

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

Türkiye Garanti Bankası Anonim Şirketi
Publicly Announced Unconsolidated Financial
Statements, Related Disclosures and Independent
Auditors' Report Thereon
as of and for the Nine-Month Period Ended
30 September 2020

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



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

Independent Auditor's Report on Review of Interim Financial Information

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

Introduction

We have reviewed the accompanying unconsolidated statement of financial position of Türkiye Garanti Bankası A.Ş. ("the Bank") as at 30 September 2020 and the unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the nine month period then ended and notes, comprising a summary of significant accounting policies and other explanatory information. The Bank Management is responsible for the preparation and fair presentation of these unconsolidated interim financial information in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and the requirements of Turkish Accounting Standard 34 "Interim Financial Reporting" for the matters not regulated by the aforementioned legislations (together referred as "BRSA Accounting and Financial Reporting Legislation"). Our responsibility is to express a conclusion on these unconsolidated interim financial information based on our review.

Scope of Review

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



Basis for Qualified Conclusion

As stated in Note 2.8.4 of Section Five, the accompanying unconsolidated interim financial information as at 30 September 2020 includes a general reserve of TL 4,330,000 thousand which TL 1,830,000 thousands was recognized as expense in the current period, and TL 2,500,000 thousands had been recognized as expense in prior periods, which does not meet the requirements of BRSA Accounting and Reporting Legislation. This general provision is provided by the Bank management for the possible effects of the negative circumstances which may arise in economy or market conditions.

Qualified Conclusion

Based on our review, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying unconsolidated interim financial information do not present fairly, in all material respects, the unconsolidated financial position of Türkiye Garanti Bankası A.Ş. as at 30 September 2020, and its unconsolidated financial performance and its unconsolidated cash flows for the nine month period then ended in accordance with the BRSA Accounting and Reporting Legislation.

Report on Other Legal and Regulatory Requirements

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

Additional paragraph for convenience translation to English:

The accounting principles summarized in Note 1 Section Three, differ from the accounting principles generally accepted in countries in which the accompanying unconsolidated interim financial information is to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying unconsolidated interim financial information is not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the unconsolidated interim financial information and IFRS.

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

Murat Alsan, SMMM
Partner

27 October 2020
İstanbul, Turkey

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Originally Issued in Turkish)*

TÜRKİYE GARANTİ BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED FINANCIAL REPORT AS OF AND
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020

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

1. General Information about the Bank
2. Unconsolidated Financial Statements of the Bank
3. Disclosures Related to Accounting Policies Applied in the Related Period
4. Financial Position and Risk Management Applications of the Bank
5. Disclosures and Footnotes on Unconsolidated Financial Statements
6. Limited Review Report
7. Interim Activity Report

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

Süleyman Sözen
Board of Directors
Chairman

Recep Baştuğ
General Manager

Aydın Güler
Executive Vice President
Responsible of Financial
Reporting

Hakan Özdemir
Financial Reporting and
Accounting Director

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

Avni Aydın Düren
Audit Committee Member

Belkıs Sema Yurdum
Audit Committee Member

The authorized contact person for questions on this financial report:

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1 General Information

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

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

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

The Bank provides banking services through 894 domestic branches, 8 foreign branches and 2 representative offices abroad (31 December 2019: 904 domestic branches, 8 foreign branches and 2 representative offices). The Bank’s head office is located in Istanbul.

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

As of 30 September 2020, group of companies under BBVA that currently owns 49.85% shares of the Bank, is defined as the BBVA Group (the Group) and it is the main shareholder.

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

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

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

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

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

BBVA Group

BBVA is operating for more than 160 years, providing variety of wide spread financial and non-financial services to 79 million retail and commercial customers.

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

BBVA which is the largest financial institution in Mexico and also the market leader in South America, operates in more than 30 countries with more than 125 thousand employees.

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

Board of Directors Chairman and Members:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Süleyman Sözen	Chairman	29.05.1997	University	40 years
Jorge Saenz Azcunaga Carranza	Vice Chairman Independent Member and Member of Audit Committee	24.03.2016	University	28 years
Recep Baştuğ	Member and CEO	06.09.2019	University	31 years
Sait Ergun Özen	Member	14.05.2003	University	34 years
Dr. Muammer Cüneyt Sezgin	Member	30.06.2004	PhD	33 years
Jaime Saenz de Tejada Pulido	Member	02.10.2014	University	29 years
Javier Bernal Dionis	Member	27.07.2015	Master	31 years
Rafael Salinas Martinez de Lecea	Member	08.05.2017	Master	30 years
Belkıs Sema Yurdum	Independent Member and Member of Audit Committee	30.04.2013	University	40 years
Avi Aydın Düren	Independent Member and Member of Audit Committee	17.06.2020	Master	29 years
Mevhibe Canan Özsoy	Independent Member	04.04.2019	Master	32 years

CEO and Executive Vice Presidents:

Name and Surname	Responsibility	Appointment Date	Education	Experience in Banking and Business Administration
Recep Baştuğ	CEO	06.09.2019	University	31 years
İlker Kuruöz	EVP-Engineering Services and Data	14.03.2018	Master	29 years
Betül Ebru Edin	EVP-Corporate, Investment Banking and Global Markets	25.11.2009	University	27 years
Işıl Akdemir Evlioğlu	EVP- Customer Solutions and Digital Banking	01.03.2020	Master	15 years
Selahattin Güldü	EVP-Commercial Banking	20.04.2018	University	30 years
Didem Başer	EVP- Talent and Culture	01.03.2020	Master	26 years
Aydın Güler	EVP- Finance and Treasury	03.02.2016	University	30 years
Ali Temel	Head of Credit Risk Management	03.02.2016	University	30 years
Mahmut Akten	EVP-Retail Banking	17.01.2017	Master	21 years
Cemal Onaran	EVP-SME Banking	17.01.2017	University	30 years

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

1.4 Information on the bank's qualified shareholders

Name / Company	Shares	Ownership	Paid-in Capital	Unpaid Portion
Banco Bilbao Vizcaya Argentaria SA	2,093,700	49.85%	2,093,700	-

1.5 Summary information on the bank's activities and services

Activities of the Bank as stated at the third clause of its Articles of Association are as follows:

- All banking operations,
- Participating in, establishing, and trading the shares of enterprises at various sectors within the limits set forth by the Banking Law;
- Providing attorneyship, insurance agency, brokerage and freight services in relation with banking activities,
- Purchasing/selling debt securities, treasury bills, government bonds and other share certificates issued by Turkish government and other official and private institutions on the condition that completion of the necessary approvals and permits by Capital Markets Board of Turkey,
- Developing economical and financial relations with foreign organizations,
- Dealing with all economic operations in compliance with the Banking Law.

The Bank's activities are not limited to those disclosed in that third clause, but whenever the Board of Directors deems any operations other than those stated above to be of benefit to the Bank, it is recommended in the general meeting, and the launching of the related project depends on the decision taken during the General Assembly which results in a change in the Articles of Association and on the approval of this decision by the Ministry of Industry and Commerce. Accordingly, the approved decision is added to the Articles of Association.

The Bank is not a specialized bank but deals with all kinds of banking activities. Deposits are the main sources of the lendings to the customers. The Bank grants loans to companies operating in various sectors while aiming to maintain the required level of efficiency.

The Bank also grants non-cash loans to its customers; especially letters of guarantee, letters of credit and acceptance credits.

1.6 Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between the bank and its subsidiaries

None.

2 Unconsolidated Financial Statements

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi
Balance Sheet (Statement of Financial Position)
At 30 September 2020

ASSETS		Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD 30 September 2020			PRIOR PERIOD 31 December 2019		
			TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (Net)			38,272,775	72,934,069	111,206,844	33,776,385	62,458,332	96,234,717
1.1 Cash and Cash Equivalents	5.1.1		11,351,468	55,370,402	66,721,870	13,719,095	50,054,007	63,773,102
1.1.1 Cash and Balances with Central Bank			5,326,162	39,724,643	45,050,805	3,285,976	38,390,532	41,676,508
1.1.2 Banks			584,139	15,726,229	16,310,368	275,625	11,593,863	11,869,488
1.1.3 Money Market Placements			5,501,803	243,186	5,744,989	10,193,163	183,283	10,376,446
1.1.4 Expected Credit Losses (-)			60,636	323,656	384,292	35,669	113,671	149,340
1.2 Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)	5.1.2		688,225	6,681,304	7,369,529	380,115	4,510,763	4,890,878
1.2.1 Government Securities			629,734	1,826,056	2,455,790	340,037	91,126	431,163
1.2.2 Equity Securities			28,457	30,652	59,109	40,078	20,428	60,506
1.2.3 Other Financial Assets			30,034	4,824,596	4,854,630	-	4,399,209	4,399,209
1.3 Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	5.1.3		21,689,911	8,710,539	30,400,450	18,133,071	6,549,979	24,683,050
1.3.1 Government Securities			21,512,334	8,479,511	29,991,845	18,051,257	6,216,429	24,267,686
1.3.2 Equity Securities			70,081	231,028	301,109	32,328	333,550	365,878
1.3.3 Other Financial Assets			107,496	-	107,496	49,486	-	49,486
1.4 Derivative Financial Assets	5.1.4		4,543,171	2,171,824	6,714,995	1,544,104	1,343,583	2,887,687
1.4.1 Derivative Financial Assets Measured at FVTPL			4,025,825	2,171,824	6,197,649	1,131,692	1,334,234	2,465,926
1.4.2 Derivative Financial Assets Measured at FVOCI			517,346	-	517,346	412,412	9,349	421,761
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST			217,167,927	109,952,237	327,120,164	177,953,331	86,015,238	263,968,569
2.1 Loans	5.1.5		206,608,364	107,787,828	314,396,192	166,955,553	84,209,820	251,165,373
2.2 Lease Receivables	5.1.6		-	-	-	-	-	-
2.3 Other Financial Assets Measured at Amortised Cost	5.1.7		22,292,981	12,004,659	34,297,640	20,732,279	7,884,639	28,616,918
2.3.1 Government Securities			22,194,112	10,814,686	33,008,798	20,591,464	6,967,172	27,558,636
2.3.2 Other Financial Assets			98,869	1,189,973	1,288,842	140,815	917,467	1,058,282
2.4 Expected Credit Losses (-)			11,733,418	9,840,250	21,573,668	9,734,501	6,079,221	15,813,722
III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	5.1.8		878,891	-	878,891	1,291,274	-	1,291,274
3.1 Asset Held for Resale			878,891	-	878,891	1,291,274	-	1,291,274
3.2 Assets of Discontinued Operations			-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES			3,123,414	7,871,936	10,995,350	2,905,123	5,681,755	8,586,878
4.1 Associates (Net)	5.1.9		44,404	-	44,404	35,158	-	35,158
4.1.1 Associates Consolidated Under Equity Accounting			-	-	-	-	-	-
4.1.2 Unconsolidated Associates			44,404	-	44,404	35,158	-	35,158
4.2 Subsidiaries (Net)	5.1.10		3,079,010	7,871,936	10,950,946	2,869,965	5,681,755	8,551,720
4.2.1 Unconsolidated Financial Investments in Subsidiaries			2,974,990	7,871,936	10,846,926	2,765,945	5,681,755	8,447,700
4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries			104,020	-	104,020	104,020	-	104,020
4.3 Joint Ventures (Net)	5.1.11		-	-	-	-	-	-
4.3.1 Joint-Ventures Consolidated Under Equity Accounting			-	-	-	-	-	-
4.3.2 Unconsolidated Joint-Ventures			-	-	-	-	-	-
V. TANGIBLE ASSETS (Net)	5.1.12		5,062,063	290	5,062,353	4,990,953	271	4,991,224
VI. INTANGIBLE ASSETS (Net)	5.1.13		436,365	-	436,365	350,882	-	350,882
6.1 Goodwill			-	-	-	-	-	-
6.2 Others			436,365	-	436,365	350,882	-	350,882
VII. INVESTMENT PROPERTY (Net)	5.1.14		735,466	-	735,466	703,141	-	703,141
VIII. CURRENT TAX ASSET			-	-	-	-	-	-
IX. DEFERRED TAX ASSET	5.1.15		2,403,185	-	2,403,185	1,710,519	-	1,710,519
X. OTHER ASSETS (Net)	5.1.16		7,869,662	13,005,316	20,874,978	5,212,339	8,102,727	13,315,066
TOTAL ASSETS			275,949,748	203,763,848	479,713,596	228,893,947	162,258,323	391,152,270

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

Türkiye Garanti Bankası Anonim Şirketi
Balance Sheet (Statement of Financial Position)
At 30 September 2020

LIABILITIES AND SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD 30 September 2020			PRIOR PERIOD 31 December 2019		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	5.2.1	130,734,686	178,079,625	308,814,311	114,481,908	134,269,183	248,751,091
II. FUNDS BORROWED	5.2.2	1,456,283	28,367,656	29,823,939	1,687,332	23,435,491	25,122,823
III. MONEY MARKET FUNDS	5.2.3	911,733	-	911,733	67,803	436,372	504,175
IV. SECURITIES ISSUED (NET)	5.2.4	6,923,852	13,364,863	20,288,715	6,036,084	10,371,648	16,407,732
4.1 Bills		5,490,471	-	5,490,471	4,825,540	-	4,825,540
4.2 Asset Backed Securities		-	-	-	-	-	-
4.3 Bonds		1,433,381	13,364,863	14,798,244	1,210,544	10,371,648	11,582,192
V. FUNDS		-	-	-	-	-	-
5.1 Borrowers' Funds		-	-	-	-	-	-
5.2 Others		-	-	-	-	-	-
VI. FINANCIAL LIABILITIES MEASURED AT FVTPL	5.2.5	-	15,415,588	15,415,588	-	14,292,878	14,292,878
VII. DERIVATIVE FINANCIAL LIABILITIES	5.2.6	1,740,235	5,687,256	7,427,491	1,876,549	2,208,025	4,084,574
7.1 Derivative Financial Liabilities Measured at FVTPL		1,678,139	5,412,172	7,090,311	1,282,689	2,139,130	3,421,819
7.2 Derivative Financial Liabilities Measured at FVOCI		62,096	275,084	337,180	593,860	68,895	662,755
VIII. FACTORING PAYABLES		-	-	-	-	-	-
IX. LEASE PAYABLES (Net)	5.2.7	1,040,417	45,010	1,085,427	949,775	56,373	1,006,148
X. PROVISIONS	5.2.8	6,151,428	2,306,612	8,458,040	4,685,257	1,046,489	5,731,746
10.1 Restructuring Reserves		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		1,033,125	95,677	1,128,802	1,073,537	71,419	1,144,956
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		5,118,303	2,210,935	7,329,238	3,611,720	975,070	4,586,790
XI. CURRENT TAX LIABILITY	5.2.9	672,532	30,331	702,863	1,081,878	51,672	1,133,550
XII. DEFERRED TAX LIABILITY	5.2.9	-	-	-	-	-	-
XIII. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	5.2.10	-	-	-	-	-	-
13.1 Asset Held for Sale		-	-	-	-	-	-
13.2 Assets of Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBTS	5.2.11	1,021,630	5,877,788	6,899,418	261,478	4,468,229	4,729,707
14.1 Borrowings		-	-	-	-	-	-
14.2 Other Debt Instruments		1,021,630	5,877,788	6,899,418	261,478	4,468,229	4,729,707
XV. OTHER LIABILITIES	5.2.12	17,567,118	1,877,499	19,444,617	13,992,137	1,630,043	15,622,180
XVI. SHAREHOLDERS' EQUITY	5.2.13	60,819,532	(378,078)	60,441,454	53,281,263	484,403	53,765,666
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		1,495,891	107,294	1,603,185	1,275,384	267,781	1,543,165
16.4 Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		3,884,182	(753,265)	3,130,917	1,962,812	(54,458)	1,908,354
16.5 Profit Reserves		45,131,892	267,893	45,399,785	38,899,792	271,080	39,170,872
16.5.1 Legal Reserves		1,465,374	-	1,465,374	1,465,374	-	1,465,374
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		43,428,505	-	43,428,505	37,201,842	-	37,201,842
16.5.4 Other Profit Reserves		238,013	267,893	505,906	232,576	271,080	503,656
16.6 Profit/Loss		5,323,133	-	5,323,133	6,158,841	-	6,158,841
16.6.1 Prior Periods' Profit/Loss		195,888	-	195,888	-	-	-
16.6.2 Current Period's Net Profit/Loss		5,127,245	-	5,127,245	6,158,841	-	6,158,841
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		229,039,446	250,674,150	479,713,596	198,401,464	192,750,806	391,152,270

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

Türkiye Garanti Bankası Anonim Şirketi

Statement of Profit or Loss

For the period ended at 30 September 2020

INCOME AND EXPENSE ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)			
		CURRENT PERIOD 1 January 2020- 30 September 2020	PRIOR PERIOD 1 January 2019- 30 September 2019	CURRENT PERIOD 1 July 2020- 30 September 2020	PRIOR PERIOD 1 July 2019- 30 September 2019
I. INTEREST INCOME	5.4.1	26,696,250	30,740,570	9,348,804	9,911,467
1.1 Interest income on loans		21,827,092	24,713,223	7,440,894	8,039,757
1.2 Interest income on reserve deposits		33,538	365,417	33,538	106,569
1.3 Interest income on banks		69,192	488,299	13,451	156,687
1.4 Interest income on money market transactions		347,773	219,006	248,734	141,719
1.5 Interest income on securities portfolio		4,131,671	4,584,424	1,530,190	1,357,929
1.5.1 Financial assets measured at FVTPL		80,399	52,541	30,224	26,002
1.5.2 Financial assets measured at FVOCI		1,920,007	2,218,021	741,199	646,439
1.5.3 Financial assets measured at amortised cost		2,131,265	2,313,862	758,767	685,488
1.6 Financial lease income		-	-	-	-
1.7 Other interest income		286,984	370,201	81,997	108,806
II. INTEREST EXPENSE	5.4.2	9,485,150	16,936,807	3,140,357	5,246,385
2.1 Interest on deposits		6,188,421	13,545,659	2,113,161	4,179,086
2.2 Interest on funds borrowed		1,206,013	1,512,761	344,052	464,822
2.3 Interest on money market transactions		220,025	29,417	51,770	5,495
2.4 Interest on securities issued		1,395,784	1,628,051	492,225	535,189
2.5 Lease interest expense		107,869	139,109	26,401	46,132
2.6 Other interest expenses		367,038	81,810	112,748	15,661
III. NET INTEREST INCOME (I - II)		17,211,100	13,803,763	6,208,447	4,665,082
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		4,485,712	4,482,042	1,520,328	1,612,120
4.1 Fees and commissions received		5,561,727	6,268,385	1,906,178	2,263,937
4.1.1 Non-cash loans		517,601	504,812	185,951	163,390
4.1.2 Others		5,044,126	5,763,573	1,720,227	2,100,547
4.2 Fees and commissions paid		1,076,015	1,786,343	385,850	651,817
4.2.1 Non-cash loans		944	154	77	60
4.2.2 Others		1,075,071	1,786,189	385,773	651,757
V. DIVIDEND INCOME	5.4.3	18,632	7,963	648	-
VI. NET TRADING INCOME/LOSSES (Net)	5.4.4	1,883,513	(1,906,119)	1,083,681	(805,954)
7.1 Trading account income/losses		2,234,780	198,561	468,203	(136,582)
7.2 Income/losses from derivative financial instruments		(1,646,772)	(3,009,960)	1,406,229	(620,317)
7.3 Foreign exchange gains/losses		1,295,505	905,280	(790,751)	(49,055)
VII. OTHER OPERATING INCOME	5.4.5	3,854,133	3,509,327	1,322,426	934,920
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		27,453,090	19,896,976	10,135,530	6,406,168
IX. EXPECTED CREDIT LOSSES (-)	5.4.6	10,684,290	7,919,319	3,505,247	2,796,685
X. OTHER PROVISIONS (-)	5.4.6	3,651,800	308,663	1,922,703	108,660
XI. PERSONNEL EXPENSES (-)		2,758,891	2,644,472	921,891	879,064
XII. OTHER OPERATING EXPENSES (-)	5.4.7	4,427,405	3,677,856	1,522,040	1,244,031
XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		5,930,704	5,346,666	2,263,649	1,377,728
XIV. INCOME RESULTED FROM MERGERS		-	-	-	-
XV. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		1,014,840	740,661	386,094	229,844
XVI. GAIN/LOSS ON NET MONETARY POSITION		-	-	-	-
XVII. OPERATING PROFIT/LOSS BEFORE TAXES (XIII+...+XVI)	5.4.8	6,945,544	6,087,327	2,649,743	1,607,572
XVIII. PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)	5.4.9	1,818,299	1,150,898	753,873	304,063
18.1 Current tax charge		2,357,699	1,489,868	262,220	407,188
18.2 Deferred tax charge (+)		913,842	262,116	662,261	(35,321)
18.3 Deferred tax credit (-)		(1,453,242)	(601,086)	(170,608)	(67,804)
XIX. NET OPERATING PROFIT/LOSS AFTER TAXES (XVII±XVIII)	5.4.10	5,127,245	4,936,429	1,895,870	1,303,509
XX. INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
20.1 Income from assets held for sale		-	-	-	-
20.2 Income from sale of associates, subsidiaries and joint-ventures		-	-	-	-
20.3 Others		-	-	-	-
XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
21.1 Expenses on assets held for sale		-	-	-	-
21.2 Expenses on sale of associates, subsidiaries and joint-ventures		-	-	-	-
21.3 Others		-	-	-	-
XXII. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XX-XXI)	5.4.8	-	-	-	-
XXIII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)	5.4.9	-	-	-	-
23.1 Current tax charge		-	-	-	-
23.2 Deferred tax charge (+)		-	-	-	-
23.3 Deferred tax credit (-)		-	-	-	-
XXIV. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXII±XXIII)	5.4.10	-	-	-	-
XXV. NET PROFIT/LOSS (XIX+XXIV)	5.4.11	5,127,245	4,936,429	1,895,870	1,303,509
Earnings per Share		0.01221	0.01175	0.00451	0.00310

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi
Statement of Profit or Loss and Other Comprehensive Income
For the period ended at 30 September 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	THOUSANDS OF TURKISH LIRA (TL)	
	CURRENT PERIOD 1 January 2020 - 30 September 2020	PRIOR PERIOD 1 January 2019 - 30 September 2019
I. CURRENT PERIOD PROFIT/LOSS	5,127,245	4,936,429
II. OTHER COMPREHENSIVE INCOME	1,478,471	(116,380)
2.1 Other Income/Expense Items not to be Recycled to Profit or Loss	255,908	74,430
2.1.1 Revaluation Surplus on Tangible Assets	207,007	-
2.1.2 Revaluation Surplus on Intangible Assets	-	-
2.1.3 Defined Benefit Plans' Actuarial Gains/Losses	-	-
2.1.4 Other Income/Expense Items not to be Recycled to Profit or Loss	66,964	78,969
2.1.5 Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(18,063)	(4,539)
2.2 Other Income/Expense Items to be Recycled to Profit or Loss	1,222,563	(190,810)
2.2.1 Translation Differences	1,976,859	73,480
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(153,650)	238,826
2.2.3 Gains/losses from Cash Flow Hedges	190,692	(655,256)
2.2.4 Gains/Losses on Hedges of Net Investments in Foreign Operations	(948,672)	(27,033)
2.2.5 Other Income/Expense Items to be Recycled to Profit or Loss	(24,104)	78,024
2.2.6 Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	181,438	101,149
III. TOTAL COMPREHENSIVE INCOME (I+II)	6,605,716	4,820,049

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

(Convenience Translation of Financial Statements Originally Issued in Turkish)

Türkiye Garanti Bankası Anonim Şirketi
Statement of Changes in Shareholders' Equity
For the period ended at 30 September 2020

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	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							
PREVIOUS PERIOD (01/01/2019-30/09/2019)																		
I. Balances at Beginning of Period		4,200,000	11,880	-	772,554	1,423,894	(158,829)	99,362	2,857,876	(889,345)	(773,998)	32,108,914	7,035,545	-	-	-	46,687,853	
II. Correction made as per TAS 8	5.5	-	-	-	-	-	-	48,576	-	(239,158)	190,582	-	-	-	-	-	-	
2.1. Effect of Corrections		-	-	-	-	-	-	48,576	-	(239,158)	190,582	-	-	-	-	-	-	
2.2. Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted Balances at Beginning of Period (I+II)		4,200,000	11,880	-	772,554	1,423,894	(158,829)	147,938	2,857,876	(1,128,503)	(583,416)	32,108,914	7,035,545	-	-	-	46,687,853	
IV. Total Comprehensive Income		-	-	-	-	-	-	74,430	73,480	190,411	(454,701)	-	-	4,936,429	-	-	4,820,049	
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	5,194	-	5,194	
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	7,035,545	(7,035,545)	-	
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.3 Others		-	-	-	-	-	-	-	-	-	-	-	-	-	7,029,129	(7,029,129)	-	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,416	-	
Balances at end of the period (III+IV...+X+XI)		4,200,000	11,880	-	772,554	1,423,894	(158,829)	222,368	2,931,356	(938,092)	(1,038,117)	39,149,653	-	4,936,429	-	-	51,513,096	
CURRENT PERIOD (01/01/2020-30/09/2020)																		
I. Balances at Beginning of Period		4,200,000	11,880	-	772,554	1,423,653	(171,396)	217,096	3,360,170	(414,286)	(963,718)	39,170,872	6,158,841	-	-	-	53,765,666	
II. Correction made as per TAS 8	5.5	-	-	-	-	-	-	73,812	-	204,386	(278,198)	-	-	-	-	-	-	
2.1. Effect of Corrections		-	-	-	-	-	-	73,812	-	204,386	(278,198)	-	-	-	-	-	-	
2.2. Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted Balances at Beginning of Period (I+II)		4,200,000	11,880	-	772,554	1,423,653	(171,396)	290,908	3,360,170	(209,900)	(1,241,916)	39,170,872	6,158,841	-	-	-	53,765,666	
IV. Total Comprehensive Income		-	-	-	-	182,859	-	(122,839)	1,976,859	(121,322)	(632,974)	-	195,888	5,127,245	-	-	6,605,716	
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.3 Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at end of the period (III+IV...+X+XI)		4,200,000	11,880	-	772,554	1,606,512	(171,396)	168,069	5,337,029	(331,222)	(1,874,890)	45,399,785	195,888	5,127,245	-	-	60,441,454	

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

Türkiye Garanti Bankası Anonim Şirketi

Statement of Cash Flows

For the period ended at 30 September 2020

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		1 January 2020 30 September 2020	1 January 2019 30 September 2019
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities	5.6	11,451,973	12,461,497
1.1.1 Interests received		26,218,097	27,808,502
1.1.2 Interests paid		(9,371,771)	(17,043,457)
1.1.3 Dividend received		18,632	7,963
1.1.4 Fees and commissions received		5,561,727	6,268,385
1.1.5 Other income		3,854,133	3,707,888
1.1.6 Collections from previously written-off receivables		586,116	482,928
1.1.7 Cash payments to personnel and service suppliers		(6,186,431)	(5,426,035)
1.1.8 Taxes paid		(2,788,386)	(1,107,737)
1.1.9 Others		(6,440,144)	(2,236,940)
1.2 Changes in operating assets and liabilities	5.6	(4,407,110)	(2,913,295)
1.2.1 Net (increase) decrease in financial assets measured at FVTPL		(2,224,364)	(393,972)
1.2.2 Net (increase) decrease in due from banks		1,667,454	76,588
1.2.3 Net (increase) decrease in loans		(67,286,372)	(10,388,924)
1.2.4 Net (increase) decrease in other assets		(8,719,182)	(1,267,137)
1.2.5 Net increase (decrease) in bank deposits		(1,291,396)	(1,628,287)
1.2.6 Net increase (decrease) in other deposits		61,303,074	14,641,028
1.2.7 Net (increase) decrease in financial liabilities measured at FVTPL		-	-
1.2.8 Net increase (decrease) in funds borrowed		8,280,351	(6,144,075)
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		3,863,325	2,191,484
I. Net cash flow from banking operations	5.6	7,044,863	9,548,202
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash flow from investing activities	5.6	(10,152,127)	(622,439)
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		(3,588)	-
2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures		-	-
2.3 Purchases of tangible assets		(447,422)	(247,193)
2.4 Sales of tangible assets		302,861	234,182
2.5 Cash paid for purchase of financial assets measured at FVOCI		(14,416,469)	(4,485,265)
2.6 Cash obtained from sale of financial assets measured at FVOCI		8,791,014	4,764,989
2.7 Cash paid for purchase of financial assets measured at amortised cost		(7,069,640)	(998,457)
2.8 Cash obtained from sale of financial assets measured at amortised cost		2,691,117	109,305
2.9 Others		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		3,642,825	(2,548,021)
3.1 Cash obtained from funds borrowed and securities issued		18,531,263	14,400,490
3.2 Cash used for repayment of funds borrowed and securities issued		(14,612,676)	(16,671,608)
3.3 Equity instruments issued		-	-
3.4 Dividends paid		-	-
3.5 Payments for financial leases		(275,762)	(276,903)
3.6 Others		-	-
IV. Effect of translation differences on cash and cash equivalents		4,315,507	(19,793)
V. Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)	5.6	4,851,068	6,357,949
VI. Cash and cash equivalents at beginning of period	5.6	37,475,425	30,547,325
VII. Cash and cash equivalents at end of period (V+VI)	5.6	42,326,493	36,905,274

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

3 Accounting policies

3.1 Basis of presentation

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

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis except for financial assets and liabilities measured at fair value through profit/loss, financial assets measured at fair value through other comprehensive income, real estates and subsidiaries accounted based on equity method.

Prepared in accordance with the “Communique amending the Communique on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” published in the Official Gazette dated 1 February 2019 with No. 30673.

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

3.1.1 Changes in accounting policies and disclosures

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

3.1.2 Other

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

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

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

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

3.2 Strategy for use of financial instruments and foreign currency transactions

3.2.1 Strategy for use of financial instruments

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

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

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

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

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

Another influential factor in management of interest and liquidity risks on balance sheet is product diversification both on asset and liability sides. Exchange rate risk, interest rate risk and liquidity risk are controlled and measured by various risk management systems, and the balance sheet is managed under the limits set by these systems and the limits legally required. Asset-liability management and value at risk models, stress tests and scenario analysis are used for this purpose.

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

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

3.2.2 Foreign currency transactions

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

In the unconsolidated financial statements, the financial subsidiaries are accounted for using the equity method in accordance with the Communiqué published on the Official Gazette dated 9 April 2015 no. 29321 related to the amendments to the Turkish Accounting Standard 27 (TAS 27) "Separate Financial Statements". In this context, foreign subsidiaries' asset and liability items in the balance sheet are translated into Turkish Lira by using foreign exchange rates as of the balance sheet date whereas income and expense items are translated into Turkish Lira by using average foreign exchange rates for the related period. Foreign exchange differences arising from translation of income and expense items and other equity items are accounted under capital reserves under Shareholders' equity.

From 1 September 2015, it has been started to apply net investment hedge amounting to EUR 414,165,411 (31 December 2019: EUR 401,703,512) 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 2,153,346 (31 December 2019: TL 1,204,648), arising from conversion of both foreign currency investments and long term foreign currency borrowings are accounted under capital reserves and other comprehensive income/expense items to be recycled to profit/loss, respectively under equity as of 30 September 2020. There is no ineffective portion arising from net investment hedge accounting.

3.3 Investments in associates and subsidiaries

In the unconsolidated financial statements, the financial subsidiaries are accounted for using the equity method in accordance with the Communiqué published on the Official Gazette dated 9 April 2015 no. 29321 related to the amendments to the Turkish Accounting Standard 27 (TAS 27) “Separate Financial Statements”.

In accordance with the Turkish Accounting Standard 28 (TAS 28) for “Investments in Associates and Joint Ventures” through the equity method, the carrying value of financial subsidiaries are accounted in the financial statements with respect to the Bank’s share in these investments’ net asset value. While the Bank’s share on profits or losses of financial subsidiaries are accounted in the Bank’s statement of profit or loss, the Bank’s share in other comprehensive income of financial subsidiaries are accounted in the Bank’s statement of other comprehensive income.

Non-financial subsidiaries and associates are accounted at cost in the financial statements after provisions for impairment losses deducted, if any, in accordance with TAS 27.

3.4 Forwards, options and other derivative transactions

3.4.1 Derivative financial assets

Derivative financial assets measured at fair value through profit/loss

The Bank’s derivative transactions mainly consist of foreign currency and interest rate swaps, foreign currency options and forward foreign currency purchase/sale contracts.

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

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

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

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

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

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

Credit default swap is a contract, in which the protection seller commits to pay the protection value to the protection buyer in case of certain credit risk events in return for the premium paid by the buyer for the contract. Credit default swaps are valued daily at their fair values. Total return swap is a contract, in which the protection seller commits to make a certain payment and compensate the decreases in market values of the reference assets to the buyer under the condition that the protection buyer will transfer all the cash flows to be created by and the increases in market values of the reference asset. The Bank enters into total return swap contract for the purpose of generating long-term funding.

3.4.2 Derivative financial instruments held for hedging purpose

TFRS 9 permits to defer implementation of TFRS 9 hedge accounting and continue to apply hedge accounting in accordance with TAS 39 as a policy choice. Accordingly, the Bank continues to apply hedge accounting in accordance with TAS 39 in this context.

The Bank enters into interest rate and cross currency swap transactions in order to hedge the changes in fair values of fixed-rate financial instruments. The changes in fair values of derivative instruments held for fair value hedges are recognised in "income/losses from derivative financial instruments". If the hedging is effective, the changes in fair value of the hedged item is presented in statement of financial position together with the fixed-rate loan. In case of fixed-rate financial assets measured at fair value through other comprehensive income, such changes are reclassified from shareholders' equity to statement of profit or loss.

Derivative financial instruments measured at fair value through other comprehensive income

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

The Bank performs effectiveness test at the beginning of the hedge accounting period and at each reporting period. The effectiveness tests are carried out using the "Dollar off-set model" and the hedge accounting is applied as long as the test results are between the range of 80%-125% of effectiveness.

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

3.5 Interest income and expenses

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

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

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

If the expectation for the cash flows from financial asset is revised for reasons other than the credit risk, the change is reflected in the carrying amount of asset and in the related statement of profit or loss line and is amortized over the estimated life of financial asset.

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

3.6 Fees and commissions

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

3.7 Financial instruments

3.7.1 Initial recognition of financial instruments

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

3.7.2 Initial measurement of financial instruments

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

3.7.3 Classification of financial instruments

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

3.7.3.1 Assessment of business model

As per TFRS 9, the Bank's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The entity's business model does not depend on management's intentions for an individual instrument. Accordingly, this condition is not an instrument-by-instrument approach to classification and should be determined on a higher level of aggregation.

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

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

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

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

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

- A business model whose objective is to hold assets in order to collect contractual cash flows: a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The financial assets that are held within the scope of this business model are measured at amortised cost when the contractual terms of the financial asset meet the condition of giving rise on specified dates to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.
- A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets: the Bank may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Fair value change of the financial assets that are held within the scope of this business model are accounted under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Other business models: Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

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

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

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

3.7.4 Measurement categories of financial assets and liabilities

The Bank classified all its financial assets based on the business model for managing the financial assets. Accordingly, financial assets are classified in three main categories as listed below:

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

Financial investments and loans measured at amortised cost

The Bank may measure its financial investments and loans at amortised cost if both of the following conditions are met:

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

Financial investments measured at amortised cost: Subsequent to the initial recognition, financial investments measured at amortised cost are accounted at amortised cost calculated by using the effective interest rate method. The expected loss calculated for the relevant financial assets in accordance with TFRS 9 is presented in Note 5.1.7.5.

Loans: Financial assets other than those held for trading in short term or generated through providing money, commodity and services to debtors.

Loans are financial assets with fixed or determinable payments and not quoted in an active market.

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

Financial assets measured at fair value through other comprehensive income

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

- financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

- contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

Equity instruments measured at fair value through other comprehensive income

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

Amounts presented in other comprehensive income shall not be subsequently transferred to profit/loss. However, the cumulative gain or loss shall be transferred to prior periods' profit/loss. Dividends on such investments are recognised in profit/loss unless the dividend clearly represents a recovery of part of the cost of the investment. Equity instruments measured at fair value through other comprehensive income are not subject to impairment calculation.

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

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

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

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

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

Excluding the change in credit risk of the liability, the change in the fair value of the liability shall be recognized in profit or loss.

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

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

3.8 Disclosures on impairment of financial instruments

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

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

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

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

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

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

3.8.1 Calculation of expected credit losses

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Bank considers a debt as default on these two below conditions;

1. **Objective Default Definition:** It means debt having past due more than 90 days. Current definition of default in the Bank is based on a more than 90 days past due definition. If a loan is exactly 90 days past due, it will not be considered as default. Default status starts on the 91st day. Moreover, in accordance with the BRSA Decision numbered 8948 dated 17 March 2020, starting from 17 March 2020, current definition of default in the Bank is based on a more than 180 days past due instead of a 90 days past due until 31 December 2020.
2. **Subjective Default Definition:** It means the Bank considers that a debt is unlikely to be paid. Whenever the Bank considers that an obligor is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due.

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

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

In addition, the Bank assesses a certain portion of commercial and corporate loans individually in accordance with the internal policies in the calculation of the expected credit losses based on TFRS 9. The Bank makes such calculation by discounting the expected cash deficits from the individual financial instrument to its present value using the effective interest rate.

When measuring expected credit losses, the Bank shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. The Bank makes such assessment by reflecting the estimate of expected credit loss which is unbiased and probability-weighted determined by evaluating a range of possible outcomes.

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

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

3.8.1.1 *Loan commitments and non-cash loans*

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

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

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

The Bank shall apply the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income in accordance with TFRS 9. However, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position. The expected credit loss is reflected in other comprehensive income and the accumulated amount is recycled to statement of profit/loss following the derecognition of related financial asset.

3.8.1.3 *Credit cards and other revolving loans*

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

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

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

The Bank calculates expected credit losses on the revolving products of retail and corporate customers by considering 3-5 years.

The Bank makes assessment of significant increase in credit risk of revolving loans by considering qualitative and quantitative criteria considered for other credit products as explained in Note 3.8.3.

3.8.2 Forward-looking macroeconomic information

The Bank incorporates forward-looking macroeconomic information into credit risk parameters during assessment of significant increase in credit risk and expected credit loss calculation. The incorporation of forward-looking information into the Bank's credit risk parameters consists of the following steps:

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

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

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

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

After March, the Bank is carried out its quarterly routine procedure by updating the macroeconomic parameters for the third quarter.

3.8.3 Significant increase in credit risk

The Bank makes qualitative and quantitative assessments regarding assessment of significant increase in credit risk.

Qualitative assessment:

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

- Loans overdue more than 30 days as of the reporting date (In accordance with the BRSA Decision numbered 8970 dated 27 March 2020, as of the reporting date loans with an overdue more than 90 days instead of 30 days are taken into consideration until 31 December 2020.)
- Loans classified as watchlist
- When there is a change in the payment plan due to refinancing, restructuring or concession, the loan is not considered as default or written off and the change is not due to any commercial reason

Quantitative assessment:

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

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

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

- Relative change in the PD: If the "relative difference" between the probability of defaults as of the reporting date and the date when the loan is initially recognized in the financial statements is above the specified threshold.

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

3.8.4 Low credit risk

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

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

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

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

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

3.9 Netting and derecognition of financial instruments

3.9.1 Netting of financial instruments

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

3.9.2 Derecognition of financial instruments

3.9.2.1 Derecognition of financial assets due to change in contractual terms

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

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

Where all risks and rewards of ownership of the asset have not been transferred to another party and the Bank retains control of the asset, the Bank continues to recognize the remaining portion of the asset and liabilities arising from such asset.

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

3.9.2.2 *Derecognition of financial assets without any change in contractual terms*

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

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

3.9.2.3 *Derecognition of financial liabilities*

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

3.9.3 *Reclassification of financial instruments*

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

3.9.4 *Restructuring and refinancing of financial instruments*

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

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

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

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

- Subsequent to the thorough review of company's financial data and its owners' equity position, at circumstances when it is not anticipated that the owner of the company will face financial difficulties; and it is assessed that the restructured debt will be paid on time (starting from the date when the debt is restructured all due principal and interest payments are made on time)
- At least 2 years should pass over the date of restructuring (or if it is later), the date of removal from non-performing loan category, at least 10% (or the ratio specified in the legislation) of the total principal amount at the time restructuring /refinancing shall be paid and no overdue amount (principal and interest) shall remain at the date of restructuring / refinancing

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

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

During the follow-up period of at least two years following the date of restructuring / refinancing, if there is a new restructuring / refinancing or a delay of more than 30 days, the transactions which were non-performing at the beginning of the follow-up period are classified as non-performing loans again. In accordance with the BRSA Decision numbered 8970 dated 27 March 2020, The Bank will not apply the above-mentioned 30 days past due rule until 31 December 2020.

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

3.10 Repurchase and resale agreements and securities lending

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

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

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

3.11 Assets held for sale, discontinued operations and related liabilities

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

A discontinued operation is a part of the Bank’s business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in statement of profit or loss. The Bank has no discontinued operations.

3.12 Goodwill and other intangible assets

The Bank's intangible assets consist of softwares, intangible rights and other intangible assets.

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

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

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

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

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

The intangible assets are amortised by the Bank over their estimated useful lives based on their inflation adjusted costs on a straight-line basis. Estimated useful lives of the Bank's intangible assets are 3-15 years, and amortisation rates are 6.67-33.3%.

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

3.13 Tangible assets

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

As of 1 November 2015, changing the existing accounting policy, it has been decided to apply revaluation model for properties recorded under tangible assets instead of cost model in accordance with the Turkish Accounting Standard 16 (TAS 16) "Property, Plant and Equipment". Within this framework, the revaluation difference arising from the valuations performed by independent expertise firms for all real estates registered in the ledger is accounted under revaluation surplus on tangible and intangible assets under equity. The Bank has reviewed the valuation of its real estate properties, which have significant changes in their fair value, considering the current market conditions and the changes are recognized in financial statements.

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

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

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

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets. The depreciation rates and the estimated useful lives of tangible assets are presented below. Depreciation method in use was not changed in the current period.

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

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

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

Investment properties

Land and buildings that are held to earn rentals or for capital appreciation or both rather than for use in production, supply of goods or services, administrative purposes or sale in the ordinary course of business are classified as investment property. As of 1 November 2015, changing the existing accounting policy, it has been decided to apply fair value model for investment properties instead of cost model in accordance with the Turkish Accounting Standard 40 (TAS 40) “Investment Property” Accordingly, for all the investment properties registered in the ledger, a valuation study was performed by independent expertise firms. As of the reporting period, the Bank has reviewed the valuation of its investment properties which have significant changes in their fair value, considering the current market conditions and the changes are recognized in financial statements.

Investment properties accounted at fair value are not depreciated.

Right-of-use assets

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

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

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

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

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

3.14 Leasing activities

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

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

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

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

After the commencement date, the Bank remeasures the lease liability to reflect changes to the lease payments. The Bank recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

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

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

3.15 Provisions and contingent liabilities

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

3.16 Contingent assets

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

3.17 Liabilities for employee benefits

Severance indemnities and short-term employee benefits

As per the existing labour law in Turkey, the Bank is required to pay certain amounts to the employees retired or fired except for resignations or misbehaviours specified in the Turkish Labour Law.

Accordingly, the Bank reserved for employee severance indemnities in the accompanying financial statements using actuarial method in compliance with the Turkish Accounting Standard 19 (TAS 19) “Employee Benefits” for all its employees who retired or whose employment is terminated, called up for military service or died.

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

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

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

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

The actuarial gains/losses are recognised under shareholders' equity as per the revised TAS 19.

Retirement benefit obligations

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

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

The Plan is funded through contributions of both by the employees and the employer as required by Social Security Law numbered 506. These contributions are as follows:

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

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

a) Benefits transferable to SSF

The first paragraph of the provisional article 23 of Banking Law no.5411, published in the Official Gazette on 1 November 2005, no.25983, which requires the transfer of the members of the funds subject to the provisional article 20 of the Social Security Law no.506, and the persons who are paid under insurance coverage for disablement, old-age and mortality and their right-holders to the SSF within three years following the effective date of the related article was cancelled with the decision of the Constitutional Court dated 22 March 2007, no.2007/33. The reasoned ruling regarding the cancellation of the Constitutional Court was published in the Official Gazette no.26731, dated 15 December 2007. The Constitutional Court stated that the reason behind this cancellation was the possible loss of antecedent rights of the fund members.

Following the publication of the verdict, the Turkish Grand National Assembly ("Turkish Parliament") started to work on the new legal arrangements by taking the cancellation reasoning into account and the articles of the Law no.5754 regulating the principles related with such transfers were accepted and approved by Turkish Parliament on 17 April 2008, and enacted on 8 May 2008 after being published in the Official Gazette no.26870.

As per the Law, the present value of post-employment benefits as at the transfer date for the fund members to be transferred, are to be calculated by a commission composing from the representatives of the SSF, the Ministry of Finance, the Undersecretariat of Treasury, the Undersecretariat of State Planning Organisation, the BRSA, the Savings Deposit Insurance Fund ("SDIF"), the banks and the funds, by using a technical discount rate of 9.80% taking into account the funds' income and expenses as per insurance classes and the transferable contributions and payments of the funds including any salary and income differences paid by the funds above the limits of SSF for such payments. The transfers are to take place within the three-year period starting from 1 January 2008. Subsequently, the transfer of the contributors and the persons receiving monthly or regular income and their right-holders from such funds established for employees of the banks, insurance and reinsurance companies, trade chambers, stock markets and unions that are part of these organizations subject to the provisional article 20 of the Social Security Law

no.506 to the SSF, has been postponed for two years. The decision was made by the Council of Ministers on 14 March 2011 and published in the Official Gazette no. 27900 dated 9 April 2011 as per the decision of the Council of Ministers, no.2011/1559, and as per the letter no. 150 of the Ministry of Labor and Social Security dated 24 February 2011 and according to the provisional article 20 of the Social Security and Public Health Insurance Law no.5510.

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

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

b) Other benefits not transferable to SSF

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

The actuarial gains/losses are recognised under shareholders’ equity as per the revised TAS 19.

3.18 Taxation

3.18.1 Corporate tax

While the corporate tax rate was at the rate of 20% since 1 January 2006, for all companies, such rate has been set as 22% for the tax bases of the years 2018, 2019, and 2020 based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down to 20%.

This rate is applied to tax base which is calculated by adding certain non-deductible expenses for tax purposes and deducting certain exemptions (like dividend income) and other deductions on accounting income. If there is no dividend distribution, no further tax charges are made.

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

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

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

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

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

The tax applications for foreign branches;

NORTHERN CYPRUS

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

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

3.18.2 Deferred taxes

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

As explained in note 3.18.1, this rate is determined as 22% to be applied to corporate earnings for the taxation periods of 2018, 2019 and 2020. In addition, the Council of Ministers is authorized to reduce the corresponding rate 22% to 20%. As deferred tax assets or liabilities within the scope of TAS 12, are calculated by using the tax rates based on the effective tax rates or tax rates (and tax laws) expected to enter into force as of the reporting period (balance sheet date), to be applied in the periods when the assets turn into income or the debts are paid, the Bank made deferred tax calculation according to the rates of 22% or 20% corresponding to the maturity of the assets and liabilities as of 30 September 2020.

If transactions and events are recorded in the statement of profit or loss, then the related tax effects are also recognized in the statement of profit or loss. However, if transactions and events are recorded directly in the shareholders' equity, the related tax effects are also recognized directly in the shareholders' equity.

The deferred tax assets and liabilities are reported as net in the financial statements.

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

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

3.18.3 Transfer pricing

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

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

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

3.19 Funds borrowed

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

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

3.20 Share issuances

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

3.21 Confirmed bills of exchange and acceptances

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

3.22 Government incentives

As of 30 September 2020, the Bank does not have any government incentives or grants (2019: None).

3.23 Segment reporting

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

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

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

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

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

Information on the business segments is as follows:

<i>Current Period</i>	Retail Banking	Corporate / Commercial Banking	Investment Banking	Other	Total Operations
Total Operating Profit	8,002,401	8,037,167	5,260,828	6,134,062	27,434,458
Other	-	-	-	-	-
Total Operating Profit	8,002,401	8,037,167	5,260,828	6,134,062	27,434,458
Net Operating Profit	2,861,011	535,213	4,404,568	(873,880)	6,926,912
Dividend Income from Associates and Subsidiaries	-	-	-	18,632	18,632
Net Operating Profit	2,861,011	535,213	4,404,568	(855,248)	6,945,544
Provision for Taxes	-	-	-	1,818,299	1,818,299
Net Profit	2,861,011	535,213	4,404,568	(2,673,547)	5,127,245
Segment Assets	83,206,965	209,615,559	134,629,092	41,266,630	468,718,246
Investments in Associates and Subsidiaries	-	-	-	10,995,350	10,995,350
Total Assets	83,206,965	209,615,559	134,629,092	52,261,980	479,713,596
Segment Liabilities	212,359,741	108,110,323	82,319,915	16,482,163	419,272,142
Shareholders' Equity	-	-	-	60,441,454	60,441,454
Total Liabilities and Shareholders' Equity	212,359,741	108,110,323	82,319,915	76,923,617	479,713,596

<i>Prior Period</i>	Retail Banking	Corporate / Commercial Banking	Investment Banking	Other	Total Operations
Total Operating Profit	9,140,953	7,720,769	(4,649,023)	7,676,314	19,889,013
Other	-	-	-	-	-
Total Operating Profit	9,140,953	7,720,769	(4,649,023)	7,676,314	19,889,013
Net Operating Profit	3,914,658	2,380,301	(4,883,916)	4,668,321	6,079,364
Dividend Income from Associates and Subsidiaries	-	-	-	7,963	7,963
Net Operating Profit	3,914,658	2,380,301	(4,883,916)	4,676,284	6,087,327
Provision for Taxes	-	-	-	1,150,898	1,150,898
Net Profit	3,914,658	2,380,301	(4,883,916)	3,525,386	4,936,429
Segment Assets	71,993,606	163,485,225	118,816,028	28,270,533	382,565,392
Investments in Associates and Subsidiaries	-	-	-	8,586,878	8,586,878
Total Assets	71,993,606	163,485,225	118,816,028	36,857,411	391,152,270
Segment Liabilities	169,796,486	86,694,416	67,961,445	12,934,257	337,386,604
Shareholders' Equity	-	-	-	53,765,666	53,765,666
Total Liabilities and Shareholders' Equity	169,796,486	86,694,416	67,961,445	66,699,923	391,152,270

3.24 Profit reserves and profit appropriation

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

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

In the ordinary General Assembly Meeting dated 17 July 2020, a decision is made regarding distribution of the unconsolidated net profit of the Bank amounting to TL 6,158,841 thousands, and the table considering the distribution made based on the decision is presented in note 5.10.2.

3.25 Earnings per share

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

	<i>30 September 2020</i>	<i>30 September 2019</i>
Distributable net profit for the year	5,127,245	4,936,429
Average number of issued common shares (thousand)	420,000,000	420,000,000
Earnings per share (amounts presented full TL)	0.01221	0.01175

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

There are no bonus shares issued in 2020 (2019: none).

3.26 Related parties

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

3.27 Cash and cash equivalents

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

3.28 Other disclosures

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

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

4 Financial Position and Results of Operations and Risk Management

4.1 Total capital

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

4.1.1 Components of total capital

	<i>Current Period</i>	<i>Prior Period</i>
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	4,972,554	4,972,554
Share Premium	11,880	11,880
Reserves	45,399,785	39,170,872
Other Comprehensive Income according to TAS	7,677,625	5,186,540
Profit	5,323,133	6,158,841
Current Period’s Profit	5,127,245	6,158,841
Prior Periods’ Profit	195,888	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	7,636	1,855
Common Equity Tier I Capital Before Deductions	63,392,613	55,502,542
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	2,623,253	1,258,902
Leasehold Improvements on Operational Leases (-)	120,700	163,555
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	413,562	328,535
Net Deferred Tax Asset/Liability (-)	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank’s liabilities’ fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding 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 (-)	-	-
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 (-)	-	-

	<i>Current Period</i>	<i>Prior Period</i>
Total Deductions from Common Equity Tier I Capital	3,157,515	1,750,992
Total Common Equity Tier I Capital	60,235,098	53,751,550
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	60,235,098	53,751,550
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	6,756,880	4,693,480
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	4,140,438	3,424,763
Total Deductions from Tier II Capital	10,897,318	8,118,243
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	10,897,318	8,118,243
Total Equity (Total Tier I and Tier II Capital)	71,132,416	61,869,793
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	53	109

	<i>Current Period</i>	<i>Prior Period</i>
Other items to be Defined by the BRSA (-)	2,259	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)	71,130,104	61,861,863
Total Risk Weighted Assets	384,133,751	316,152,290
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	15.68	17.00
Tier I Capital Ratio (%)	15.68	17.00
Capital Adequacy Ratio (%)	18.52	19.57
BUFFERS		
Total Additional CET1 Capital Requirement Ratio (a+b)	2.55	2.55
a) Capital Conservation Buffer Ratio (%)	2.500	2.500
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0.05	0.05
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	9.68	10.84
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	2,425,988	1,732,866
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	10,287,409	5,899,595
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	4,140,438	3,424,763
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

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

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

The Bank does not take into consideration the related measures in regulatory capital adequacy ratio calculation as of 30 September 2020. In case of applying the measures, capital adequacy ratio rises to 20.47% as of 30 September 2020.

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

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.	T. Garanti Bankası A.Ş.
Identifier (CUSIP, ISIN vb.)	Reg S: ISIN: XS1617531063 Common Code: 161753106 144A: CUSIP: 900148 AE7 ISIN: US900148AE73 Common Code: 161752479	ISIN: TRSGRANE2915	ISIN: TRSGRAN23013
Governing law (s) of the instrument	Subject to English Law and in terms of certain articles to Turkish Regulations. It is issued within the scope of the Communiqué VII-128.8 on Debt Instruments of the Capital Markets Board and the Regulation on Bank Capital of the BRSA.	It is subject to English Law and in terms of certain articles to Turkish Regulations. It is also issued within the scope of the “Regulation on Equities of Banks” and “the Communiqué Regarding the Capital Instruments that will be included in own funds of banks” within the legislation of Capital Markets Board of Turkey.	It is subject to English Law and in terms of certain articles to Turkish Regulations. It is also issued within the scope of the “Regulation on Equities of Banks” and “the 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	No
Eligible on unconsolidated and /or consolidated basis	Eligible on unconsolidated and consolidated	Eligible on unconsolidated and consolidated	Eligible on unconsolidated and consolidated
Instrument type	Subordinated debt instruments (Notes)	Subordinated debt instruments (Notes)	Subordinated debt instruments (Notes)
Amount recognized in regulatory capital (Currency in TL million, as of most recent reporting date)	5,754 (31 December 2019: 4,441)	253 (31 December 2019: 253)	750
Nominal value of instrument (TL million)	5,754 (31 December 2019: 4,441)	253 (31 December 2019: 253)	750
Accounting classification of the instrument	34701 – Secondary Subordinated Loans	34601– Secondary Subordinated Loans	34601– Secondary Subordinated Loans
Issuance date of instrument	23.05.2017	09.10.2019	14.02.2020
Maturity structure of the instrument (demand/time)	Time	Time	Time
Original maturity of the instrument	24.05.2027	07.10.2029	14.02.2030
Issuer call subject to prior supervisory (BRSA) approval	Yes	Yes	Yes
Optional call date, contingent call dates and redemption amount	24.05.2022 – USD 750,000,000	07.10.2024 – TL 252,880,000	14.02.2025 – TL 750,000,000
Subsequent call dates, if applicable	-	-	-
Interest/dividend payment			
Fixed or floating coupon/dividend payments	Fixed	Floating	Floating
Coupon rate and any related index	6.1250%	TLREF + 130 bps	TLREF + 250 bps
Existence of any dividend payment restriction	None	None	None
Fully discretionary, partially discretionary or mandatory	-	-	-
Existence of step up or other incentive to redeem	None	None	None
Noncumulative or cumulative	None	None	None
Convertible into equity shares	None	None	None
If convertible, conversion trigger (s)	-	-	-
If convertible, fully or partially	-	-	-
If convertible, conversion rate	-	-	-

If convertible, mandatory or optional conversion	-	-	-
If convertible, type of instrument convertible into	-	-	-
If convertible, issuer of instrument to be converted into	-	-	-
Write-down feature	Yes	Yes	Yes
If bonds can be written-down, write-down trigger(s)	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked and the Bank is liquidated or (ii) the rights of all of its shareholders (except to dividends), and the management and supervision of the Bank, are to be transferred to the SDIF on the condition that losses are deducted from the capital of existing shareholders (occurrence of either condition means the issuer has become non-viable), or (iii) it is probable that the Issuer will become non-viable; then the bonds can be written-down.	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked or(ii) to be determined the probability of transfer to the SDIF Turkey, the bonds can be written off.	Due to the losses incurred, where the Bank is at the point at which the BRSA may determine pursuant to Article 71 of the Banking Law that: (i) its operating license is to be revoked or(ii) to be determined the probability of transfer to the SDIF Turkey, the bonds can be written off.
If bond can be written-down, full or partial	Partially or fully	Partially or fully	Partially or fully
If bond can be written-down, permanent or temporary	Continuously	Continuously	Continuously
If temporary write-down, description of write-up mechanism	There are no any temporary write-up mechanisms.	There are no any temporary write-up mechanisms.	There are no any temporary write-up mechanisms.
Position in subordination hierarchy in case of liquidation (instrument type immediately senior to the instrument)	In priority of receivables, it comes after the senior obligations of the Issuer.	In priority of receivables, it comes after the senior obligations of the Issuer.	In priority of receivables, it comes after the senior obligations of the Issuer.
In compliance with article number 7 and 8 of Regulation on Bank Capital	Instrument is in compliant with Article 8 of the Regulation on Bank Capital.	Instrument is in compliant with Article 8 of the Regulation on Bank Capital.	Instrument is in compliant with Article 8 of the Regulation on Bank Capital.
Details of non-compliances with article number 7 and 8 of Regulation on Bank Capital	Instrument is not in compliant with Article 7 of the Regulation on Bank Capital.	Instrument is not in compliant with Article 7 of the Regulation on Bank Capital.	Instrument is not in compliant with Article 7 of the Regulation on Bank Capital.

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 of the 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
Other Capital Reserves	772,554	(772,554)	-	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	-	-	-	
Share Premium	11,880	-	11,880	
Other Comprehensive Income/Expenses in Shareholders' Equity as per TMS	4,734,102	327,906	5,062,008	Items not included in the calculation as per Regulation's Article 9-1-f
Other Comprehensive Income/Expense Items not to be Recycled to Profit/Loss	1,603,185	-	1,603,185	
Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss	3,130,917	327,906	3,458,823	Items not included in the calculation as per Regulation's Article 9-1-f
Profit Reserves	45,399,785	-	45,399,785	
Profit or Loss	5,323,133	-	5,323,133	
Prior Periods' Profit/Loss	195,888	-	195,888	
Current Period Net Profit/Loss	5,127,245	-	5,127,245	
Deductions from Common Equity Tier I Capital (-)	-		534,262	Deductions from Common Equity Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	60,441,454		60,235,098	
Subordinated Debts	-		-	
Deductions from Tier I Capital (-)	-		-	Deductions from Tier 1 Capital as per the Regulation
Tier I Capital	-		60,235,098	
Subordinated Debts			6,756,880	
12 Month ECL (Stage 1) and Lifetime ECL Significant Increase in Credit Risk (Stage 2)			4,140,438	Stage 1 and Stage 2 expected credit losses added to Tier II Capital as per the Regulation's Article 8
Deductions from Tier II Capital (-)			-	Deductions from Tier II Capital as per the Regulation
Tier II Capital			10,897,318	
Deductions from Total Capital (-)			2,312	Deductions from Capital as per the Regulation
Total			71,130,104	

<i>Prior Period</i>	<i>Carrying value</i>	<i>Amount of correction</i>	<i>Value of the 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
Other Capital Reserves	772,554	(772,554)	-	Inflation adjustments included in Paid-in Capital according to Regulation's Temporary Article 1
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	-	-	-	
Share Premium	11,880	-	11,880	
Other Comprehensive Income/Expenses in Shareholders' Equity as per TMS	3,451,519	477,974	3,929,493	Items not included in the calculation as per Regulation's Article 9-1-f
Other Comprehensive Income/Expense Items not to be Recycled to Profit/Loss	1,543,165	-	1,543,165	
Other Comprehensive Income/Expense Items to be Recycled to Profit/Loss	1,908,354	477,974	2,386,328	Items not included in the calculation as per Regulation's Article 9-1-f
Profit Reserves	39,170,872	-	39,170,872	
Profit or Loss	6,158,841	-	6,158,841	
Prior Periods' Profit/Loss	-	-	-	
Current Period Net Profit/Loss	6,158,841	-	6,158,841	
Deductions from Common Equity Tier I Capital (-)	-		492,090	Deductions from Common Equity Tier 1 Capital as per the Regulation
Common Equity Tier I Capital	53,765,666		53,751,550	
Subordinated Debts	-		-	
Deductions from Tier I Capital (-)	-		-	Deductions from Tier 1 Capital as per the Regulation
Tier I Capital	-		53,751,550	
Subordinated Debts			4,693,480	
12 Month ECL (Stage 1) and Lifetime ECL Significant Increase in Credit Risk (Stage 2)			3,424,763	Stage 1 and Stage 2 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			8,118,243	
Deductions from Total Capital (-)			7,930	Deductions from Capital as per the Regulation
Total			61,861,863	

4.2 Credit risk

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

4.3 Currency risk

Foreign currency position limit is set in compliance with the legal standard ratio of net foreign currency position. As of 30 September 2020, the Bank’s net ‘on balance sheet’ foreign currency short position amounts to TL 39,932,513 (31 December 2019: TL 25,694,849), net ‘off-balance sheet’ foreign currency long position amounts to TL 49,624,815 (31 December 2019: TL 29,642,308), while net foreign currency close position amounts to TL 9,692,302 (31 December 2019: TL 3,947,459).

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

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

	EUR	USD
Foreign currency purchase rates at balance sheet date	8.9962	7.6720
<u>Exchange rates for the days before balance sheet date:</u>		
Day 1	9.1684	7.8175
Day 2	9.0344	7.7575
Day 3	8.8507	7.6168
Day 4	8.8629	7.6135
Day 5	8.9571	7.6730

	EUR	USD
Last 30-days arithmetical average rates	8.8583	7.5178

The Bank's currency risk:

<i>Current Period</i>	EUR	USD	Other FCs	Total
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	16,049,970	14,663,735	9,010,938	39,724,643
Banks	6,624,407	7,361,675	1,740,147	15,726,229
Financial Assets Measured at Fair Value through Profit/Loss	178,525	4,750,440	1,752,339	6,681,304
Money Market Placements	-	243,186	-	243,186
Financial Assets Measured at Fair Value through Other Comprehensive Income	1,498,718	7,211,821	-	8,710,539
Loans (*)	54,522,187	51,735,065	2,251,312	108,508,564
Investments in Associates, Subsidiaries and Joint-Ventures	7,871,936	-	-	7,871,936
Financial Assets Measured at Amortised Cost	484,323	11,520,336	-	12,004,659
Derivative Financial Assets Held for Hedging Purpose	-	33	-	33
Tangible Assets	-	290	-	290
Intangible Assets	-	-	-	-
Other Assets (**)	2,795,256	7,400,637	(63,137)	10,132,756
Total Assets	90,025,322	104,887,218	14,691,599	209,604,139
Liabilities				
Bank Deposits	291,705	27,687	15,825	335,217
Foreign Currency Deposits	52,378,670	100,815,757	4,599,149	157,793,576
Money Market Funds	-	-	-	-
Other Fundings (***)	11,193,799	32,589,445	-	43,783,244
Securities Issued (****)	410,238	18,832,413	-	19,242,651
Miscellaneous Payables	430,103	196,138	34,969	661,210
Derivative Financial Liabilities Held for Hedging Purpose	45,311	726,297	-	771,608
Other Liabilities (*****)	1,342,533	5,553,130	20,053,483	26,949,146
Total Liabilities	66,092,359	158,740,867	24,703,426	249,536,652
Net 'On Balance Sheet' Position	23,932,963	(53,853,649)	(10,011,827)	(39,932,513)
Net 'Off-Balance Sheet' Position	(17,002,325)	56,676,314	9,950,826	49,624,815
Derivative Financial Assets	5,186,840	82,330,970	17,605,956	105,123,766
Derivative Financial Liabilities	22,189,165	25,654,656	7,655,130	55,498,951
Non-Cash Loans	-	-	-	-
<i>Prior Period</i>				
Total Assets	68,872,048	83,456,163	13,671,582	165,999,793
Total Liabilities	52,303,839	129,921,988	9,468,815	191,694,642
Net 'On Balance Sheet' Position	16,568,209	(46,465,825)	4,202,767	(25,694,849)
Net 'Off-Balance Sheet' Position	(12,339,474)	46,188,494	(4,206,712)	29,642,308
Derivative Assets	7,025,665	68,490,485	832,109	76,348,259
Derivative Liabilities	19,365,139	22,301,991	5,038,821	46,705,951
Non-Cash Loans	-	-	-	-

(*) The foreign currency-indexed loans amounting TL 720,736 included under TL loans in the accompanying balance sheet are presented above under the related foreign currency codes.

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

(***) Includes funds presented under financial liabilities amounting TL 15,415,588 measured at fair value through profit or loss in balance sheet.

(****) Includes securities issued having qualification of subordinated loan presented under subordinated debts in balance sheet.

(*****) Other liabilities include gold deposits of TL 19,950,832.

4.4 Interest rate risk

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

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

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

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

<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	14,640,968	-	-	-	-	30,409,837	45,050,805
Banks	1,057,375	-	-	-	-	15,252,993	16,310,368
Financial Assets Measured at Fair Value through Profit/Loss	3,307	4,604,094	2,091,102	60,713	64,351	545,962	7,369,529
Money Market Placements	5,500,000	243,123	-	-	-	1,866	5,744,989
Financial Assets Measured at Fair Value through Other Comprehensive Income	822,076	3,147,253	8,873,256	7,527,738	5,573,613	4,456,514	30,400,450
Loans	62,601,505	51,388,263	88,588,848	81,261,690	16,372,368	14,183,518	314,396,192
Financial Assets Measured at Amortised Cost	5,203,842	5,691,763	5,138,286	8,625,212	4,476,713	5,161,824	34,297,640
Other Assets (**)	-	-	151,987	-	-	25,991,636	26,143,623
Total Assets	89,829,073	65,074,496	104,843,479	97,475,353	26,487,045	96,004,150	479,713,596
Liabilities							
Bank Deposits	269,457	-	-	-	-	921,917	1,191,374
Other Deposits	136,627,578	26,347,319	4,833,259	62,060	-	139,752,721	307,622,937
Money Market Funds	903,736	87	-	-	-	7,910	911,733
Miscellaneous Payables	-	-	-	-	-	13,866,232	13,866,232
Securities Issued (***)	2,105,420	1,577,657	7,238,410	9,972,052	5,933,014	361,580	27,188,133
Other Fundings	8,100,380	15,266,890	4,717,472	5,626,678	11,508,354	19,753	45,239,527
Other Liabilities	25,187	65,894	169,330	611,090	220,594	82,601,565	83,693,660
Total Liabilities	148,031,758	43,257,847	16,958,471	16,271,880	17,661,962	237,531,678	479,713,596
On Balance Sheet Long Position	-	21,816,649	87,885,008	81,203,473	8,825,083	-	199,730,213
On Balance Sheet Short Position	(58,202,685)	-	-	-	-	(141,527,528)	(199,730,213)
Off-Balance Sheet Long Position	34,297,909	37,132,325	16,564,994	7,296,216	16,420,667	-	111,712,111
Off-Balance Sheet Short Position	(15,770,809)	(30,388,603)	(15,373,548)	(25,356,221)	(24,595,761)	-	(111,484,942)
Total Position	(39,675,585)	28,560,371	89,076,454	63,143,468	649,989	(141,527,528)	227,169

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

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

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

<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	18,669,286	-	-	-	-	23,007,222	41,676,508
Banks	964,677	-	28,000	-	-	10,876,811	11,869,488
Financial Assets at Fair Value through Profit/Loss	141,354	622	4,546,854	99,953	47,443	54,652	4,890,878
Money Market Placements	10,189,999	-	183,057	-	-	3,390	10,376,446
Financial Assets Measured at Fair Value through Other Comprehensive Income	1,836,846	7,591,477	3,050,473	2,887,303	4,887,613	4,429,338	24,683,050
Loans	55,343,938	24,737,336	76,720,974	69,502,472	12,560,736	12,299,917	251,165,373
Financial Assets Measured at Amortised Cost	2,592,856	2,031,797	9,178,118	1,719,979	5,550,466	7,543,702	28,616,918
Other Assets (**)	-	-	115,730	-	-	17,757,879	17,873,609
Total Assets	89,738,956	34,361,232	93,823,206	74,209,707	23,046,258	75,972,911	391,152,270
Liabilities							
Bank Deposits	184,262	2,588	-	-	-	2,295,958	2,482,808
Other Deposits	140,492,052	18,793,830	11,921,429	206,912	-	74,854,060	246,268,283
Money Market Funds	67,728	436,147	-	-	-	300	504,175
Miscellaneous Payables	-	-	-	-	-	11,323,258	11,323,258
Securities Issued (***)	2,269,407	2,785,828	444,060	10,772,346	4,572,712	293,086	21,137,439
Other Fundings	11,862,514	5,255,248	10,595,086	3,441,085	8,220,764	41,004	39,415,701
Other Liabilities	21,602	51,352	154,743	569,144	223,363	69,000,402	70,020,606
Total Liabilities	154,897,565	27,324,993	23,115,318	14,989,487	13,016,839	157,808,068	391,152,270
On Balance Sheet Long Position	-	7,036,239	70,707,888	59,220,220	10,029,419	-	146,993,766
On Balance Sheet Short Position	(65,158,609)	-	-	-	-	(81,835,157)	(146,993,766)
Off-Balance Sheet Long Position	18,825,171	27,453,300	7,422,157	6,261,442	11,700,050	-	71,662,120
Off-Balance Sheet Short Position	(2,155,964)	(15,559,267)	(8,811,523)	(24,605,860)	(20,249,017)	-	(71,381,631)
Total Position	(48,489,402)	18,930,272	69,318,522	40,875,802	1,480,452	(81,835,157)	280,489

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

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

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

4.4.2 Average interest rates on monetary financial instruments (%)

<i>Current Period</i>	EUR	USD	JPY	TL
Assets				
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	(0.12)	(1.55)	-	3.19
Banks	0.20	0.60	-	7.25
Financial Assets Measured at Fair Value through Profit/Loss	1.84	6.53	-	12.32
Money Market Placements	-	0.08	-	12.00
Financial Assets Measured at Fair Value through Other Comprehensive Income	2.82	6.13	-	12.07
Loans	3.64	5.89	-	14.09
Financial Assets Measured at Amortised Cost	1.38	5.31	-	11.99
Liabilities				
Bank Deposits	0.01	-	-	8.83
Other Deposits	0.11	0.21	-	7.36
Money Market Funds	-	-	-	8.03
Miscellaneous Payables	-	-	-	-
Securities Issued	5.27	5.77	-	11.68
Other Fundings	1.57	2.56	-	5.79

<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	-	-	-	-
Banks	0.07	-	-	8.64
Financial Assets at Fair Value through Profit/Loss	1.74	4.42	-	13.51
Money Market Placements	-	1.62	-	11.33
Financial Assets Measured at Fair Value through Other Comprehensive Income	3.15	5.85	-	15.50
Loans	4.28	6.77	-	19.22
Financial Assets Measured at Amortised Cost	1.41	5.19	-	16.22
Liabilities				
Bank Deposits	-	1.70	-	8.68
Other Deposits	0.13	1.36	0.17	8.12
Money Market Funds	-	3.68	-	7.06
Miscellaneous Payables	-	-	-	-
Securities Issued	5.27	5.83	-	12.16
Other Fundings	1.86	4.23	-	11.33

4.5 Position risk of equity securities

4.5.1 Equity shares in associates and subsidiaries

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

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	10,886,854	10,769,175	456,083
	Quoted Securities	85,285	85,285	456,083
2	Investment in Shares- Grade B	103,192	77,751	449,422
	Quoted Securities	77,751	77,751	449,422
3	Investment in Shares- Grade C	4,367	-	-
	Quoted Securities	-	-	-
4	Investment in Shares- Grade D	-	-	-
	Quoted Securities	-	-	-
5	Investment in Shares- Grade E	895	-	-
	Quoted Securities	-	-	-
6	Investment in Shares- Grade F	42	-	-
	Quoted Securities	-	-	-

(*) The balances are as per the results of equity accounting application.

<i>Prior Period</i>		Comparison		
Equity Securities (shares)		Carrying Value	Fair Value ^(*)	Market Value
1	Investment in Shares- Grade A	8,495,606	8,383,709	154,964
	Quoted Securities	70,191	70,191	154,964
2	Investment in Shares- Grade B	89,548	63,991	152,701
	Quoted Securities	63,991	63,991	152,701
3	Investment in Shares- Grade C	662	-	-
	Quoted Securities	-	-	-
4	Investment in Shares- Grade D	-	-	-
	Quoted Securities	-	-	-
5	Investment in Shares- Grade E	1,014	-	-
	Quoted Securities	-	-	-
6	Investment in Shares- Grade F	48	-	-
	Quoted Securities	-	-	-

(*) The balances are as per the results of equity accounting application.

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>		Revaluation Surpluses		Unrealised Gains and Losses	
Portfolio	Gains/Losses in Current Period	Total	Amount in Tier I Capital ^(*)	Total	Amount in Tier I Capital ^(*)
		1	Private Equity Investments	-	-
2	Quoted Shares	77,783	77,783	77,783	-
3	Other Shares	5,773,490	5,773,490	5,773,490	-
	Total	5,851,273	5,851,273	5,851,273	-

(*) The balances are as per the results of equity accounting application.

<i>Prior Period</i>	Gains/Losses in Current Period	Revaluation Surpluses		Unrealised Gains and Losses	
		Total	Amount in Tier I Capital ^(*)	Total	Amount in Tier I Capital ^(*)
1	Private Equity Investments	-	-	-	-
2	Quoted Shares	48,929	48,929	48,929	-
3	Other Shares	4,907,853	4,907,853	4,907,853	-
	Total	4,956,782	4,956,782	4,956,782	-

(*) The balances are as per the results of equity accounting application.

4.5.4 Capital requirement as per equity shares

<i>Current Period</i>		Carrying Value	RWA Total	Minimum Capital Requirement
	Portfolio			
1	Private Equity Investments	-	-	-
2	Quoted Shares	163,036	163,036	13,043
3	Other Shares	10,832,314	10,832,314	866,585
	Total	10,995,350	10,995,350	879,628

<i>Prior Period</i>		Carrying Value	RWA Total	Minimum Capital Requirement
	Portfolio			
1	Private Equity Investments	-	-	-
2	Quoted Shares	134,182	134,182	10,735
3	Other Shares	8,452,696	8,452,696	676,216
	Total	8,586,878	8,586,878	686,951

4.6 Liquidity risk management and liquidity coverage ratio

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Bank's liabilities consist of TL and foreign currency funding, of which a large portion is USD/EUR. Deposits and capital constitute most of TL funding. For the reasons like real person customers cannot use foreign currency credit but are able to deposit foreign currency funds, TL and foreign currency deposit and credit amount may differ. Long term funding obtained from foreign banks and creditors are mainly in foreign currency. For these reasons overall foreign currency liabilities are usually more than foreign currency assets and unused portion of USD, Euro and gold are used in TL funding via currency swap transactions. In the recent period, swap deals are made in domestic market. On the other hand, repo lines by open market operations and Borsa Istanbul ("OMO / BİST") aren't used to full extent, unused limits and high quality liquid asset stock is held is kept to use in the case of a liquidity scarcity in market. Also T.C. Eurobonds aren't used to secure funding and kept as reserve to use in the case of a foreign currency liquidity scarcity in market. In TL and foreign currency liquidity management, regulatory ratios, internally set warnings, limits and other liquidity and funding metrics are monitored.

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

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

4.6.1 Liquidity coverage ratio

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

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

High quality liquid assets consist of cash, deposits in central banks and securities considered as high quality liquid assets. Reserve deposits are included in high quality liquid assets, limited by the amount that is allowed by central bank to use in liquidity shortages. The Bank's high quality liquid assets are composed of 8.49% cash, 33.95% deposits in central banks and 57.56% securities considered as high quality liquid assets.

The Bank's main funding sources are deposits, funds borrowed, money market borrowings and securities issued. Funding source composition in report date is 77.98% deposits, 11.65% funds borrowed and money market borrowings, 6.87% securities issued and 3.50% other liabilities.

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

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

<i>Current Period</i>	Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
	TL+FC	FC	TL+FC	FC
High-Quality Liquid Assets			97,303,185	45,247,105
1 Total high-quality liquid assets (HQLA)	97,303,086	45,247,052	97,303,185	45,247,105
Cash Outflows				
2 Retail deposits and deposits from small business customers, of which:	222,788,406	121,393,570	20,079,454	12,139,357
3 Stable deposits	43,987,735	-	2,199,387	-
4 Less stable deposits	178,800,671	121,393,570	17,880,067	12,139,357
5 Unsecured wholesale funding, of which:	76,963,472	39,648,809	38,002,399	18,006,647
6 Operational deposits	-	-	-	-
7 Non-operational deposits	63,397,432	38,213,222	28,790,488	16,720,896
8 Unsecured funding	13,566,040	1,435,587	9,211,911	1,285,751
9 Secured wholesale funding			-	-
10 Other cash outflows of which:	136,912,726	44,887,991	21,477,082	17,178,767
11 Outflows related to derivative exposures and other collateral requirements	9,967,569	12,340,839	9,967,569	12,340,839
12 Outflows related to restructured financial instruments	-	-	-	-
13 Payment commitments and other off-balance sheet commitments granted for debts to financial markets	126,945,157	32,547,152	11,509,513	4,837,928
14 Other revocable off-balance sheet commitments and contractual obligations	1,988	1,988	99	99
15 Other irrevocable or conditionally revocable off-balance sheet obligations	11,862,183	11,514,984	593,109	575,749
16 Total Cash Outflows			80,152,143	47,900,619
Cash Inflows				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	26,972,963	11,545,449	19,596,673	9,370,650
19 Other cash inflows	987,956	22,087,542	987,955	22,087,542
20 Total Cash Inflows	27,960,919	33,632,991	20,584,628	31,458,192
21 Total HQLA			97,303,185	45,247,105
22 Total Net Cash Outflows			59,567,515	18,546,226
23 Liquidity Coverage Ratio (%)			163.27	272.61

(*) The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

The table below presents highest, lowest and average liquidity coverage ratios of the second quarter of 2020:

<i>Current Period</i>	Highest	Date	Lowest	Date	Average
TL+FC	188.73	08.09.2020	145.63	06.07.2020	163.27
FC	442.89	04.09.2020	136.41	23.07.2020	272.61

<i>Prior Period</i>	Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
	TL+FC	FC	TL+FC	FC
High-Quality Liquid Assets			92,639,807	48,575,984
1 Total high-quality liquid assets (HQLA)	92,639,807	48,575,984	92,639,807	48,575,984
Cash Outflows				
2 Retail deposits and deposits from small business customers, of which:	179,055,682	94,617,690	16,144,686	9,461,769
3 Stable deposits	35,217,639	-	1,760,882	-
4 Less stable deposits	143,838,043	94,617,690	14,383,804	9,461,769
5 Unsecured wholesale funding, of which:	63,876,262	33,812,508	34,825,579	17,720,638
6 Operational deposits	-	-	-	-
7 Non-operational deposits	48,236,982	30,538,057	23,666,850	14,638,763
8 Unsecured funding	15,639,280	3,274,451	11,158,729	3,081,875
9 Secured wholesale funding			-	-
10 Other cash outflows of which:	111,222,491	32,803,965	14,410,695	10,134,820
11 Outflows related to derivative exposures and other collateral requirements	4,706,646	6,182,153	4,706,646	6,182,153
12 Outflows related to restructured financial instruments	-	-	-	-
13 Payment commitments and other off-balance sheet commitments granted for debts to financial markets	106,515,845	26,621,812	9,704,049	3,952,667
14 Other revocable off-balance sheet commitments and contractual obligations	1,615	1,615	81	81
15 Other irrevocable or conditionally revocable off-balance sheet obligations	11,851,054	11,620,598	592,553	581,029
16 Total Cash Outflows			65,973,594	37,898,337
Cash Inflows				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	24,820,872	8,069,690	17,258,937	6,483,303
19 Other cash inflows	149,800	4,382,359	149,800	4,382,359
20 Total Cash Inflows	24,970,672	12,452,049	17,408,737	10,865,662
21 Total HQLA			92,639,807	48,575,984
22 Total Net Cash Outflows			48,564,857	27,032,675
23 Liquidity Coverage Ratio (%)			191.52	181.08

(*) The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

The table below presents highest, lowest and average liquidity coverage ratios of the last quarter of 2019:

<i>Prior Period</i>	Highest	Date	Lowest	Date	Average
TL+FC	236.53	26.12.2019	172.10	02.12.2019	191.52
FC	242.41	26.12.2019	147.62	01.10.2019	181.08

4.6.2 Contractual maturity analysis of liabilities according to remaining maturities

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

4.6.3 Maturity analysis of assets and liabilities according to remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed	Total
Current Period								
Assets								
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances with the Central Bank of Turkey	24,362,315	20,688,490	-	-	-	-	-	45,050,805
Banks	15,252,886	1,057,482	-	-	-	-	-	16,310,368
Financial Assets Measured at Fair Value through Profit/Loss	276,729	375	4,602,161	2,001,440	422,863	65,961	-	7,369,529
Money Market Placements	-	5,501,803	243,186	-	-	-	-	5,744,989
Financial Assets Measured at Fair Value through Other Comprehensive Income	301,109	-	-	4,542,852	17,981,127	7,575,362	-	30,400,450
Loans	404,151	37,841,059	31,824,178	90,336,500	103,676,153	26,985,008	23,329,143	314,396,192
Financial Assets Measured at Amortised Cost	-	256,456	340,415	2,919,936	21,071,426	9,709,407	-	34,297,640
Other Assets (*)	16,633,337	3,185,670	1,474,575	1,573,130	876,988	1,818,996	580,927	26,143,623
Total Assets	57,230,527	68,531,335	38,484,515	101,373,858	144,028,557	46,154,734	23,910,070	479,713,596
Liabilities								
Bank Deposits	921,802	269,572	-	-	-	-	-	1,191,374
Other Deposits	138,926,512	137,159,701	26,569,762	4,874,253	86,171	6,538	-	307,622,937
Other Fundings	-	3,164,333	7,077,691	11,465,073	10,751,231	12,781,199	-	45,239,527
Money Market Funds	-	911,646	87	-	-	-	-	911,733
Securities Issued (**)	-	1,420,931	517,073	7,554,224	10,613,038	7,082,867	-	27,188,133
Miscellaneous Payables	13,866,229	3	-	-	-	-	-	13,866,232
Other Liabilities (***)	4,042,260	953,164	899,415	679,905	1,624,520	5,372,585	70,121,811	83,693,660
Total Liabilities	157,756,803	143,879,350	35,064,028	24,573,455	23,074,960	25,243,189	70,121,811	479,713,596
Liquidity Gap	(100,526,27)	(75,348,015)	3,420,487	76,800,403	120,953,597	20,911,545	(46,211,741)	-
Net Off-Balance Sheet Position	-	628,458	403,485	820,636	643,917	(46,063)	-	2,450,433
Derivative Financial Assets	-	45,227,062	45,476,091	18,063,374	6,008,565	1,862,309	-	116,637,401
Derivative Financial Liabilities	-	44,598,604	45,072,606	17,242,738	5,364,648	1,908,372	-	114,186,968
Non-Cash Loans	-	20,764,663	1,406,478	1,644,940	334,196	-	138,849,042	162,999,319
Prior Period								
Total Assets	40,420,274	76,134,113	22,463,826	74,134,823	114,351,217	39,393,090	24,254,927	391,152,270
Total Liabilities	90,776,446	143,368,560	24,118,826	29,344,621	23,422,970	19,138,596	60,982,251	391,152,270
Liquidity Gap	(50,356,172)	(67,234,447)	(1,655,000)	44,790,202	90,928,247	20,254,494	(36,727,324)	-
Net Off-Balance Sheet Position	-	384,646	(752,558)	409,449	591,094	25,751	-	658,382
Derivative Financial Assets	-	47,423,055	26,884,501	18,247,514	8,051,501	2,049,957	-	102,656,528
Derivative Financial Liabilities	-	47,038,409	27,637,059	17,838,065	7,460,407	2,024,206	-	101,998,146
Non-Cash Loans	-	15,466,351	2,071,498	1,496,358	424,098	-	116,504,473	135,962,778

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

(**) Includes securities issued having qualification of subordinated loan presented under subordinated debts in balance sheet.

(***) Shareholders' equity is included in "other liabilities" line under "undistributed" column.

4.7 Leverage ratio

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

The Bank’s leverage ratio calculated by taking average of end of month leverage ratios for the last three-month period is 9.30% (31 December 2019: 9.70%). While the capital increased by 12.74% mainly as a result of increase in net profits, total risk amount increased by 17.67%. Therefore, the current period leverage ratio decreased by 40 basis points compared to prior period.

		<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)	470,415,775	383,691,696
2	(Assets deducted in determining Tier I capital)	(532,005)	(496,261)
3	Total on-balance sheet risks (sum of lines 1 and 2)	469,883,770	383,195,435
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative instruments and credit derivatives	5,955,648	3,048,365
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	19,125,316	17,063,813
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	25,080,964	20,112,178
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	259,922	388,502
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	259,922	388,502
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	149,575,102	144,057,717
11	(Adjustments for conversion to credit equivalent amounts)	(1,752,371)	(1,266,554)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	147,822,731	142,791,163
Capital and total risks			
13	Tier I capital	59,785,099	53,030,842
14	Total risks (sum of lines 3, 6, 9 and 12)	643,047,387	546,487,278
Leverage ratio			
15	Leverage ratio	9.30	9.70

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

4.8 Fair values of financial assets and liabilities

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

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

None.

4.10 Risk management objectives and policies

The notes under this caption are prepared as per the “Regulation on 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 manages all exposed crisis situations within the framework of business continuity policy and business continuity program formed by strategic goals which designate The Bank’s business continuity vision and principles; takes necessary actions.

The Bank's risk appetite framework determines the risk level that the board of directors is prepared to accept in order to accomplish the goals and strategies with the consideration of the capacity of the institution to safely absorb those risks and the Bank monitors regularly risk appetite metrics regarding capital, liquidity, income recurrence and risk based limits.

Risks that the Bank is exposed is managed by providing effective control environment and monitoring limits. Unmitigated risks are either accepted with current risk levels or decreasing/ terminating the activity that causes the risk.

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

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

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

4.10.1.2 Risk weighted amounts

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR) (*)	318,513,227	269,298,816	25,481,058
2	Of which standardised approach (SA)	318,513,227	269,298,816	25,481,058
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	12,721,994	4,682,076	1,017,760
5	Of which standardised approach for counterparty credit risk (SA-CCR)	12,721,994	4,682,076	1,017,760
6	Of which internal model method (IMM)	-	-	-
7	Equity position in banking book under basic risk weighting or internal rating-based	-	-	-
8	Equity investments in funds – look-through approach	-	-	-
9	Equity investments in funds – mandate-based approach	-	-	-
10	Equity investments in funds – 1250% risk weighting Approach	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB supervisory formula approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	13,746,543	9,100,469	1,099,723
17	Of which standardised approach (SA)	13,746,543	9,100,469	1,099,723
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	39,151,987	33,070,929	3,132,159
20	Of which basic indicator approach	39,151,987	33,070,929	3,132,159
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)	384,133,751	316,152,290	30,730,700

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

4.10.2 Linkages between financial statements and risk amounts

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

4.10.3 Credit risk

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

4.10.4 Counterparty credit risk

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

4.10.5 Securitisations

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

4.10.6 Market risk

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

4.10.7 Operational risk

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

4.10.8 Banking book interest rate risk

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

5 Disclosures and Footnotes on Unconsolidated Financial Statements

5.1 Assets

5.1.1 Cash and cash equivalents

5.1.1.1 Cash and balances with Central Bank

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	2,624,593	6,707,220	1,594,581	2,400,426
Central Bank of Turkey	2,701,569	31,466,306	1,691,395	33,942,897
Others	-	1,551,117	-	2,047,209
Total	5,326,162	39,724,643	3,285,976	38,390,532

Balances with the Central Bank of Turkey

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Unrestricted Demand Deposits	2,701,569	10,777,816	1,691,395	10,531,841
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	20,688,490	-	23,411,056
Total	2,701,569	31,466,306	1,691,395	33,942,897

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

5.1.1.2 Banks

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Banks				
Domestic banks	1,083	84,914	30,136	25,667
Foreign banks	583,056	15,641,315	245,489	11,568,196
Foreign head offices and branches	-	-	-	-
Total	584,139	15,726,229	275,625	11,593,863

The placements at foreign banks include blocked accounts amounting TL 3,811,567 (31 December 2019: TL 2,818,396) of which TL 3,598,479 (31 December 2019: TL 2,657,254) and TL 213,088 (31 December 2019: TL 161,142) are kept at the central banks of Malta and Turkish Republic of Northern Cyprus, respectively as reserve deposits.

Due from foreign banks

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

5.1.1.3 Receivables from reserve repo transactions

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Domestic Transactions	5,501,803	-	10,193,163	-
Central Bank of Turkey	-	-	-	-
Banks	5,501,803	-	10,193,163	-
Others	-	-	-	-
Foreign Transactions	-	243,186	-	183,283
Central banks	-	-	-	-
Banks	-	243,186	-	183,283
Others	-	-	-	-
Total	5,501,803	243,186	10,193,163	183,283

5.1.1.4 Expected credit losses for cash and cash equivalents

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Current Period				
Balances at Beginning of Period	149,340	-	-	149,340
Additions during the Period (+)	820,534	-	-	820,534
Disposals (-)	(633,409)	-	-	(633,409)
Transfer to 12 month ECL (Stage1)	-	-	-	-
Transfer to lifetime ECL Significant Increase in Credit Risk (Stage 2)	-	-	-	-
Transfer to lifetime ECL Impaired Credits (Stage 3)	-	-	-	-
Foreign Currency Differences	47,827	-	-	47,827
Balances at End of Period	384,292	-	-	384,292

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Prior Period				
Balances at Beginning of Period	67,276	-	-	67,276
Additions during the Period (+)	405,011	2	-	405,013
Disposals (-)	(333,027)	-	-	(333,027)
Transfer to 12 month ECL (Stage1)	2	(2)	-	-
Transfer to lifetime ECL Significant Increase in Credit Risk (Stage 2)	-	-	-	-
Transfer to lifetime ECL Impaired Credits (Stage 3)	-	-	-	-
Foreign Currency Differences	10,078	-	-	10,078
Balances at End of Period	149,340	-	-	149,340

5.1.2 Information on financial assets measured at fair value through profit/loss

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

None.

5.1.2.2 Financial assets measured at fair value through profit or loss

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Securities	629,734	1,826,056	340,037	91,126
Equity Securities	28,457	30,652	40,078	20,428
Other Financial Assets (*)	30,034	4,824,596	-	4,399,209
Total	688,225	6,681,304	380,115	4,510,763

(*)Financial assets measured at fair value through profit or loss include loan amounting to USD xx (31 December 2019: USD 710,182,828) provided to a special purpose entity. As detailed in Note 5.1.8.2, according to the decision made at the 2018 annual general assembly of related special purpose entity, it was decided to increase the capital of the special purpose entity by TL 3,982,230, all of which will be covered by common receivables. After the capital increase, USD 154,885,708 of the related loan, which corresponds to the share of receivables in the Bank, has been paid off.

This loan is classified under financial assets measured at fair value through profit/loss as per TFRS 9. The fair value of this loan is determined by the independent valuation company based on the weighted average of different methodologies (discounted cash flows, similar market multipliers, same sector transaction multipliers, market value and analyst reports). Upon the result of the independent valuation, the Bank management also evaluated the discounted cash flows and reflected its internal evaluation on the relevant valuation result. In this internal valuation, the Bank has determined to use the interest, depreciation and pre-tax profit (EBITDA) profit margin rates which are observed in previous periods and additional risk premium has added in discounted cash flow model. The corresponding loan is considered as Level 3 based on TFRS 13 "Fair Value Measurement" standard.

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

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

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	13,176,143	3,563,361	1,387,632	1,915,735
Assets subject to Repurchase Agreements	-	-	12,674	-
Total	13,176,143	3,563,361	1,400,306	1,915,735

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

	Current Period	Prior Period
Debt Securities	26,338,704	20,291,894
Quoted at Stock Exchange	26,338,704	20,291,894
Unquoted at Stock Exchange	-	-
Common Shares/Investment Fund	8,351	132,961
Quoted at Stock Exchange	4,491	4,491
Unquoted at Stock Exchange	3,860	128,470
Value Increase/Impairment Losses (-)	4,053,395	4,258,195
Total	30,400,450	24,683,050

Expected losses of TL 224,159 (31 December 2019: TL 83,518). 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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Forward Transactions	154,074	13,092	182,744	14,033
Swap Transactions	3,849,345	2,109,684	848,183	1,040,808
Futures	-	-	-	8,488
Options	22,406	49,048	89,420	264,230
Others	-	-	-	-
Total	4,025,825	2,171,824	1,120,347	1,327,559

5.1.4.2 Derivative financial assets held for hedging purpose

Derivative Financial Assets Held for Hedging Purpose	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Fair Value Hedges	-	-	11,345	6,675
Cash Flow Hedges	517,346	-	412,412	9,349
Net Foreign Investment Hedges	-	-	-	-
Total	517,346	-	423,757	16,024

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

	<i>Current Period</i>			<i>Prior Period</i>		
	Face Value	Asset	Liability	Face Value	Asset	Liability
Interest Rate Swaps	39,171,168	15,693	831,833	57,756,260	24,851	1,092,187
-TL	4,420,000	15,693	62,096	21,365,030	14,243	698,842
-FC	34,751,168	-	769,737	36,391,230	10,608	393,345
Cross Currency Swaps	1,272,154	501,653	62,242	2,785,967	414,930	23,544
-TL	282,084	501,653	-	347,506	409,515	-
-FC	990,070	-	62,242	2,438,461	5,415	23,544
Currency Forwards	-	-	-	-	-	-
-TL	-	-	-	-	-	-
-FC	-	-	-	-	-	-
Total	40,443,322	517,346	894,075	60,542,227	439,781	1,115,731

5.1.4.3 Fair value hedge accounting

<i>Current Period</i>				Net Fair Value Change of Hedging Item		Statement of profit or loss
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item	Asset	Liability	Effect (gains/losses from derivative financial instruments)
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	50,788	-	(55,313)	(4,525)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	-	-	-	-
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	420,637	-	(439,340)	(18,703)
Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	3,606	-	(62,242)	(58,636)

<i>Prior Period</i>				Net Fair Value Change of Hedging Item		Statement of profit or loss
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item	Asset	Liability	Effect (gains/losses from derivative financial instruments)
Interest Rate Swaps	Fixed-rate commercial loans	Interest rate risk	147,422	6,224	(186,490)	(32,844)
Interest Rate Swaps	Fixed-rate mortgage loans	Interest rate risk	14,063	1,691	(15,774)	(20)
Interest Rate Swaps	Fixed-rate securities	Interest rate risk	199,511	4,690	(227,168)	(22,967)
Cross Currency Swaps	Fixed-rate securities	Interest rate and foreign currency exchange rate risk	6,809	5,415	(23,544)	(11,320)

5.1.4.4 Cash flow hedge accounting

Current Period							
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item		Gains/Losses Accounted under Shareholders' Equity in the Period	Gains/Losses Accounted under Statement of Profit/Loss in the Period	Ineffective Portion (net) Accounted under Statement of Profit/Loss
			Asset	Liability			
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	-	(104,204)	(106,659)	(2,646)	(502)
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	15,693	(232,976)	293,450	(251,114)	(64,915)
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	501,653	-	3,901	(12,166)	-

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

Prior Period							
Hedging Item	Hedged Item	Type of Risk	Fair Value Change of Hedged Item		Gains/Losses Accounted under Shareholders' Equity in the Period	Gains/Losses Accounted under Statement of Profit/Loss in the Period	Ineffective Portion (net) Accounted under Statement of Profit/Loss
			Asset	Liability			
Interest Rate Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates	7,075	(554)	(100,304)	47,483	831
Interest Rate Swaps	Floating-rate deposit	Cash flow risk resulted from change in market interest rates	5,171	(662,201)	(602,570)	417,372	(12,174)
Cross Currency Swaps	Floating-rate funds borrowed	Cash flow risk resulted from change in market interest rates and foreign currency exchange rates	409,515	-	(45,838)	(11,946)	-
Currency Forwards	Mail payments	Cash flow risk resulted from foreign currency exchange rates	-	-	50,967	-	-

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

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	-	704,816	62	591,046
Corporates	-	704,816	62	591,046
Individuals	-	-	-	-
Indirect Lendings to Shareholders	99,314	49,222	605	42,165
Loans to Employees	383,652	-	340,289	-
Total	482,966	754,038	340,956	633,211

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

Current Period Cash Loans ^(*) ^(**)	Performing Loans	Loans under Follow-up		
		Non-restructured	Restructured	
			Revised Contract Terms	Refinanced
Loans	255,111,763	21,876,541	7,600,654	11,064,865
Working Capital Loans	52,393,148	3,011,128	461,281	3,220,134
Export Loans	23,401,997	715,785	66,193	197,987
Import Loans	-	-	-	-
Loans to Financial Sector	9,490,676	15,343	-	-
Consumer Loans	55,742,365	4,593,956	2,681,876	35,577
Credit Cards	26,682,361	3,580,398	482,918	-
Others	87,401,216	9,959,931	3,908,386	7,611,167
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	255,111,763	21,876,541	7,600,654	11,064,865

(*) Non-performing loans are not included.

(**) As of 30 September 2020, based on the resolution of the BRSA dated 27 March 2020 and numbered 8970; starting from 17 March 2020 until 31 December 2020, the total amount of the loans that continued to be classified as stage 1 which have past due days between 30 days and 90 days is amounting to TL 182,377 thousands.

Prior Period Cash Loans ^(*)	Performing Loans	Loans under Follow-up		
		Non-restructured	Restructured	
			Revised Contract Terms	Refinanced
Loans	198,547,804	24,054,827	2,490,160	8,773,601
Working Capital Loans	35,637,880	3,816,315	154,395	2,693,560
Export Loans	15,544,542	1,127,858	68,174	166,605
Import Loans	-	-	-	-
Loans to Financial Sector	6,966,225	114	-	-
Consumer Loans	45,885,510	4,639,770	978,953	20,863
Credit Cards	23,725,641	2,976,009	476,277	-
Others	70,788,006	11,494,761	812,361	5,892,573
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	198,547,804	24,054,827	2,490,160	8,773,601

(*) Non-performing loans are not included.

<i>Current Period</i>	Corporate/ Commercial Loans		Consumer Loans		Total	
	TL	FC	TL	FC	TL	FC
Performing Loans (Stage 1)	97,785,555	79,933,606	77,276,060	116,542	175,061,615	80,050,148
Loans under Follow-up (Stage 2)	10,713,933	19,381,528	10,425,131	21,468	21,139,064	19,402,996
Total Stage 1 and 2 Loans	108,499,488	99,315,134	87,701,191	138,010	196,200,679	99,453,144
Expected Credit losses-Stage 1-2 (-)	2,467,018	4,826,279	1,084,049	524	3,551,067	4,826,803
Total Non-performing Loans	7,064,542	8,334,684	3,343,143	-	10,407,685	8,334,684
Expected Credit losses-Stage 3 (-)	5,504,515	4,897,881	2,472,860	-	7,977,375	4,897,881

<i>Prior Period</i>	Corporate/ Commercial Loans		Consumer Loans		Total	
	TL	FC	TL	FC	TL	FC
Performing Loans (Stage 1)	71,676,726	61,675,434	64,990,445	205,199	136,667,171	61,880,633
Loans under Follow-up (Stage 2)	11,382,083	15,600,131	8,326,340	10,034	19,708,423	15,610,165
Total Stage 1 and 2 Loans	83,058,809	77,275,565	73,316,785	215,233	156,375,594	77,490,798
Expected Credit losses-Stage 1-2 (-)	1,546,648	2,592,454	811,454	390	2,358,102	2,592,844
Total Non-performing Loans	7,287,770	6,719,022	3,292,189	-	10,579,959	6,719,022
Expected Credit losses-Stage 3 (-)	5,056,944	3,450,489	2,230,909	-	7,287,853	3,450,489

	<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)	1,711,406	-	1,088,983	-
Significant Increase in Credit Risk (Stage 2)	-	6,666,464	-	3,861,963

As of 30 September 2020, loans amounting to TL 4,025,726 are benefited as collateral under funding transactions (31 December 2019: TL 3,873,550).

Collaterals received for loans under follow-up;

<i>Current Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
	Loans Collateralized by Cash	323,458	24,722	-
Loans Collateralized by Mortgages/Shares	13,249,246	3,130,654	-	16,379,900
Loans Collateralized by Pledged Assets	2,149,141	216,724	-	2,365,865
Loans Collateralized by Cheques and Notes	61,469	4,402	-	65,871
Loans Collateralized by Other Collaterals	10,198,982	3,361,826	-	13,560,808
Unsecured Loans	3,185,039	573,081	4,063,316	7,821,436
Total	29,167,335	7,311,409	4,063,316	40,542,060

<i>Prior Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
	Loans Collateralized by Cash	419,168	18,009	-
Loans Collateralized by Mortgages/Shares	13,428,115	2,929,471	-	16,357,586
Loans Collateralized by Pledged Assets	1,855,642	186,050	-	2,041,692
Loans Collateralized by Cheques and Notes	104,960	3,402	-	108,362
Loans Collateralized by Other Collaterals	7,975,191	2,004,392	-	9,979,583
Unsecured Loans	2,443,640	498,262	3,452,286	6,394,188
Total	26,226,716	5,639,586	3,452,286	35,318,588

Delinquency periods of loans under follow-up;

<i>Current Period (*)</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	184,981	597,064	92,414	874,459
61-90 days	144,302	264,200	54,827	463,329
Others	28,838,052	6,450,145	3,916,075	39,204,272
Total	29,167,335	7,311,409	4,063,316	40,542,060

(*)As of 30 September 2020, based on the resolution of the BRSA dated 17 March 2020 and numbered 8948; starting from 17 March 2020 until 31 December 2020, the total amount of the loans that continued to be classified as stage 2 which have past due days between 90 days and 180 days is amounting to TL 1,230,122.

<i>Prior Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	399,676	922,656	168,270	1,490,602
61-90 days	391,059	278,429	62,244	731,732
Others	25,435,981	4,438,501	3,221,772	33,096,254
Total	26,226,716	5,639,586	3,452,286	35,318,588

5.1.5.3 Maturity analysis of cash loans

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

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

<i>Current Period</i>	Short-Term	Medium and Long-Term	Total
Consumer Loans – TL	1,227,451	58,874,405	60,101,856
Housing Loans	18,343	21,025,401	21,043,744
Automobile Loans	102,185	1,700,918	1,803,103
General Purpose Loans	1,106,923	36,148,086	37,255,009
Other	-	-	-
Consumer Loans – FC-indexed	-	163,212	163,212
Housing Loans	-	163,212	163,212
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans – FC	66	76,269	76,335
Housing Loans	-	46,290	46,290
Automobile Loans	-	19,018	19,018
General Purpose Loans	66	10,961	11,027
Other	-	-	-
Retail Credit Cards – TL	24,290,337	294,091	24,584,428
With Installment	11,743,561	294,091	12,037,652
Without Installment	12,546,776	-	12,546,776
Retail Credit Cards – FC	60,827	-	60,827
With Installment	-	-	-
Without Installment	60,827	-	60,827
Personnel Loans – TL	49,213	182,417	231,630
Housing Loan	-	713	713
Automobile Loans	-	-	-
General Purpose Loans	49,213	181,704	230,917
Other	-	-	-
Personnel Loans - FC-indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans – FC	-	27	27
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	27	27
Other	-	-	-
Personnel Credit Cards – TL	138,826	525	139,351
With Installment	49,585	525	50,110
Without Installment	89,241	-	89,241
Personnel Credit Cards – FC	821	-	821
With Installment	-	-	-
Without Installment	821	-	821
Deposit Accounts– TL (Real persons)	2,468,891	-	2,468,891
Deposit Accounts– TL (Personnel)	11,823	-	11,823
Deposit Accounts– FC (Real persons)	-	-	-
Total	28,248,255	59,590,946	87,839,201

<i>Prior Period</i>	Short-Term	Medium and Long-Term	Total
Consumer Loans – TL	1,593,022	47,435,809	49,028,831
Housing Loans	16,384	19,452,893	19,469,277
Automobile Loans	148,863	1,675,140	1,824,003
General Purpose Loans	1,427,775	26,307,776	27,735,551
Other	-	-	-
Consumer Loans – FC-indexed	-	153,013	153,013
Housing Loans	-	153,013	153,013
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans – FC	209	74,254	74,463
Housing Loans	-	46,576	46,576
Automobile Loans	185	18,319	18,504
General Purpose Loans	24	9,359	9,383
Other	-	-	-
Retail Credit Cards – TL	21,363,651	370,358	21,734,009
With Installment	9,822,361	370,358	10,192,719
Without Installment	11,541,290	-	11,541,290
Retail Credit Cards – FC	138,938	-	138,938
With Installment	-	-	-
Without Installment	138,938	-	138,938
Personnel Loans – TL	36,453	156,398	192,851
Housing Loan	-	724	724
Automobile Loans	-	19	19
General Purpose Loans	36,453	155,655	192,108
Other	-	-	-
Personnel Loans - FC-indexed	-	-	-
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans – FC	18	120	138
Housing Loans	-	-	-
Automobile Loans	-	-	-
General Purpose Loans	18	120	138
Other	-	-	-
Personnel Credit Cards – TL	131,752	529	132,281
With Installment	46,745	529	47,274
Without Installment	85,007	-	85,007
Personnel Credit Cards – FC	1,694	-	1,694
With Installment	-	-	-
Without Installment	1,694	-	1,694
Deposit Accounts– TL (Real persons)	2,062,475	-	2,062,475
Deposit Accounts– TL (Personnel)	13,325	-	13,325
Deposit Accounts– FC (Real persons)	-	-	-
Total	25,341,537	48,190,481	73,532,018

5.1.5.5 Installment based commercial loans and corporate credit cards

<i>Current Period</i>	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans – TL	1,186,939	9,352,971	10,539,910
Real Estate Loans	764	591,487	592,251
Automobile Loans	218,290	2,522,911	2,741,201
General Purpose Loans	967,885	6,238,573	7,206,458
Other	-	-	-
Installment-based Commercial Loans - FC-indexed	-	473,802	473,802
Real Estate Loans	-	53,372	53,372
Automobile Loans	-	76,943	76,943
General Purpose Loans	-	343,487	343,487
Other	-	-	-
Installment-based Commercial Loans – FC	2,170	286,717	288,887
Real Estate Loans	-	-	-
Automobile Loans	2,170	184,334	186,504
General Purpose Loans	-	102,383	102,383
Other	-	-	-
Corporate Credit Cards – TL	5,718,429	225,252	5,943,681
With Installment	2,696,462	225,252	2,921,714
Without Installment	3,021,967	-	3,021,967
Corporate Credit Cards – FC	16,569	-	16,569
With Installment	-	-	-
Without Installment	16,569	-	16,569
Deposit Accounts– TL (Corporates)	1,359,129	-	1,359,129
Deposit Accounts– FC (Corporates)	-	-	-
Total	8,283,236	10,338,742	18,621,978

<i>Prior Period</i>	Short-Term	Medium and Long-Term	Total
Installment-based Commercial Loans – TL	698,237	10,937,099	11,635,336
Real Estate Loans	1,532	541,123	542,655
Automobile Loans	128,728	2,008,812	2,137,540
General Purpose Loans	567,977	8,387,164	8,955,141
Other	-	-	-
Installment-based Commercial Loans - FC-indexed	-	768,231	768,231
Real Estate Loans	-	48,785	48,785
Automobile Loans	-	155,719	155,719
General Purpose Loans	-	563,727	563,727
Other	-	-	-
Installment-based Commercial Loans – FC	222	243,166	243,388
Real Estate Loans	-	-	-
Automobile Loans	-	140,909	140,909
General Purpose Loans	222	102,257	102,479
Other	-	-	-
Corporate Credit Cards – TL	5,002,179	135,481	5,137,660
With Installment	1,830,025	135,481	1,965,506
Without Installment	3,172,154	-	3,172,154
Corporate Credit Cards – FC	33,345	-	33,345
With Installment	-	-	-
Without Installment	33,345	-	33,345
Deposit Accounts– TL (Corporates)	1,336,839	-	1,336,839
Deposit Accounts– FC (Corporates)	-	-	-
Total	7,070,822	12,083,977	19,154,799

5.1.5.6 Allocation of loans by customers

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

5.1.5.7 Allocation of domestic and foreign loans (*)

	<i>Current Period</i>	<i>Prior Period</i>
Domestic Loans	291,493,045	230,820,811
Foreign Loans	4,160,778	3,045,581
Total	295,653,823	233,866,392

(*) Non-performing loans are not included.

5.1.5.8 Loans to associates and subsidiaries

	<i>Current Period</i>	<i>Prior Period</i>
Direct Lending	3,540,820	2,100,490
Indirect Lending	-	-
Total	3,540,820	2,100,490

5.1.5.9 Specific provisions for loans

	<i>Current Period</i>	<i>Prior Period</i>
Substandard Loans - Limited Collectibility	4,287	968,572
Doubtful Loans	587,754	3,153,609
Uncollectible Loans	12,283,215	6,616,161
Total	12,875,256	10,738,342

5.1.5.10 Non-performing (NPLs) (Net)

Non-performing loans and loans restructured from this category

	Group III	Group IV	Group V
	Substandard Loans	Doubtful Loans	Uncollectible Loans
<i>Current Period</i>			
(Gross Amounts before Specific Provisions)	1,671	286,013	4,028,625
Restructured Loans	1,671	286,013	4,028,625
<i>Prior Period</i>			
(Gross Amounts before Specific Provisions)	724,143	2,759,751	760,577
Restructured Loans	724,143	2,759,751	760,577

Movements in non-performing loans groups

<i>Current Period</i>	Group III	Group IV	Group V
	Substandard Loans	Doubtful Loans	Uncollectible Loans
Balances at End of Prior Period	1,984,530	5,110,985	10,203,466
Additions (+)	577,763	585,106	391,372
Transfer from Other NPL Categories (+)	-	2,420,238	6,468,861
Transfer to Other NPL Categories (-)	2,420,238	6,468,861	-
Collections during the Period (-)	130,513	844,290	1,188,196
Write-offs (-)	-	3	1,265
Debt Sale (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Foreign Currency Differences	1,033	265,026	1,787,355
Balances at End of Period	12,575	1,068,201	17,661,593
Provisions (-)	4,287	587,754	12,283,215
Net Balance on Balance Sheet	8,288	480,447	5,378,378

<i>Prior Period</i>	Group III	Group IV	Group V
	Substandard Loans	Doubtful Loans	Uncollectible Loans
Balances at End of Prior Period	2,418,783	4,563,212	4,425,078
Additions (+)	7,870,305	1,301,285	221,459
Transfer from Other NPL Categories (+)	-	7,715,278	7,946,351
Transfer to Other NPL Categories (-)	7,715,278	7,946,351	-
Collections during the Period (-)	632,795	850,014	982,694
Write-offs (-) (*)	-	-	713,174
Debt Sale (-) (**)	-	4,100	948,263
Corporate and Commercial Loans	-	1,761	168,493
Retail Loans	-	1,652	467,396
Credit Cards	-	687	312,374
Other	-	-	-
Foreign Currency Differences	43,515	331,675	254,709
Balances at End of Period	1,984,530	5,110,985	10,203,466
Provisions (-)	968,572	3,153,609	6,616,161
Net Balance on Balance Sheet	1,015,958	1,957,376	3,587,305

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

(**) It all consist of sale of non-performing loans.

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	51	118,972	9,119,559
Provisions (-)	33	110,777	5,454,045
Net Balance at Balance Sheet	18	8,195	3,665,514
<i>Prior Period</i>			
Balance at End of Period	535,431	1,949,226	5,017,607
Provisions (-)	267,427	1,103,723	2,635,324
Net Balance at Balance Sheet	268,004	845,503	2,382,283

Gross and net non-performing loans as per customer categories

	Group III	Group IV	Group V
	Substandard Loans	Doubtful Loans	Uncollectible Loans
<i>Current Period (Net)</i>			
	8,288	480,447	5,378,378
Loans to Individuals and Corporates (Gross)	12,575	1,068,201	17,661,593
Provision (-)	4,287	587,754	12,283,215
Loans to Individuals and Corporates (Net)	8,288	480,447	5,378,378
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans (gross)	-	-	-
Provision (-)	-	-	-
Other Loans (Net)	-	-	-
<i>Prior Period (Net)</i>			
	1,015,958	1,957,376	3,587,305
Loans to Individuals and Corporates (Gross)	1,984,530	5,110,985	10,203,466
Provision (-)	968,572	3,153,609	6,616,161
Loans to Individuals and Corporates (Net)	1,015,958	1,957,376	3,587,305
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans (gross)	-	-	-
Provision (-)	-	-	-
Other Loans (Net)	-	-	-

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

	Group III	Group IV	Group V
	Substandard Loans	Doubtful Loans	Uncollectible Loans
Current Period (Net)	321	3,101	207,578
Interest accruals and valuation differences	424	4,339	593,998
Provision (-)	103	1,238	386,420
Prior Period (Net)	15,776	52,745	140,348
Interest accruals and valuation differences	35,966	126,106	318,442
Provision (-)	20,190	73,361	178,094

Collaterals received for non-performing loans

<i>Current Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	6,265	363	-	6,628
Loans Collateralized by Mortgages	9,339,401	248,906	-	9,588,307
Loans Collateralized by Pledged Assets	1,498,606	50,500	-	1,549,106
Loans Collateralized by Cheques and Notes	188,170	6,067	-	194,237
Loans Collateralized by Other Collaterals	2,936,878	1,785,381	-	4,722,259
Unsecured Loans	1,097,270	277,517	1,307,045	2,681,832
Total	15,066,590	2,368,734	1,307,045	18,742,369

<i>Prior Period</i>	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
Loans Collateralized by Cash	13,433	377	-	13,810
Loans Collateralized by Mortgages	8,640,536	322,843	-	8,963,379
Loans Collateralized by Pledged Assets	1,253,995	59,136	-	1,313,131
Loans Collateralized by Cheques and Notes	175,333	5,714	-	181,047
Loans Collateralized by Other Collaterals	2,579,926	1,666,624	-	4,246,550
Unsecured Loans	1,050,130	273,064	1,257,870	2,581,064
Total	13,713,353	2,327,758	1,257,870	17,298,981

5.1.5.11 Expected credit loss for loans

<i>Current Period</i>	Stage 1	Stage 2	Stage 3	Total
Balances at End of Prior Period	1,088,983	3,861,963	10,738,342	15,689,288
Additions during the Period (+)	2,006,909	5,249,761	1,648,108	8,904,778
Disposals (-)	(1,969,407)	(2,486,825)	(1,007,986)	(5,464,218)
Debt Sales (-)	-	-	-	-
Write-offs (-)	-	-	(1,255)	(1,255)
Transfer to Stage1	728,806	(727,929)	(877)	-
Transfer to Stage 2	(263,018)	263,018	-	-
Transfer to Stage 3	(2,259)	(363,357)	365,616	-
Foreign Currency Differences	121,392	869,833	1,133,308	2,124,533
Balances at End of Period	1,711,406	6,666,464	12,875,256	21,253,126

<i>Prior Period</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balances at End of Prior Period	769,085	3,858,770	6,776,848	11,404,703
Additions during the Period (+)	1,856,777	5,353,628	4,349,984	11,560,389
Disposals (-)	(2,249,307)	(3,051,000)	(884,338)	(6,184,645)
Debt Sales (-)	-	-	(952,363)	(952,363)
Write-offs (-)	-	-	(713,174)	(713,174)
Transfer to Stage1	1,179,288	(1,176,811)	(2,477)	-
Transfer to Stage 2	(481,642)	491,858	(10,216)	-
Transfer to Stage 3	(6,859)	(1,876,567)	1,883,426	-
Foreign Currency Differences	21,641	262,085	290,652	574,378
Balances at End of Period	1,088,983	3,861,963	10,738,342	15,689,288

5.1.5.12 Liquidation policy for uncollectible loans and receivables

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

5.1.5.13 Write-off policy

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

5.1.6 Lease receivable

None.

5.1.7 Financial assets measured at amortised cost

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

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Collateralised/Blocked Investments	10,966,470	6,691,359	3,380,677	4,856,290
Investments subject to Repurchase Agreements	901,029	-	55,581	679,218
Total	11,867,499	6,691,359	3,436,258	5,535,508

5.1.7.2 Government securities measured at amortised cost

	<i>Current Period</i>	<i>Prior Period</i>
Government Bonds	32,918,708	27,558,636
Treasury Bills	90,090	-
Other Government Securities	-	-
Total	33,008,798	27,558,636

5.1.7.3 Financial assets measured at amortised cost

	<i>Current Period</i>	<i>Prior Period</i>
Debt Securities	29,563,698	21,292,404
Quoted at Stock Exchange	28,355,759	20,358,959
Unquoted at Stock Exchange	1,207,939	933,445
Valuation Increase/(Decrease)	4,733,942	7,324,514
Total	34,297,640	28,616,918

5.1.7.4 Movement of financial assets measured at amortised cost

	<i>Current Period</i>	<i>Prior Period</i>
Balances at Beginning of Period	28,616,918	25,432,283
Foreign Currency Differences On Monetary Assets	2,578,694	869,946
Purchases during the Period	7,069,640	1,248,680
Disposals through Sales/Redemptions	(2,691,117)	(179,054)
Valuation Effect	(1,276,495)	1,245,063
Balances at End of Period	34,297,640	28,616,918

5.1.7.5 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	124,434	-	-	124,434
Additions during the Period (+)	247,571	-	-	247,571
Disposal (-)	(68,969)	-	-	(68,969)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	17,506	-	-	17,506
Balances at End of Period	320,542	-	-	320,542

<i>Prior Period</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balances at End of Prior Period	56,141	-	-	56,141
Additions during the Period (+)	87,544	-	-	87,544
Disposal (-)	(22,041)	-	-	(22,041)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Foreign Currency Differences	2,790	-	-	2,790
Balances at End of Period	124,434	-	-	124,434

5.1.8 Assets held for sale and assets of discontinued operations

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

	<i>Current Period</i>	<i>Prior Period</i>
End of Prior Period		
Cost	1,010,245	799,989
Accumulated Depreciation (-)	(12,171)	(13,291)
Net Book Value	998,074	786,698
End of Current Period		
Additions	134,787	371,559
Disposals (Cost)	(279,849)	(183,350)
Disposals (Accumulated Depreciation)	294	1,120
Impairment Losses	25,585	22,047
Depreciation Expense for Current Period (-)	-	-
Cost	890,768	1,010,245
Accumulated Depreciation (-)	(11,877)	(12,171)
Net Book Value	878,891	998,074

5.1.8.2 Investments in subsidiaries and associates to be disposed

	<i>Current Period</i>	<i>Prior Period</i>
End of Prior Period		
Cost	881,140	11
Impairment Losses (-)	(587,940)	-
Net Book Value	293,200	11
End of Current Period		
Additions(*)	-	881,129
Disposals (Cost)	-	-
Disposals (Accumulated Depreciation)	-	-
Impairment Losses (-)	(293,200)	(587,940)
Depreciation Expense for Current Period	-	-
Cost	881,140	881,140
Impairment Losses (-)	(881,140)	(587,940)
Net Book Value	-	293,200

(*)Within the context of the existing loan agreements, all creditors including the Bank have reached an agreement on restructuring the loans granted to Ojer Telekomünikasyon A.Ş. (OTAŞ) who is the main shareholder of Türk Telekomünikasyon A.Ş. (Türk Telekom) and it is contemplated that Türk Telekom's number of 192,500,000,000 A group shares owned by OTAŞ, representing 55% of its issued share capital corresponding to A group shares have been pledged as a guarantee for the existing facilities would be taken over by a special purpose entity which is incorporated or will be incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. As per the agreed structure, it is agreed on the corresponding agreements, completed all required corporate and administrative permissions and the transaction is concluded by a transfer of the aforementioned shares to the special purpose entity incorporated in the Turkish Republic, and owned by directly or indirectly by all creditors. In this context, the Bank owned 22.1265% of the founded special purpose entity and the related investment is considered within the scope of TFRS 5 "Assets Held for Sale and Discontinued Operations".

As per the decision made at the 2018 annual general assembly of related special purpose entity, it was decided to increase the capital of the special purpose entity by TL 3,982,230, all of which will be covered by common receivables. The Entity's paid-in capital after the general assembly had been TL 3,982,280. The Bank's shareholding ratios in the Entity's capital did not change as a result of the increase, and the nominal value of the direct shares increased from TL 11 to TL 881.140 and the number of shares increased from 1.106.325 to 88.114.036.863. As explained the details before the capital

increase in Note 5.1.2.2 , valuation differences recorded on the financial asset are presented as impairment in Assets Held for Sale and Discontinued Operations after capital increase. In the current year, all of the assets acquired under TFRS 5 was impaired.

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

5.1.9 Investments in associates

5.1.9.1 Investments in associates

	Associate	Address (City/ Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1	Bankalararası Kart Merkezi AŞ ⁽¹⁾	İstanbul/Turkey	4.98	4.98
2	Yatırım Finansman Menkul Değerler AŞ ⁽¹⁾	İstanbul/Turkey	0.77	0.77
3	İstanbul Takas ve Saklama Bankası AŞ ⁽¹⁾	İstanbul/Turkey	4.95	4.97
4	Borsa İstanbul AŞ ⁽²⁾	İstanbul/Turkey	0.30	0.34
5	KKB Kredi Kayıt Bürosu AŞ ⁽¹⁾	İstanbul/Turkey	9.09	9.09
6	Türkiye Cumhuriyet Merkez Bankası AŞ ⁽²⁾	Ankara /Turkey	2.48	2.48
7	Kredi Garanti Fonu AŞ ⁽¹⁾	Ankara /Turkey	1.49	1.49
8	JCR Avrasya Derecelendirme A.Ş. ⁽¹⁾	İstanbul / Turkey	2.86	2.86
9	Birleşik İpotek Finansmanı A.Ş. ⁽³⁾	İstanbul / Turkey	8.33	8.33

	Total Assets	Shareholders ' Equity	Total Fixed Assets ^(*)	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	247,600	201,657	79,862	2,372	-	19,616	17,418	-
2	1,277,018	137,882	9,919	3,907	260	18,842	9,353	-
3	22,110,322	2,256,394	116,940	169,492	40,323	233,081	343,969	-
4	18,373,660	3,460,082	631,470	95,859	-	1,009,438	1,173,543	-
5	377,846	250,947	251,972	3,421	118	33,800	16,401	-
6	786,013,203	51,839,421	621,220	30,964,836	3,733,945	44,732,807	56,279,555	-
7	1,251,576	732,347	20,968	15,768	-	108,496	74,723	-
8	31,238	25,827	22,785	666	-	6,146	2,082	-
9	-	-	-	-	-	-	-	-

(1) Financial information is as of 30 June 2020.

(2) Financial information is as of 31 December 2019.

(3) Financial information is not available since the company is newly established in March 2020.

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

5.1.9.2 Movement of investments in associates

	Current Period	Prior Period
Balance at Beginning of Period	35,158	35,158
Movements during the Period	9,246	-
Acquisitions ^(*)	3,588	-
Bonus Shares Received	5,782	-
Dividends from Current Year Profit	-	-
Sales	-	-
Increase in Market Values	-	-
Impairment Reversals/(Losses)	(124)	-
Balance at End of Period	44,404	35,158
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

(*) Associates acquired during the current period is presented in Note 5.1.9.7

5.1.9.3 Sectoral distribution of investments and associates

Investments in Associates	Current Period	Prior Period
Banks	25,557	25,557
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	6,645	5,935
Other Associates	12,202	3,666

5.1.9.4 Quoted associates

None.

5.1.9.5 Valuation methods of investments in associates

Investments in Associates	Current Period	Prior Period
Valued at Cost	44,404	35,158
Valued at Fair Value	-	-

5.1.9.6 Investments in associates sold during the current period

None.

5.1.9.7 Investments in associates acquired during the current period

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

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

5.1.10 Investments in subsidiaries

5.1.10.1 Information on capital adequacy of major subsidiaries

The Bank does not have any capital needs for its subsidiaries included in the calculation of its consolidated capital adequacy standard ratio. Information on capital adequacy of major subsidiaries is presented below.

<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	1,235,761	357,848	3,467,040
Share Premium	-	-	116,717
Share Cancellation Profits	-	-	-
Legal Reserves	1,054,340	646,432	157,878
Other Comprehensive Income according to TAS	3,083,596	-	107,578
Current and Prior Periods' Profits	50,743	118,677	168,486
Common Equity Tier I Capital Before Deductions	5,424,440	1,122,957	4,017,699
Deductions From Common Equity Tier I Capital			
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	24,045	668	1,066,272
Leasehold Improvements on Operational Leases (-)	-	-	1,126
Goodwill and Other Intangible Assets and Related Deferred Taxes (-)	52,072	14,988	488,823
Net Deferred Tax Asset/Liability (-)	-	-	138
Total Deductions from Common Equity Tier I Capital	76,117	15,656	1,556,359
Total Common Equity Tier I Capital	5,348,323	1,107,301	2,461,340
Total Deductions From Tier I Capital	-	-	-
Total Tier I Capital	5,348,323	1,107,301	2,461,340
TIER II CAPITAL	449,810	-	89,882
TOTAL CAPITAL	5,798,133	1,107,301	2,551,222

<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	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

5.1.10.2 Investments in subsidiaries

	Subsidiary	Address (City/ Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1	Garanti Bilişim Teknolojisi ve Tic. TAŞ	Istanbul/Turkey	100.00	100.00
2	Garanti Ödeme Sistemleri AŞ	Istanbul/Turkey	99.96	100.00
3	Garanti Kültür AŞ	Istanbul/Turkey	100.00	100.00
4	Garanti Konut Finansmanı Danışmanlık Hiz. AŞ	Istanbul/Turkey	100.00	100.00
5	Garanti Finansal Kiralama AŞ	Istanbul/Turkey	100.00	100.00
6	Garanti Faktoring AŞ	Istanbul/Turkey	81.84	81.84
7	Garanti Yatırım Menkul Kıymetler AŞ	Istanbul/Turkey	100.00	100.00
8	Garanti Portföy Yönetimi AŞ	Istanbul/Turkey	100.00	100.00
9	Garanti Emeklilik ve Hayat AŞ	Istanbul/Turkey	84.91	84.91
10	Garanti Bank International NV	Amsterdam/the Netherlands	100.00	100.00
11	Garanti Holding BV	Amsterdam/the Netherlands	100.00	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
1	121,501	113,280	42	7,022	-	5,926	23,091	-
2	40,279	23,022	464	1,024	-	3,526	2,448	-
3	4,338	1,852	1,063	-	-	38	60	-
4	6,068	4,715	3	290	-	354	803	-
5	5,857,043	1,124,178	20,928	321,468	-	118,677	94,109	-
6	2,752,637	199,282	16,042	197,204	860	35,484	31,790	-
7	1,252,855	657,939	29,980	14,743	10,578	335,701	103,643	-
8	204,059	179,734	1,558	6,468	2,678	44,404	23,050	-
9	2,724,606	1,001,760	44,748	93,985	60,766	330,122	342,321	-
10	29,233,273	5,391,324	334,976	429,706	9,835	50,743	33,638	-
11	3,062,817	3,060,218	-	-	-	(546)	(400)	-

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

5.1.10.3 Movement of investments in subsidiaries

	<i>Current Period</i>	<i>Prior Period</i>
Balances at Beginning of Period	8,551,720	7,024,751
Movements during the Period	2,399,226	1,526,969
Acquisitions	-	-
Bonus Shares Received	382,110	-
Earnings from Current Year Profit	1,014,840	893,943
Sales/Liquidations	-	(352)
Reclassification of Shares	-	-
Increase/(Decrease) in Market Values (*)	(974,583)	131,006
Currency Differences on Foreign Subsidiaries	1,976,859	502,372
Impairment Reversals/(Losses)	-	-
Balance at End of Period	10,950,946	8,551,720
Capital Commitments	-	-
Share Percentage at the End of Period (%)	-	-

(*) TL 594,393 of this amount is due to the dividend distribution of Garanti Emeklilik AŞ as per the decision made at its Annual General Assembly meeting held on 30 September 2020.

5.1.10.4 Sectoral distribution of investments in subsidiaries

Subsidiaries	<i>Current Period</i>	<i>Prior Period</i>
Banks	5,376,574	3,921,883
Insurance Companies	850,590	1,153,607
Factoring Companies	163,036	134,182
Leasing Companies	1,124,174	1,018,498
Finance Companies	3,332,552	2,219,530
Other Subsidiaries	104,020	104,020

5.1.10.5 Quoted consolidated investments in subsidiaries

	<i>Current Period</i>	<i>Prior Period</i>
Quoted at Domestic Stock Exchange	163,036	134,182
Quoted at Foreign Stock Exchange	-	-

5.1.10.6 Valuation methods of investments in subsidiaries

Subsidiaries	<i>Current Period</i>	<i>Prior Period</i>
Valued at Cost	104,020	104,020
Valued at Fair Value (*)	10,846,926	8,447,700

(*) The balances are as per the results of equity accounting application.

5.1.10.7 Investments in subsidiaries disposed during the current period

None.

5.1.10.8 Investments in subsidiaries acquired during the current period

None.

5.1.11 Investments in Joint-Ventures

None.

5.1.12 Tangible assets

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

5.1.13 Intangible assets

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

5.1.14 Investment property

	<i>Current Period</i>	<i>Prior Period</i>
Net Book Value at Beginning Period	703,141	690,700
Additions	-	35,343
Disposals	-	(268)
Transfers to Tangible Assets	24,213	-
Fair Value Change	8,112	(22,634)
Net Book Value at End of Current Period	735,466	703,141

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

5.1.15 Deferred tax asset

As of 30 September 2020, the Bank has a deferred tax asset of TL 2,403,185 (31 December 2019: TL 1,710,519) calculated as the net amount remaining after netting of tax deductible timing differences and taxable timing differences.

The Bank does not have any deferred tax assets on tax losses carried forward or tax deductions and exemptions as of 30 September 2020. However, there is a deferred tax asset of TL 3,344,260 (31 December 2019: TL 2,036,051) and deferred tax liability of TL 941,075 (31 December 2019: TL 325,532) presented as net in the accompanying financial statements on all taxable temporary differences arising between the carrying amounts and the taxable amounts of assets and liabilities on the financial statements that will be considered in the calculation of taxable earnings in the future periods.

For the cases where such differences are related with certain items on the shareholders’ equity accounts, the deferred taxes are charged or credited directly to these accounts.

	<i>Current Period</i>		<i>Prior Period</i>	
	Tax Base	Deferred Tax Amount	Tax Base	Deferred Tax Amount
Provisions (*)	3,829,411	805,111	2,149,699	446,100
Stages 1&2 Credit Losses	9,745,241	2,004,754	5,636,965	1,181,846
Differences between the Carrying Values and Taxable Values of Financial Assets (**)	(1,029,207)	(175,494)	826,480	202,812
Revaluation Differences on Real Estates	(2,087,567)	(208,757)	(1,867,500)	(186,750)
Other	(113,847)	(22,429)	292,470	66,511
Deferred Tax Asset	10,344,031	2,403,185	7,038,114	1,710,519

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

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

As of 30 September 2020, TL 539,400 deferred tax income (30 September 2019: TL 338,970 deferred tax income) and TL 163,375 (30 September 2019: TL 96,610 deferred tax income) of deferred tax income are recognised in the statement of profit or loss and the shareholders’ equity, respectively.

5.1.16 Other Assets

5.1.16.1 Prepaid expenses, taxes and similar items

	<i>Current Period</i>		<i>Prior Period</i>	
	TP	YP	TP	YP
Derivative Assets (Derivative Quarantees)	601,446	11,565,033	287,270	6,845,390
Receivables From Clearing Transactions	4,439,355	26,366	3,306,061	76,901
Prepaid Expenses	1,973,937	1,203	1,358,175	290
Cash Guarantees Given	12,408	1,044,966	12,496	939,734
Receivables From Forward Sale of Assets	1,137	151,988	1,137	114,591
Other	841,379	215,760	247,200	125,821
Total	7,869,662	13,005,316	5,212,339	8,102,727

5.2 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	24,299,053	-	4,309,863	54,047,651	387,072	197,816	1,169,206	2,011	84,412,672
Foreign Currency Deposits	80,438,933	-	9,562,794	60,837,466	1,680,525	1,256,945	3,976,543	40,370	157,793,576
Residents in Turkey	77,488,854	-	8,893,988	58,217,937	1,474,724	919,702	2,782,716	39,026	149,816,947
Residents in Abroad	2,950,079	-	668,806	2,619,529	205,801	337,243	1,193,827	1,344	7,976,629
Public Sector Deposits	1,439,500	-	29,725	72,881	52	10	-	-	1,542,168
Commercial Deposits	14,004,915	-	11,024,330	12,496,425	535,453	22,956	251,686	-	38,335,765
Other	370,923	-	240,502	1,624,997	1,037,072	556	2,313,874	-	5,587,924
Precious Metal Deposits	18,373,188	-	-	225,869	440,202	44,362	867,211	-	19,950,832
Bank Deposits	921,802	-	252,007	14,112	-	708	2,745	-	1,191,374
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	4,790	-	-	-	-	-	-	-	4,790
Foreign Banks	694,422	-	252,007	14,112	-	708	2,745	-	963,994
Special Financial Institutions	222,590	-	-	-	-	-	-	-	222,590
Other	-	-	-	-	-	-	-	-	-
Total	139,848,314	-	25,419,221	129,319,401	4,080,376	1,523,353	8,581,265	42,381	308,814,311

<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	17,315,932	-	3,109,278	51,643,663	487,482	373,746	1,585,582	2,370	74,518,053
Foreign Currency Deposits	38,704,677	-	12,917,078	66,405,651	2,227,526	2,175,099	3,631,442	34,608	126,096,081
Residents in Turkey	37,099,501	-	12,631,371	63,913,198	2,008,619	1,812,697	1,568,535	33,422	119,067,343
Residents in Abroad	1,605,176	-	285,707	2,492,453	218,907	362,402	2,062,907	1,186	7,028,738
Public Sector Deposits	1,283,224	-	19,396	39,676	-	11	58	-	1,342,365
Commercial Deposits	11,496,077	-	8,763,991	11,454,640	123,178	80,840	1,215,989	-	33,134,715
Other	320,716	-	142,512	601,501	2,407	246,285	3,730,349	-	5,043,770
Precious Metal Deposits	4,958,792	-	2,342	179,827	343,121	36,038	613,179	-	6,133,299
Bank Deposits	2,295,128	-	176,394	667	902	4,753	4,964	-	2,482,808
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	2,959	-	-	-	-	4,753	-	-	7,712
Foreign Banks	331,337	-	176,394	667	902	-	4,964	-	514,264
Special Financial Institutions	1,960,832	-	-	-	-	-	-	-	1,960,832
Other	-	-	-	-	-	-	-	-	-
Total	76,374,546	-	25,130,991	130,325,625	3,184,616	2,916,772	10,781,563	36,978	248,751,091

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	43,990,805	39,635,661	39,843,516	34,348,632
Foreign Currency Saving Deposits	24,477,823	20,431,430	73,018,300	59,516,383
Other Saving Deposits	8,822,080	3,179,119	9,708,737	2,560,389
Foreign Branches' Deposits Under Foreign Insurance Coverage	1,412,913	1,169,315	286	57
Off-Shore Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-

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

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

5.2.1.3 Saving deposits not covered by insurance limits

	Current Period	Prior Period
Deposits and Other Accounts held at Foreign Branches	20,455	19,694
Deposits and Other Accounts held by Shareholders and their Relatives	-	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	135,001	154,297
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	-	-

5.2.2 Funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	478,435	1,343,702	-	860,923
Domestic Banks and Institutions	977,848	1,584,900	597,488	783,481
Foreign Banks, Institutions and Funds	-	25,439,054	1,089,844	21,791,087
Total	1,456,283	28,367,656	1,687,332	23,435,491

5.2.2.1 Maturities of funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	1,428,778	1,679,506	597,488	1,233,172
Medium and Long-Term	27,505	26,688,150	1,089,844	22,202,319
Total	1,456,283	28,367,656	1,687,332	23,435,491

5.2.2.2 Disclosures for concentration areas of bank's liabilities

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

5.2.3 Money market funds

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Domestic Transactions	911,666	-	67,722	-
Financial Institutions and Organizations	865,937	-	16,856	-
Other Institutions and Organizations	15,367	-	15,124	-
Individuals	30,362	-	35,742	-
Foreign Transactions	67	-	81	436,372
Financial Institutions and Organizations	-	-	-	436,372
Other Institutions and Organizations	22	-	-	-
Individuals	45	-	81	-
Total	911,733	-	67,803	436,372

5.2.4 Securities issued

<i>Current Period</i>	TL		FC	
	Short-Term	Medium and Long-Term	Short-Term	Medium and Long-Term
Nominal	5,628,115	2,267,502	-	14,789,829
Cost	5,452,884	2,239,143	-	14,694,543
Carrying Value (*)	5,490,471	1,433,381	-	13,364,863

(*) The Bank repurchased its own TL securities with a total face value of TL 876,948 and foreign currency securities with a total face value of USD 207,348,000 (31 December 2019: USD 206,943,000) and netted off such securities in the accompanying financial statements.

<i>Prior Period</i>	TL		FC	
	Short-Term	Medium and Long-Term	Short-Term	Medium and Long-Term
Nominal	4,832,937	2,032,018	-	11,400,440
Cost	4,822,428	2,030,144	-	11,327,075
Carrying Value (*)	4,825,540	1,210,544	-	10,371,648

(*) The Bank repurchased its own TL securities with a total face value of TL 863,079 and foreign currency securities with a total face value of USD 206,943,000 (31 December 2019: USD 206,943,000) and netted off such securities in the accompanying financial statements.

5.2.5 Financial liabilities measured at fair value through profit/loss

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC		
Funds Borrowed	-	15,415,588	-	14,292,878
Total	-	15,415,588	-	14,292,878

In accordance with TFRS 9, the Bank classified a part of borrowings obtained through securitisations amounting to USD 2,368,303,572 (31 December 2019: USD 2,511,607,143) as financial liability at fair value through profit/loss at the initial recognition in order to eliminate the accounting mismatch.

As of 30 September 2020, the accumulated fair value change of the related financial liabilities amounted to TL 2,860,736 (31 December 2019: TL 725,306) and the corresponding gains/losses recognised in the statement of profit amounted to TL 2,135,430 (30 September 2019: TL 208,469). The carrying value of the related financial liability amounted to TL 15,415,588 (31 December 2019: TL 14,292,878).

5.2.6 Derivative financial liabilities

5.2.6.1 Negative differences on derivative financial liabilities measured at FVTPL

	Current Period		Prior Period	
	TP	YP	TP	YP
Forward Transactions	349,515	6,825	155,695	5,666
Swap Transactions	1,297,921	4,800,416	909,755	1,685,533
Futures	-	794	-	-
Options	30,703	47,242	112,257	99,937
Others	-	-	-	-
Total	1,678,139	4,855,277	1,177,707	1,791,136

5.2.6.2 Derivative financial liabilities held for hedging purpose

Derivative Financial Liabilities held for Hedging Purpose	Current Period		Prior Period	
	TL	FC	TL	FC
Fair Value Hedges	-	556,895	104,982	347,994
Cash Flow Hedges	62,096	275,084	593,860	68,895
Net Foreign Investment Hedges	-	-	-	-
Total	62,096	831,979	698,842	416,889

5.2.7 Lease liabilities (Net)

5.2.7.1 Operational lease liabilities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Up to 1 Year	324,061	252,522	348,351	212,932
1-4 Years	633,218	493,430	756,435	462,377
More than 4 Years	435,647	339,475	541,245	330,839
Total	1,392,926	1,085,427	1,646,031	1,006,148

As of 30 September 2020, the weighted average of the incremental borrowing interest rates applied to TL, EUR and USD lease liabilities presented in the statement of financial position of the Bank are 9.7%, 0.7% and 7.0% (31 December 2019: 21.2%, 3.1% and 7%) respectively.

5.2.8 Provisions

5.2.8.1 Reserve for employee severance indemnity

	Current Period	Prior Period
Balances at Beginning of Period	538,697	471,126
Provision for the Period	94,136	135,756
Actuarial Gain/Loss	-	(2,926)
Payments During the Period	(28,826)	(65,259)
Balances at End of Period	604,007	538,697

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

None (31 December 2019: None).

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

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

5.2.8.4 Other provisions

	Current Period	Prior Period
Reserve for Employee Benefits	1,128,802	1,144,956

Provision for Promotion Expenses of Credit Cards	207,561	162,688
Provision for Lawsuits	504,004	475,362
Provision for Non-Cash Loans	1,699,853	1,211,155
Other Provisions (*)	4,917,820	2,737,585
Total	8,458,040	5,731,746

(*)Includes total general reserve of TL 4,330,000 (31 December 2019: 2,500,000) consisting of TL 1,830,000 and TL 2,500,000 recognized as expense in the current period and prior periods, respectively.

Recognized liability for defined benefit plan obligations

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

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

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

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

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

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

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

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

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

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

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

5.2.9 Tax liability

5.2.9.1 Current tax liability

5.2.9.1.1 Tax liability

As of 30 September 2020, the corporate tax liability amounts to TL 236,174 (31 December 2019: TL 609,369) after offsetting with prepaid taxes. If the differences arising between the book value and the tax base value of the assets subject to the current tax liability are related to the shareholders' equity account group, the current tax asset or liability is netted off by the relevant accounts in this group.

5.2.9.1.2 Taxes payable

	<i>Current Period</i>	<i>Prior Period</i>
Corporate Taxes Payable	236,174	609,369
Taxation on Securities Income	137,172	190,677
Taxation on Real Estates Income	2,270	5,321
Banking Insurance Transaction Tax	147,086	201,870
Foreign Exchange Transaction Tax	66,904	10,997
Value Added Tax Payable	33,862	30,622
Others	72,123	79,377
Total	695,591	1,128,233

5.2.9.1.3 Premiums

	<i>Current Period</i>	<i>Prior Period</i>
Social Security Premiums-Employees	106	99
Social Security Premiums-Employer	130	121
Bank Pension Fund Premium-Employees	552	37
Bank Pension Fund Premium-Employer	782	37
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	1,865	1,653
Unemployment Insurance-Employer	3,767	3,331
Others	70	39
Total	7,272	5,317

5.2.9.2 Deferred tax liability

None (31 December 2019: None).

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

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

5.2.11 Subordinated debts

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

5.2.12 Other liabilities

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Payables from credit card transactions	12,509,308	123,133	9,955,158	119,683
Payables from clearing transactions	3,969,637	5,496	2,978,282	74,119
Other	1,088,173	1,748,870	1,058,697	1,436,241
Total	17,567,118	1,877,499	13,992,137	1,630,043

5.2.13 Shareholders' equity

5.2.13.1 Paid-in capital

	<i>Current Period</i>	<i>Prior Period</i>
Common Shares	4,200,000	4,200,000
Preference Shares	-	-

5.2.13.2 Registered share capital system

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

5.2.13.3 Capital increases in current period

None.

5.2.13.4 Capital increases from capital reserves in current period

None.

5.2.13.5 Capital commitments for current and future financial periods

None.

5.2.13.6 Possible effect of estimations made for the parent bank's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties

None.

5.2.13.7 Information on privileges given to stocks representing the capital

None.

5.2.13.8 Securities value increase fund

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC		
Investments in Associates, Subsidiaries and Joint-Ventures	5,395,445	215,005	3,420,702	211,201
Valuation difference	5,395,445	215,005	3,420,702	211,201
Exchange rate difference	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	338,327	(606,867)	(41,778)	48,975
Valuation difference	336,663	(606,867)	(41,778)	48,975
Exchange rate difference	1,664	-	-	-
Total	5,733,772	(391,862)	3,378,924	260,176

5.2.13.9 Revaluation surplus

	<i>Current Period</i>		<i>Prior Period</i>	
	TL	FC	TL	FC
Movables	61,772	8,547	24,125	194,826
Real Estates	1,606,512	98,747	1,423,652	72,955
Gain on Sale of Investments in Associates and Subsidiaries and Real Estates allocated for Capital Increases	-	-	-	-
Other	(172,393)	-	(172,393)	-
Total	1,495,891	107,294	1,275,384	267,781

5.2.13.10 Bonus shares of associates, subsidiaries and joint-ventures

	<i>Current Period</i>	<i>Prior Period</i>
Bankalararası Kart Merkezi A.Ş.	5,781	-
Garanti Yatırım Menkul Değerler AŞ	942	942
Kredi Kartları Bürosu AŞ	481	481
Garanti Ödeme Sistemleri AŞ	401	401
Doğuş Gayrimenkul Yatırım Ortaklığı AŞ	22	22
Yatırım Finansman Menkul Değerler AŞ	9	9
Total	7,636	1,855

5.2.13.11 Legal reserves

	<i>Current Period</i>	<i>Prior Period</i>
I. Legal Reserve	961,534	961,534
II. Legal Reserve	503,840	503,840
Special Reserves		-
Total	1,465,374	1,465,374

5.2.13.12 Extraordinary reserves

	<i>Current Period</i>	<i>Prior Period</i>
Legal reserves that was allocated to be in compliance with the decisions made on the Annual General Assembly	43,934,411	37,705,498

5.3 Off-Balance Sheet Items

5.3.1 Off-balance sheet contingencies

5.3.1.1 Irrevocable credit commitments

The Bank has term asset purchase and sale commitments of TL 21,082,997 (31 December 2019: TL 15,360,864), commitments for cheque payments of TL 3,159,464 (31 December 2019: TL 3,184,727) and commitments for credit card limits of TL 44,029,982 (31 December 2019: TL 37,522,327).

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

	Current Period	Prior Period
Letters of Guarantee in Foreign Currency	32,829,349	25,924,721
Letters of Guarantee in TL	28,067,648	23,555,242
Letters of Credit	7,766,110	9,361,115
Bills of Exchange and Acceptances	2,141,354	1,579,043
Prefinancings	-	-
Other Guarantees	126,236	74,179
Total	70,930,697	60,494,300

Expected losses for non-cash loans and irrevocable commitments

	Stage 1	Stage 2	Stage 3	Total
Current Period				
Balances at Beginning of Period	238,320	350,262	622,573	1,211,155
Additions during the Period (+)	348,955	417,558	231,048	997,561
Disposals (-)	(332,932)	(148,590)	(243,153)	(724,675)
Sales (-)	-	-	-	-
Write-offs (-)	-	-	-	-
Transfer to Stage 1	91,682	(91,347)	(335)	-
Transfer to Stage 2	(30,561)	30,624	(63)	-
Transfer to Stage 3	(183)	(3,193)	3,376	-
Foreign Currency Differences	31,814	69,956	114,042	215,812
Provisions at End of Period	347,095	625,270	727,488	1,699,853

	Stage 1	Stage 2	Stage 3	Total
Prior Period				
Balances at Beginning of Period	121,505	244,658	282,169	648,332
Additions during the Period (+)	298,618	453,134	341,285	1,093,037
Disposals (-)	(251,787)	(178,793)	(146,355)	(576,935)
Sales (-)	-	-	-	-
Write-offs (-)	-	-	-	-
Transfer to Stage 1	89,164	(88,747)	(417)	-
Transfer to Stage 2	(25,129)	26,439	(1,310)	-
Transfer to Stage 3	(381)	(119,323)	119,704	-
Foreign Currency Differences	6,330	12,894	27,497	46,721
Provisions at End of Period	238,320	350,262	622,573	1,211,155

Lifetime expected credit loss (Stage 3) of TL 727,488 (31 December 2019: TL 622,573) is made for unliquidated non-cash loans of TL 1,492,660 (31 December 2019: TL 1,539,690) 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	13,316,238	11,045,938
With Original Maturity of 1 Year or Less	1,330,944	1,673,837
With Original Maturity of More Than 1 Year	11,985,294	9,372,101
Other Non-Cash Loans	57,614,459	49,448,362
Total	70,930,697	60,494,300

5.3.1.4 *Sectoral risk concentration of non-cash loans*

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

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

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

5.3.2 **Financial derivative instruments**

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

5.3.3 **Credit derivatives and risk exposures on credit derivatives**

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

5.3.4 **Contingent liabilities and assets**

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

5.3.5 **Services rendered on behalf of third parties**

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

5.4 Statement of Profit or Loss

5.4.1 Interest income

5.4.1.1 Interest income from loans (*)

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest income received from loans				
Short-term loans	5,363,139	366,571	7,967,555	414,030
Medium and long-term loans	11,806,854	3,704,412	12,157,510	3,691,200
Loans under follow-up	406,485	179,631	386,654	96,274
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	17,576,478	4,250,614	20,511,719	4,201,504

(*) Includes also the fee and commission income on cash loans

5.4.1.2 Interest income from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	292	-	10,979	31,218
Domestic Banks	35,106	877	181,323	3,252
Foreign Banks	1,431	31,486	5,276	256,251
Foreign Head Offices and Branches	-	-	-	-
Total	36,829	32,363	197,578	290,721

5.4.1.3 Interest income from securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Measured at Fair Value through Profit or Loss	55,733	24,666	47,149	5,392
Financial Assets Measured at Fair Value through Other Comprehensive Income	1,602,965	317,042	1,890,574	327,447
Financial Assets Measured at Amortised Cost	1,838,083	293,182	2,061,769	252,093
Total	3,496,781	634,890	3,999,492	584,932

As disclosed in the accounting policies, the Bank values CPI-indexed government bonds in its securities portfolio according to the reference index on the issue date and the index that is calculated according to the expected inflation rate. The inflation rate used during the valuation is being updated during the year when it is considered necessary. The estimated inflation rate which was taken as 8.5% in the first three months of 2020, was updated to 7.5% as of 1 April 2020. If the valuation of such securities was performed according to the reference index valid as of 30 September 2020, the parent Bank's securities value increase fund under the equity would decrease by TL 89,228 (net), whereas the interest income on securities portfolio would increase by TL 238,924.

5.4.1.4 Interest income received from associates and subsidiaries

	Current Period	Prior Period
Interest Received from Investments in Associates and Subsidiaries	259,081	143,489

5.4.2 Interest Expenses

5.4.2.1 Interest expenses on funds borrowed (*)

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	123,697	459,703	100,964	643,374
Central Bank of Turkey	35,777	2,140	-	5,260
Domestic Banks	48,274	20,695	44,783	29,110
Foreign Banks	39,646	436,868	56,181	609,004
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	622,613	-	768,423
Total	123,697	1,082,316	100,964	1,411,797

(*) Includes also the fee and commission expenses on borrowings

5.4.2.2 Interest expenses paid to associates and subsidiaries

	Current Period	Prior Period
Interest Paid to Investments in Associates and Subsidiaries	247,165	339,980

5.4.2.3 Interest expenses on securities issued

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

5.4.2.4 Maturity structure of interest expense on deposits

Account Description	Demand Deposits	Time Deposits					Accumulating Deposit Accounts	Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over		
Turkish Lira								
Bank Deposits	1,209	42,080	-	-	-	-	-	43,289
Saving Deposits	10	172,583	3,406,542	21,974	20,636	140,525	-	3,762,270
Public Sector Deposits	-	7,522	6,553	-	-	1	-	14,076
Commercial Deposits	3	605,647	794,657	9,000	3,413	110,351	-	1,523,071
Other	-	12,858	61,431	14,518	14,287	391,330	-	494,424
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Total TL	1,222	840,690	4,269,183	45,492	38,336	642,207	-	5,837,130
Foreign Currency								
Foreign Currency Deposits	-	19,574	214,470	9,428	24,723	75,445	286	343,926
Bank Deposits	-	87	-	-	-	-	-	87
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	2	26	7,250	-	7,278
Total FC	-	19,661	214,470	9,430	24,749	82,695	286	351,291
Grand Total	1,222	860,351	4,483,653	54,922	63,085	724,902	286	6,188,421

Prior Period	Demand Deposits	Time Deposits					Accumulating Deposit Accounts	Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over		
Turkish Lira								
Bank Deposits	2,967	55,971	-	-	-	-	-	58,938
Saving Deposits	68	358,950	6,765,793	399,701	246,299	482,904	-	8,253,715
Public Sector Deposits	-	519	5,327	523	106	6	-	6,481
Commercial Deposits	235	1,234,477	1,405,787	77,172	66,937	139,589	-	2,924,197
Other	8	31,265	133,438	7,169	70,157	559,837	-	801,874
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Total TL	3,278	1,681,182	8,310,345	484,565	383,499	1,182,336	-	12,045,205
Foreign Currency								
Foreign Currency Deposits	14	128,390	1,075,032	50,348	89,702	148,649	346	1,492,481
Bank Deposits	-	2,680	-	-	-	-	-	2,680
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	52	173	89	4,979	-	5,293
Total FC	14	131,070	1,075,084	50,521	89,791	153,628	346	1,500,454
Grand Total	3,292	1,812,252	9,385,429	535,086	473,290	1,335,964	346	13,545,659

5.4.2.5 Interest expense on money market transactions

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

5.4.2.6 Interest expense on lease liabilities

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

5.4.2.7 Interest expenses on factoring payables

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

5.4.3 Dividend income

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

5.4.4 Trading income/losses

	<i>Current Period</i>	<i>Prior Period</i>
Income	101,422,795	89,433,323
Trading Account Income	3,195,008	648,418
Gains from Derivative Financial Instruments	11,113,931	9,406,252
Foreign Exchange Gains	87,113,856	79,378,653
Losses (-)	99,539,282	91,339,442
Trading Account Losses	960,228	449,857
Losses from Derivative Financial Instruments	12,760,703	12,416,212
Foreign Exchange Losses	85,818,351	78,473,373
Total	1,883,513	(1,906,119)

TL 4,705,972 (30 September 2019: TL 2,254,561) of foreign exchange gains and TL 1,842,032 (30 September 2019: TL 1,906,965) of foreign exchange losses are resulted from the exchange rate changes of derivative financial transactions.

The Bank enters into interest rate swap agreements in order to hedge the change in fair values of its fixed rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied fair value hedge accounting for the fixed rate eurobonds issued in 2011 with a total face value of USD 500,000,000, maturity of 10 years and maturity date of 20 April 2021 which were priced at 6.375% originally and had a coupon rate of 6.25%, by designating interest rate swaps with the same face values and terms. In June 2012, the Bank ceased to apply hedge accounting and accordingly fair value calculations for these bonds. The accumulated fair value differences incurred starting from the date of hedge accounting up to the date on which it was ceased, are amortized as per the effective interest-rate method in compliance with TFRS 9.

The Bank also enters into interest rate and cross currency swap agreements in order to hedge the change in cash flows of floating rate financial instruments due to fluctuations in market interest rates. In this respect, the Bank applied cash flow hedge accounting for funds borrowed amounting to USD 19,956,757 and EUR 21,052,642 and securitization borrowings amounting to EUR 37,736,834 by designating cross currency swaps with the same face values and terms and securitizations amounting to USD 437,459,350 and EUR 37,500,000 and deposits amounting to TL 2,210,000, USD 610,000,000 and forward EUR 480,000,000 by designating interest rate swaps with the same face values. Accordingly, in the current period, gain of TL 23,038 (30 September 2019: loss of TL 28,182) and loss of TL (253,654) (30 September 2019: TL (597,290)) 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 xx, USD 152,951,891 and EUR 46,653,560, for its fixed rate coupons with a total face value of TL xx and USD 387,500,000 and fixed-rate coupons with a total face value of EUR 23,800,000 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 50,788 (30 September 2019: gain of TL 211,538) and TL 424,243 (30 September 2019: gain of TL 240,227) 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.

5.4.5 Other operating income

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

	<i>Current Period</i>	<i>Prior Period</i>
Reversal of Prior Years’ Provisions	3,615,433	3,320,064
Stage 1 Provisions	1,071,793	808,667
Stage 2 Provisions	1,388,075	1,521,194
Stage 3 Provisions	1,087,508	846,323
Others	68,057	143,880
Revenues from Term Sale of Assets	71,377	58,506
Others	167,323	130,757
Total	3,854,133	3,509,327

5.4.6 Expected credit losses and other provisions

	<i>Current Period</i>	<i>Prior Period</i>
Expected Credit Losses	10,684,290	7,919,319
<i>12-Month ECL (Stage 1)</i>	<i>2,294,493</i>	<i>950,731</i>
<i>Lifetime ECL Significant Increase in Credit Risk (Stage 2)</i>	<i>4,604,506</i>	<i>2,653,444</i>
<i>Lifetime ECL Impaired Credits (Stage 3)</i>	<i>3,785,291</i>	<i>4,315,144</i>
Other Provisions	3,651,800	308,663
Impairment Losses on Securities	6,425	24,040
<i>Financial Assets Measured at Fair Value through Profit/Loss</i>	<i>4,315</i>	<i>3</i>
<i>Financial Assets Measured at Fair Value through Other Comprehensive Income</i>	<i>2,110</i>	<i>24,037</i>
Impairment Losses on Associates, Subsidiaries and Joint-ventures	293,323	-
<i>Associates</i>	<i>293,323</i>	<i>-</i>
<i>Subsidiaries</i>	<i>-</i>	<i>-</i>
<i>Joint-ventures</i>	<i>-</i>	<i>-</i>
Others	3,352,052	284,623
Total	14,336,090	8,227,982

5.4.7 Other operating expenses

	<i>Current Period</i>	<i>Prior Period</i>
Reserve for Employee Termination Benefits	86,266	88,588
Defined Benefit Obligation	-	-
Impairment Losses on Tangible Assets	100,583	-
Depreciation Expenses of Tangible Assets	258,389	270,999
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortisation Expenses of Intangible Assets	69,791	58,157
Impairment Losses on Investments Accounted under Equity Method	-	-
Impairment Losses on Assets to be Disposed	5,343	3,679
Depreciation Expenses of Right-of-use Assets	220,325	201,192
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	2,969,305	2,451,976
<i>Operational Lease related Expenses (*)</i>	135,902	121,693
<i>Repair and Maintenance Expenses</i>	39,730	47,537
<i>Advertisement Expenses</i>	91,220	90,844
<i>Other Expenses</i>	2,702,453	2,191,902
Loss on Sale of Assets	736	6,657
Others (**)	716,667	596,608
Total	4,427,405	3,677,856

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

(**)Includes saving-deposits-insurance-fund related expenses of TL 418,188 (30 September 2019: TL 296,704) in the current period.

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

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

5.4.9 Information on provision for taxes from continued and discontinued operations

As of 30 September 2020, the Bank recorded a tax charge of TL 2,357,699 (30 September 2019: TL 1,489,868) and a deferred tax income of TL 539,400 (30 September 2019: deferred tax charge of TL 338,970).

Deferred tax benefit/charge on timing differences:

Deferred tax benefit/(charge) on timing differences	<i>Current Period</i>	<i>Prior Period</i>
Increase in tax deductible timing differences (+)	1,360,130	498,063
Decrease in tax deductible timing differences (-)	(55,205)	(126,555)
Increase in taxable timing differences (-)	(858,637)	(135,561)
Decrease in taxable timing differences (+)	93,112	103,023
Total	539,400	338,970

Deferred tax benefit/charge in the statement of profit/loss arising on timing differences, tax losses and tax deductions and exemptions:

Deferred tax benefit/(charge) arising on timing differences, tax losses and tax deductions and exemptions	<i>Current Period</i>	<i>Prior Period</i>
Increase/(decrease) in tax deductible timing differences (net)	1,304,925	371,508
Increase/(decrease) in taxable timing differences (net)	(765,525)	(32,538)
Increase/(decrease) in tax losses (net)	-	-
Increase/(decrease) in tax deductions and exemptions (net)	-	-
Total	539,400	338,970

5.4.10 Information on net profit/loss from continued and discontinued operations

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

5.4.11 Net profit/loss

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

None.

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

None.

5.4.12 Components of other items in statement of profit/loss

The items in others under “Fees and commissions received” and “Fees and commissions paid” in the income statement include mainly fees and commissions related with credit card transactions and other banking services.

5.5 Statement of changes in shareholders’ equity

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

5.6 Statement of Cash Flows

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

5.7 Related Party Risks

5.7.1 Transactions with the Bank's risk group

5.7.1.1 Loans and other receivables

Current Period

Bank's Risk Group	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at beginning of period	7,260,837	1,576,370	1,628	991,046	791	45,586
Balance at end of period	10,574,863	2,096,318	652,565	704,816	106,277	53,342
Interest and Commission Income	352,990	8,443	464	-	4,777	124

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	5,638,055	1,498,526	108,221	942,442	83,353	36,351
Balance at end of period	7,260,837	1,576,370	1,628	991,046	791	45,586
Interest and Commission Income	146,542	11,384	2,204	-	6,765	41

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	1,797,896	1,074,063	131,127	108,961	89,892	89,808
Balance at end of period	636,404	1,797,896	39,359	131,127	142,520	89,892
Interest Expense	75,571	185,151	99	311	4,206	5,693

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	2,862,339	1,171,385	22,919,062	32,240,075	-	-
Balance at end of period	3,086,613	2,862,339	39,077,622	22,919,062	-	-
Total Profit/(Loss)	9,566	42,017	(320,962)	139,111	-	-
Transactions for Hedging:						
Balance at beginning of period	-	-	643,552	1,004,943	-	-
Balance at end of period	-	-	656,474	643,552	-	-
Total Profit/(Loss)	-	-	(1,006)	2,191	-	-

Based on the decision of the Banking Regulation and Supervision Agency dated 22 June 2018 and numbered 7855, the special purpose entity and Türk Telekom A.Ş. have not been included in the risk group in accordance with the articles 3 and 49 of the Banking Law No. 5411.

5.7.2 The Bank's risk group

5.7.2.1 Relations with companies in risk group of/or controlled by the Bank regardless of nature of current transactions

Transactions with the risk group, are held under arm's-length conditions; terms are set according to the market conditions and in compliance with the Banking Law. The Bank's policy is to keep the balances and transaction volumes with the risk group at reasonable levels preventing any high concentration risk on balance sheet.

5.7.2.2 Concentration of transaction volumes and balances with risk group and pricing policy

The cash loans of the risk group amounting TL 3,640,135 (31 December 2019: TL 2,101,157) compose 1.16% (31 December 2019: 0.84%) of the Bank's total cash loans and 0.76% (31 December 2019: 0.54%) of the Bank's total assets. The total loans and similar receivables amounting TL 11,333,705 (31 December 2019: TL 7,263,256) compose 2.36% (31 December 2019: 1.86 %) of the Bank's total assets. The non-cash loans of the risk group amounting TL 2,854,476 (31 December 2019: TL 2,613,002) compose 4.02% (31 December 2019: 4.32%) of the Bank's total non-cash loans.

The deposits of the risk group amounting TL 818,283 (31 December 2019: TL 2,018,915) compose 0.26% (31 December 2019: 0.81%) of the Bank's total deposits.

The funds borrowed by the Bank from its risk group amounting TL 21,050,854 (31 December 2019: TL 16,239,465) compose 70.58% (31 December 2019: 64.64%) of the Bank's total funds borrowed. The pricing in transactions with the risk group companies is set on an arms-length basis.

The credit card (POS) payables to the related parties, amounted to TL 190,961 (31 December 2019: TL 165,820).

A total rent income of TL 12,165 (30 September 2019: TL 10,270) was recognized for the real estates rented to the related parties.

Operating expenses for TL 39,697 (30 September 2019: TL 26,510) were incurred for the IT services rendered by the related parties. Banking services fees of TL 31,617 (30 September 2019: TL 22,554) were recognized from the related parties.

Insurance brokerage fee of TL 268,028 (30 September 2019: TL 151,417), shares brokerage fee of TL 38,759 (30 September 2019: TL 29,777), and fixed-rate securities brokerage fee of TL 3,042 (30 September 2019: TL 3,689).

Operating expenses of TL 60,403 (30 September 2019: TL 53,104) 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 51,882 as of 30 September 2020 (30 September 2019: TL 84,096).

5.7.2.3 Other matters not required to be disclosed

None (31 December 2019: None).

5.7.2.4 Transactions accounted for under equity method

Please refer to Note 5.1.10 investments in subsidiaries.

5.7.2.5 All kind of agreements signed like asset purchases/sales, service rendering, agencies, leasing, research and development, licenses, funding, guarantees, management services

The Bank has agency contracts with Garanti Yatırım Menkul Kıymetler AŞ and Garanti Emeklilik ve Hayat AŞ. Accordingly, all the branches of the Bank serve as agencies to sell the insurance products to customers. Agency services for trading of securities on behalf of the Bank's customers are rendered by specialized branches (Investment Centers).

Purchase of equipments for the Bank's internal use are partly arranged through leasing.

5.8 Domestic, foreign and off-Shore branches or equity investments, and foreign representative offices

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

5.9 Matters Arising Subsequent to Balance Sheet Date

None.

5.10 Other Disclosures on Activities of the Bank

5.10.1 Bank's latest international risk ratings

MOODY'S (September 2020)

Outlook	Negative
Long Term FC Deposit	Caa1 (Negative)
Long Term TL Deposit	B2(Negative)
Short Term FC Deposit	Not Prime
Short Term TL Deposit	Not Prime
Basic Loan Assessment	b3
Adjusted Loan Assessment	b3
Long Term National Scale Rating (NSR)	A1.tr
Short Term NSR	TR-1

^(*) Under watch for possible downgrade

FITCH RATINGS (September 2020)

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

JCR EURASIA RATINGS (August 2020)

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

5.10.2 Dividends

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

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

5.10.3 Other disclosures

None (31 December 2019: None).

6 Disclosures on Limited Review Report

6.1 Disclosure on limited review report

The unconsolidated financial statements of the Bank as of 30 September 2020, have been reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member of KPMG International Cooperative) and a limited review report dated 27 October 2020, is presented before the accompanying financial statements.

6.2 Disclosures and footnotes prepared by independent auditors

None.

7 Interim Activity Report

(Amounts are expressed in Turkish Lira (TL))

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

Türkiye Garanti Bankası A.Ş., announced its financial statements dated 30 September 2020. Based on the unconsolidated financials, the Bank's **net income** in the first 9 months of the year recorded as TL 5 billion 127 million 245 thousand. **Asset size** reached to TL 479 billion 713 million 596 thousand and the Bank's contribution to the economy through cash and non-cash **loans** increased to TL 366 billion 584 million 520 thousand. Actively managing the funding base, deposits continued to be the main funding source with 64% share in the total funding base. Deposit base reached to TL 308 billion 814 million 311 thousand with 24% growth in the first 9 months of the year. Preserving the strong capital stance, Bank's capital adequacy ratio was realized at 18.5%*. The Bank delivered an **ROAE** (Return on Average Equity) of 13.1%** and an **ROAA** (Return on Average Assets) of 1.7%**.

*Calculated without the forbearance introduced by BRSA

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

Commenting on the successful financial performance announced by **Garanti BBVA, Chairman Süleyman Sözen** stated that "The third quarter of 2020 has been a period of normalization which also was reflected in economic activity. We have seen net capital inflows to emerging countries starting as of August 2020. In the upcoming period, we expect an increase in capital inflows to emerging economies with the continuation of the expansionary policies of global central banks, the expected recovery in the global economy, and decrease in volatility. Compared to other countries, Turkey will also decouple in a positive manner with the implementation of right macro policies. Despite uncertainties in the current global economy, our year-end growth forecast for Turkey is 0%. Although this growth figure is well below Turkey's potential, I should emphasize that achievement of this figure means success in comparison to many other emerging economies.

The sound balance sheet and capital structure of the Turkish banking sector have been of utmost importance in the recovery of our economy. As Garanti BBVA, we will maintain our pioneering and leading role in the sector by preserving our robust capital, qualified human resources, and sound balance sheet management. We will continue to prioritize meeting the changing needs of our customers most effectively and innovatively."

Commenting on the topic, **Garanti BBVA CEO Recep Baştuğ** said: "The third quarter of this year was a period that we turned the impacts of the pandemic to positive and entered the path of normalization. In these extraordinary times we live through, we have preserved our strong and healthy stance as a bank, while providing the contribution that the economy needed. In the first half of the year, we have seen a front loaded demand as a result of the low interest environment and pandemic-driven liquidity need. The banking sector provided significant support to the economy especially on the business side. With the normalization process that started in June, the pent-up demand on consumer side started to emerge. Thus, unlike the previous period, this quarter's growth was realized on the consumer loans side with 7%*** growth. As a result, our TL loan growth reached 25%*** level since the beginning of the year. We expect the normalization in loan growth to be more visible in the upcoming period together with the headwinds from financial tightening.

In the third quarter, as Garanti BBVA, we maintained our cautious stance and continued to be one of the banks that set aside the highest provisions for loans. Our robust balance sheet structure and capital adequacy ratio of 16.9%***, which is well above the required levels, protect our bank in the recent volatile market conditions. On the other hand, our investments in technology and digitalization at the beginning of the pandemic paved the way for employee and customer satisfaction. Post pandemic, our monthly transaction volume reached its historically highest level. Share of digital in total transactions increased to 58% from 51% level seen at pre-pandemic period."

Mr Bastug calls out sustainability as one of the main strategies of Garanti BBVA and says that; “As Garanti BBVA, we have been working for more than 15 years to make a difference and voice the significance of this matter. We support international organizations, as well as domestic organizations, that focus on sustainability and participate in all kinds of initiatives that come to life. In this context, we signed the new CEO commitment declaration prepared by the United Nations Global Compact (UNGC), of which we are also a member. In the upcoming years, our efforts in raising awareness on the importance of the matter are going to continue in an increasing manner and our contribution to a sustainable future will grow.”

***Based on consolidated financials.

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

7.1.1 Selected Figures of Unconsolidated Financial Statements

Selected Balance Sheet Items	Current Period 30.Sep.2020	Prior Period 31.Dec.2019	Change Δ %
Total Assets	479,713,596	391,152,270	22.6%
Loans	314,396,192	251,165,373	25.2%
- Performing Loans	295,653,823	233,866,392	26.4%
- Non-Performing Loans	18,742,369	17,298,981	8.3%
Customer Deposits	307,622,937	246,268,283	24.9%
Shareholders' Equity	60,441,454	53,765,666	12.4%

Selected P&L Items	Current Period 30.Sep.2020	Prior Period 30.Sep.2019	Change Δ %
Net Interest Income	17,211,100	13,803,763	24.7%
Operating Expenses	7,186,296	6,322,328	13.7%
- HR Cost	2,758,891	2,644,472	4.3%
- Other Operating Expenses	4,427,405	3,677,856	20.4%
Net Fees&Commissions	4,485,712	4,482,042	0.1%
Net Income	5,127,245	4,936,429	3.9%

Selected Financial Ratios	Current Period 30.Sep.2020	Prior Period 31.Dec.2019	Change Δ bps
Performing Loans/Assets	61.6%	59.8%	184
Deposits/Assets	64.1%	63.0%	117
Return on Average Equity	13.1%	12.3%	85
Return on Average Assets	1.7%	1.6%	9
Cumulative Net Interest Margin (incl. swap costs)	5.9%	5.3%	54
Non-Performing Loans Ratio	6.0%	6.9%	-93
Capital Adequacy Ratio	18.52%*	19.57%	-105

* Calculated without the forbearance introduced by BRSA

Market Shares	Current Period 30.Sep.2020	Prior Period 31.Dec.2019	Change Δ bps
Performing Loans	9.6%	10.1%	-43
TL Performing Loans	9.4%	10.3%	-87
FC Performing Loans	10.0%	9.6%	36
Customer Deposits	9.9%	10.5%	-58
TL Customer Deposits	8.8%	9.7%	-90
FC Customer Deposits	10.7%	11.2%	-47

Garanti with Numbers	Current Period 30.Sep.2020	Prior Period 31.Dec.2019	Change Δ %
Branch Network	904	914	-1.1%
Number of Employees	18,612	18,784	-0.9%
ATM	5,213	5,260	-0.9%
POS*	685,308	651,860	5.1%
Number of Customers	18,507,144	17,639,898	4.9%
Number of Digital Customers**	9,286,568	8,352,034	11.2%
Number of Credit Card Customers	7,253,571	7,083,510	2.4%

*Includes shared and virtual POS.

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

7.2 The amendments in the articles of association during period of 01.01.2020-30.09.2020

The Ordinary General Shareholders' Meeting of the Bank for the 2019 accounting period was held on 17 July 2020, on Friday, at 10:00a.m., at the address of Levent, Nispetiye Mahallesi, Aytar Caddesi No:2 34340 Besiktas-ISTANBUL and it is resolved that Article 7 of the Articles of Association of the Bank be amended in order to extend the date of the Registered Capital Ceiling permission until the end of the year 2024.

The old and the amended new article in the Articles of Association are listed below.

OLD TEXT	NEW TEXT
<p>CAPITAL AND SHARES: Article 7 –</p> <p>A) The Bank has accepted the registered capital system under the permission of the Capital Markets Board no. 83/1049 dated August 25th, 1999. The Bank's registered capital amounts to 10.000.000.000.-TL and its issued capital amounts to 4.200.000.000.-TL.</p> <p>B) The Bank's issued capital has been divided into 420.000.000.000 shares each having a nominal value of 1.-Kr; and 182 shares of them are bearer shares and the remaining 419.999.999.818 shares are registered shares.</p> <p>The issued capital amount of 4.200.000.000.-TL has been fully paid-up.</p> <p>The permission of the registered capital ceiling that was granted by the Capital Market Board is valid between the years 2016 and 2020 (5 Years). At the end of 2020, even though the permitted registered capital ceiling has not been reached, in order for the Board of Directors to adopt a resolution regarding the capital increase, it is mandatory to obtain a permission from the Capital Market Board for the ceiling that was previously permitted or for a new ceiling amount and to receive an authorization from the General Assembly for a new time period. If such authorization could not be obtained, it shall be deemed that the Bank has been removed from the registered capital system. The Board of Directors shall be authorized, without being bound by the provisions of the Turkish Commercial Code regarding the increase in the capital stock, to increase the paid-in capital stock up to the registered capital stock ceiling mentioned hereinabove by issuing new shares between the years 2016 and 2020, in accordance with the provisions of the Capital Market Law.</p> <p>The Board of Directors shall also be authorized to resolve to issue shares above the nominal value and to restrict the rights of shareholders for obtaining new shares.</p>	<p>CAPITAL AND SHARES: Article 7-</p> <p>A)The Bank has accepted the registered capital system pursuant to the former Capital Markets Law No. 2499 and adopted registered capital system under the permission of the Capital Markets Board no. 83/1049 dated August 25th, 1999. The Bank's registered capital amounts to 10.000.000.000.-TL and its issued capital amounts to 4.200.000.000.-TL.</p> <p>B)The Bank's issued capital has been divided into 420.000.000.000 shares each having a nominal value of 1.-Kr; and 182 shares of them are bearer shares and the remaining 419.999.999.818 shares are registered shares.</p> <p>The issued capital amount of 4.200.000.000.-TL has been fully paid-up.</p> <p>The permission of the registered capital ceiling that was granted by the Capital Market Board is valid between the years 2020 and 2024 (5 Years). At the end of 2024, even though the permitted registered capital ceiling has not been reached, in order for the Board of Directors to adopt a resolution regarding the capital increase, it is mandatory to obtain a permission from the Capital Market Board for the ceiling that was previously permitted or for a new ceiling amount and to receive an authorization from the General Assembly for a new time period. If such authorization could not be obtained, the capital increase shall not be made by the board of directors' resolution. The Board of Directors shall be authorized, without being bound by the provisions of the Turkish Commercial Code regarding the increase in the capital stock, to increase the paid-in capital stock up to the registered capital stock ceiling mentioned hereinabove by issuing new shares between the years 2020 and 2024, in accordance with the provisions of the Capital Market Law.</p>

Shares representing the capital of the Bank shall be kept in book entry form and in cash within the frame of the dematerialization principles.

Holders of 182 bearer shares not converted into registered shares shall not use any shareholding right excluding the right to dividends. The shareholding rights of these shares except the right to dividends shall be utilized by the Savings Deposit Insurance Fund until these shares shall be converted to registered shares.

The Board of Directors shall also be authorized to resolve to issue shares above the nominal value and to restrict the rights of shareholders for obtaining new shares.

Shares representing the capital of the Bank shall be kept in book entry form and in cash within the frame of the dematerialization principles.

Holders of 182 bearer shares not converted into registered shares shall not use any shareholding right excluding the right to dividends. The shareholding rights of these shares except the right to dividends shall be utilized by the Savings Deposit Insurance Fund until these shares shall be converted to registered shares.

7.3 Announcements regarding important developments in the period of 01.01.2020-30.09.2020

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

7.4 Assessment of financial information and risk management

You may find information regarding the assessment of financial position, profitability and debt payment capability, risk management explanations and ratings in the financial statements for the period ended 30 September 2020. Additionally, you may find detailed information in the earnings presentation regarding financial results of the related period published on Garanti BBVA Investor Relations website at www.garantibbvainvestorrelations.com.

You may find financial information on Garanti BBVA for the most recent five year period in the 2019 Integrated Annual Report that was published on the Public Disclosure Platform, the Bank's website, Garanti BBVA Investor Relations website and at www.garantibbvainvestorrelations.com/en/integrated-annual-report/.

7.5 Information regarding management and corporate governance practices

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

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

7.6 Forward looking statements regarding the expectations

As per the Article 10 of the "Communiqué on Material Events Disclosure" (II-15.1) of Capital Markets Board, T. Garanti Bankası A.Ş has announced its forward looking statements regarding the expectations for the year 2020. You may access the related presentation that was published on the Public Disclosure Platform, the Bank's website and Garanti BBVA Investor Relations' website at www.garantibbvainvestorrelations.com in [Operating Plan Guidance Presentations](#) section.

As of 30 June 2020, the following revisions were made in 2020 Operating Plan Guidance.

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

As of 30 September 2020, there are no other revisions to the forward looking statements regarding the expectations for the year 2020.

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