

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

**Türkiye Garanti Bankası Anonim Şirketi
and Its Financial Subsidiaries
Publicly Announced Consolidated Financial Statements,
Related Disclosures and Independent Auditors’
Report Thereon
as of and for the Year Ended
31 December 2019**

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



KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
İş Kuleleri Kule 3 Kat: 1-9
Levent 34330 İstanbul
Tel +90 212 316 6000
Fax +90 212 316 6060
www.kpmg.com.tr

Convenience Translation of the Independent Auditors' Report Originally Prepared
and Issued in Turkish to English

To the General Assembly of Türkiye Garanti Bankası Anonim Şirketi

A) Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Türkiye Garanti Bankası A.Ş. ("the Bank") and its consolidated financial subsidiaries (together will be referred as "the Group") which comprise the consolidated balance sheet as at 31 December 2019 and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the effect of the matter described in the *Basis For Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Türkiye Garanti Bankası A.Ş. and its consolidated financial subsidiaries as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the "Banking Regulation and Supervision Board Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of Banks, circulars and interpretations published by Banking Regulation and Supervision Agency ("BRSA") and requirements of Turkish Financial Reporting Standards for the matters not regulated by the aforementioned legislations.

Basis for Qualified Opinion

As stated in Note 2.9.4 of Section Five, the accompanying consolidated financial statements as at 31 December 2019 include a general reserve of total of TL 2,500,000 thousands, of which TL 250,000 thousands was recognized as expense in the current period and TL 2,250,000 thousands had been recognized as expense in prior periods, which does not meet the requirements of BRSA Accounting and Reporting Legislation. This general reserve is provided by the Bank management for the possible effects of the negative circumstances which may arise in economy or market conditions.



We conducted our audit in accordance with the "Regulation on Independent Audit of the Banks" ("BRSA Audit Regulation") published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Independent Standards on Auditing which is a component of the Turkish Auditing Standards ("TSA"s) published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the POA's Code of Ethics for Independent Auditors ("Code of Ethics") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of loans measured at amortised cost

The details of accounting policies and significant estimates and assumptions for impairment of loans measured at amortised cost are presented in Section III, No: VIII of the consolidated financial statements.

Key audit matter	How the matter is addressed in our audit
<p>As of 31 December 2019, loans measured at amortised cost comprise 65% of the Group's total assets.</p> <p>The Group recognizes its loans in accordance with the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside (the "Regulation") published on the Official Gazette No. 29750 dated 22 June 2016 and TFRS 9 Financial Instruments standard ("Standard").</p> <p>The Group applies the "expected credit loss model" in determining the impairment of financial assets in accordance with the Regulation and Standard. The model which contains significant assumptions and estimates is reviewed by the Bank management annually.</p> <p>The significant assumptions and estimates of the Group's management are as follows:</p> <ul style="list-style-type: none"> - significant increase in credit risk; - incorporating the forward looking macroeconomic information in calculation of credit risk; and - design and implementation of expected credit loss model. 	<p>Our procedures for testing the impairment of loans included below:</p> <ul style="list-style-type: none"> • We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the involvement of information risk management specialists. • We evaluated the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows and we tested the appropriateness of the loan agreements with the model by selecting samples. • We evaluated the adequacy of the subjective and objective criteria that is defined in the Group's impairment accounting policy compared with the Regulation and Standard. • We evaluated the Group's business model and methodology and the evaluation of the calculations were carried out with the control testing and detailed analysis by the involvement of specialist.



<p>The determination of the impairment of loans measured at amortised cost depends on the (i) credit default status, (ii) the model based on the change in the credit risk at the first recognition date and (iii) the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets.</p> <p>The Group calculates expected credit losses on both an individual and a collective basis. Individual provisions consider the estimated future performance of the business and the fair value of the collateral provided for credit transactions.</p> <p>The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and expectations. The completeness and accuracy of data sets in the model are also considered and the forward looking expectations are reflected by macroeconomic models. Impairment on loans measured at amortised cost was considered to be a key audit matter, due to the significance of the estimates, assumptions, the level of judgements and its complex structure as explained above.</p>	<ul style="list-style-type: none">• We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and testing their classification. In this context, the current status of the loan customer has been evaluated by including prospective information and macroeconomic variables.• We evaluated the accuracy of the expected credit loss calculations by selecting sample for the loans which are assessed on individual basis and discussed the assumptions and estimates with the Group management.• We tested the accuracy and completeness of the data in the calculation models for the loans which are assessed on collective basis. The expected credit loss calculation was tested through recalculation. The models used for the calculation of the risk parameters were examined and the risk parameters for the selected sample portfolios were recalculated.• We assessed the macroeconomic models which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method.• We evaluated the qualitative and quantitative assessments which are used in determining the significant increase in credit risk.• Additionally, we also evaluated the adequacy of the consolidated financial statements' disclosures related to impairment provisions.
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Measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3)

The details of accounting policies and significant judgements of measurement (the fair value hierarchy of financial instruments determined as Level 3) of financial instruments are presented in Section III, No: VII of the consolidated financial statements.

Key audit matter	How the matter is addressed in our audit
<p>The classification of the financial assets is based on the Group's business model and characteristics of the contractual cash flows in accordance with TFRS 9.</p> <p>The fair value of the loan classified as financial assets measured at fair value through profit or loss according to business model is determined as Level 3 considering the significant unobservable inputs, assumptions and estimates used.</p> <p>Management assesses the significant unobservable inputs and uncertainties due to assumptions and estimates with the involvement of an independent valuation firm.</p> <p>The Group has also financial liabilities (securitization loans) which are accounted by using the fair value option on the initial recognition in order to eliminate any accounting mismatch in accordance with TFRS 9.</p> <p>The fair value of the securitization loans which are accounted as financial liabilities measured at fair value through profit or loss are determined as Level 3 considering the significant unobservable inputs, assumptions and estimates used.</p> <p>As mentioned above, the measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3) is determined as key audit matter considering high degree of judgements and assumptions.</p>	<p>Our procedures for testing the fair value hierarchy of the financial instruments (the fair value hierarchy of financial instruments determined as Level 3) included below:</p> <ul style="list-style-type: none"> • We evaluated the design and implementation of the controls that the Group sets for the measurement of fair value of the relevant financial instruments • We assessed the policy of the measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3) based on TFRS 9 and compared with the requirements of TFRS 9. • We have involved our own valuation specialists to evaluate the significant unobservable inputs and assumptions used by the Group for the fair value calculation of the related instruments. <p>Additionally, we also evaluated the adequacy of consolidated financial statements' disclosures related to the measurement of financial instruments (the fair value hierarchy of financial instruments determined as Level 3).</p>



Pension plan

The details of accounting policies and significant judgements of pension plan are presented in Section III No: XVII of the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
<p>The Parent Bank's defined benefit pension plan (the "Plan") is managed by "Türkiye Garanti Bankası A.Ş. Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı" (the "Fund") established as per the provisional article 20 of the Social Security Law No. 506 and the Parent Bank's employees are the members of this Fund. As disclosed in the Note 3.17 to the consolidated financial statements, the Plan is composed of benefits which are subject to transfer to Social Security Foundation ("SSF") as per the Social Security Law no.5510 provisional article 20, and other social rights and pension benefits provided by the Parent Bank that are not transferable to SSF. The Council of Ministers has been authorized to determine the transfer date. Following the transfer, the non-transferable social rights and pension benefits provided under the Plan will be covered by the funds and the institutions that employ the funds' members. As of 31 December 2019, the Parent Bank's transferrable liabilities are calculated by an independent actuary using the actuarial assumptions regulated by Law, and in accordance with the Decision of the Council of Ministers announced in the Official Gazette dated 15 December 2006 and No.26377. As of 31 December 2019, the Parent Bank's non-transferable liabilities are also calculated by independent actuary in accordance with TAS 19 Employee Benefits Standard. The valuation of the Pension Fund liabilities requires judgement in determining appropriate assumptions such as defining the transferrable social benefits, discount rates, salary increases, inflation levels, demographic assumptions, and the impact of changes in Pension Plan. Management uses independent actuaries to assist in assessing the uncertainty around these assumptions. Considering the subjectivity of key judgements and assumptions, plus the uncertainty around the transfer date and basis of the transfer calculation given the fact that the technical interest rate is prescribed under the law, we considered this to be a key audit matter.</p>	<p>Our procedures for auditing calculations of the management's pension plan liability included below:</p> <ul style="list-style-type: none">• We evaluated the design and implementation of the controls that the Group has set for the liability calculations related to the pension plan was tested.• We have assessed whether there have been any significant changes in actuarial assumptions, methods and underlying regulations used in calculations.• Significant changes during the period in pension plan benefits, plan assets or membership profiles which affect liabilities have been evaluated.• We have involved our own actuarial specialist to assess the appropriateness of the actuarial assumptions and calculations.• We have evaluated whether the plan assets are adequate to cover the Pension Plan liabilities, under the methods and assumptions used.• Additionally, the adequacy of consolidated financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities have been evaluated.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the "BRSA Accounting and Reporting Legislation", and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with TSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2019 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

Additional paragraph for convenience translation to English:

The accounting principles summarized in Note I Section Three, differ from the accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the consolidated financial statements and IFRS.

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

Alper Güvenç, SMMM
Partner

30 January 2020
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 YEAR ENDED 31 DECEMBER 2019**

Levent Nispetiye Mah.Aytar Cad.
No:2 Beşiktaş 34340 İstanbul

Telephone: 212 318 18 18
Fax: 212 216 64 22

www.garantibbva.com.tr
investorrelations@garantibbva.com.tr

The consolidated financial report for the year-end prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

1. General Information about Parent Bank
2. Consolidated Financial Statements of Parent Bank
3. Accounting Policies
4. Consolidated Financial Position and Results of Operations, and Risk Management Applications of Group
5. Disclosures and Footnotes on Consolidated Financial Statements
6. Other Disclosures
7. Independent Auditors' Report

The consolidated subsidiaries and structured entities in the scope of this consolidated financial report are the followings:

Subsidiaries

1. Garanti Bank International NV
2. Garanti Emeklilik ve Hayat AŞ
3. Garanti Holding BV
4. Garanti Finansal Kiralama AŞ
5. Garanti Faktoring AŞ
6. Garanti Yatırım Menkul Kıymetler AŞ
7. Garanti Portföy Yönetimi AŞ

Structured Entities

1. Garanti Diversified Payment Rights Finance Company
2. RPV Company

The consolidated financial statements and related disclosures and footnotes that were subject to limited review, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidances and in compliance with the financial records of our Bank and, unless stated otherwise, presented in **thousands of Turkish Lira (TL)**.

Süleyman Sözen
Board of Directors
Chairman

Recep Baştuğ
General Manager

Aydın Güler
Executive Vice President
Responsible of Financial
Reporting

Hakan Özdemir
Financial Reporting and
Accounting Director

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

Ricardo Gomez Barredo
Audit Committee Member

Belkıs Sema Yurdum
Audit Committee Member

The authorized contact person for questions on this financial report:

Name-Surname/Title: Handan SAYGIN/Director of Investor Relations
Phone no: 90 212 318 23 50
Fax no: 90 212 216 59 02

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1 General Information

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

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

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

The Bank provides banking services through 904 domestic branches, 8 foreign branches and 2 representative offices (31 December 2018: 926 domestic branches, 8 foreign branches and 2 representative offices). The Bank’s head office is located in Istanbul.

1.2 Parent bank’s shareholder structure, management and internal audit, direct and indirect shareholders, change in shareholder structure during the period and information on its risk group

As of 31 December 2019, group of companies under BBVA that currently owns 49.85% shares of the Bank, is defined as the BBVA Group (the Group) and it is the main shareholder.

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

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

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

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

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

BBVA Group

BBVA is operating for more than 150 years, providing variety of wide spread financial and non-financial services to 77 million retail and commercial customers.

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

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

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

Board of Directors Chairman and Members:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Süleyman Sözen	Chairman	29.05.1997	University	39 years
Jorge Saenz Azcunaga Carranza	Vice Chairman Independent Member and Member of Audit Committee	24.03.2016	University	27 years
Recep Baştuğ	Member and CEO	06.09.2019	University	30 years
Sait Ergun Özen	Member	14.05.2003	University	33 years
Dr. Muammer Cüneyt Sezgin	Member	30.06.2004	PhD	32 years
Jaime Saenz de Tejada Pulido	Member	02.10.2014	University	28 years
Javier Bernal Dionis	Member	27.07.2015	Master	30 years
Rafael Salinas Martinez de Lecea	Member	08.05.2017	Master	29 years
Belkıs Sema Yurdum	Independent Member and Member of Audit Committee	30.04.2013	University	39 years
Ricardo Gomez Barredo	Independent Member and Member of Audit Committee	08.05.2017	Master	32 years
Mevhibe Canan Özsoy	Independent Member	04.04.2019	Master	31 years

CEO and Executive Vice Presidents:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Recep Baştuğ	CEO	06.09.2019	University	30 years
İlker Kuruöz	EVP-Engineering Services and Data	14.03.2018	Master	28 years
Avni Aydın Düren	EVP-Legal Services and Collection	01.02.2009	Master	28 years
Betül Ebru Edin	EVP-Corporate, Investment Banking and Global Markets	25.11.2009	University	26 years
Didem Başer	EVP- Customer Solutions and Digital Banking	20.03.2012	Master	25 years
Selahattin Güldü	EVP-Commercial Banking	20.04.2018	University	29 years
Osman Nuri Tüzün	EVP- Talent and Culture	19.08.2015	Master	27 years
Aydın Güler	EVP- Finance and Treasury	03.02.2016	University	29 years
Ali Temel	Head of Credit Risk Management	03.02.2016	University	29 years
Mahmut Akten	EVP-Retail Banking	17.01.2017	Master	20 years
Cemal Onaran	EVP-SME Banking	17.01.2017	University	29 years

The top management listed above does not hold any material unquoted shares of the Bank.

1.4 Information on 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 31 December 2019

ASSETS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD			PRIOR PERIOD		
			31 December 2019			31 December 2018		
		TL	FC	Total	TL	FC	Total	
I.	FINANCIAL ASSETS (Net)		34,725,166	74,235,255	108,960,421	25,196,426	77,856,755	103,053,181
1.1	Cash and Cash Equivalents	5.1.1	14,200,209	57,897,826	72,098,035	3,771,639	63,383,857	67,155,496
1.1.1	Cash and Balances with Central Bank		3,285,977	38,739,329	42,025,306	2,815,833	38,805,205	41,621,038
1.1.2	Banks		747,860	18,834,329	19,582,189	958,317	24,513,830	25,472,147
1.1.3	Money Market Placements		10,205,763	453,693	10,659,456	3,701	138,076	141,777
1.1.4	Expected Credit Losses (-)		39,391	129,525	168,916	6,212	73,254	79,466
1.2	Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	5.1.2	692,738	4,526,562	5,219,300	305,745	4,335,292	4,641,037
1.2.1	Government Securities		370,765	91,126	461,891	176,148	83,426	259,574
1.2.2	Equity Securities		303,272	30,148	333,420	97,797	102,529	200,326
1.2.3	Other Financial Assets		18,701	4,405,288	4,423,989	31,800	4,149,337	4,181,137
1.3	Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	5.1.3	18,274,036	10,369,493	28,643,529	18,254,325	8,908,628	27,162,953
1.3.1	Government Securities		18,192,222	6,627,521	24,819,743	18,174,639	4,657,172	22,831,811
1.3.2	Equity Securities		32,328	350,053	382,381	15,058	220,404	235,462
1.3.3	Other Financial Assets		49,486	3,391,919	3,441,405	64,628	4,031,052	4,095,680
1.4	Derivative Financial Assets	5.1.4	1,558,183	1,441,374	2,999,557	2,864,717	1,228,978	4,093,695
1.4.1	Derivative Financial Assets Measured at FVTPL		1,133,910	1,424,303	2,558,213	2,301,908	1,046,359	3,348,267
1.4.2	Derivative Financial Assets Measured at FVOCI		424,273	17,071	441,344	562,809	182,619	745,428
II.	FINANCIAL ASSETS MEASURED AT AMORTIZED COST		180,738,392	115,539,328	296,277,720	167,902,027	109,165,560	277,067,587
2.1	Loans	5.1.5	166,976,048	110,530,551	277,506,599	153,460,388	102,549,167	256,009,555
2.2	Lease Receivables	5.1.6	1,326,634	4,857,520	6,184,154	1,674,838	5,291,202	6,966,040
2.3	Factoring Receivables	5.1.7	1,809,179	620,984	2,430,163	1,974,562	611,571	2,586,133
2.4	Other Financial Assets Measured at Amortised Cost	5.1.8	20,732,279	6,988,063	27,720,342	18,586,328	6,067,681	24,654,009
2.4.1	Government Securities		20,591,464	6,967,172	27,558,636	18,552,564	6,053,663	24,606,227
2.4.2	Other Financial Assets		140,815	20,891	161,706	33,764	14,018	47,782
2.5	Expected Credit Losses (-)		10,105,748	7,457,790	17,563,538	7,794,089	5,354,061	13,148,150
III.	ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	5.1.9	1,424,822	27,436	1,452,258	828,631	29,064	857,695
3.1	Asset Held for Resale		1,424,822	27,436	1,452,258	828,631	29,064	857,695
3.2	Assets of Discontinued Operations		-	-	-	-	-	-
IV.	INVESTMENTS IN ASSOCIATES,SUBSIDIARIES AND JOINT VENTURES		149,767	4,087	153,854	129,287	3,584	132,871
4.1	Associates (Net)	5.1.10	35,747	6	35,753	35,747	5	35,752
4.1.1	Associates Consolidated Under Equity Accounting		-	-	-	-	-	-
4.1.2	Unconsolidated Associates		35,747	6	35,753	35,747	5	35,752
4.2	Subsidiaries (Net)	5.1.11	114,020	4,081	118,101	93,540	3,579	97,119
4.2.1	Unconsolidated Financial Investments in Subsidiaries		-	-	-	-	-	-
4.2.2	Unconsolidated Non-Financial Investments in Subsidiaries		114,020	4,081	118,101	93,540	3,579	97,119
4.3	Joint Ventures (Net)	5.1.12	-	-	-	-	-	-
4.3.1	Joint-Ventures Consolidated Under Equity Accounting		-	-	-	-	-	-
4.3.2	Unconsolidated Joint-Ventures		-	-	-	-	-	-
V.	TANGIBLE ASSETS (Net)	5.1.13	5,145,933	382,366	5,528,299	4,246,180	248,738	4,494,918
VI.	INTANGIBLE ASSETS (Net)	5.1.14	430,194	49,712	479,906	368,133	47,939	416,072
6.1	Goodwill		6,388	-	6,388	6,388	-	6,388
6.2	Others		423,806	49,712	473,518	361,745	47,939	409,684
VII.	INVESTMENT PROPERTY (Net)	5.1.15	569,719	-	569,719	558,309	-	558,309
VIII.	CURRENT TAX ASSET		7,649	78,568	86,217	89,774	85,492	175,266
IX.	DEFERRED TAX ASSET	5.1.16	1,861,118	20,892	1,882,010	1,494,185	24,992	1,519,177
X.	OTHER ASSETS (Net)	5.1.17	5,502,245	7,661,499	13,163,744	4,987,279	5,891,246	10,878,525
TOTAL ASSETS			230,555,005	197,999,143	428,554,148	205,800,231	193,353,370	399,153,601

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

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Balance Sheet (Statement of Financial Position)
At 31 December 2019

LIABILITIES AND SHAREHOLDERS' EQUITY		Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD			PRIOR PERIOD		
			31 December 2019			31 December 2018		
		TL	FC	Total	TL	FC	Total	
I. DEPOSITS	5.2.1	113,245,513	164,031,812	277,277,325	104,075,640	140,162,137	244,237,777	
II. FUNDS BORROWED	5.2.2	2,687,955	22,934,104	25,622,059	1,185,677	32,154,050	33,339,727	
III. MONEY MARKET FUNDS	5.2.3	416,266	1,370,595	1,786,861	1,413,902	1,220,688	2,634,590	
IV. SECURITIES ISSUED (NET)	5.2.4	6,036,084	14,990,453	21,026,537	4,099,201	22,812,262	26,911,463	
4.1 Bills		4,825,540	-	4,825,540	1,926,060	27,087	1,953,147	
4.2 Asset Backed Securities		-	-	-	-	-	-	
4.3 Bonds		1,210,544	14,990,453	16,200,997	2,173,141	22,785,175	24,958,316	
V. FUNDS		-	-	-	-	-	-	
5.1 Borrowers' Funds		-	-	-	-	-	-	
5.2 Others		-	-	-	-	-	-	
VI. FINANCIAL LIABILITIES MEASURED AT FVTPL	5.2.5	-	14,342,293	14,342,293	-	12,312,230	12,312,230	
VII. DERIVATIVE FINANCIAL LIABILITIES	5.2.6	1,945,271	2,294,394	4,239,665	2,536,310	1,973,852	4,510,162	
7.1 Derivative Financial Liabilities Measured at FVTPL		1,305,445	2,199,506	3,504,951	2,344,496	1,955,394	4,299,890	
7.2 Derivative Financial Liabilities Measured at FVOCI		639,826	94,888	734,714	191,814	18,458	210,272	
VIII. FACTORING LIABILITIES	5.2.7	-	-	-	-	-	-	
IX. LEASE LIABILITIES (Net)	5.2.8	969,316	165,454	1,134,770	-	-	-	
X. PROVISIONS	5.2.9	5,348,121	1,178,252	6,526,373	4,281,061	1,088,451	5,369,512	
10.1 Restructuring Reserves		-	-	-	-	-	-	
10.2 Reserve for Employee Benefits		1,135,056	111,605	1,246,661	988,225	138,877	1,127,102	
10.3 Insurance Technical Provisions (Net)		589,541	50,992	640,533	403,175	41,645	444,820	
10.4 Other Provisions		3,623,524	1,015,655	4,639,179	2,889,661	907,929	3,797,590	
XI. CURRENT TAX LIABILITY	5.2.10	1,149,548	102,427	1,251,975	558,766	88,115	646,881	
XII. DEFERRED TAX LIABILITY	5.2.10	-	29,480	29,480	-	19,121	19,121	
XIII. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	5.2.11	-	-	-	-	-	-	
13.1 Asset Held for Sale		-	-	-	-	-	-	
13.2 Assets of Discontinued Operations		-	-	-	-	-	-	
XIV. SUBORDINATED DEBTS	5.2.12	261,478	4,468,229	4,729,707	-	3,977,018	3,977,018	
14.1 Borrowings		-	-	-	-	-	-	
14.2 Other Debt Instruments		261,478	4,468,229	4,729,707	-	3,977,018	3,977,018	
XV. OTHER LIABILITIES	5.2.13	14,252,573	2,283,783	16,536,356	15,877,710	2,430,568	18,308,278	
XVI. SHAREHOLDERS' EQUITY	5.2.14	53,554,029	496,718	54,050,747	46,599,322	287,520	46,886,842	
16.1 Paid-in Capital		4,200,000	-	4,200,000	4,200,000	-	4,200,000	
16.2 Capital Reserves		784,434	-	784,434	784,434	-	784,434	
16.2.1 Share Premium		11,880	-	11,880	11,880	-	11,880	
16.2.2 Share Cancellation Profits		-	-	-	-	-	-	
16.2.3 Other Capital Reserves		772,554	-	772,554	772,554	-	772,554	
16.3 Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss		1,375,110	267,474	1,642,584	1,334,963	138,431	1,473,394	
16.4 Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		1,466,893	(94,917)	1,371,976	813,913	(202,070)	611,843	
16.5 Profit Reserves		39,288,768	324,161	39,612,929	32,626,814	351,159	32,977,973	
16.5.1 Legal Reserves		1,546,353	53,081	1,599,434	1,540,985	40,717	1,581,702	
16.5.2 Status Reserves		-	-	-	-	-	-	
16.5.3 Extraordinary Reserves		37,509,839	-	37,509,839	30,856,685	-	30,856,685	
16.5.4 Other Profit Reserves		232,576	271,080	503,656	229,144	310,442	539,586	
16.6 Profit/Loss		6,164,914	-	6,164,914	6,641,652	-	6,641,652	
16.6.1 Prior Periods' Profit/Loss		-	-	-	-	-	-	
16.6.2 Current Period's Net Profit/Loss		6,164,914	-	6,164,914	6,641,652	-	6,641,652	
16.7 Minority Interest		273,910	-	273,910	197,546	-	197,546	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		199,866,154	228,687,994	428,554,148	180,627,589	218,526,012	399,153,601	

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

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries

Consolidated Off-Balance Sheet Items

At 31 December 2019

	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD			PRIOR PERIOD		
		31 December 2019			31 December 2018		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		187,129,637	307,620,161	494,749,798	164,137,002	329,699,658	493,836,660
I. GUARANTEES AND SURETIES	5.3.1	23,655,572	39,101,523	62,757,095	22,813,515	44,901,913	67,715,428
1.1 Letters of guarantee		23,555,242	26,872,148	50,427,390	22,742,832	27,430,938	50,173,770
1.1.1 Guarantees subject to State Tender Law		-	1,252,136	1,252,136	-	981,914	981,914
1.1.2 Guarantees given for foreign trade operations		1,408,118	620,356	2,028,474	1,842,819	385,452	2,228,271
1.1.3 Other letters of guarantee		22,147,124	24,999,656	47,146,780	20,900,013	26,063,572	46,963,585
1.2 Bank acceptances		35,845	1,543,198	1,579,043	23,495	2,765,334	2,788,829
1.2.1 Import letter of acceptance		35,395	1,521,807	1,557,202	23,495	2,765,334	2,788,829
1.2.2 Other bank acceptances		450	21,391	21,841	-	-	-
1.3 Letters of credit		64,485	10,611,998	10,676,483	47,188	14,638,734	14,685,922
1.3.1 Documentary letters of credit		-	-	-	-	-	-
1.3.2 Other letters of credit		64,485	10,611,998	10,676,483	47,188	14,638,734	14,685,922
1.4 Guaranteed prefinancings		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Underwriting commitments		-	-	-	-	-	-
1.7 Factoring related guarantees		-	-	-	-	-	-
1.8 Other guarantees		-	74,179	74,179	-	66,907	66,907
1.9 Other sureties		-	-	-	-	-	-
II. COMMITMENTS		62,668,511	14,344,299	77,012,810	52,698,904	12,841,024	65,539,928
2.1 Irrevocable commitments		62,458,341	12,568,282	75,026,623	52,490,826	9,539,003	62,029,829
2.1.1 Asset purchase and sale commitments		5,306,346	10,576,157	15,882,503	4,335,975	7,765,351	12,101,326
2.1.2 Deposit purchase and sale commitments		-	-	-	-	-	-
2.1.3 Share capital commitments to associates and subsidiaries		-	6,336	6,336	-	5,743	5,743
2.1.4 Loan granting commitments		16,305,168	1,273,729	17,578,897	13,372,364	1,161,904	14,534,268
2.1.5 Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Commitments for cheque payments		3,184,727	-	3,184,727	2,719,279	-	2,719,279
2.1.8 Tax and fund obligations on export commitments		137,121	-	137,121	66,328	-	66,328
2.1.9 Commitments for credit card limits		37,521,955	712,060	38,234,015	31,989,568	553,338	32,542,906
2.1.10 Commitments for credit cards and banking services related promotions		3,024	-	3,024	7,312	-	7,312
2.1.11 Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12 Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		-	-	-	-	52,667	52,667
2.2 Revocable commitments		210,170	1,776,017	1,986,187	208,078	3,302,021	3,510,099
2.2.1 Revocable loan granting commitments		15,045	1,446,989	1,462,034	118,805	3,040,576	3,159,381
2.2.2 Other revocable commitments		195,125	329,028	524,153	89,273	261,445	350,718
III. DERIVATIVE FINANCIAL INSTRUMENTS	5.3.2	100,805,554	254,174,339	354,979,893	88,624,583	271,956,721	360,581,304
3.1 Derivative financial instruments held for risk management		22,373,314	43,574,257	65,947,571	13,093,473	50,419,760	63,513,233
3.1.1 Fair value hedges		4,835,016	16,607,942	21,442,958	6,000,686	17,404,868	23,405,554
3.1.2 Cash flow hedges		17,538,298	26,966,315	44,504,613	7,092,787	33,014,892	40,107,679
3.1.3 Net foreign investment hedges		-	-	-	-	-	-
3.2 Trading derivatives		78,432,240	210,600,082	289,032,322	75,531,110	221,536,961	297,068,071
3.2.1 Forward foreign currency purchases/sales		7,322,962	8,764,639	16,087,601	11,559,409	13,254,851	24,814,260
3.2.1.1 Forward foreign currency purchases		3,686,017	4,409,675	8,095,692	4,765,141	7,545,258	12,310,399
3.2.1.2 Forward foreign currency sales		3,636,945	4,354,964	7,991,909	6,794,268	5,709,593	12,503,861
3.2.2 Currency and interest rate swaps		60,617,121	160,582,646	221,199,767	45,874,245	156,440,960	202,315,205
3.2.2.1 Currency swaps-purchases		9,766,706	67,104,838	76,871,544	10,649,363	63,055,771	73,705,134
3.2.2.2 Currency swaps-sales		43,894,979	29,683,702	73,578,681	33,809,288	36,121,829	69,931,117
3.2.2.3 Interest rate swaps-purchases		3,477,718	31,897,053	35,374,771	707,797	28,631,680	29,339,477
3.2.2.4 Interest rate swaps-sales		3,477,718	31,897,053	35,374,771	707,797	28,631,680	29,339,477
3.2.3 Currency, interest rate and security options		10,170,756	20,898,894	31,069,650	17,232,147	32,370,725	49,602,872
3.2.3.1 Currency call options		5,408,521	5,945,014	11,353,535	9,069,974	8,208,590	17,278,564
3.2.3.2 Currency put options		4,573,863	7,416,639	11,990,502	8,084,584	10,686,711	18,771,295
3.2.3.3 Interest rate call options		-	6,649,121	6,649,121	-	11,921,185	11,921,185
3.2.3.4 Interest rate put options		-	888,120	888,120	-	1,554,239	1,554,239
3.2.3.5 Security call options		87,880	-	87,880	24,665	-	24,665
3.2.3.6 Security put options		100,492	-	100,492	52,924	-	52,924
3.2.4 Currency futures		131,926	534,975	666,901	837,290	970,229	1,807,519
3.2.4.1 Currency futures-purchases		128,032	208,060	336,092	66,180	807,290	873,470
3.2.4.2 Currency futures-sales		3,894	326,915	330,809	771,110	162,939	934,049
3.2.5 Interest rate futures		-	29,604	29,604	-	18,066	18,066
3.2.5.1 Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sales		-	29,604	29,604	-	18,066	18,066
3.2.6 Others		189,475	19,789,324	19,978,799	28,019	18,482,130	18,510,149
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		805,331,669	860,068,236	1,665,399,905	734,970,642	779,705,808	1,514,676,450
IV. ITEMS HELD IN CUSTODY		61,688,136	42,938,926	104,627,062	47,679,289	45,204,129	92,883,418
4.1 Customers' securities held		27,430,538	-	27,430,538	16,549,359	-	16,549,359
4.2 Investment securities held in custody		15,270,202	12,493,790	27,764,992	11,117,076	15,329,484	26,446,560
4.3 Checks received for collection		15,688,562	5,837,295	21,525,857	16,598,765	5,317,179	21,915,944
4.4 Commercial notes received for collection		2,702,936	938,150	3,641,086	2,820,947	1,021,743	3,842,690
4.5 Other assets received for collection		250,510	20,797,896	21,048,406	189,845	19,210,946	19,400,791
4.6 Assets received through public offering		-	144,496	144,496	-	128,789	128,789
4.7 Other items under custody		345,388	2,727,299	3,072,687	403,297	4,195,988	4,599,285
4.8 Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		743,643,533	817,129,310	1,560,772,843	687,291,353	734,501,679	1,421,793,032
5.1 Securities		4,036,323	1,563,950	5,600,273	2,626,072	149,806	2,775,878
5.2 Guarantee notes		23,737,421	13,743,078	37,480,499	27,157,222	13,490,262	40,647,484
5.3 Commodities		3,371	-	3,371	13,913	-	13,913
5.4 Warranties		-	377,819	377,819	-	359,113	359,113
5.5 Real estates		175,430,786	148,434,218	323,865,004	169,974,426	135,795,357	305,769,783
5.6 Other pledged items		540,435,632	653,010,149	1,193,445,781	487,519,720	584,707,054	1,072,226,774
5.7 Pledged items-depository		-	96	96	-	87	87
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		992,461,306	1,167,688,397	2,160,149,703	899,107,644	1,109,405,466	2,008,513,110

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Statement of Profit or Loss
At 31 December 2019

INCOME AND EXPENSE ITEMS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
			CURRENT PERIOD	PRIOR PERIOD
			1 January 2019- 31 December 2019	1 January 2018- 31 December 2018
I.	INTEREST INCOME	5.4.1	42,045,625	41,246,027
1.1	Interest income on loans		33,866,206	30,971,635
1.2	Interest income on reserve deposits		233,541	324,582
1.3	Interest income on banks		855,208	629,799
1.4	Interest income on money market transactions		395,622	37,728
1.5	Interest income on securities portfolio		5,658,911	8,261,754
1.5.1	Financial assets measured at FVTPL		113,531	72,763
1.5.2	Financial assets measured at FVOCI		2,784,388	4,145,126
1.5.3	Financial assets measured at amortised cost		2,760,992	4,043,865
1.6	Financial lease income		511,531	539,811
1.7	Other interest income		524,606	480,718
II.	INTEREST EXPENSE	5.4.2	21,372,200	20,369,094
2.1	Interest on deposits		16,529,107	14,756,035
2.2	Interest on funds borrowed		1,799,135	1,965,032
2.3	Interest on money market transactions		117,758	1,193,709
2.4	Interest on securities issued		2,650,526	2,388,905
2.5	Lease interest expense		188,093	3,234
2.6	Other interest expenses		87,581	62,179
III.	NET INTEREST INCOME (I - II)		20,673,425	20,876,933
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		6,273,573	5,102,687
4.1	Fees and commissions received		8,643,797	6,944,272
4.1.1	Non-cash loans		721,434	587,647
4.1.2	Others		7,922,363	6,356,625
4.2	Fees and commissions paid		2,370,224	1,841,585
4.2.1	Non-cash loans		15,350	2,238
4.2.2	Others		2,354,874	1,839,347
V.	DIVIDEND INCOME	5.4.3	11,276	7,691
VI.	NET TRADING INCOME/LOSSES (Net)	5.4.4	(1,806,062)	(1,145,747)
6.1	Trading account income/losses		(157,084)	853,849
6.2	Income/losses from derivative financial instruments		(2,935,307)	839,627
6.3	Foreign exchange gains/losses		1,286,329	(2,839,223)
VII.	OTHER OPERATING INCOME	5.4.5	5,676,784	3,517,425
VIII.	TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		30,828,996	28,358,989
IX.	EXPECTED CREDIT LOSSES (-)	5.4.6	11,491,709	9,257,780
X.	OTHER PROVISIONS (-)	5.4.6	855,943	1,578,466
XI.	PERSONNEL EXPENSES (-)		4,187,991	3,645,278
XII.	OTHER OPERATING EXPENSES (-)	5.4.7	6,121,085	5,123,707
XIII.	NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		8,172,268	8,753,758
XIV.	INCOME RESULTED FROM MERGERS		-	-
XV.	INCOME/LOSS FROM INVESTMENTS UNDER EQUITY		-	-
XVI.	GAIN/LOSS ON NET MONETARY POSITION		-	-
XVII.	PROFIT/LOSS BEFORE TAXES (XIII+...+XVI)	5.4.8	8,172,268	8,753,758
XVIII.	PROVISION FOR TAXES (±)	5.4.9	1,930,878	2,047,153
18.1	Current tax charge		2,362,115	1,806,595
18.2	Deferred tax charge (+)		292,444	651,170
18.3	Deferred tax credit (-)		(723,681)	(410,612)
XIX.	NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)	5.4.10	6,241,390	6,706,605
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1	Income from assets held for sale		-	-
20.2	Income from sale of associates, subsidiaries and joint-ventures		-	-
20.3	Others		-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
21.1	Expenses on assets held for sale		-	-
21.2	Expenses on sale of associates, subsidiaries and joint-ventures		-	-
21.3	Others		-	-
XXII.	PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS	5.4.8	-	-
XXIII.	PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)	5.4.9	-	-
23.1	Current tax charge		-	-
23.2	Deferred tax charge (+)		-	-
23.3	Deferred tax credit (-)		-	-
XXIV.	NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS	5.4.10	-	-
XXV.	NET PROFIT/LOSS (XIX+XXIV)	5.4.11	6,241,390	6,706,605
25.1	Equity holders of the bank		6,164,914	6,641,652
25.2	Minority interest		76,476	64,953
	Earnings per Share		0.01468	0.01581

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Statement of Profit or Loss and Other Comprehensive Income
At 31 December 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD 1 January 2019 - 31 December 2019	PRIOR PERIOD 1 January 2018 - 31 December 2018
I.	CURRENT PERIOD PROFIT/LOSS	6,241,390	6,706,605
II.	OTHER COMPREHENSIVE INCOME	892,971	(403,396)
2.1	Other Income/Expense Items not to be Recycled to Profit or Loss	132,740	42,887
2.1.1	Revaluation Surplus on Tangible Assets	77,072	18,869
2.1.2	Revaluation Surplus on Intangible Assets	-	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	(14,279)	(20,906)
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	80,509	45,316
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(10,562)	(392)
2.2	Other Income/Expense Items to be Recycled to Profit or Loss	760,231	(446,283)
2.2.1	Translation Differences	465,491	1,161,002
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	1,296,692	(1,407,442)
2.2.3	Gains/losses from Cash Flow Hedges	(696,601)	(39,740)
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	(237,150)	(525,062)
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	-	-
2.2.6	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	(68,201)	364,959
III.	TOTAL COMPREHENSIVE INCOME (I+II)	7,134,361	6,303,209

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

(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 31 December 2019

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)																
		Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss			Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Shareholders' Equity Before Minority Interest	Minority Interest	Total Shareholders' Equity	
						Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others							
PRIOR PERIOD (01/01/2018-31/12/2018)																		
I. Balances at Beginning of Period		4,200,000	11,880	-	772,554	1,519,875	(144,269)	60,858	1,583,793	(266,597)	(655,448)	27,869,150	6,332,056	-	41,283,852	322,149	41,606,001	
II. Correction made as per TAS 8		-	-	-	-	-	-	-	-	396,257	-	-	433,666	-	829,923	(7,809)	822,114	
2.1. Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2. Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	396,257	-	-	433,666	-	829,923	(7,809)	822,114	
III. Adjusted Balances at Beginning of Period (I+II)	5.5	4,200,000	11,880	-	772,554	1,519,875	(144,269)	60,858	1,583,793	129,660	(655,448)	27,869,150	6,765,722	-	42,113,775	314,340	42,428,115	
IV. Total Comprehensive Income		-	-	-	-	15,048	(16,622)	38,504	1,161,002	(1,187,871)	(419,293)	6,059	-	6,641,652	6,238,479	64,730	6,303,209	
V. Capital Increase in Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Capital Increase from Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Capital Reserves from Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Others Changes		-	-	-	-	-	-	-	-	-	-	87,042	-	-	87,042	-	87,042	
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	5,015,722	(6,765,722)	-	(1,750,000)	(181,524)	(1,931,524)	
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	(1,750,000)	-	-	(1,750,000)	(181,524)	(1,931,524)	
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	5,014,572	(5,014,572)	-	-	-	-	
11.3 Others		-	-	-	-	-	-	-	-	-	-	1,150	(1,150)	-	-	-	-	
Balances at end of the period (III+IV...+X+XI)		4,200,000	11,880	-	772,554	1,534,923	(160,891)	99,362	2,744,795	(1,058,211)	(1,074,741)	32,977,973	6,641,652	-	46,689,296	197,546	46,886,842	
CURRENT PERIOD (01/01/2019-31/12/2019)																		
I. Balances at Beginning of Period		4,200,000	11,880	-	772,554	1,534,923	(160,891)	99,362	2,744,795	(1,058,211)	(1,074,741)	32,977,973	6,641,652	-	46,689,296	197,546	46,886,842	
II. Correction made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1. Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2. Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted Balances at Beginning of Period (I+II)	5.5	4,200,000	11,880	-	772,554	1,534,923	(160,891)	99,362	2,744,795	(1,058,211)	(1,074,741)	32,977,973	6,641,652	-	46,689,296	197,546	46,886,842	
IV. Total Comprehensive Income		-	-	-	-	63,040	(11,583)	117,733	465,491	484,361	(189,719)	(36,920)	-	6,164,914	7,057,317	77,044	7,134,361	
V. Capital Increase in Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Capital Increase from Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Capital Reserves from Inflation Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated Liabilities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Others Changes		-	-	-	-	-	-	-	-	-	-	30,224	-	-	30,224	-	30,224	
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	6,641,652	(6,641,652)	-	-	(680)	(680)	
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(680)	(680)	
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	6,641,652	(6,641,652)	-	-	-	-	
11.3 Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at end of the period (III+IV...+X+XI)		4,200,000	11,880	-	772,554	1,597,963	(172,474)	217,095	3,210,286	(573,850)	(1,264,460)	39,612,929	-	6,164,914	53,776,837	273,910	54,050,747	

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi and Its Financial Subsidiaries
Consolidated Statement of Cash Flows
At 31 December 2019

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		1 January 2019- 31 December 2019	1 January 2018 - 30 September 2018
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities	5.6	18,011,088	10,454,777
1.1.1 Interests received		40,681,115	34,769,428
1.1.2 Interests paid		(21,880,818)	(20,145,242)
1.1.3 Dividend received		11,276	7,691
1.1.4 Fees and commissions received		8,643,797	6,944,272
1.1.5 Other income		5,426,784	4,371,274
1.1.6 Collections from previously written-off receivables		702,180	388,778
1.1.7 Cash payments to personnel and service suppliers		(8,649,574)	(7,768,620)
1.1.8 Taxes paid		(1,889,092)	(2,710,369)
1.1.9 Others		(5,034,580)	(5,402,435)
1.2 Changes in operating assets and liabilities	5.6	(3,572,118)	4,836,686
1.2.1 Net (increase) decrease in financial assets measured at FVTPL		(1,110,263)	505,794
1.2.2 Net (increase) decrease in due from banks		5,256,848	(1,785,550)
1.2.3 Net (increase) decrease in loans		(28,502,718)	(30,127,463)
1.2.4 Net (increase) decrease in other assets		(2,296,756)	3,645,600
1.2.5 Net increase (decrease) in bank deposits		(3,491,287)	3,757,825
1.2.6 Net increase (decrease) in other deposits		37,470,410	38,772,304
1.2.7 Net increase (decrease) in financial liabilities measured at FVTPL		-	-
1.2.8 Net increase (decrease) in funds borrowed		(9,109,859)	(14,774,175)
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		(1,788,493)	4,842,351
I. Net cash flow from banking operations	5.6	14,438,970	15,291,463
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash flow from investing activities	5.6	(1,550,313)	3,816,031
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		-	-
2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures		-	-
2.3 Purchases of tangible assets		(606,785)	(1,794,001)
2.4 Sales of tangible assets		384,197	1,206,272
2.5 Cash paid for purchase of financial assets measured at FVOCI		(7,316,987)	(17,750,702)
2.6 Cash obtained from sale of financial assets measured at FVOCI		7,038,450	20,699,593
2.7 Cash paid for purchase of financial assets measured at amortised cost		(1,248,680)	(693,258)
2.8 Cash obtained from sale of financial assets measured at amortised cost		199,492	2,148,127
2.9 Others		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		(4,052,169)	2,214,086
3.1 Cash obtained from funds borrowed and securities issued		24,536,128	22,491,378
3.2 Cash used for repayment of funds borrowed and securities issued		(28,277,486)	(18,345,768)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		(680)	(1,931,524)
3.5 Payments for leases		(310,131)	-
3.6 Others		-	-
IV. Effect of translation differences on cash and cash equivalents		1,472,401	1,423,512
V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)	5.6	10,308,889	22,745,092
VI. Cash and cash equivalents at beginning of period	5.6	37,697,604	14,952,512
VII. Cash and cash equivalents at end of period (V+VI)	5.6	48,006,493	37,697,604

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

3 Accounting Policies

3.1 Basis of presentation

The Bank and its consolidated financial subsidiaries prepare their consolidated financial statements in accordance with the Banking Regulation and Supervision Authority (“BRSA”) Accounting and Reporting Regulation which includes the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Financial Reporting Standards (“TFRS”) published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) for the matters not regulated by the aforementioned legislations.

The accompanying consolidated financial statements are prepared in accordance with the historical cost basis except for financial instruments at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and real estates which are presented on a fair value basis.

In accordance with the “Communique amending the Communique on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” published in the Official Gazette dated 1 February 2019 with No. 30673, the accompanying previous period financial statements were made compatible with the new financial statement formats.

The accounting policies and the valuation principles applied in the preparation of the accompanying financial statements are explained in Notes 3.2 to 3.30.

3.1.1 Changes in Accounting policies and disclosures

3.1.1.1 Major new and amended standards and interpretations

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

3.1.1.2 The standards which are effective as of 1 January 2019

TFRS 16 Leases

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same.

This standard is applied with modified retrospective approach recognizing the cumulative effect of initially applying the standard at the date of initial application. In this context, comparative information is not restated.

A lease liability and a right-of-use asset is recognised at the date of initial application for leases previously classified as an operating lease applying TAS 17. That lease liability is measured at the present value of the remaining lease payments, discounted using the Bank’s incremental borrowing rate at the date of initial application. Besides, that right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

3.2 Strategy for use of financial instruments and foreign currency transactions

3.2.1 Strategy for use of financial instruments

The liability side of the balance sheet is intensively composed of short-term deposits in line with the general trend in the banking sector. In addition to deposits, the Bank and its financial subsidiaries have access to longer-term borrowings via the borrowings from abroad.

In order to manage the interest rate risk arising from short-term deposits, the Bank and its financial subsidiaries are keen on maintaining floating rate instruments such as government bonds with quarterly coupon payments and instruments like credit cards and consumer loans providing regular cash inflows.

A portion of the fixed-rate securities and loans, and the bonds are hedged under fair value hedges. The fair value risks of such fixed-rate assets and financial liabilities are hedged with interest rate swaps and cross currency swaps. The fair value changes of the hedged fixed-rate financial assets and financial liabilities together with the changes in the fair value of the hedging instruments, namely interest rate swaps and cross currency swaps, are accounted under net trading income/losses in the income statement. At the inception of the hedge and during the subsequent periods, the hedge is expected to achieve the offsetting of changes in fair value attributable to the hedged risk for which the hedge is designated, and accordingly, the hedge effectiveness tests are performed.

It may classify the financial assets and liabilities as at fair value through profit or loss at the initial recognition in order to eliminate any accounting inconsistency.

The fundamental strategy to manage the liquidity risk that may incur due to short-term structure of funding, is to expand the deposit base through customer-oriented banking philosophy, and to increase customer transactions and retention rates. The widespread and effective branch network, advantage of primary dealership and strong market share in the treasury and capital markets, are the most effective tools in the realisation of this strategy. For this purpose, serving customers by introducing new products and services continuously and reaching the customers satisfaction are very important.

Another influential factor in the management of the interest and liquidity risk on balance sheet is product diversification both on asset and liability sides.

Exchange rate risk, interest rate risk and liquidity risk are controlled and measured by various risk management systems, and the balance sheet is managed under the limits set by these systems and the limits legally required. Asset-liability management and value at risk models, stress tests and scenario analysis are used for this purpose.

Purchase and sale of short and long-term financial instruments are allowed within the pre-determined limits to generate risk-free return on capital.

The foreign currency position is controlled by the equilibrium of a currency basket to eliminate the foreign exchange risk.

3.2.2 Foreign currency transactions

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the periods, foreign currency assets and liabilities evaluated with the Bank's spot purchase rates for the parent Bank and with the Central Bank of Turkey's spot purchase rates for domestic financial subsidiaries, and the differences are recorded as foreign exchange gain or loss in the income statement.

During the consolidation of foreign subsidiaries, the assets and liabilities are translated into TL at exchange rates ruling at the balance sheet date, the income and expenses in income statement are translated into TL using monthly average exchange rates. Foreign exchange differences arising from the translation of income and expenses and other equity items, are recognized in "other comprehensive income/expense items to be recycled to profit or loss under the shareholders' equity.

In the current period, net investment hedge amounting to EUR 401,703,512 (31 December 2018: EUR 366,635,075) is applied in total among investments in Garanti Bank International NV and Garanti Holding BV having capitals denominated in foreign currencies and long term foreign currency borrowings. Foreign exchange losses in the amount of TL 1,580,575 (31 December 2018: TL 1,343,425), arising from conversion of both foreign currency investments and long term foreign currency borrowings are accounted under capital reserves and other comprehensive income/expense items to be recycled to profit/loss, respectively under equity as of 31 December 2019. There is no ineffective portion arising from net investment hedge accounting.

3.3 Information on consolidated subsidiaries

As of 31 December 2019, Türkiye Garanti Bankası Anonim Şirketi and the following financial subsidiaries are consolidated in the accompanying consolidated financial statements; Garanti Bank International (GBI), Garanti Finansal Kiralama AŞ (Garanti Finansal Kiralama), Garanti Yatırım Menkul Kıymetler AŞ (Garanti Yatırım), Garanti Portföy Yönetimi AŞ (Garanti Portföy), Garanti Emeklilik ve Hayat AŞ (Garanti Emeklilik), Garanti Faktoring AŞ (Garanti Faktoring) and Garanti Holding BV (Garanti Holding).

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

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

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

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

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

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

Garanti Holding was established in December 2007 in Amsterdam and all its shares was purchased by the Bank from Doğu 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 contracts.

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

Within the scope of TFRS 13 Fair Value Measurement standard; (i) if there is a significant decrease in the volume or level of activity for that asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities); (ii) when the transaction or quoted price does not represent fair value; and / or (iii) when a price for a similar asset requires significant adjustment to make it comparable to the asset being measured, or (iv) when the price is stale, an adjustment to the transactions or quoted prices is made and this adjustment is reflected to the fair value measurement. In this context, the point is determined within the range that is most representative of fair value under current market conditions.

The spot legs of currency swap transactions are recorded on the balance sheet and the forward legs in the off-balance sheet accounts as commitment. In the initial phase of currency swaps, the, currency exchange transactions to realise at value dates are recorded and followed as irrevocable commitments in the off-balance sheet accounts up to their value dates.

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts at their contractual values.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to stand alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to contract. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty, is not an embedded derivative but a separate financial instrument. If a hybrid contract contains a host that is an asset within the scope of this standard, it is applied the standard’s requirements about classification of financial assets to the entire hybrid contract. The Bank and its consolidated financial subsidiaries do not have either any hybrid contract contains a host that is not an asset within the scope of this standard or a financial instrument which shall be separated from the host and accounted for as derivative under this standard.

Credit derivatives; are capital market tools designed to transfer credit risk from one party to another. The credit derivatives portfolio included in the off-balance sheet accounts composes of total return swaps and credit default swaps resulted from protection buying or selling.

Credit default swap; is a contract, in which the protection seller commits to pay the protection value to the protection buyer in case of certain credit risk events in return for the premium paid by the buyer for the contract. Credit default swaps are valued daily at their fair values.

Total return swap; is a contract, in which the protection seller commits to make a certain payment and compensate the decreases in market values of the reference assets to the buyer under the condition that the protection buyer will transfer all the cash flows to be created by and the increases in market values of the reference asset. It is entered into total return swap contract for the purpose of generating long-term funding.

3.4.2 Derivative financial instruments held for hedging purpose

TFRS 9 permits to defer application of TFRS 9 hedge accounting and continue to apply hedge accounting in accordance with TAS 39 as a policy choice. Accordingly, the Bank and its consolidated financial subsidiaries continue to apply hedge accounting in accordance with TAS 39 in this context.

The Bank and its consolidated financial subsidiaries enter into interest rate and cross currency swap transactions in order to hedge the changes in fair values of fixed-rate financial instruments. The changes in fair values of derivative financial assets held for fair value hedges are recognised in “income/losses from derivative financial instruments”. If the hedging is effective, the changes in fair value of the hedged item is presented in statement of financial position together with the fixed-rate loan, and in case of the fixed-rate financial assets at fair value through other comprehensive income, such changes are reclassified from shareholders’ equity to income statement.

Derivative financial assets measured at fair value through other comprehensive income

The Bank and its consolidated financial subsidiaries enter into interest rate and cross currency swap transactions in order to hedge the changes in cash flows of the floating-rate financial instruments. While applying cash flow hedge accounting, the effective portion of the changes in the fair value of the hedging instrument is accounted for under “accumulated other comprehensive income or expense to be reclassified to profit or loss” in shareholders’ equity, and the ineffective portion is recognised in income statement. The changes recognized in shareholders’ equity is removed and included in income statement in the same period when the hedged cash flows effect the income or loss.

Effectiveness tests are performed at the beginning of the hedge accounting period and at each reporting period. The effectiveness tests are carried out using the “Dollar off-set model” and the hedge accounting is applied as long as the test results are between the ranges of 80%-125% of effectiveness.

The hedge accounting is discontinued when the hedging instrument expires, is exercised, sold or no longer effective. When discontinuing fair value hedge accounting, the cumulative fair value changes in carrying value of the hedged item arising from the hedged risk are amortised to income statement under trading account income/loss caption over the maturity of the hedged item from that date of the hedge accounting is discontinued. While expiring, sale, discontinuing cash flow hedge accounting or when no longer effective the cumulative gains/losses recognised in shareholders’ equity and presented under “accumulated other comprehensive income or expense to be reclassified to profit or loss” are continued to be kept in this account. When the cash flows of hedged item incur, the gain/losses accounted for under shareholders’ equity are recognised in income statement considering the original maturity.

3.5 Interest income and expenses

General

Interest is recorded according to the effective interest rate method (rate equalizing future cash flows of financial assets or liabilities to net present value) defined in the TFRS 9 “Financial Instruments” standard by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. In applying the effective interest method, it is identified fees that are an integral part of the effective interest rate of a financial instrument. Fees that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate, unless the financial instrument is measured at fair value, with the change in fair value being recognised in profit or loss. In those cases, such fees are accounted as revenue or expense when the financial instrument is initially recognised in the financial statements.

When applying the effective interest method, it is amortised any fees, transaction costs and other premiums or discounts that are included in the calculation of the effective interest rate over the expected life of the financial instrument.

In case an interest was accrued on a security before its acquisition, the collected interest is divided into two parts as interest before and after the acquisition and only the interest income of the period after the acquisition is recorded as interest income in the financial statements.

If the expectations for the cash flows in the financial asset are revised for reasons other than the credit risk, the amendment is reflected in the carrying amount of the asset and in the related income statement line and is amortized over the estimated life of the financial asset.

If the financial asset is impaired and classified as a non-performing receivable, it is applied the effective interest rate on the amortized cost of the asset for subsequent reporting periods. Such interest income calculation is made on an individual contract basis for all financial assets subject to impairment calculation. It is used effective interest rate during calculation of loss given default rate in expected credit loss models and accordingly, the calculation of expected credit losses includes an interest amount. Therefore, a reclassification is made between the accounts of “expected credit losses” expense and “interest income from loans” for such calculated interest amount. If the credit risk of the financial instrument improves to the extent that the financial asset is no longer considered as impaired and the improvement can be attributed to an incident that eventually takes place (such as an increase in the loan's credit rating), the system calculates interest income at subsequent reporting periods by applying the effective interest rate to the gross amount.

Financial lease activities

Total of minimum rental payments including interests and principals are recorded under “financial lease receivables” as gross. The difference, i.e. the interest, between the total of rental payments and the cost of the related tangible asset is recorded under “unearned income”. When the rent payment incurs, the rent amount is deducted from “financial lease receivables”; and the interest portion is recorded as interest income in the income statement.

3.6 Fees and commissions

Fees and commissions except for which are integral part of the effective interest rates of financial instruments measured at amortized costs, are accounted for in accordance with TFRS 15 Revenue from Contracts with Customers. Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period. The income derived from agreements or asset purchases from real-person or corporate third parties are recognized as income when realized.

3.7 Financial instruments

3.7.1 Initial recognition of financial instruments

It shall be recognised a financial asset or a financial liability in its statement of financial position when, and only when, an entity becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. Purchase and sale transactions of securities are accounted at the settlement date.

3.7.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of TFRS 15 Revenue from Contracts with Customers, at initial recognition, financial asset or financial liabilities are measured at fair value. At initial recognition, financial asset or a financial liability exclusive the ones at fair value through profit or loss are measured at its fair value plus or minus, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

3.7.3 Classification of financial instruments

On which category a financial instruments shall be classified at initial recognition depends on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

3.7.3.1 Assessment of the business model

As per TFRS 9, the business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The business model does not depend on management's intentions for an individual instrument. Accordingly, this condition is not an instrument-by-instrument approach to classification and should be determined on a higher level of aggregation.

During assessment of the business model for management of financial assets, it must be considered all relevant evidence that is available at the date of the assessment. Such relevant evidence includes below:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

Assessment of the business model is not performed on the basis of scenarios that the entity does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios.

If cash flows are realised in a way that is different from the expectations at the date that it is assessed the business model, that does not give rise to a prior period error in the financial statements nor does it change the classification of the remaining financial assets held in that business model as long as it is considered all relevant information that was available at the time that it made the business model assessment. However, when the business model is assessed for newly originated or newly purchased financial assets, it must be considered information about how cash flows were realised in the past, along with all other relevant information.

The business models are divided into three categories. These categories are defined below:

- A business model whose objective is to hold assets in order to collect contractual cash flows: a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The financial assets that are held within the scope of this business model are measured at amortised cost when the contractual terms of the financial asset meet the condition of giving rise on specified dates to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.
- A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets: it may be held financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Fair value change of the financial assets that are held within the scope of this business model are accounted under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Other business models: financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

3.7.3.2 Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding

As per TFRS 9, a financial asset is classified on the basis of its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest. In order to assess whether the element provides consideration for only the passage of time, an entity applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set. When the contractual conditions are exposed to the risks which are not consistent with the basic lending arrangement or variability of cash flows, the relevant financial asset is measured at fair value through profit or loss.

3.7.4 Measurement categories of financial assets and liabilities

As of 1 January 2018, all financial assets are classified based on the business model for managing the financial assets. Accordingly, financial assets are classified in three main categories as listed below:

- Financial assets measured at amortized cost,
- Financial assets measured at fair value through other comprehensive income and
- Financial assets measured at fair value through profit or loss.

Financial investments and loans measured at amortised cost

Starting from 1 January 2018, financial investments and loans are measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial investments measured at amortised cost: subsequent to the initial recognition, financial investments measured at amortised cost are accounted at amortised cost calculated by using the effective interest rate method. The expected losses calculated for the relevant financial assets in accordance with TFRS 9 is presented in Note 5.1.8.5.

Loans: financial assets other than those held for trading in short term or generated through providing money, commodity and services to debtors. Loans are financial assets with fixed or determinable payments and not quoted in an active market.

Loans are recognized at cost and measured at amortized cost using the effective interest method. Duties paid, transaction costs and other similar expenses on assets received against such risks are considered as a part of transaction cost and charged to customers. The expected losses calculated for the relevant financial assets in accordance with TFRS 9 is presented in Note 5.1.5.11.

Financial assets measured at fair value through other comprehensive income

As per TFRS 9, financial investments are measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. If the financial asset is reclassified as financial assets measured at fair value through profit or loss, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Financial assets measured at fair value through other comprehensive income are measured at their fair values subsequently. However, assets for which fair values could not be determined reliably are valued at amortized cost by using the discounting method with effective interest rate, that approximates to fair value, for floating-rate securities; and by using valuation models or discounted cash flow techniques for fixed-rate securities. Unrecognised gain/losses derived from the difference between their fair value and the discounted values are recorded in accumulated other comprehensive income or expense to be reclassified to profit or loss under the shareholders' equity. In case of sales, the gain/losses arising from fair value measurement accumulated under shareholders' equity are recognized in income statement.

Interests calculated and/or earned by using the effective interest method during holding of financial assets measured at fair value through other comprehensive income are recorded primarily in interest income. In case of sale of such debt securities are sold before maturity date, the difference between the sales income calculated as difference between the cost in accordance with the Uniform Chart of Accounts and the sale price and the recognized interest income is transferred to "trading account income/losses".

The Bank also owns in its securities portfolio; consumer price indexed government bonds (CPI) reclassified as financial assets measured at fair value through other comprehensive income, financial assets measured at fair value through profit or loss and financial assets measured at amortised cost. CPI's are valued and accounted based on the effective interest rate method which is calculated according to the real coupon rate and the reference inflation index on the issue date. As it is mentioned in the Undersecretariat of Treasury's Investor Guide of CPI, the reference index used during the calculation of the actual coupon payment amount is the previous two months CPI's. The Bank determines its expected inflation rates in compliance with this guideline. The estimated inflation rate according to the Central Bank of Turkey and the Bank's expectations, maybe updated during the year when it is considered necessary.

Equity instruments measured at fair value through other comprehensive income

At initial recognition, it can be made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of TFRS 9 that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which TFRS 3 applies. Such election is made on an instrument by instrument basis.

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

Financial assets and liabilities measured at fair value through profit or loss

Financial assets valued at fair value through profit or loss are valued at their fair values and gain/loss arising on those assets is recorded in the income statement. Interest income earned on trading securities and the difference between their acquisition costs and amortized costs are recorded as interest income in the income statement. The differences between the amortized costs and the fair values of such securities are recorded under trading account income/losses in the income statement. In cases where such securities are sold before their maturities, the gains/losses on such sales are recorded under trading account income/losses.

It is classified certain loans and securities issued at their origination dates, as financial assets/liabilities, irrevocably at fair value through profit or loss in order to eliminate any accounting mismatch in compliance with TFRS 9.

The interest income/expense earned and the difference between the acquisition costs and the amortized costs of financial liabilities are recorded under interest income/expense in statement of profit or loss, the difference between the amortized costs and the fair values of financial liabilities are recorded under trading account income/losses in statement of profit or loss. The amount of change in the fair value of the financial liability at fair value through profit or loss that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income unless it creates accounting mismatch or increase the accounting mismatch. Excluding the change in credit risk of the liability, the change in the fair value of the liability shall be recognized in profit or loss.

3.8 Disclosures on impairment of financial instruments

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

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

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

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

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

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

3.8.1 Calculation of expected credit losses

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

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

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

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

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

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

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

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

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

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

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

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

It is considered a debt as default on these two below conditions;

1. **Objective Default Definition:** It means debt having past due more than 90 days. Current definition of default in the Bank and its financial subsidiaries subject to consolidation is based on a more than 90 days past due definition. If a loan is exactly 90 days past due, it will not be considered as default. Default status starts on the 91st day.
2. **Subjective Default Definition:** It means it is considered that a debt is unlikely to be paid. Whenever it is considered that an obligor is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due.

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

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

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

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

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

3.8.1.1 *Loan commitments and non-cash loans*

The expected credit losses on a loan commitment shall be discounted using the effective interest rate, or an approximation thereof, that will be applied when recognising the financial asset resulting from the loan commitment. This is because for the purpose of applying the impairment requirements, a financial asset that is recognised following a draw down on a loan commitment shall be treated as a continuation of that commitment instead of as a new financial instrument. The expected credit losses on the financial asset shall therefore be measured considering the initial credit risk of the loan commitment from the date when becoming a party to the irrevocable commitment.

Expected credit losses on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined shall be discounted by applying a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

3.8.1.2 *Debt instruments measured at fair value through other comprehensive income*

As of 1 January 2018, it shall be applied the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income. However, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position. The expected credit loss is reflected in other comprehensive income and the accumulated amount is recycled to statement of profit/loss following the derecognition of related financial asset.

3.8.1.3 *Credit cards and other revolving loans*

The Bank and its financial subsidiaries subject to consolidation offer credit card and overdraft products which give ability to corporate and commercial customers demand repayment and cancel the undrawn commitment. Such products do not limit the period that entities are exposed to credit losses with the contractual notice. For this reason, it is calculated the expected credit losses for these products over a period of time reflecting the anticipation of customer behavior, the likelihood of default, and future risk mitigation procedures such as the reduction or removal of undrawn limits.

When determining the period over which it is expected to be exposed to credit risk, but for which expected credit losses would not be mitigated by normal credit risk management actions, it is considered factors such as historical information and experience about the below items:

- the period over which the entity was exposed to credit risk on similar financial instruments;
- the length of time for related defaults to occur on similar financial instruments following a significant increase in credit risk; and
- the credit risk management actions that it is expected to be taken once the credit risk on the financial instrument has increased, such as the reduction or removal of undrawn limits.

It is calculated expected credit losses on the revolving products of retail and corporate customers by considering 3 to 5 years.

It is made assessment of significant increase in credit risk of revolving loans by considering qualitative and quantitative criteria considered for other credit products as explained in disclosure 3.8.3.

3.8.2 Forward-looking macroeconomic information

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

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

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

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

3.8.3 Significant increase in credit risk

Qualitative and quantitative assessments are performed regarding assessment of significant increase in credit risk.

Qualitative assessment:

It is classified the financial asset as Stage 2 (Significant Increase in Credit Risk) where any of the following conditions are satisfied as a result of a qualitative assessment.

- Loans overdue more than 30 days as of the reporting date,
- Loans classified as watchlist,
- When there is a change in the payment plan due to refinancing, restructuring or concession, the loan is not considered as default or written off and the change is not due to any commercial reason.

Quantitative assessment:

The quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date.

The absolute and relative thresholds used for the probability of default are differentiated on the basis of segment/ loan group.

It is classified the related financial asset as stage 2 (Significant Increase in Credit Risk) where both of the following criteria are satisfied as a result of quantitative assessment.

- Relative change in the PD: If the "relative difference" between the probability of defaults as of the reporting date and the date when the loan is initially recognized in the financial statements is above the specified threshold
- Absolute change in the PD: If the "absolute difference" between the probability of defaults as of the reporting date and the date when the loan is initially recognized in the financial statements is above the specified threshold (different from the threshold for the relative change)

3.8.4 Low credit risk

As per TFRS 9, the credit risk on a financial instrument is considered as low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. It is not considered financial instruments to have low credit risk when they are regarded as having a low risk of loss simply because of the value of collateral and the financial instrument without that collateral would not be considered low credit risk. Financial instruments are also not considered to have low credit risk simply because they have a lower risk of default than the other financial instruments or relative to the credit risk of the jurisdiction within which it is operated.

If it is determined that a financial instrument has a low credit risk as of the reporting date, it is assumed that the credit risk on the financial instrument has not increased significantly following its first recognition in the financial statements.

It is defined the definition of low credit risk based on the definition of High Quality Liquid Asset given in the Regulation on the Liquidity Coverage Ratio Calculation and the principles of the risk weight calculation based on the external rating note of the receivables from the Central Banks and the Central Governments in accordance with the Regulation on the Measurement and Assessment of Banks' Capital Adequacy.

The financial instruments that are defined as having low credit risk based on TFRS 9 are as follows:

- Receivables from the Central Bank of the Republic of Turkey (required reserves, free reserves, placement, etc.)
- Loans with counterparty of Treasury of the Republic of Turkey,
- Receivables (reserves, free reserves, placements, etc.) from the central banks of the branches of the Bank or its subsidiaries, securities issued or guaranteed by these central banks and securities issued / guaranteed by the treasury of these countries,
- Loans granted to the treasury of countries having rating note of AA- and above and the securities issued or guaranteed by the treasury of these countries,
- Local currency loans granted to the treasury of countries having rating below AA-, and securities in local currency issued or guaranteed by the treasury of these countries,
- Securities exported or guaranteed by multilateral development banks or international organizations having rating of AA- and above.

3.9 Disclosures about netting and derecognition of financial instruments

3.9.1 Netting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank and its consolidated financial subsidiaries have legally enforceable rights to offset the recognized amounts and to collect/pay related financial assets and liabilities on a net basis, or there is an intention to realize the asset and settle the liability simultaneously.

3.9.2 Derecognition of financial instruments

3.9.2.1 Derecognition of financial assets due to change in the contractual terms

Based on TFRS 9, the renegotiation or modification of the contractual cash flows of a financial asset can lead to the derecognition of the existing financial asset. When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset.

The Bank shall assess the characteristics of the new contractual terms of the financial asset based on quantitative and qualitative criteria. When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, it is recalculated the gross carrying amount of the financial asset and in case a significant change is determined, it is recognized a modification gain or loss in profit or loss.

Where all risks and rewards of ownership of the asset have not been transferred to another party and it is retained control of the asset, it is continued to recognize the remaining portion of the asset and liabilities arising from such asset.

When it is retained substantially all the risks and rewards of ownership of the transferred asset, the transferred asset continues to be recognised in its entirety and the consideration received is recognised as a liability.

3.9.2.2 *Derecognition of a financial asset without any change in the contractual terms*

It is derecognised the asset if the contractual rights to cash flows from the financial asset are expired or the related financial asset and all risks and rewards of ownership of the asset are transferred to another party.

Except for equity instruments measured at fair value through other comprehensive income, the total amount consisting of the gain or loss arising from the difference between the book value and the amount obtained and any accumulated gain directly accounted in equity shall be recognized in profit or loss.

3.9.2.3 *Derecognition of financial liabilities*

It shall be removed a financial liability (or a part of a financial liability) from the statement of financial position when, and only when, it is extinguished—ie when the obligation specified in the contract is discharged or cancelled or expires.

3.9.3 *Reclassification of financial instruments*

Based on TFRS 9, it shall be reclassified all affected financial assets at amortised cost to financial assets measured at fair value through other comprehensive income and fair value through profit or loss in the subsequent accounting when, and only when, it is changed the business model for managing financial assets.

3.9.4 *Restructuring and refinancing of financial instruments*

It may be changed the original contractual terms of a loan (maturity, repayment structure, guarantees and sureties) which were previously signed, in case the loan cannot be repaid or if a potential payment difficulty is encountered based on the new financing power and structure of the borrower.

Restructuring is to change the financial terms of existing loans in order to facilitate the payment of debt. Refinancing is granting a new loan which will cover either the principal or the interest payment in whole or in part of one or a few existing loans due to the anticipated financial difficulty which the customer or group encounter currently or will encounter in the future.

Changes in the original terms of a credit risk can be made in the current contract or through a new contract.

Corporate and commercial companies which have been restructured and refinanced can be removed from the watchlist when the following conditions are met:

- Subsequent to the thorough review of company's financial data and its owners' equity position, at circumstances when it is not anticipated that the owner of the company will face financial difficulties; and it is assessed that the restructured debt will be paid on time (starting from the date when the debt is restructured all due principal and interest payments are made on time)

- At least 2 years should pass over the date of restructuring (or if it is later), the date of removal from non-performing loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring /refinancing shall be paid and no overdue amount (principal and interest) shall remain at the date of restructuring / refinancing

In order for the restructured non-performing corporate and commercial loans to be classified to the watchlist category, the following conditions must be met:

- Recovery in debt service,
- At least 1 year should pass over the date of restructuring,
- Payment of all accrued and overdue amounts by debtor (interest and principal) since the date of restructuring /refinancing or the date when the debtor is classified as non-performing (earlier date to be considered) and fulfillment of the payment condition of all overdue amounts as of the date of restructuring /refinancing,
- Collection of all overdue amounts, disappearance of the reasons for classification as non-performing receivable (based on the conditions mentioned above) and having no overdue more than 30 days as of the date of reclassification.

During the follow-up period of at least two years following the date of restructuring / refinancing, if there is a new restructuring / refinancing or a delay of more than 30 days, the transactions which were non-performing at the beginning of the follow-up period are classified as non-performing loans again. The performing or non-performing retail loans being subject to restructuring shall be removed from the watchlist only if the debt is paid in full.

3.10 Repurchase and resale agreements and securities lending

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

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

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

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

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

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

3.12 Goodwill and other intangible assets

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

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

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

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

- The technical feasibility of completing the intangible asset so that it will be available for use,
- Availability of the Bank and its financial subsidiaries' intention to complete and use the intangible asset,
- The ability to use the intangible asset,
- Clarity in probable future economic benefits to be generated from the intangible asset,
- The availability of adequate technical, financial and other resources to complete the development phase and to start using the intangible asset,
- The availability to measure reliably the expenditure attributable to the intangible asset during the development phase.

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

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

Goodwill represents the excess of the total acquisition costs over the shares owned in the net assets of the acquired company at the date of acquisition. The "net goodwill" resulted from the acquisition of the investment and to be included in the consolidated balance sheet, is calculated based on the financial statements of the investee company as adjusted according to the required accounting principles.

If any goodwill is computed at consolidation, it is recorded under intangible assets on the asset side of the consolidated balance sheet as an asset. It is assessed to identify whether there is any indication of impairment. If any such indication exists, the necessary provision is recorded as an expense in the income statement. The goodwill is not amortized.

Estimated useful lives of the intangible assets except for goodwill, are 3-15 years, and amortisation rates are 6.67-33.3%.

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

3.13 Tangible assets

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

As of 1 November 2015, changing the existing accounting policy, it has been decided to apply revaluation model for properties recorded under tangible assets instead of cost model in accordance with the Turkish Accounting Standard 16 (TAS 16) "Property, Plant and Equipment". Accordingly, for all real estates registered in the ledger, a valuation study was performed by independent expertise firms.

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

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net book value and the net sale price.

Maintenance and repair costs incurred for tangible assets, are recorded as expense.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

The depreciation rates and estimated useful lives of tangible assets are presented below. Depreciation method in use was not changed in the current period.

Tangible assets	Estimated Useful Lives (Years)	Depreciation Rates %
Buildings	50	2
Vaults	50	2
Motor Vehicles	5-7	15-20
Other Tangible Assets	4-20	5-25

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end.

Useful lives of buildings are reviewed at least once a year and if current estimates are different than previous estimates, then the revised estimates are considered as accounting policy change in accordance with the Turkish Accounting Standard 8 (TAS 8) "Accounting Policies, Changes in Accounting Estimates and Errors".

Investment properties

Land and buildings that are held to earn rentals or for capital appreciation or both rather than for use in production, supply of goods or services, administrative purposes or sale in the ordinary course of business are classified as investment property. As of 1 November 2015, changing the existing accounting policy, it has been decided to apply fair value model for investment properties instead of cost model in accordance with the Turkish Accounting Standard 40 (TAS 40) "Investment Property". Accordingly, for all the investment properties registered in the ledger, a valuation study was performed by independent expertise firms. Fair value changes in investment properties were accounted in the income statement for the period they occurred.

Investment properties accounted at fair value are not depreciated.

Right-of-use assets

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

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

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

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

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

3.14 Leasing activities

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

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

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

After the commencement date, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

After the commencement date, the lease liability is remeasured to reflect changes to the lease payments. The amount of the remeasurement of the lease liability is recognised as an adjustment to the right-of-use asset.

The lease liability is remeasured by discounting the revised lease payments using a revised discount rate, if either there is a change in the lease term or there is a change in the assessment of an option to purchase the underlying asset. However, if there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments or if there is a change in the amounts expected to be payable under a residual value guarantee, an unchanged discount rate is used.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, the lease liability is remeasured by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the incremental borrowing interest rate at the effective date of the modification. The carrying amount of the right-of-use asset is decreased to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognised in profit or loss. A corresponding adjustment to the right-of-use asset is made for all other lease modifications.

3.15 Provisions and contingent liabilities

Provisions and contingent liabilities resulted from past events, if it is probable that the commitment will be settled and a reliable estimate can be made for the amount of the obligation, are accounted for in accordance with the Turkish Accounting Standard 37 (TAS 37) "Provisions, Contingent Liabilities and Contingent Assets".

3.16 Contingent assets

The contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Bank or its financial subsidiaries. If an inflow of economic benefits has become probable, then the contingent asset is disclosed in the footnotes to the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the related period.

3.17 Liabilities for employee benefits

Severance indemnities and short-term employee benefits

As per the existing labor law in Turkey, the entities are required to pay certain amounts to the employees retired or fired except for resignations or misbehaviors specified in the Turkish Labor Law. Accordingly, the Bank and its financial subsidiaries subject to the labor law, reserved for employee severance indemnities in the accompanying financial statements using actuarial method in compliance with the Turkish Accounting Standard 19 (TAS 19) "Employee Benefits" for all its employees who retired or whose employment is terminated, called up for military service or died.

The major actuarial assumptions used in the calculation of the total liability are as follows:

	31 December 2019	31 December 2018
Net Effective Discount Rate	3.90%	3.38%
Discount Rate	12.50%	16.30%
Expected Rate of Salary Increase	9.70%	14.00%
Inflation Rate	8.20%	12.50%

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

The Bank provided for undiscounted short-term employee benefits earned during the financial periods as per services rendered in compliance with TAS 19.

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

Retirement benefit obligations

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee and his/her dependents will receive on retirement.

The Bank's defined benefit plan (the "Plan") is managed by "Türkiye Garanti Bankası Anonim Şirketi Memur ve Müstahdemleri Emekli ve Yardım Sandığı Vakfı" (the Fund) established as per the provisional article 20 of the Social Security Law no.506 and the Bank's employees are the members of this Fund.

The Plan is funded through contributions of both by the employees and the employer as required by Social Security Law no. 506. These contributions are as follows:

	31 December 2019		31 December 2018	
	Employer	Employee	Employer	Employee
Pension contributions	15.5%	10.0%	15.5%	10.0%
Medical benefit contributions	6.0%	5.0%	6.0%	5.0%

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

a) Benefits transferable to SSF

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

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

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

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

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

b) Other benefits not transferable to SSF

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

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

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

3.18 Insurance technical reserves and technical income and expense

3.18.1 Insurance technical reserves

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

3.18.2 Insurance technical income and expense

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

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

3.19 Taxation

3.19.1 Corporate tax

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

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

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

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

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

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

Tax applications for foreign branches

NORTHERN CYPRUS

According to the Corporate Tax Law of the Turkish Republic of Northern Cyprus no.41/1976 as amended, the corporate earnings (including foreign corporations) are subject to a 10% corporate tax and 15% income tax. This tax is calculated based on the income that the taxpayers earn in an accounting period. Tax base is determined by modifying accounting income for certain exclusions and allowances for tax purposes. The corporations cannot benefit from the rights of offsetting losses, investment incentives and amortisation unless they prepare and have certified their balance sheets, income statements and accounting records used for tax calculations by an auditor authorized by the Ministry of Finance. In cases where it is revealed that the earnings of a corporation were not subject to taxation in prior years or the tax paid on such earnings are understated, additional taxes can be charged in the next twelve years following that the related taxation period. The corporate tax returns are filed in the tax administration office in April after following the end of the accounting year to which they relate. The corporate taxes are paid in two equal installments in May and October.

MALTA

The corporate earnings are subject to a 35% corporate tax. This rate is determined by modifying accounting income for certain exclusions and allowances for tax purposes. The earnings of the foreign corporations' branches in Malta are also subject to the same tax rate that the resident corporations in Malta are subject to. The earnings of such branches that are transferred to their head offices are not subject to an additional tax. The taxes payable is calculated by the obligating firm and the calculation is presented in the tax declaration form that is due till the following year's month of November.

Tax applications for foreign financial subsidiaries

THE NETHERLANDS

In the Netherlands, corporate income tax is levied at the rate of 20% for tax profits up to EUR 200,000 and 25% for the excess part over this amount on the worldwide income of resident companies, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the related year. These rates will be applied as 19% and 25% in 2019, as 16.50% and 22.55% in 2020 and as 15% and 20.50% in 2021. Based on the unilateral decree for the avoidance of double taxation between Turkey and The Netherlands, the dividend taxation is nil as of 1 January 2018. Under the Dutch taxation system, tax losses can be carried forward to offset against future taxable income for nine years. Tax losses can be carried back to the prior year. Companies must file their tax returns within nine months following the end of the tax year to which they relate, unless the company applies for an extension (normally an additional nine months). Tax returns are open for five years from the date of final assessment of the tax return during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. The corporate income tax for the Germany branch is 30%.

ROMANIA

The applicable corporate tax rate in Romania is 16%. The taxation system in Romania is continuously developing and is subject to varying interpretations and constant changes, which may become rarely retroactive. In Romania, tax periods remain open for tax audits for seven years. Tax losses can be carried forward to offset against future taxable income for seven years.

Effective for 2019 based on the Emergency Ordinance no. 114/2018 (“the Ordinance”), as modified by the Emergency Ordinance no. 19/2019, banking institutions defined as credit institutions, Romanian legal entities and Romanian branches of nonresident credit institutions became subject to the tax on certain financial asset groups starting from 1 January 2019. The tax on financial assets is computed by applying a tax rate on the total value of the taxpayer’s certain financial asset groups, existing at the end of the computation semester, recorded as per the applicable accounting regulations. The tax rate applied shall be 0.4% or 0.2% per annum, depending on the bank’s market share greater than or equal, or lower than 1%, respectively. At the same time, the value of the tax may not exceed the accounting profit realized by the bank before calculating the tax on assets. In addition, no tax shall be due by the bank incurring accounting loss before calculating the tax on assets. The first computation and payment of the tax was realised on 25 August 2019. The Ordinance provides the possibility of reducing the tax due by up to 100%, depending on certain indicators aimed at increasing financial intermediation and /or diminishing the net interest margin for RON denominated loans and deposits.

3.19.2 Deferred taxes

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

As explained in note 3.19.1, this rate is determined as 22% to be applied to corporate earnings for the taxation periods of 2018, 2019 and 2020. In addition, the Council of Ministers is authorized to reduce the corresponding rate 22% to 20%. As deferred tax assets or liabilities within the scope of TAS 12, are calculated by using the tax rates based on the effective tax rates or tax rates (and tax laws) expected to enter into force as of the reporting period (balance sheet date), to be applied in the periods when the assets turn into income or the debts are paid, the Bank made deferred tax calculation according to the rates of 22% or 20% corresponding to the maturity of the assets and liabilities as of 31 December 2019.

If transactions and events are recorded in the income statement, then the related tax effects are also recognized in the income statement. However, if transactions and events are recorded directly in the shareholders’ equity, the related tax effects are also recognized directly in the shareholders’ equity.

The deferred tax assets and liabilities of the Bank and its consolidated subsidiaries are reported as net in their individual financial statements.

In compliance with TAS 12, the deferred tax assets and liabilities of the consolidated subsidiaries are presented on the asset and liability sides of financial statements separately, without any offsetting.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Furthermore, the deferred tax assets are not subject to profit distribution or capital increase as per the BRSA’s related circular in cases where there are net asset balances after netting deferred tax assets with deferred tax liabilities.

3.19.3 Transfer pricing

The article no.13 of the Corporate Tax Law describes the issue of transfer pricing under the title of “Disguised Profit Distribution by Way of Transfer Pricing”. “The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing” published at 18 November 2007, explains the application related issues on this topic.

According to this Communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm’s length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions will not be deducted from the corporate tax base for tax purposes.

As stated in the “7.1 Annual Documentation” section of this communiqué, the taxpayers are required to fill out the “Transfer Pricing, Controlled Foreign Entities and Thin Capitalization” form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

3.20 Funds borrowed

The Bank, whenever required, generates funds from domestic and foreign sources in the form of borrowings, syndications, securitizations, and bill and bond issuances in the local and international markets. The funds borrowed are recorded at their purchase costs and valued at amortised costs using the effective interest method.

In cases where such funds are valued at their amortised costs but this application results in measurement or accounting mismatch due to having the related financial instruments valued using different methods or the related gains or losses are recognized differently, such fundings are reclassified as financial liabilities at their fair values through profit or loss at initial recognition in order to prevent such mismatch. The interest expenses paid during holding the related financial liabilities and the difference between the amortized cost and the acquisition cost are recorded as interest expense in income statement and the difference between the fair values and the amortized costs of the financial liabilities are recorded under trading account income/losses.

3.21 Share and share issuances

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

3.22 Confirmed bills of exchange and acceptances

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

3.23 Government incentives

As of 31 December 2019, the Bank or its financial subsidiaries do not have any government incentives or grants (2018: None).

3.24 Segment reporting

The Bank operates in corporate, commercial, retail and investment banking. Accordingly, the banking products served to customers are; custody services, time and demand deposits, accumulating deposit accounts, repos, overdraft facilities, spot loans, foreign currency indexed loans, consumer loans, automobile and housing loans, working capital loans, discounted bills, gold loans, foreign currency loans, Eximbank loans, pre-export loans, ECA covered financing, letters of guarantee, letters of credit, export factoring, acceptance credits, draft facilities, forfaiting, leasing, insurance, forward, futures, salary payments, investment account (ELMA), cheques, safety boxes, bill payments, tax collections, payment orders. GarantiCard, BonusCard, Miles&Smiles Card, FlexiCard, MoneyCard, BusinessCard, Shop & Fly, virtual cards under the brand names of Visa and Mastercard and also American Express credit cards and “Paracard” debit cards with Maestro, Electron, Visa and Mastercard brand names, are available.

The Bank provides service packages to its corporate, commercial and retail customers including deposit, loans, foreign trade transactions, investment products, cash management, leasing, factoring, insurance, credit cards, and other banking products. A customer-oriented branch network has been built in order to serve customers’ needs effectively and efficiently. The Bank also utilizes alternative delivery channels intensively.

The Bank provides corporate banking products to international and national holdings in Turkey by coordinating regional offices, suppliers and intermediaries, utilizing cross-selling techniques. Mainly, it provides services through its commercial and mixed type of branches to export-revenue earning sectors like tourism and textile and exporters of Turkey’s traditional agricultural products.

Additionally, the Bank provides banking services to enterprises and their employees working in retail and service sectors through product packages including overdraft accounts, POS machines, credit cards, cheque books, Turkish Lira and foreign currency deposits, investment accounts, internet banking and call-center, debit cards and bill payment modules.

Retail banking customers form a wide-spread and sustainable deposit base for the Bank. Individual customers' needs are met by diversified consumer banking products through branches and digital banking.

Information on the business segments on a consolidated basis is as follows:

<i>Current Period</i>	Retail Banking	Corporate / Commercial Banking	Investment Banking	Other	Total Operations
Total Operating Profit	12,757,644	10,445,677	(4,620,619)	12,235,018	30,817,720
Other	-	-	-	-	-
Total Operating Profit	12,757,644	10,445,677	(4,620,619)	12,235,018	30,817,720
Net Operating Profit	5,729,997	2,137,789	(5,166,364)	5,459,570	8,160,992
Dividend Income	-	-	-	11,276	11,276
Net Operating Profit	5,729,997	2,137,789	(5,166,364)	5,470,846	8,172,268
Provision for Taxes	-	-	-	1,930,878	1,930,878
Net Profit	5,729,997	2,137,789	(5,166,364)	3,539,968	6,241,390
Segment Assets	76,596,027	184,036,880	117,882,897	49,884,490	428,400,294
Investments in Associates and Subsidiaries	-	-	-	153,854	153,854
Total Assets	76,596,027	184,036,880	117,882,897	50,038,344	428,554,148
Segment Liabilities	187,757,054	94,836,117	67,163,417	24,746,813	374,503,401
Shareholders' Equity	-	-	-	54,050,747	54,050,747
Total Liabilities and Shareholders' Equity	187,757,054	94,836,117	67,163,417	78,797,560	428,554,148

<i>Prior Period</i>	Retail Banking	Corporate / Commercial Banking	Investment Banking	Other	Total Operations
Total Operating Profit	11,834,572	11,465,130	(3,424,223)	8,475,819	28,351,298
Other	-	-	-	-	-
Total Operating Profit	11,834,572	11,465,130	(3,424,223)	8,475,819	28,351,298
Net Operating Profit	5,918,441	4,391,316	(3,810,916)	2,247,226	8,746,067
Dividend Income	-	-	-	7,691	7,691
Net Operating Profit	5,918,441	4,391,316	(3,810,916)	2,254,917	8,753,758
Provision for Taxes	-	-	-	2,047,153	2,047,153
Net Profit	5,918,441	4,391,316	(3,810,916)	207,764	6,706,605
Segment Assets	71,774,112	177,276,104	109,415,617	40,554,897	399,020,730
Investments in Associates and Subsidiaries	-	-	-	132,871	132,871
Total Assets	71,774,112	177,276,104	109,415,617	40,687,768	399,153,601
Segment Liabilities	160,344,635	87,437,090	76,989,822	27,495,212	352,266,759
Shareholders' Equity	-	-	-	46,886,842	46,886,842
Total Liabilities and Shareholders' Equity	160,344,635	87,437,090	76,989,822	74,382,054	399,153,601

3.25 Profit reserves and profit appropriation

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

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

In the ordinary General Assembly Meeting dated 4 April 2019, a decision is made regarding distribution of the unconsolidated net profit of the Bank in 2018 amounting to TL 6,638,236, and the table considering the distribution made based on the decision is presented in Note 5.10.2.

3.26 Earnings per share

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

	<i>Current Period</i>	<i>Prior Period</i>
Distributable net profit/loss	6,164,914	6,641,652
Average number of issued common shares (thousand)	420,000,000	420,000,000
Earnings per share (amounts presented full TL)	0.01468	0.01581

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period. In case bonus shares are distributed after the balance sheet date but before the preparation of the financial statements, earnings per share is calculated considering the new number of shares.

There are no bonus shares issued in 2019 (2018: None).

3.27 Related parties

For the purpose of these financial statements, shareholders having control shares of the Bank, key management personnel and board members together with their families and companies controlled by/subsidiary with them, associated companies and joint ventures and the Fund providing post-employment benefits are considered and referred to as related parties in accordance with TAS 24 “Related Parties”. The transactions with related parties are disclosed in detail in Note 5.7.

3.28 Cash and cash equivalents

For the purposes of the cash flow statement, cash includes cash effectives, cash in transit, purchased cheques and demand deposits including balances with the Central Bank of Turkey; and cash equivalents include money market placements, time deposits at banks with original maturity periods of less than three months and investments on marketable securities other than common stocks.

3.29 Reclassifications

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

	<i>Note</i>	<i>31.12.2018</i>	<i>TFRS16 Reclassification Effect</i>	<i>TFRS16 Transition Effect</i>	<i>01.01.2019</i>
TANGIBLE ASSETS (Net)	(1),(2)	4,494,918	33,008	1,040,667	5,568,593
OTHER ASSETS (Net)	(2)	10,878,526	(33,008)	-	10,845,518
LEASE PAYABLES (Net)	(1),(3)	-	-	1,040,667	1,040,667

- (1) In accordance with TFRS 16 a lease liability and a right-of-use asset amounting to TL 1,040,667 are recognised as of 1 January 2019 for leases previously classified as an operating lease applying TAS 17.
- (2) In accordance with TFRS 16 prepaid rent payments amounting to TL 33,008 are reclassified under tangible assets as right-of-use which were previously classified under other assets.
- (3) As of 1 January 2019, the weighted average of the incremental borrowing interest rates applied to TL, EUR and USD lease liabilities presented in the consolidated statement of financial position are 23.6%, 4.2% and 7% respectively.

3.30 Other disclosures

As of 31 December 2018, reclassification of collaterals received and given on derivative transactions is performed between banks and other assets amounting to TL 5,180,071 and between deposits and other liabilities amounting to TL 778,569 in order to be in line with Bank's consolidated financial statements as of 31 December 2019. Based on this reclassification of the transactions, reclassification amounting to TL 11,095 is made between the interest income on banks and other interest income, and TL 218 TL between interest expense on deposits and other interest expenses in the related period's statement of consolidated profit or loss. The effects of the reclassifications are also updated in the consolidated statement of cash flows. Related reclassification process had no effect on the Bank's consolidated financial statement size and performance.

4 Consolidated Financial Position and Results of Operations and Risk Management

4.1 Consolidated total capital

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

4.1.1 Components of consolidated total capital (**)

<i>Current Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	39,612,929	
Other Comprehensive Income according to TAS	5,868,434	
Profit	6,164,914	
Current Period Profit	6,164,914	
Prior Period Profit	-	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	913	
Minority Interest	78,543	
Common Equity Tier I Capital Before Deductions	56,710,167	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	2,382,649	-
Leasehold Improvements on Operational Leases (-)	169,881	-
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	449,529	449,529
Net Deferred Tax Asset/Liability (-)	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014^(*)</i>
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Excess Amount arising from Mortgage Servicing Rights (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	-
Total Deductions from Common Equity Tier I Capital	3,002,059	-
Total Common Equity Tier I Capital	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)	53,708,108	-
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	4,693,480	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	3,756,696	-
Total Deductions from Tier II Capital	8,450,176	-
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	8,450,176	
Total Equity (Total Tier I and Tier II Capital)	62,158,284	
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	109	
Other items to be Defined by the BRSA (-)	7,821	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) during the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	62,150,354	-
Total Risk Weighted Assets	349,007,519	-
CAPITAL ADEQUACY RATIOS		
Consolidated CET1 Capital Ratio (%)	15.39	-
Consolidated Tier I Capital Ratio (%)	15.39	-
Consolidated Capital Adequacy Ratio (%)	17.81	-
BUFFERS		
Total Additional CET1 Capital Requirement Ratio (a+b+c)	4.636	-
a) Capital Conservation Buffer Ratio (%)	2.500	-
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.135	-
c) Systemically Important Banks Buffer Ratio (%)	2.000	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	9.808	-
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	1,903,531	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 ^(*)</i>
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	6,235,618	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3,756,696	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

(*) Under this item fully loaded amounts were reported for items that are subject to phasing in according to “Bank Capital Regulation” dated 1 January 2014.

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

<i>Prior Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	
Share Premium	11,880	
Reserves	32,977,973	
Other Comprehensive Income according to TAS	5,010,422	
Profit	6,641,652	
Current Period Profit	6,641,652	
Prior Period Profit	-	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Period's Profit	913	
Minority Interest	66,813	
Common Equity Tier I Capital Before Deductions	49,682,207	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Period's and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	3,005,106	-
Leasehold Improvements on Operational Leases (-)	245,927	-
Goodwill Netted with Deferred Tax Liabilities	6,388	6,388
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	383,444	383,444
Net Deferred Tax Asset/Liability (-)	5,845	5,845
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	1,672	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Excess Amount arising from Mortgage Servicing Rights (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	-
Total Deductions from Common Equity Tier I Capital	3,648,382	-
Total Common Equity Tier I Capital	46,033,825	-
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Shares of Third Parties in Additional Tier I Capital	-	-
Shares of Third Parties in Additional Tier I Capital (Covered by Temporary Article 3)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Items to be Deducted from Tier I Capital During the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	46,033,825	-
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	3,952,425	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	3,586,565	-
Total Deductions from Tier II Capital	7,538,990	-
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in equity instruments issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and having conditions stated in the Article 8 of the Regulation	-	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	7,538,990	
Total Equity (Total Tier I and Tier II Capital)	53,572,815	
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	1	
Other items to be Defined by the BRSA (-)	14,040	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) during the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	53,558,774	-
Total Risk Weighted Assets	324,153,343	-
CAPITAL ADEQUACY RATIOS		
Consolidated CET1 Capital Ratio (%)	14.20	-
Consolidated Tier I Capital Ratio (%)	14.20	-
Consolidated Capital Adequacy Ratio (%)	16.52	-
BUFFERS		
Total Additional CET1 Capital Requirement Ratio (a+b+c)	3.468	-
a) Capital Conservation Buffer Ratio (%)	1.875	-
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.093	-
c) Systemically Important Banks Buffer Ratio (%)	1.500	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	8.523	-
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	1,542,382	-

	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	5,478,236	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	3,586,565	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

(*) Under this item fully loaded amounts were reported for items that are subject to phasing in according to “Bank Capital Regulation” dated 1 January 2014.

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

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

4.1.2 Items included in capital calculation

<i>Current Period</i>	<i>Information about instruments included in total capital calculation</i>	
Issuer	T. Garanti Bankası A.Ş.	T. Garanti Bankası A.Ş.
Identifier (CUSIP, ISIN vb.)	Reg S: ISIN: XS1617531063 Common Code: 161753106 144A: CUSIP: 900148 AE7 ISIN: US900148AE73 Common Code: 161752479	
Governing law (s) of the instrument	Subject to English Law and in terms of certain articles to Turkish Regulations. It is issued within the scope of the Communiqué VII-128.8 on Debt Instruments of the Capital Markets Board and the Regulation on Bank Capital of the BRSA.	It is subject to English Law and in terms of certain articles to Turkish Regulations. It is also issued within the scope of the "Regulation on Equities of Banks" and "the Communiqué Regarding the Capital Instruments that will be included in own funds of banks" within the legislation of Capital Markets Board of Turkey.
Regulatory treatment		
Subject to 10% deduction as of 1/1/2015	No	No
Eligible on unconsolidated and /or consolidated basis	Eligible on unconsolidated and consolidated	Eligible on unconsolidated and consolidated
Instrument type	Subordinated debt instruments (Notes)	Subordinated debt instruments (Notes)
Amount recognized in regulatory capital (Currency in TL million, as of most recent reporting date)	4,441 (31 December 2018: 3,952)	253
Nominal value of instrument (TL million)	4,441 (31 December 2018: 3,952)	253
Accounting classification of the instrument	34701 – Secondary Subordinated Loans	34601– Secondary Subordinated Loans
Issuance date of instrument	23.05.2017	09.10.2019
Maturity structure of the instrument (demand/time)	Time	Time
Original maturity of the instrument	24.05.2027	07.10.2029
Issuer call subject to prior supervisory (BRSA) approval	Yes	Yes
Optional call date, contingent call dates and redemption amount	24.05.2022 – USD 750,000,000.00	07.10.2024 – TL 252,880,000.00
Subsequent call dates, if applicable	-	-
Interest/dividend payment		
Fixed or floating coupon/dividend payments	Fixed	Floating
Coupon rate and any related index	6.1250%	TLREF + 130 bps
Existence of any dividend payment restriction	None	None
Fully discretionary, partially discretionary or mandatory	-	-
Existence of step up or other incentive to redeem	None	None
Noncumulative or cumulative	None	None
Convertible into equity shares	None	None
If convertible, conversion trigger (s)	-	-
If convertible, fully or partially	-	-
If convertible, conversion rate	-	-
If convertible, mandatory or optional conversion	-	-
If convertible, type of instrument convertible into	-	-
If convertible, issuer of instrument to be converted into	-	-
Write-down feature	Yes	Yes
If bonds can be written-down, write-down trigger(s)	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked and the Bank is liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable), or (iii) it is probable that the Issuer will become non-viable; then the bonds can be written-down.	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked or (ii) to be determined the probability of transfer to the SDIF Turkey, the bonds can be written off.
If bond can be written-down, full or partial	Partially or fully	Partially or fully
If bond can be written-down, permanent or temporary	Continuously	Continuously
If temporary write-down, description of write-up mechanism	There are no any temporary write-up mechanisms.	There are no any temporary write-up mechanisms.
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	In priority of receivables, it comes after the senior obligations of the Issuer.	In priority of receivables, it comes after the senior obligations of the Issuer.
In compliance with article number 7 and 8 of Regulation on Bank Capital	Instrument is in compliant with Article 8 of the Regulation on Bank Capital.	Instrument is in compliant with Article 8 of the Regulation on Bank Capital.
Details of incompliances with article number 7 and 8 of Regulation on Bank Capital	Instrument is not in compliant with Article 7 of the Regulation on Bank Capital.	Instrument is not in compliant with Article 7 of the Regulation on Bank Capital.

4.1.3 Reconciliation of capital items to balance sheet

<i>Current Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value at capital report</i>	<i>Explanation of differences</i>
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	784,434	(772,554)	11,880	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
<i>Other Capital Reserves</i>	<i>772,554</i>	<i>(772,554)</i>	-	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
<i>Bonus Shares of Associates, Subsidiaries and Joint-Ventures</i>	-	-	-	
<i>Share Premium</i>	<i>11,880</i>	-	<i>11,880</i>	
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
<i>Other Comprehensive Income/Expense Items not to be Recycled to Profit/Loss</i>	<i>1,642,584</i>	-	<i>1,642,584</i>	
<i>Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss</i>	<i>1,371,976</i>	<i>472,138</i>	<i>1,844,114</i>	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	
<i>Prior Periods' Profit/Loss</i>	-	-	-	
<i>Current Period Net Profit/Loss</i>	<i>6,164,914</i>	-	<i>6,164,914</i>	
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	

<i>Prior Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value at capital report</i>	<i>Explanation of differences</i>
Paid-in Capital	4,200,000	772,554	4,972,554	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Capital Reserves	784,434	(772,554)	11,880	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
<i>Other Capital Reserves</i>	<i>772,554</i>	<i>(772,554)</i>	-	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
<i>Bonus Shares of Associates, Subsidiaries and Joint-Ventures</i>	-	-	-	
<i>Share Premium</i>	<i>11,880</i>	-	<i>11,880</i>	
Other Comprehensive Income/Expenses in Shareholders' Equity as per TMS	2,085,237	(79,008)	2,006,229	Items not included in the calculation as per Regulation's Article 9-1-f and Gain on sale of associate/subsidiaries' shares and real estate classified as different in the value of the capital report
<i>Other Comprehensive Income/Expense Items not to be Recycled to Profit/Loss</i>	<i>1,473,394</i>	-	<i>1,473,394</i>	
<i>Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss</i>	<i>611,843</i>	<i>(79,008)</i>	<i>532,835</i>	Items not included in the calculation as per Regulation's Article 9-1-f
Profit Reserves	32,977,973	-	32,977,973	
Profit or Loss	6,641,652	-	6,641,652	
<i>Prior Periods' Profit/Loss</i>	-	-	-	
<i>Current Period Net Profit/Loss</i>	<i>6,641,652</i>	-	<i>6,641,652</i>	
Minority Interest	197,546	(130,733)	66,813	Items are calculated as per Regulation's Article 12
Deductions from Common Equity Tier I Capital (-)	-		643,276	Deductions from Common Equity Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	46,886,842		46,033,825	
Subordinated Debts			-	
Deductions from Tier I Capital (-)			-	Deductions from Tier 1 Capital as per the Regulation
Tier I Capital			46,033,825	
Subordinated Debts			3,952,425	
12 Month ECL (Stage 1) and Lifetime ECL Significant Increase in Credit Risk (Stage 2)			3,586,565	Stage 1 and Stage 2 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			7,538,990	
Deductions from Total Capital (-)			14,041	Deductions from Capital as per the Regulation
Total			53,558,774	

4.2 Consolidated credit risk

Credit risk is defined as risks and losses that may occur if the counterparty that the Bank or its consolidated financial affiliates work with, fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set. In compliance with the legislation, the credit limits are set for the financial position and credit requirements of customers within the authorization limits assigned for Branches, Lending Departments, Executive Vice President responsible of Lending, General Manager, Credit Committee and Board of Directors. The limits are subject to revision if necessary.

The debtors or group of debtors are subject to credit risk limits. Sectoral risk concentrations are reviewed on a monthly basis.

Credit worthiness of debtors is periodically reviewed in compliance with the legislation and in case that the risk level of debtor deteriorates, the credit limits are revised and further collateral is required by risk rating models developed and optimized for this purpose. For unsecured loans, the necessary documentation is gathered in compliance with the legislation.

Geographical concentration of credit customers is reviewed monthly. This is in line with the concentration of industrial and commercial activities in Turkey.

In accordance with the lending policies, the debtor's creditworthiness is analysed and the adequate collateral is obtained based on the financial position of the company and the type of loan; like cash collateral, bank guarantees, mortgages, pledges, bills and personal or corporate guarantees.

There are control limits on the position held through forwards, options and other similar agreements. Credit risk of such instruments is managed together with the risk from market fluctuations. The risk arising from such instruments are followed up and when necessary, the actions to decrease it are taken.

The liquidated non-cash loans are subject to the same risk weight with the overdue loans.

Foreign trade finance and other interbank credit transactions are performed through widespread correspondents network. Accordingly, limits are assigned to domestic and foreign banks and other financial institutions based on review of their credit worthiness, periodically.

The Bank developed a statistical-based internal risk rating model for its credit portfolio of corporate/commercial/medium-size companies. This internal risk rating model has been in use for customer credibility assessment since 2003. Risk rating has become a requirement for loan applications, and ratings are used both to determine branch managers' credit authorization limits and in credit assessment process.

The concentration table of the cash and non-cash loans for the Bank according to the risk rating system for its customers defined as corporate, commercial and medium-size enterprises is presented below:

	<i>Current Period</i>	<i>Prior Period</i>
	%	%
Above Average	5.85	41.47
Average	21.93	46.41
Below Average	72.22	12.12
Total	100.00	100.00

Exposure Categories	Current Period (*)	Average (**)	Prior Period (*)	Average (**)
Conditional and unconditional exposures to central governments or central banks	103,734,118	107,513,717	102,141,286	91,087,611
Conditional and unconditional exposures to regional governments or local authorities	647,572	390,746	240,817	187,570
Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	301,778	324,717	398,258	363,022
Conditional and unconditional exposures to multilateral development banks	2,081,605	3,194,797	3,485,069	2,263,373
Conditional and unconditional exposures to international organisations	-	26,322	-	-
Conditional and unconditional exposures to banks and brokerage houses	52,716,456	47,888,934	42,787,600	45,716,162
Conditional and unconditional exposures to corporates	175,631,925	170,758,248	173,257,128	163,402,311
Conditional and unconditional retail exposures	102,306,150	95,801,876	89,316,489	88,968,571
Conditional and unconditional exposures secured by real estate property	31,029,824	34,273,054	34,653,489	39,322,330
Past due items	6,511,249	5,593,172	4,547,633	2,807,506
Items in regulatory high-risk categories	1,336,572	1,544,602	1,516,595	1,222,216
Exposures in the form of bonds secured by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-
Exposures in the form of collective investment undertakings	25,340	25,229	52,015	44,480
Shares	816,500	473,480	373,437	317,880
Other items	17,134,759	17,170,650	13,400,906	13,337,413

(*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

(**) Average risk amounts are the arithmetical averages of the amounts in monthly reports prepared as per the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks.

The parent Bank and its financial affiliates' largest 100 and 200 cash loan customers compose 24.56% (31 December 2018: 26.29%) and 30.59% (31 December 2018 : 32.49%) of the total cash loan portfolio except factoring and lease receivables, respectively.

The parent Bank and its financial affiliates' largest 100 and 200 non-cash loan customers compose 38.01% (31 December 2018: 42.19%) and 49.43% (31 December 2018: 53.01%) of the total non-cash loan portfolio, respectively.

The parent Bank and its financial affiliates' largest 100 ve 200 cash and non-cash loan customers represent 8.17% (31 December 2018: 16.25%) and 9.94% (31 December 2018: 20.71%) of the total "on and off balance sheet" assets except factoring and lease receivables, respectively.

Stage 1 and Stage 2 expected losses for consolidated credit risk amount to TL 6,149,560 (31 December 2018: TL 5,478,236).

4.2.1 Profile of significant exposures in major regions

<i>Current Period</i> (*)	Exposure Categories							
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Other	Total
Domestic	90,064,059	16,312,602	155,069,266	96,819,453	28,486,576	6,281,533	18,950,489	411,983,978
European Union (EU) Countries	12,255,848	30,147,934	13,512,231	5,047,772	2,486,662	221,750	3,151,857	66,824,054
OECD Countries(**)	72	1,182,782	3,663,532	13,065	11,541	2	29,170	4,900,164
Off-Shore Banking Regions	-	15,327	583,472	55	1,135	-	310	600,299
USA, Canada	766	4,385,742	1,164,442	7,758	12,492	4,116	155	5,575,471
Other Countries	1,413,373	631,809	1,565,732	418,047	31,418	3,848	58,291	4,122,518
Associates, Subsidiaries and Joint –Ventures	-	40,260	73,250	-	-	-	153,854	267,364
Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	-	-
Total	103,734,118	52,716,456	175,631,925	102,306,150	31,029,824	6,511,249	22,344,126	494,273,848

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversion.

(**) Includes OECD countries other than EU countries, USA and Canada.

(***) Includes assets and liability items that cannot be allocated on a consistent basis

<i>Prior Period</i> (*)	Exposure Categories							
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Other	Total
Domestic	85,267,585	7,148,195	151,384,300	84,851,164	32,448,935	4,252,646	17,192,990	382,545,815
European Union (EU) Countries	15,366,443	28,365,144	13,201,879	4,034,624	2,158,541	288,380	2,040,487	65,455,498
OECD Countries(**)	37	1,295,475	3,893,194	6,407	8,392	7	25,562	5,229,074
Off-Shore Banking Regions	-	79,737	480,706	31	718	-	29,555	590,747
USA, Canada	20,362	5,437,850	2,012,469	10,863	6,244	4,100	27,499	7,519,387
Other Countries	1,486,859	444,222	2,283,536	413,400	30,659	2,500	18,133	4,679,309
Associates, Subsidiaries and Joint –Ventures	-	16,977	1,044	-	-	-	132,871	150,892
Unallocated Assets/Liabilities (***)	-	-	-	-	-	-	-	-
Total	102,141,286	42,787,600	173,257,128	89,316,489	34,653,489	4,547,633	19,467,097	466,170,722

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversion.

(**) Includes OECD countries other than EU countries, USA and Canada.

(***) Includes assets and liability items that cannot be allocated on a consistent basis

4.2.2 Risk profile by sectors or counterparties

Current Period (*)	Exposure Categories																	TL	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17			
Agriculture	-	-	-	-	-	-	2,790,140	710,802	265,869	35,218	38,727	-	-	-	-	-	-	1,214,002	2,626,754	3,840,756
Farming and Stockbreeding	-	-	-	-	-	-	2,249,853	550,837	229,105	28,043	37,714	-	-	-	-	-	-	998,077	2,097,475	3,095,552
Forestry	-	-	-	-	-	-	134,339	127,605	33,926	5,069	570	-	-	-	-	-	-	121,394	180,115	301,509
Fishery	-	-	-	-	-	-	405,948	32,360	2,838	2,106	443	-	-	-	-	-	-	94,531	349,164	443,695
Manufacturing	-	-	49,437	-	-	-	82,461,537	10,349,897	5,933,945	2,470,144	233,548	-	-	-	-	-	-	37,124,903	64,373,605	101,498,508
Mining and Quarrying	-	-	-	-	-	-	2,828,766	412,407	62,688	11,746	4,001	-	-	-	-	-	-	1,284,214	2,035,394	3,319,608
Production	-	-	17	-	-	-	47,627,228	9,666,329	3,975,122	774,126	120,797	-	-	-	-	-	-	29,180,623	32,982,996	62,163,619
Electricity, Gas and Water	-	-	49,420	-	-	-	32,005,543	271,161	1,896,135	1,684,272	108,750	-	-	-	-	-	-	6,660,066	29,355,215	36,015,281
Construction	-	-	16	-	-	-	8,232,966	3,777,972	1,314,919	484,739	342,684	-	-	-	-	-	-	7,762,427	6,390,869	14,153,296
Services	2,011,057	-	1,804	2,081,605	-	52,716,456	69,549,131	79,129,650	20,549,540	3,305,265	483,325	-	-	-	25,340	32,328	-	177,202,852	52,682,649	229,885,501
Wholesale and Retail Trade	-	-	338	-	-	-	34,084,713	71,496,706	15,775,083	1,592,131	267,004	-	-	-	-	-	-	100,772,483	22,443,492	123,215,975
Accommodation and Dining	-	-	264	-	-	-	4,743,124	2,072,042	2,977,650	158,950	41,108	-	-	-	-	-	-	3,804,757	6,188,381	9,993,138
Transportation and Telecommunication	-	-	171	-	-	-	12,659,002	3,373,201	541,212	641,571	101,205	-	-	-	-	-	-	5,428,657	11,887,705	17,316,362
Financial Institutions	2,010,011	-	-	2,081,605	-	52,716,456	8,918,826	210,775	43,488	10,478	41,786	-	-	-	25,340	32,328	-	62,282,440	3,808,653	66,091,093
Real Estate and Rental Services	-	-	-	-	-	-	4,399,211	1,244,258	781,231	874,518	23,116	-	-	-	-	-	-	2,792,457	4,529,877	7,322,334
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	-	-	993	-	-	-	549,161	250,725	246,737	18,722	6,947	-	-	-	-	-	-	888,752	184,533	1,073,285
Health and Social Services	1,046	-	38	-	-	-	4,195,094	481,943	184,139	8,895	2,159	-	-	-	-	-	-	1,233,306	3,640,008	4,873,314
Others	101,723,061	647,572	250,521	-	-	-	12,598,151	8,337,829	2,965,551	215,883	238,288	-	-	-	-	784,172	17,134,759	57,898,180	86,997,607	144,895,787
Total	103,734,118	647,572	301,778	2,081,605	-	52,716,456	175,631,925	102,306,150	31,029,824	6,511,249	1,336,572	-	-	-	25,340	816,500	17,134,759	281,202,364	213,071,484	494,273,848

Türkiye Garanti Bankası AŞ and Its Financial Affiliates

Consolidated Financial Report as of and
for the Year Ended 31 December 2019
(Thousands of Turkish Lira (TL))

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

Prior Period (*)	Exposure Categories																	TL	FC	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17			
Agriculture	-	-	-	-	-	-	2,506,837	840,006	351,642	22,093	39,951	-	-	-	-	-	-	1,446,962	2,313,567	3,760,529
Farming and Stockbreeding	-	-	-	-	-	-	2,122,594	740,786	318,736	20,313	37,661	-	-	-	-	-	-	1,349,838	1,890,252	3,240,090
Forestry	-	-	-	-	-	-	141,752	70,287	28,038	803	590	-	-	-	-	-	-	42,662	198,808	241,470
Fishery	-	-	-	-	-	-	242,491	28,933	4,868	977	1,700	-	-	-	-	-	-	54,462	224,507	278,969
Manufacturing	-	-	75,413	-	-	-	80,110,719	9,011,412	7,067,081	2,085,664	196,146	-	-	-	-	-	-	33,341,689	65,204,746	98,546,435
Mining and Quarrying	-	-	-	-	-	-	2,620,065	443,754	64,702	2,820	5,818	-	-	-	-	-	-	906,645	2,230,514	3,137,159
Production	-	-	9	-	-	-	46,627,218	8,330,573	4,430,181	435,019	146,553	-	-	-	-	-	-	26,371,116	33,598,437	59,969,553
Electricity, Gas and Water	-	-	75,404	-	-	-	30,863,436	237,085	2,572,198	1,647,825	43,775	-	-	-	-	-	-	6,063,928	29,375,795	35,439,723
Construction	-	-	31	-	-	-	9,617,385	4,553,046	1,880,485	164,980	457,065	-	-	-	-	-	-	9,965,836	6,707,156	16,672,992
Services	842	-	1,360	3,485,069	-	42,787,600	72,939,741	19,686,044	7,985,184	1,472,036	429,280	-	-	-	52,015	55,324	-	92,597,391	56,297,104	148,894,495
Wholesale and Retail Trade	-	-	181	-	-	-	34,228,802	15,141,542	3,964,712	340,107	196,606	-	-	-	-	-	-	31,165,639	22,706,311	53,871,950
Accommodation and Dining	-	-	62	-	-	-	4,606,766	1,062,470	2,429,928	137,056	31,465	-	-	-	-	-	-	2,494,343	5,773,404	8,267,747
Transportation and Telecommunication	-	-	74	-	-	-	15,373,049	2,350,118	432,860	306,801	151,567	-	-	-	-	-	-	4,285,727	14,328,742	18,614,469
Financial Institutions	-	-	-	3,485,069	-	42,787,600	9,005,778	109,171	71,569	19,462	35,008	-	-	-	52,015	55,324	-	51,373,609	4,247,387	55,620,996
Real Estate and Rental Services	-	-	-	-	-	-	4,710,410	334,839	669,801	645,561	9,626	-	-	-	-	-	-	1,285,390	5,084,847	6,370,237
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	9	-	967	-	-	-	631,455	211,387	240,380	8,248	3,268	-	-	-	-	-	-	885,593	210,121	1,095,714
Health and Social Services	833	-	76	-	-	-	4,383,481	476,517	175,934	14,801	1,740	-	-	-	-	-	-	1,107,090	3,946,292	5,053,382
Others	102,140,444	240,817	321,454	-	-	-	8,082,446	55,225,981	17,369,097	802,860	394,153	-	-	-	-	318,113	13,400,906	58,552,203	139,744,068	198,296,271
Total	102,141,286	240,817	398,258	3,485,069	-	42,787,600	173,257,128	89,316,489	34,653,489	4,547,633	1,516,595	-	-	-	52,015	373,437	13,400,906	195,904,081	270,266,641	466,170,722

- 1- Conditional and unconditional exposures to central governments or central banks
- 2- Conditional and unconditional exposures to regional governments or local authorities
- 3- Conditional and unconditional exposures to administrative bodies and non-commercial undertakings
- 4- Conditional and unconditional exposures to multilateral development banks
- 5- Conditional and unconditional exposures to international organisations
- 6- Conditional and unconditional exposures to banks and brokerage houses
- 7- Conditional and unconditional exposures to corporates
- 8- Conditional and unconditional retail exposures
- 9- Conditional and unconditional exposures secured by real estate property
- 10- Past due receivables
- 11- Receivables in regulatory high-risk categories
- 12- Exposures in the form of bonds secured by mortgages
- 13- Securitisation positions
- 14- Short term exposures to banks, brokerage houses and corporates
- 15- Exposures in the form of collective investment undertakings
- 16- Shares
- 17- Other receivable

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

4.2.3 Analysis of maturity-bearing exposures according to remaining maturities

Current Period		Term To Maturity					Demand	Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year		
Exposure Categories (*)								
1	Conditional and unconditional exposures to central governments or central banks	22,777,039	7,824,647	5,423,010	1,138,353	47,636,593	18,934,476	103,734,118
2	Conditional and unconditional exposures to regional governments or local authorities	5,480	12,526	2,265	142,531	483,727	1,043	647,572
3	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	16,619	51,701	51,914	60,462	111,681	9,401	301,778
4	Conditional and unconditional exposures to multilateral development banks	51,446	49,486	-	54,663	1,926,010	-	2,081,605
5	Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	-
6	Conditional and unconditional exposures to banks and brokerage houses	15,314,177	9,533,021	1,367,441	1,645,015	23,314,232	1,542,570	52,716,456
7	Conditional and unconditional exposures to corporates	14,447,939	13,764,977	13,220,277	25,224,129	101,672,613	7,301,990	175,631,925
8	Conditional and unconditional retail exposures	10,370,469	6,318,500	4,342,706	7,261,717	54,189,362	19,823,396	102,306,150
9	Conditional and unconditional exposures secured by real estate property	789,281	614,427	892,761	1,745,698	25,744,072	1,243,585	31,029,824
10	Past due items	-	-	-	-	-	6,511,249	6,511,249
11	Items in regulatory high-risk categories	397,831	12,251	63,363	95,068	441,686	326,373	1,336,572
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-
13	Securitisation positions	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	25,340	25,340
16	Shares	12,501	-	-	-	-	803,999	816,500
17	Other items	58,118	985,573	-	-	-	16,091,068	17,134,759
	Total	64,240,900	39,167,109	25,363,737	37,367,636	255,519,976	72,614,490	494,273,848

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

<i>Prior Period</i>		Term To Maturity					Demand	Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year		
Exposure Categories (*)								
1	Conditional and unconditional exposures to central governments or central banks	23,370,810	6,182,274	1,415,146	1,333,468	48,389,529	21,450,059	102,141,286
2	Conditional and unconditional exposures to regional governments or local authorities	4,130	-	-	6,995	229,219	473	240,817
3	Conditional and unconditional exposures to administrative bodies and non-commercial undertakings	7,286	42,451	21,520	56,049	255,598	15,354	398,258
4	Conditional and unconditional exposures to multilateral development banks	1,249,182	982,305	-	-	44,340	1,209,242	3,485,069
5	Conditional and unconditional exposures to international organisations	-	-	-	-	-	-	-
6	Conditional and unconditional exposures to banks and brokerage houses	5,259,195	14,361,512	1,542,337	2,314,112	17,810,271	1,500,173	42,787,600
7	Conditional and unconditional exposures to corporates	10,641,536	15,094,116	14,840,459	24,196,401	99,266,150	9,218,466	173,257,128
8	Conditional and unconditional retail exposures	9,829,764	5,501,203	3,309,470	6,447,635	44,045,467	20,182,950	89,316,489
9	Conditional and unconditional exposures secured by real estate property	288,092	574,791	929,363	1,739,412	29,251,016	1,870,815	34,653,489
10	Past due items	-	-	-	-	-	4,547,633	4,547,633
11	Items in regulatory high-risk categories	511,871	35,490	62,124	174,407	243,798	488,905	1,516,595
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-
13	Securitisation positions	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	52,015	52,015
16	Shares	-	-	-	-	-	373,437	373,437
17	Other items	106,675	-	786,698	-	-	12,507,533	13,400,906
	Total	51,268,541	42,774,142	22,907,117	36,268,479	239,535,388	73,417,055	466,170,722

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

4.2.4 Exposure categories

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

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

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

In the determination of risk weights for items that are not included in trading book; if a relevant rating is available then such rating, but if it is an unrated exposure then the rating available for the issuer is used.

Fitch Ratings' risk ratings as per the credit quality grades and the risk weights according to exposure categories are presented below:

Credit Quality Grade	Fitch Ratings Long Term Credit Rating	Exposure Categories			
		Exposures to Central Governments or Central Banks	Exposures to Banks and Brokerage Houses		Exposures to Corporates
			Exposures with Original Maturities Less Than 3 Months	Exposures with Original Maturities More Than 3 Months	
1	AAA to AA-	0%	20%	20%	20%
2	A+ to A-	20%	20%	50%	50%
3	BBB+ to BBB-	50%	20%	50%	100%
4	BB+ to BB-	100%	50%	100%	100%
5	B+ to B-	100%	50%	100%	150%
6	CCC+ and below	150%	150%	150%	150%

4.2.5 Exposures by risk weights

The total amount of exposures corresponding to each class of risk weight before and after credit risk mitigation and the deductions from equity as defined in the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks Appendix-1 are presented below:

<i>Current Period</i>	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Deductions from Equity
Risk Weights											
Exposures before Credit Risk Mitigation	93,195,155	-	26,229,507	15,929,461	48,435,216	102,290,270	207,565,704	628,535	-	-	627,340
Exposures after Credit Risk Mitigation	102,857,143	-	15,526,009	15,920,719	28,300,000	93,859,384	204,820,246	601,341	-	-	627,340

<i>Prior Period</i>	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Deductions from Equity
Risk Weights											
Exposures before Credit Risk Mitigation	90,572,286	-	19,369,613	18,270,578	26,420,042	93,613,795	216,840,465	1,083,943	-	-	657,317
Exposures after Credit Risk Mitigation	98,991,192	-	19,245,430	18,262,355	24,677,032	82,394,324	198,954,632	1,078,636	-	-	657,317

4.2.6 Information by major sectors and type of counterparties

Financial assets are assessed in 3 stages based on TFRS 9 as explained in accounting policy note 3.8.1 “Calculation of expected credit losses”. In this respect, the life time expected credit losses are recognized for impaired loans (Stage 3) and the probability of default is considered to be 100%.

When the loan is not under default yet, but there is a significant increase in the credit risk since origination date, the life time expected credit losses are calculated for these loans (stage 2).

Regarding the remaining financial assets within the scope of TFRS 9, the 12-month estimated probability of default is calculated and the loss allowance for these loans (stage 1) is measured at an amount equal to 12-month (after the reporting date) expected credit losses.

<i>Current Period</i>	Loans		<i>TFRS 9 Expected Credit Losses</i>
	<i>Significant Increase in Credit Risk (Stage 2)</i>	<i>Defaulted (Stage 3)</i>	
Agriculture	366,167	177,328	138,114
Farming and Stockbreeding	114,963	153,694	101,550
Forestry	61,310	15,805	15,003
Fishery	189,894	7,829	21,561
Manufacturing	17,007,393	6,797,971	6,213,572
Mining and Quarrying	227,898	115,228	126,180
Production	8,234,096	2,342,806	2,560,093
Electricity, Gas and Water	8,545,399	4,339,937	3,527,299
Construction	2,569,085	2,331,665	1,436,934
Services	11,790,454	7,110,982	5,474,728
Wholesale and Retail Trade	5,475,815	2,629,435	2,091,796
Accommodation and Dining	1,182,052	421,037	325,130
Transportation and Telecommunication	1,539,810	1,958,880	1,384,040
Financial Institutions	657,537	98,337	243,355
Real Estate and Rental Services	2,437,043	1,804,054	1,235,475
Professional Services	5,549	1,820	1,669
Educational Services	292,545	145,438	140,531
Health and Social Services	200,103	51,981	52,732
Others	13,676,163	4,632,130	3,929,198
Total	45,409,262	21,050,076	17,192,546

<i>Prior Period</i>	Loans		TFRS 9 Expected Credit Losses
	<i>Significant Increase in Credit Risk (Stage 2)</i>	<i>Defaulted (Stage 3)</i>	
Agriculture	173,407	141,211	94,184
Farming and Stockbreeding	112,747	131,028	83,137
Forestry	28,713	3,769	5,685
Fishery	31,947	6,414	5,362
Manufacturing	16,151,922	4,392,281	4,063,276
Mining and Quarrying	129,122	108,936	107,049
Production	6,378,848	1,795,035	1,992,635
Electricity, Gas and Water	9,643,952	2,488,310	1,963,592
Construction	2,178,793	1,579,034	945,696
Services	11,282,845	4,530,753	3,618,569
Wholesale and Retail Trade	4,954,019	1,667,671	1,446,210
Accommodation and Dining	1,262,599	333,340	257,994
Transportation and Telecommunication	1,524,341	1,210,443	1,004,599
Financial Institutions	2,316,333	108,665	194,482
Real Estate and Rental Services	837,447	1,123,708	614,167
Professional Services	-	750	726
Educational Services	312,425	43,336	61,016
Health and Social Services	75,681	42,840	39,375
Others	15,162,133	4,111,433	3,961,059
Total	44,949,100	14,754,712	12,682,784

4.2.7 Movements in value adjustments and provisions

<i>Current Period</i>	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1 Stage 3. Provisions	8,455,948	7,788,449	1,261,229	2,129,818	12,853,350
2 Stage 1 and Stage 2 Provisions	5,478,236	3,596,195	2,889,352	37,023	6,148,056

<i>Prior Period</i>	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments(*)	Closing Balance
1 Stage 3. Provisions	4,650,987	8,281,403	2,074,346	2,402,096	8,455,948
2 Stage 1 and Stage 2 Provisions	4,792,207	8,630,443	8,015,024	(70,610)	5,478,236

(*) Includes foreign exchange differences, mergers, acquisitions and disposals of subsidiaries.

4.2.8 Exposures subject to countercyclical capital buffer

<i>Current Period</i> Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	231,916,453	1,583,698	233,500,151
Romania	8,858,687	-	8,858,687
the Netherlands	3,253,422	-	3,253,422
Switzerland	2,121,740	-	2,121,740
Germany	2,038,508	-	2,038,508
Malta	1,645,722	117,613	1,763,335
United Kingdom	1,222,374	-	1,222,374
United States of America	1,149,890	-	1,149,890
United Arab Emirates	808,530	-	808,530
Other	4,850,616	-	4,850,616
Total	257,865,942	1,701,311	259,567,253

<i>Prior Period</i> Country	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	221,729,777	1,097,072	222,826,849
Romania	8,079,783	-	8,079,783
the Netherlands	2,671,113	-	2,671,113
Switzerland	2,493,427	-	2,493,427
Germany	1,761,517	-	1,761,517
Malta	1,104,778	-	1,104,778
United Kingdom	993,412	54,814	1,048,226
United States of America	877,261	-	877,261
United Arab Emirates	657,669	-	657,669
Other	3,997,235	-	3,997,235
Total	244,365,972	1,151,886	245,517,858

4.3 Consolidated currency risk

Foreign currency open position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 31 December 2019, the Bank and its financial subsidiaries' net 'on balance sheet' foreign currency short position amounts to TL 25,733,470 (31 December 2018: TL 18,242,797), net 'off-balance sheet' foreign currency long position amounts to TL 29,974,139 (31 December 2018: TL 20,473,605), while net foreign currency close position amounts to TL 4,240,669 (31 December 2018: TL 2,230,808 long open position).

The foreign currency position risk is measured by "standard method" and "value-at-risk (VaR) model". Measurements by standard method are carried out monthly, whereas measurements by "VaR" are done daily for the Bank. The foreign currency exchange risk is managed through transaction, dealer, desk and stop-loss limits approved by the board of directors for the trading portfolio beside the foreign currency net position standard ratio and the VaR limit.

The Bank's effective exchange rates at the date of balance sheet and for the last five working days of the period announced by the Bank in TL are as follows:

	USD	EUR
The Bank's foreign currency purchase rate at balance sheet date	5.9208	6.6431
<u>Foreign currency rates for the days before balance sheet date:</u>		
Day 1	5.9138	6.6272
Day 2	5.9285	6.6150
Day 3	5.9103	6.5551
Day 4	5.9130	6.5602
Day 5	5.9225	6.5633
Last 30-days arithmetical average rate	5.8311	6.4782

The Bank's consolidated currency risk

	EUR	USD	Other FCs	Total
Current Period				
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	15,328,474	14,524,316	8,886,539	38,739,329
Banks	10,214,975	4,319,366	4,299,988	18,834,329
Financial Assets Measured at Fair Value through Profit/Loss	252,426	4,274,136	-	4,526,562
Money Market Placements	270,410	183,283	-	453,693
Financial Assets Measured at Fair Value through Other Comprehensive Income	3,412,122	5,465,486	1,491,885	10,369,493
Loans (*)	55,215,104	53,583,880	8,264,928	117,063,912
Investments in Associates, Subsidiaries and Joint-Ventures	3,110	-	977	4,087
Financial Assets Measured at Amortised Cost	286,749	6,701,314	-	6,988,063
Derivative Financial Assets Held for Hedging Purpose	3,858	22,323	-	26,181
Tangible Assets	214,855	271	167,074	382,200
Intangible Assets (**)	-	-	-	-
Other Assets (***)	1,976,361	2,561,045	(149,736)	4,387,670
Total Assets	87,178,444	91,635,420	22,961,655	201,775,519
Liabilities				
Bank Deposits	2,076,060	124,658	45,327	2,246,045
Foreign Currency Deposits	56,098,186	88,521,222	11,033,060	155,652,468
Money Market Funds	853,166	517,280	149	1,370,595
Other Fundings	12,121,746	10,592,068	220,290	22,934,104
Securities Issued (****)	1,524,813	32,276,162	-	33,800,975
Miscellaneous Payables	504,221	384,822	79,491	968,534
Derivative Financial Liabilities Held for Hedging Purpose	140,835	293,708	-	434,543
Other Liabilities (*****)	1,511,458	2,206,745	6,383,522	10,101,725
Total Liabilities	74,830,485	134,916,665	17,761,839	227,508,989
Net 'On Balance Sheet' Position	12,347,959	(43,281,245)	5,199,816	(25,733,470)
Net 'Off-Balance Sheet' Position	(9,993,898)	43,385,166	(3,417,129)	29,974,139
Derivative Assets	11,786,083	69,718,270	2,243,021	83,747,374
Derivative Liabilities	21,779,981	26,333,104	5,660,150	53,773,235
Non-Cash Loans	-	-	-	-
Prior Period				
Total Assets	88,489,422	91,968,102	18,991,753	199,449,277
Total Liabilities	68,282,583	135,473,030	13,936,461	217,692,074
Net 'On Balance Sheet' Position	20,206,839	(43,504,928)	5,055,292	(18,242,797)
Net 'Off-Balance Sheet' Position	(16,682,628)	40,753,037	(3,596,804)	20,473,605
Derivative Assets	12,368,328	69,684,392	2,544,802	84,597,522
Derivative Liabilities	29,050,956	28,931,355	6,141,606	64,123,917
Non-Cash Loans	-	-	-	-

(*) The foreign currency-indexed loans amounting TL 1,054,857 included under TL loans in the accompanying consolidated financial statements are presented above under the related foreign currency code.

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

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

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

(*****) The gold deposits of TL 6,133,299 included under deposits in the accompanying consolidated financial statements are presented above under other liabilities.

4.4 Consolidated interest rate risk

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

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

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

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

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

(*) Interest accruals are included in non-interest bearing column.

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

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

<i>Prior Period</i>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing (*)	Total
Assets							
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	20,879,371	-	-	-	-	20,741,667	41,621,038
Banks	8,153,390	669,287	687,016	240,065	22,905	15,699,484	25,472,147
Financial Assets at Fair Value through Profit/Loss	45,922	36,429	4,160,628	136,176	65,002	196,880	4,641,037
Money Market Placements	141,777	-	-	-	-	-	141,777
Financial Assets Measured at Fair Value through Other Comprehensive Income	1,830,044	6,285,422	5,256,065	4,089,487	6,351,864	3,350,071	27,162,953
Loans	63,028,059	30,559,237	74,547,732	64,740,502	14,037,637	18,648,561	265,561,728
Financial Assets Measured at Amortised Cost	1,663,712	1,301,732	9,161,540	342,427	6,050,201	6,134,397	24,654,009
Other Assets (**)	24,028	34,591	29,147	238,390	6,832	9,565,924	9,898,912
Total Assets	95,766,303	38,886,698	93,842,128	69,787,047	26,534,441	74,336,984	399,153,601
Liabilities							
Bank Deposits	894,138	30,143	83,871	-	-	4,374,966	5,383,118
Other Deposits	128,497,970	35,298,304	20,435,031	2,134,307	5,065	52,483,982	238,854,659
Money Market Funds	1,357,567	286,818	98,466	782,847	71,255	37,637	2,634,590
Miscellaneous Payables	-	-	-	-	-	12,365,939	12,365,939
Securities Issued (**)	18,700,790	1,440,011	7,662,128	10,680,521	4,072,822	644,439	43,200,711
Other Fundings	2,359,221	16,415,486	12,073,933	1,355,279	926,869	208,939	33,339,727
Other Liabilities	779,152	-	8,494	-	-	62,587,211	63,374,857
Total Liabilities	152,588,838	53,470,762	40,361,923	14,952,954	5,076,011	132,703,113	399,153,601
On Balance Sheet Long Position	-	-	53,480,205	54,834,093	21,458,430	-	129,772,728
On Balance Sheet Short Position	(56,822,535)	(14,584,064)	-	-	-	(58,366,129)	(129,772,728)
Off-Balance Sheet Long Position	16,970,347	14,745,285	20,201,735	5,225,464	10,080,996	-	67,223,827
Off-Balance Sheet Short Position	(1,551,698)	(4,835,220)	(19,471,866)	(22,043,425)	(18,964,432)	-	(66,866,641)
Total Position	(41,403,886)	(4,673,999)	54,210,074	38,016,132	12,574,994	(58,366,129)	357,186

(*) Interest accruals are included in non-interest bearing column.

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

(***) Includes subordinated securities issued and presented under subordinated debts in balance sheet.

4.4.2 Average interest rates on monetary financial instruments (%)

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

<i>Prior Period</i>	EUR	USD	JPY	TL
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	-	1.83	-	8.05
Banks	(0.34)-8.00	2.15-4.90	-	15.60-30.00
Financial Assets at Fair Value through Profit/Loss	3.52	3.30-6.94	-	3.12-27.94
Money Market Placements	-	-	-	18.00-25.48
Financial Assets Measured at Fair Value through Other Comprehensive Income	0.65-4.63	3.46-11.88	-	20.37
Loans	0.27-15.00	1.50-21.88	-	13.13-43.50
Financial Assets Measured at Amortised Cost	0.25	5.26	-	19.49
Liabilities				
Bank Deposits	(0.34)-0.05	2.40-3.10	-	22.86
Other Deposits	0.01-7.00	0.01-4.27	0.93	8.75-29.00
Money Market Fundings	0.05-0.15	2.62-3.75	-	7.06-30.00
Miscellaneous Payables	-	-	-	-
Securities Issued	3.65	5.64	-	17.79-27.00
Other Fundings	0.40-6.25	0.63-11.55	-	10.50-33.60

(*) Lease receivables and factoring receivables are included.

4.5 Consolidated position risk of equity securities

4.5.1 Equity shares in associates and subsidiaries

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

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

<i>Current Period</i>		Comparison		
Equity Securities (shares)		Carrying Value	Fair Value	Market Value
1	Investment in Shares- Grade A	126,415	-	-
	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	-	-	-

<i>Prior Period</i>		Comparison		
Equity Securities (shares)		Carrying Value	Fair Value	Market Value
1	Investment in Shares- Grade A	105,432	-	-
	Quoted Securities	-	-	-
2	Investment in Shares- Grade B	25,555	-	-
	Quoted Securities	-	-	-
3	Investment in Shares- Grade C	822	-	-
	Quoted Securities	-	-	-
4	Investment in Shares- Grade D	-	-	-
	Quoted Securities	-	-	-
5	Investment in Shares- Grade E	1,014	-	-
	Quoted Securities	-	-	-
6	Investment in Shares- Grade F	48	-	-
	Quoted Securities	-	-	-

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

<i>Current Period</i>		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	

<i>Prior Period</i>		Gains/Losses in Current Period	Revaluation Surpluses		Unrealized Gains and Losses		
			Total	Amount in Tier I Capital	Total	Amount in Core Capital	Amount in Tier I Capital
Portfolio							
1	Private Equity Investments	-	-	-	-	-	-
2	Quoted Shares	-	-	-	8,454	-	8,454
3	Other Shares	-	95,693	95,693	-	-	-
Total		-	95,693	95,693	8,454	-	8,454

4.5.4 Capital requirement as per equity shares

<i>Current Period</i>				
Portfolio		Carrying Value	RWA Total	Minimum Capital Requirement
1	Private Equity Investments	-	-	-
2	Quoted Shares	-	-	-
3	Other Shares	153,854	153,854	12,308
Total		153,854	153,854	12,308

<i>Prior Period</i>				
Portfolio		Carrying Value	RWA Total	Minimum Capital Requirement
1	Private Equity Investments	-	-	-
2	Quoted Shares	-	-	-
3	Other Shares	132,871	132,871	10,630
Total		132,871	132,871	10,630

4.6 Liquidity risk management and consolidated liquidity coverage ratio

Liquidity risk is managed by Asset and Liability Management department (ALMD), Weekly Review Committee and Asset and Liability Committee (ALCO) in line with liquidity and funding policies and risk appetite approved by the board of directors in order to take the necessary measures in a timely and correct manner against possible liquidity shortages that may result from market conditions and balance sheet structure. Under stressed conditions, liquidity risk is managed within the contingency funding plan framework.

The Board of Directors reviews the liquidity risk management policy and approves the liquidity and funding policies, ensures the effective of practice of policies and integrations with the Bank's risk management system. The Board of Directors determines the basic metrics in liquidity risk measurement and monitoring. The Board of Directors establishes risk appetite of the Bank in liquidity risk management and identifies the risk limits in accordance with the risk appetite and reviews it regularly.

ALCO takes necessary decisions which will be executed by related departments by assessing the liquidity risk that the Bank is exposed to and considering the Bank's strategy and conditions of competition and pursues the implementations.

ALMD, performs daily liquidity management by ensuring compliance with regulatory and internal liquidity limits and monitoring related early warning indicators in case of probable liquidity squeezes. The medium and long term liquidity and funding management is performed by ALMD in accordance with ALCO decisions.

Head of Risk management defines the Bank's liquidity risk, measures and monitors the risks with liquidity risk measurement methods that are in compliance with international standards, presents measurement results periodically to related departments, committees and senior management. Head of Risk management coordinates related parties in order to ensure compliance of risk management process in accordance with the Bank's risk profile, operation environment and strategic plan with regulations. Head of Risk management analyses, develops and revises relevant liquidity risk measurement in accordance with changing market conditions and the Bank's structure. Risk management department reviews assumptions and parameters used in liquidity risk analysis.

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

Decentralized management approach is adopted in liquidity management. Each subsidiary controlled by the Bank performs daily, medium and long term liquidity management independently from the Bank by the authorities in each subsidiary responsible for managing liquidity risk. In addition, within the scope of consolidated risk management, liquidity and funding risk of each subsidiary in control are monitored via the liquidity risk management methods identified by the Bank by considering the operations, risk profile and regulations of the related subsidiary.

The Bank's funding management is carried out in compliance with the ALCO decisions. Funding and placement strategies are developed by assessing liquidity.

In liquidity risk management actions that will be taken and procedures are determined by considering normal economic conditions and stress conditions.

Diversification of assets and liabilities is assured so as to be able to continuously meet the obligations, also taking into account the relevant currencies. Funding sources are monitored actively during identification of concentration risk related to funding. The Bank's funding base of customer deposits, interbank and other borrowing transactions are diversified in order to prevent the concentration of a particular funding source. Factors that could trigger the sudden and significant run off in funds or impair the accessibility of the funding sources are analyzed. Additionally, securities which are eligible as collateral at CBRT issued by Republic of Turkey Treasury and have active secondary market are comprised in the Bank's assets.

In the context of TL and foreign currencies liquidity management, the cash flows regarding assets and liabilities are monitored and the required liquidity in future periods is forecasted. In cash flow analysis, stress is applied to items that affect the liquidity by volume and rate of change from a liquidity management point of view.

Liquidity risk exposed by the Bank is managed by establishing risk appetite, risk mitigation according to the liquidity and funding policies (diversification of funding sources, holding high quality liquid assets reserve) and effective control environment and closely monitoring by limits. For those risks that cannot be reduced, the adoption of the current level of risk, reduction or termination of the activities that cause the risk is considered.

In liquidity risk stress testing framework, the level of the Bank's ability to cover cash outflows in liquidity crisis scenario based on the Bank's current cash flow structure, by high quality liquid assets is calculated. Scenario analysis are performed by assessing changing balance sheet structure, liquidity requirements and market conditions.

The results of liquidity risk stress testing are taken into consideration in the assessment of liquidity adequacy and identification of policy regarding liquidity risk and contingency funding plan is prepared within this framework.

There exists “Liquidity Contingency Plan” in the Bank approved by the Board of Directors including mechanisms to prevent increase in liquidity risk scenarios for different conditions and levels. Available liquidity sources are determined by considering the liquidity squeezes. Within the framework of this plan, the Bank monitors liquidity risk in terms of early warning indicators, and probable scenarios where liquidity risk crisis and possible actions that can be taken.

In the scope of contingency plan within the framework of intraday liquidity risk management procedure, situations requiring the activation of contingency plan and indicating a intraday liquidity stress, and intraday liquidity metrics are monitored and intraday liquidity risk stress testing is performed.

The Bank’s liabilities consist of TL and foreign currency funding, of which a large portion is USD/EUR. Deposits and capital constitute most of TL funding. For the reasons like real person customers cannot use foreign currency credit but are able to deposit foreign currency funds, TL and foreign currency deposit and credit amount may differ. Long term funding obtained from foreign banks and creditors are mainly in foreign currency. For these reasons overall foreign currency liabilities are usually more than foreign currency liabilities. Unused portion of USD and EUR foreign currency funding is turned to TL via currency swap transactions and used in TL funding. Lines extended by CBRT and BİST aren’t used to full extent, unused limits and high quality liquid asset stock is held is kept to use in the case of a liquidity scarcity in market. Also T.C. Eurobonds aren’t used to secure funding and kept as reserve to use in the case of a foreign currency liquidity scarcity in market. In TL and foreign currency liquidity management, regulatory ratios, internally set warnings, limits and other liquidity and funding metrics are monitored.

4.6.1 Liquidity coverage ratio

Liquidity Coverage Ratio (LCR), aims for the banks having the ability to cover 30 days of liquidity needs with their own cash and high quality liquid assets that are easy to convert to cash during liquidity shortages in the markets. With that perspective and according to “Regulation for Banks’ Liquidity Coverage Ratio Calculations” (the Regulation) terms LCR ratio is calculated by having high quality liquid assets divided by net cash outflows. In both bank-only and consolidated basis, LCR ratio should be at least 80% for foreign currency and 100% for total.

Items in balance sheet and off balance sheet items are taken into account after being multiplied by the coefficients advised in the Regulation. In both bank-only and consolidated LCR calculations cash inflows are limited by 75% of cash outflows and cash inflows from high quality liquid assets aren’t included.

High quality liquid assets consist of cash, deposits in central banks and securities considered as high quality liquid assets. Reserve deposits are included in high quality liquid assets, limited by the amount that is allowed by central bank to use in liquidity shortages. High quality liquid assets are composed of 3.71% cash, 41.55% deposits in central banks and 54.74% securities considered as high quality liquid assets.

The Bank’s main funding sources are deposits, funds borrowed, money market borrowings and securities issued. Consolidated funding source composition as of report date is 77.69% deposits, 7.68% funds borrowed and money market borrowings and 7.22% securities issued.

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

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

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

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

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

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

<i>Prior Period</i>	Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
	TL+FC	FC	TL+FC	FC
High-Quality Liquid Assets			90,168,173	53,913,275
1 Total high-quality liquid assets (HQLA)	90,168,173	53,913,275	90,168,173	53,913,275
Cash Outflows				
2 Retail deposits and deposits from small business customers, of which:				
3 Stable deposits	170,724,981	91,272,314	15,763,919	9,106,152
4 Less stable deposits	26,171,577	421,581	1,308,579	21,079
5 Unsecured wholesale funding, of which:	144,553,404	90,850,733	14,455,340	9,085,073
6 Operational deposits	75,774,158	45,491,573	42,406,606	23,913,305
7 Non-operational deposits	-	-	-	-
8 Unsecured funding	57,958,065	38,974,499	28,071,155	18,524,043
9 Secured wholesale funding	17,816,093	6,517,074	14,335,451	5,389,262
10 Other cash outflows of which:				
11 Outflows related to derivative exposures and other collateral requirements	73,954,470	24,243,210	25,838,426	22,983,621
12 Outflows related to restructured financial instruments	22,357,173	22,411,751	22,357,173	22,411,751
13 Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14 Other revocable off-balance sheet commitments and contractual obligations	51,597,297	1,831,459	3,481,253	571,870
15 Other irrevocable or conditionally revocable off-balance sheet obligations	617,976	486,250	30,899	24,313
16 Total Cash Outflows	72,516,107	49,587,853	87,665,655	58,506,783
Cash Inflows				
17 Secured receivables	968	-	-	-
18 Unsecured receivables	39,244,362	20,635,316	29,638,064	17,244,172
19 Other cash inflows	1,234,990	6,424,300	1,219,136	6,423,779
20 Total Cash Inflows	40,480,320	27,059,616	30,857,200	23,667,951
			Upper Limit Applied Values	
21 Total HQLA			90,168,173	53,913,275
22 Total Net Cash Outflows			56,808,455	34,838,832
23 Liquidity Coverage Ratio (%)			159.53%	157.37%

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

The table below presents the last three months' consolidated Liquidity Ratios of the year 2018:

Period	TL+FC	FC
31 October 2018	166.20%	175.63%
30 November 2018	149.33%	138.61%
31 December 2018	163.06%	157.88%

4.6.2 Maturity analysis of liabilities according to remaining maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed	Total
Current Period								
Assets								
Cash (Cash on Hand, Money in Transit, Purchased Cheques) And Balances with the Central Bank	18,614,250	23,411,056	-	-	-	-	-	42,025,306
Banks	16,818,240	2,469,246	205,043	39,820	60	49,780	-	19,582,189
Financial Assets at Fair Value through Profit/Loss	319,045	4,368	7,005	4,560,960	278,547	49,375	-	5,219,300
Money Market Placements	-	10,476,172	-	183,284	-	-	-	10,659,456
Financial Assets Measured at Fair Value through Other Comprehensive Income	382,381	1,153	4,648,975	1,874,637	13,881,337	7,855,046	-	28,643,529
Loans	427,392	46,373,820	21,320,941	70,593,967	98,342,517	25,657,814	23,404,465	286,120,916
Financial Assets Measured at Amortised Cost	-	51,447	102,113	4,779,442	13,251,602	9,535,738	-	27,720,342
Other Assets (*)	10,575,499	1,487,069	322,813	835,725	687,244	954,239	(6,279,479)	8,583,110
Total Assets	47,136,807	84,274,331	26,606,890	82,867,835	126,441,307	44,101,992	17,124,986	428,554,148
Liabilities								
Bank Deposits	2,322,684	288,505	53,584	3,978	-	-	-	2,668,751
Other Deposits	86,548,154	144,855,691	22,704,949	18,017,053	2,323,065	159,662	-	274,608,574
Other Fundings	-	2,941,730	692,547	18,151,066	3,694,435	142,281	-	25,622,059
Money Market Funds	-	360,892	481,673	469,264	394,122	80,910	-	1,786,861
Securities Issued (**)	-	293,118	3,869,466	752,673	17,682,477	17,500,803	-	40,098,537
Miscellaneous Payables	11,421,140	389,549	94,517	24,743	5,839	317	184,611	12,120,716
Other Liabilities (***)	3,074,835	1,221,428	763,813	1,076,074	1,536,023	2,112,356	61,864,121	71,648,650
Total Liabilities	103,366,813	150,350,913	28,660,549	38,494,851	25,635,961	19,996,329	62,048,732	428,554,148
Liquidity Gap	(56,230,006)	(66,076,582)	(2,053,659)	44,372,984	100,805,346	24,105,663	(44,923,746)	-
Net Off-Balance Sheet Position								
Derivative Financial Assets	-	51,261,495	28,040,734	19,898,125	8,708,458	2,186,048	-	110,094,860
Derivative Financial Liabilities	-	50,974,119	28,899,100	19,538,747	7,637,895	1,978,749	-	109,028,610
Non-Cash Loans	-	16,323,278	1,895,379	2,290,557	2,677,487	78,732	116,504,472	139,769,905
Prior Period								
Total Assets	51,262,723	69,826,849	25,815,249	69,639,702	120,133,177	47,496,970	14,978,931	399,153,601
Total Liabilities	68,771,747	139,028,942	39,593,243	55,390,792	25,244,997	17,868,153	53,255,727	399,153,601
Liquidity Gap	(17,509,024)	(69,202,093)	(13,777,994)	14,248,910	94,888,180	29,628,817	(38,276,796)	-
Net Off-Balance Sheet Position								
Derivative Financial Assets	-	(776,698)	25,123	121,141	641,570	135,722	-	146,858
Derivative Financial Liabilities	-	62,930,044	12,213,678	29,817,513	10,938,125	2,785,895	-	118,685,255
Derivative Financial Liabilities	-	63,706,742	12,188,555	29,696,372	10,296,555	2,650,173	-	118,538,397
Non-Cash Loans	-	14,464,568	4,584,345	3,048,644	1,635,298	95,658	109,426,843	133,255,356

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

(**) Includes subordinated securities issued and financial liabilities measured at FVTPL.

(***) Shareholders' Equity is included in "Other liabilities" line under "Undistributed" column.

Contractual maturity analysis of liabilities according to remaining maturities

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

<i>Current Period</i>	Carrying Value	Nominal Principal Outflow	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over
Bank Deposits	2.668.751	2.667.979	2.322.684	287.966	53.348	3.981	-	-
Other Deposits	274.608.574	273.746.756	86.547.925	144.422.534	22.616.210	17.691.904	2.309.235	158.948
Other Fundings	25.622.059	24.022.628	-	2.758.287	692.547	16.704.420	3.716.428	150.946
Interbank Money Market Takings	1.786.861	1.790.934	149	356.594	480.547	469.044	404.559	80.041
Securities Issued (*)	40.098.537	40.345.307	-	289.127	3.763.227	750.000	17.481.987	18.060.966
Lease payables	1,134,770	1,774,652	-	34,962	84,260	263,593	1,015,206	376,631
Total	345,919,552	344,348,256	88,870,758	148,149,470	27,690,139	35,882,942	24,927,415	18,827,532

(*) Includes subordinated securities issued and financial liabilities measured at FVTPL.

<i>Prior Period</i>	Carrying Value	Nominal Principal Outflow	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over
Bank Deposits	5.383.118	5.359.184	3.679.122	1.566.048	30.143	83.871	-	-
Other Deposits	238.854.659	237.076.430	59.699.430	119.495.743	35.284.409	20.352.961	2.231.265	12.622
Other Fundings	33.339.727	33.117.190	-	2.061.795	1.237.006	25.032.559	4.785.830	-
Interbank Money Market Takings	2.634.590	2.597.090	138	1.357.567	286.818	98.466	782.847	71.254
Securities Issued (*)	43.200.711	43.486.690	-	980.255	1.440.011	8.033.535	16.550.606	16.482.283
Total	323,412,805	321,636,584	63,378,690	125,461,408	38,278,387	53,601,392	24,350,548	16,566,159

(*) Includes subordinated securities issued and financial liabilities measured at FVTPL.

4.7 Consolidated leverage ratio

The leverage ratio table prepared in accordance with the communiqué “Regulation on Measurement and Assessment of Leverage Ratios of Banks” published in the Official Gazette no. 28812 dated 5 November 2013 is presented below.

The Bank’s consolidated leverage ratio calculated by taking simple average of end of month leverage ratios for the last three-month periods, is 9.00% (31 December 2018: 8.08%). While the capital increased by 15.07% as a result of increase in net profits, the balance sheet exposure increased by 3.04% and the off balance sheet exposure increased by 0.45%. Therefore, the current period leverage ratio increased by 92 basis points compared to prior period.

		<i>Current Period^(***)</i>	<i>Prior Period^(***)</i>
1	Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards (*) (**)	411,699,259	396,570,504
2	The difference between total assets prepared in accordance with Turkish Accounting Standards (*) and total assets in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” (**)	(537,563)	2,583,097
3	The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	(17,115,298)	(11,984,226)
4	The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts	8,459,363	4,706,876
5	The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	1,266,554	3,134,011
6	Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	-	-
7	Total risk amount	588,511,215	570,780,865

(*) Consolidated financial statements prepared in compliance with the paragraph 6 of article 5 of the communiqué “Preparation of Consolidated Financial Statements.”

(**) The consolidated financial statements prepared in accordance with Turkish Accounting Standards as of 30 September 2019 for the current period and 31 December 2018 for the prior period, are considered.

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

	<i>Current Period^(*)</i>	<i>Prior Period^(*)</i>
On-balance sheet assets		
1 On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	421,127,587	408,690,978
2 (Assets deducted in determining Tier I capital)	(620,064)	(618,179)
3 Total on-balance sheet risks (sum of lines 1 and 2)	420,507,523	408,072,799
Derivative financial instruments and credit derivatives		
4 Replacement cost associated with all derivative financial instruments and credit derivatives	3,098,333	4,928,851
5 Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	17,151,727	12,017,739
6 Total risks of derivative financial instruments and credit derivatives (sum of lines 4 and 5)	20,250,060	16,946,590
Securities or commodity financing transactions (SCFT)		
7 Risks from SCFT assets (excluding on-balance sheet)	451,081	991,391
8 Risks from brokerage activities related exposures	-	-
9 Total risks related with securities or commodity financing transactions (sum of lines 7 and 8)	451,081	991,391
Other off-balance sheet transactions		
10 Gross notional amounts of off-balance sheet transactions	148,569,105	147,904,095
11 (Adjustments for conversion to credit equivalent amounts)	(1,266,554)	(3,134,010)
12 Total risks of off-balance sheet items (sum of lines 10 and 11)	147,302,551	144,770,085
Capital and total risks		
13 Tier I capital	52,990,193	46,050,753
14 Total risks (sum of lines 3, 6, 9 and 12)	588,511,215	570,780,865
Leverage ratio		
15 Leverage ratio	9.00%	8.08%

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

4.8 Fair values of financial assets and liabilities

	Carrying Value		Fair Value	
	<i>Current Period</i>	<i>Prior Period</i>	<i>Current Period</i>	<i>Prior Period</i>
Financial Assets	413,580,024	383,436,204	408,480,667	381,837,939
Interbank Money Market Placements	10,659,456	141,777	10,659,456	141,777
Banks (*)	55,216,481	61,274,700	55,216,481	61,274,700
Financial Assets Measured at Fair Value Through Profit/Loss	5,219,300	4,641,037	5,219,300	4,641,037
Financial Assets Measured at Fair Value through Other Comprehensive Income	28,643,529	27,162,953	28,643,529	27,162,953
Financial Assets Measured at Amortised Cost	27,720,342	24,654,009	27,505,451	24,392,782
Loans	286,120,916	265,561,728	281,236,450	264,224,690
Financial Liabilities	361,321,138	341,721,083	361,321,138	341,721,083
Bank Deposits	2,668,751	5,383,118	2,668,751	5,383,118
Other Deposits	274,608,574	238,854,659	274,608,574	238,854,659
Other Fundings from Financial Institutions	27,408,920	35,974,317	27,408,920	35,974,317
Securities Issued (**)	40,098,537	43,200,711	40,098,537	43,200,711
Other Liabilities	16,536,356	18,308,278	16,536,356	18,308,278

(*) Including the balances at the Central Bank of Turkey.

(**) Includes subordinated securities issued and financial liabilities measured at FVTPL.

Fair value of financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost are derived from market prices or in case of absence of such prices, market prices of other securities quoted in similar qualified markets and having substantially similar characteristics in terms of interest, maturity and other conditions.

Fair values of loans are calculated discounting future cash flows at current market interest rates for fixed-rate loans. The carrying values of floating-rate loans are deemed an approximation for their fair values.

Fair values of other financial assets and liabilities represent the total acquisition costs and accrued interest.

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

<i>Current Period</i>	Level 1	Level 2	Level 3	Total
Financial Assets Measured at Fair Value through Other Comprehensive Income	26,966,465	1,671,300	5,764	28,643,529
Financial Assets Measured at Fair Value through Profit/Loss	747,415	44,979	4,426,906	5,219,300
Derivative Financial Assets Held for Trading	8,978	2,386,909	144,306	2,540,193
Derivative Financial Assets Held for Hedging Purpose	-	459,364	-	459,364
Financial Assets at Fair Value	27,722,858	4,562,552	4,576,976	36,862,386
Derivative Financial Liabilities Held for Trading	156	2,291,845	752,246	3,044,247
Funds Borrowed (*)	-	-	14,342,293	14,342,293
Derivative Financial Liabilities Held for Hedging Purpose	-	1,195,418	-	1,195,418
Financial Liabilities at Fair Value	156	3,487,263	15,094,539	18,581,958

(*) Includes financial liabilities measured at FVTPL.

<i>Prior Period</i>	Level 1	Level 2	Level 3	Total
Financial Assets Measured at Fair Value through Other Comprehensive Income	26,952,771	195,377	14,805	27,162,953
Financial Assets Measured at Fair Value through Profit/Loss	460,893	-	4,180,144	4,641,037
Derivative Financial Assets Held for Trading	2,235	3,053,218	36,919	3,092,372
Derivative Financial Assets Held for Hedging Purpose	-	1,001,323	-	1,001,323
Financial Assets at Fair Value	27,415,899	4,249,918	4,231,868	35,897,685
Derivative Financial Liabilities Held for Trading	216	3,167,291	878,978	4,046,485
Funds Borrowed (*)	-	-	12,312,230	12,312,230
Derivative Financial Liabilities Held for Hedging Purpose	-	463,677	-	463,677
Financial Liabilities at Fair Value	216	3,630,968	13,191,208	16,822,392

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The movement of financial assets in Level 3 is presented below.

	<i>Current Period</i>	<i>Prior Period</i>
Balances at Beginning of Period	4,231,868	181,356
Purchases During the Period	185,909	18,172
Disposals Through Sale/Redemptions	(68,179)	(31,345)
Valuation Effect	227,378	(17,476)
Transfers	-	4,081,161
Balances at End of Period	4,576,976	4,231,868

The loans measured at fair value through profit or loss include the loan granted to the special purpose entity as detailed in notes 5.1.2.2 and 5.1.9.2. The fair value of this loan is determined by the independent valuation company by considering different methodologies (discounted cash flows, peer market multipliers, similar transaction multipliers in the same sector etc.). Accordingly, the loan is classified as Level 3. In the case that the growth rate in the assumptions used in the discounted cash flow method in the valuation report increased by 0.25% / (decreased by 0.25%) and the risk-free return on investment rate decreased by 0.25% / (increased by 0.25%), assuming all other variables remain constant, the assets and current period profit before tax in the financial statements will increase by approximately TL 106 million TL / (TL 93 million will decrease).

Based on TFRS 9, in order to eliminate the accounting mismatch, the securitized bonds issued are measured at fair value and it is used the valuation of the Turkish Republic's credit default swap (CDS) and Eurobonds together with the Z-spread of the Turkish Republic (TC) and the Bank. The credit default swap (CDS) level is determined based on the remaining maturity.

Regarding valuation of the related securitization transactions, it is determined a reference level which indicates the correlation among the transaction spread at inception date with either of the followings: TC CDS, TC eurobonds, and Z-spreads of the Bank and TC and considered the impact of daily changes in relevant parameters with variation in reference level. Therefore, the fair value of both the securitization transactions and the corresponding Total Return Swap (TRS) transactions are determined as Level 3.

4.9 Transactions carried out on behalf of customers and items held in trust

None.

4.10 Risk management objectives and policies

The notes under this caption are prepared as per the "Regulation on Calculation of Risk Management Disclosures" published in the Official Gazette no. 29511 dated 23 October 2015.

4.10.1 Risk management strategy and weighted amounts

4.10.1.1 Risk management strategy

Risk Management ensures that; risk management policies and principles are applied and adopted throughout the Bank and its consolidated subsidiaries and that risk management system is maintained and improved which pursues risk-return relationship, and measures all risks together and which is in compliance with applicable regulation, bank strategies and policies and where limits determined in connection with the risk appetite approved by the Board of Directors are not breached. Risk Management defines, measures, reports, monitors the risks and ensure the activities executed in order to control these risks thoroughly and timely; also monitors the results.

Policies and procedures regarding risk management are established for consolidated subsidiaries. Policies and procedures are prepared in compliance with applicable legislations that the subsidiaries subject to and the parent Bank's risk management strategy, reviewed regularly and revised if necessary.

The parent Bank ensures that risk management system is applied in subsidiaries where risks are defined, measured, monitored and controlled.

Risk management activities are structured under the responsibility of the Board of Directors. Management of various risks that the Bank may be exposed to, including oversight of corporate risk management policies and practices, capital adequacy, planning and liquidity adequacy, is the responsibility of the Risk Committee, which consists of members of the Board of Directors. Accordingly, the Risk Management, which performs risk management functions, reports to the Board of Directors via the Risk Committee, whereas the Internal Audit Department, performing internal audit functions, the Internal Control Unit, performing internal control functions, and the Compliance Department, which implements compliance controls and performs activities to prevent laundering proceeds of crime, and financing of terrorism, report directly to the Board of Directors. Senior managements responsibility is to report to Board of Directors about the significant risk the Bank encounters, ensure the compliance with the risk management about own duties, eliminate the risks, deficiencies and errors occurring in the units responsible or take the necessary measures, participate in design and implementation of internal capital adequacy assessment process (ICAAP); participate in

process of assessing the adequacy and appropriateness of the underlying assumptions, data sources and principles used to measure the assumptions and risks associated with the models.

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

Compliant with legislation, the Bank measures and monitors risks that exposed to, considering methods suitable with international standards. Risk measuring and reporting are performed via advanced methods and risk management softwares. Risk based detailed reports are prepared for management of significant risks, in order to determine strategies and take decisions, in this scope, reports are prepared for board of directors, relevant committees and senior management.

The Bank's risk appetite framework determines the risk level that the board of directors is prepared to accept in order to accomplish the goals and strategies with the consideration of the capacity of the institution to safely absorbs those risks and the Bank monitors regularly risk appetite metrics regarding capital, liquidity, income recurrence and risk based limits. Risks that the Bank is exposed is managed by providing effective control environment and following closely within limits. Unmitigated risks are either accepted with current risk levels or decreasing/ terminating the activity that causes the risk.

The Risk Management function conducts the ICAAP report, to be sent to the BRSA by coordinating relevant parties. Stress test report is also reported to the BRSA, which evaluates how adverse effects on macroeconomic parameters, in the scope of determined scenarios, affect the Bank's three year budget plan and results, and certain ratios, including capital adequacy.

Training programs for employees, risk reports to the board of directors, senior management and committees, risk appetite framework established by the Bank and ICAAP generate significant inputs to ensure that risk management culture is widely embraced.

4.10.1.2 Risk weighted amounts

		Risk Weighted Amounts		Minimum Capital Requirements
		<i>Current Period</i>	<i>Prior Period</i>	<i>Current Period</i>
1	Credit risk (excluding counterparty credit risk) (CCR) (*)	295,632,577	281,730,318	23,650,606
2	Of which standardised approach (SA)	295,632,577	281,730,318	23,650,606
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	4,877,729	5,183,396	390,218
5	Of which standardised approach for counterparty credit risk (SA-CCR)	4,877,729	5,183,396	390,218
6	Of which internal model method (IMM)	-	-	-
7	Equity position in banking book under basic risk weighting or internal rating-based	-	-	-
8	Equity investments in funds – look-through approach	-	-	-
9	Equity investments in funds – mandate-based approach	25,340	11,473	2,027
10	Equity investments in funds – 1250% risk weighting approach	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB supervisory formula approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	10,614,225	7,781,075	849,138
17	Of which standardised approach (SA)	10,614,225	7,781,075	849,138
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	37,857,648	29,447,081	3,028,612
20	Of which basic indicator approach	37,857,648	29,447,081	3,028,612
21	Of which standardised approach	-	-	-
22	Of which advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	349,007,519	324,153,343	27,920,601

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

4.10.2 Linkages between financial statements and risk amounts

4.10.2.1 Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation

Current Period	Carrying values of items in accordance with Turkish Accounting Standards						
	Carrying values in financial statements prepared as per TAS (*)	Carrying values in consolidated financial statements prepared as per TAS but in compliance with the communiqué "Preparation of Consolidated Financial Statements"	Subject to credit risk	Subject to counterparty credit risk	Subject to market risk (**)	Subject to capital calculation	Not subject to capital requirements or subject to deduction from capital
Assets							
Financial assets (net)	116,894,623	108,960,421	104,985,393	5,434,237	2,681,644	(168,916)	-
Cash and cash equivalents	80,829,479	72,098,035	71,983,941	283,010	-	(168,916)	-
Financial assets measured at fair value through profit/loss (FVTPL)	4,899,816	5,219,300	4,263,032	106,378	876,752	-	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	27,572,532	28,643,529	28,643,529	2,189,935	-	-	-
Derivative financial assets	3,592,796	2,999,557	94,891	2,854,914	1,804,892	-	-
Loans (net)	277,072,426	296,277,720	301,696,603	720,035	-	(5,372,783)	(46,100)
Loans	258,517,474	277,506,599	277,544,878	-	-	7,821	(46,100)
Lease receivables	5,988,804	6,184,154	6,184,154	-	-	-	-
Factoring receivables	2,122,595	2,430,163	2,430,163	-	-	-	-
Non performing receivables	27,171,132	27,720,342	27,720,342	720,035	-	-	-
Expected credit losses (-)	16,727,579	17,563,538	12,182,934	-	-	5,380,604	-
Assets held for sale and assets of discontinued operations (net)	1,513,758	1,452,258	1,452,258	-	-	-	-
Ownership investments (net)	39,369	153,854	153,854	-	-	-	-
Tangible assets (net)	6,984,768	5,528,299	5,358,417	-	-	169,882	-
Intangible assets (net)	471,527	479,906	30,379	-	-	449,527	-
Investment property (net)	336,620	569,719	569,719	-	-	-	-
Current tax asset	102,420	86,217	86,217	-	-	-	-
Deferred tax asset	1,935,644	1,882,010	1,882,010	-	-	-	-
Other assets	6,348,104	13,163,744	13,992,566	-	-	(8,630)	(820,192)
Total assets	411,699,259	428,554,148	430,207,416	6,154,272	2,681,644	(4,930,920)	(866,292)
Liabilities							
Deposits	257,651,518	277,277,325	-	-	-	-	277,277,325
Funds borrowed	26,878,976	25,622,059	-	1,867,232	-	-	23,754,827
Money market funds	1,519,475	1,786,861	-	1,464,991	26,741	-	321,870

Securities issued (net)	22,763,718	21,026,537	-	-	-	-	21,026,537
Funds	-	-	-	-	-	-	-
Financial liabilities measured at fvtp	13,193,294	14,342,293	-	-	-	-	14,342,293
Derivative financial liabilities	5,994,293	4,239,665	-	-	-	-	4,239,665
Factoring payables	-	-	-	-	-	-	-
Lease payables (net)	1,066,907	1,134,770	-	-	-	-	1,134,770
Provisions	5,621,578	6,526,373	622,573	-	-	588,581	5,315,219
Current tax liability	477,024	1,251,975	-	-	-	-	1,251,975
Deferred tax liability	69,970	29,480	-	-	-	-	29,480
Liabilities for assets held for sale and assets of discontinued operations (net)	-	-	-	-	-	-	-
Subordinated debts	4,303,764	4,729,707	-	-	-	4,693,480	36,227
Other liabilities	20,343,735	16,536,356	-	-	34,163	-	16,502,193
Shareholders' equity	51,815,007	54,050,747	-	-	-	54,327,516	(276,769)
Total liabilities	411,699,259	428,554,148	622,573	3,332,223	60,904	59,609,577	364,955,612

(*) As per financial statements prepared in compliance with the paragraph 6 of article 5 of the communiqué "Preparation of Consolidated Financial Statements" as of 30 September 2019.

(**) Disclosed based on gross position amounts subject to general market risk and specific risk.

Prior Period	Carrying values of items in accordance with Turkish Accounting Standards						
	Carrying values in consolidated financial statements prepared as per TAS (*)	Carrying values in consolidated financial statements prepared as per TAS but in compliance with the communiqué "Preparation of Consolidated Financial Statements"	Subject to credit risk	Subject to counterparty credit risk	Subject to market risk (**)	Subject to capital calculation	Not subject to capital requirements or subject to deduction from capital
Assets							
Financial assets (net)	108,834,581	103,053,180	98,514,982	7,964,013	2,434,700	(77,794)	-
Cash and cash equivalents	72,964,715	67,155,495	67,093,182	141,777	-	(79,464)	-
Financial assets measured at fair value through profit/loss (FVTPL)	4,613,218	4,641,037	4,245,447	101,226	362,016	1,670	-
Financial assets measured at fair value through other comprehensive income (FVOCI)	27,162,953	27,162,953	27,162,953	3,668,811	-	-	-
Derivative financial assets	4,093,695	4,093,695	13,400	4,052,199	2,072,684	-	-
Loans (net)	275,680,403	277,067,587	282,077,108	45,482	-	(5,009,521)	-
Loans	254,728,875	256,009,555	255,995,515	-	-	14,040	-
Lease receivables	6,921,294	6,966,040	6,966,040	-	-	-	-
Factoring receivables	2,586,133	2,586,133	2,586,133	-	-	-	-
Non performing receivables	24,654,009	24,654,009	24,654,009	45,482	-	-	-
Expected credit losses (-)	13,209,908	13,148,150	8,124,589	-	-	5,023,561	-
Assets held for sale and assets of discontinued operations (net)	857,695	857,695	857,695	-	-	-	-
Ownership investments (net)	39,298	132,871	132,871	-	-	-	-
Tangible assets (net)	6,191,989	4,494,918	4,248,990	-	-	245,928	-
Intangible assets (net)	435,989	416,072	26,241	-	-	389,831	-

Investment property (net)	324,329	558,309	558,309	-	-	-	-
Current tax asset	204,898	175,266	175,266	-	-	-	-
Deferred tax asset	1,532,924	1,519,177	1,513,332	-	-	5,845	-
Other assets	5,872,838	10,878,526	10,887,209	-	-	-8,683	-
Total assets	399,974,944	399,153,601	398,992,003	8,009,495	2,434,700	(4,454,394)	-
Liabilities							
Deposits	244,892,173	244,237,777	-	-	-	-	244,237,777
Funds borrowed	34,629,291	33,339,727	-	1,757,546	-	-	31,582,181
Money market funds	2,634,590	2,634,590	-	1,288,750	22,783	-	1,345,840
Securities issued (net)	27,002,214	26,911,463	-	-	-	-	26,911,463
Funds	-	-	-	-	-	-	-
Financial liabilities measured at fvtp1	12,312,230	12,312,230	-	-	-	-	12,312,230
Derivative financial liabilities	4,518,660	4,510,162	-	-	-	-	4,510,162
Factoring payables	-	-	-	-	-	-	-
Lease payables (net)	-	-	-	-	-	-	-
Provisions	5,398,882	5,369,512	282,170	-	-	366,164	4,721,179
Current tax liability	133,670	646,881	-	-	-	-	646,881
Deferred tax liability	49,975	19,121	-	-	-	-	19,121
Liabilities for assets held for sale and assets of discontinued operations (net)	-	-	-	-	-	-	-
Subordinated debts	3,977,018	3,977,018	-	-	-	-	3,977,018
Other liabilities	17,530,818	18,308,278	-	-	19,757	-	18,288,521
Shareholders' equity	46,895,423	46,886,842	-	-	-	46,677,099	209,743
Total liabilities	399,974,944	399,153,601	282,170	3,046,296	42,540	47,043,263	348,762,116

(*) As per financial statements prepared in compliance with the paragraph 6 of article 5 of the communiqué "Preparation of Consolidated Financial Statements" as of 30 September 2018.

(**) Disclosed based on gross position amounts subject to general market risk and specific risk.

4.10.2.2 Major items causing differences between assets and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation

	<i>Current Period</i>	<i>Total</i>	<i>Credit risk</i>	<i>Counterparty credit risk</i>	<i>Market risk (*)</i>
1	Carrying Value of Assets in Accordance with Communiqué "Preparation of Consolidated Financial Statements" (as per 4.10.2.1)	431,414,530	427,270,586	3,217,442	2,681,644
2	Carrying Value of Debt Instruments Subject Counterparty Credit Risk in Accordance with Communiqué "Preparation of Consolidated Financial Statements" (as per 4.10.2.1)	2,936,830	2,936,830	2,936,830	-
3	Carrying Value of Liabilities Subject to Counterparty Credit Risk in Accordance with Communiqué "Preparation of Consolidated Financial Statements" (as per 4.10.2.1)	3,332,223	-	3,332,223	26,741
4	Carrying Value of Other Liabilities in Accordance with Communiqué "Preparation of Consolidated Financial Statements" (as per 4.10.2.1)	34,163	-	-	34,163
5	Total Net Amount Under Regulatory Consolidation	430,984,974	430,207,416	2,822,049	2,620,740
6	Off-balance Sheet Amounts (**)	480,158,072	56,106,149	1,806,015	144,608,563
7	Credit Risk Mitigation		(29,804,265)	(18,979)	-
8	Repurchase Transactions Valuation Adjustments		-	766,454	-
9	Risk Amounts		456,509,300	5,375,539	147,229,303

(*) Disclosed based on gross position amounts subject to general market risk and specific risk.

(**) The amounts present the balances of the off-balance sheet items subject to capital adequacy regulation.

	<i>Prior Period</i>	<i>Total</i>	<i>Credit risk</i>	<i>Counterparty credit risk</i>	<i>Market risk (*)</i>
1	Carrying Value of Assets in Accordance with Communiqué "Preparation of Consolidated Financial Statements" (as per 4.10.2.1)	399,824,375	395,208,383	4,225,875	2,434,700
2	Carrying Value of Debt Instruments Subject Counterparty Credit Risk in Accordance with Communiqué "Preparation of Consolidated Financial Statements" (as per 4.10.2.1)	3,783,620	3,783,620	3,783,620	-
3	Carrying Value of Liabilities Subject to Counterparty Credit Risk in Accordance with Communiqué "Preparation of Consolidated Financial Statements" (as per 4.10.2.1)	3,046,296	-	3,046,296	22,784
4	Carrying Value of Other Liabilities in Accordance with Communiqué "Preparation of Consolidated Financial Statements" (as per 4.10.2.1)	19,756	-	-	19,756
5	Total Net Amount Under Regulatory Consolidation	400,541,943	398,992,003	4,963,199	2,392,160
6	Off-balance Sheet Amounts (**)	477,934,782	57,418,091	1,850,801	174,424,862
7	Credit Risk Mitigation		(19,720,920)	(10,296)	-
8	Repurchase Transactions Valuation Adjustments		-	110,722	-
9	Risk Amounts		436,689,174	6,914,426	176,817,022

(*) Disclosed based on gross position amounts subject to general market risk and specific risk.

(**) The amounts present the balances of the off-balance sheet items subject to capital adequacy regulation.

4.10.2.3 Explanations on differences between carrying values in financial statements and risk amounts in capital adequacy calculation of assets and liabilities

There is no material differences between the carrying values in financial statements and the risk amounts in capital adequacy calculation of assets and liabilities.

4.10.3 Consolidated credit risk

4.10.3.1 General information on consolidated credit risk

4.10.3.1.1 General qualitative information on consolidated credit risk

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

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

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

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

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

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

Organizational structure related to credit risk management and control functions is detailed below: Units within the scope of credit risk management; Risk Management, Corporate and Specialized Loans, Commercial Loans, Bank and Country Risk, Retail Loans Risk Strategies, SME Loans Risk Strategies, Retail and SME Loans Evaluation, Corporate and Specialized Loans Restructuring, Credit Risk Management Data and Advanced Analytics, Risk Planning Monitoring and Reporting, Regional Loans Coordination, Retail Collection, Specialized Collections and Wholesale Collection.

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

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

	<i>Current Period</i>	<i>Gross carrying value in consolidated financial statements prepared as perTAS</i>		<i>Allowances/amortisation and impairments</i>	<i>Net values</i>
		<i>Defaulted</i>	<i>Non-defaulted</i>		
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

	<i>Prior Period</i>	<i>Gross carrying value in consolidated financial statements prepared as perTAS</i>		<i>Allowances/amortisation and impairments</i>	<i>Net values</i>
		<i>Defaulted</i>	<i>Non-defaulted</i>		
1	Loans	13,753,384	322,331,133	8,124,589	327,959,928
2	Debt securities	-	51,633,493	-	51,633,493
3	Off-balance sheet exposures	979,474	86,108,509	285,681	86,802,302
4	Total	14,732,858	460,073,135	8,410,270	466,395,723

4.10.3.1.3 Changes in stock of default loans and debt securities

	<i>Current Period</i>	<i>Prior Period</i>
1 Defaulted loans and debt securities at end of the previous reporting period	13,753,384	6,865,295
2 Loans and debt securities defaulted since the last reporting period	9,838,615	12,133,538
3 Receivables back to non-defaulted status	-	-
4 Amounts written off (-)	1,903,007	2,609,320
5 Other changes (-)	2,178,606	2,636,129
6 Defaulted loans and debt securities at end of the reporting period	19,510,386	13,753,384

4.10.3.1.4 Additional information on credit quality of consolidated assets

4.10.3.1.4.1 Qualitative disclosures related to the credit quality of assets

As explained in accounting policy notes of 3.8 “Disclosures on impairment of financial assets” and 3.8.1 “Calculation of expected credit losses”, the Bank and its financial subsidiaries calculate the expected credit losses in accordance with TFRS 9. At each reporting date, it is assessed whether there is a significant increase in the credit risk of the financial instrument within the scope of impairment since it was initially recognized in the financial statements. In making this assessment, it is used the change in the estimated probability of default of the financial instrument.

A refinancing/restructuring refers to; extending a new loan for the purpose of repayment of a part or whole of the outstanding loans or related interest payments granted previously or, amending the conditions of such outstanding loans in order to facilitate the repayment capacity; due to current or foreseeable financial difficulties of the borrower or the related risk group.

4.10.3.1.4.2 Breakdown of exposures by geographical areas, industry and ageing

Disclosed under section 4.2 credit risk.

4.10.3.1.4.3 Exposures provisioned against by major regions and sectors

	<i>Current Period</i>			<i>Prior Period</i>		
	<i>Non-performing Loans</i>	<i>Expected Credit losses-Stage 3</i>	<i>Write-Offs</i>	<i>Non-performing Loans</i>	<i>Expected Credit losses-Stage 3</i>	<i>Write-Offs</i>
Domestic	18,204,326	11,262,907	1,670,768	12,025,758	7,054,030	2,350,117
European Union (EU) Countries	1,161,426	818,276	231,389	1,547,119	982,460	166,087
OECD Countries	46,393	17,526	7	45,261	17,189	93,007
Off-Shore Banking Regions	-	-	-	-	-	-
USA, Canada	7,026	4,060	-	50,648	21,892	15
Other Countries	91,215	80,165	843	84,598	49,018	94
Total	19,510,386	12,182,934	1,903,007	13,753,384	8,124,589	2,609,320

	<i>Current Period</i>		
	<i>Non-performing Loans</i>	<i>Expected Credit losses-Stage 3</i>	<i>Write-Offs</i>
Agriculture	171,893	99,542	8,649
Farming and Stockbreeding	151,106	85,803	6,340
Forestry	13,701	8,677	2,241
Fishery	7,086	5,062	68
Manufacturing	6,313,153	3,854,728	442,533
Mining and Quarrying	115,180	98,189	801
Production	2,044,190	1,291,843	441,314
Electricity, Gas and Water	4,153,783	2,464,696	418
Construction	1,321,524	773,176	244,662
Services	7,118,963	4,141,173	412,512
Wholesale and Retail Trade	2,290,225	1,407,738	86,400
Accommodation and Dining	387,631	204,996	8,909
Transportation and Telecommunication	1,893,857	1,182,924	185,971
Financial Institutions	96,706	59,855	20,413
Real Estate and Rental Services	1,756,759	895,016	7,558
Professional Services	528,735	251,383	42,336
Educational Services	126,925	110,749	747
Health and Social Services	38,125	28,512	60,178
Others	4,584,853	3,314,315	794,651
Total	19,510,386	12,182,934	1,903,007

	<i>Prior Period</i>		
	<i>Non-performing Loans</i>	<i>Expected Credit losses-Stage 3</i>	<i>Write-Offs</i>
Agriculture	139,855	86,370	85,151
Farming and Stockbreeding	130,388	79,212	85,151
Forestry	3,624	2,807	-
Fishery	5,843	4,351	-
Manufacturing	4,266,207	2,069,273	10,274
Mining and Quarrying	106,649	100,269	-
Production	1,743,563	1,227,837	10,273
Electricity, Gas and Water	2,415,995	741,167	1
Construction	977,191	693,935	8,784
Services	4,376,855	2,628,436	2,113,824
Wholesale and Retail Trade	1,560,857	1,104,859	13,442
Accommodation and Dining	322,257	162,696	29
Transportation and Telecommunication	1,193,783	761,676	2,100,224
Financial Institutions	108,514	54,039	53
Real Estate and Rental Services	1,112,740	437,669	43
Professional Services	750	43,151	-
Educational Services	40,513	32,262	-
Health and Social Services	37,441	32,084	33
Others	3,993,276	2,646,575	391,287
Total	13,753,384	8,124,589	2,609,320

4.10.3.1.4.4 Ageing of past-due exposures

<i>Current Period</i>	<i>Up to 3 Months</i>	<i>3-12 Months</i>	<i>1-3 Years</i>	<i>3-5 Years</i>	<i>5 Years and Over</i>
Corporate and Commercial Loans	2,425,793	4,944,776	5,729,489	939,885	430,422
Retail Loans	380,287	948,255	688,501	285,761	177,931
Credit Cards	176,998	453,560	330,431	166,908	135,380
Others	864,602	40,993	381,065	7,831	1,518
Total	3,847,680	6,387,584	7,129,486	1,400,385	745,251

<i>Prior Period</i>	<i>Up to 3 Months</i>	<i>3-12 Months</i>	<i>1-3 Years</i>	<i>3-5 Years</i>	<i>5 Years and Over</i>
Corporate and Commercial Loans	2,183,178	4,607,446	1,976,670	759,216	507,332
Retail Loans	377,469	579,340	630,798	278,965	296,336
Credit Cards	571	123,909	558,243	179,601	265,120
Others	41,021	78,435	298,477	6,084	5,173
Total	2,602,239	5,389,130	3,464,188	1,223,866	1,073,961

4.10.3.2 Consolidated credit risk mitigation

4.10.3.2.1 Qualitative disclosure on consolidated credit risk mitigation techniques

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

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

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

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

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

4.10.3.2.2 Consolidated credit risk mitigation techniques

<i>Current Period</i>	<i>Exposures unsecured: carrying amount as per TAS</i>	<i>Exposures secured by collateral</i>	<i>Collateralized amount of exposures secured by collateral</i>	<i>Exposures secured by financial guarantees</i>	<i>Collateralized amount of exposures secured by financial guarantees</i>	<i>Exposures secured by credit derivatives</i>	<i>Collateralized amount of exposures secured by credit derivatives</i>
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	-	-	-	-

	<i>Prior Period</i>	<i>Exposures unsecured: carrying amount as per TAS</i>	<i>Exposures secured by collateral</i>	<i>Collateralized amount of exposures secured by collateral</i>	<i>Exposures secured by financial guarantees</i>	<i>Collateralized amount of exposures secured by financial guarantees</i>	<i>Exposures secured by credit derivatives</i>	<i>Collateralized amount of exposures secured by credit derivatives</i>
1	Loans	290,208,872	37,751,056	33,161,024	10,664,702	10,664,702	-	-
2	Debt securities	51,633,493	-	-	-	-	-	-
3	Total	341,842,365	37,751,056	33,161,024	10,664,702	10,664,702	-	-
4	Of which defaulted	13,626,817	126,567	9,388	-	-	-	-

4.10.3.3 Consolidated credit risk under standardised approach

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

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

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:

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

4.10.3.3.2 Consolidated credit risk exposure and credit risk mitigation techniques

	<i>Current Period</i>	<i>Exposures before CCF and CRM</i>		<i>Exposures post-CCF and CRM</i>		<i>RWA and RWA density</i>	
		<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>	<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>	<i>RWA</i>	<i>RWA density</i>
	Risk Classes						
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	

	<i>Prior Period</i>	<i>Exposures before CCF and CRM</i>		<i>Exposures post-CCF and CRM</i>		<i>RWA and RWA density</i>	
		<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>	<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>	<i>RWA</i>	<i>RWA density</i>
	Risk Classes						
1	Exposures to sovereigns and their central banks	101,281,521	276,670	111,908,918	140,012	20,672,098	18%
2	Exposures to regional and local governments	240,817	-	237,051	-	183,399	77%
3	Exposures to administrative bodies and non-commercial entities	364,005	58,762	364,004	19,126	383,130	100%
4	Exposures to multilateral development banks	1,026,645	-	1,026,645	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	21,268,683	26,050,247	21,137,322	3,237,374	8,260,285	34%
7	Exposures to corporates	138,338,899	61,484,116	131,834,885	30,039,376	159,741,340	99%
8	Retail exposures	83,923,010	52,083,964	77,301,528	5,082,863	61,786,740	75%
9	Exposures secured by residential property	18,263,477	7,416	18,255,253	7,102	6,391,824	35%
10	Exposures secured by commercial property	14,820,162	2,353,873	14,652,949	1,560,078	10,252,377	63%
11	Past-due items	4,547,633	354	4,547,424	-	3,841,354	84%
12	Exposures in high-risk categories	1,090,793	716,514	1,086,417	424,490	2,025,215	134%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	52,015	-	52,015	-	11,473	22%
16	Shares	373,437	-	373,437	-	373,437	100%
17	Other exposures	13,400,906	-	13,400,906	-	7,819,119	58%
18	Total	398,992,003	143,031,916	396,178,754	40,510,421	281,741,791	

4.10.3.3 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%	Other s	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

	Regulatory portfolio Prior Period	0%	10 %	20%	35% secured by property mortgage	50%	75%	100%	150%	200%	Other s	Total risk amount (post-CCF and CRM)
1	Exposures to sovereigns and their central banks	91,368,335	-	-	9	16,980	-	20,663,606	-	-	-	112,048,930
2	Exposures to regional and local government	-	-	-	-	107,304	-	129,747	-	-	-	237,051
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	383,130	-	-	-	383,130
4	Exposures to multilateral development banks	1,026,645	-	-	-	-	-	-	-	-	-	1,026,645
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	-	17,733,616	-	3,855,035	-	2,786,045	-	-	-	24,374,696
7	Exposures to corporates	7,586	-	504,307	-	3,443,783	-	157,918,585	-	-	-	161,874,261
8	Retail exposures	-	-	2	-	6,204	82,378,185	-	-	-	-	82,384,391
9	Exposures secured by residential property	-	-	-	18,262,355	-	-	-	-	-	-	18,262,355
10	Exposures secured by commercial property	-	-	-	-	11,921,300	-	4,291,727	-	-	-	16,213,027
11	Past-due items	-	-	-	-	1,412,142	-	3,135,282	-	-	-	4,547,424
12	Exposures in high-risk categories	-	-	-	-	50,020	-	382,251	1,078,636	-	-	1,510,907
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	40,542	-	-	-	-	-	11,473	-	-	-	52,015
16	Shares	-	-	-	-	-	-	373,437	-	-	-	373,437
17	Other exposures	5,581,424	-	455	-	-	-	7,819,027	-	-	-	13,400,906
18	Total	98,024,532	-	18,238,389	18,262,355	20,812,768	82,378,185	197,894,310	1,078,636	-	-	436,689,175

4.10.4 Consolidated counterparty credit risk

4.10.4.1 Qualitative disclosure on consolidated counterparty credit risk

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

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

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

4.10.4.2 Consolidated counterparty credit risk (CCR) approach analysis

	<i>Current Period</i>	<i>Replacement cost</i>	<i>Potential future exposure</i>	<i>EEPE(Effective Expected Positive Exposure)</i>	<i>Alpha used for computing regulatory EAD</i>	<i>EAD post-CRM</i>	<i>RWA</i>
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

	<i>Prior Period</i>	<i>Replacement cost</i>	<i>Potential future exposure</i>	<i>EEPE(Effective Expected Positive Exposure)</i>	<i>Alpha used for computing regulatory EAD</i>	<i>EAD post-CRM</i>	<i>RWA</i>
1	Standardised Approach - CCR (for derivatives)	4,052,199	1,850,802		1.4	5,892,703	3,178,238
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					1,021,723	27,727
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	Total						3,205,965

4.10.4.3 Consolidated capital requirement for credit valuation adjustment (CVA)

	<i>Current Period</i>		<i>Prior Period</i>	
	<i>EAD post-CRM</i>	<i>RWA</i>	<i>EAD post-CRM</i>	<i>RWA</i>
Total portfolios subject to the Advanced CVA capital obligation	-	-	-	-
1 (i) VaR component (including the 3×multiplier)		-		-
2 (ii) Stressed VaR component (including the 3×multiplier)		-		-
3 All portfolios subject to the Standardised CVA capital obligation	4,641,950	1,591,396	5,971,031	1,977,431
4 Total subject to the CVA capital obligation	4,641,950	1,591,396	5,971,031	1,977,431

4.10.4.4 Consolidated CCR exposures by risk class and risk weights

<i>Current Period</i>	Risk weight								<i>Total credit exposure</i>
	<i>0%</i>	<i>10%</i>	<i>20%</i>	<i>50%</i>	<i>75%</i>	<i>100%</i>	<i>150%</i>	<i>Other</i>	
Regulatory portfolio									
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

<i>Prior Period</i>	Risk weight								<i>Total credit exposure</i>
	<i>0%</i>	<i>10%</i>	<i>20%</i>	<i>50%</i>	<i>75%</i>	<i>100%</i>	<i>150%</i>	<i>Other</i>	
Regulatory portfolio									
Exposures to sovereigns and their central banks	5,018	-	-	-	-	3,026	-	-	8,044
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	6,267	-	-	6,267
Exposures to multilateral development banks	961,643	-	-	-	-	-	-	-	961,643
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	1,005,050	3,612,386	-	31,991	-	-	4,649,427
Exposures to corporates	-	-	1,991	251,878	-	1,019,037	-	-	1,272,906
Retail exposures	-	-	-	-	16,139	-	-	-	16,139
Exposures secured by property mortgages	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Shares	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	966,661	-	1,007,041	3,864,264	16,139	1,060,321	-	-	6,914,426

4.10.4.5 Collaterals for consolidated CCR

<i>Current Period</i>	<i>Collateral for derivative transactions</i>				<i>Collateral for other transactions</i>	
	<i>Fair value of collateral received</i>		<i>Fair value of collateral given</i>		<i>Fair value of collateral received</i>	<i>Fair value of collateral given</i>
	<i>Segregated</i>	<i>Unsegregated</i>	<i>Segregated</i>	<i>Unsegregated</i>		
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

<i>Prior Period</i>	<i>Collateral for derivative transactions</i>				<i>Collateral for other transactions</i>	
	<i>Fair value of collateral received</i>		<i>Fair value of collateral given</i>		<i>Fair value of collateral received</i>	<i>Fair value of collateral given</i>
	<i>Segregated</i>	<i>Unsegregated</i>	<i>Segregated</i>	<i>Unsegregated</i>		
Cash-domestic currency	3,873	-	-	-	573,506	35,601
Cash-foreign currency	6,423	-	-	-	2,472,790	138,078
Domestic sovereign debts	-	-	-	-	35,601	2,523,445
Other sovereign debts	-	-	-	-	133,470	1,160,491
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	10,296	-	-	-	3,215,367	3,857,615

4.10.4.6 Consolidated credit derivatives

Notionals	<i>Current Period</i>		<i>Prior Period</i>	
	<i>Protection bought</i>	<i>Protection sold</i>	<i>Protection bought</i>	<i>Protection sold</i>
Single-name credit default swaps	-	-	-	-
Index credit default swaps	-	-	-	-
Total return swaps	-	14,870,724	-	13,092,251
Credit options	-	-	-	-
Other credit derivatives	-	-	-	-
Total Notionals	-	14,870,724	-	13,092,251
Fair Values	-	(657,355)	-	(868,451)
Positive fair values (asset)	-	94,891	-	10,527
Negative fair values (liability)	-	(752,246)	-	(878,978)

4.10.5 Consolidated securitisations

None.

4.10.6 Consolidated market risk

4.10.6.1 Qualitative disclosure on consolidated market risk

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

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

The Market Risk function under Market and Structural Risk Department monitors the activities of Global Markets Trading Department via risk reports and the limits approved by the board of directors.

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

4.10.6.2 Consolidated market risk under standardised approach

		<i>RWA</i> ^(*)	
		<i>Current Period</i>	<i>Prior Period</i>
	Outright products	10,576,137	7,539,925
1	Interest rate risk (general and specific)	1,643,961	1,550,224
2	Equity risk (general and specific)	663,888	228,988
3	Foreign exchange risk	8,105,350	5,589,925
4	Commodity risk	162,938	170,788
	Options	38,088	241,150
5	Simplified approach	-	-
6	Delta-plus method	38,088	241,150
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	10,614,225	7,781,075

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

4.10.7 Consolidated operational risk

The value at consolidated operational risk is calculated according to the basic indicator approach as per the Article 14 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks".

The annual gross income is composed of net interest income and net non-interest income after deducting realised gains/losses from the sale of securities classified under financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost, extraordinary income and income derived from insurance claims.

<i>Current Period</i>	31.12.2016	31.12.2017	31.12.2018	Total/ No. of Years of Positive Gross Income	Rate (%)	Total
Gross Income	15,526,497	18,659,707	26,386,033	20,190,746	15	3,028,612
Value at Operational Risk (Total x % 12.5)						37,857,648

<i>Prior Period</i>	31.12.2015	31.12.2016	31.12.2017	Total/ No. of Years of Positive Gross Income	Rate (%)	Total
Gross Income	12,929,126	15,526,497	18,659,707	15,705,110	15	2,355,766
Value at Operational Risk (Total x % 12.5)						29,447,081

4.10.8 Consolidated banking book interest rate risk

4.10.8.1 Nature of interest rate risk resulting from banking book, major assumptions on early repayment of loans and movements in deposits other than term deposits and frequency of measuring interest rate risk

The interest rate risk resulting from the banking book is assessed in terms of repricing risk, yield-curve risk, base risk and option risk, measured as per international standards and managed through limitations and mitigations through hedging transactions.

The interest sensitivity of assets, liabilities and off balance-sheet items are evaluated at the Weekly Review Committee and Monthly Asset-Liability Committee meetings considering also the market developments.

The measurement process of interest rate risk resulting from the banking book, is designed and managed by the Bank on a bank-only basis to include the interest rate positions defined as banking book by the Bank and to consider the relevant repricing and maturity data.

Within the scope of monitoring the re-pricing risk arising from maturity mismatch, the sensitivity of the durations/gap, economic value, economic capital, net interest income, earnings at risk, market price of securities portfolio are measured and the internal early warning and limit levels in this context are monitored and reported regularly. Calculated risk metrics and generated reports are used in the management of the balance sheet interest risk under the supervision of the Asset and Liability Committee. In the said analyses, the present value and the net interest income are calculated over the cash flows of the sensitive assets and liability items by using the yield curves constructed by using the market interest rates. For non-matured products, maturity is determined based on interest rate determination frequency and customer behaviour. These results are supported by periodic sensitivities and scenario analyses against fluctuations that may be experienced in the markets.

Early loan payments under the option risk are considered as unusual payments affecting the repayment of the principal above the regular payment plan, which changes the number and amount of the current payment plan. Within the scope of the early payment model studies, early payment data is based on total early payment and partial early payment distinction. Within the framework of internal net interest income and economic value calculations, early payment option is reflected in monthly reports considering the early payment assumption.

The interest rate risk resulting from the banking book is measured legally as per the “Regulation on Measurement and Evaluation of Interest Rate Risk Resulting from the Banking Book as per Standard Shock Method” published in the Official Gazette no.28034 dated 23 August 2011, and the legal limit as per this measurement is monitored and reported monthly. The capital level is maintained considering the interest rate risk resulting from the banking book.

The interest rate risk on the interest-rate-sensitive financial instruments of the trading portfolio is evaluated as part of the market risk.

Branches and lines of business are eliminated from interest rate risk through the transfer pricing system and these risks are transferred to the Asset and Liability Management Department (ALM) and managed by ALM in a central structure.

4.10.8.2 Economic value differences resulted from interest rate instabilities calculated on a bank-only basis according to Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method

<i>Current Period</i>		Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity- Losses/Equity
Type of Currency				
1	TL	(+) 500 bps	(4,463,035)	(7.21)%
2	TL	(-) 400 bps	4,159,132	6.72%
3	USD	(+) 200 bps	158,722	0.26%
4	USD	(-) 200 bps	(124,234)	(0.20) %
5	EUR	(+) 200 bps	65,395	0.11%
6	EUR	(-) 200 bps	(46,952)	(0.08) %
Total (of negative shocks)			3,987,946	6.45%
Total (of positive shocks)			(4,238,918)	(6.85) %

<i>Prior Period</i>		Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity- Losses/Equity
Type of Currency				
1	TL	(+) 500 bps	(3,575,813)	(6.71) %
2	TL	(-) 400 bps	3,313,745	6.22%
3	USD	(+) 200 bps	125,277	0.24%
4	USD	(-) 200 bps	(97,656)	(0.18) %
5	EUR	(+) 200 bps	31,038	0.06%
6	EUR	(-) 200 bps	9,549	0.02%
Total (of negative shocks)			3,225,638	6.06%
Total (of positive shocks)			(3,419,498)	(6.41) %

4.10.9 Remuneration policy

4.10.9.1 Qualitative disclosures regarding remuneration policies

4.10.9.1.1 Disclosures related with Remuneration Committee

The Bank's Remuneration Committee is comprised of two non-executive members of the board. The committee convenes for seven times during the year. The duties and responsibilities of the Committee include the following:

- To conduct the necessary monitoring and audit process in order to ensure that the remuneration policy and practices are implemented in accordance with the related laws and regulations and risk management principles;
- To review and if necessary, revise the remuneration policy at least once a year in order to ensure its compliance with the laws and regulations or market practices in Turkey;
- To determine and approve remuneration packages of the executive and non-executive Board of Directors, Chief Executive Officer and Executive Vice Presidents;
- To follow up the revision requirements of the policies, procedures and regulations related with its areas of responsibility and to take actions in order to ensure that they are kept updated.

The Bank has received consultancy service for compliance with the Guidelines on Sound Remuneration Practices in Banks.

The fundamental principles of the remuneration policy are applicable for all bank employees.

The Bank board members, senior management and the Bank staff deemed to perform the functions having material impact on the Bank's risk profile are considered as identified staff; and by the end of 2019, the number of identified staff is 28.

4.10.9.1.2 Information on the design and structure of remuneration process

The Bank relies on the following values while managing its Remuneration Policy. These values are considered in all compensation practices.

- a. Fair
- b. Transparent
- c. Based on measurable and balanced performance targets
- d. Encouraging sustainable success
- e. In line with the Bank Risk Management Principles

The main objective of the Remuneration Policy is to maintain the internal and external balances in the remuneration structure. Internal balance is ensured with the principles of “equal pay for equal work” and performance-based remuneration”. As for external balance, the data obtained from employee reward and benefit researches conducted by independent research organizations are taken into account.

The Remuneration Policy of 2019 is consistent with the previous period and no change was made in the Policy by the decision of Remuneration Committee.

Increases in the remuneration of employees working in the units responsible for internal systems are determined depending on the basic rate of increase specified by the Bank and their personal performances. In the variable remuneration, only the performance criteria associated with their personal performance or the performance of the unit that they work in are taken into account independently of the performance of the business units that they control.

4.10.9.1.3 Evaluation about how the bank’s remuneration processes take the current and future risks into account

The Bank follows the Risk Management Principles while implementing the remuneration processes. It adopts the remuneration policies that are in line with Bank’s long-term objectives and risk management structures and avoiding excessive risk-taking.

4.10.9.1.4 Evaluation about how the Bank associates variable remunerations with performance

In the association of variable remunerations with performance, various indicators considered among financial and non-financial performance criteria specified by the Bank such as return on regulatory capital, efficiency, profitability, customer satisfaction (NTS), digital sales are taken into account.

In the variable remuneration for the identified staff, personal performance criteria, the Bank’s performance criteria and BBVA Group’s performance criteria are collectively taken into account. The weightings of such performances taken into account as such may vary according to the position of the identified staff member.

In case of occurrence of risky situations regarding capital adequacy or if and when necessary, Bank may pursue a more conservative policy in relation to all remuneration issues, particularly regarding variable remunerations. In this context, methodological changes such as deferral, retention, malus and clawback may be applied in relation to variable remunerations in accordance with the principles set out by the applicable laws.

4.10.9.1.5 Evaluation about the bank’s methods to adjust remunerations according to long-term performance

Regarding variable remunerations of identified staff, it has been adopted based on the principles in the “Guidelines on Sound Remuneration Practices in Banks” that at least 40% of variable remunerations will be deferred for at least 3 years and at least 50% of it will be paid in non-cash instruments.

Remuneration Committee decided on that variable remuneration of identified staff is subject to cancellation and clawback.

4.10.9.1.6 Evaluation about the instruments used by the bank for variable remunerations and the purposes of use of such instruments

The variable remunerations of identified staff are paid using cash and share-linked non-cash instruments. Considering the principles in the “Guidelines on Sound Remuneration Practices in Banks” variable remunerations of identified staff are paid both with cash and non-cash (share-linked) instruments. Regarding variable remunerations of identified staff for the financial period of 2019, BBVA shares are taken as reference for payments based on non-cash instruments.

The type and weight of non-cash instruments used in payment of variable remuneration are same for all identified staff.

5 Disclosures and Footnotes on Consolidated Financial Statements

5.1 Consolidated assets

5.1.1 Cash and Cash Equivalents

5.1.1.1 Cash and balances with Central Bank

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	1,594,582	2,749,223	1,562,395	2,510,393
Central Bank of Turkey	1,691,395	33,942,897	1,253,438	34,549,115
Others	-	2,047,209	-	1,745,697
Total	3,285,977	38,739,329	2,815,833	38,805,205

Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	1,691,395	10,531,841	1,253,438	13,261,434
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	23,411,056	-	21,287,681
Total	1,691,395	33,942,897	1,253,438	34,549,115

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

5.1.1.2 Banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic banks	502,368	41,583	655,552	1,015,795
Foreign banks	245,492	18,792,746	302,765	23,498,035
Foreign head office and branches	-	-	-	-
Total	747,860	18,834,329	958,317	24,513,830

Due from foreign banks

	Current Period		Prior Period	
	Restricted Balances	Unrestricted Balances	Restricted Balances	Unrestricted Balances
EU Countries	10,385,577	2,657,254	11,175,826	5,419,705
USA, Canada	4,354,767	-	5,323,276	-
OECD Countries (1)	45,459	-	111,401	-
Off-shore Banking Regions	-	-	-	-
Others	1,434,039	161,142	1,624,559	146,033
Total	16,219,842	2,818,396	18,235,062	5,565,738

(*) OECD countries other than the EU countries, USA and Canada

The placements at foreign banks include blocked accounts amounting TL 2,818,396 (31 December 2018: TL 5,565,738) of which TL 2,657,254 (31 December 2018: TL 5,419,705) and TL 161,142 (31 December 2018: TL 146,033) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits.

Furthermore, there are restricted deposits at various domestic banks amounting TL 413,230 (31 December 2018: TL 418,844) as required for insurance activities.

5.1.1.3 Receivables from reserve repo transactions

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Transactions	10,205,763	-	3,701	-
Central Bank of Turkey	-	-	-	-
Banks	10,205,763	-	3,701	-
Others	-	-	-	-
Foreign Transactions	-	453,693	-	138,076
Central banks	-	-	-	-
Banks	-	453,693	-	138,076
Others	-	-	-	-
Total	10,205,763	453,693	3,701	138,076

5.1.1.4 Expected credit losses for cash and cash equivalents

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

Prior Period	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period (1January 2018)	11,181	-	-	11,181
Additions during the Period (+)	162,942	101	-	163,043
Disposal (-)	(99,888)	(10)	-	(99,898)
Transfer to Stage1	5	(5)	-	-
Transfer to Stage 2	(10)	10	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	5,122	18	-	5,140
Balances at End of Period	79,352	114	-	79,466

5.1.2 Financial assets at fair value through profit/loss

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Collateralised/Blocked Assets	1,411,344	1,915,735	20,931	-
Assets Subject to Repurchase Agreements	39,534	-	1,605	-
Total	1,450,878	1,915,735	22,536	-

5.1.2.2 Financial assets measured at fair value through profit or loss

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Securities	370,765	91,126	176,148	83,426
Equity Securities	303,272	30,148	97,797	102,529
Other Financial Assets (*)	18,701	4,405,288	31,800	4,149,337
Total	692,738	4,526,562	305,745	4,335,292

(*) Financial assets measured at fair value through profit or loss include loan amounting to USD 710,982,828 (31 December 2018:USD 782,928,541) provided to a special purpose entity. As detailed in Note 5.1.9.2, according to the decision made at the 2018 annual general assembly of related special purpose entity, it was decided to increase the capital of the special purpose entity by TL 3,982,230, all of which will be covered by common receivables. After the capital increase, USD 154,885,708 of the related loan, which corresponds to the share of receivables in the Bank, has been paid off.

This loan is classified under financial assets measured at fair value through profit/loss as per TFRS 9. The fair value of this loan is determined by the independent valuation company based on the average of different methodologies (discounted cash flows, similar market multipliers, same sector transaction multipliers, market value and analyst reports). The corresponding loan is considered as Level 3 based on TFRS 13 "Fair Value Measurement" standard.

Valuation techniques considered in the valuation work and any possible changes in the basic assumptions may affect the carrying value of the related asset. For discounted cash flows method, significant unobservable inputs are EBITDA, growth rate and weighted average cost of capital. The estimated fair value of the asset would increase if growth rate and EBITDA are higher and decrease if the weighted average cost of capital is higher. Trading multiples and transaction multiples for the companies operating in the same sector are the other valuation techniques for pricing the assets. Transaction multiples for the companies operating in the same sector are based on similar transactions based on geographical features, industry, size, target market and other factors. Transaction multiples are derived by dividing the enterprise values of the companies to EBITDAs. The estimated fair value of the asset would increase if the multiples were higher and decrease if multiples were lower.

5.1.3 Financial assets measured at fair value through other comprehensive income

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Collateralised/Blocked Assets	1,528,597	1,947,081	4,499,538	887,649
Assets subject to Repurchase Agreements	12,674	1,115,469	-	1,160,491
Total	1,541,271	3,062,550	4,499,538	2,048,140

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

	Current Period	Prior Period
Debt Securities	24,083,685	24,406,840
Quoted at Stock Exchange	24,083,685	24,397,449
Unquoted at Stock Exchange	-	9,391
Common Shares/Investment Fund	132,968	118,891
Quoted at Stock Exchange	4,491	4,491
Unquoted at Stock Exchange	128,477	114,400
Value Increase/Impairment Losses (-)	4,426,876	2,637,222
Total	28,643,529	27,162,953

Expected losses of TL 86,057 (31 December 2018: TL 46,834) is accounted under shareholders' equity for financial assets measured at fair value through other comprehensive income.

5.1.4 Derivative financial assets

5.1.4.1 Positive differences on derivative financial assets measured at FVTPL

Information on positive differences on derivative financial assets measured at FVTPL classified in derivative financial assets is as follows;

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	182,769	15,947	448,841	7,594
Swap Transactions	848,634	1,123,196	1,276,047	675,303
Futures	-	8,488	351	2,235
Options	91,162	269,828	365,849	307,327
Others	-	169	-	8,825
Total	1,122,565	1,417,628	2,091,088	1,001,284

5.1.4.2 Positive differences on derivative financial instruments held for hedging purpose

Derivative Financial Assets Held for Hedging Purpose	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedges	11,345	6,675	210,820	45,075
Cash Flow Hedges	424,273	17,071	562,809	182,619
Net Foreign Investment Hedges	-	-	-	-
Total	435,618	23,746	773,629	227,694

As of 31 December 2019, the face values and the net fair values, recognised in the balance sheet, of the derivative financial instruments held for hedging purpose, are summarized below:

	<i>Current Period</i>			<i>Prior Period</i>		
	Face Value	Asset	Liability	Face Value	Asset	Liability
Interest Rate Swaps	60,262,126	24,851	1,123,464	57,826,116	457,835	233,155
-TL	21,365,030	14,243	698,842	10,771,181	230,145	112,222
-FC	38,897,096	10,608	424,622	47,054,935	227,690	120,933
Cross Currency Swaps	5,003,466	430,655	71,954	5,190,380	543,488	179,555
-TL	1,008,284	421,375	45,966	2,034,419	543,484	78,231
-FC	3,995,182	9,280	25,988	3,155,961	4	101,324
Currency Forwards	-	-	-	496,737	-	50,967
-TL	-	-	-	287,873	-	50,967
-FC	-	-	-	208,864	-	-
Interest Rate Options	681,979	3,858	-	-	-	-
-TL	-	-	-	-	-	-
-FC	681,979	3,858	-	-	-	-
Total	65,947,571	459,364	1,195,418	63,513,233	1,001,323	463,677

5.1.4.3 Fair value hedge accounting

<i>Current Period</i>						
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item	Net Fair Value Change of Hedging Item		Income Statement Effect (gains/losses from derivative financial instruments)
				Asset	Liability	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	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)

<i>Prior Period</i>						
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item	Net Fair Value Change of Hedging Item		Income Statement Effect (gains/losses from derivative financial instruments)
				Asset	Liability	
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	(14,818)	75,199	(79,246)	(18,865)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	(39,668)	45,883	-	6,215
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	(73,898)	134,813	(75,643)	(14,728)
Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	15,263	-	(98,516)	(83,253)

5.1.4.4 Cash flow hedge accounting

<i>Current Period</i>							
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item		Gains/Losses Accounted under Shareholders' Equity in the Period	Gains/Losses Accounted under Income Statement in the Period	Ineffective Portion (net) Accounted under Income Statement
			Asset	Liability			
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	7,075	(24,103)	(106,708)	53,943	831
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	5,171	(662,201)	(602,570)	417,372	(12,174)
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	419,346	(82)	(22,982)	(11,946)	-
Cross Currency Swaps	Fixed-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	5,894	(48,328)	(15,843)	14,482	-
Currency Forwards	Mail payments	Cash flow risk resulted from foreign currency exchange rates	-	-	50,967	-	-
Interest Rate Options	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	3,858	-	535	-	-

As of 31 December 2019, there is not any reclassified amounts from the shareholders' equity to the profit or loss due to the ceased hedging transactions during the current period.

<i>Prior Period</i>							
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item		Gains/Losses Accounted under Shareholders' Equity in the Period	Gains/Losses Accounted under Income Statement in the Period	Ineffective Portion (net) Accounted under Income Statement
			Asset	Liability			
Interest Rate Swaps	Floating-rate securities issued	Cash flow risk resulted from change in market interest rates	-	-	(17)	17	-
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	111,668	(3,821)	44,614	33,260	913
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	90,272	(74,443)	(55,708)	9,665	(5,115)
Cross Currency Swaps	Mile payments	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	-	-	(1,094)	(248)	-
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	502,173	-	18,447	(31,509)	-
Cross Currency Swaps	Fixed-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	41,315	(58,695)	4,455	(4,380)	-
Currency Swaps	Foreign currency lease receivables	Cash flow risk resulted from foreign currency exchange rates	-	(22,345)	531	-	(22,876)
Currency Forwards	Mile payments	Cash flow risk resulted from foreign currency exchange rates	-	(50,968)	(50,968)	-	-

There is no reclassified amount from the shareholders' equity to the statement of profit or loss due to the ceased hedging transactions.

5.1.5 Loans

5.1.5.1 Loans and advances to shareholders and employees of the Bank

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct Lendings to Shareholders	62	603,746	105	554,268
Corporates	62	603,746	105	554,268
Individuals	-	-	-	-
Indirect Lendings to Shareholders	28,717	42,166	83,167	33,234
Loans to Employees	423,432	56	356,605	95
Total	452,211	645,968	439,877	587,597

5.1.5.2 Performing loans and loans under follow-up including restructured loans, and provisions allocated for such loans
Loans measured at amortised cost

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

(*) Non-performing loans are not included.

Prior Period	Performing Loans	Loans under Follow-up		
		Non-restructured	Restructured	
Cash Loans (*)				Revised Contract Terms
Loans	205,720,350	29,217,404	5,290,795	3,232,300
Working Capital Loans	36,568,395	4,235,931	160,115	1,325,619
Export Loans	16,681,358	994,464	34,143	78,698
Import Loans	1,138,195	-	-	-
Loans to Financial Sector	3,549,441	1,413,828	-	-
Consumer Loans	44,497,212	7,536,368	466,539	26,230
Credit Cards	21,560,045	3,313,539	524,453	-
Others	81,725,704	11,723,274	4,105,545	1,801,753
Specialization Loans	-	-	-	-
Other Receivables	7,375,813	724,252	234,738	12,692
Total	213,096,163	29,941,656	5,525,533	3,244,992

(*) Non-performing loans are not included.

Current Period	Corporate/ Commercial Loans		Consumer Loans		Financial Lease		Factoring		Total	
	TL	FC	TL	FC	TL	FC	TL	FC	TL	FC
Performing Loans (Stage 1)	71,676,204	79,963,458	64,992,132	4,912,432	765,055	3,755,861	1,642,376	432,098	139,075,767	89,063,849
Loans under Follow-up (Stage 2)	11,401,413	17,141,657	8,326,340	793,386	143,247	648,940	15,931	0	19,886,931	18,583,983
Total Stage 1 and 2 Loans	83,077,617	97,105,115	73,318,472	5,705,818	908,302	4,404,801	1,658,307	432,098	158,962,698	107,647,832
Expected Credit losses-Stage 1-2 (-)	1,525,196	2,728,834	811,465	55,351	25,517	102,513	11,582	257	2,373,760	2,886,955
Total Non-performing Loans	7,287,770	7,476,032	3,292,189	243,586	418,332	452,719	150,872	188,886	11,149,163	8,361,223
Expected Credit losses-Stage 3 (-)	5,056,944	3,961,370	2,230,907	179,310	232,217	208,618	127,929	185,639	7,647,997	4,534,937

Prior Period	Corporate/ Commercial Loans		Consumer Loans		Financial Lease		Factoring		Total	
	TL	FC	TL	FC	TL	FC	TL	FC	TL	FC
Performing Loans (Stage 1)	69,575,459	74,116,848	57,414,753	4,613,293	1,105,331	3,999,866	1,817,298	453,315	129,912,841	83,183,322
Loans under Follow-up (Stage 2)	8,669,110	17,821,344	10,529,284	720,758	228,786	734,241	8,658	-	19,435,838	19,276,343
Total Stage 1 and 2 Loans	78,244,569	91,938,192	67,944,037	5,334,051	1,334,117	4,734,107	1,825,956	453,315	149,348,679	102,459,665
Expected Credit losses-Stage 1-2 (-)	1,230,302	2,432,105	1,100,859	57,337	31,561	109,961	6,705	609	2,369,427	2,600,012
Total Non-performing Loans	4,341,405	5,031,667	2,930,377	245,257	340,721	557,095	148,606	158,256	7,761,109	5,992,275
Expected Credit losses-Stage 3 (-)	3,029,864	2,199,468	2,061,222	171,449	172,879	225,874	120,855	142,978	5,384,820	2,739,769

	<i>Current Period</i>		<i>Prior Period</i>	
	Performing Loans	Loans Under Follow-Up	Performing Loans	Loans Under Follow-Up
12-Month ECL (Stage 1)	1,227,132	-	942,150	-
Significant Increase in Credit Risk (Stage 2)	-	4,033,583	-	4,027,289

As of 31 December 2019, loans amounting to TL 3,873,550 are benefited as collateral under funding transactions (31 December 2018: TL 9,470,147).

Collaterals received for loans under follow-up

<i>Current Period</i>	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

<i>Prior Period</i>	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	457,023	30,031	-	487,054
Loans Collateralized by Mortgages / Shares	12,572,700	3,679,534	-	16,252,234
Loans Collateralized by Pledged Assets	1,591,381	280,990	-	1,872,371
Loans Collateralized by Cheques and Notes	160,108	5,465	-	165,573
Loans Collateralized by Other Collaterals	8,137,907	3,386,065	-	11,523,972
Unsecured Loans	3,925,933	647,052	3,837,992	8,410,977
Total	26,845,052	8,029,137	3,837,992	38,712,181

Delinquency periods of loans under follow-up

<i>Current Period</i>	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	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

<i>Prior Period</i>	Corporate / Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	3,730,224	1,803,644	264,827	5,798,695
61-90 days	680,448	389,255	83,782	1,153,485
Other	22,434,380	5,836,238	3,489,383	31,760,001
Total	26,845,052	8,029,137	3,837,992	38,712,181

5.1.5.3 Maturity analysis of cash loans

	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
<i>Current Period</i>				
Short-Term Loans	79,163,645	53,417	6,952,751	709,023
Loans	75,387,931	53,417	6,797,191	572,109
Specialization Loans	-	-	-	-
Other Receivables	3,775,714	-	155,560	136,914
Medium and Long-Term Loans	144,046,629	4,875,925	19,605,401	11,203,739
Loans	141,226,948	4,875,925	19,240,029	11,053,467
Specialization Loans	-	-	-	-
Other Receivables	2,819,681	-	365,372	150,272
Total	223,210,274	4,929,342	26,558,152	11,912,762

	Performing Loans and Other Receivables		Loans under Follow-Up and Other Receivables	
	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms	Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
<i>Prior Period</i>				
Short-Term Loans	72,388,841	35,376	8,546,097	533,079
Loans	69,155,450	34,962	8,283,690	428,910
Specialization Loans	-	-	-	-
Other Receivables	3,233,391	414	262,407	104,169
Medium and Long-Term Loans	136,357,600	4,314,346	20,947,306	8,685,699
Loans	132,216,011	4,313,927	20,485,461	8,542,438
Specialization Loans	-	-	-	-
Other Receivables	4,141,589	419	461,845	143,261
Total	208,746,441	4,349,722	29,493,403	9,218,778

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

<i>Current Period</i>	Short-Term	Medium and Long-Term	Total
Consumer Loans – TL	1,594,709	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

<i>Prior Period</i>	Short-Term	Medium and Long-Term	Total
Consumer Loans – TL	1,295,735	44,106,240	45,401,975
Housing Loans	18,821	21,441,927	21,460,748
Automobile Loans	313,159	2,003,166	2,316,325
General Purpose Loans	962,761	20,661,147	21,623,908
Others	994	-	994
Consumer Loans – FC-indexed	-	187,534	187,534
Housing Loans	-	187,529	187,529
Automobile Loans	-	-	-
General Purpose Loans	-	5	5
Others	-	-	-
Consumer Loans – FC	508,295	4,384,838	4,893,133
Housing Loans	8,262	2,546,300	2,554,562
Automobile Loans	69	20,371	20,440
General Purpose Loans	23,127	1,298,365	1,321,492
Others	476,837	519,802	996,639
Retail Credit Cards – TL	19,855,372	418,644	20,274,016
With Installment	8,950,810	418,644	9,369,454
Without Installment	10,904,562	-	10,904,562
Retail Credit Cards – FC	175,423	179,648	355,071
With Installment	-	-	-
Without Installment	175,423	179,648	355,071
Personnel Loans – TL	20,871	118,191	139,062
Housing Loan	-	1,566	1,566
Automobile Loans	-	41	41
General Purpose Loans	20,871	116,584	137,455
Others	-	-	-
Personnel Loans - FC-indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Others	-	-	-
Personnel Loans – FC	1,898	78,404	80,302
Housing Loans	131	33,383	33,514
Automobile Loans	-	-	-
General Purpose Loans	487	34,307	34,794
Others	1,280	10,714	11,994
Personnel Credit Cards – TL	116,405	702	117,107
With Installment	41,469	702	42,171
Without Installment	74,936	-	74,936
Personnel Credit Cards – FC	1,904	3,640	5,544
With Installment	-	-	-
Without Installment	1,904	3,640	5,544
Deposit Accounts– TL (Real Persons)	1,809,753	-	1,809,753
Deposit Accounts– TL (Personnel)	14,590	-	14,590
Deposit Accounts– FC (Real Persons)	-	-	-
Total	23,800,246	49,477,841	73,278,087

5.1.5.5 Installment based commercial loans and corporate credit cards

<i>Current Period</i>	Short-Term	Medium and	Total
Installment-based Commercial Loans – TL	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

<i>Prior Period</i>	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans – TL	1,436,233	13,287,526	14,723,759
Real Estate Loans	3,975	671,981	675,956
Automobile Loans	145,927	1,936,508	2,082,435
General Purpose Loans	1,286,331	10,679,037	11,965,368
Others	-	-	-
Installment-based Commercial Loans - FC-indexed	59,349	2,042,190	2,101,539
Real Estate Loans	-	65,534	65,534
Automobile Loans	346	779,742	780,088
General Purpose Loans	59,003	1,196,914	1,255,917
Others	-	-	-
Installment-based Commercial Loans – FC	1,553,276	3,024,785	4,578,061
Real Estate Loans	-	-	-
Automobile Loans	-	18,993	18,993
General Purpose Loans	81	84,424	84,505
Others	1,553,195	2,921,368	4,474,563
Corporate Credit Cards – TL	4,584,616	38,066	4,622,682
With Installment	1,813,744	38,066	1,851,810
Without Installment	2,770,872	-	2,770,872
Corporate Credit Cards – FC	23,617	-	23,617
With Installment	-	-	-
Without Installment	23,617	-	23,617
Deposit Accounts– TL (Corporates)	1,460,204	-	1,460,204
Deposit Accounts– FC (Corporates)	-	-	-
Total	9,117,295	18,392,567	27,509,862

5.1.5.6 Allocation of loans by customers

	Current Period	Prior Period
Public Sector	300,854	688,405
Private Sector (*)	266,309,676	251,119,939
Total	266,610,530	251,808,344

(*)Includes loans measured at fair value through profit or loss.

5.1.5.7 Allocation of domestic and foreign loans (*)

	Current Period	Prior Period
Domestic Loans	241,117,177	228,921,453
Foreign Loans	25,493,353	22,886,891
Total	266,610,530	251,808,344

(*) Non-performing loans are not included.

5.1.5.8 Loans to associates and subsidiaries

	Current Period	Prior Period
Direct Lending	118,232	120,168
Indirect Lending	-	-
Total	118,232	120,168

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

	<i>Current Period</i>	<i>Prior Period</i>
Substandard Loans- Limited Collectability	1,274,532	1,362,987
Doubtful Loans	3,227,456	2,366,903
Uncollectible Loans	7,680,946	4,394,699
Total	12,182,934	8,124,589

5.1.5.10 Non-performing loans (NPLs) (net)

Non-performing loans and loans restructured from this category

	Group III	Group IV	Group V
	Substandard Loans	Doubtful Loans	Uncollectible Loans
Current Period			
Gross amounts before provisions	1,120,990	2,980,250	3,922,263
Restructured Loans	1,120,990	2,980,250	3,922,263
Prior Period			
Gross amounts before provisions	561,524	2,662,588	1,672,351
Restructured Loans	561,524	2,662,588	1,672,351

Movements in non-performing loan groups

	Group III	Group IV	Group V
	Substandard Loans	Doubtful Loans	Uncollectible Loans
Current Period			
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

<i>Prior Period</i>	Group III	Group IV	Group V
	Substandard Loans	Doubtful Loans	Uncollectible Loans
Balances at Beginning of Period (1 January 2018)	1,048,935	1,382,104	4,457,417
Additions during the Period (+)	11,022,449	163,817	615,992
Transfer from Other NPL Categories (+)	376,173	6,717,224	2,303,877
Transfer to Other NPL Categories (-)	6,659,001	2,368,310	369,963
Collections during the Period (-)	654,760	726,032	1,278,498
Write-offs (-) ^(*)	2,110,584	31	144,955
Debt Sale (-) ^(**)	-	5,251	348,499
Corporate and Commercial Loans	-	330	16,142
Retail Loans	-	3,181	189,623
Credit Cards	-	1,740	142,734
Other	-	-	-
Foreign Currency Differences	124,200	(127,927)	335,007
Balances at End of Period	3,147,412	5,035,594	5,570,378
Provisions (-)	1,362,987	2,366,903	4,394,699
Net Balance on Balance Sheet	1,784,425	2,668,691	1,175,679

(*) includes loans for which 100 % provision is provided during the corresponding period.

(**)all consists of sale of non-performing loans (31 December 2018: TL 353,750).

Non-performing loans in foreign currencies

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
<i>Current Period</i>			
Balance at End of Period	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
<i>Prior Period</i>			
Balance at End of Period	1,801,141	3,686,282	1,415,535
Provisions (-)	746,311	1,641,343	1,087,589
Net Balance at Balance Sheet	1,054,830	2,044,939	327,946

Gross and net non-performing loans as per customer categories

	Group III Substandard Loans	Group IV Doubtful Loans	Group V Uncollectible Loans
<i>Current Period (Net)</i>	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
<i>Prior Period (Net)</i>	1,784,425	2,668,691	1,175,679
Loans to Individuals and Corporates (Gross)	3,122,592	5,021,903	5,561,603
Provision (-)	1,351,352	2,358,307	4,385,944
Loans to Individuals and Corporates (Net)	1,771,240	2,663,596	1,175,659
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	24,820	13,691	8,775
Provision (-)	11,635	8,596	8,755
Other Loans and Receivables (Net)	13,185	5,095	20

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

	Group III Substandard Loans	Group IV Doubtful Loans	Group V Uncollectible Loans
<i>Current Period (Net)</i>	22,465	54,653	163,511
Interest accruals and valuation differences	60,203	130,332	402,983
Provision (-)	37,738	75,679	239,472
<i>Prior Period (Net)</i>	47,554	126,534	39,151
Interest accruals and valuation differences	79,590	238,856	115,799
Provision (-)	32,036	112,322	76,648

Collaterals received for non-performing loans

<i>Current Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	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

<i>Prior Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	13,272	354	-	13,626
Loans Collateralized by Mortgages	5,789,032	240,063	-	6,029,095
Loans Collateralized by Pledged Assets	1,180,931	59,774	-	1,240,705
Loans Collateralized by Cheques and Notes	187,107	6,875	-	193,982
Loans Collateralized by Other Collaterals	2,565,655	1,564,239	-	4,129,894
Unsecured Loans	725,261	293,375	1,127,446	2,146,082
Total	10,461,258	2,164,680	1,127,446	13,753,384

5.1.5.11 Expected credit loss for loans

<i>Current Period</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balances at End of Prior Period	942,150	4,027,289	8,124,589	13,094,028
Additions during the Period (+)	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

<i>Prior Period</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balances at Beginning of Period (1 January 2018)	908,210	3,531,388	4,512,355	8,951,953
Additions during the Period (+)	1,665,196	5,005,345	3,111,983	9,782,524
Disposal (-)	(2,365,129)	(1,117,884)	(952,422)	(4,435,435)
Debt Sale (-)	(649)	-	(351,667)	(352,316)
Write-offs (-)	-	-	(2,254,607)	(2,254,607)
Transfer to Stage1	1,234,803	(1,227,561)	(7,242)	-
Transfer to Stage 2	(570,081)	612,034	(41,953)	-
Transfer to Stage 3	(5,805)	(3,920,918)	3,926,723	-
Foreign Currency Differences	75,605	1,144,885	181,419	1,401,909
Balances at End of Period	942,150	4,027,289	8,124,589	13,094,028

5.1.5.12 *Liquidation policy for uncollectible loans*

Such loans and receivables are collected through legal follow-up and liquidation of collaterals.

5.1.5.13 *Write-off policy*

5.1.5.13.1 *Disclosures on write down policy*

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

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

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

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

As of 31 December 2019, in accordance with the relevant accounting policy the Bank has written down “Group V Loan” (Loans Classified as Loss) amounting to TL 712,527.

<i>Current Period</i>	TL	FC
Write down		
Corporate/ Commercial Loans	376,458	336,069
Consumer Loans	-	-

As of 31 December 2019, one of the Bank’s consolidated subsidiaries, in accordance with the relevant accounting policy has written down “Group V Loan” (Loans Classified as Loss) amounting to TL 20,950.

<i>Current Period</i>	TL	FC
Write down		
Corporate/ Commercial Loans	-	17,075
Consumer Loans	-	3,875

5.1.5.13.2 Disclosures on write-off policy

The general policy of the Bank regarding write-off process for loans under follow-up is to write-off the loans which are documented as uncollectible during the legal follow-up process. As of 31 December 2019, total loans written-off from assets are TL 142,715 (31 December 2018: TL 2,255,570).

5.1.6 Lease receivable (Net)

5.1.6.1 Financial lease receivables according to remaining maturities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	2,338,813	2,036,260	3,084,367	2,706,741
Between 1-5 Years	3,444,202	3,128,201	3,546,631	3,158,637
Longer than 5 Years	155,520	148,642	213,731	202,846
Total	5,938,535	5,313,103	6,844,729	6,068,224

Non-performing loans are not included.

5.1.6.2 Net financial lease receivables

	Current Period	Prior Period
Gross Financial Lease Receivables	5,938,537	6,844,728
Unearned Income on Financial Lease Receivables (-)	(625,434)	(776,504)
Terminated Lease Contracts (-)	-	-
Net Financial Lease Receivables	5,313,103	6,068,224

Non-performing loans are not included.

5.1.6.3 Financial lease agreements

Criteria applied for financial lease agreements

The customer applied for a financial lease is evaluated based on the lending policies and criteria taking into account the legal legislation. A “customer analysis report” according to the type and amount of the application is prepared for the evaluation of the customer by the Credit Committee and certain risk rating models such as “customer risk rating” and “equipment rating/scoring” are applied.

In compliance with the legal legislation and the authorization limits of the general manager, credit committee and board of directors, it is decided whether the loan will be granted considering the financial position and the qualitative characteristics of the customer and the criterias mentioned above, if yes, which conditions will be applied. At this stage, collateral such as bank guarantees, mortgages, asset pledges, promissory notes or the personal or corporate guarantees, may be required depending on the creditworthiness of the customer and the characteristics of the product to be sold.

The sectoral, equipment type and pledged asset concentration of the customers are monitored regularly.

Details monitored subsequent to signing of financial lease agreements

Subsequent to granting of loan, the fulfillment of monetary aspects such as lending procedures, timely collection of rental payments are monitored. Furthermore, updated information on the performance of companies is reported by the credit monitoring unit even for the performing customers.

The reports prepared by the credit monitoring unit for the performing companies and the assessments made by the administration follow-up and the legal units for the problematic companies, are presented to the top management following the assessments made by the related internal committees and the necessary actions are taken.

5.1.7 Factoring receivables

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	1,641,030	616,255	849,019	453,059
Medium and Long-Term	168,149	4,729	1,125,543	158,512
Total	1,809,179	620,984	1,974,562	611,571

5.1.8 Financial assets measured at amortised cost

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Collateralised/Blocked Investments	3,380,677	4,856,290	3,176,487	3,387,284
Investments subject to Repurchase Agreements	55,581	679,218	46,120	-
Total	3,436,258	5,535,508	3,222,607	3,387,284

5.1.8.2 Government securities measured at amortised cost

	<i>Current Period</i>	<i>Prior Period</i>
Government Bonds	27,558,636	24,606,227
Treasury Bills	-	-
Other Government Securities	-	-
Total	27,558,636	24,606,227

5.1.8.3 Financial assets measured at amortised cost

	<i>Current Period</i>	<i>Prior Period</i>
Debt Securities	20,404,822	18,711,987
Quoted at Stock Exchange	20,358,959	18,672,987
Unquoted at Stock Exchange	45,863	39,000
Valuation Increase / (Decrease)	7,315,520	5,942,022
Total	27,720,342	24,654,009

5.1.8.4 Movement of financial assets measured at amortised cost

	<i>Current Period</i>	<i>Prior Period</i>
Balances at Beginning of Period	24,654,009	21,497,337
Foreign Currency Differences on Monetary Assets	772,371	1,775,282
Purchases during the Period	1,248,680	693,258
Disposals through Sales/Redemptions	(199,492)	(2,148,127)
Valuation Effect	1,244,774	2,836,259
Balances at End of Period	27,720,342	24,654,009

5.1.8.5 Expected credit loss for financial assets measured at amortised cost

<i>Current Period</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balances at End of Prior Period (1 January 2019)	54,125	-	-	54,125
Additions during the Period (+)	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

<i>Prior Period</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balances at Beginning of Period (1 January 2018)	16,907	-	-	16,907
Additions during the Period (+)	51,066	-	-	51,066
Disposal (-)	(15,193)	-	-	(15,193)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	1,345	-	-	1,345
Balances at End of Period	54,125	-	-	54,125

5.1.9 Assets held for sale and assets of discontinued operations

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

	<i>Current Period</i>	<i>Prior Period</i>
Balances at Beginning of Period		
Cost	870,977	850,308
Accumulated Depreciation	(13,293)	(14,756)
Net Book Value	857,684	835,552
End of Current Period		
Additions	542,907	293,534
Disposals (Cost)	(265,683)	(219,124)
Disposals (Accumulated Depreciation)	1,120	1,463
Reversal of Impairment / Impairment Losses	21,053	(58,187)
Depreciation Expense for Current Period (-)	-	-
Currency Translation Differences on Foreign Operations	1,977	4,446
Cost	1,171,231	870,977
Accumulated Depreciation (-)	(12,173)	(13,293)
Net Book Value	1,159,058	857,684

5.1.9.2 Investments in subsidiaries and associates to be disposed

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

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

As per the decision made at the 2018 annual general assembly of related special purpose entity, it was decided to increase the capital of the special purpose entity by TL 3.982.230, all of which will be covered by common receivables. The Entity's paid-in capital after the general assembly had been TL 3.982.280. The Bank's shareholding ratios in the Entity's capital did not change as a result of the increase, and the nominal value of the direct shares increased from TL 11 to TL 881.140 and the number of shares increased from 1.106.325 to 88.114.036.863. As explained the details before the capital increase in Note 5.1.2.2, valuation differences recorded on the financial asset are presented as impairment in Assets Held for Sale and Discontinued Operations after capital increase.

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

5.1.10 Investments in associates

5.1.10.1 Unconsolidated investments in associates

	Associates	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Emeklilik Gözetim Merkezi AŞ ⁽¹⁾	İstanbul/Turkey	-	5.26
2	Bankalararası Kart Merkezi AŞ ⁽¹⁾	İstanbul/Turkey	10.15	10.15
3	Yatırım Finansman Menkul Değerler AŞ ⁽¹⁾	İstanbul/Turkey	0.77	0.77
4	İstanbul Takas ve Saklama Bankası AŞ ⁽¹⁾	İstanbul/Turkey	4.95	4.97
5	Borsa İstanbul AŞ ⁽²⁾	İstanbul/Turkey	0.30	0.34
6	KKB Kredi Kayıt Bürosu AŞ ⁽¹⁾	İstanbul/Turkey	9.09	9.09
7	Türkiye Cumhuriyet Merkez Bankası AŞ ⁽²⁾	Ankara/ Turkey	2.48	2.48
8	Kredi Garanti Fonu AŞ ⁽¹⁾	Ankara/ Turkey	1.54	1.54

	Total Assets	Shareholders ' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	14,810	11,267	3,897	786	16	2,709	662	-
2	147,868	93,468	73,688	3,852	-	28,503	15,603	-
3	1,306,055	110,543	10,457	3,533	1,371	12,626	8,887	-
4	14,878,333	2,176,680	114,859	584,078	19,708	506,418	323,776	-
5	13,285,548	2,665,517	618,258	117,327	265,253	1,173,543	228,053	-
6	348,965	224,008	234,333	8,774	249	26,579	34,818	-
7	721,499,799	85,155,002	541,979	30,135,305	5,070,791	56,279,555	18,383,903	-
8	672,050	627,215	22,866	27,171	-	96,130	101,243	-

(1) Financial information is as of 30 September 2019.

(2) Financial information is as of 31 December 2018.

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

Unconsolidated investments in associates sold during the current period

None.

Unconsolidated investments in associates acquired during the current period

None.

5.1.10.2 Consolidated investments in associates

None.

5.1.10.3 Movement of consolidated investments in associates

None.

Valuation methods of consolidated investments in associates

None.

Sectoral distribution of consolidated investments and associates

None.

Quoted consolidated investments in associates

None.

Investments in associates sold during the current period

None.

Investments in associates acquired during the current period

None.

5.1.11 Investments in subsidiaries

Information on capital adequacy of major subsidiaries

<i>Current Period</i>	Garanti Bank International NV	Garanti Finansal Kiralama AŞ	Garanti Holding BV
COMMON EQUITY TIER I CAPITAL			
Paid-in Capital to be Entitled for Compensation after All Creditors	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

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

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

5.1.11.1 Unconsolidated investments in subsidiaries

	Subsidiaries	Address (City/ Country)	Parent Bank's Share – If Different, Voting Rights (%)	Bank Risk Group's Share (%)
1	Garanti Bilişim Teknolojisi ve Tic. TAŞ	Istanbul/Turkey	100.00	100.00
2	Garanti Ödeme Sistemleri AŞ	Istanbul/Turkey	99.96	100.00
3	Garanti Hizmet Yönetimi AŞ (**)	Istanbul/Turkey	-	-
4	Garanti Kültür AŞ	Istanbul/Turkey	100.00	100.00
5	Garanti Konut Finansmanı Danışmanlık Hiz. AŞ	Istanbul/Turkey	100.00	100.00
6	Trifoi Real Estate Company	Bucharest/Romania	-	100.00
7	Garanti Filo Yönetim Hizmetleri AŞ	Istanbul/Turkey	-	100.00
8	Garanti Filo Sigorta Aracılık Hizmetleri AŞ	Istanbul/Turkey	-	100.00

	Total Assets	Shareholders' Equity	Total Fixed Assets (*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value	Amount of Equity Requirement
1	128,490	104,697	53	17,253	-	24,950	10,166	-	-
2	43,551	19,495	497	3,439	-	(394)	3,272	-	-
3	-	-	-	-	-	-	-	-	-
4	3,231	1,797	1,251	-	-	(101)	55	-	-
5	5,610	4,361	13	768	-	596	1,047	-	-
6	6,539	6,539	6,536	-	-	(3)	(3)	-	-
7	1,578,720	67,831	1,443,562	7,680	-	33,887	6,584	-	-
8	3,933	3,056	-	-	-	1,259	1,936	-	-

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

(**) The liquidation process of Garanti Hizmet Yönetimi A.Ş. was completed on 26 December 2019 by the Istanbul Chamber of Commerce by registering the end of the liquidation of the company.

Unconsolidated subsidiaries, reasons for not consolidating such investments and accounting treatments applied for such investments

The companies which are not included within the scope of consolidation due to not being financial subsidiaries are measured at cost less impairment, if any.

5.1.11.2 Movement of consolidated investments in subsidiaries

	<i>Current Period</i>	<i>Prior Period</i>
Balances at Beginning of Period	6,942,044	6,081,445
Movements during the Period	1,506,797	860,599
Acquisitions and Capital Increases	-	-
Bonus Shares Received	-	-
Dividends from Current Year Profit	893,943	751,691
Sales/Liquidations	(352)	-
Reclassifications	-	833
Value Increase/Decrease ^(*) ^(**)	110,834	(1,037,918)
Currency Differences on Foreign Subsidiaries	502,372	1,145,993
Reversal of Impairment Losses / Impairment Losses (-)	-	-
Balance at End of Period	8,448,841	6,942,044
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

(*) Except for quoted subsidiaries, value increases / (decreases) are based on the results of equity accounting application.

(**) TL 1,018,959 of Prior Period's Value Decrease amount is due to the dividend distribution of Garanti Emeklilik AŞ as per the decision made at its Annual General Assembly meeting held on 9 April 2018.

Valuation methods of consolidated investments in subsidiaries

	<i>Current Period</i>	<i>Prior Period</i>
Valued at Cost	-	-
Valued at Fair Value ^(*)	8,448,841	6,942,044

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

Sectoral distribution of consolidated investments in subsidiaries

	<i>Current Period</i>	<i>Prior Period</i>
Banks	3,921,884	3,499,491
Insurance Companies	1,153,607	764,722
Factoring Companies	134,182	114,151
Leasing Companies	1,018,498	902,555
Finance Companies	2,220,670	1,661,125
Other Subsidiaries	-	-

Quoted consolidated investments in subsidiaries

	<i>Current Period</i>	<i>Prior Period</i>
Quoted at Domestic Stock Exchanges	135,322	114,985
Quoted at International Stock Exchanges	-	-

Other information on consolidated investments in subsidiaries

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

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

	Total Assets	Shareholders' Equity	Total Fixed Assets (**)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	4,948,377	1,018,506	20,626	454,313	-	100,436	80,616	-
2	2,201,627	163,984	14,678	370,149	-	24,438	(57,376)	-
3	667,150	322,358	31,388	26,350	8,532	144,173	60,665	-
4	147,560	135,329	1,685	15,480	3,292	37,222	26,995	-
5	2,170,857	1,358,590	53,652	306,439	8,042	454,295	454,189	-
6	24,028,269	3,932,686	249,892	810,927	24,543	40,327	70,447	-
7	2,262,044	2,260,174	-	-	-	(537)	(441)	-
8	2,243,911	1,907,670	-	42	-	(24,577)	3,610	-
9	15,199,153	2,118,647	504,326	410,069	58,103	157,165	127,527	-
10	1,180,454	185,945	8,673	55,043	-	25,127	16,457	-
11	835,626	116,954	16,106	60,813	-	10,139	14,155	-
12	42,583	40,622	1,285	2,040	3,617	3,639	2,322	34,560

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

Garanti Yatırım Ortaklığı AŞ that Garanti Yatırım participated by 3.61%, is consolidated in the accompanying consolidated financial statements under full consolidation method due to the company's right to elect all the members of the board of directors as resulted from its privilege in election of board members.

Consolidated investments in subsidiaries disposed during the current period

The liquidation process of Garanti Hizmet Yönetimi A.Ş. was completed on 26 December 2019 by the Istanbul Chamber of Commerce by registering the end of the liquidation of the company.

Consolidated investments in subsidiaries acquired during the current period

None.

5.1.12 Investments in joint-ventures

None.

5.1.13 Tangible assets

	Real Estates	Leases			Other Tangible Assets	Total
		Leased Tangible Assets	Right-of-use Assets	Vehicles		
Cost	3,441,729	-	-	30,372	3,249,334	6,721,435
Accumulated Depreciation	(36,449)	-	-	(20,693)	(2,169,375)	(2,226,517)
Net Book Value	3,405,280	-	-	9,679	1,079,959	4,494,918
Balances at End of Current Period						
Net Book Value at Beginning of Current Period	3,405,280	-	-	9,679	1,079,959	4,494,918
Additions	126,770	-	1,595,125	5,097	273,251	2,000,243
Revaluation Model Difference	24,974	-	-	-	-	24,974
Transfers from Investment Property	1,031	-	-	-	-	1,031
Disposals (Net)	(60,555)	-	(179,815)	(183)	(55,615)	(296,168)
Disposals (Cost)	(66,358)	-	(190,299)	(3,060)	(93,559)	(353,276)
Disposals (Accumulated Depreciation)	5,803	-	10,484	2,877	37,944	57,108
Reversal of Impairment Losses (-)	3,797	-	-	-	-	3,797
Depreciation Expense for Current Period	(43,000)	-	(327,302)	(3,332)	(353,854)	(727,488)
Currency Translation Differences on Foreign Operations, Net	22,109	-	640	223	4,020	26,992
Currency Translation Differences on Foreign Operations (Cost)	22,815	-	1,621	883	24,299	49,618
Currency Translation Differences on Foreign Operations (Accumulated Depreciation)	(706)	-	(981)	(660)	(20,279)	(22,626)
Net Book Values at End of Current Period	3,480,406	-	1,088,648	11,484	947,761	5,528,299
Cost at End of Current Period	3,554,758	-	1,406,447	33,292	3,453,325	8,447,822
Accumulated Depreciation at End of Current	(74,352)	-	(317,799)	(21,808)	(2,505,564)	(2,919,523)
Net Book Values at End of Current Period	3,480,406	-	1,088,648	11,484	947,761	5,528,299

The Bank and its financial subsidiaries account their real estates recorded under tangible assets based on the revaluation model in accordance with the Turkish Accounting Standard 16 (TAS 16) "Property, Plant and Equipment". Accordingly, for all real estates registered in the ledger, valuation studies are performed by independent expertise firms.

5.1.14 Intangible assets

5.1.14.1 Useful lives and amortisation rates

The consolidation goodwill classified under intangible assets is not amortized. The estimated useful lives of softwares and other intangible assets vary between 3 and 15 years.

5.1.14.2 Amortisation methods

Intangible assets are amortised on a straight-line basis from the date of capitalisation. The consolidation goodwill is not amortized, however is subject to impairment testing regularly and if there is any impairment, a provision is made.

5.1.14.3 Balances at end of current period

	Current Period		Prior Period	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Intangible Assets	1,227,876	747,970	1,043,523	627,451

5.1.14.4 Movements of intangible assets for current period

	<i>Current Period</i>	<i>Prior Period</i>
Net Book Value at Beginning Period	416,072	379,308
Internally Generated Intangibles	31	-
Additions due to Mergers, Transfers and Acquisition	201,667	152,061
Disposals (-)	(3,281)	(6,335)
Impairment Losses/Reversals to/from Revaluation Surplus	-	-
Impairment Losses Recorded in Income Statement	-	-
Impairment Losses Reversed from Income Statement	-	-
Amortisation Expense for Current Period (-)	(140,804)	(127,014)
Currency Translation Differences on Foreign Operations	4,234	10,868
Other Movements	1,987	7,184
Net Book Value at End of Current Period	479,906	416,072

5.1.14.5 Details for any individually material intangible assets

None.

5.1.14.6 Intangible assets capitalised under government incentives at fair values

None.

5.1.14.7 Revaluation method of intangible assets capitalised under government incentives and valued at fair values at capitalisation dates

None.

5.1.14.8 Net book value of intangible asset that are restricted in usage or pledged

None.

5.1.14.9 Commitments to acquire intangible assets

None.

5.1.14.10 Disclosure on revalued intangible assets

None.

5.1.14.11 Research and development costs expensed during current period

None.

5.1.14.12 Goodwill

Goodwill	Shares %	Carrying Value
Garanti Yatırım Menkul Kıymetler AŞ	100.00	2,778
Garanti Finansal Kiralama AŞ	100.00	2,119
Garanti Faktoring AŞ	55.40	1,491
Total		6,388

5.1.14.13 Movements in goodwill during current period

	<i>Current Period</i>	<i>Prior Period</i>
Net Book Value at Beginning Period	6,388	6,388
Movements in Current Period	-	-
Additions	-	-
Adjustments due to the Changes in Value of Assets and Liabilities	-	-
Disposals in Current Period due to a Discontinued Operation Or Partial or Complete Disposal of an Asset (-)	-	-
Amortisation Expense for Current Period (-)	-	-
Impairment Losses (-)	-	-
Reversal of Impairment Losses (-)	-	-
Other changes in Book Values	-	-
Net Book Value at End of Current Period	6,388	6,388

5.1.15 Investment property

	<i>Current Period</i>	<i>Prior Period</i>
Net Book Value at Beginning of Period	558,309	559,388
Additions	35,343	6,576
Disposals	(268)	(8,850)
Transfers to Tangible Assets	-	6,809
Fair Value Change	(23,665)	(5,614)
Net Currency Translation Differences on Foreign Subsidiaries	-	-
Net Book Value at End of Period	569,719	558,309

The investment property is held for operational leasing purposes. The Bank and its financial subsidiaries account their investment property based on the fair value model in accordance with the Turkish Accounting Standard 40 (TAS 40) "Investment Property". Accordingly, for all investment properties registered in the ledger, valuation studies are performed by independent expertise firms every year.

5.1.16 Deferred tax asset

As of 31 December 2019, on a consolidated basis the Bank has a deferred tax asset of TL 1,882,010 (31 December 2018: TL 1,519,177) calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences in its consolidated financial statements.

As of 31 December 2019, deferred tax assets of TL 2,232,124 (31 December 2018: TL 2,063,575) are reduced by deferred tax liabilities of TL 350,114 (31 December 2018: TL 544,398) with offsetting characteristics and presented as net in the accompanying consolidated financial statements, on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

For the cases where the differences between the carrying values and the taxable values of assets subject to tax are related with certain items on the shareholders' equity accounts, the deferred taxes are charged or credited directly to these accounts.

	<i>Current Period</i>		<i>Prior Period</i>	
	Tax Base	Deferred Tax Amount	Tax Base	Deferred Tax Amount
Provisions (*)	2,839,430	549,331	2,314,652	470,921
Stages 1&2 Credit Losses	5,794,132	1,213,642	5,296,956	1,162,439
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	1,075,265	178,924	(236,245)	(61,304)
Revaluation Differences on Real Estates	(1,870,033)	(187,155)	(1,857,926)	(185,793)
Other	581,831	127,268	581,357	132,914
Deferred Tax Asset	8,420,625	1,882,010	6,098,794	1,519,177

(*) Consists of reserve for employee benefits, provision for promotion expenses of credit cards and other provisions.

(**) Calculations are performed at the relevant tax rates applicable in the country of the foreign branches and subsidiaries' financial assets.

As of 31 December 2019, TL 431,237 (31 December 2018: TL 240,558 of deferred tax expense) of deferred tax expense and TL 78,763 (31 December 2018: TL 364,567 tax income) of deferred tax income were recognised in the income statement and the shareholders' equity, respectively.

5.1.17 Other Assets

5.1.17.1 Receivables from term sale of assets

	<i>Current Period</i>	<i>Prior Period</i>
Sale of Real Estates	114,592	148,819
Sale of Financial Assets Measured at Fair Value through Other Comprehensive Income	-	27,116
Sale of Other Assets	1,137	1,137
Total	115,729	177,072

5.1.17.2 Prepaid expenses, taxes and similar items

	<i>Current Period</i>	<i>Prior Period</i>
Prepaid Expenses	1,394,564	1,089,636
Prepaid Taxes	84,750	176,016

5.2 Consolidated liabilities

5.2.1 Maturity profile of deposits

<i>Current Period</i>	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	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

<i>Prior Period</i>	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Accumulating Deposit Accounts	Total
Saving Deposits	10,392,601	-	2,789,332	44,035,108	7,338,680	2,226,529	2,750,586	2,925	69,535,761
Foreign Currency Deposits	37,630,017	-	11,622,976	56,608,217	4,848,737	9,484,338	12,470,861	44,780	132,709,926
Residents in Turkey	27,145,860	-	10,039,604	51,338,494	2,342,906	3,320,384	1,008,280	43,262	95,238,790
Residents in Abroad	10,484,157	-	1,583,372	5,269,723	2,505,831	6,163,954	11,462,581	1,518	37,471,136
Public Sector Deposits	1,148,423	-	1,252	26,429	4,968	1,024	-	-	1,182,096
Commercial Deposits	7,487,587	-	8,336,846	9,333,787	346,049	466,923	667,804	-	26,638,996
Others	246,290	-	160,384	816,004	135,756	387,369	3,761,840	-	5,507,643
Precious Metal Deposits	2,794,512	-	-	76,254	13,884	9,758	385,829	-	3,280,237
Bank Deposits	3,699,216	-	1,507,045	72,544	39,935	58,485	5,893	-	5,383,118
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	2,771	-	650,427	-	-	2,076	-	-	655,274
Foreign Banks	461,698	-	856,618	72,544	39,935	56,409	5,893	-	1,493,097
Special Financial Institutions	3,234,747	-	-	-	-	-	-	-	3,234,747
Others	-	-	-	-	-	-	-	-	-
Total	63,398,646	-	24,417,835	110,968,343	12,728,009	12,634,426	20,042,813	47,705	244,237,777

5.2.1.1 Saving deposits insured by Saving Deposit Insurance Fund

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

	Covered by Deposit Insurance Over Deposit Insurance Limit		Over Deposit Insurance Limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	39,677,571	28,827,533	34,453,878	40,144,845
Foreign Currency Saving Deposits	37,004,702	27,501,977	70,678,418	55,379,738
Other Saving Deposits	3,179,119	1,639,365	2,565,718	1,559,569
Foreign Branches' Deposits Under Foreign Insurance Coverage	1,169,315	1,131,547	57	7
Off-Shore Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-

5.2.1.2 Saving deposits at domestic branches of foreign banks in Turkey under the coverage of foreign insurance

None.

5.2.1.3 Saving deposits not covered by insurance limits

5.2.1.3.1 Saving deposits of individuals not covered by insurance limits:

	Current Period	Prior Period
Deposits and Other Accounts held at Foreign Branches	19,694	62,924
Deposits and Other Accounts held by Shareholders and their Relatives	-	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	12,197	160,214
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-	-

5.2.2 Funds borrowed

Information on funds borrowed is as follows;

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	860,923	-	502,342
Domestic Banks and Institutions	1,326,874	1,320,690	409,133	1,815,811
Foreign Banks, Institutions and Funds	1,361,081	20,752,491	776,544	29,835,897
Total	2,687,955	22,934,104	1,185,677	32,154,050

5.2.2.1 Maturities of funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	1,326,881	2,991,738	405,801	4,779,862
Medium and Long-Term	1,361,074	19,942,366	779,876	27,374,188
Total	2,687,955	22,934,104	1,185,677	32,154,050

5.2.2.2 Disclosures for concentration areas of bank's liabilities

The Bank finances its ordinary banking activities through deposits and funds borrowed. Its deposit structure has a balanced TL and foreign currency concentration. The Bank's other funding sources specifically consist of foreign currency funds borrowed from abroad, TL funds obtained through repurchase transactions, and TL and foreign currency securities issued.

5.2.3 Money market funds

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Domestic Transactions	94,463	-	68,144	-
Financial Institutions and Organizations	16,856	-	23,252	-
Other Institutions and Organizations	38,539	-	31,149	-
Individuals	39,068	-	13,743	-
Foreign Transactions	81	1,370,446	56	1,220,550
Financial Institutions and Organizations	-	1,370,446	-	1,220,550
Other Institutions and Organizations	-	-	-	-
Individuals	81	-	56	-
Total	94,544	1,370,446	68,200	1,220,550

5.2.4 Securities issued

<i>Current Period</i>	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

<i>Prior Period</i>	TL		FC	
	Short-Term	Medium and Long-Term	Short-Term	Medium and Long-Term
Nominal	1,968,185	2,127,018	26,970	23,411,508
Cost	1,874,850	2,125,144	26,970	23,323,918
Carrying Value (*)	1,926,060	2,173,141	27,087	22,785,175

(*) The Bank and/or its financial subsidiaries repurchased the Bank's own TL securities with a total face value of TL 863,079 and foreign currency securities with a total face value of USD 206,943,000 (31 December 2018: USD 206,943,000) and netted off such securities in the accompanying consolidated financial statements.

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Securities Issued	-	14,342,293	-	12,312,230
Total	-	14,342,293	-	12,312,230

In accordance with TFRS 9, the Bank classified a part of borrowings obtained through securitisations amounting to USD 2,511,607,143 (31 December 2018: USD 2,484,345,238) as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch.

As of 31 December 2019, the accumulated fair value change of the related financial liability amounted to TL 725,306 (31 December 2018: TL 930,827) and the corresponding gain recognised in the statement of loss amounted to TL 205,521 (31 December 2018: TL 886,879). The carrying value of the related financial liability amounted to TL 14,342,293 (31 December 2018: TL 12,312,230).

5.2.6 Derivative financial liabilities

5.2.6.1 Negative differences on derivative financial liabilities measured at FVTPL

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Forward Transactions	155,718	7,065	384,022	18,382
Swap Transactions	931,412	1,730,884	1,580,258	1,470,826
Futures	6	-	811	164
Options	113,327	105,537	329,799	253,305
Others	-	298	-	8,918
Total	1,200,463	1,843,784	2,294,890	1,751,595

5.2.6.2 Derivative financial liabilities held for hedging purpose

Information on negative differences on derivative financial liabilities held for hedging purposes classified in derivative financial liabilities is as follows;

Derivative Financial Liabilities Held for Hedging Purpose	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Fair Value Hedges	104,982	355,722	49,606	203,799
Cash Flow Hedges	639,826	94,888	191,814	18,458
Net Foreign Investment Hedges	-	-	-	-
Total	744,808	450,610	241,420	222,257

Please refer to Note 5.1.4.2 for financial liabilities resulted from derivatives held for hedging purpose.

5.2.7 Factoring payables

None.

5.2.8 Lease payables

5.2.8.1 Financial lease payables

None.

5.2.8.2 Operational lease agreements

	<i>Cari Dönem</i>	
	Brüt	Net
Less than 1 Year	383,053	247,396
Between 1-5 Years	846,977	550,604
Longer than 5 Years	547,238	336,770
Total	1,777,268	1,134,770

As of 31 December 2019, the weighted average of the incremental borrowing interest rates applied to TL, EUR, USD and RON lease liabilities presented in the statement of financial position of the Group are 21.2%, 2.5%, 7% and 8% respectively.

5.2.9 Provisions

The movement of reserve for employee severance indemnity classified in reserve for employee benefits line of Note 5.2.9.4 is presented as below:

5.2.9.1 Reserve for employee severance indemnity

	<i>Current Period</i>	<i>Prior Period</i>
Balances at Beginning of Period	489,257	423,871
Provision for the Period	142,503	101,135
Actuarial Gain/Loss	(4,293)	16,630
Payments During the Period	(69,182)	(52,379)
Balances at End of Period	558,285	489,257

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

None.

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

	<i>Current Period</i>	<i>Prior Period</i>
Substandard Loans and Receivables - Limited Collectibility	52,031	115,890
Doubtful Loans and Receivables	186,431	31,789
Uncollectible Loans and Receivables	386,110	138,005
Total	624,572	285,684

5.2.9.4 Other provisions

	<i>Current Period</i>	<i>Prior Period</i>
Reserve for Employee Benefits	1,246,661	1,127,102
Insurance Technical Provisions, Net	640,533	444,820
Provision for Promotion Expenses of Credit Cards	172,525	132,272
Provision for Lawsuits	488,730	348,002
Provision for Non-Cash Loans	1,214,480	654,657
Other Provisions ^(*)	2,763,444	2,662,659
Total	6,526,373	5,369,512

(*) Includes total general reserve of TL 2,500,000 (31 December 2018: 2,250,000) consisting of TL 250,000 (31 December 2018: TL 1,090,000) and TL 2,250,000 (31 December 2018: TL 1,160,000) recognized as expense in the current period and prior periods, respectively.

Recognized liability for defined benefit plan obligations

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

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

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

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

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

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

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

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

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

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

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

5.2.10 Tax liability

5.2.10.1 Current tax liability

5.2.10.1.1 Tax liability

As of 31 December 2019, the corporate tax liability amounts to TL 683,990 (31 December 2018: TL 132,546) after offsetting with prepaid taxes.

5.2.10.1.2 Taxes payable

	<i>Current Period</i>	<i>Prior Period</i>
Corporate Taxes Payable	683,990	132,546
Taxation on Securities Income	190,677	162,703
Taxation on Real Estates Income	5,321	4,846
Banking Insurance Transaction Tax	209,765	229,702
Foreign Exchange Transaction Tax	10,997	100
Value Added Tax Payable	35,049	15,303
Others	101,866	88,430
Total	1,237,665	633,630

5.2.10.1.3 Premiums payable

	<i>Current Period</i>	<i>Prior Period</i>
Social Security Premiums-Employees	5,411	5,357
Social Security Premiums-Employer	3,438	3,372
Bank Pension Fund Premium-Employees	37	30
Bank Pension Fund Premium-Employer	37	30
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	1,752	1,446
Unemployment Insurance-Employer	3,586	2,986
Others	49	30
Total	14,310	13,251

5.2.10.2 Deferred tax liability

As of 31 December 2019, the deferred tax liability amounts to TL 29,480 (31 December 2018: TL 19,121).

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

None.

5.2.12 Subordinated debts

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Domestic Other Institutions	261,478	-	-	-
Foreign Banks	-	4,468,229	-	3,977,018
Foreign Other Institutions	-	-	-	-
Total	261,478	4,468,229	-	3,977,018

Disclosures on subordinated debts are reported in Note 4.1.2.

5.2.13 Other liabilities

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Payables from credit card transactions	9,955,158	136,071	10,869,208	87,311
Payables from clearing transactions	2,978,282	74,119	3,780,969	59,285
Other	1,319,133	2,073,593	1,227,533	2,283,972
Total	14,252,573	2,283,783	15,877,710	2,430,568

5.2.14 Shareholders' equity

5.2.14.1 Paid-in capital

	<i>Current Period</i>	<i>Prior Period</i>
Common shares	4,200,000	4,200,000
Preference shares	-	-

5.2.14.2 Registered share capital system

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

5.2.14.3 Capital increases in current period

None.

5.2.14.4 Capital increases from capital reserves in current period

None.

5.2.14.5 Capital commitments for current and future financial periods

None.

5.2.14.6 Possible effect of estimations made for the parent bank's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties

None.

5.2.14.7 Information on privileges given to stocks representing the capital

None.

5.2.14.8 Securities value increase fund

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC		
Investments in Associates, Subsidiaries and Joint-Ventures	-	-	-	-
Valuation Difference	-	-	-	-
Exchange Rate Difference	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	(40,429)	155,810	(799,094)	(238,765)
Valuation Difference	(40,429)	155,810	(799,094)	(238,765)
Exchange Rate Difference	-	-	-	-
Total	(40,429)	155,810	(799,094)	(238,765)

5.2.14.9 Revaluation surplus

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC		
Movables	22,270	194,826	8,453	90,909
Real Estates	1,525,315	72,648	1,487,401	47,522
Gain on Sale of Investments in Associates and Subsidiaries and Real Estates allocated for Capital Increases	-	-	-	-
Other	(172,475)	-	(160,891)	-
Total	1,375,110	267,474	1,334,963	138,431

5.2.14.10 Bonus shares of associates, subsidiaries and joint-ventures

	<i>Current Period</i>	<i>Prior Period</i>
Kredi Kartları Bürosu AŞ	481	481
Garanti Ödeme Sistemleri AŞ	401	401
Doğuş Gayrimenkul Yatırım Ortaklığı AŞ	22	22
Yatırım Finansman Menkul Değerler AŞ	9	9
Total	913	913

5.2.14.11 Legal reserves

	<i>Current Period</i>	<i>Prior Period</i>
I. Legal Reserve	1,092,170	1,074,438
II. Legal Reserve	507,264	507,264
Special Reserves	-	-
Total	1,599,434	1,581,702

5.2.14.12 Extraordinary reserves and other profit reserves

	<i>Current Period</i>	<i>Prior Period</i>
Legal Reserves allocated in compliance with the Decisions Made on the Annual General Assembly	38,013,495	31,396,271
Retained Earnings	-	-
Accumulated Losses	-	-
Exchange Rate Difference on Foreign Currency Capital	-	-
Total	38,013,495	31,396,271

5.2.14.13 Minority interest

	<i>Current Period</i>	<i>Prior Period</i>
Balance at Beginning of Period	197,546	314,340
Profit Share of Subsidiaries Net Profits	76,476	64,953
Prior Period Dividend Payment	(680)	(181,524)
Increase/(Decrease) in Minority Interest due to Sales	-	-
Others	568	(223)
Balance at End of Period	273,910	197,546

5.3 Consolidated off-balance sheet items

5.3.1 Off-balance sheet contingencies

5.3.1.1 Irrevocable credit commitments

The Bank and its consolidated financial subsidiaries have term asset purchase and sale commitments of TL 15,882,503 (31 December 2018: TL 12,101,326), commitments for cheque payments of TL 3,184,727 (31 December 2018: TL 2,719,279) and commitments for credit card limits of TL 38,234,015 (31 December 2018: TL 32,542,906).

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

	Current Period	Prior Period
Letters of Guarantee in Foreign Currency	26,872,148	27,430,938
Letters of Guarantee in TL	23,555,242	22,742,832
Letters of Credit	10,676,483	14,685,922
Bills of Exchange and Acceptances	1,579,043	2,788,829
Prefinancings	-	-
Other Guarantees	74,179	66,907
Total	62,757,095	67,715,428

Expected losses for non-cash loans and irrevocable commitments

	Stage 1	Stage 2	Stage 3	Total
Current Period				
Balances at Beginning of Period	123,751	245,225	285,681	654,657
Additions during the Period (+)	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

	Stage 1	Stage 2	Stage 3	Total
Prior Period				
Balances at Beginning of Period	115,145	205,417	118,820	439,382
Additions during the Period (+)	215,981	369,581	157,008	742,570
Disposal (-)	(325,023)	(202,021)	(60,410)	(587,454)
Sales	-	-	-	-
Write-off	-	-	-	-
Transfer to Stage 1	150,260	(135,371)	(14,889)	-
Transfer to Stage 2	(39,066)	47,408	(8,342)	-
Transfer to Stage 3	(752)	(81,092)	81,844	-
Foreign Currency Differences	7,206	41,303	11,650	60,159
Balances at End of Period	123,751	245,225	285,681	654,657

Lifetime expected credit loss (Stage 3) of TL 624,572 (31 December 2018: TL 285,681) is made for unliquidated non-cash loans of TL 1,544,164 (31 December 2018: TL 842,292) recorded under the off-balance sheet items.

The detailed information for commitments, guarantees and sureties are provided under the statement of "off-balance sheet items".

5.3.1.3 Non-cash loans

	<i>Current Period</i>	<i>Prior Period</i>
Non-Cash Loans against Cash Risks	11,045,938	12,434,212
<i>With Original Maturity of 1 Year or Less</i>	1,673,837	2,339,515
<i>With Original Maturity of More Than 1 Year</i>	9,372,101	10,094,697
Other Non-Cash Loans	51,711,157	55,281,216
Total	62,757,095	67,715,428

5.3.1.4 Other information on non-cash loans

	<i>Current Period</i>			
	TL	(%)	FC	(%)
Agriculture	82,088	0.35	82,438	0.21
<i>Farming and Stockbreeding</i>	57,843	0.24	71,349	0.18
<i>Forestry</i>	18,383	0.09	2,861	0.01
<i>Fishery</i>	5,862	0.02	8,228	0.02
Manufacturing	6,260,335	26.46	19,436,019	49.71
<i>Mining and Quarrying</i>	206,972	0.87	165,395	0.42
<i>Production</i>	3,979,058	16.82	12,962,588	33.15
<i>Electricity, Gas, Water</i>	2,074,305	8.77	6,308,036	16.13
Construction	3,559,594	15.05	4,895,904	12.52
Services	11,603,232	49.05	12,030,732	30.77
<i>Wholesale and Retail Trade</i>	7,574,284	32.02	4,744,647	12.13
<i>Accommodation and Dining</i>	508,837	2.15	437,836	1.12
<i>Transportation and Telecommunication</i>	939,459	3.97	2,414,923	6.18
<i>Financial Institutions</i>	1,989,264	8.41	4,065,094	10.40
<i>Real Estate and Rental Services</i>	361,873	1.53	253,606	0.65
<i>Professional Services</i>	-	-	-	-
<i>Educational Services</i>	48,806	0.21	1,756	0.00
<i>Health and Social Services</i>	180,709	0.76	112,870	0.29
Others	2,150,323	9.09	2,656,430	6.79
Total	23,655,572	100.00	39,101,523	100.00

	<i>Prior Period</i>			
	TL	(%)	FC	(%)
Agriculture	92,784	0.41	98,334	0.21
<i>Farming and Stockbreeding</i>	78,863	0.35	86,784	0.19
<i>Forestry</i>	11,839	0.05	9,838	0.02
<i>Fishery</i>	2,082	0.01	1,712	-
Manufacturing	6,402,123	28.06	23,375,005	52.06
<i>Mining and Quarrying</i>	195,265	0.85	316,247	0.70
<i>Production</i>	4,110,566	18.02	16,499,405	36.75
<i>Electricity, Gas, Water</i>	2,096,292	9.19	6,559,353	14.61
Construction	3,581,106	15.70	5,346,304	11.91
Services	11,281,804	49.45	14,529,746	32.36
<i>Wholesale and Retail Trade</i>	6,971,975	30.56	7,039,982	15.68
<i>Accommodation and Dining</i>	435,652	1.91	621,394	1.38
<i>Transportation and Telecommunication</i>	847,939	3.72	2,095,880	4.67
<i>Financial Institutions</i>	2,580,794	11.31	4,401,708	9.80
<i>Real Estate and Rental Services</i>	231,402	1.01	253,998	0.57
<i>Professional Services</i>	-	-	-	-
<i>Educational Services</i>	48,133	0.21	1,586	-
<i>Health and Social Services</i>	165,909	0.73	115,198	0.26
Others	1,455,698	6.38	1,552,524	3.46
Total	22,813,515	100.00	44,901,913	100.00

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

<i>Current Period</i>	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	20,778,770	35,247,709	2,544,787	2,840,202
Letters of Guarantee	20,678,440	23,279,141	2,544,787	2,580,875
Bills of Exchange and Bank Acceptances	35,845	1,533,885	-	7,833
Letters of Credit	64,485	10,362,227	-	249,771
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	-	72,456	-	1,723

<i>Prior Period</i>	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	20,162,865	42,281,850	2,430,768	1,997,653
Letters of Guarantee	20,093,217	24,969,336	2,430,533	1,852,536
Bills of Exchange and Bank Acceptances	22,460	2,755,966	235	8,050
Letters of Credit	47,188	14,489,641	-	137,067
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Surities	-	66,907	-	-

5.3.2 Financial derivative instruments

<i>Current Period</i>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Derivative Financial Instruments held for Risk Management						
A. Total Derivative Financial Instruments held for Risk Management	207,286	1,516,182	11,785,096	37,103,482	15,335,525	65,947,571
Fair Value Hedges	-	678,102	1,869,214	7,967,628	10,928,014	21,442,958
Cash Flow Hedges	207,286	838,080	9,915,882	29,135,854	4,407,511	44,504,613
Net Foreign Investment Hedges	-	-	-	-	-	-
Trading Derivatives	-	-	-	-	-	-
Foreign Currency related Derivative Transactions (I)	97,200,426	53,632,581	32,425,811	5,683,643	1,606,303	190,548,764
Currency Forwards – Purchases	2,904,428	1,880,546	3,153,314	157,404	-	8,095,692
Currency Forwards – Sales	2,886,386	1,842,199	3,091,346	171,978	-	7,991,909
Currency Swaps – Purchases	43,219,380	21,251,093	9,755,852	1,903,604	741,615	76,871,544
Currency Swaps – Sales	39,490,564	21,412,012	9,929,830	1,881,587	864,688	73,578,681
Currency Options – Purchases	4,257,046	3,149,744	3,182,866	763,879	-	11,353,535
Currency Options – Sales	4,415,113	3,578,695	3,240,735	755,959	-	11,990,502
Currency Futures – Purchases	14,441	259,759	36,343	25,549	-	336,092
Currency Futures – Sales	13,068	258,533	35,525	23,683	-	330,809
Interest Rate related Derivative Transactions (II)	336,068	332,016	9,615,576	15,905,078	52,316,021	78,504,759
Interest Rate Swaps – Purchases	140,040	91,784	1,870,976	7,952,539	25,319,432	35,374,771
Interest Rate Swaps – Sales	140,040	91,784	1,870,976	7,952,539	25,319,432	35,374,771
Interest Rate Options – Purchases	-	-	4,971,964	-	1,677,157	6,649,121
Interest Rate Options – Sales	-	-	888,120	-	-	888,120
Securities Options – Purchases	21,084	58,396	8,400	-	-	87,880
Securities Options – Sales	34,904	60,448	5,140	-	-	100,492
Interest Rate Futures – Purchases	-	-	-	-	-	-
Interest Rate Futures – Sales	-	29,604	-	-	-	29,604
Other Trading Derivatives (III)	4,074,028	693,099	159,893	3,950,269	11,101,510	19,978,799
B. Total Trading Derivatives (I+II+III)	101,610,522	54,657,696	42,201,280	25,538,990	65,023,834	289,032,322
Total Derivative Transactions (A+B)	101,817,808	56,173,878	53,986,376	62,642,472	80,359,359	354,979,893

<i>Prior Period</i>	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Derivative Financial Instruments held for Risk Management						
A. Total Derivative Financial Instruments held for Risk Management	1,493,893	2,625,613	7,401,282	35,043,632	16,948,813	63,513,233
Fair Value Hedges	-	8,280	759,806	10,346,055	12,291,413	23,405,554
Cash Flow Hedges	1,493,893	2,617,333	6,641,476	24,697,577	4,657,400	40,107,679
Net Foreign Investment Hedges	-	-	-	-	-	-
Trading Derivatives	-	-	-	-	-	-
Foreign Currency related Derivative Transactions (I)	119,672,087	22,637,453	54,080,417	9,439,469	478,463	206,307,889
Currency Forwards – Purchases	4,778,628	2,597,978	3,890,219	1,043,574	-	12,310,399
Currency Forwards – Sales	4,866,469	2,603,462	3,880,671	1,153,259	-	12,503,861
Currency Swaps – Purchases	53,922,874	4,695,508	13,544,474	1,304,957	237,321	73,705,134
Currency Swaps – Sales	50,248,211	4,809,217	13,322,305	1,310,242	241,142	69,931,117
Currency Options – Purchases	2,524,903	3,377,420	9,077,849	2,298,392	-	17,278,564
Currency Options – Sales	2,678,573	3,525,312	10,238,365	2,329,045	-	18,771,295
Currency Futures – Purchases	318,386	488,316	66,768	-	-	873,470
Currency Futures – Sales	334,043	540,240	59,766	-	-	934,049
Interest Rate related Derivative Transactions (II)	18,541	1,540,576	6,966,130	20,425,252	43,299,534	72,250,033
Interest Rate Swaps – Purchases	4,680	727,298	770,193	7,137,572	20,699,734	29,339,477
Interest Rate Swaps – Sales	4,680	727,298	770,193	7,137,572	20,699,734	29,339,477
Interest Rate Options – Purchases	-	-	5,197,126	5,057,001	1,667,058	11,921,185
Interest Rate Options – Sales	-	-	228,124	1,093,107	233,008	1,554,239
Securities Options – Purchases	-	24,252	413	-	-	24,665
Securities Options – Sales	9,181	43,662	81	-	-	52,924
Interest Rate Futures – Purchases	-	-	-	-	-	-
Interest Rate Futures – Sales	-	18,066	-	-	-	18,066
Other Trading Derivatives (III)	4,604,345	393,942	893,894	2,736,897	9,881,071	18,510,149
B. Total Trading Derivatives (I+II+III)	124,294,973	24,571,971	61,940,441	32,601,618	53,659,068	297,068,071
Total Derivative Transactions (A+B)	125,788,866	27,197,584	69,341,723	67,645,250	70,607,881	360,581,304

5.3.3 Credit derivatives and risk exposures on credit derivatives

As of 31 December 2019, there are total return swaps of the Bank with a total face value of USD 2,511,607,143 (31 December 2018: USD 2,484,345,238) classified under “other derivative financial instruments”, where the Bank is on the selling side of the protection.

5.3.4 Contingent liabilities and assets

The Bank and its consolidated financial affiliates made a total provision amounting to TL 488,730 (31 December 2018: TL 348,002) for the lawsuits filed by various customers and institutions which are likely to occur and for which cash outflow might be necessary, and disclosed it under Note 5.2.9.4, other provisions. There are various other lawsuits which are unlikely to occur and for which cash outflow is not expected to incur.

It is possible that the parent Bank or its consolidated financial affiliates may be required to provide additional collateral for the derivative transactions involved due to changes in certain financial indicators such as CDS levels, currency exchange rates, interest rates etc.

5.3.5 Services rendered on behalf of third parties

The Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

5.4 Consolidated statement of profit or loss

5.4.1 Interest income

5.4.1.1 Interest income from loans (*)

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Interest Income from Loans				
Short-term loans	10.167.361	860.747	9,539,785	704,695
Medium and long-term loans	16.499.113	5.707.374	14,842,536	5,526,575
Loans under follow-up	503.825	127.786	331,209	26,835
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	27,170,299	6,695,907	24,713,530	6,258,105

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

5.4.1.2 Interest income from banks

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Central Bank of Turkey	10,979	165,825	34,572	113,408
Domestic Banks	325,094	49,001	214,980	38,540
Foreign Banks	5,936	298,373	13,100	215,199
Foreign Head Offices and Branches	-	-	-	-
Total	342,009	513,199	262,652	367,147

5.4.1.3 Interest income from securities portfolio

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Financial Assets Measured at Fair Value through Profit or Loss	103,938	9,593	67,586	5,177
Financial Assets Measured at Fair Value through Other Comprehensive Income	2,286,211	498,177	3,582,978	562,148
Financial Assets Measured at Amortised Cost	2,483,331	277,661	3,834,360	209,505
Total	4,873,480	785,431	7,484,924	776,830

As disclosed in the accounting policies, the Bank values CPI-indexed government bonds in its securities portfolio according to the reference index on the issue date and the index that is calculated according to the expected inflation rate. The inflation rate used during the valuation is being updated during the year when it is considered necessary. As of 31 December 2019, the valuation of such securities was made according to annual inflation as of balance sheet date.

5.4.1.4 Interest income received from associates and subsidiaries

	<i>Current Period</i>	<i>Prior Period</i>
Interest Received from Investments in Associates and Subsidiaries	25,224	32,693

5.4.2 Interest expenses

5.4.2.1 Interest expenses on funds borrowed (*)

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	275,545	515,094	154,092	1,017,387
Central Bank of Turkey	-	4,672	-	1,912
Domestic Banks	122,706	75,575	63,237	76,760
Foreign Banks	152,839	434,847	90,855	938,715
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	1,008,496	-	793,553
Total	275,545	1,523,590	154,092	1,810,940

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

5.4.2.2 Interest expenses paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Investments in Associates and Subsidiaries	26,576	18,638

5.4.2.3 Interest expenses on securities issued

	Current Period		Prior Period	
	TL	FC		
Interest Expenses on Securities Issued	1,049,102	1,601,424	1,013,827	1,375,078

5.4.2.4 Maturity structure of interest expense on deposits

Current Period	Demand Deposits	Time Deposits					Accumulating Deposit Accounts	Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year		
Turkish Lira								
Bank Deposits	3,059	65,200	-	-	-	-	-	68,259
Saving Deposits	2,347	421,487	8,302,030	429,739	270,841	595,899	-	10,022,343
Public Sector Deposits	-	2,948	6,579	523	106	8	-	10,164
Commercial Deposits	298	1,335,174	1,606,867	79,599	81,946	186,794	-	3,290,678
Others	11	35,436	154,228	7,675	90,085	695,752	-	983,187
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Total TL	5,715	1,860,245	10,069,704	517,536	442,978	1,478,453	-	14,374,631
Foreign Currency								
Foreign Currency Deposits	21,787	215,367	1,396,566	120,225	138,699	225,963	441	2,119,048
Bank Deposits	-	5,162	846	3,910	9,342	8,959	-	28,219
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	23	244	129	6,813	-	7,209
Total FC	21,787	220,529	1,397,435	124,379	148,170	241,735	441	2,154,476
Grand Total	27,502	2,080,774	11,467,139	641,915	591,148	1,720,188	441	16,529,107

<i>Prior Period</i>	Demand Deposits	Time Deposits					Accumulating Deposit Accounts	Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year		
Turkish Lira								
Bank Deposits	431	115,623	36	233	57	-	-	116,380
Saving Deposits	2,726	386,448	7,185,152	472,232	130,738	203,923	-	8,381,219
Public Sector Deposits	-	1,327	4,113	797	96	-	-	6,333
Commercial Deposits	180	1,158,340	1,432,293	85,415	51,504	172,675	-	2,900,407
Others	17	54,366	159,523	15,608	49,856	441,545	-	720,915
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Total TL	3,354	1,716,104	8,781,117	574,285	232,251	818,143	-	12,125,254
Foreign Currency								
Foreign Currency Deposits	54,567	184,960	1,527,120	95,687	200,970	521,231	657	2,585,192
Bank Deposits	-	21,005	1,410	2,671	7,388	7,817	-	40,291
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	28	48	38	5,184	-	5,298
Total FC	54,567	205,965	1,528,558	98,406	208,396	534,232	657	2,630,781
Grand Total	57,921	1,922,069	10,309,675	672,691	440,647	1,352,375	657	14,756,035

5.4.2.5 Interest expense on money market transactions

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Interest Paid on Repurchase Agreements	25,012	18,837	1,006,927	8,090

5.4.2.6 Lease expenses

5.4.2.6.1 Financial lease expenses

	<i>Current Period</i>	<i>Prior Period</i>
Financial Lease Expenses	2,788	3,234

5.4.2.6.2 Operational lease expenses

	<i>Current Period</i>	<i>Prior Period</i>
Operational lease expenses	185,305	-

5.4.2.7 Interest expenses on factoring payables

None.

5.4.3 Dividend income

	<i>Current Period</i>	<i>Prior Period</i>
Financial Assets Valued at Fair Value through Profit or Loss	2,291	3,903
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	1,287
Others	8,985	2,501
Total	11,276	7,691

5.4.4 Trading income/losses (net)

	<i>Current Period</i>	<i>Prior Period</i>
Income	133,364,923	163,742,329
Trading Account Income	492,021	1,591,473
Derivative Financial Instruments	28,315,997	21,709,326
Foreign Exchange Gain	104,556,905	140,441,530
Losses (-)	135,170,985	164,888,076
Trading Account Losses	649,105	737,624
Derivative Financial Instruments	31,251,304	20,869,699
Foreign Exchange Losses	103,270,576	143,280,753
Total	(1,806,062)	(1,145,747)

TL 2,448,840 (31 December 2018: TL 2,845,451) of foreign exchange gains and TL (2,538,991) (31 December 2018: TL 3,469,698) of foreign exchange losses are resulted from the exchange rate changes of derivative transactions.

The Bank enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied fair value hedge accounting for the fixed rate eurobonds issued in 2011 with a total face value of USD 500,000,000 maturity of 10 years and maturity date of 20 April 2021 which were priced at 6.375% originally and had a coupon rate of 6.25%, by designating interest rate swaps with the same face values and terms. In June 2012, the Bank ceased to apply hedge accounting and accordingly fair value calculations for these bonds. The accumulated fair value differences incurred starting from the date of hedge accounting up to the date on which it was ceased, are amortized as per the effective interest-rate method in compliance with TFRS 9.

The Bank also enters into interest rate and cross currency swap agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied cash flow hedge accounting for funds borrowed amounting to USD 31,930,811 and EUR 23,684,211 and securitization borrowings amounting to EUR 48,963,151 by designating cross currency swaps with the same face values and terms and securitizations amounting to USD 552,276,424 and EUR 60,000,000 and deposits amounting to TL 8,300,000, USD 855,000,000 and forward EUR 350,000,000 by designating interest rate swaps with the same face values. Accordingly, in the current period, gain of TL 19,136 (31 December 2018: TL 64,973) and losses of TL (623,240) (31 December 2018: TL 83,127) resulting from cross currency and interest rate swap were recognised under shareholders' equity, respectively.

The Bank also applied fair value hedge accounting for its fixed-rate loans with a total principal of TL 396,278,180, USD 1,557,332 and EUR 245,564,425, for its fixed rate coupons with a total face value of TL 825,000 and USD 487,500,000 and fixed-rate coupons with a total face value of EUR 138,800,000 by designating interest rate swaps and cross currency swaps with the same face values and terms. Accordingly, the accumulated fair value gain for the hedged loans and bonds is TL 161,485 (31 December 2018: loss of TL 54,486) and TL 206,320 (31 December 2018: loss of TL 71,235) respectively. The part of the related amount that belongs to the current period is accounted for under net trading income/losses in the statement of profit or loss.

In the consolidated financial statements, the Bank applies cash flow hedge accounting by designating floating rate funds borrowed used by the one of the Bank's subsidiary with interest rate swap transactions of the Bank, in order to hedge the cash flow risk arising from fluctuations in market interest rates of these funds borrowed by the subsidiary, starting from 30 September 2019. In this respect, cash flow hedge accounting is applied for funds borrowed amounting to EUR 102,659,877 by designating interest rate swaps that include floor option with the same nominal value and interest rate swaps of USD 7,000,000 with the same nominal value and terms. In this respect, there is TL 334 amount accounted under shareholders' equity in the current period for interest rate swap transactions.

One of the Bank’s consolidated subsidiaries enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the subsidiary applied fair value hedge accounting for fixed rate eurobonds with a total face value of USD 25,000,000 and EUR 20,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, the accumulated fair value gain for the hedged loans and bonds is TL 819 (31 December 2018: gain of TL 4,755). The part of the related amount that belongs to the current period is accounted for under net trading income/losses in the statement of profit or loss.

One of the Bank’s consolidated subsidiaries enters into interest rate agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the subsidiary applied cash flow hedge accounting for its funds borrowed amounting to EUR 35,000,000 by designating interest rate swaps with the same face values and terms. Accordingly, in the current period, a loss of TL 7,917 (31 December 2018: a loss of TL 2,818) resulting from interest rate swap agreements were recognised under shareholders' equity.

One of the Bank’s consolidated subsidiaries enters into foreign currency derivative contracts to hedge the foreign currency risk of its expected future cash flows. In this respect, the subsidiary applied cash flow hedge accounting for its loans granted in Turkish Lira by designating swaps with the same face value amount and similar terms; TL 614,429,166 sell and EUR 83,326,487 buy, USD 77,844,000 sell and EUR 69,138,113 buy, SEK 19,341,615 sell and EUR 1,831,588 buy, PLN 339,890 sell and EUR 78,459 buy, HUF 1,200,000,000 sell and EUR 3,607,203 buy, DKK 21,421,150 sell and EUR 2,868,983 buy. Accordingly, in the current period, a loss of TL 8,848 (31 December 2018: a gain of TL 6,996) resulting from currency derivative contracts were recognized under shareholder’s equity.

One of the Bank’s consolidated subsidiaries enters into foreign currency derivative contracts to hedge the foreign currency risk of its expected future cash flows. In this respect, the subsidiary applied cash flow hedge accounting for its financial lease receivables granted in Foreign Currency by designating swaps with the same face value amount and similar terms; EUR 15,000,000 sell and TL 139,095,000 buy, USD 29,000,000 sell and TL 209,090,000 buy. Accordingly, in the current period, a loss of TL 5,622 (31 December 2018: a loss of TL 1,375) resulting from interest rate swap agreements and a gain of TL 23,386 (31 December 2018: a gain of TL 530) from currency derivative contracts were recognized under shareholder’s equity.

5.4.5 Other operating income

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

In the current period, a part of non-performing receivables of the Bank’s one of its consolidated subsidiaries amounting to TL 1,026,813 (31 December 2018: 353,750) were sold for a consideration of TL 70,566 (31 December 2018: 30,734). Considering the related provision of TL 1,025,129 (31 December 2018: 351,667) made in the financial statements, a gain of TL 68,882 (31 December 2018: 28,651) is recognized under “Other Operating Income”.

	<i>Current Period</i>	<i>Prior Period</i>
Prior Year Reversals	4,166,567	2,464,810
<i>Stage 1</i>	1,156,539	998,259
<i>Stage 2</i>	1,731,371	587,115
<i>Stage 3</i>	1,129,416	641,597
<i>Others</i>	149,241	237,839
Income from term sale of assets	103,562	179,793
Others (*)	1,406,655	872,822
Total	5,676,784	3,517,425

(*) Premium income from insurance business amounting to TL 1,037,739 (31 December 2018: TL 718,908) which is included in other operating income in the accompanying financial statements is presented in “others” line item.

5.4.6 Expected credit losses and other provisions

	<i>Current Period</i>	<i>Prior Period</i>
Expected Credit Losses	11,491,709	9,257,780
<i>12-Month ECL (Stage 1)</i>	<i>1,567,920</i>	<i>1,062,942</i>
<i>Significant Increase in Credit Risk (Stage 2)</i>	<i>3,005,735</i>	<i>3,182,234</i>
<i>Impaired Credits(Stage 3)</i>	<i>6,918,054</i>	<i>5,012,604</i>
Other Provisions	855,943	1,578,466
Impairment Losses on Securities	16,569	39,699
<i>Financial Assets Measured at Fair Value through Profit or Loss</i>	<i>12,752</i>	<i>37,125</i>
<i>Financial Assets Measured at Fair Value through Other Comprehensive Income</i>	<i>3,817</i>	<i>2,574</i>
Impairment Losses on Associates, Subsidiaries and Joint-ventures	-	20,832
<i>Associates</i>	<i>-</i>	<i>-</i>
<i>Subsidiaries</i>	<i>-</i>	<i>20,832</i>
<i>Joint-ventures (business partnership)</i>	<i>-</i>	<i>-</i>
Others	839,374	1,517,935
Total	12,347,652	10,836,246

5.4.7 Other operating expenses

	<i>Current Period</i>	<i>Prior Period</i>
Reserve for Employee Termination Benefits	103,721	75,965
Defined Benefit Plan Obligations	-	-
Impairment Losses on Tangible Assets	24,104	3,975
Depreciation Expenses of Tangible Assets	400,186	339,986
Impairment Losses on Intangible Assets	328	-
Impairment Losses on Goodwill	-	-
Amortisation Expenses of Intangible Assets	140,883	127,014
Decrease in Value of Equity Accounting Shares	-	-
Impairment Losses on Assets to be Disposed	23,167	79,524
Depreciation Expenses of Right-of-use Assets	327,302	-
Impairment Losses on Assets Held for Sale and Discontinued Assets	1,578	-
Other Operating Expenses	3,816,051	3,632,622
<i>Operational Lease related Expenses (*)</i>	<i>177,721</i>	<i>534,796</i>
<i>Repair and maintenance expenses</i>	<i>92,014</i>	<i>91,374</i>
<i>Advertisement expenses</i>	<i>183,420</i>	<i>225,277</i>
<i>Other expenses</i>	<i>3,362,896</i>	<i>2,781,175</i>
Loss on Sale of Assets	9,273	7,119
Others (**)	1,274,492	857,502
Total	6,121,085	5,123,707

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

(**) Includes saving-deposits-insurance-fund related expenses of TL 456,362 (31 December 2018: TL 277,207) and insurance-business claim losses of TL 346,165 (31 December 2018: TL 169,307) in the current period.

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

TL 20,673,425 (31 December 2018: TL 20,876,933) of the profit before taxes is derived from net interest income and TL 6,273,573 (31 December 2018: TL 5,102,687) from net fees and commissions income. The total operating expenses amounted to TL 6,121,085 (31 December 2018: TL 5,123,707). The profit before taxes reached to TL 8,172,268 (31 December 2018: TL 8,753,758) decreasing by 6.64% (31 December 2018: 4.84%) as compared to the prior year.

There is no amount from discontinued operations.

5.4.9 Information on provision for taxes for continued and discontinued operations

As of 31 December 2019, on a consolidated basis, the Bank recorded a current tax expense of TL 2,362,115 (31 December 2018: TL 1,806,595) and a deferred tax income of TL 431,237 (31 December 2018: TL 240,558 tax expense).

There is no amount from discontinued operations.

Deferred tax benefit/charge on timing differences

Deferred tax (benefit)/charge on timing differences	Current Period	Prior Period
Increase in Tax Deductible Timing Differences (+)	(303,287)	(397,874)
Decrease in Tax Deductible Timing Differences (-)	202,528	179,226
Increase in Taxable Timing Differences (-)	89,916	471,944
Decrease in Taxable Timing Differences (+)	(420,394)	(12,738)
Total	(431,237)	240,558

Deferred tax benefit/charge in the income statement arising on timing differences, tax losses and tax deductions and exemptions

Deferred tax (benefit)/charge arising on timing differences, tax losses and tax deductions and exemptions	Current Period	Prior Period
(Increase)/Decrease in Tax Deductible Timing Differences (net)	(72,195)	(234,253)
(Increase)/Decrease in Taxable Timing Differences (net)	(330,478)	459,206
(Increase)/Decrease in Tax Losses (net)	(28,564)	15,605
(Increase)/Decrease in Tax Deductions and Exemptions (net)	-	-
Total	(431,237)	240,558

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

The Bank's net operating profit after taxes is TL 6,241,390 (31 December 2018: TL 6,706,605).

There is no amount from discontinued operations.

5.4.11 Net profit/loss

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

None.

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

None.

5.4.11.3 Minority interest's profit/loss

	Current Period	Prior Period
Net Profit/(Loss) of Minority Interest	76,476	64,953

5.4.12 Components of other items in income statement

The items in others under "Fees and commissions received" and "Fees and commissions paid" in the consolidated income statement include mainly fees and commissions related with credit card transactions and other banking services.

5.5 Consolidated statement of changes in shareholders' equity

5.5.1 Any increases arising from application of accounting for financial instruments in current period

5.5.1.1 *Increases from valuation of financial assets measured at fair value through other comprehensive income*

None.

5.5.1.2 *Increases due to cash flow hedges*

The Bank enters into swap contracts to convert variable interest rates on its borrowings to fixed interest rates for cash flow hedging purposes. After netting with the related deferred tax effect, an decrease of TL 551,145 (31 December 2018: TL 32,154) is presented in the shareholders' equity for such hedges assessed as effective.

5.5.1.3 *Reconciliation of foreign exchange differences at beginning and end of current period*

As of 31 December 2019, an increase of TL 465,491 (31 December 2018: TL 1,161,002) that was resulted from the foreign currency translation of consolidated foreign affiliates performances, is presented under translation differences in the shareholders' equity.

5.5.2 Any decreases arising from application of accounting for financial instruments

5.5.2.1 *Decreases from valuation of financial assets measured at fair value through other comprehensive income*

As of 31 December 2019, an increase of TL 462,508 (31 December 2018: TL 1,117,217) resulted from the revaluation of financial assets measured at fair value through other comprehensive income at fair value after being netted with the related deferred tax liability effect and a gain of TL 186,760 (31 December 2018: TL 11,799) that was transferred to the income statement from "securities value increase fund" are presented as the current period movements in income / expenses from valuation and / or reclassification of financial assets measured at FVOCI in shareholders' equity.

5.5.2.2 *Decreases due to cash flow hedges*

None.

5.5.3 Transfers to legal and extraordinary reserves

	Current Period	Prior Period
Transfers to Legal Reserves from Prior Year Profits	14,076	179,310
Transfers to Extraordinary Reserves from Prior Year Profits	6,627,576	4,835,262

5.5.4 Issuance of share certificates

Please refer to Note 5.2.14.3.

5.5.5 Effects of prior years' corrections to beginning balances of current period

Please refer to Note 3.29.

5.5.6 Compensation of prior period losses

None (31 December 2018: TL None).

5.6 Consolidated statement of cash flows

5.6.1 Disclosures for “other” items and “effect of translation differences cash and cash equivalents” in statement of cash flows

The net cash inflows arising from banking operations amount to TL 14,438,970 (31 December 2018: TL 15,291,463). TL 3,572,118 (31 December 2018: TL 4,836,686 cash inflows) of these net cash outflows is generated from the cash inflow resulted from the change in operating assets and liabilities and TL 18,011,088 (31 December 2018: TL 10,454,777) from the cash inflows resulted from operating profit. The “net increase (decrease) in other liabilities” under the changes in operating assets and liabilities is resulted from the changes in the funds obtained through repurchase agreements, miscellaneous payables, other external funding payables and taxes, duties and premiums payables and amounts to an decrease of TL 1,788,493 (31 December 2018: TL 4,842,351 increase). The net cash outflows from financing activities amount to TL 4,052,169 (31 December 2018: TL 2,214,086 net cash inflows).

The effect of translation differences on cash and cash equivalents includes the foreign exchange differences resulted from the translations of cash and cash equivalents in foreign currencies into TL at the exchange rates prevailing at the beginning and end of the year, and amounts to TL 1,472,401 (31 December 2018: TL 1,423,512).

5.6.2 Cash outflows from acquisition of associates, subsidiaries and joint-ventures

Please refer to Notes 5.1.10 and 5.1.11.

5.6.3 Cash inflows from disposal of associates, subsidiaries and joint-ventures

None (31 December 2018: TL None).

5.6.4 Cash and cash equivalents at beginning of period

	<i>Current Period</i>	<i>Prior Period</i>
Cash on Hand	4,072,788	2,847,903
<i>Cash in TL</i>	1,562,395	1,297,568
<i>Cash in Foreign Currency</i>	2,510,393	1,550,335
Cash Equivalents	33,624,816	12,104,609
<i>Others</i>	33,624,816	12,104,609
Total	37,697,604	14,952,512

5.6.5 Cash and cash equivalents at end of period

	<i>Current Period</i>	<i>Prior Period</i>
Cash on Hand	4,343,805	4,072,788
<i>Cash in TL</i>	1,594,582	1,562,395
<i>Cash in Foreign Currency</i>	2,749,223	2,510,393
Cash Equivalents	43,662,688	33,624,816
<i>Others</i>	43,662,688	33,624,816
Total	48,006,493	37,697,604

5.6.6 Restricted cash and cash equivalents due to legal requirements or other reasons

The placements at foreign banks include blocked accounts amounting TL 2,818,396 (31 December 2018: TL 5,565,738) of which TL 2,657,254 (31 December 2018: TL 5,419,705) and TL 161,142 (31 December 2018: TL 146,033) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits.

Furthermore, there are restricted deposits at various domestic banks amounting TL 413,230 (31 December 2018: TL 418,844) as required for insurance activities.

The blocked account at the Central Bank of Turkey with a principal of TL 19,425,196 (31 December 2018: TL 13,158,116) is for the reserve deposits in foreign currency and gold against the Banks' liabilities in Turkish Lira, foreign currencies and gold. The Bank also keeps a collateral of EUR 600,000 (31 December 2018: EUR 1,350,000) at the Central Bank of Turkey for borrowing activities in TL money market.

5.6.7 Additional information

5.6.7.1 Restrictions on the Bank's potential borrowings

None (31 December 2018: TL None).

5.6.7.2 Cash inflows presenting increase in banking activity related capacity

None (31 December 2018: TL None).

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	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	300,597	5,024	116,428	954,272	147,203	36,351
Balance at end of period	192,177	4,064	38,598	1,003,750	28,717	45,561
Interest and Commission Income	28,972	7	10,351	-	7,384	94

Prior Period:

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	84,052	3,530	1,398,195	1,548,939	2,710,219	896,963
Balance at end of period	300,597	5,024	116,428	954,272	147,203	36,351
Interest and Commission Income (*)	22,848	7	18,955	189	223,548	6,745

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

5.7.1.2 Deposits

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at beginning of period	134,824	97,361	109,448	375,171	107,483	409,424
Balance at end of period	137,563	134,824	133,851	109,448	107,955	107,483
Interest Expenses (*)	26,576	18,638	467	6,005	6,574	41,104

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

5.7.1.3 Derivative transactions

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at Fair Value Through Profit/(Loss)						
Balance at beginning of period	34,363	7,239	33,860,021	39,433,377	9,479	792,918
Balance at end of period	116,223	34,363	23,854,032	33,860,021	-	9,479
Total Profit/(Loss)	542	45	(72,707)	(53,256)	-	(6,001)
Transactions for Hedging						
Balance at beginning of period	-	-	1,004,943	1,037,356	-	-
Balance at end of period	-	-	643,552	1,004,943	-	-
Total Profit/(Loss)	-	-	1,272	(339)	-	-

Based on the decision of the Banking Regulation and Supervision Agency dated 22 June 2018 and numbered 7855, the special purpose entity and Türk Telekom A.Ş. have not been included in the risk group in accordance with the articles 3 and 49 of the Banking Law No. 5411.

5.7.2 Bank's risk group

5.7.2.1 Relations with companies in risk group of/or controlled by the Bank regardless of nature of current transactions

Transactions with the risk group, are held under arm's-length conditions; terms are set according to the market conditions and in compliance with the Banking Law. The Bank's policy is to keep the balances and transaction volumes with the risk group at reasonable levels preventing any high concentration risk on balance sheet.

5.7.2.2 Concentration of transaction volumes and balances with risk group and pricing policy

The cash loans of the risk group amounting TL 147,011 (31 December 2018: TL 4,329,526) compose 0.05% (31 December 2018: 1.69%) of the Bank's total consolidated cash loans and 0.03% (31 December 2018: 1.08%) of the Bank's total consolidated assets. The total loans and similar receivables amounting TL 259,492 (31 December 2018: TL 564,228) compose 0.06% (31 December 2018: 0.14%) of the Bank's total consolidated assets. The non-cash loans of the risk group amounting TL 1,053,375 (31 December 2018: TL 995,647) compose 1.68% (31 December 2018: 1.47%) of the Bank's total consolidated non-cash loans. The deposits of the risk group amounting TL 379,369 (31 December 2018: TL 351,755) compose 0.14% (31 December 2018: 0.14%) of the Bank's total consolidated deposits. There are no funds borrowed by the Bank and its consolidated financial subsidiaries from their risk group of the Bank's total consolidated funds borrowed. The pricing in transactions with the risk group companies is set on an arms-length basis.

A total rent income of TL 5,415 (31 December 2018: TL 4,311) was recognized for the real estates rented to the related parties.

Operating expenses for TL 414 (31 December 2018: TL 5,068) as of 31 December 2019 were incurred for the IT services rendered by the related parties. Other income of TL 3,905 (31 December 2018: TL 4,336) for the IT services rendered and banking services fee income of TL 12,513 (31 December 2018: TL 42,618) were recognized from the related parties

There are no operating expenses for advertisement and broadcasting services (31 December 2018: TL 115) and travelling services (31 December 2018: TL 23,983). Operating expenses of TL 66,569 (31 December 2018: TL 53,736) for operational leasing services rendered by the related parties were recognized as expenses.

Including the payments related to resigners, the net payment provided or to be provided to the key management of the Bank and its consolidated financial subsidiaries amounts to TL 132,363 as of 31 December 2019 (30 September 2018: TL 134,010).

5.7.2.3 Other matters not required to be disclosed

None.

5.7.2.4 Transactions accounted for under equity method

None.

5.7.2.5 All kind of agreements signed like asset purchases/sales, service rendering, agencies, leasing, research and development, licenses, funding, guarantees, management services

The Bank has agency contracts with Garanti Yatırım Menkul Kıymetler AŞ and Garanti Emeklilik ve Hayat AŞ. Accordingly, all the branches of the Bank serve as agencies to sell the insurance products to customers. Agency services for trading of securities on behalf of the Bank's customers are rendered by specialized branches (Investment Centers).

Purchase of equipments for internal use are partly arranged through financial leasing.

5.8 Domestic, foreign and off-shore branches or equity investments, and foreign representative offices of parent bank

5.8.1 Domestic and foreign branches and representative offices of parent bank

Parent Bank					
	Number of Branches	Number Of Employees	Country		
Domestic Branches	904	18,657			
Foreign Representative Offices	1	1	1- Germany		
	1	1	2- China		
				Total Assets	Legal Capital
Foreign Branches	1	14	1- Malta	26,820,236	-
	7	111	2- KKTC	3,571,210	80,000

5.8.2 Opening or closing of domestic and foreign branches and representative offices and significant changes in organisational structure of parent bank

In 2019, 2 domestic branches were opened and 24 branches were closed. (In 2018, 16 domestic branches were opened and 27 branches were closed.)

5.8.3 Information on consolidated financial subsidiaries of parent bank

Garanti Bank International NV					
	Number of Branches	Number Of Employees	Country		
Foreign Representative Offices	1	13	1- Turkey		
	1	-	2- Switzerland		
				Total Assets	Legal Capital
Head office-the Netherlands			1- Netherlands	23,478,107	EUR 136,836,000
Foreign Branches	1	18	2- Germany	572,649	-

Garanti Bank SA					
	Number of Branches	Number Of Employees	Country	Total Assets	Legal Capital
Romania Head Office and Branches	75	1,031	Romania	15,199,153	RON 1,208,086,946

Other consolidated foreign financial subsidiaries

	Number Of Employees	Country	Total Assets	Legal Capital
Garanti Holding BV	-	Netherlands	2,262,044	EUR 385,388,600
G Netherlands BV	-	Netherlands	2,243,911	EUR 120,682,821
Motoractive IFN SA	80	Romania	1,180,454	RON 40,138,655
Ralfi IFN SA	154	Romania	835,626	RON 10,661,500

Consolidated domestic financial subsidiaries

	Number Of Employees	Total Assets	Legal Capital
Garanti Finansal Kiralama AŞ	102	4,948,377	350,000
Garanti Faktoring AŞ	129	2,201,627	79,500
Garanti Emeklilik ve Hayat AŞ	743	2,170,857	50,000
Garanti Yatırım Menkul Kıymetler AŞ	298	667,150	8,328
Garanti Portföy Yönetimi AŞ	42	147,560	25,000
Garanti Yatırım Ortaklığı AŞ	9	42,583	35,000

5.9 Matters arising subsequent to the balance sheet date

The Bank recorded JCR Avrasya Derecelendirme Anonim Şirketi as non-financial subsidiary on 17 January 2020 based on the share transfer agreement.

6 Other disclosures on activities

6.1 Information on international risk ratings

6.1.1 Parent bank's international risk ratings

MOODY'S (June 2019)

Outlook	Negative
Long Term FC Deposit	B3(Negative)
Long Term TL Deposit	B2(Negative)
Short Term FC Deposit	Not Prime
Short Term TL Deposit	Not Prime
Basic Loan Assessment	b3
Adjusted Loan Assessment	b3
Long Term National Scale Rating (NSR)	A1.tr
Short Term NSR	TR-1

FITCH RATINGS (November 2019)

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

JCR EURASIA RATINGS (June 2019)

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

6.1.2 International risk ratings of Garanti Bank International NV, a consolidated subsidiary

MOODY'S (June 2019) (*)

Long Term FC Deposit	Ba1
Short Term FC Deposit	NP
Baseline Credit Assessment	ba2
Adjusted Baseline Credit Assessment	ba1
Outlook	Negative
Long Term Counterparty Risk Assessment	Baa2(cr)
Short Term Counterparty Risk Assessment	P-2(cr)
Long Term Counterparty Risk Rating	Baa3
Short Term Counterparty Risk Rating	P-3

(*) Latest date in risk ratings or outlooks

6.1.3 International risk ratings of Garanti Faktoring, a consolidated subsidiary

FITCH RATINGS (November 2019) (*)

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

(*) Latest date in risk ratings or outlooks

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

FITCH RATINGS (November 2019) (*)

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

(*) Latest date in risk ratings or outlooks

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

FITCH RATINGS (August 2019) (*)

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

(*) Latest date in risk ratings or outlooks

6.2 Dividendends

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

2018 PROFIT DISTRIBUTION TABLE	
2018 Net Profit	6,638,236
A – I. Legal reserve (Turkish Commercial Code 519/1) at 5%	-
Undistributable funds	(6,416)
B – First dividend at 5% of the paid-in capital	-
C – Extraordinary reserves at 5% after above deductions	(331,912)
D – Second dividend to the shareholders	-
E – Extraordinary reserves	(6,299,908)
F – II. Legal reserve (Turkish Commercial Code 519/2)	-

6.3 Other disclosures

None (31 December 2018: None).

7 Independent Auditors' Report

7.1 Disclosure on independent auditors' report

The consolidated financial statements of the Bank and its financial subsidiaries as of 31 December 2019, have been audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member of KPMG International Cooperative) and the independent auditors' report dated 30 January 2020, is presented before the accompanying consolidated financial statements.

7.2 Disclosures and footnotes prepared by independent auditors

None.