,513**	**10,614,225**

(*) According to "Bank Capital Regulation" article 10 paragraph 4, which published on Official Gazette dated 5th September 2013 and numbered 28756, banks calculated their consolidated capital with their consolidated insurance company investments as unconsolidated financial institutions if 9th article's 4th paragraph's (c) and (ç) items apply. Lesser of consolidated capital calculated according to 1st and 4th paragraphs is considered the consolidated capital according to this regulation. As the consolidated capital calculated including the insurance subsidiary is lesser, consolidated equity and the amounts subject to the market risk are calculated based on the consolidated financial statements including the insurance subsidiaries.

4.10.7 Consolidated operational risk

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

4.10.8 Consolidated banking book interest rate risk

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

(Thousands of Turkish Lira (TL))

5 Disclosures and Footnotes on Consolidated Financial Statements

5.1 Consolidated assets

5.1.1 Cash and Cash Equivalents

5.1.1.1 Cash and balances with Central Bank

	Current Period		*Prior Period*	
	TL	**FC**	**TL**	**FC**
Cash in TL/Foreign Currency	2,160,458	5,699,489	1,594,582	2,749,223
Central Bank of Turkey	5,295,119	30,251,403	1,691,395	33,942,897
Others	-	1,260,797	-	2,047,209
Total	**7,455,577**	**37,211,689**	**3,285,977**	**38,739,329**

Balances with the Central Bank of Turkey

	Current Period		*Prior Period*	
	TL	**FC**	**TL**	**FC**
Unrestricted Demand Deposits	5,295,119	7,306,342	1,691,395	10,531,841
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	22,945,061	-	23,411,056
Total	**5,295,119**	**30,251,403**	**1,691,395**	**33,942,897**

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

5.1.1.2 Banks

	Current Period		*Prior Period*	
	TL	**FC**	**TL**	**FC**
Banks				
Domestic banks	512,444	113,177	502,368	41,583
Foreign banks	516,517	21,114,860	245,492	18,792,746
Foreign head office and branches	-	-	-	-
Total	**1,028,961**	**21,228,037**	**747,860**	**18,834,329**

The placements at foreign banks include blocked accounts amounting TL 3,271,692 (31 December 2019: TL 2,818,396) of which TL 3,067,559 (31 December 2019: TL 2,657,254) and TL 204,133 (31 December 2019: TL 161,142) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits.

Furthermore, there are restricted deposits at various domestic banks amounting TL 525,489 (31 December 2019: TL 413,230) as required for insurance activities.

Due from foreign banks

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”.

(Thousands of Turkish Lira (TL))

5.1.1.3 Receivables from reserve repo transactions

	Current Period		*Prior Period*	
	TL	**FC**	**TL**	**FC**
Domestic Transactions	**-**	**-**	**10,205,763**	**-**
Central Bank of Turkey	-	-	-	-
Banks	-	-	10,205,763	-
Others	-	-	-	-
Foreign Transactions	**-**	**430,747**	**-**	**453,693**
Central banks	-	-	-	-
Banks	-	430,747	-	453,693
Others	-	-	-	-
Total	**-**	**430,747**	**10,205,763**	**453,693**

5.1.1.4 Expected credit losses for cash and cash equivalents

Current Period	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Balances at Beginning of Period	**168,916**	**-**	**-**	**168,916**
Additions during the Period (+)	354,914	-	-	354,914
Disposal (-)	(303,194)	-	-	(303,194)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	24,806	-	-	24,806
Balances at End of Period	**245,442**	**-**	**-**	**245,442**

Prior Period	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Balances at Beginning of Period	**79,352**	**114**	**-**	**79,466**
Additions during the Period (+)	424,971	3	-	424,974
Disposal (-)	(346,430)	(115)	-	(346,545)
Transfer to Stage1	2	(2)	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	11,021	-	-	11,021
Balances at End of Period	**168,916**	**-**	**-**	**168,916**

5.1.2 Financial assets at fair value through profit/loss

5.1.2.1 Financial assets at fair value through profit/loss subject to repurchase agreements and provided as collateral/blocked

	Current Period		*Prior Period*	
	TL	**FC**	**TL**	**FC**
Collateralised/Blocked Assets	137,163	-	23,712	-
Assets Subject to Repurchase Agreements	33,893	-	26,860	-
Total	**171,056**	**-**	**50,572**	**-**

5.1.2.2 Financial assets measured at fair value through profit or loss

	Current Period		*Prior Period*	
	TL	**FC**	**TL**	**FC**
Government Securities	711,849	1,562,353	370,765	91,126
Equity Securities	585,478	25,310	303,272	30,148
Other Financial Assets (*)	49,128	4,605,594	18,701	4,405,288
Total	**1,346,455**	**6,193,257**	**692,738**	**4,526,562**

(*) Financial assets measured at fair value through profit or loss include loan amounting to USD 710,682,828 (31 December 2019:USD 710,182,828) provided to a special purpose entity. As detailed in Note 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.

(Thousands of Turkish Lira (TL))

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 weighted average of different methodologies (discounted cash flows, similar market multipliers, same sector transaction multipliers, market value and analyst reports). Upon the result of the independent valuation, the Bank management also evaluated the discounted cash flows and reflected its internal evaluation on the relevant valuation result. In this internal valuation, the Bank has determined to use the interest, depreciation and pre-tax profit (EBITDA) profit margin rates which are observed in previous periods and additional risk premium has added in discounted cash flow model. 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.

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

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	7,900,784	3,474,609	1,528,597	1,947,081
Assets subject to Repurchase Agreements	1,686,328	550,680	12,674	1,115,469
Total	**9,587,112**	**4,025,289**	**1,541,271**	**3,062,550**

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

	Current Period	*Prior Period*
Debt Securities	**29,136,963**	**24,083,685**
Quoted at Stock Exchange	29,136,963	24,083,685
Unquoted at Stock Exchange	-	-
Common Shares/Investment Fund	**152,653**	**132,968**
Quoted at Stock Exchange	4,491	4,491
Unquoted at Stock Exchange	148,162	128,477
Value Increase/Impairment Losses (-)	**4,638,186**	**4,426,876**
Total	**33,927,802**	**28,643,529**

Expected losses of TL 202,729 (31 December 2019: TL 86,057) 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	119,525	11,207	182,769	15,947
Swap Transactions	896,338	2,002,618	848,634	1,123,196
Futures	-	-	-	8,488
Options	41,077	178,407	91,162	269,828
Others	-	840	-	169
Total	**1,056,940**	**2,193,072**	**1,122,565**	**1,417,628**

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	17,092	4,177	11,345	6,675
Cash Flow Hedges	464,539	10,692	424,273	17,071
Net Foreign Investment Hedges	-	-	-	-
Total	**481,631**	**14,869**	**435,618**	**23,746**

(Thousands of Turkish Lira (TL))

As of 30 June 2020, the face values and the net fair values, recognised in the balance sheet, of the derivative financial instruments held for hedging purpose, are summarized below:

	Current Period			*Prior Period*		
	Face Value	**Asset**	**Liability**	**Face Value**	**Asset**	**Liability**
Interest Rate Swaps	42,524,195	44,451	930,645	60,262,126	24,851	1,123,464
-TL	7,980,000	44,451	166,713	21,365,030	14,243	698,842
-FC	34,544,195	-	763,932	38,897,096	10,608	424,622
Cross Currency Swaps	3,088,083	445,741	34,631	5,003,466	430,655	71,954
-TL	394,738	437,180	32,438	1,008,284	421,375	45,966
-FC	2,693,345	8,561	2,193	3,995,182	9,280	25,988
Currency Forwards	-	686	-	-	-	-
-TL	-	-	-	-	-	-
-FC	-	686	-	-	-	-
Interest Rate Options	764,036	5,622	-	681,979	3,858	-
-TL	-	-	-	-	-	-
-FC	764,036	5,622	-	681,979	3,858	-
Total	**46,376,314**	**496,500**	**965,276**	**65,947,571**	**459,364**	**1,195,418**

5.1.4.3 Fair value hedge accounting

Current Period

Hedging Item	**Hedged Item**	**Type of Risk**	**Fair Value Change of Hedged Item**	**Net Fair Value Change of Hedging Item**		**Income Statement Effect (gains/losses from derivative financial instruments)**
				Asset	**Liability**	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	51,926	-	(50,343)	1,583
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(3,048)	4,535	-	1,487
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	364,583	12,557	(417,571)	(40,431)
Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	4,081	4,177	(1,787)	6,471

Prior Period

Hedging Item	**Hedged Item**	**Type of Risk**	**Fair Value Change of Hedged Item**	**Net Fair Value Change of Hedging Item**		**Income Statement Effect (gains/losses from derivative financial instruments)**
				Asset	**Liability**	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	147,422	6,224	(186,490)	(32,844)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	14,063	1,691	(15,774)	(20)
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	200,330	4,690	(234,896)	(29,876)
Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	6,809	5,415	(23,544)	(11,320)

(Thousands of Turkish Lira (TL))

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	-	(133,108)	(107,416)	4,215	(444)
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	27,359	(329,623)	173,446	(204,847)	(83,055)
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	428,447	(28,815)	(14,580)	(10,192)	1
Cross Currency Swaps	Fixed-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	13,117	(4,029)	5,269	(7,179)	-
Currency Forwards	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	686	-	1,041	(1,039)	-
Interest Rate Options	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	5,622	-	381	-	-

As of 30 June 2020, there is not any reclassified amounts from the shareholders' equity to the profit or loss due to the ceased hedging transactions during the current period.

(Thousands of Turkish Lira (TL))

Prior Period							
			Fair Value Change of Hedged Item				
Hedging Item	**Hedged Item**	**Type of Risk**	**Asset**	**Liability**	**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**
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	7,075	(24,103)	(106,708)	53,943	831
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	5,171	(662,201)	(602,570)	417,372	(12,174)
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	419,346	(82)	(22,982)	(11,946)	-
Cross Currency Swaps	Fixed-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	5,894	(48,328)	(15,843)	14,482	-
Currency Forwards	Mile payments	Cash flow risk resulted from foreign currency exchange rates	-	-	50,967	-	-
Interest Rate Options	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	3,858	-	535	-	-

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	**-**	**590,898**	**62**	**603,746**
Corporates	-	590,898	62	603,746
Individuals	-	-	-	-
Indirect Lendings to Shareholders	**142,226**	**34,116**	**28,717**	**42,166**
Loans to Employees	**437,189**	**40**	**423,432**	**56**
Total	**579,415**	**625,054**	**452,211**	**645,968**

(Thousands of Turkish Lira (TL))

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

Loans measured at amortised cost

Current Period		**Loans under Follow-up**		
			Restructured	
Cash Loans (*)	**Performing Loans**	**Non-restructured**	**Revised Contract Terms**	**Refinanced**
Loans	**268,397,079**	**24,875,566**	**5,659,015**	**9,346,121**
Working Capital Loans	56,377,258	3,371,471	275,447	2,435,501
Export Loans	29,367,578	838,882	68,132	137,423
Import Loans	117,098	-	-	-
Loans to Financial Sector	10,533,509	444,276	-	-
Consumer Loans	56,866,834	6,065,962	2,026,858	53,857
Credit Cards	23,334,356	3,195,590	407,370	-
Others	91,800,446	10,959,385	2,881,208	6,719,340
Specialization Loans	-	-	-	-
Other Receivables	**7,327,745**	**592,335**	**360,804**	**15,395**
Total	**275,724,824**	**25,467,901**	**6,019,819**	**9,361,516**

(*) Non-performing loans are not included.

Prior Period		**Loans under Follow-up**		
			Restructured	
Cash Loans (*)	**Performing Loans**	**Non-restructured**	**Revised Contract Terms**	**Refinanced**
Loans	**221,544,221**	**26,191,796**	**2,609,325**	**8,861,675**
Working Capital Loans	41,870,625	3,948,376	202,613	2,703,923
Export Loans	19,656,411	1,127,858	68,174	166,605
Import Loans	675,825	-	-	-
Loans to Financial Sector	6,258,761	836,425	-	-
Consumer Loans	50,240,567	5,375,456	986,483	51,573
Credit Cards	23,994,909	2,985,436	476,277	-
Others	78,847,123	11,918,245	875,778	5,939,574
Specialization Loans	-	-	-	-
Other Receivables	**6,595,395**	**520,932**	**275,128**	**12,058**
Total	**228,139,616**	**26,712,728**	**2,884,453**	**8,873,733**

(*) Non-performing loans are not included.

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)	98,668,237	93,871,616	70,770,054	5,087,173	842,426	4,094,647	1,965,921	424,750	172,246,638	103,478,186
Loans under Follow-up (Stage 2)	9,956,320	18,904,303	9,794,580	1,225,501	162,405	782,987	23,140	-	19,936,445	20,912,791
Total Stage 1 and 2 Loans	**108,624,557**	**112,775,919**	**80,564,634**	**6,312,674**	**1,004,831**	**4,877,634**	**1,989,061**	**424,750**	**192,183,083**	**124,390,977**
Expected Credit losses-Stage 1-2 (-)	2,237,774	4,341,442	1,111,089	85,771	33,083	134,207	13,398	357	3,395,344	4,561,777
Total Non-performing Loans	7,186,577	7,984,940	3,270,297	277,830	347,746	501,848	117,962	217,591	10,922,582	8,982,209
Expected Credit losses-Stage 3 (-)	5,438,078	4,494,673	2,373,092	199,824	205,338	224,547	103,583	214,100	8,120,091	5,133,144

(Thousands of Turkish Lira (TL))

Prior Period	**Corporate/ Commercial Loans**		**Consumer Loans**		**Financial Lease**		**Factoring**		**Total**	
	TL	**FC**	**TL**	**FC**	**TL**	**FC**	**TL**	**FC**	**TL**	**FC**
Performing Loans (Stage 1)	71,676,204	79,963,458	64,992,132	4,912,432	765,055	3,755,861	1,642,376	432,098	139,075,767	89,063,849
Loans under Follow-up (Stage 2)	11,401,413	17,141,657	8,326,340	793,386	143,247	648,940	15,931	-	19,886,931	18,583,983
Total Stage 1 and 2 Loans	**83,077,617**	**97,105,115**	**73,318,472**	**5,705,818**	**908,302**	**4,404,801**	**1,658,307**	**432,098**	**158,962,698**	**107,647,832**
Expected Credit losses-Stage 1-2 (-)	1,525,196	2,728,834	811,465	55,351	25,517	102,513	11,582	257	2,373,760	2,886,955
Total Non-performing Loans	7,287,770	7,476,032	3,292,189	243,586	418,332	452,719	150,872	188,886	11,149,163	8,361,223
Expected Credit losses-Stage 3 (-)	5,056,944	3,961,370	2,230,907	179,310	232,217	208,618	127,929	185,639	7,647,997	4,534,937

	Current Period		***Prior Period***	
	Performing Loans	**Loans Under Follow-Up**	**Performing Loans**	**Loans Under Follow-Up**
12-Month ECL (Stage 1)	1,675,034	-	1,227,132	-
Significant Increase in Credit Risk (Stage 2)	-	6,282,087	-	4,033,583

As of 30 June 2020, loans amounting to TL 3,861,463 are benefited as collateral under funding transactions (31 December 2019: TL 3,873,550).

Collaterals received for loans under follow-up

Current Period	**Corporate / Commercial Loans**	**Consumer Loans**	**Credit Cards**	**Total**
Loans Collateralized by Cash	449,071	23,956	-	473,027
Loans Collateralized by Mortgages / Shares	12,586,026	3,237,241	-	15,823,267
Loans Collateralized by Pledged Assets	2,208,730	226,497	-	2,435,227
Loans Collateralized by Cheques and Notes	68,746	4,505	-	73,251
Loans Collateralized by Other Collaterals	9,086,200	3,970,660	-	13,056,860
Unsecured Loans	4,700,826	683,818	3,602,960	8,987,604
Total	**29,099,599**	**8,146,677**	**3,602,960**	**40,849,236**

Prior Period	**Corporate / Commercial Loans**	**Consumer Loans**	**Credit Cards**	**Total**
Loans Collateralized by Cash	419,617	18,009	-	437,626
Loans Collateralized by Mortgages / Shares	13,590,835	2,929,497	-	16,520,332
Loans Collateralized by Pledged Assets	2,167,317	186,050	-	2,353,367
Loans Collateralized by Cheques and Notes	104,960	3,402	-	108,362
Loans Collateralized by Other Collaterals	8,567,017	2,680,188	-	11,247,205
Unsecured Loans	3,745,943	596,366	3,461,713	7,804,022
Total	**28,595,689**	**6,413,512**	**3,461,713**	**38,470,914**

Delinquency periods of loans under follow-up

Current Period (*)	**Corporate / Commercial Loans**	**Consumer Loans**	**Credit Cards**	**Total**
31-60 days	217,215	575,917	85,278	878,410
61-90 days	348,099	307,074	69,588	724,761
Other	28,534,285	7,263,686	3,448,094	39,246,065
Total	**29,099,599**	**8,146,677**	**3,602,960**	**40,849,236**

(*) As of 30 June 2020, based on the resolution of the BRSA dated 17 March 2020 and numbered 8948; starting from 17 March 2020 until 31 December 2020, the total amount of the loans that continued to be classified as stage 2 which have past due days between 90 days and 180 days is amounting to TL 1,547 thousands.

(Thousands of Turkish Lira (TL))

Prior Period	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	578,372	965,769	169,562	1,713,703
61-90 days	552,336	292,979	62,670	907,985
Other	27,464,981	5,154,764	3,229,481	35,849,226
Total	**28,595,689**	**6,413,512**	**3,461,713**	**38,470,914**

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”.

(Thousands of Turkish Lira (TL))

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

Current Period	Short-Term	Medium and Long-Term	Total
Consumer Loans – TL	**1,261,935**	**55,457,721**	**56,719,656**
Housing Loans	14,924	20,268,296	20,283,220
Automobile Loans	108,084	1,596,814	1,704,898
General Purpose Loans	1,138,927	33,592,611	34,731,538
Others	-	-	-
Consumer Loans – FC-indexed	**-**	**152,841**	**152,841**
Housing Loans	-	152,841	152,841
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Consumer Loans – FC	**946,200**	**4,831,311**	**5,777,511**
Housing Loans	160,397	2,980,713	3,141,110
Automobile Loans	-	18,256	18,256
General Purpose Loans	322,374	1,194,507	1,516,881
Others	463,429	637,835	1,101,264
Retail Credit Cards – TL	**20,982,836**	**317,070**	**21,299,906**
With Installment	8,984,825	317,070	9,301,895
Without Installment	11,998,011	-	11,998,011
Retail Credit Cards – FC	**315,432**	**10,424**	**325,856**
With Installment	-	-	-
Without Installment	315,432	10,424	325,856
Personnel Loans – TL	**49,086**	**167,162**	**216,248**
Housing Loan	-	767	767
Automobile Loans	-	-	-
General Purpose Loans	49,086	166,395	215,481
Others	-	-	-
Personnel Loans - FC-indexed	**-**	**-**	**-**
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Personnel Loans – FC	**9,597**	**78,921**	**88,518**
Housing Loans	2,816	37,588	40,404
Automobile Loans	-	-	-
General Purpose Loans	5,606	30,275	35,881
Others	1,175	11,058	12,233
Personnel Credit Cards – TL	**116,718**	**531**	**117,249**
With Installment	37,488	531	38,019
Without Installment	79,230	-	79,230
Personnel Credit Cards – FC	**4,966**	**132**	**5,098**
With Installment	-	-	-
Without Installment	4,966	132	5,098
Deposit Accounts– TL (Real Persons)	**2,048,661**	**-**	**2,048,661**
Deposit Accounts– TL (Personnel)	**10,076**	**-**	**10,076**
Deposit Accounts– FC (Real Persons)	**-**	**-**	**-**
Total	**25,745,507**	**61,016,113**	**86,761,620**

(Thousands of Turkish Lira (TL))

Prior Period	**Short-Term**	**Medium and Long-Term**	**Total**
Consumer Loans – TL	**1,594,709**	**47,435,809**	**49,030,518**
Housing Loans	16,384	19,452,893	19,469,277
Automobile Loans	148,863	1,675,140	1,824,003
General Purpose Loans	1,427,774	26,307,776	27,735,550
Others	1,688	-	1,688
Consumer Loans – FC-indexed	**-**	**153,013**	**153,013**
Housing Loans	-	153,013	153,013
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Consumer Loans – FC	**840,787**	**4,282,561**	**5,123,348**
Housing Loans	141,006	2,623,272	2,764,278
Automobile Loans	185	18,319	18,504
General Purpose Loans	291,602	1,089,953	1,381,555
Others	407,994	551,017	959,011
Retail Credit Cards – TL	**21,363,651**	**370,358**	**21,734,009**
With Installment	9,822,361	370,358	10,192,719
Without Installment	11,541,290	-	11,541,290
Retail Credit Cards – FC	**397,299**	**15,602**	**412,901**
With Installment	-	-	-
Without Installment	397,299	15,602	412,901
Personnel Loans – TL	**36,453**	**156,398**	**192,851**
Housing Loan	-	724	724
Automobile Loans	-	19	19
General Purpose Loans	36,453	155,655	192,108
Others	-	-	-
Personnel Loans - FC-indexed	**-**	**-**	**-**
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Personnel Loans – FC	**8,321**	**70,228**	**78,549**
Housing Loans	2,204	32,571	34,775
Automobile Loans	-	-	-
General Purpose Loans	4,759	27,611	32,370
Others	1,358	10,046	11,404
Personnel Credit Cards – TL	**131,752**	**529**	**132,281**
With Installment	46,745	529	47,274
Without Installment	85,007	-	85,007
Personnel Credit Cards – FC	**6,233**	**193**	**6,426**
With Installment	-	-	-
Without Installment	6,233	193	6,426
Deposit Accounts– TL (Real Persons)	**2,062,475**	**-**	**2,062,475**
Deposit Accounts– TL (Personnel)	**13,325**	**-**	**13,325**
Deposit Accounts– FC (Real Persons)	**-**	**-**	**-**
Total	**26,455,005**	**52,484,691**	**78,939,696**

(Thousands of Turkish Lira (TL))

5.1.5.5 Installment based commercial loans and corporate credit cards

Current Period	Short-Term	Medium and	Total
Installment-based Commercial Loans – TL	**1,176,501**	**9,346,382**	**10,522,883**
Real Estate Loans	1,370	503,427	504,797
Automobile Loans	181,264	2,226,340	2,407,604
General Purpose Loans	993,867	6,616,615	7,610,482
Others	-	-	-
Installment-based Commercial Loans - FC-indexed	**-**	**568,350**	**568,350**
Real Estate Loans	-	48,790	48,790
Automobile Loans	-	93,984	93,984
General Purpose Loans	-	425,576	425,576
Others	-	-	-
Installment-based Commercial Loans – FC	**3,013,938**	**3,155,873**	**6,169,811**
Real Estate Loans	-	-	-
Automobile Loans	1,870	171,343	173,213
General Purpose Loans	-	112,285	112,285
Others	3,012,068	2,872,245	5,884,313
Corporate Credit Cards – TL	**4,981,970**	**194,663**	**5,176,633**
With Installment	1,969,801	194,663	2,164,464
Without Installment	3,012,169	-	3,012,169
Corporate Credit Cards – FC	**12,574**	**-**	**12,574**
With Installment	-	-	-
Without Installment	12,574	-	12,574
Deposit Accounts– TL (Corporates)	**1,282,893**	**-**	**1,282,893**
Deposit Accounts– FC (Corporates)	**-**	**-**	**-**
Total	**10,467,876**	**13,265,268**	**23,733,144**

(Thousands of Turkish Lira (TL))

Prior Period	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans – TL	**698,237**	**10,937,099**	**11,635,336**
Real Estate Loans	1,532	541,123	542,655
Automobile Loans	128,728	2,008,812	2,137,540
General Purpose Loans	567,977	8,387,164	8,955,141
Others	-	-	-
Installment-based Commercial Loans - FC-indexed	**-**	**768,231**	**768,231**
Real Estate Loans	-	48,785	48,785
Automobile Loans	-	155,719	155,719
General Purpose Loans	-	563,727	563,727
Others	-	-	-
Installment-based Commercial Loans – FC	**2,544,604**	**2,728,533**	**5,273,137**
Real Estate Loans	-	-	-
Automobile Loans	-	140,909	140,909
General Purpose Loans	222	102,257	102,479
Others	2,544,382	2,485,367	5,029,749
Corporate Credit Cards – TL	**5,002,179**	**135,481**	**5,137,660**
With Installment	1,830,025	135,481	1,965,506
Without Installment	3,172,154	-	3,172,154
Corporate Credit Cards – FC	**33,345**	**-**	**33,345**
With Installment	-	-	-
Without Installment	33,345	-	33,345
Deposit Accounts– TL (Corporates)	**1,336,839**	**-**	**1,336,839**
Deposit Accounts– FC (Corporates)	**-**	**-**	**-**
Total	**9,615,204**	**14,569,344**	**24,184,548**

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 (*)*

	Current Period	*Prior Period*
Domestic Loans	288,212,320	241,117,177
Foreign Loans	28,361,740	25,493,353
Total	**316,574,060**	**266,610,530**

(*) Non-performing loans are not included.

5.1.5.8 *Loans to associates and subsidiaries*

	Current Period	*Prior Period*
Direct Lending	411,950	118,232
Indirect Lending	-	-
Total	**411,950**	**118,232**

(Thousands of Turkish Lira (TL))

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

	Current Period	*Prior Period*
Substandard Loans- Limited Collectability	306,922	1,274,532
Doubtful Loans	1,616,753	3,227,456
Uncollectible Loans	11,329,560	7,680,946
Total	**13,253,235**	**12,182,934**

5.1.5.10 Non-performing loans (NPLs) (net)

Non-performing loans and loans restructured from this category

	Group III	**Group IV**	**Group V**
	Substandard Loans	**Doubtful Loans**	**Uncollectible Loans**
Current Period			
Gross amounts before provisions	143,421	1,098,931	3,421,045
Restructured Loans	143,421	1,098,931	3,421,045
Prior Period			
Gross amounts before provisions	917,130	2,851,375	1,114,141
Restructured Loans	917,130	2,851,375	1,114,141

Movements in non-performing loan groups

	Group III	**Group IV**	**Group V**
Current Period	**Substandard Loans**	**Doubtful Loans**	**Uncollectible Loans**
Balances at End of Prior Period	**2,603,803**	**5,246,849**	**11,659,734**
Additions during the Period (+)	692,454	128,487	244,029
Transfer from Other NPL Categories (+)	18,796	2,605,009	4,690,103
Transfer to Other NPL Categories (-)	2,578,485	4,697,387	38,036
Collections during the Period (-)	214,373	689,026	691,006
Write-offs (-)(*)	-	3	344,056
Debt Sale (-) (**)	-	-	16,049
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	16,049
Credit Cards	-	-	-
Other	-	-	-
Foreign Currency Differences	78,220	243,073	962,655
Balances at End of Period	**600,415**	**2,837,002**	**16,467,374**
Provisions (-)	306,922	1,616,753	11,329,560
Net Balance on Balance Sheet	**293,493**	**1,220,249**	**5,137,814**

(Thousands of Turkish Lira (TL))

Prior Period	Group III Substandard Loans	Group IV Doubtful Loans	Group V Uncollectible Loans
Balances at End of Prior Period	**3,147,412**	**5,035,594**	**5,570,378**
Additions during the Period (+)	8,276,247	1,308,238	254,130
Transfer from Other NPL Categories (+)	78,808	8,148,723	8,735,761
Transfer to Other NPL Categories (-)	8,164,400	8,723,026	75,866
Collections during the Period (-)	833,163	879,932	1,279,552
Write-offs (-)	149	57	875,986
Debt Sale (-) (**)	-	4,101	1,022,714
Corporate and Commercial Loans	-	1,762	221,039
Retail Loans	-	1,652	489,301
Credit Cards	-	687	312,374
Other	-	-	-
Foreign Currency Differences	99,048	361,410	353,583
Balances at End of Period	**2,603,803**	**5,246,849**	**11,659,734**
Provisions (-)	1,274,532	3,227,456	7,680,946
Net Balance on Balance Sheet	**1,329,271**	**2,019,393**	**3,978,788**

(*) One of the Bank's consolidated subsidiaries, in accordance with the relevant accounting policy has partially written down TL 197,554 of a loan amounting to TL 267,833.The related loan, which was written down, was sold to the Parent Bank by its subsidiary for its fair value of TL 70,279. The remaining balance consists of 100% provisioned loans that were written down at the relevant date.
(**) All consists of sale of non-performing loans.

Non-performing loans in foreign currencies

	Group III Substandard Loans and Receivables	Group IV Doubtful Loans and Receivables	Group V Uncollectible Loans and Receivables
Current Period			
Balance at End of Period	**505,216**	**954,464**	**8,401,581**
Provisions (-)	247,153	531,070	5,004,052
Net Balance at Balance Sheet	**258,063**	**423,394**	**3,397,529**
Prior Period			
Balance at End of Period	**1,051,988**	**2,041,425**	**6,040,133**
Provisions (-)	517,941	1,152,914	3,420,322
Net Balance at Balance Sheet	**534,047**	**888,511**	**2,619,811**

(Thousands of Turkish Lira (TL))

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)	**293,493**	**1,220,249**	**5,137,814**
Loans to Individuals and Corporates (Gross)	574,153	2,824,293	16,438,718
Provision (-)	297,399	1,613,190	11,304,531
Loans to Individuals and Corporates (Net)	276,754	1,211,103	5,134,187
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	26,262	12,709	28,656
Provision (-)	9,523	3,563	25,029
Other Loans and Receivables (Net)	16,739	9,146	3,627
Prior Period (Net)	**1,329,271**	**2,019,393**	**3,978,788**
Loans to Individuals and Corporates (Gross)	2,586,430	5,240,991	11,635,103
Provision (-)	1,266,314	3,225,700	7,658,978
Loans to Individuals and Corporates (Net)	1,320,116	2,015,291	3,976,125
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	17,373	5,858	24,631
Provision (-)	8,218	1,756	21,968
Other Loans and Receivables (Net)	9,155	4,102	2,663

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)	**6,305**	**18,216**	**213,843**
Interest accruals and valuation differences	19,357	40,975	598,831
Provision (-)	13,052	22,759	384,988
Prior Period (Net)	**22,465**	**54,653**	**163,511**
Interest accruals and valuation differences	60,203	130,332	402,983
Provision (-)	37,738	75,679	239,472

(Thousands of Turkish Lira (TL))

Collaterals received for non-performing loans

Current Period	**Corporate/ Commercial Loans**	**Consumer Loans**	**Credit Cards**	**Total**
Loans Collateralized by Cash	41,467	357	-	41,824
Loans Collateralized by Mortgages	9,300,647	276,794	-	9,577,441
Loans Collateralized by Pledged Assets	1,588,629	53,361	-	1,641,990
Loans Collateralized by Cheques and Notes	179,918	5,901	-	185,819
Loans Collateralized by Other Collaterals	2,805,681	1,879,075	-	4,684,756
Unsecured Loans	2,129,930	361,140	1,281,891	3,772,961
Total	**16,046,272**	**2,576,628**	**1,281,891**	**19,904,791**

Prior Period	**Corporate/ Commercial Loans**	**Consumer Loans**	**Credit Cards**	**Total**
Loans Collateralized by Cash	14,230	377	-	14,607
Loans Collateralized by Mortgages	9,196,005	322,843	-	9,518,848
Loans Collateralized by Pledged Assets	1,432,716	59,136	-	1,491,852
Loans Collateralized by Cheques and Notes	200,985	5,714	-	206,699
Loans Collateralized by Other Collaterals	3,307,065	1,818,635	-	5,125,700
Unsecured Loans	1,530,171	359,234	1,263,275	3,152,680
Total	**15,681,172**	**2,565,939**	**1,263,275**	**19,510,386**

5.1.5.11 Expected credit loss for loans

Current Period	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Balances at End of Prior Period	**1,227,132**	**4,033,583**	**12,182,934**	**17,443,649**
Additions during the Period (+)	1,607,340	3,246,886	1,227,474	6,081,700
Disposal (-)	(1,565,658)	(911,989)	(764,898)	(3,242,545)
Debt Sale (-)	-	-	(14,971)	(14,971)
Write-offs (-)	-	-	(273,548)	(273,548)
Transfer to Stage1	533,598	(530,949)	(2,649)	-
Transfer to Stage 2	(196,638)	204,197	(7,559)	-
Transfer to Stage 3	(1,217)	(183,561)	184,778	-
Foreign Currency Differences	70,477	423,920	721,674	1,216,071
Balances at End of Period	**1,675,034**	**6,282,087**	**13,253,235**	**21,210,356**

(Thousands of Turkish Lira (TL))

Prior Period	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Balances at End of Prior Period	**942,150**	**4,027,289**	**8,124,589**	**13,094,028**
Additions during the Period (+)	2,011,898	5,584,149	4,713,858	12,309,905
Disposal (-)	(2,511,214)	(3,178,773)	(1,080,557)	(6,770,544)
Debt Sale (-)	-	-	(1,025,130)	(1,025,130)
Write-offs (-)	(133)	(8)	(874,821)	(874,962)
Transfer to Stage1	1,276,145	(1,270,029)	(6,116)	-
Transfer to Stage 2	(520,603)	552,520	(31,917)	-
Transfer to Stage 3	(7,050)	(1,957,492)	1,964,542	-
Foreign Currency Differences	35,939	275,927	398,486	710,352
Balances at End of Period	**1,227,132**	**4,033,583**	**12,182,934**	**17,443,649**

5.1.5.12 Liquidation policy for uncollectible 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".

5.1.5.13 Write-off policy

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".

5.1.6 Lease receivable (Net)

5.1.6.1 Financial lease receivables according to remaining maturities

	Current Period		*Prior Period*	
	Gross	**Net**	**Gross**	**Net**
Less than 1 Year	2,556,584	2,226,151	2,338,813	2,036,260
Between 1-5 Years	3,837,112	3,492,336	3,444,202	3,128,201
Longer than 5 Years	172,168	163,978	155,520	148,642
Total	**6,565,864**	**5,882,465**	**5,938,535**	**5,313,103**

Non-performing loans are not included.

5.1.6.2 Net financial lease receivables

	Current Period	*Prior Period*
Gross Financial Lease Receivables	6,565,864	5,938,537
Unearned Income on Financial Lease Receivables (-)	(683,399)	(625,434)
Terminated Lease Contracts (-)	-	-
Net Financial Lease Receivables	**5,882,465**	**5,313,103**

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".

(Thousands of Turkish Lira (TL))

5.1.8 Financial assets measured at amortised cost

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

	Current Period		*Prior Period*	
	TL	**FC**	**TL**	**FC**
Collateralised/Blocked Investments	4,367,245	5,668,019	3,380,677	3,959,717
Investments subject to Repurchase Agreements	12,869,823	-	55,581	679,218
Total	**17,237,068**	**5,668,019**	**3,436,258**	**4,638,935**

5.1.8.2 Government securities measured at amortised cost

	Current Period	*Prior Period*
Government Bonds	30,924,446	27,558,636
Treasury Bills	76,707	-
Other Government Securities	-	-
Total	**31,001,153**	**27,558,636**

5.1.8.3 Financial assets measured at amortised cost

	Current Period	*Prior Period*
Debt Securities	**26,634,410**	**20,404,822**
Quoted at Stock Exchange	26,581,417	20,358,959
Unquoted at Stock Exchange	52,993	45,863
Valuation Increase / (Decrease)	**4,489,320**	**7,315,520**
Total	**31,123,730**	**27,720,342**

5.1.8.4 Movement of financial assets measured at amortised cost

	Current Period	*Prior Period*
Balances at Beginning of Period	**27,720,342**	**24,654,009**
Foreign Currency Differences on Monetary Assets	1,063,957	772,371
Purchases during the Period	6,469,522	1,248,680
Disposals through Sales/Redemptions	(2,617,768)	(199,492)
Valuation Effect	(1,512,323)	1,244,774
Balances at End of Period	**31,123,730**	**27,720,342**

(Thousands of Turkish Lira (TL))

5.1.8.5 Expected credit loss for financial assets measured at amortised cost

Current Period	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Balances at End of Prior Period	**119,889**	**-**	**-**	**119,889**
Additions during the Period (+)	202,323	-	-	202,323
Disposal (-)	(67,022)	-	-	(67,022)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	5,886	-	-	5,886
Balances at End of Period	**261,076**	**-**	**-**	**261,076**

Prior Period	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Balances at End of Prior Period	**54,125**	**-**	**-**	**54,125**
Additions during the Period (+)	85,056	-	-	85,056
Disposal (-)	(22,083)	-	-	(22,083)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	2,791	-	-	2,791
Balances at End of Period	**119,889**	**-**	**-**	**119,889**

5.1.9 Assets held for sale and assets of discontinued operations

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

	Current Period	*Prior Period*
Balances at Beginning of Period		
Cost	**1,171,231**	**870,977**
Accumulated Depreciation	**(12,173)**	**(13,293)**
Net Book Value	**1,159,058**	**857,684**
End of Current Period		
Additions	103,778	542,907
Disposals (Cost)	(127,591)	(265,683)
Disposals (Accumulated Depreciation)	152	1,120
Reversal of Impairment / Impairment Losses	23,965	21,053
Depreciation Expense for Current Period (-)	-	-
Currency Translation Differences on Foreign Operations	3,445	1,977
Cost	**1,174,828**	**1,171,231**
Accumulated Depreciation (-)	**(12,021)**	**(12,173)**
Net Book Value	**1,162,807**	**1,159,058**

(Thousands of Turkish Lira (TL))

5.1.9.2 Investments in subsidiaries and associates to be disposed

	Current Period	*Prior Period*
Balances at Beginning of Period	**293,200**	**11**
Additions (*)	-	881,129
Disposals (Cost)	-	-
Disposals (Accumulated Depreciation)	-	-
Depreciation Expense for Current Period (-)	-	-
Cost	293,200	**881,140**
Accumulated Depreciation (-)	-	-
Impairment Losses (-)	(293,200)	(587,940)
Net Book Value	**-**	**293,200**

(*)Within the context of the existing loan agreements, all creditors including the Bank have reached an agreement on restructuring the loans granted to Ojer Telekomünikasyon A.Ş. (OTAŞ) who is the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) and it is contemplated that Türk Telekom's number of 192.500.000.000 A group shares owned by OTAŞ, representing 55% of its issued share capital corresponding to A group shares have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. As per the agreed structure, it is agreed on the corresponding agreements, completed all required corporate and administrative permissions and the transaction is concluded by a transfer of the aforementioned shares to the special purpose entity incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. In this context, the Bank owned 22.1265% of the founded special purpose entity and the related investment is considered within the scope of 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. In the current year, all of the assets acquired under TFRS 5 was impaired.

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

(Thousands of Turkish Lira (TL))

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	İstanbul/Turkey	-	5.26
2	Bankalararası Kart Merkezi AŞ (1)	İstanbul/Turkey	4.98	4.98
3	Yatırım Finansman Menkul Değerler AŞ (1)	İstanbul/Turkey	0.77	0.77
4	İstanbul Takas ve Saklama Bankası AŞ (1)	İstanbul/Turkey	4.95	4.97
5	Borsa İstanbul AŞ (2)	İstanbul/Turkey	0.30	0.34
6	KKB Kredi Kayıt Bürosu AŞ (1)	İstanbul/Turkey	9.09	9.09
7	Türkiye Cumhuriyet Merkez Bankası AŞ (2)	Ankara/ Turkey	2.48	2.48
8	Kredi Garanti Fonu AŞ (1)	Ankara/ Turkey	1.49	1.49
9	JCR Avrasya Derecelendirme A.Ş. (2)	İstanbul/Turkey	2.86	2.86
10	Birleşik İpotek Finansmanı A.Ş. (3)	İstanbul/Turkey	8.33	8.33

	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	16,043	12,047	3,572	219	4	2,193	1,450	-
2	151,277	100,459	77,667	863	-	8,961	8,943	-
3	777,761	121,901	10,173	354	139	7,736	4,915	-
4	19,323,366	2,418,218	117,057	81,193	11,136	110,027	124,880	-
5	18,373,660	3,460,082	631,470	95,859	-	1,009,438	1,173,543	-
6	364,812	229,265	249,880	1,824	70	11,740	12,147	-
7	786,013,203	51,839,421	621,220	30,964,836	3,733,945	44,732,807	56,279,555	-
8	902,137	646,973	21,417	7,107	-	23,122	32,826	-
9	31,238	25,827	22,785	666	-	6,146	2,082	-
10	-	-	-	-	-	-	-	-

(1) Financial information is as of 31 March 2020.
(2) Financial information is as of 31 December 2019.
(3) Financial information is not available since the company is newly established in March 2020.
(*) 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

The Bank under the supervision of the Banks Association of Turkey, joined the capital of Birleşik İpotek Finansmanı A.Ş. which was established as a separate enterprise, in partnership with a total of 833,333 shares with a nominal value of TL 833, representing 8.33% of the capital.

The Bank purchased 28,559 shares of JCR Avrasya Rating A.Ş. with a nominal value of 29 TL, representing 2.86% of the capital, at a price of 2,755 TL.

5.1.10.2 Consolidated investments in associates

None.

5.1.10.3 Movement of consolidated investments in associates

None.

Valuation methods of consolidated investments in associates

None.

Sectoral distribution of consolidated investments and associates

None.

Quoted consolidated investments in associates

None.

Investments in associates sold during the current period

None.

Investments in associates acquired during the current period

None.

(Thousands of Turkish Lira (TL))

5.1.11 Investments in subsidiaries

Information on capital adequacy of major subsidiaries

Current Period	**Garanti Bank International NV**	**Garanti Finansal Kiralama AŞ**	**Garanti Holding BV**
COMMON EQUITY TIER I CAPITAL			
Paid-in Capital to be Entitled for Compensation after All Creditors	1,054,139	357,848	2,955,512
Share Premium	-	-	99,496
Share Cancellation Profits	-	-	-
Legal Reserves	1,014,015	545,995	(15,922)
Other Comprehensive Income according to TAS	2,454,746	-	51,545
Current and Prior Periods' Profits	67,238	179,195	249,445
Common Equity Tier I Capital Before Deductions	**4,590,138**	**1,083,038**	**3,340,076**
Deductions From Common Equity Tier I Capital			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	12,946	668	922,017
Leasehold Improvements on Operational Leases (-)	-	-	1,155
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	43,234	14,506	422,225
Net Deferred Tax Asset/Liability (-)	-	-	-
Total Deductions from Common Equity Tier I Capital	**56,180**	**15,174**	**1,345,397**
Total Common Equity Tier I Capital	**4,533,958**	**1,067,864**	**1,994,679**
Total Deductions From Tier I Capital	-	-	-
Total Tier I Capital	**4,533,958**	**1,067,864**	**1,994,679**
TIER II CAPITAL	**383,445**	**-**	**76,726**
TOTAL CAPITAL	**4,917,403**	**1,067,864**	**2,071,405**

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

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

(Thousands of Turkish Lira (TL))

5.1.11.1 Unconsolidated investments in subsidiaries

	Subsidiaries	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Garanti Bilişim Teknolojisi ve Tic. TAŞ	Istanbul/Turkey	100.00	100.00
2	Garanti Ödeme Sistemleri AŞ	Istanbul/Turkey	99.96	100.00
3	Garanti Kültür AŞ	Istanbul/Turkey	100.00	100.00
4	Garanti Konut Finansmanı Danışmanlık Hiz. AŞ	Istanbul/Turkey	100.00	100.00
5	Trifoi Real Estate Company	Bucharest/Romania	-	100.00
6	Garanti Filo Yönetim Hizmetleri AŞ	Istanbul/Turkey	-	100.00
7	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	118,322	109,030	46	4,747	-	4,334	16,121	-	-
2	28,684	13,806	474	656	-	(5,690)	399	-	-
3	4,315	1,836	1,155	-	-	22	43	-	-
4	5,816	4,399	7	182	-	38	413	-	-
5	7,469	6,105	7,460	-	-	(3)	(2)	-	-
6	1,631,246	198,715	1,405,271	674	-	138,607	13,211	-	-
7	4,364	3,700	-	-	-	644	568	-	-

(*) 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.

(Thousands of Turkish Lira (TL))

5.1.11.2 Movement of consolidated investments in subsidiaries

	Current Period	*Prior Period*
Balances at Beginning of Period	**8,448,841**	**6,942,044**
Movements during the Period	**815,139**	**1,506,797**
Acquisitions and Capital Increases	-	-
Bonus Shares Received	382	-
Dividends from Current Year Profit	628,746	893,943
Sales/Liquidations	-	(352)
Reclassifications	-	-
Value Increase/Decrease (*) (**)	(669,021)	110,834
Currency Differences on Foreign Subsidiaries	855,032	502,372
Reversal of Impairment Losses / Impairment Losses (-)	-	-
Balance at End of Period	**9,263,980**	**8,448,841**
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 594,393 thousands of this amount is due to the dividend distribution of Garanti Emeklilik AŞ as per the decision made at its Annual General Assembly meeting held on 30 June 2020.

Valuation methods of consolidated investments in subsidiaries

	Current Period	*Prior Period*
Valued at Cost	-	-
Valued at Fair Value (*)	9,263,980	8,448,841

(*) The amounts recognized in the equity accounting application are included in the unconsolidated financial statement of the Bank.

Sectoral distribution of consolidated investments in subsidiaries

	Current Period	*Prior Period*
Banks	4,553,952	3,921,884
Insurance Companies	754,135	1,153,607
Factoring Companies	148,500	134,182
Leasing Companies	1,083,368	1,018,498
Finance Companies	2,724,025	2,220,670
Other Subsidiaries	-	-

Quoted consolidated investments in subsidiaries

	Current Period	*Prior Period*
Quoted at Domestic Stock Exchanges	150,868	135,322
Quoted at International Stock Exchanges	-	-

(Thousands of Turkish Lira (TL))

Other information on consolidated investments in subsidiaries

	Subsidiaries	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Shares of Other Consolidated Subsidiaries (%)	Method of Consolidation
1	Garanti Finansal Kiralama AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
2	Garanti Faktoring AŞ	Istanbul/Turkey	81.84	-	Full Consolidation
3	Garanti Yatırım Menkul Kıymetler AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
4	Garanti Portföy Yönetimi AŞ	Istanbul/Turkey	100.00	-	Full Consolidation
5	Garanti Emeklilik ve Hayat AŞ	Istanbul/Turkey	84.91	-	Full Consolidation
6	Garanti Bank International NV	Amsterdam/the Netherlands	100.00	-	Full Consolidation
7	Garanti Holding BV	Amsterdam/the Netherlands	100.00	-	Full Consolidation
8	G Netherlands BV (*)	Amsterdam/the Netherlands	-	100.00	Full Consolidation
9	Garanti Bank SA	Bucharest/Romania	-	100.00	Full Consolidation
10	Motoractive IFN SA	Bucharest/Romania	-	100.00	Full Consolidation
11	Ralfi IFN SA	Bucharest/Romania	-	100.00	Full Consolidation
12	Garanti Yatırım Ortaklığı AŞ	Istanbul / Turkey	-	3.61	Full Consolidation

(*) The financial information presented in the below table does not include elimination and adjustment entries.

	Total Assets	Shareholders' Equity	Total Fixed Assets (**)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	5,259,910	1,083,375	21,160	208,257	-	78,758	57,737	-
2	2,551,020	181,455	14,902	127,806	-	17,471	28,312	-
3	989,037	536,022	25,404	7,869	6,409	213,785	63,382	-
4	176,139	163,636	1,048	4,480	1,455	28,307	13,162	-
5	2,545,576	888,142	47,723	73,246	29,456	217,427	220,557	-
6	25,268,627	4,566,587	287,370	291,428	6,353	26,911	51,940	-
7	2,610,986	2,608,871	-	-	-	(308)	(315)	-
8	2,554,576	2,159,438	-	139	-	(11,725)	(16,317)	-
9	16,768,855	2,421,403	567,248	300,126	44,362	81,345	104,521	-
10	1,274,930	220,110	8,785	35,716	-	7,856	18,771	-
11	934,816	143,065	19,754	39,422	-	8,860	5,731	-
12	42,460	40,507	1,152	846	1,044	(115)	2,088	65,600

(**) 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.

(Thousands of Turkish Lira (TL))

5.1.13 Tangible assets

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".

5.1.14 Intangible assets

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".

5.1.15 Investment property

	Current Period	*Prior Period*
Net Book Value at Beginning of Period	**569,719**	**558,309**
Additions	-	35,343
Disposals	-	(268)
Transfers to Tangible Assets	-	-
Fair Value Change	5,424	(23,665)
Net Currency Translation Differences on Foreign Subsidiaries	-	-
Net Book Value at End of Period	**575,143**	**569,719**

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.

(Thousands of Turkish Lira (TL))

5.1.16 Deferred tax asset

As of 30 June 2020, on a consolidated basis the Bank has a deferred tax asset of TL 2,822,517 (31 December 2019: TL 1,882,010) 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 June 2020, deferred tax assets of TL 3,222,759 (31 December 2019: TL 2,232,124) are reduced by deferred tax liabilities of TL 400,242 (31 December 2019: TL 350,114) 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.

	Current Period		***Prior Period***	
	Tax Base	**Deferred Tax Amount**	**Tax Base**	**Deferred Tax Amount**
Provisions (*)	3,629,960	710,227	2,839,430	549,331
Stages 1&2 Credit Losses	8,857,341	1,835,827	5,794,132	1,213,642
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	2,135,206	473,391	1,075,265	178,924
Revaluation Differences on Real Estates	(1,967,498)	(196,909)	(1,870,033)	(187,155)
Other	(16,148)	(19)	581,831	127,268
Deferred Tax Asset	**12,638,861**	**2,822,517**	**8,420,625**	**1,882,010**

(*) 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 June 2020, TL 990,188 (30 June 2019: TL 228,393 of deferred tax income) of deferred tax income and TL 43,707 (31 December 2019: TL 78,763 tax income) of deferred tax income were recognised in the income statement and the shareholders' equity, respectively.

5.1.17 Other Assets

	Current Period		***Prior Period***	
	TP	**YP**	**TP**	**YP**
Derivative Assets (Derivative Quarantees)	529,514	9,705,554	290,673	6,845,390
Receivables From Clearing Transactions	4,044,997	16,925	3,306,061	76,901
Prepaid Expenses	1,893,045	45,286	1,376,623	17,941
Cash Guarantees Given	103,704	105,007	69,104	200,673
Receivables From Forward Sale of Assets	1,137	134,314	1,137	114,591
Other	370,108	448,390	458,647	406,003
Total	**6,942,505**	**10,455,476**	**5,502,245**	**7,661,499**

(Thousands of Turkish Lira (TL))

5.2 Consolidated liabilities

5.2.1 Maturity profile of deposits

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	**27,158,034**	**-**	**3,754,389**	**52,396,631**	**326,865**	**248,923**	**1,308,680**	**2,388**	**85,195,910**
Foreign Currency Deposits	**78,025,462**	**-**	**10,205,687**	**56,737,016**	**4,182,690**	**4,934,765**	**9,317,417**	**36,812**	**163,439,849**
Residents in Turkey	61,504,636	-	8,584,851	51,716,394	1,642,329	1,811,307	2,698,599	35,642	127,993,758
Residents in Abroad	16,520,826	-	1,620,836	5,020,622	2,540,361	3,123,458	6,618,818	1,170	35,446,091
Public Sector Deposits	**1,017,857**	**-**	**2,937**	**66,505**	**1**	**10**	**-**	**-**	**1,087,310**
Commercial Deposits	**15,812,817**	**-**	**9,490,002**	**9,591,005**	**35,446**	**30,916**	**1,262,466**	**-**	**36,222,652**
Others	**328,068**	**-**	**766,779**	**908,218**	**1,513**	**259,513**	**3,545,244**	**-**	**5,809,335**
Precious Metal Deposits	**11,202,248**	**-**	**-**	**266,323**	**543,861**	**43,645**	**823,339**	**-**	**12,879,416**
Bank Deposits	**1,578,107**	**-**	**638,948**	**28,141**	**-**	**694**	**2,749**	**-**	**2,248,639**
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	4,261	-	-	-	-	-	-	-	4,261
Foreign Banks	475,458	-	638,948	28,141	-	694	2,749	-	1,145,990
Special Financial Institutions	1,098,388	-	-	-	-	-	-	-	1,098,388
Others	-	-	-	-	-	-	-	-	-
Total	**135,122,593**	**-**	**24,858,742**	**119,993,839**	**5,090,376**	**5,518,466**	**16,259,895**	**39,200**	**306,883,111**

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	**17,433,837**	**-**	**3,116,931**	**51,677,816**	**571,816**	**383,980**	**1,585,582**	**2,370**	**74,772,332**
Foreign Currency Deposits	**51,062,394**	**-**	**14,477,678**	**69,825,350**	**5,051,064**	**5,186,890**	**9,913,217**	**34,608**	**155,551,201**
Residents in Turkey	37,397,146	-	12,952,855	64,791,799	2,293,257	1,974,114	1,811,661	33,422	121,254,254
Residents in Abroad	13,665,248	-	1,524,823	5,033,551	2,757,807	3,212,776	8,101,556	1,186	34,296,947
Public Sector Deposits	**1,283,224**	**-**	**19,396**	**39,676**	**-**	**11**	**58**	**-**	**1,342,365**
Commercial Deposits	**11,489,191**	**-**	**8,625,643**	**10,217,039**	**129,187**	**88,491**	**1,216,056**	**-**	**31,765,607**
Others	**320,716**	**-**	**142,512**	**601,501**	**2,407**	**246,285**	**3,730,349**	**-**	**5,043,770**
Precious Metal Deposits	**4,958,792**	**-**	**2,342**	**179,827**	**343,121**	**36,038**	**613,179**	**-**	**6,133,299**
Bank Deposits	**2,322,684**	**-**	**169,266**	**51,014**	**116,070**	**4,753**	**4,964**	**-**	**2,668,751**
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	30,924	-	-	-	-	4,753	-	-	35,677
Foreign Banks	330,928	-	169,266	51,014	116,070	-	4,964	-	672,242
Special Financial Institutions	1,960,832	-	-	-	-	-	-	-	1,960,832
Others	-	-	-	-	-	-	-	-	-
Total	**88,870,838**	**-**	**26,553,768**	**132,592,223**	**6,213,665**	**5,946,448**	**17,063,405**	**36,978**	**277,277,325**

(Thousands of Turkish Lira (TL))

5.2.1.1 Saving deposits insured by Saving Deposit Insurance Fund

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

	Covered by Deposit Insurance Over Deposit Insurance Limit		**Over Deposit Insurance Limit**	
	Current Period	***Prior Period***	***Current Period***	***Prior Period***
Saving Deposits	47,285,992	39,677,571	37,275,203	34,453,878
Foreign Currency Saving Deposits	39,329,959	37,004,702	73,573,531	70,678,418
Other Saving Deposits	5,889,726	3,179,119	6,204,431	2,565,718
Foreign Branches' Deposits Under Foreign Insurance Coverage	1,244,750	1,169,315	261	57
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 communique "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	18,175	19,694
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	136,121	166,340
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	262,830	1,275,246	-	860,923
Domestic Banks and Institutions	1,033,372	1,764,363	1,326,874	1,320,690
Foreign Banks, Institutions and Funds	460,405	21,402,555	1,361,081	20,752,491
Total	**1,756,607**	**24,442,164**	**2,687,955**	**22,934,104**

5.2.2.1 Maturities of funds borrowed

	Current Period		***Prior Period***	
	TL	**FC**	**TL**	**FC**
Short-Term	1,283,477	3,320,160	1,326,881	2,991,738
Medium and Long-Term	473,130	21,122,004	1,361,074	19,942,366
Total	**1,756,607**	**24,442,164**	**2,687,955**	**22,934,104**

5.2.2.2 Disclosures for concentration areas of bank's liabilities

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".

(Thousands of Turkish Lira (TL))

5.2.3 *Money market funds*

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

	Current Period		*Prior Period*	
	TL	**FC**	**TL**	**FC**
Domestic Transactions	**14,743,020**	**-**	**94,463**	**-**
Financial Institutions and Organizations	14,632,959	-	16,856	-
Other Institutions and Organizations	55,493	-	38,539	-
Individuals	54,568	-	39,068	-
Foreign Transactions	**111**	**1,391,711**	**81**	**1,370,446**
Financial Institutions and Organizations	-	1,391,711	-	1,370,446
Other Institutions and Organizations	-	-	-	-
Individuals	111	-	81	-
Total	**14,743,131**	**1,391,711**	**94,544**	**1,370,446**

5.2.4 *Securities issued*

Current Period	TL		FC	
	Short-Term	**Medium and Long-Term**	**Short-Term**	**Medium and Long-Term**
Nominal	4,971,192	2,032,018	-	17,332,141
Cost	4,900,890	2,030,144	-	17,239,786
Carrying Value (*)	4,952,309	1,231,899	-	16,247,971

Prior Period	TL		FC	
	Short-Term	**Medium and Long-Term**	**Short-Term**	**Medium and Long-Term**
Nominal	4,832,936	2,032,018	-	15,882,842
Cost	4,822,428	2,030,144	-	15,809,477
Carrying Value (*)	4,825,540	1,210,544	-	14,990,453

(*) The Bank and/or its financial subsidiaries repurchased the Bank's own TL securities with a total face value of TL 1,951,302 and foreign currency securities with a total face value of USD 215,427,000 (31 December 2019: 863,079 TL and USD 206,943,000) 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*

	Current Period		*Prior Period*	
	TL	**FC**	**TL**	**FC**
Securities Issued	-	14,453,088	-	14,342,293
Total	**-**	**14,453,088**	**-**	**14,342,293**

In accordance with TFRS 9, the Bank classified a part of borrowings obtained through securitisations amounting to USD 2,422,738,095 (31 December 2019: USD 2,511,607,143) as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch.

As of 30 June 2020, the accumulated fair value change of the related financial liability amounted to TL 2,381,132 (31 December 2019: TL 725,306) and the corresponding gain/loss recognised in the statement of loss amounted to TL 1,655,826 (30 June 2019: TL 374,465). The carrying value of the related financial liability amounted to TL 14,453,088 (31 December 2019: TL 14,342,293).

(Thousands of Turkish Lira (TL))

5.2.6 Derivative financial liabilities

5.2.6.1 Negative differences on derivative financial liabilities measured at FVTPL

Information on negative differences on derivative financial liabilities measured at FVTPL classified in derivative financial liabilities is as follows;

	Current Period		*Prior Period*	
	TL	**FC**	**TL**	**FC**
Forward Transactions	171,015	4,042	155,718	7,065
Swap Transactions	903,447	4,288,060	931,412	1,730,884
Futures	45	2,475	6	-
Options	40,997	82,533	113,327	105,537
Others	-	703	-	298
Total	**1,115,504**	**4,377,813**	**1,200,463**	**1,843,784**

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	*Current Period*		*Prior Period*	
	TL	**FC**	**TL**	**FC**
Fair Value Hedges	2,506	467,195	104,982	355,722
Cash Flow Hedges	196,645	298,930	639,826	94,888
Net Foreign Investment Hedges	-	-	-	-
Total	**199,151**	**766,125**	**744,808**	**450,610**

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 communique “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

There is no amount from financial lease payables (31 December 2019: None).

5.2.8.2 Operational lease agreements

	Current Period		*Prior Period*	
	Gross	**Net**	**Gross**	**Net**
Less than 1 Year	397,050	291,595	383,053	247,396
Between 1-5 Years	757,169	558,313	846,977	550,604
Longer than 5 Years	451,294	319,223	547,238	336,770
Total	**1,605,513**	**1,169,131**	**1,777,268**	**1,134,770**

As of 30 June 2020, the weighted average of the incremental borrowing interest rates applied to TL, EUR, USD and RON lease liabilities presented in the statement of financial position of the Group are 15%, 2.2%, 7.2% and 5.8% (31 December 2019: 21.2%, 2.5%, 7% and 8%) respectively.

(Thousands of Turkish Lira (TL))

5.2.9 Provisions

5.2.9.1 Reserve for employee severance indemnity

	Current Period	*Prior Period*
Balances at Beginning of Period	**558,285**	**489,257**
Provision for the Period	71,091	142,503
Actuarial Gain/Loss	-	(4,293)
Payments During the Period	(24,809)	(69,182)
Balances at End of Period	**604,567**	**558,285**

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

None (31 December 2019: None).

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

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".

5.2.9.4 Other provisions

	Current Period	*Prior Period*
Reserve for Employee Benefits	1,215,970	1,246,661
Insurance Technical Provisions, Net	779,261	640,533
Provision for Promotion Expenses of Credit Cards	217,711	172,525
Provision for Lawsuits	546,055	488,730
Provision for Non-Cash Loans	1,520,520	1,214,480
Other Provisions(*)	3,542,552	2,763,444
Total	**7,822,069**	**6,526,373**

(*) Includes total general reserve of TL 3,100,000 (31 December 2019: 2,500,000) consisting of TL 600,000 and TL 2,500,000 recognized as expense in the current period and prior periods, respectively.

Recognized liability for defined benefit plan obligations

The Bank obtained an actuarial report dated 23 December 2019 from an independent actuary reflecting the principles and procedures on determining the application of transfer transactions in accordance with the Law and it is determined that the assets of the Plan are above the amount that will be required to be paid to transfer the obligation and the asset surplus amounts to TL 4,634,662 at 31 December 2019 as details are given in the table below.

Furthermore, an actuarial report was prepared as of 30 June 2020 as per the requirements of the Law explained in Note 3.17, the accounting policies related with "employee benefits" for the benefits transferable to the SSF and as per TAS 19 for other benefits not transferable to the SSF and arising from other social rights and payments covered by the existing trust indenture of the Fund and medical benefits provided for employees. Based on the actuary's 23 December 2019 dated report, the asset surplus over the fair value of the plan assets to be used for the payment of the obligations also fully covers the benefits not transferable and still a surplus of TL 2,238,125 remains as of 31 December 2019 as details are given in the table below.

(Thousands of Turkish Lira (TL))

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

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

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

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

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

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

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

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

(Thousands of Turkish Lira (TL))

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

5.2.10 Tax liability

5.2.10.1 Current tax liability

5.2.10.1.1 Tax liability

As of 30 June 2020, the corporate tax liability amounts to TL 1,430,912 (31 December 2019: TL 683,990) after offsetting with prepaid taxes. If the differences arising between the book value and the tax base value of the assets subject to the current tax liability are related to the shareholders' equity account group, the current tax asset or liability is netted off by the relevant accounts in this group.

5.2.10.1.2 Taxes payable

	Current Period	***Prior Period***
Corporate Taxes Payable	1,430,912	683,990
Taxation on Securities Income	114,976	190,677
Taxation on Real Estates Income	4,544	5,321
Banking Insurance Transaction Tax	157,028	209,765
Foreign Exchange Transaction Tax	51,321	10,997
Value Added Tax Payable	33,604	35,049
Others	93,739	101,866
Total	**1,886,124**	**1,237,665**

5.2.10.1.3 Premiums payable

	Current Period	***Prior Period***
Social Security Premiums-Employees	6,204	5,411
Social Security Premiums-Employer	3,788	3,438
Bank Pension Fund Premium-Employees	869	37
Bank Pension Fund Premium-Employer	1,369	37
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	2,136	1,752
Unemployment Insurance-Employer	4,667	3,586
Others	93	49
Total	**19,126**	**14,310**

5.2.10.2 Deferred tax liability

As of 30 June 2020, the deferred tax liability amounts to TL 23,506 (31 December 2019: TL 29,480).

(Thousands of Turkish Lira (TL))

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

	Current Period		*Prior Period*	
	TL	**FC**	**TL**	**FC**
Payables from credit card transactions	10,589,337	81,482	9,955,158	136,071
Payables from clearing transactions	3,759,446	35,425	2,978,282	74,119
Other	1,377,217	2,206,850	1,319,133	2,073,593
Total	**15,726,000**	**2,323,757**	**14,252,573**	**2,283,783**

5.2.14 Shareholders' equity

5.2.14.1 Paid-in capital

	Current Period	*Prior Period*
Common shares	4,200,000	4,200,000
Preference shares	-	-

5.2.14.2 Registered share capital system

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

5.2.14.3 Capital increases in current period

None.

5.2.14.4 Capital increases from capital reserves in current period

None.

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.

(Thousands of Turkish Lira (TL))

5.2.14.8 Securities value increase fund

Information on securities value increase fund classified as a part of income/expenses from valuation and/or reclassification of financial assets measured at FVOCI in the statement of changes in shareholders' equity, is as follows;

	Current Period		***Prior Period***	
	TL	**FC**		
Investments in Associates, Subsidiaries and Joint-Ventures	**-**	**-**	**-**	**-**
Valuation Difference	-	-	-	-
Exchange Rate Difference	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	**748,367**	**224,348**	**(40,429)**	**155,810**
Valuation Difference	748,367	224,348	(40,429)	155,810
Exchange Rate Difference	-	-	-	-
Total	**748,367**	**224,348**	**(40,429)**	**155,810**

5.2.14.9 Revaluation surplus

	Current Period		***Prior Period***	
	TL	**FC**		
Movables	37,899	230,333	24,125	194,826
Real Estates	1,600,100	83,886	1,525,315	72,648
Gain on Sale of Investments in Associates and Subsidiaries and Real Estates allocated for Capital Increases	-	-	-	-
Other	(172,475)	-	(172,475)	-
Total	**1,465,524**	**314,219**	**1,376,965**	**267,474**

5.2.14.10 Bonus shares of associates, subsidiaries and joint-ventures

	Current Period	***Prior Period***
Bankalararası Kart Merkezi AŞ	5,781	-
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	**6,694**	**913**

5.2.14.11 Legal reserves

	Current Period	***Prior Period***
I. Legal Reserve	1,099,676	1,092,170
II. Legal Reserve	507,264	507,264
Special Reserves	-	-
Total	**1,606,940**	**1,599,434**

5.2.14.12 Extraordinary reserves

	Current Period	***Prior Period***
Legal Reserves allocated in compliance with the Decisions Made on the Annual General Assembly	38,049,479	38,013,495

(Thousands of Turkish Lira (TL))

5.2.14.13 Minority interest

	Current Period	*Prior Period*
Balance at Beginning of Period	**273,910**	**197,546**
Profit Share of Subsidiaries Net Profits	35,767	76,476
Prior Period Dividend Payment	-	(680)
Increase/(Decrease) in Minority Interest due to Sales	-	-
Others	1,829	568
Balance at End of Period	**311,506**	**273,910**

(Thousands of Turkish Lira (TL))

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 9,683,671 (31 December 2019: TL 15,882,503), commitments for cheque payments of TL 3,146,828 (31 December 2019: TL 3,184,727) and commitments for credit card limits of TL 45,413,182 (31 December 2019: TL 38,234,015).

5.3.1.2 Possible losses and commitments resulted from off-balance sheet items

	Current Period	*Prior Period*
Letters of Guarantee in Foreign Currency	30,591,574	26,872,148
Letters of Guarantee in TL	26,571,260	23,555,242
Letters of Credit	8,792,112	10,676,483
Bills of Exchange and Acceptances	1,799,591	1,579,043
Prefinancings	-	-
Other Guarantees	108,994	74,179
Total	**67,863,531**	**62,757,095**

Expected losses for non-cash loans and irrevocable commitments

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Current Period				
Balances at Beginning of Period	**238,451**	**351,457**	**624,572**	**1,214,480**
Additions during the Period (+)	245,087	288,160	197,983	731,230
Disposal (-)	(243,032)	(96,925)	(188,051)	(528,008)
Sales	-	-	-	-
Write-off	-	-	-	-
Transfer to Stage 1	64,481	(63,910)	(571)	-
Transfer to Stage 2	(17,366)	17,504	(138)	-
Transfer to Stage 3	(59)	(1,832)	1,891	-
Foreign Currency Differences	13,790	31,373	57,655	102,818
Balances at End of Period	**301,352**	**525,827**	**693,341**	**1,520,520**

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Prior Period				
Balances at Beginning of Period	**123,751**	**245,225**	**285,681**	**654,657**
Additions during the Period (+)	309,983	457,568	342,817	1,110,368
Disposal (-)	(268,789)	(180,334)	(148,924)	(598,047)
Sales	-	-	-	-
Write-off	-	-	-	-
Transfer to Stage 1	92,434	(91,370)	(1,064)	-
Transfer to Stage 2	(25,400)	26,879	(1,479)	-
Transfer to Stage 3	(401)	(119,500)	119,901	-
Foreign Currency Differences	6,873	12,989	27,640	47,502
Balances at End of Period	**238,451**	**351,457**	**624,572**	**1,214,480**

Lifetime expected credit loss (Stage 3) of TL 693,341 (31 December 2019: TL 624,572) is made for unliquidated non-cash loans of TL 1,457,452 (31 December 2019: TL 1,544,164) 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”.

(Thousands of Turkish Lira (TL))

5.3.1.3 Non-cash loans

	Current Period	*Prior Period*
Non-Cash Loans against Cash Risks	12,100,511	11,045,938
With Original Maturity of 1 Year or Less	*1,451,682*	*1,673,837*
With Original Maturity of More Than 1 Year	*10,648,829*	*9,372,101*
Other Non-Cash Loans	55,763,020	51,711,157
Total	**67,863,531**	**62,757,095**

5.3.1.4 Other information on non-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".

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

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".

5.3.2 Financial derivative instruments

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".

5.3.3 Credit derivatives and risk exposures on credit derivatives

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".

5.3.4 Contingent liabilities and assets

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".

5.3.5 Services rendered on behalf of third parties

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".

(Thousands of Turkish Lira (TL))

5.4 Consolidated statement of profit or loss

5.4.1 Interest income

5.4.1.1 Interest income from loans (*)

	Current Period		*Prior Period*	
	TL	**FC**	**TL**	**FC**
Interest Income from Loans				
Short-term loans	3,490,180	333,384	5,723,011	412,827
Medium and long-term loans	7,976,882	2,788,975	8,060,334	3,016,877
Loans under follow-up	287,272	133,399	278,504	48,277
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	**11,754,334**	**3,255,758**	**14,061,849**	**3,477,981**

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

5.4.1.2 Interest income from banks

	Current Period		*Prior Period*	
	TL	**FC**	**TL**	**FC**
Central Bank of Turkey	292	-	3,882	25,738
Domestic Banks	49,111	19,902	176,193	20,965
Foreign Banks	1,505	39,414	3,854	189,695
Foreign Head Offices and Branches	-	-	-	-
Total	**50,908**	**59,316**	**183,929**	**236,398**

5.4.1.3 Interest income from securities portfolio

	Current Period		*Prior Period*	
	TL	**FC**	**TL**	**FC**
Financial Assets Measured at Fair Value through Profit or Loss	43,809	13,819	29,762	4,339
Financial Assets Measured at Fair Value through Other Comprehensive Income	998,108	247,766	1,354,565	273,034
Financial Assets Measured at Amortised Cost	1,185,714	157,306	1,474,935	127,545
Total	**2,227,631**	**418,891**	**2,859,262**	**404,918**

As disclosed in the accounting policies, the Bank values CPI-indexed government bonds in its securities portfolio according to the reference index on the issue date and the index that is calculated according to the expected inflation rate. The inflation rate used during the valuation is being updated during the year when it is considered necessary. The estimated inflation rate which was taken as 8.5% in the first three months of 2020, was updated to 7.5% as of 1 April 2020. If the valuation of such securities was performed according to the reference index valid as of 30 June 2020, the parent Bank's securities value increase fund under the equity would decrease by TL 44,420 (net), whereas the interest income on securities portfolio would increase by TL 120,763.

5.4.1.4 Interest income received from associates and subsidiaries

	Current Period	*Prior Period*
Interest Received from Investments in Associates and Subsidiaries	12,446	14,001

(Thousands of Turkish Lira (TL))

5.4.2 Interest expenses

5.4.2.1 Interest expenses on funds borrowed (*)

	Current Period		*Prior Period*	
	TL	FC	TL	FC
Banks	**136,262**	**239,719**	**92,337**	**469,941**
Central Bank of Turkey	19,868	1,840	-	4,047
Domestic Banks	50,474	30,588	41,374	43,505
Foreign Banks	65,920	207,291	50,963	422,389
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	**-**	**449,788**	**-**	**527,544**
Total	**136,262**	**689,507**	**92,337**	**997,485**

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

5.4.2.2 Interest expenses paid to associates and subsidiaries

	Current Period	*Prior Period*
Interest Paid to Investments in Associates and Subsidiaries	6,160	15,820

5.4.2.3 Interest expenses on securities issued

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".

5.4.2.4 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	765	31,091	-	-	-	-	-	31,856
Saving Deposits	923	111,077	2,258,729	17,896	16,848	97,571	-	2,503,044
Public Sector Deposits	-	6,875	1,836	-	-	1	-	8,712
Commercial Deposits	34	323,016	492,791	4,063	2,881	76,719	-	899,504
Others	-	7,204	33,031	1,049	13,163	220,949	-	275,396
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Total TL	**1,722**	**479,263**	**2,786,387**	**23,008**	**32,892**	**395,240**	**-**	**3,718,512**
Foreign Currency								
Foreign Currency Deposits	4,037	34,714	219,642	51,477	37,238	79,135	199	426,442
Bank Deposits	(121)	614	548	2,929	4,790	988	-	9,748
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	1	38	71	5,012	-	5,122
Total FC	**3,916**	**35,328**	**220,191**	**54,444**	**42,099**	**85,135**	**199**	**441,312**
Grand Total	**5,638**	**514,591**	**3,006,578**	**77,452**	**74,991**	**480,375**	**199**	**4,159,824**

(Thousands of Turkish Lira (TL))

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	1,157	43,536	-	-	-	-	-	44,693
Saving Deposits	1,374	269,644	4,514,255	350,631	211,119	307,390	-	5,654,413
Public Sector Deposits	-	268	3,312	435	105	3	-	4,123
Commercial Deposits	247	862,810	924,665	51,742	40,099	79,070	-	1,958,633
Others	2	24,116	87,517	5,962	47,037	362,542	-	527,176
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Total TL	**2,780**	**1,200,374**	**5,529,749**	**408,770**	**298,360**	**749,005**	**-**	**8,189,038**
Foreign Currency								
Foreign Currency Deposits	31,977	105,857	792,830	56,564	101,427	153,039	263	1,241,957
Bank Deposits	2	2,161	525	1,525	4,748	4,120	-	13,081
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	43	138	108	3,359	-	3,648
Total FC	**31,979**	**108,018**	**793,398**	**58,227**	**106,283**	**160,518**	**263**	**1,258,686**
Grand Total	**34,759**	**1,308,392**	**6,323,147**	**466,997**	**404,643**	**909,523**	**263**	**9,447,724**

5.4.2.5 Interest expense on money market transactions

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".

5.4.2.6 Lease expenses

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".

5.4.2.7 Interest expenses on factoring payables

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".

5.4.3 Dividend income

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".

(Thousands of Turkish Lira (TL))

5.4.4 Trading income/losses (net)

	Current Period	*Prior Period*
Income	**65,375,326**	**63,223,871**
Trading Account Income	2,664,517	770,832
Derivative Financial Instruments	7,925,289	7,273,850
Foreign Exchange Gain	54,785,520	55,179,189
Losses (-)	**64,301,390**	**64,203,308**
Trading Account Losses	979,121	414,857
Derivative Financial Instruments	10,865,504	9,689,036
Foreign Exchange Losses	52,456,765	54,099,415
Total	**1,073,936**	**(979,437)**

TL 1,558,237 (30 June 2019: TL 2,440,361) of foreign exchange gains and TL 2,429,718 (30 June 2019: TL 1,601,657) 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 23,948,108 and EUR 21,052,642 and securitization borrowings amounting to EUR 41,478,940 by designating cross currency swaps with the same face values and terms and securitizations amounting to USD 475,731,708 and EUR 45,000,000 and deposits amounting to TL 3,385,000, USD 610,000,000 and forward EUR 480,000,000 by designating interest rate swaps with the same face values. Accordingly, in the current period, gain of TL 20,450 (30 June 2019: gain of TL 55,126) and loss of TL (330,121) (30 June 2019:loss of TL (110,494) TL)) 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 175,000, USD 170,661,951 and EUR 47,477,090, for its fixed rate coupons with a total face value of TL 430,000 and USD 387,500,000 and fixed-rate coupons with a total face value of EUR 75,800,000 by designating interest rate swaps and cross currency swaps with the same face values and terms. Accordingly, the accumulated fair value gain for the hedged loans and bonds is TL 48,878 (30 June 2019: gain of TL 67,160) and TL 388,127 (30 June 2019: gain of TL 83,665) respectively. The part of the related amount that belongs to the current period is accounted for under net trading income/losses in the statement of profit or loss.

In the consolidated financial statements, the Bank applies cash flow hedge accounting by designating floating rate funds borrowed used by the one of the Bank's subsidiary with interest rate swap transactions of the Bank, in order to hedge the cash flow risk arising from fluctuations in market interest rates of these funds borrowed by the subsidiary, starting from 30 September 2019.In this respect, cash flow hedge accounting is applied for funds borrowed amounting to EUR 102,659,877 by designating interest rate swaps that include floor option with the same nominal value and interest rate swaps of USD 7,000,000 with the same nominal value and terms. In this respect, there is TL (756) amount accounted under shareholders' equity in the current period for interest rate swap transactions.

(Thousands of Turkish Lira (TL))

One of the Bank's consolidated subsidiaries enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the subsidiary applied fair value hedge accounting for fixed rate eurobonds with a total face value of USD 25,000,000 and EUR 20,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, the accumulated fair value gain for the hedged loans and bonds is TL 19,463 (30 June 2019: loss of TL 40,132). The part of the related amount that belongs to the current period is accounted for under net trading income/losses in the statement of profit or loss.

One of the Bank's consolidated subsidiaries enters into interest rate agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the subsidiary applied cash flow hedge accounting for its funds borrowed amounting to EUR 35,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a loss of TL 11,553 (30 June 2019: a loss of TL 8,564) 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 162,204,524 sell and EUR 20,576,960 buy, USD 41,308,855 sell and EUR 36,891,233 buy, SEK 6,832,438 sell and EUR 640,971 buy, PLN 207,219 sell and EUR 45,559 buy, HUF 2,700,000,000 sell and EUR 8,014,762 buy, DKK 5,570,302 sell and EUR 746,829 buy, NOK 2,077,242 sell and EUR 185,652 buy, GBP 1,101,484 sell and EUR 1,266,590 buy, RON 9,999,996 sell and EUR 1,977,007 buy, CHF 42,102 sell and EUR 39,836 buy. Accordingly, in the current period, a loss of TL 2,587 (30 June 2019: a loss of TL 4,295) resulting from currency derivative contracts were recognized under shareholder's equity.

One of the Bank's consolidated subsidiaries enters into foreign currency derivative contracts to hedge the foreign currency risk of its expected future cash flows. In this respect, the subsidiary applied cash flow hedge accounting for its financial lease receivables granted in Foreign Currency by designating swaps with the same face value amount and similar terms; EUR 15,000,000 sell and TL 139,095,000 buy, USD 29,000,000 sell and TL 209,090,000 buy. Accordingly, in the current period, a loss of TL 5,930 (30 June 2019: a loss of TL 4,421) resulting from interest rate swap agreements and a gain of TL 6,962 (30 June 2019: a loss of TL 6,106) from currency derivative contracts were recognized under shareholder's equity.

5.4.5 Other operating income

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

In the current period, a part of non-performing receivables of the Bank's one of its consolidated subsidiaries amounting to TL 16,049 (30 June 2019: 433,907) were sold for a consideration of TL 5,310 (30 June 2019: 27,530). Considering the related provision of TL 14,971 (30 June 2019: 432,222) made in the financial statements, a gain of TL 4,232 (30 June 2019: 25,845) is recognized under "Other Operating Income".

	Current Period	*Prior Period*
Prior Year Reversals	**2,677,121**	**2,764,279**
Stage 1	1,071,388	867,555
Stage 2	639,413	1,120,030
Stage 3	869,031	640,677
Others	97,289	136,017
Income from term sale of assets	**22,707**	**40,591**
Others (*)	**852,044**	**571,608**
Total	**3,551,872**	**3,376,478**

(*) Premium income from insurance business amounting to TL 708,589 (30 June 2019: TL 402,680) which is included in other operating income in the accompanying financial statements is presented in "others" line item.

(Thousands of Turkish Lira (TL))

5.4.6 Expected credit losses and other provisions

	Current Period	*Prior Period*
Expected Credit Losses	**7,540,582**	**5,520,742**
12-Month ECL (Stage 1)	*1,784,417*	*974,614*
Significant Increase in Credit Risk (Stage 2)	*3,202,833*	*2,551,974*
Impaired Credits(Stage 3)	*2,553,332*	*1,994,154*
Other Provisions	**1,739,979**	**204,711**
Impairment Losses on Securities	14,058	4,735
Financial Assets Measured at Fair Value through Profit or Loss	*12,984*	*2,986*
Financial Assets Measured at Fair Value through Other Comprehensive Income	*1,074*	*1,749*
Impairment Losses on Associates, Subsidiaries and Joint-ventures	293,323	-
Associates	*293,323*	-
Subsidiaries	-	-
Joint-ventures (business partnership)	-	-
Others	1,432,598	199,976
Total	**9,280,561**	**5,725,453**

5.4.7 Other operating expenses

	Current Period	*Prior Period*
Reserve for Employee Termination Benefits	59,275	60,371
Defined Benefit Plan Obligations	-	-
Impairment Losses on Tangible Assets	100,809	26
Depreciation Expenses of Tangible Assets	190,741	203,466
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortisation Expenses of Intangible Assets	77,765	68,316
Decrease in Value of Equity Accounting Shares	-	-
Impairment Losses on Assets to be Disposed	3,753	2,379
Depreciation Expenses of Right-of-use Assets	171,119	156,013
Impairment Losses on Assets Held for Sale and Discontinued Assets	590	577
Other Operating Expenses	2,115,948	1,722,023
Operational Lease related Expenses (*)	*91,701*	*85,093*
Repair and maintenance expenses	*38,801*	*42,527*
Advertisement expenses	*65,704*	*81,049*
Other expenses	*1,919,742*	*1,513,354*
Loss on Sale of Assets	1,833	3,438
Others (**)	740,318	577,952
Total	**3,462,151**	**2,794,561**

(*) Includes lease related expenses out of the scope of TFRS 16.
(**) Includes saving-deposits-insurance-fund related expenses of TL 307,726 (30 June 2019: TL 163,397) and insurance-business claim losses of TL 264,818 (30 June 2019: TL 97,692) 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".

(Thousands of Turkish Lira (TL))

5.4.9 Information on provision for taxes for continued and discontinued operations

As of 30 June 2020, on a consolidated basis, the Bank recorded a current tax expense of TL 2,257,006 (30 June 2019: TL 1,224,051) and a deferred tax income of TL 990,188 (30 June 2019: TL 228,393 tax expense).

There is no amount from discontinued operations.

Deferred tax benefit/charge on timing differences

Deferred tax (benefit)/charge on timing differences	***Current Period***	***Prior Period***
Increase in Tax Deductible Timing Differences (+)	(1,195,376)	(553,662)
Decrease in Tax Deductible Timing Differences (-)	93,761	135,347
Increase in Taxable Timing Differences (-)	203,951	204,845
Decrease in Taxable Timing Differences (+)	(92,524)	(14,923)
Total	**(990,188)**	**(228,393)**

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)	(1,126,469)	(404,721)
(Increase)/Decrease in Taxable Timing Differences (net)	111,427	189,922
(Increase)/Decrease in Tax Losses (net)	24,854	(13,594)
(Increase)/Decrease in Tax Deductions and Exemptions (net)	-	-
Total	**(990,188)**	**(228,393)**

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	35,767	40,397

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".

(Thousands of Turkish Lira (TL))

5.7 Related party risks

5.7.1 Transactions with parent bank's risk group;

5.7.1.1 Loans and other receivables

Current Period:

Bank's Risk Group	**Associates, Subsidiaries and Joint-Ventures**		**Bank's Direct and Indirect Shareholders**		**Other Components in Risk Group**	
Loans and Other Receivables	**Cash**	**Non-cash**	**Cash**	**Non-cash**	**Cash**	**Non-cash**
Balance at beginning of period	192,177	4,064	38,598	1,003,750	28,717	45,561
Balance at end of period	482,087	3,782	701,085	590,920	143,111	39,017
Interest and Commission Income	**13,173**	**7**	**5,982**	**-**	**2,591**	**80**

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	300,597	5,024	116,428	954,272	147,203	36,351
Balance at end of period	192,177	4,064	38,598	1,003,750	28,717	45,561
Interest and Commission Income	**12,412**	**7**	**4,331**	**-**	**7,003**	**4**

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	137,563	134,824	133,851	109,448	107,955	107,483
Balance at end of period	129,129	137,563	34,121	133,851	152,385	107,955
Interest Expenses	**6,160**	**14,117**	**79**	**210**	**3,105**	**4,879**

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	116,223	34,363	23,854,032	33,860,021	-	9,479
Balance at end of period	203,616	116,223	30,175,360	23,854,032	-	-
Total Profit/(Loss)	**147**	**413**	**(336,603)**	**(185,619)**	**-**	**-**
Transactions for Hedging						
Balance at beginning of period	-	-	643,552	1,004,943	-	-
Balance at end of period	-	-	604,288	643,552	-	-
Total Profit/(Loss)	**-**	**-**	**(683)**	**1,797**	**-**	**-**

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 554,176 (31 December 2019: TL 147,011) compose 0.17% (31 December 2019: 0.05%) of the Bank's total consolidated cash loans and 0.11% (31 December 2019: 0.03%) of the Bank's total consolidated assets. The total loans and similar receivables amounting TL 1,326,283 (31 December 2019: TL 259,492) compose 0.27% (31 December 2019: 0.06%) of the Bank's total consolidated assets. The non-cash loans of the risk group amounting TL 633,719 (31 December 2019: TL 1,053,375) compose 0.93% (31 December 2019: 1.68%) of the Bank's total consolidated non-cash loans. The deposits of the risk group amounting TL 315,635 (31 December 2019: TL 379,369) compose 0.10% (31 December 2019: 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 2,655 (30 June 2019: TL 2,487) was recognized for the real estates rented to the related parties.

No operating expenses were incurred for the IT services rendered by the related parties (30 June 2019: TL 418). Other income of TL 2,142 (30 June 2019: TL 1,952) for the IT services rendered and banking services fee income of TL 8,286 (30 June 2019: TL 2,222) were recognized from the related parties.

Operating expenses of TL 45,104 (30 June 2019: TL 35,910) 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 56,356 as of 30 June 2020 (30 June 2019: TL 75,870).

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".

(Thousands of Turkish Lira (TL))

5.9 Matters arising subsequent to the balance sheet date

As per the decision made at the annual general assembly of shareholders of the parent Bank on 17 July 2020, the distribution of the net profit of the year 2019, was as follows;

2019 PROFIT DISTRIBUTION TABLE	
2019 Net Profit	**6,158,841**
A – I. Legal reserve (Turkish Commercial Code 519/1) at 5%	-
Undistributable funds	(5,437)
B – First dividend at 5% of the paid-in capital	-
C – Extraordinary reserves at 5% after above deductions	(307,942)
D – Second dividend to the shareholders	-
E – Extraordinary reserves	(5,845,462)
F – II. Legal reserve (Turkish Commercial Code 519/2)	-

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 *(May 2020)*

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

JCR EURASIA RATINGS *(June 2019)*

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

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 ***(May 2020)*** (*)

Foreign Currency	
Long Term	B+
Short Term	B
Outlook	Negative
Turkish Lira	
Long Term	BB-
Short Term	B
Outlook	Stable
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 ***(May 2020)*** (*)

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

(*) Latest date in risk ratings or outlooks

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

FITCH RATINGS *(May 2020)* (*)

Foreign Currency	
Long - Term IDR	BB-
Short - Term IDR	B
Support Rating	4
Viability Rating	bb-
Outlook	Negative

(*) Latest date in risk ratings or outlooks

5.10.2 Dividends

None.

5.10.3 Other disclosures

None (31 December 2019: 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 June 2020, 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 29 July 2020, 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 June 30, 2020. Based on the consolidated financials, the Bank's **net income** in the first 6 months of the year recorded as TL 3 billion 330 million 879 thousand. **Asset size** realized at TL 486 billion 666 million 341 thousand and the Bank's contribution to the economy through cash and non-cash **loans** was TL 367 billion 141 million 315 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 306 billion 883 million 111 thousand with 11% growth in the first 6 months of the year. Preserving the strong capital stance, Bank's capital adequacy ratio was realized at 17.42%[*]. The Bank delivered an **ROAE** (Return on Average Equity) of 13.1%[**] and an **ROAA** (Return on Average Assets) of 1.6%[**].

**Calculated without the forbearance introduced by BRSA*

***In the calculation of Return on Average Equity (ROAE) & Return on Average Assets (ROAA), non-recurring items are excluded when annualizing Net Income for the remaining quarters*

Commenting on the successful financial performance announced by **Garanti BBVA, Chairman Süleyman Sözen** stated that "Despite the effects of the COVID-19 pandemic, Garanti BBVA has continued its uninterrupted support to the economy in the first half of 2020, backed by its strong capital base and healthy balance sheet management."

Considering the important developments throughout the period, Sözen says: "As a country, we are being tested in the fight against the pandemic. After the economic slowdown, which was quite explicit in April and May, leading indicators has signaled the start of recovery as of June. The flexibility against shocks on the back of dynamic and young population also brings Turkey's economic growth to a decent level. While there is an expectation of a strong contraction in the economies of the developing European countries this year, we expect Turkish economy to end the year with minimum damage."

Chairman Sözen closed his remarks by saying that: "While going through this unprecedented period, our main priority has been to protect the health of our community, in particular our customers and employees, and to help keep the wheels of the economy going."

Commenting on the topic, **Garanti BBVA CEO Recep Baştuğ** said: "Coronavirus pandemic that has started in March in Turkey still remains significant. Turkey, with also the support of robust health sector, has been one of the countries that has demonstrated the most successful management of the outbreak and could initiate the normalization process earlier than many countries. In this period, as Garanti BBVA, we keep our cautious stance and continue to prioritize the health of our employees and our community. Currently, 82% of our HQ employees and 16% of our branch employees still continue working from home. Thanks to our strong technological infrastructure as well as being the first bank to adopt to the new operating environment, we carried on providing uninterrupted service to our customers. In addition, in this challenging period, we continued to meet the deferral and restructuring demands of our customers who had difficulty in their loan payments. In this context, as of the first half of the year, we postponed and restructured the payments of more than 800 thousand loans in the amount of TL 35 billion.

With the high level of uncertainty, there was increased demand for liquidity mainly from corporates. We provided largest support to the real sector in in our recent history in terms of both liquidity and loan restructurings. Any business or consumer that is eligible has been granted loans. As a result, in the second quarter, we booked a record high 28% growth in TL business banking loans. Within this scope, we originated TL 6.6 billion CGF loans. Thus, the total TL loan growth recorded in the first half of 2020 reached 21% alluding to the highest growth among the private sector banks. However, with normalization, it is inevitable to see the loan demand to plunge after such high levels of loan disbursement. Going forward, primary source of demand will come from consumers while this extraordinary demand on the corporate side will normalize. The demand for consumer loans already started to pick up in June and is expected to grow in the upcoming period.

Capital, asset quality, and liquidity are the key aspects of banking at all times . Our strong capital adequacy ratio that is over 17% enables us to meet loan demands. Our capital has been the main support factor throughout this period. With respect to asset quality, we are the bank setting aside highest loan provisions, and our conservative approach will continue. In terms of liquidity, amidst the outbreak, we could renew our syndication with around 90% roll over ratio in the amount of 700 million dollars. That, once again, proved the trust in us and our country.

In the upcoming period, we will continue to focus on sustainable finance and development to create value. With this opportunity, I sincerely thank all my co-workers and our stakeholders who trust and support us."

(Thousands of Turkish Lira (TL))

7.1.1 Selected Figures of Consolidated Financial Statements

Selected Balance Sheet Items	Current Period 30.June.2020	Prior Period 31.Dec.2019	Change Δ %
Total Assets	486,666,341	428,554,148	13.6%
Loans*	326,997,428	277,506,599	17.8%
- Performing Loans	308,277,784	259,207,022	18.9%
- Non-Performing Loans	18,719,644	18,299,577	2.3%
Customer Deposits	304,634,472	274,608,574	10.9%
Shareholders' Equity	58,369,242	54,050,747	8.0%

* Excludes Leasing and Factoring receivables

Selected P&L Items	Current Period 30.June.2020	Prior Period 30.June.2019	Change Δ %
Net Interest Income	11,682,441	9,898,161	18.0%
Operating Expenses	5,636,036	4,889,235	15.3%
- HR Cost	2,173,885	2,094,674	3.8%
- Other Operating Expenses	3,462,151	2,794,561	23.9%
Net Fees&Commissions	3,187,384	2,974,890	7.1%
Net Income	3,330,879	3,668,768	-9.2%

Selected Financial Ratios	Current Period 30.June.2020	Prior Period 31.Dec.2019	Change Δ bps
Performing Loans/Assets	63.3%	60.5%	286
Deposits/Assets	62.6%	64.1%	-148
Return on Average Equity	13.1%	12.4%	68
Return on Average Assets	1.6%	1.5%	10
Cumulative Net Interest Margin (incl. swap costs)	5.7%	5.2%	49
Non-Performing Loans Ratio	5.9%	6.8%	-90
Capital Adequacy Ratio	17.42%*	17.81%	-39

** Calculated without the forbearance introduced by BRSA*

Market Shares*	Current Period 30.June.2020	Prior Period 31.Dec.2019	Change Δ bps
Performing Loans	9.9%	10.1%	-13
TL Performing Loans	9.8%	10.3%	-44
FC Performing Loans	10.1%	9.6%	45
Customer Deposits	9.8%	10.5%	-66
TL Customer Deposits	9.1%	9.7%	-63
FC Customer Deposits	10.5%	11.2%	-68

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

Garanti with Numbers	Current Period 30.June.2020	Prior Period 31.Dec.2019	Change Δ %
Branch Network	911	914	-0.3%
Number of Employees	18,759	18,784	-0.1%
ATM	5,219	5,260	-0.8%
POS*	671,668	651,860	3.0%
Number of Customers	18,175,598	17,639,898	3.0%
Number of Digital Customers**	8,928,742	8,352,034	6.9%
Number of Credit Card Customers	7,161,266	7,083,510	1.1%

*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

(Thousands of Turkish Lira (TL))

7.2 The amendments in the articles of association during period of 01.01.2020-30.06.2020

There is no change during the period.

7.3 Announcements regarding important developments in the period of 01.01.2020-30.06.2020

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 June 2020. 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 2019 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 2020. 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.

Within the framework of the changes in the operating environment due to the Covid-19 outbreak, the GDP growth forecast for 2020 was revised from 4% to 0% and the year-end expectations for 2020 were changed as indicated in the table below.

	2020 GUIDANCE	**REVISED 2020YE EXPECTATIONS**
TL Loans (YoY)	High-teens	~25%
FC Loans (in US$, yoy)	Shrinkage	Shrinkage
NIM Incl. Swap Cost	70-80bps expansion	~50bps expansion
Excl. CPI	High-single digit	High single digit shrinkage
Fee Growth (YoY)	Low-teens	<10%
OPEX Growth (YoY)	~ 6.5%	~6.5%
NPL ratio	~ 200bps	<300bps
Net Cost of Risk	High-teens	Low-teens